

A S 0 9 3 - 7 9 4 6

S.E.C. Registration Number

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

(Company's Full Name)

7 / F 1 8 8 0 E A S T W O O D A V E N U E
E A S T W O O D C I T Y C Y B E R P A R K
B A G U N B A Y A N Q U E Z O N C I T Y

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

DINA D.R. INTING

Contact Person

8709-2038 to 41

Company Telephone Number

1 2

Month

3 1

Day

Fiscal Year

S E C F O R M 2 0 - I S

FORM TYPE

(Definitive Information Statement)

06

Month

3rd Thurs.

Day

Certificate of Permit to Offer Securities for Sale

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

NOTICE AND AGENDA OF THE ANNUAL MEETING OF STOCKHOLDERS**TO ALL STOCKHOLDERS:**

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders (the "Annual Meeting") of Alliance Global Group, Inc. (the "Company") will be held on **16 June 2022** at **9:00 a.m.** to be conducted virtually, through the link <https://www.allianceglobalinc.com/asm2022> that can be accessed through the Company's website, with the following agenda:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Meeting of Stockholders held on 17 June 2021
4. Report of Management for Year 2021
5. Appointment of Independent Auditors
6. Ratification of Acts of the Board of Directors, Board Committees, and Officers
7. Election of Directors
8. Other matters
9. Adjournment

Stockholders of record as of 19 May 2022 will be entitled to notice of, and to vote at, the Annual Meeting.

As provided under Sections 23 and 57 of the Revised Corporation Code and the Company's Amended By-Laws, the Company will hold the Annual Meeting via remote communication, and allow the stockholders to cast their votes by remote communication or *in absentia*, or by proxy.

To participate in the Annual Meeting, stockholders must register from 9:00 a.m. of **26 May 2022** until 5:00 p.m. of **09 June 2022**. The procedure for participation via remote communication and *in absentia* are contained in the Information Statement.

Stockholders who wish to appoint proxies may submit proxy instruments until 5:00 p.m. of **09 June 2022**, to the Office of the Corporate Secretary at the 9th Floor, Eastwood Global Plaza, Palm Tree Avenue, Eastwood City CyberPark, Bagumbayan, Quezon City or by email to corporatesecretary@allianceglobalinc.com. Validation of proxies shall be held on 13 June 2022. A sample proxy form will be enclosed in the Information Statement for your convenience.

The Information Statement and other pertinent documents and information on the Annual Meeting are available through the Company's website. For any clarifications, please contact the Office of the Corporate Secretary via email at corporatesecretary@allianceglobalinc.com.

Taguig City, Metro Manila, Philippines, 04 May 2022.



ALAN B. QUINTANA
Corporate Secretary

EXPLANATION OF AGENDA ITEMS

1. **Call to Order**

The Annual Meeting will be formally opened at approximately 9:00 o'clock in the morning.

2. **Certification of Notice and Quorum**

The Corporate Secretary will certify that the written notice for the meeting was duly sent to stockholders of record, including the date of publication and the newspapers where the notice was published. The Corporate Secretary will also certify that a quorum exists, and the stockholders representing at least a majority of the outstanding capital stock, present in person or by proxy, shall constitute a quorum for the transaction of business.

Pursuant to the Company's Amended By-Laws and Sections 23 and 57 of the Revised Corporation Code which allow voting *in absentia* by the stockholders, stockholders may register by submitting requirements via email at corporatesecretary@allianceglobalinc.com and vote *in absentia* on the matters for resolution at the meeting. A stockholder who votes *in absentia* as well as a stockholder participating by remote communication shall be deemed present for purposes of quorum.

Please refer to **Annex "A"** on the Procedures and Requirements for Voting and Participation in the Annual Meeting for complete information on remote participation or voting *in absentia*, as well as on how to join the livestream for the Annual Meeting.

3. **Approval of the Minutes of the Annual Meeting of Stockholders held on 17 June 2021**

The minutes of the meeting held on 17 June 2021 are available at the Company's website, <https://www.allianceglobalinc.com/> and attached in this Information Statement as **Annex "B"**.

4. **Report of Management for Year 2021**

The performance of the Company in 2021 will be reported.

5. **Appointment of Independent Auditors**

The election of the external auditor for the ensuing year will be endorsed to the stockholders for approval. The external auditor conducts an independent verification of the Company's financial statements and provides an objective assurance on the accuracy of its financial statements.

6. **Ratification of Acts of the Board of Directors, Board Committees, and Officers**

The actions of the Board, its committees and officers were those taken since the annual stockholders' meeting on 17 June 2021 until 15 June 2022. These include, among others, the internal procedures for participation in meetings and voting through remote communication or *in absentia*, the appointment of officers in the corporation, opening and maintenance of bank accounts and other bank transactions, approval and issuance of financial statements, appointment of proxies and nominees, designation of authorized contract signatories and representatives, appointment of attorneys-in-fact, investment and financing activities in the ordinary course of business, other similar activities of the Company, and other matters covered by disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange. The acts of the officers were those taken to implement the resolutions of the Board or its committees or made in the general conduct of business.

7. **Election of Directors**

Nominees for election of seven (7) members of the Board of Directors, including Three (3) independent directors, will be submitted for election by the stockholders. The profiles of the nominees to the Board of Directors are provided in the Information Statement.

8. Other Matters

Other concerns or matters raised by stockholders will be discussed.

9. Adjournment

Upon determination that there are no other matters to be considered, the meeting shall be adjourned.

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:
 Preliminary Information Statement
 Definitive Information Statement
2. Name of Registrant as specified in its charter: **ALLIANCE GLOBAL GROUP, INC.**
3. Province, country or other jurisdiction of incorporation or organization:
METRO MANILA, PHILIPPINES
4. SEC Identification Number: **ASO93-7946**
5. BIR Tax Identification Code: **003-831-302-000**
6. Address of Principal Office:
7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City, Metro Manila, Philippines 1110
7. Registrant's telephone number, including area code: **(632) 8709-2038 to 41**
8. Date, time and place of the meeting of security holders:
16 June 2022, 9:00 AM
by livestream access via <https://www.allianceglobalinc.com/asm2022>
The Presiding Officer shall call and preside the Meeting in Quezon City, Metro Manila.
9. Approximate date on which the Information Statement is first to be sent or given to security holders: **25 May 2022**
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

| Title of Each Class | Number of Shares of Common Stock Outstanding (as of 30 April 2022) |
|---------------------|---|
| Common | 9,465,964,879 |
| Treasury | 803,863,100 |

11. Are any or all of registrant's securities listed in a Stock Exchange?
Yes

Disclose the name of such Stock Exchange: **Philippine Stock Exchange; Common Shares**

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE NOT REQUESTED TO SEND US A PROXY.

SAMPLE ONLY

PROXY

The undersigned shareholder(s) of **ALLIANCE GLOBAL GROUP, INC.** (the "Company") hereby appoint/s _____ or in his absence, the Chairman of the Annual Stockholders' Meeting, as proxy of the undersigned shareholder(s) at the Annual Meeting of Stockholders scheduled on 16 June 2022 at 9:00 in the morning, via livestream access through the link available at the Company's website, and/or at any postponement or adjournment thereof, and/or any annual stockholders' meeting of the Company, which appointment shall not exceed five (5) years from date hereof.

The undersigned shareholder(s) hereby direct/s the said proxy to vote all shares on the agenda items set forth below as expressly indicated by marking the same with [√] or [X]:

| ITEM NO. | SUBJECT | ACTION | | |
|----------|--|--------|---------|---------|
| | | FOR | AGAINST | ABSTAIN |
| 3 | Approval of the Minutes of the Annual Meeting of Stockholders held on 17 June 2021 | | | |
| 5 | Appointment of Independent Auditors | | | |
| 6 | Ratification of Acts of the Board of Directors, Board Committees and Officers | | | |
| 7 | Election of Directors | | | |
| | Andrew L. Tan | | | |
| | Kevin Andrew L. Tan | | | |
| | Kingson U. Sian | | | |
| | Katherine L. Tan | | | |
| | Enrique M. Soriano, III – Independent Director | | | |
| | Anthony T. Robles - Independent Director | | | |
| | Jesli A. Lapus. - Independent Director | | | |

PRINTED NAME OF
SHAREHOLDER

SIGNATURE OF
SHAREHOLDER/
AUTHORIZED SIGNATORY

NUMBER OF SHARES
TO BE
REPRESENTED

DATE

This proxy should be submitted no later than 5:00 PM of 09 June 2022, to the Office of the Corporate Secretary at the 9th Floor, Eastwood Global Plaza, Palm Tree Avenue, Eastwood City CyberPark, Bagumbayan, Quezon City, or by email to corporatesecretary@allianceglobalinc.com.

This proxy when properly executed will be voted in the manner as directed herein by the shareholder. If no direction is made, the proxy will be voted for the election of all nominees and for the approval of all matters stated above and for such other matters as may properly come before the meeting in the manner described in the information statement.

A shareholder giving a proxy has the power to revoke it at any time before the right granted is exercised. A proxy is also considered revoked if the shareholder attends the meeting in person and expressed his intention to vote in person.

This proxy does not need to be notarized.

Partnerships, Corporations and Associations must attach their respective certified resolutions particularly designating therein the name/s of their Proxy/Representative and Authorized Signatory/ies.

THIS FORM IS NOT A SOLICITATION TO EXECUTE OR DESIGNATE A PROXY

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time and place of annual meeting of security holders.

Date & time: 16 June 2022, 9:00 AM
Place: by livestream access via <https://www.allianceglobalinc.com/asm2022>.
The Presiding Officer shall call and preside the Meeting in Quezon City, Metro Manila.

Principal office: 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City, Metro Manila, Philippines 1110

Approximate date on which the Information Statement is first to be sent or given: 25 May 2022

The Company is not soliciting proxies. We are not asking for a proxy. Neither are you required to send us a proxy.

Item 2. Dissenter's Right of Appraisal

There are no matters to be acted upon or proposed corporate action in the agenda for the annual meeting of stockholders that may give rise to possible exercise by a dissenting stockholder of its appraisal rights under Title X of the Revised Corporation Code of the Philippines.

Any stockholder of the Company shall have the right to dissent and demand payment of the fair value of his shares in the following instances: (1) in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (2) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Code; (3) in case of merger or consolidation, and (4) in case of investment of corporate funds for any purpose other than the primary purpose of the Company.

The dissenting stockholder who votes against a proposed corporate action may exercise the right of appraisal by making a written demand on the Company for the payment of the fair value of shares held within thirty (30) days from the date on which the vote was taken, provided, that failure to make the demand within the 30-day period shall be deemed a waiver of the appraisal right. From the time of the demand for payment of the fair value of a stockholder's shares until either the abandonment of the corporate action involved or the purchase of the dissenting shares by the Company, all rights accruing to such shares shall be suspended in accordance with the provisions of the Code, except the right of such stockholder to receive payment of the fair value thereof, provided that if the dissenting stockholder is not paid the value of his shares within 30 days after the award, the voting and dividend rights shall immediately be restored. If the proposed corporate action is implemented or effected, the Company shall pay to such stockholder, upon surrender of the stock certificate(s) representing his shares, the fair value thereof as of the day before the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If the fair value is not determined within sixty (60) days from the date the corporate action was approved by the stockholders, it will be determined and appraised by three (3) disinterested persons (one chosen by the Company, another chosen by the dissenting stockholder and the third by the two thus chosen). The findings of the majority of the appraisers shall be final, and their award shall be paid by the Company within thirty (30) days after such award is made. *Provided*, that no payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment: *Provided*, further, that upon payment by the Company of the agreed or awarded price, the dissenting stockholder shall forthwith transfer his shares to the Company.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

(a) No officer or director at any time since the beginning of last fiscal year, or nominee for election as director, or associate of any of these persons, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon, other than election to office.

(b) No director has informed the Company in writing of his/her intention to oppose any matter to be acted upon at the Annual Stockholders' Meeting ("Meeting").

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) Each of the 9,465,964,879 common shares outstanding as of 19 May 2022 shall be entitled to one vote with respect to all matters to be taken up during the Meeting.

(b) All stockholders of record as of 19 May 2022 are entitled to notice of, and to vote at, the Meeting either in person or by proxy. The Company is not soliciting your proxy.

(c) Pursuant to Sections 23 and 57 of the Revised Corporation Code and SEC Memorandum Circular No. 06, Series of 2020 allowing voting through remote communication or *in absentia*, stockholders may now participate in the Annual Meeting by remote communication and cast their votes *in absentia*. A stockholder may cast his/her votes by remote communication or *in absentia* until 5:00 pm of 09 June 2022. A stockholder voting remotely or *in absentia* shall be deemed present for purposes of quorum. Please refer to **Annex "A"** on the Procedures and Requirements for Voting and Participation in the 2022 ASM for complete information on voting via remote participation or voting in absentia, as well as on how to join the livestream for the Annual Meeting.

(d) All stockholders shall have cumulative voting rights with respect to the election of the members of the board of directors of the Company. Cumulative voting entitles each stockholder to cumulate his shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or distribute them on the same principle among as many nominees as he shall see fit; provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected. There is no condition precedent to the exercise thereof and discretionary authority to cumulative votes is not solicited.

(e) Security Ownership of Certain Record and Beneficial Owners and Management:

Security Ownership of Holders of more than 5% of the Company's Voting Securities as of 31 March 2022:

| <u>Title Of Class</u> | <u>Name and Address of Record Owner & Relationship w/ Issuer</u> | <u>Beneficial Owner & Relationship w/ Record Owner</u> | <u>Citizenship</u> | <u>No. of Shares</u> | <u>Percent Owned</u> |
|-----------------------|--|---|--------------------|--|----------------------|
| Common | THE ANDRESONS GROUP, INC. 18 th Floor Alliance Global Tower, 36 th Street cor. 11 th Avenue, Uptown Bonifacio, Taguig City <i>A Record Owner/stockholder of the issuer.</i> | Andrew L. Tan, Chairman of the Board, is authorized to appoint proxy to vote for the shares | Filipino | 4,693,783,694 (common) | 49.59 |
| Common | YORKSHIRE HOLDINGS, INC. 18th Floor Alliance Global Tower 26th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City <i>A Record Owner/Stockholder of the issuer.</i> | Andrew L. Tan, Chairman of the Board, is authorized to appoint proxy to vote for the shares | Filipino | 1,363,455,842 ¹ (common) | 14.40 |
| Common | PCD Nominee Corporation G/F Makati Stock Exchange Bldg., | THE HONGKONG AND SHANGHAI CORP. LTD | Non-Filipino | 816,063,251 (common) | 8.62 |

¹ This includes direct and indirect beneficial ownership through Altavision Resources, Inc. and Asiagroup Holdings, Inc.

| | | | | | |
|--------|--|-------------------------|--------------|----------------------|------|
| | 6767 Ayala Avenue, Makati City <i>A Record Owner/Stockholder of the issuer.</i> | - CLIENT'S ACCT. | | | |
| Common | PCD Nominee Corporation (Filipino) G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City <i>A Record Owner/Stockholder of the issuer.</i> | STANDARD CHARTERED BANK | Non-Filipino | 573,875,016 (common) | 6.06 |
| Common | PCD Nominee Corporation (Filipino) G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City <i>A Record Owner/Stockholder of the issuer.</i> | CITIBANK N.A. | Non-Filipino | 543,820,801 (common) | 5.74 |

Security Ownership of Directors and Management as of 31 March 2022:

| Title of Class | Name of Beneficial Owner | Citizenship | Nature of Beneficial Ownership | Amount of Beneficial Ownership (Common) | Percent Owned |
|---|---------------------------|-------------|--------------------------------|---|---------------|
| Common | Andrew L. Tan | Filipino | Direct | 63,684,350 | 0.67 |
| Common | Kevin Andrew L. Tan | Filipino | Direct | 1 | 0.00 |
| Common | Kingson U. Sian | Filipino | Direct | 5,001,100 | 0.05 |
| Common | Winston S. Co | Filipino | Direct | 2,728 | 0.00 |
| Common | Katherine L. Tan | Filipino | Direct | 1 | 0.00 |
| Common | Sergio R. Ortiz-Luis, Jr. | Filipino | Direct | 1 | 0.00 |
| Common | Jesli A. Lapus | Filipino | Direct | 1 | 0.00 |
| Common | Dina D.R. Inting | Filipino | Direct | 1,100 | 0.00 |
| | | | Indirect | 1,658 | 0.00 |
| Common | Alan B. Quintana | Filipino | Direct | 0 | 0.00 |
| Common | Nelileen S. Baxa | Filipino | Direct | 0 | 0.00 |
| Directors and Executive Officers as a Group | | | | 68,688,212 | 0.72 |

There are no indirect beneficial ownership of the named Directors and Officers, except for Ms. Dina D.R. Inting as indicated above.

Voting Trust Holders of 5% or More

The Company has no knowledge of persons holding more than 5% of its voting securities under a voting trust or similar agreement.

Change in Control

The Company has no knowledge of any arrangements among stockholders that may result in a change in control of the Company.

Item 5. Directors and Executive Officers

Incumbent

The following are the incumbent directors and executive officers of the Company:

| Name | Age | Citizenship | Present Position |
|---------------------|-----|-------------|---|
| Andrew L. Tan | 72 | Filipino | Chairman of the Board |
| Kevin Andrew L. Tan | 42 | Filipino | Vice Chairman and Chief Executive Officer |
| Kingson U. Sian | 60 | Filipino | President |
| Katherine L. Tan | 70 | Filipino | Director and Treasurer |

| | | | |
|---------------------------|----|----------|---|
| Winston S. Co | 64 | Filipino | Director |
| Sergio R. Ortiz-Luis, Jr. | 78 | Filipino | Independent Director |
| Jesli A. Lapus | 72 | Filipino | Independent Director |
| Dina D.R. Inting | 62 | Filipino | Chief Financial Officer, Compliance Officer and Corporate Information Officer |
| Alan B. Quintana | 53 | Filipino | Corporate Secretary |
| Nelileen S. Baxa | 43 | Filipino | Asst. Corporate Secretary |

There are seven (7) members of the Company's Board of Directors, two (2) of whom are independent directors. All incumbent directors were elected during the annual meeting of stockholders held on June 17, 2021 and will hold office for one (1) year and/or until their successors are elected and qualified.

Background

Andrew L. Tan Chairman of the Board

Dr. Tan, 72 years old, Filipino, has served as Chairman of the Board since September 2006. He 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 2021 | 8 |
| Megaworld Corporation | Chairman & President | Aug 1989 | June 2021 | 32 |
| Global-Estate Resorts, Inc. (subsidiary of Megaworld) | Chairman | January 2011 | June 2021 | 10 |
| Empire East Land Holdings, Inc. (subsidiary of Megaworld) | Chairman | July 1994 | June 2021 | 27 |

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

Kevin Andrew L. Tan CEO and Vice-Chairman

Mr. Tan, 42 years old, Filipino, 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 companies:

| Listed Company | Position | Date First Elected | Date Last Elected | No. of Term/Years |
|---------------------------------|---|--------------------|-------------------|-------------------|
| Emperador Inc. | Director | October 2017 | May 2021 | 4 |
| Empire East Land Holdings, Inc. | Director | June 2015 | June 2021 | 6 |
| Global-Estate Resorts, Inc. | Director | June 2014 | June 2021 | 7 |
| Megaworld Corporation | Executive Vice President and Chief Strategy Officer | November 2018 | June 2021 | 3 |
| MREIT, Inc. | President and CEO | October 2020 | May 2021 | 1 |

He is concurrently the Chairman and President of Infracorp Development, Inc., Director and President of Townsquare Development, Inc., Director and Corporate Secretary of Alliance Global Brands, Inc., Director and Treasurer of Consolidated Distillers of the Far East, Inc. and Uptown Cinemas, Inc., Executive Director of Megaworld Foundation, Inc., and Director of Emperador Distillers, Inc., Anglo Watsons Glass, Inc., Yorkshire Holdings, Inc., The Bar Beverage, Inc., Emperador Brandy, Inc., New Town Land Partners, Inc., Eastwood Cyber One Corporation, Twin Lakes Corporation, Alcazar De Bana Holdings Company, Inc., Cocos Vodka Distillers Philippines, Inc., Zabana Rum Company, Inc., and The Andresons Group Incorporated. He is also Chairman and CEO of Agile Digital Ventures, Inc., Megaworld Corporation's digital investment arm that is engaged in investing and building technology start-ups. He has over 11 years of experience in retail leasing, marketing and operations. 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 Arts Major in Humanities with Professional Certificate in Management, from the University of Asia and the Pacific.

Kingson U. Sian
Director and President

Mr. Sian, 60 years old, Filipino, 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 2021 | 14 |

He is the Chairman and President of Asia Finest Hotels & Resorts, Inc. Eastwood Locator's Assistance Center, Inc., and Prestige Hotels & Resorts, Inc., Director/President of Adams Properties, Inc. and Eastwood Cyber One Corporation; Director and Treasurer of Asian E-Commerce, Inc., Director of Citywalk Building Administration, Inc., Forbes Town Commercial Center Administration, Inc., and Paseo Center Building Administration, Inc. He is the Senior Vice President 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, 70 years old, Filipino 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 2021 | 8 |
| Megaworld Corporation | Director | Aug 1989 | June 2021 | 32 |
| MREIT, Inc. | Director | May 2021 | May 2021 | 0 |

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, Incorporated. She is the Director/Treasurer of Alliance Global Brands, Inc., Emperador Brandy, Inc., Emperador Distillers, Inc., Progreen Agricorp, Inc., Cocos Vodka Distillers Philippines, Inc., Zabana Rum Company, Inc., and Yorkshire Holdings, Inc. She is also Director and Corporate Secretary of The Bar Beverage, Inc. and Director of Anglo Watsons Glass, Inc., Alcazar De Bana Holdings, Inc., Emperador International Limited, Kenrich Corporation, McKesterPik-Nik International Limited, Megaworld Cayman Islands, Inc., and Venezia Universal Limited. 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, 64 years old, Filipino, 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 | August 2013 | May 2021 | 8 |

He is concurrently Chairman and President of New Town Land Partners, Inc.; Director and President of Emperador Distillers, Inc.; Chairman of Anglo Watsons Glass, Inc.; President of Cocos Vodka Distillers Philippines, Inc., Director and President of Alliance Global Brands, Inc., Director and Treasurer of Raffles & Company, Incorporated; and Director of 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, Jr., 79 years old, Filipino, 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 and CEO of the Philippine Exporters Confederation, Inc. (PHILEXPORT), Honorary Chairman and Treasurer of the Philippine Chamber of Commerce & Industry, President of Employers Confederation of the Philippines and Vice Chairman of Export Development Council. He is a Director of Waterfront Philippines, Inc., Philippine Estate Corporation, B.A. Securities, Manila Exposition Complex, Inc. and Jollville Holdings. He is also an Independent Director of Forum Pacific, Inc. Corporation and Calapan Ventures, Inc.

Jesli A. Lapus
Independent Director

Dr. Lapus, 72 years old, Filipino, has served as Independent Director since June 2021. He holds position in the following other listed company:

| Listed Company | Position | Date First Elected | Date Last Elected | No. of Term/ Years |
|----------------|----------------------|--------------------|-------------------|--------------------|
| Emperador Inc. | Independent Director | May 2021 | May 2021 | 1 |

Dr. Lapus is currently Chairman and Independent Director of STI Education Services Group, Inc. since 2013 and Chairman of LSERV Corporation since 2012. He is Independent Director of Information and Technology Academy (iAcademy) since 2010, Philippine Life Financial Assurance Corporation since 2012 and STI Education Systems Holdings, Inc. since 2013. He is also an Advisor of Radiowealth Finance Company, Inc. He is a former Chairman of the Board of Investments, Philippine Exports Zone Authority, National Development Corporation, Export Development Council, Export Development Council, Micro, Medium and Small Enterprises Council (MSMED), Summer Institute of Linguistics (SIL) and Manila Tytana Colleges. He is a former Board Member of the Land Bank of the Philippines, Philippine Airlines, Meralco, and Union Bank of the Philippines; former Governor/Trustee of the Asian Institute of Management, Management Association of the Philippines, and Bankers Association of the Philippines; and former Advisor of Philplans First, Inc.

As a top executive in the private sector, he has successfully managed celebrated firms and a universal bank in attaining industry leadership. As the youngest President and CEO of the Landbank of the Philippines at 42 years old, Lapus steered the bank from number 18 to become the 3rd biggest in the banking industry. As the first Filipino and the youngest Managing Director of the German multinational company Triumph International (Phils.), Inc. from 1979-1985, he led it to become the biggest manufacturing operation of its kind in the world making it a top Philippine exporter and employer. At 23, he was the Chief Finance Officer (CFO) of the Ramcar Group where he engineered mergers and acquisitions which established Ramcar as the undisputed market leader in the country. At age 20, he was Auditor-in-Charge and Management Consultant at SGV & Co., CPA's (1969-1973).

Dr. Lapus has the distinction of having served in the cabinets of three (3) Philippine Presidents in the following capacities: Secretary of the Department of Trade and Industry, Secretary of the Department of Education, President and CEO of The Land Bank of the Philippines, and Undersecretary of the Department of Agrarian Reform. He had been elected member of the Philippine Congress for three consecutive terms in 1998-2007 where he spearheaded many famous legislation such as the 2005 Fiscal Reform Measures (EVAT, Sin Taxes, Tax Amnesty and Attrition Law).

Dr. Lapus has been elected by the 180-country international organization, the United Nations Educational and Scientific Council (UNESCO) in Paris, France as a member of its Executive Board. He also served as the President of the South East Asian Ministers of Education Council (SEAMEO).

Dr. Lapus received his Doctor of Public Administration (Honoris Causa) from the Polytechnic University of the Philippines and his Master in Business Management from the Asian Institute of Management and is a Certified Public Accountant. He also pursued his Post Graduate Studies in Investment Appraisal and Management from Harvard University, USA; Management of Transfer of Technology from INSEAD, France; Project Management from BITS, Sweden; Personal Financial Planning from UCLA, USA; and Cursos Internacionales from the Universidad de Salamanca, Spain.

Dina D.R. Inting
Chief Financial Officer

Ms. Inting, 62 years old, Filipino, 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 2021 | 8 |

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 in SGV & Co., Raffles & Company, Inc. and First Oceanic Property Management, Inc. She is a Cum Laude graduate of Bachelor of Science in Commerce major in

Accounting, Honors Program, at the Philippine College of Commerce (Polytechnic University of the Philippines), holds a certificate in Organizational Development from the Ateneo de Manila University, and is a Certified Public Accountant.

Alan B. Quintana
Corporate Secretary

Mr. Quintana, 53 years old, Filipino, 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 Compañía de Sta. Barbara, Inc., Pioneer L-5 Realty Corporation, and Golden Sun Airways, Inc. Prior to GERI, he worked as Corporate Legal Counsel of Fil-Estate Properties, Inc. from 1995-2011. He has a degree in Bachelor of Science in Commerce Major in Accounting from the University of San Carlos and obtained his Bachelor of Laws degree from the San Beda College of Law.

Nelileen S. Baxa
Assistant Corporate Secretary

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

| Listed Company | Position | Date First Elected | Date Last Elected | No. of Terms/ Years |
|--------------------------------|---|--------------------|-------------------|---------------------|
| Suntrust Home Developers, Inc. | Corporate Secretary and Corporate Information Officer | Oct 2020 | Oct 2021 | 1 |
| Megaworld Corporation | Assistant Corporate Secretary | Oct 2020 | June 2021 | 1 |
| Global-Estate Resorts, Inc. | Assistant Corporate Secretary | Oct 2020 | June 2021 | 1 |

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

Procedure for Nomination and Election of Independent Directors

Pursuant to Article II, Section 2 of the Company’s Amended By-Laws and the Revised Manual on Corporate Governance, the nomination and election of independent directors shall be conducted in accordance with SRC Rule 38.

SRC Rule 38 provides that the nomination and election of independent directors shall be conducted in accordance with the following rules:

1. Nomination of independent directors shall be conducted by the Corporate Governance Committee prior to a stockholders’ meeting. All recommendations shall be signed by nominating stockholders and shall bear the conformity of the nominees.
2. The Corporate Governance Committee shall pre-screen the nominees and prepare a final list of candidates.
3. The final list of candidates shall contain the business and/or professional experience of the nominees for independent directors, which list shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement, in accordance with SRC Rule 20, or in such other reports the Company is required to submit to the Commission. The name of the person or group of persons who recommended the nominees

for independent directors shall be identified in such report including any relationship to the nominees.

4. Only nominees whose names appear in the final list of candidates shall be eligible for election as independent directors. No other nominations shall be entertained after the final list of candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders' meeting.
5. The conduct of the election of independent directors shall be made in accordance with the standard election procedures of the Company in its By-laws, subject to pertinent laws, rules and regulations of the Commission.
6. It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent directors. He shall ensure those independent directors are elected during the stockholders' meeting.
7. In case of failure of election for independent directors, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.

The Company is required to have at least two (2) independent directors in its Board of Directors, who are each independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in the Company. An independent director should have at least one (1) share of the Company's common stock, a college graduate or has been engaged or exposed to the business for at least five (5) years, and possesses integrity/probity and assiduousness. Pursuant to SEC Memorandum Circular No. 04, Series of 2017, the independent directors shall serve for a maximum cumulative term of nine (9) years, reckoned from 2012. After which, the independent director should be perpetually barred from reelection as such in the Corporation but may continue to qualify for nomination and election as a non-independent director. If the Corporation wants to retain an independent director who has served for nine years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.

There shall be no limit in the number of covered companies that a person may be elected as Independent Director, except in business conglomerates where he can be elected to only five (5) companies of the conglomerate, i.e., parent company, subsidiary or affiliate.

Nominees

Directors are elected annually by the stockholders at the annual stockholders' meeting to serve until the election and qualification of their successors. The Corporate Governance Committee composed of Sergio R. Ortiz-Luis, Jr. as Chairman and Jesli A. Lapus and Kevin Andrew L. Tan as members accept nominees to the Board of Directors, including nominees for independent directors. The Committee is responsible for screening and qualifying the list of nominees. The following is the complete and final list of nominees for members of the Board of Directors:

1. Andrew L. Tan
2. Kevin Andrew L. Tan
3. Kingson U. Sian
4. Katherine L. Tan
5. Enrique M. Soriano, III – Independent Director
6. Anthony T. Robles – Independent Director
7. Jesli A. Lapus. – Independent Director

Enrique M. Soriano, III Nominee for Independent Director

Mr. Soriano, 54 years old, Filipino is concurrently an Independent Director of MREIT Fund Managers, Inc. and Travellers International Hotel Group, Inc. He is currently the Executive Director of the Wong + Bernstein Group, an Asia Pacific based Strategic Advisory Firm that specializes on Family Governance and Next Generation Leadership. He is also a Senior Advisor at Family in Business Strategic Group, and a Senior Fellow on Governance at the IPMI International Business School in Jakarta. He also sits as a Director and/or Board advisor to 25 UHNW (ultra-high net worth families) in the ASEAN region. He is also a Columnist and Book Author.

He is a former World Bank/ International Finance Corporation Governance Consultant, Dean of Education at the Manuel L. Quezon University, Senior Professor of Service and Global Marketing at the Ateneo Graduate School of Business, and Country President of Electronic Realty Associates (ERA Philippines.). His advocacy related to Real Estate Innovation, Strategic Management and Corporate Governance has made him a sought-after Senior Advisor to family owned businesses in Asia and resource speaker in international conferences in the US, Canada, UK, ASEAN and Africa. Due to his strategic advocacies, he has been recognized and invited to lecture and deliver talks at dozens of universities in Asia and North America, notably Harvard University and University of San Francisco. He writes a business column in several Philippine newspapers, in the US and a couple of business magazines in the EU and the Middle East. He is currently finishing his third book on Family Governance and Succession following his bestselling book entitled “Ensuring the Family Business Legacy: Powerful Insights About Leadership and Succession.”

He holds a B.A. in History, minor in Economics degree from the University of the Philippines, an MBA from De La Salle University, Doctorate Units at the UP National College of Public Administration and has an Executive Diploma in Directorships at the Singapore Management University. He also pursued Post Graduate Education specializing on Behavioral Finance at Harvard Kennedy School of Government and at the National University of Singapore Business School focusing on Asian Family Businesses. He was conferred Certified Professional Marketer by the Marketing Institute of the Philippines in 2016.

Anthony T. Robles
Nominee for Independent Director

Mr. Anthony T. Robles is concurrently an Independent Director of MREIT Fund Manager, Inc. Mr. Robles is also a Bank Consultant of PBCOM and a Faculty Member (Finance Cluster) of Ateneo de Manila Graduate School of Business. Prior to his roles, Mr. Robles has served several other positions including the EVP Sector Head (Development Lending), Acting CEO / President, and Sector Head, Executive Vice President (Branch Banking) of the Development Bank of the Philippines, the President and Chief Operating Officer of DRS Global Technologies, Inc., the Executive Vice President (Retail Banking Group) of Chinatrust (Philippines), the Executive Vice President (Account Management Group) of Planters Development Bank, and the Senior Vice President-General Manager (Band 4) (Wealth Management Value Center) of Standard Chartered Bank (Philippines). Mr. Robles earned his B.A. in Commerce degree from University of Santos Tomas and his MBA in Financial Management from Ateneo de Manila University.

This year's nominees for directors include Three (3) persons who qualify as independent directors. The President, Mr. Kingson U. Sian, nominated the incumbent Independent Director, Dr. Jesli A. Lapus for another term. The Chief Executive Officer, Mr. Kevin Andrew L. Tan, nominated Mr. Enrique M. Soriano III as Independent Director while Mr. Winston S. Co nominated Mr. Anthony T. Robles also as Independent Director. Messrs. Sian and Robles, Tan and Soriano, and Co and Lapus are not related by consanguinity or affinity up to the fourth civil degree. The Corporate Governance Committee reviewed the qualifications of Messrs. Robles, Soriano and Lapus and they do not possess any of the disqualifications enumerated under the law and in the Code of Corporate Governance (Their respective profiles are presented on the preceding pages). Having found them duly qualified, the Corporate Governance Committee endorsed the nomination of Messrs. Anthony T. Robles, Enrique M. Soriano III, and Jesli A. Lapus as candidates for Independent Directors for the ensuing year.

Disagreements with the Company

No director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual stockholders' meeting because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices.

Significant Employees

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

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 and the President and Chief Executive Officer of MREIT, Inc.;
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.

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.

Certain Relationships and Related Transactions

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

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

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

Except for the material related party transactions described in the Notes to the Consolidated Financial Statements of the Company and subsidiaries for the years 2021, 2020 and 2019 (please see as filed with this report), there has been no material transaction during the last two years, nor is there any material transaction currently proposed, to which the Company was or is to be a party, in which any

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

Item 6. Compensation of Directors and Executive Officers

The officers receive fixed salary on a monthly basis from the respective subsidiaries or businesses they principally handle. Hence, for years 2020, and 2021, no compensation was received from AGI, the holding company, and neither will there be for 2022, except for an allowance for Mr. Kingson Sian which started in February 2007, as shown in the table below.

In a board resolution passed in November 2007, members of the Company's Board of Directors began to receive per diem allowance. The following table identifies the compensation of each of the Board of Directors and officers.

| Name and Principal Position | Year | Salary | Allowances/ Per Diems or other variable amounts | Total Annual Compensation |
|---|-----------------|---------------|--|----------------------------------|
| Andrew L. Tan, Chairman | 2020 | None | 75,000 | 75,000 |
| | 2021 | | 75,000 | 75,000 |
| | 2022 | | 75,000 | 75,000 |
| Kevin Andrew L. Tan, Vice Chairman and CEO | 2020 | None | 75,000 | 75,000 |
| | 2021 | | 75,000 | 75,000 |
| | 2022 | | 75,000 | 75,000 |
| Katherine L. Tan, Director and Treasurer | 2020 | None | 75,000 | 75,000 |
| | 2021 | | 75,000 | 75,000 |
| | 2022 | | 75,000 | 75,000 |
| Kingson U. Sian, President (COO) | 2020 | None | 1,725,000 | 1,725,000 |
| | 2021 | | 2,025,000 | 2,025,000 |
| | 2022 | | 2,025,000 | 2,025,000 |
| Winston S. Co, Director | 2020 | None | 75,000 | 75,000 |
| | 2021[last term] | | 75,000 | 75,000 |
| Sergio R. Ortiz-Luis, Independent Director | 2020 | None | 150,000 | 150,000 |
| | 2021[last term] | | 150,000 | 150,000 |
| Jesli A. Lopus, Independent Director | 2020 | None | - | - |
| | 2021 | | 75,000 | 75,000 |
| | 2022 | | 165,000 | 165,000 |
| Alejo L Villanueva Jr., Independent Director | 2020[last term] | None | 225,000 | 225,000 |
| Dina D.R. Inting | 2020 | None | None | None |
| | 2021 | | | |
| | 2022 | | | |
| Alan B. Quintana | 2020 | None | None | None |
| | 2021 | | | |
| | 2022 | | | |
| Nelileen S. Baxa | 2020 | None | None | None |
| | 2021 | | | |
| | 2022 | | | |
| Total (of above) | 2020 | None | 2,400,000 | 2,400,000 |
| | 2021 | | 2,550,000 | 2,550,000 |
| | 2022 | | 2,415,000 | 2,415,000 |

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.

Item 7. Independent Public Accountants

Punongbayan & Araullo ("P&A") has been appointed as the principal auditors since 2003. In compliance with Revised Securities Regulation Code Rule 68, Part I, 3(B)(ix), *Rotation of External Auditors*, which adopted the provisions on long association of external auditors (including partner rotation) with public-interest-entity audit client as prescribed in the Code of Ethics for Professional Accountants in the Philippines, and as adopted by the Company, the engagement partners are rotated or changed every seven years ('time-on' period). The lead engagement partner for 2022 is Mr. Romualdo V. Murcia III.

Punongbayan & Araullo (P&A), upon recommendation by the Audit Committee of the Board of Directors composed of Sergio R. Ortiz-Luis, Jr as Chairman and Jesli A. Lapus and Andrew L. Tan as members, was re-appointed by the stockholders as the principal external auditors for the year 2021, and is again being recommended to the stockholders for re-election as the Company's principal external auditors for the year 2022.

Representatives of Punongbayan & Araullo are expected to be present at the Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

External audit fees and services

The fees, excluding out-of-pocket expenses and vat, for each of the last two fiscal years totaled P2.85 million and P2.70 million for the audits of 2021 and 2020 annual financial statements or services that are normally provided in connection with statutory and regulatory filings or engagements.

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.

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

The selection of external auditors and approval of external audit fees and services is made on the basis of credibility, professional reputation, accreditation with the Securities and Exchange Commission, and affiliation with a reputable foreign partner. The fees of the external auditors are approved by the Company after approval by the stockholders of the engagement and prior to the commencement of each audit season.

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. There had been no disagreements with them on any accounting principles or practices, financial disclosures, and auditing scope or procedure.

Information Incorporated by Reference

Financial Statements of the Company and its subsidiaries as of 31 December 2021 and 2020, as well as the Management's Discussion and Analysis of Operations and Financial Condition for the corresponding periods are included in the Company's Management Report and are incorporated herein by reference.

Item 8. Compensation Plans Stock Options, Warrants or Rights Plan

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

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

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

As of December 31, 2021, no vested option has been exercised and the number of unexercised stock options is 59,100,000 common shares.

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

| Name | Number of Outstanding Options | Date Granted | Exercise Price |
|---------------------|-------------------------------|---------------|----------------|
| Andrew L. Tan | 48,000,000 | 14 March 2013 | Php12.9997 |
| Winston S. Co | 3,000,000 | 14 March 2013 | Php12.9997 |
| Kevin Andrew L. Tan | 6,000,000 | 14 March 2013 | Php12.9997 |
| Other grantee | 2,100,000 | 14 March 2013 | Php12.9997 |
| TOTAL | 59,100,000 | | |

C. OTHER MATTERS

Item 9. Action with Respect to Reports

The minutes of the annual meeting of stockholders held on 17 June 2021 will be submitted to the stockholders for approval. The Minutes will refer to the adoption of stockholder's resolutions pertaining to the following matters:

1. Approval of Minutes of the Annual Meeting of Stockholders held on 20 August 2020
2. Appointment of Independent Auditors
3. Ratification of Acts and Resolutions of the Board of Directors, Board Committees and Officers
4. Election of Directors

The approval or disapproval of the Minutes will constitute merely an approval or disapproval of the correctness of the minutes but will not constitute an approval or disapproval of the matters referred to in the Minutes.

Item 10. Other Proposed Actions

Ratification of Acts and Resolutions of the Board of Directors, Board Committees and Management

The stockholders will be asked to ratify all resolutions of the Board of Directors, Board Committees, and acts of Management adopted since the annual stockholders' meeting on 17 June 2021 until 15 June 2022. These include, among others, the internal procedures for participation in meetings and voting through remote communication or *in absentia*, the appointment of officers in the corporation, opening and maintenance of bank accounts and other bank transactions, approval and issuance of financial statements, appointment of proxies and nominees, designation of authorized contract signatories and representatives, appointment of attorneys-in-fact, investment and financing activities in the ordinary course of business, other similar activities of the Company, and other matters covered by disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange. The acts of the officers were those taken to implement the resolutions of the Board or its committees or made in the general conduct of business.

Item 11. Voting Procedures

Vote Required

In the election of directors, the seven (7) nominees garnering the highest number of votes will be elected as members of the board of directors, provided that there shall always be elected at least two (2) independent directors in the Company's board of directors.

For all other matters proposed to be acted upon, the vote of a majority of the outstanding capital stock will be required for approval, unless a higher vote is required by applicable laws or regulations.

Method of Counting of Votes

Each holder of common share will be entitled to one (1) vote with respect to all matters to be taken up during the Meeting; provided, that in the election of directors, each stockholder may vote such number of shares for as many persons as there are directors to be elected or may cumulate said shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many nominees as he shall see fit; provided further, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

There will be seven (7) persons to be elected to the Company's board of directors, including at least two (2) independent directors. In the event that the number of nominees to the board of directors exceeds the number of board seats, voting shall be done by ballot. However, if the number of nominees to the board of directors does not exceed the number of board seats, voting will be done by a show of hands. Election inspectors duly appointed during the meeting shall be responsible for counting the number of votes, subject to validation by representatives of Punongbayan & Araullo, the Company's external auditors.

The detailed voting method can be found on the attached Annex "A".

UNDERTAKING

The Company undertakes to provide without charge to a stockholder a copy of the Annual Report on SEC Form 17-A upon written request addressed to Ms. Dina D.R. Inting, Chief Financial Officer, Compliance Officer, and Corporate Information Officer, at 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City, Metro Manila, Philippines.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Quezon City on 25 May 2022.

ALLIANCE GLOBAL GROUP, INC.

By:



DINA D.R. INTING

Chief Financial Officer, Corporate Information Officer
and Compliance Officer

MANAGEMENT REPORT AS REQUIRED BY SRC RULE 20

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 innovative products and services that generally cater to the target markets.

Incorporated on October 12, 1993, AGI began operations in 1994 as a flint 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 heritages in Spain, United Kingdom and Mexico. The Group acquired vineyard lands, aged liquids and assets in Spain, and brandy and sherry wine assets, 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 acquired and now owns the 5th largest producer of Scotch Whisky in the world by capacity (Source: Scotch Whisky Industry Review, 2020) with a history of 175 years and ownership of some of the most iconic Scotch brands in the industry, thus fortifying the distilled spirits business segment.

The Group have been doing realignments and acquisitions also in the real estate segment where it continues to introduce innovative concepts such as ‘integrated lifestyle community’ and ‘transit-oriented developments’ in addition to its ‘live-work-learn-play’ townships within and outside of Metro Manila while the expansion of hotels and non-gaming facilities and offerings and quick-service restaurants is ongoing. AGI began diversifying into infrastructure in 2017 and, in 2018, received an original proponent status (“OPS”) for its Fort Bonifacio-Makati Sky Train Project and the Ninoy Aquino International Airport Project, of which it is a member of the proponent consortium. In 2020, the consortium proposed changes in its airport project proposal due to the far-reaching and long-lasting consequences of COVID-19 pandemic on air travel, airport operations and airport passenger traffic but the airport authority eventually terminated any further negotiations and revoked the OPS and approvals earlier granted.

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

The Tan family beneficially owns a majority interest in AGI.

a.2. Subsidiaries¹

Emperador Inc.

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

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

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

EMP was incorporated on November 26, 2001 under its former name Touch Solutions, Inc. which listed its shares on the PSE on December 19, 2011. From August to September 2013, AGI, EDI and EMP, which was substantially a shell company at the time, entered into a reverse acquisition in a series of transactions whereby AGI acquired majority control over EMP and EMP acquired full ownership of EDI. It was in 2013 that EMP transformed into a holding company, increased its capital base to P20.0 billion and changed its corporate name to Emperador Inc. As of December 31, 2021, EMP has P20.0 billion authorized capital stock, 16.2 billion shares of which are issued and 15.74 billion shares outstanding (net of treasury shares), and its consolidated total assets amounted to P128.5 billion.

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

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

EDI operates two manufacturing plants in Laguna. The main plant is being leased from its wholly-owned subsidiary **Tradewind Estates, Inc.** (“**TEI**”) while the annex plant was acquired in May 2012. TEI was incorporated on September 22, 2000 and was acquired by EDI from its previous owner, Alliance Global Brands, Inc. (a wholly-owned subsidiary of AGI), in March 2016. EDI owns two distillery plants in Batangas that are being leased out to and operated by **Progreen Agricorp, Inc.** (“**Progreen**”), its wholly-owned domestic subsidiary.. EDI procures its new bottles from **Anglo Watsons Glass, Inc.** (“**AWG**” or “**AWGI**”), another 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-

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

hour shift which it leases from AGI. A subsidiary of TEI acquired in July 2018, **Boozylife, Inc.** is engaged in the on-demand delivery of alcoholic and non-alcoholic beverages. Its online platform proves useful during the COVID-19 quarantine time.

Emperador International Operations

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

Emperador Spain

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

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

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

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

On February 29, 2016, **Bodegas Fundador S.L.U. ("Bodegas Fundador")**, a wholly-owned subsidiary of GES, incorporated on September 28, 2011, acquired the Spanish brandy and sherry business from Beam Suntory Inc. The purchase included Spain's largest and oldest brandy cellars established in 1730 with sizeable brandy inventory aged more than 50 years; four iconic brands including 'Fundador Brandy de Jerez' and 'Terry Centenario' (Spain's number one selling brandy), production and bottling facilities, vineyards, distillery and winery facilities. 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. Bodegas Fundador's wholly-owned subsidiary is Harvey's Cellars, S.L.U. (formerly Destilados de la Mancha S.L.)

On January 19, 2017, GES acquired the Grupo Garvey brands and associated inventories, casks and real estate properties. Bodegas Garvey, founded in 1780 by the Irish aristocrat William Garvey and based in Jerez de la Frontera, is one of the ancient brandy and sherry companies in Spain.

On March 30, 2017, BLC and its two subsidiaries, Pedro Domecq S.A. de C.V. and Bodega Domecq S.A. de C.V. (absorbed in 2019 by Pedro Domecq SA de CV), completed the acquisition of the 'Domecq' brand portfolio and related assets from **Pernod Ricard SA**, which was signed on December 1, 2016. In a restructuring that followed later that year, the Domecq brandy portfolio, which include the trademark to the first Mexican brandy 'Presidente', and wine business were integrated into **Domecq Bodega Las Copas SL ("Domecq BLC" or "DBLC")** effective September 1, 2017. Domecq BLC is a subsidiary of GES incorporated on December 20, 2017. It wholly owns **Pedro Domecq SA de CV ("Pedro**

Domecq) (incorporated in Mexico on March 15, 2017) is involved in the manufacturing, bottling and selling of spirits.

Grupo Emperador Gestion, S.L.U., a wholly-owned subsidiary of GES, was incorporated on October 11, 2016. It provides consulting, management and administration services to the Spain group.

Stillman Spirits, S.L.U., a wholly-owned subsidiary of GES, was incorporated on March 20, 2019. It imports UK products into Europe, following UK's exit from the European Union.

Emperador Europe

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

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

Emperador UK Limited ("EUK"), a subsidiary of EGB, is a private limited company incorporated in Scotland on May 6, 2014. It is the immediate parent of WMG.

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

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

On December 4, 2014, with the completion of the Whyte and Mackay acquisition as a condition precedent to its entry, Singapore sovereign wealth fund **GIC Private Ltd. ("GIC")**, through its private equity arm, **Arran Investment Pte. Ltd. ("Arran")** initially invested P17.6 billion in EMP split into 70%-equity and 30%-equity-linked securities debt ("ELS"), which is convertible to equity between 2 to 7 years. In 2017, additional new shares were issued to Arran in consideration for the three-year accrued interest on the ELS. On February 5, 2020, Arran partly converted a portion of its ELS into EMP shares ("Tranche 1 Shares"). On December 3, 2021, Arran elected to exercise its conversion right in respect of the remaining balance of the ELS ("Tranche 2 Shares"). EMP is given an initial period until 28 February 2022 to issue the Tranche 2 Shares, the period was later modified to May 15, 2022. As of December 31, 2021, Arran owned 9% in EMP out of these shares.

Whyte and Mackay is the fifth largest producer of Scotch whisky in the world by capacity (*Source: Scotch Whisky Industry Review, 2020*) with a history of 175 years and ownership of some of the most iconic Scotch brands in the industry, including British luxurious brand 'The Dalmore Single Highland Malt', 'Jura Single Malt', 'Tamnavulin Single Malt', 'Fettercairn Single Malt', and 'Whyte & Mackay

Blended Scotch Whisky'. The products are distributed in approximately 102 countries across the world including a strong presence in the global travel retail space. Some of these products are being distributed in the Philippines by EDI.

Megaworld Corporation

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

Megaworld and its subsidiaries (“**Megaworld Group**”) have real estate portfolio under the ‘Megaworld’, ‘Global Estate Resort’, ‘Empire East’ and ‘Suntrust’ brands that include 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, 2021, Megaworld owns or has development rights to over 5,000 hectares of land located throughout the Philippines. Since its incorporation in 1989, Megaworld and its affiliates have launched more than 728 residential buildings, 72 premier offices, 24 lifestyle malls and commercial centers and 12 hotel brands including condotels.

The company founded by Dr. Andrew Tan has won recognition awards over the years. Recently, in 2018, MEG received a total of 100 awards including over 40 awards from prestigious award-giving organizations. MEG ended 2019 as the most awarded real estate company in the Philippines, amassing a total of 133 awards—the most number of recognitions it received in its entire 30-year history. This includes over 57 awards from prestigious international award-giving organizations. In 2021, it received a total of 84 awards, 44 of which were international from several award-giving bodies that recognized not only its developments and cultural promotion campaigns, but also MEG’s COVID-19 response programs.

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

Megaworld has P40.2 billion authorized capital stock and P32.43 billion paid-up capital (both common and preferred stock) as at end-2021. Its consolidated total assets amounted to P398.0 billion as at December 31, 2021.

From 46% effective ownership interest in MEG in 2007, the Group increased its effective ownership interest in MEG which is now at 69% by end-2021 through purchases in the market, exercise of stock rights and warrants, and subscription to new shares.

Global-Estate Resorts, Inc. (“**GERI**”), a publicly listed domestic company incorporated on May 18, 1994, is likewise one of the leading property developers in the country and is engaged primarily in the development of integrated tourism and leisure estates and integrated lifestyle communities consisting of residential, office, retail, hotel and/or golf components. It has a vast land bank where key developments include Boracay Newcoast in Malay, Aklan; Twin Lakes in Laurel, Batangas; Sta. Barbara Heights in Iloilo; Southwoods City in Laguna and Cavite; Alabang West in Las Piñas, Metro Manila;

Eastland Heights in Antipolo, Rizal; The Hamptons Caliraya in Lumban-Cavinti, Laguna; Arden Botanical Estate in Cavite; and The Fifth in Pasig City, Metro Manila. GERI undertakes its development business by itself or through joint ventures with landowners. Its joint venture corporations are **Twin Lakes Corporation** (incorporated on March 2, 2011), **Oceanfront Properties, Inc.** (incorporated on October 12, 2010 to develop parts of Boracay Newcoast) and **Southwoods Mall, Inc.** (incorporated on July 18, 2013). The township developments are marketed by a subsidiary **Megaworld Global-Estate, Inc.** (incorporated on March 14, 2011) and an in-house marketing group.

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

AGI acquired 60% interest in GERI in January 2011 and rebranded it to engage in the development of integrated tourism and leisure estates. With the capital infusion, GERI was able to pay its interest-bearing loans and pursue its development plans. In 2013, GERI doubled its authorized capital stock, of which Megaworld subscribed to 25% of the said increase; this together with indirect holdings translates to MEG's 24.7% beneficial ownership in GERI at end-2013. In 2014, GERI was consolidated under Megaworld when the latter acquired AGI's stake in GERI. As at end-2021, Megaworld holds 82% of GERI. GERI has P20 billion authorized capital stock, P10.986 billion of which was subscribed and paid-up as at December 31, 2021. Total assets reported as at end-2021 amounted to P53.96 billion.

Empire East Land Holdings, Inc. ("Empire East" or "ELI"), a publicly-listed domestic company incorporated on July 15, 1994, is one of the leading developers of mid-cost residential properties. It specializes in multi-cluster condominium projects and multi-phase subdivision developments in key locations in Metro Manila, Laguna and Rizal. Laguna Bel-Air is ELI's flagship township project while Pioneer Woodlands in Mandaluyong is its first transit-oriented development. Transit-oriented developments ("TOD") and urban resort communities have been the signature concepts of ELI in recent years. **Eastwood Property Holdings, Inc.**, a wholly-owned subsidiary, serves as ELI's marketing arm that markets ELI's projects and those of other related parties. ELI is 81.73% owned by Megaworld. ELI has P31.495 billion authorized capital stock, P14.803 billion (14.803 billion shares) of which was issued and P14.701 billion (14.676 billion shares) outstanding as at December 31, 2021. Total assets reported as at end-2021 amounted to P46.38 billion.

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

Travellers International Hotel Group, Inc.

TRAVELLERS INTERNATIONAL HOTEL GROUP, INC. ("Travellers"), 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 near NAIA Terminals 1 and 2. RWM is a one-stop, world-class leisure and entertainment facility within Newport City, a mixed-use community of integrated residential condominiums, hotels, restaurants, shops and offices. RWM features a themed shopping and entertainment center, five hotels (4 of which are five-star international

branded hotels), and the Marriott Grand Ballroom, a **MICE** (meetings, incentives, conventions and exhibitions) venue with over 8,000 square meters of function space.

The 21,168 sq. m. Newport Mall offers a retail mall, four cinemas and a 1,710 seat performing arts theater (the “Newport Performing Arts Theater” or “NPAT”). The Marriott Hotel Manila is the first hotel to open in October 2009 with 342 rooms and suites, to which 228 rooms were later added in the Marriott West Wing in November 2016. Maxims Hotel (an all-suite luxury hotel) opened in December 2010 with 172 suites and villas and ceased operations in pandemic 2020. Holiday Inn Express Newport City (as rebranded in February 2018) opened in November 2011. The Marriott Grand Ballroom, a world-class events and convention center, formally opened its doors to the public in March 2015. In 2018, RWM opened Grand Wing, a portion of its Phase 3 development project dedicated to gaming activities. In October 2018, Hilton Manila officially opened with 357 rooms. Also in 2018, Travellers opened the first international hotel in Iloilo City- the Courtyard by Marriott Iloilo with 326 rooms. In January 2019, Sheraton Manila Hotel made its comeback to the Philippines after 22 years and officially opened its doors to the public, adding 390 rooms. And during the last quarter of 2021, Hotel Okura Manila, a 190-room Japanese brand hotel that features Hinoki-yu rooms and Okura’s signature Japanese fine dining restaurant, Yamazato, began its commercial operations.

Travellers has P10 billion authorized capital stock (common and preferred shares), of which P1.93 billion is outstanding as at end-2021. 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 P117.8 billion as at end-2021.

Golden Arches Development Corporation

GOLDEN ARCHES DEVELOPMENT CORPORATION (“GADC”), a strategic partnership with the George Yang group, is the master franchise holder of McDonalds’ in the Philippines. It is engaged in the operations and franchising of quick-service restaurant business under the McDonald’s brand in the Philippines in accordance with the master franchise agreement with **McDonald’s Corporation (“MCD”)**, a company incorporated in Delaware with principal offices in Illinois, USA. GADC was incorporated on July 16, 1980. It has P99.44 million authorized and paid up common capital stock, 49% of which is held by AGI and the rest by its Chairman and founder, Mr. George Yang and his family. Its consolidated total assets amounted to P37.8 billion at end-2021.

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

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

Infracorp Development, Inc.

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

On May 17, 2018, Infracorp received an Original Proponent Status (“OPS”) for its Fort Bonifacio-Makati Sky Train project - a 1.87km public transit system connecting Line 3 Guadalupe Station to Uptown

Bonifacio. The project has been formally endorsed to NEDA and is now undergoing review and evaluation.

The Company, as part of a consortium, was granted an OPS in 2018 for its unsolicited proposal for a NAIA project which was approved by NEDA in 2019. The project involved the improvement, upgrade, enhancement, expansion, operation and maintenance, and management of NAIA. In the light of the far-reaching and long lasting consequences of the COVID-19 pandemic on airline travel, airline operations and airport passenger traffic, the consortium submitted proposed changes in the Project's framework. On July 10, 2020, the consortium received a notice from the Manila International Airport Authority terminating any further negotiations with the consortium and revoking the OPS and approvals earlier granted.

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

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

b. Business Description

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

b.1. Principal Products or Services and their Markets

EMP

EMP group manufactures its own brands and attributes its leading position to: (i) strong brand equity gained through brand building; (ii) targeted marketing; and (iii) local and global distribution network.

'**Emperador Brandy**', the first brandy label, was launched in 1990 in the Philippines and is currently the leading local brandy in the country. EDI keeps on innovating its product offerings with creative flavors and packaging to suit the discriminating taste of drinkers, especially the youthful ones who are generally seeking variety and sensory experiences. In 2010, the first light brandy, '**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. 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. In August 2021, '**Emperador Coffee Brandy**' was launched for that premium brandy liqueur that combines the smoothness of brandy and the rich aroma of coffee.

In 2019, Emperador Brandy won the silver medal in the Distilled San Diego Spirits Competition, while Emperador Light won the bronze medal.

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

'**Andy Player Whisky**', a popular drink in the '80s, was revived in October 2015. The new whisky blend has a unique character, rich aroma and complex taste which include orange marmalade and maple syrup.

'**The BaR**', was initially launched in 2009. 'The BaR' is marketed as a ready-to-serve flavored alcoholic beverage with low alcohol content. In 2018, '**The BaR Premium Gin**', infused with botanicals from Spain that gives it a delicious burst of flavor not found in local gin products, was launched. This world-

class premium gin line comes in three variants. In August 2020, **'The Bar Fruity Mix'** was launched as more young Filipino drinkers appreciate light alcoholic beverages, while recognizing the strong Hallyu (Korean Wave) influence as an opportunity to relate to these young drinkers. 'The Bar Fruity Mix' is a fruit-forward and ultralight alcohol that comes in two SO JUicy flavors.

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

'Smirnoff Mule', a ready-to-drink blend of Smirnoff Vodka, ginger beer, and lime, was launched on April 28, 2015. It is known as 'Mule' because of its premium vodka, ginger beer and lime, creating a ginger kick effect. The "Stubbornly Refreshing" drink is being manufactured and distributed in the Philippines, under license from Diageo North America, Inc.

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

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

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

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

'Fundador' is a Brandy de Jerez, from the brandy capital of Spain. Fundador means the 'founder', as it was the first Spanish brandy to be marketed, this happened in 1874 by Pedro Domecq Loustau. It is sold in over 70 countries worldwide, including the Philippines. The brand has an excellent range ending with the high premium brand **'Fundador Exclusivo'** and **'Sherry Cask Collection – The Fundador Supremo'**, a Solera Gran Reserva Collection aged in our Sherry Cask, unique in the world and which has belonged to our winery for centuries. The 'Sherry Cask Collection by Fundador Supremo' reveals the depth of the most luxurious flavours provided by time in wood, thus creating an Ultra-Premium category Brandy. The ageing in Sherry Casks, unique in the world and of very high value, which have contained very old Oloroso, Amontillado or Pedro Ximénez, give the brand the exclusivity and originality it deserves. After almost 40 years, its image and liquid were refreshed in 2021 through a simultaneous launch in Spain, UK, Italy, México and USA, whose result is Brandy perfect to drink neat or mix with Cola, a perfect serve elaboration created by Simone Caporale and Marc Álvarez from SIPS Drinkery House (#37 in The World's 50 Best Bars).

A huge list of awards from 2016, since the collection was launched has been successfully delivered year after year. In 2016, 'Fundador Supremo 15 YO' got the Best Brandy of the Year by China Wines and Spirits Awards, and a year later, 'Fundador Supremo 18YO' got the same recognition. IWSC has awarded 'Fundador Supremo 18YO' as the Best Brandy in the World in 2019. San Francisco Wines and Spirits Competition ("SFWSC") has awarded several times the expressions with Double Gold Medal. After 3 consecutive years of obtaining the Double Gold Medal in SFWSC, 'Fundador Supremo 18 YO Oloroso' was awarded with the Platinum Medal at the 2021 SFWSC, the only Brandy de Jerez awarded with a Platinum Medal. This amount of recognition reinforces the quality and the know-how of this particular expressions.

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

cellars in Jerez. **'Fundador Double Light'** is an exceptional spirit from sherry casks in our cellars in Jerez, Spain. It guarantees double smoothness and double satisfaction in every bottle with a lower alcohol-by-volume of 25.8% compared to 28% of 'Fundador Light'. It 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 Centenario' is the leading brand of the Brandy Category in Spain, with 25.5% market share, twice the share of the second best-selling in the category (Nielsen MAT 2022).

'Terry White', a new expression, a new category, a new Classic "White Brandy" was born in 2017 to renew the brandy category in Spain by shaking the market through a modern concept of a white spirit. Through mixology platform, this disruptive concept was launched to a fashionable position for a spirit drink for a future halo of Brandy de Jerez.

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

'Harveys' is the number 1 selling Sherry Wine in the world and the leader in the UK (IWSR 2020). It is a recipient of a Double Gold medal award in CWSA in 2018. The CWSA is the biggest and most prestigious wine & spirits competition in Hong Kong. It holds Royal warrant in UK which distinguishes it as the only sherry wine that can be served to the Queen in Buckingham Palace since 1895. 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 with an Amontillado Trophy in 2020 by the International Wine Challenge (IWC), by bagging the "The Best Wine in the world" in 2016, while **'Harveys V.O.R.S. Palo Cortado'** was awarded by the IWC with a "Trophy Champion 2020 the Sherry". Also in 2019, the IWSC awarded as "The best Sherry in the world" to **'Harveys Rich Old Oloroso Sherry 30 Year Old V.O.R.S.'** and **'Harveys Pedro Ximenez 30 Year Old V.O.R.S.'** obtain the same year a trophy and gold medal by the IWC. Harveys launched in 2013 an ultimate expression **Signature** by Harveys which is a 12-Year Old Cream Sherry. This product was awarded the gold medal by the SFWSC in 2018.

'Harveys Aperitivo' is a sherry-infused seasonal *tipple*. Exclusive to the UK, 'Aperitivo' comes in two flavors – Pink and Orange. Harveys Orange is a delicious blend of two grape varieties – Palomino and Muscatel – with an aroma of bitter orange, tangerine and aromatic herbs while Pink is made of three grape varieties – Palomino, Muscatel and Tintilla de Rota (a local rare red wine) – and has a subtle aroma of red fruits and flowers.

‘Vermut Marinero by Garvey’ was launched in Spain in 2021, entering a new unexplored category. This product proposal is very different from other competitors: a red vermouth with a touch of Atlantic salt, elaborated from the most selected sherry wines and characterized by a smoothness and a flavour resulting from the Palomino Fino grape macerated with seaweed. A product totally unique and 100% suited for the aperitif moment.

From the ***Domecq brands of brandies and wines*** come these Mexican brandies, which are also distributed in USA. In Brazil, ‘Domecq Brandy’ is a strong brand which covers all market in Brazil.

‘Presidente’ was the first Mexican brandy, launched in 1958. It is produced from a blend of the best grapes of the Hermosillo region of Mexico.

‘Don Pedro’ has been more than 50 years in the market, launched during the 1960s. Its name celebrates the company’s founder, Don Pedro Domecq.

‘Azteca De Oro’ has been more than 36 years in the market. These brands are also distributed in USA. In Brazil, ‘Domecq Brandy’ is a strong brand which covers all market in Brazil.

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.

‘Distiller of the Year (Scotland)’ Whyte and Mackay toasted a remarkable year in 2021.

The award-winning whisky makers’ collection now features 3 Single Malt Scotch brands ranked in the top twenty worldwide, by industry authority The IWSR. Worldwide, ‘Tamnavulin’ and ‘Jura’ are the #1 and # 2 Fastest Growing Single Malt Scotch brands. In the UK - the home of Scotch Whisky - Jura became the Number 1 Single Malt Brand.

‘The Dalmore’ continues to enjoy exceptional performance, at the pinnacle of the category. The ‘Dalmore Decades’ featured a once-in-a-lifetime collection of whiskies celebrating whisky making artistry across six decades. The campaign broke records for Sotheby’s Asia, achieving \$1.1M at auction. The collection secured prestigious features in Paris, Los Angeles, London, Taipei and Shanghai. The ‘Dalmore Decades’ set a new standard in luxury spirits marketing, with a boutique in Hainan, elite performance on Tmall and Whyte and Mackay’s first Non-Fungible Tokens (NFTs) partnership.

The Dalmore’s Richard Paterson, was awarded as Officer of the Order of the British Empire (OBE) by Queen Elizabeth II celebrating his visionary contribution to the industry over the past five decades. The “Most Excellent Order of the British Empire” is an order of British Chivalry created in 1917 by King George V. Titles in the Order are awarded to members of the public for significant contributions in their field of work (Scotch Whisky Industry).

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

Old, The Dalmore 21 Year Old, The Dalmore 30 Year Old, The Dalmore 35 Year Old, The Dalmore 40 Year Old, The Dalmore 45 Year Old, The Dalmore 50 Year Old and The Dalmore 60 Year Old.

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

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

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

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

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

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

'Fettercairn' comes from Fettercairn Distillery which was founded in 1824 and acquired by WMG in 1973. The arch and the unicorn are two symbols that are heavily associated with the long history of the Fettercairn Distillery. This distillery has huge potential and over the coming years the range and distribution will be expanded. **'Fettercairn Single Malt'** was re-launched in 2018 with a new packaging with the lead expression 12year old supported by a 28year old, a 40year old, and a 50year old, all four showcasing the iconic unicorn symbol. New expressions of 16 year old and 22 year old were successfully launched in 2020.

'Fettercairn 22 Years Old' (ABV 47%). Matured for 22 years in first fill American ex-bourbon casks, this single malt showcases the signature tropical character of pear and caramelized orange derived from the ingenious copper cooling ring distillation process unique to Fettercairn, setting it apart from other single malt distilleries by drenching the stills in crystal clear mountain water to ensure only the purest vapours rise to create the new make spirit .

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

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

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

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

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

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

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



MEG

Megaworld’s pioneering “live-work-play-learn” concept for integrated mixed-use communities, or commonly known as townships in the Philippines, has enabled it to launch more than 728 residential buildings, 72 premier offices, 24 lifestyle malls and commercial centers and 12 hotel brands.

“Townships” integrate lifestyle convenience of having high quality residences in close proximity to office, commercial, educational, and leisure and entertainment facilities. The strategy is to lease all commercial and retail properties and sell all residential units. In instances where residential units are not all sold out upon completion of the project, Megaworld rents out these unsold units on a lease-to-own basis or lease with an option to buy.

A description of each of the group’s 28 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 tele-communications 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 85,000 workers. Eastwood City is also home to the four-level Eastwood Mall — a shopping and dining destination which has been declared as a “Best Shopping Center” by the Philippine Retailers Association. Eastwood City has three malls and around 500 commercial and retail shops. The Eastwood Richmond Hotel is located adjacent to the Eastwood Mall.
2. **Forbes Town Center** is located in a 5-hectare land in Bonifacio Global City, Taguig, Metro Manila adjacent to the Manila Golf Club, Manila Golf and Country Club, the prestigious Forbes Park residential subdivision and Dasmariñas Village. Forbes Town has 12 residential towers which house more than 3,500 residential units. Upon completion, Forbes Town Center is expected to consist of residential, retail and entertainment properties. The focal point of activity in the township is the aptly named Forbes Town Road, a retail strip with 37 restaurants and shops that cater to the diverse needs of the residents of the community’s three Bellagio towers, six towers of Forbeswood Heights, two towers of Forbeswood Parklane, and the 53-storey Eight Forbes Town Road. This is connected to another Fort Bonifacio Landmark, Burgos Circle, a leisure spot with residential, condominiums and a small park.

3. **McKinley Hill** is 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, s Hotel (currently closed commercial operations), Holiday Inn Express Hotel, Hilton Manila, Sheraton Manila and Okura Manila under Travellers; and Belmont Luxury Hotel and Savoy Hotel which are condotel projects of Megaworld. Newport City also features Travellers’ Marriott Grand Ballroom, a meetings, incentives, conventions and exhibitions facility. Newport City is registered with PEZA as a Cyber Tourism Special Economic Zone.
5. **Uptown Bonifacio** is an approximately 15.4-hectare property in Fort Bonifacio in Taguig City, Metro Manila. Modeled after the most progressive cities around the world- Paris, London, Milan, New York and Tokyo, Uptown Bonifacio is comprised of a residential portion in the northern part of Fort Bonifacio, and a portion for mixed-use, comprising office and retail space. It is well placed to cater the fast-paced lives of today’s young professionals and growing families. Set in the heart of Fort Bonifacio, the township will be close to several of the new CBD’s popular landmarks such as Forbes Town Center, Burgos Circle, the Mind Museum, Bonifacio High Street, and The Fort Strip. It is also within close proximity to St. Luke’s Medical Center and the institutional zone. The township is easily accessible via Kalayaan Avenue, C-5 Road and EDSA. It has its own high-end commercial center, Uptown Place Mall.
6. **McKinley West** is a township being developed on a 34.5-hectare portion of the JUSMAG property in Fort Bonifacio which is directly beside Forbes Park and Manila Polo Club and across McKinley Hill in Taguig, Metro Manila. The development of McKinley West is another joint venture undertaking with BCDA. McKinley West will have rows of luxury residential estates, some of which will have their own swimming pools and other amenities. The upscale residential enclave will be supplemented by a modern business district of sustainable office buildings, an international school, and a chic commercial centre. These will all be complemented by open spaces and lush greenery. Ingress and egress points of the estate are conveniently located along Lawton Avenue which connects Fort Bonifacio to Pasay City and Makati City.
7. **The Mactan Newtown**, Megaworld’s first township venture outside Luzon, is a mixed-use development situated on a 30-hectare property near Shangri-La’s Mactan Resort and Spa in Mactan, Cebu. This has its own beachfront and combines high-end office towers, luxury condominiums, leisure amenities, retail shops, a school, and upscale hotels. It will also have its own exclusive beach club at the township’s beachfront, and sports facilities at the 11-hectare beachfront property formerly known as Portofino Beach. It is also approximately 10-minutes away from the Mactan-Cebu International Airport, making the township ideal for residence, business or leisure. The Mactan Newtown will also have five hotels, two of which are at the beachfronts.

8. **Iloilo Business Park** is a mixed-planned community in a 72-hectare property in Mandurriao, Iloilo. Upon completion, it will be a mixed-use business, tourism, commercial and residential hub with a residential community, BPO office buildings, hotels, a convention centre, retail centres and a lifestyle centre. The entire Iloilo Business Park development was registered as a special economic zone with the Government, which allows it to benefit from a tax holiday period as well as other incentives for investors. It also features The Street of Festive Walk, a 1.1-kilometre retail strip inspired by outlet shops in America and envisioned to be one of the longest shop-and-dine streets outside of Metro Manila. Iloilo Business Park has launched five residential condominium developments to date — One Madison Place Luxury Residence, Lafayette Park Square, The Palladium, the tallest building in the region at 22 storeys high, Saint Dominique and Saint Honore. With Iloilo Business Park, Megaworld aims to transform Western Visayas into the next central district in the region.
9. **ArcoVia** is envisioned as an environment-friendly community on the 12.3-hectare property located along the C-5 Road in Pasig City. The main “green” feature of the township is the approximately 1,000 trees that will be planted around the development. This greening feature will help provide an outdoor thermal comfort for the future residents, workers, tenants and visitors of the township. Sustainable buildings registered under Leadership in Energy and Environmental Design (LEED) are the standard of office developments in this township, with the first two to rise designed by world-renowned architectural firm Skidmore, Owings & Merrill. Other green features of ArcoVia City include a rainwater catchment facility, a network of bicycle lanes, and wide tree-lined sidewalks. Aside from office towers, the township will have residential condominiums, a lifestyle mall, retail and commercial strips, and open parks.
10. **Davao Park District** is the first township development in Mindanao. It is situated on an 11-hectare property along S.P. Dakudao Loop, Barangay San Antonio, Agdao District, Davao City, which used to be the Lanang Golf and Country Club. The township is envisioned to be Mindanao’s new central business district by being a center for BPO and other corporate entities over the next seven years. Also in Davao Park District are the themed residential condominiums that will be built by Suntrust Properties, a wholly-owned subsidiary of Megaworld. The township will also have a lifestyle mall, commercial and retail strips, open parks, a lagoon, and a school. The first office tower to rise is the iconic 15-storey Davao Finance Center. The first tower in One Lakeshore Drive, a 4-tower condominium cluster, started selling in 2014. Two Lakeshore Drive started selling in 2017.
11. **Suntrust Ecotown**, an ongoing project under Suntrust, will sit on a 350-hectare land in Tanza, Cavite and will be Megaworld’s first mixed-use development with an industrial park in the country. The industrial park is the country’s first to be accredited by PEZA with lifestyle amenities. It is also positioned to be the major hub for world-class light to medium export-oriented industries, residential, commercial, and institutional establishments in the south. At Suntrust Ecotown, 111 hectares will be allotted for the industrial park. Another 40 hectares is dedicated for the expansion of the industrial park and the integration of lifestyle amenities such as a hotel, commercial and retail hubs, driving range, mini golf course, putting greens, swimming pool, jogging path, basketball and badminton courts, and open parks, and another 200 hectares of future development that may include residential and other recreational facilities.
12. **Boracay Newcoast**, an ongoing project under GERI, is a 150-hectare mixed-use leisure and resort development envisioned to be the next world-class tourism destination in the paradise island. Soon to rise in the tropical tourism development are luxury and boutique hotels, commercial and retail district, upscale villas, and an exclusive residential village. Among the first residential towers to rise is Oceanway Residences, a cluster of mid-rise condominiums offering amazing views of the Sibuyan Sea, Mt. Luho, the island’s highest peak, as well as the Fairways & Bluewater Golf Course. Aside from Oceanway Residences, among the upcoming projects here include four hotels and an Ibiza- inspired commercial and retail strip, making it the most anticipated destination in Boracay.
13. **Twin Lakes**, an ongoing project under GERI, is a 1,200-hectare mixed-use leisure and resort community in Tagaytay. The tourism estate will feature the best of Europe at the first residential cluster called The Vineyard Residences, which is comprised of three-mid-rise condominium towers: Shiraz, Merlot, and Chardonnay. Twin Lakes also has a unique mixed-use community

development called The Vineyard, which spans 177-hectares of natural landscape that offers the perfect view of the famous Taal Volcano and the man-made lake within the estate. The Vineyard will have its own sports club and spa, wedding venue, and the 10-hectare vineyard that will produce real grapes that can be processed, stored, and aged in its very own chateau. The township will also have commercial and retail hubs (The Village and Lakeshore Town Center), a university park, as well a nature park. Other developments in Twin Lakes include a retirement community, wellness centre, hotel and chateau, among others.

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

with amenities that include a 260-meter swimming pool, tennis and basketball courts, children's park and picnic ground overlooking a lake beside the Iloilo Golf and Country Club.

19. **Capital Town Pampanga** is a 35.6-hectare prime property beside the provincial capital of the City of San Fernando, Pampanga. It is around 20 kilometres away from Clark International Airport. Its existence then became a catalyst for the exponential growth of the city. Backed by PASUDECO's rich history, culture and heritage, the development of Capital Town will be at the forefront of business and progress as the area enters new phase of growth moving forward while preserving its values.
20. **Westside City** will be the second site of Resorts World Manila in the Philippines. The 31-hectare leisure and entertainment township at the Entertainment City in Parañaque will have international hotels, a luxury mall, and residential condominiums. The launch of Westside City marked the Company's 20th integrated urban township, the most by any developer in the country. The township will also be home to upscale residential condominiums, a luxury mall as well as international hotel brands such as The Westin Hotel of the Starwood Asia Pacific Hotels & Resorts Group, Hotel Okura Manila of the Okura Hotels & Resorts, the Genting Grand and Crockfords Tower of the Genting Group and Kingsford Hotel. These hotels will have a total of around 1,500 rooms. Westside City is visioned to become the "Broadway of Asia" as the township highlights facilities for the performing arts and will be home to the Philippines' Grand Opera House that has a total capacity of 3,000.
21. **Maple Grove** is a 140-hectare property in General Trias, Cavite. The property is approximately 45 minutes away from Makati and other Metro Manila CBDs via Coastal Road and Cavite, Maple Grove is at the entry point of the booming industrial and residential centre of the Cavite-Batangas corridor. Megaworld is allocating P10 billion in the next 10 years to develop Maple Grove. The township will have an eclectic mix of residential, retail, office and institutional components.
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 ELI. To be built in a 24-hectare property at the convergence of Cainta, Rizal and Pasig City, this development is envisioned to be the first-ever 'elevated city' in the Philippines. The township will have residential towers on the elevated portion, meant to "evoke a character of a city sitting on highlands". Highland Park will be the highlight of the estate which is an expansive green and open park that will house a church and some retail areas.
25. **Arden Botanical Estate** is a 251-hectare property located at the boundary of Trece Martires and the municipality of Tanza in Cavite, is a joint project of MEG with GERI. Surrounded by natural rivers, it will have several residential and leisure villages, commercial areas, sports and adventure parks, and a mixed-use district. The expansive development, which will be curated to engage and stimulate the senses, will be highlighted by flower garden and green parks. Arden Botanical Village, Megaworld's first upscale residential village in Trece Martires, sold out in June 2020, seven months after its launch.

26. **Lucky Chinatown** is located at the heart of Binondo, the world's oldest Chinatown and is strategically located near Manila's historic and cultural sites such as Intramuros, Manila City Hall, and the National Museum. This 5-hectare property will have residential condominium projects, lifestyle mall, hotel, and a museum that perfectly blends history and modernity.
27. **Northwin Global City** is an 85-hectare property located just 20 kilometers north of Metro Manila along NLEX, spanning Marilao and Bocaue, Bulacan. Launched in November 2021, it is envisioned to be Bulacan's first 'global city' for business and lifestyle. It will carry MEG's iTownship features such as the installation of solar-powered and LED streetlights, underground cabling system, fiber optic cabling, bike lanes, storm water detention facility for flood prevention, intermodal transport terminal, and other sustainable infrastructure for mobility and connectivity. It will be just 20 minutes away from the proposed New Manila International Airport in Bulacan, and just five minutes away from the Philippine Arena.
28. **Paragua Coastown** is a 462-hectare 'eco-tourism township' in the laidback, charming beach town of San Vicente, Palawan. Launched in December 2021, it will be highlighted by some of the island's most beautiful natural spots (including the famous Port Barton and the country's longest coastline that is also Southeast Asia's second-longest) and by facilities that encourage a holistic lifestyle, a cultural center, and even a mangrove reserve park. It is also poised to become a true haven for families, couples, and individuals seeking a more mindful and eco-friendly way of life.

The GERI group has a diversified real estate inventory including residential and commercial lots, residential condominium units, condominium hotel units, and golf club shares. It has eight integrated tourism developments across the country covering more than 3,300 hectares of land. Its property developments 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 1,200-hectare property will feature real vineyard and chateaus, residential condominiums and villages, hotels, nature park as well as commercial and retail hubs. (See under Townships)
3. **Sta. Barbara Heights** is a vast township rising on a 173-hectare property beside the Sta. Barbara Golf Course, known as Asia's oldest golf course, located in Sta. Barbara, Iloilo. (See under Townships)
4. **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).
5. **Alabang West** is a 62-hectare residential and commercial development in Las Piñas City. (See under Townships)
6. **Eastland Heights** is a 640-hectare township development along Marcos Highway with some areas overlooking Metro Manila's panoramic skyline. (See under Townships)
7. **The Hamptons Caliraya** is a 300-hectare sprawling community surrounding Lake Caliraya in Lumban-Cavinti, Laguna. The Hamptons Village is a high-end residential area with 112 lots ranging from 504-1281 sqm. (See under Townships)
8. **Arden Botanical Estate** is a 251-hectare property in Trece and Tanza, Cavite that will be highlighted by flower farms and gardens. **The Lindgren** is a 17-hectare residential village offering lots ranging from 159sqm to 252sqm. (See under Townships)

9. **Mountain Meadows** is 260-hectare residential subdivision in Cagayan de Oro with a 4-hectare commercial area at the entrance of the project.
10. **Newport Hills** is a 127-hectare integrated residential and golf development in Lian, Batangas.

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

1. **Laguna BelAir** is ELI's flagship township project located outside of Metro Manila. The 156-hectare horizontal development in Sta. Rosa, Laguna is a complete community setting featuring several residential phases with American-inspired homes, commercial blocks, recreational amenity zones, a science-oriented school and a parish church. The project has spearheaded various residential and commercial developments in Santa Rosa City which is now dubbed as the "New Makati City of the South."
2. **The Sonoma** is the second township project outside Metro Manila. It is a 50-hectare horizontal development in Sta. Rosa City, Laguna that features Asian Modern-inspired homes. The community is centered by a five-star clubhouse complete with luxurious swimming pools, open courts, function rooms and other recreational facilities. Towards the main gate of the development is 1433 West Row, a retail strip that will feature high-end shops, restaurants and other establishments. The four residential land development phases, namely, Enclave, Country Club, Pavilion and Esplanade, have been completed and are now nearly sold out.
3. **The Cambridge Village** along East Bank Road in Pasig-Cainta boundary, is an 8-hectare micro-city community development. All 37 towers of 6-10 levels have been completed and are now nearly sold out.
4. **The Rochester**, a tropical-inspired urban resort community at Elisco Road, San Joaquin, Pasig City, will have seven Asian Modern towers set to rise on a 3-hectare property. Because of its proximity to the C5 Road and Kalayaan Avenue intersection, it is highly accessible to the Bonifacio Global City. The low-rise Garden Villas 1 and 2, mid-rise Breeze Tower and Parklane Towers, Palmridge Tower and Hillcrest Tower are now ready-for-occupancy and sold out. The residents of the RFO towers are currently enjoying the clubhouse with function areas, min-bar, fitness gym, 25-meter lap pool, kiddie pool and a multi-purpose court. The final tower, Bridgeview, is nearing completion with a few units left on its inventory.
5. **San Lorenzo Place** is a luxurious 4-tower high-rise development on a 1.33-hectare property along EDSA corner Chino Roces Avenue, Makati City standing on a podium with an upscale shopping mall directly linked to MRT-3 Magallanes station. The project offers an unparalleled luxurious city lifestyle in the Makati CBD with high-end amenities such as swimming pools, tennis court, fitness gym, jogging paths, gardens, function room, daycare center and clubhouse at the sixth level. All four towers were completed and sold out.
6. **Pioneer Woodlands** is a prime 1.27-hectare development and is one of Metro Manila's highly coveted TOD addresses 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, providing premium mobility and accessibility to the "Big 3" CBDs of Makati, Ortigas and Bonifacio Global City. The project has 6 high-rise towers, recreational amenities at the 5th level, and a two-level retail arcade. Towers 1 to 5 are now sold out and have been turned over, while Tower 6 with few units left is nearing completion.
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 are enjoyed by its residents. Its four ready-for-occupancy residential towers rise from 15 to 24 levels which are now completely sold out.
8. **Kasara Urban Resort Residences** is a luxurious six-tower resort community located between Eagle Avenue and P. E. Antonio Street near C5 Road in Ugong, Pasig City, features 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 60% of this 1.8-hectare property. The project is nearly sold out, with Towers 1 and 2 already turned over and construction of Towers 3 to 6 is ongoing.

9. **Mango Tree Residences** is an exclusive two-tower high-rise community situated on a 3,000-square meter property along M. Paterno and J. Ledesma Streets in San Juan City. Decades-old natural mango trees, landscaped gardens, and hotel-type amenities will all be located at the spacious ground level as the podium parking will be standing on stilts, providing free flow of air and natural sunlight. With only 9 to 12 units per floor and a perfect mix of executive studio, 1-to-2 bedroom suites and penthouse units, residents are ensured of ultimate privacy and exclusivity. Full-swing construction is underway for both the 38-level West Residences and 34-level East Residences.
10. **Covent Garden** is a two-tower Transit-Oriented Development on a 5,036-sqm property located along Santol Street Extension in Santa Mesa, Manila walking distance to LRT-2 V. Mapa station and the Metro Skyway Stage 3 Extension, offering ultimate accessibility to the University Belts in Manila and Quezon City. South Residences has been recently completed and turnover of units to homebuyers is on-going, while construction of North Residences is in full swing. There is a limited inventory left for the executive studios, 1-to-2 bedroom suites, and bi-level units being offered to the market.
11. **The Paddington Place** is a four-tower Transit-Oriented Development on a 8,700 sqm property along Shaw Boulevard, Mandaluyong City, an easy walk towards the MRT-3 Shaw Boulevard station and the Ortigas CBD across EDSA. The four towers standing up to 45 floors will be built on a podium structure that houses a two-level lifestyle mall dubbed as "The Pad" where daily conveniences such as restaurants, groceries and other retail establishments will be available. Amenities including swimming pools, garden decks, indoor playroom, function halls and fitness gyms can be enjoyed by the residents at 7th and 8th levels. The project's marketability is proven by the fast moving inventory of Towers 1,2 and 4. Full-swing construction has also commenced and the first residential tower is expected to be completed by 2025.
12. **Empire East Highland City**, ELI's largest development in scale to-date, is a 22.8-hectare elevated sustainable township along Felix Avenue at the boundary of Pasig City and Cainta, Rizal. It is accessible to LRT-2 Marikina Station and the upcoming MRT-4 Cainta Junction Station. The project features an 8,000-sqm Highland Park hosting lush greeneries, church and a 58,000-sqm Highland Mall. On the much elevated side is the 37-tower condominium complex called Highland Residences and an exclusive 6,700-sqm recreation hub called The Chartered Club. The Towers 1 and 2 of Arcadia, the first residential phase, are nearly sold out, prompting Empire to open Tower 3 for pre-selling. (See under Townships)
13. **South Science Park** is a 58-hectare mixed-used development in Gimalas, Balayan, Batangas in Southern Luzon region.

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

Cavite

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

variety of single-detached duplex homes-all exquisitely designed and embraced by lush nature spaces.

7. **Washington Place**, a 40-hectare prime property along Aguinaldo Highway in Dasmariñas, Cavite that boasts of modern-themed architectural designs with two basketball courts and serenity garden.

Laguna

8. **Suntrust Sentosa** is a two-phased residence in 21.8-hectare lot in Calamba City, Laguna that is inspired by the popular island resort in Singapore. It boasts not only one but two Merlion replicas in its community façade.
9. **Sta. Rosa Heights** is composed of Spanish –themed homes that also comes with a 20,030-square meter leisure area that includes a clubhouse named Vista del Santa Rosa, Lagoon type pool, basketball court, jogging lanes and children’s playground. It is sold out.
10. **Sta. Rosa Hills**, a 7-hectare property, is sold out.
11. **The Mandara** is a 14-hectare Asian-inspired community near Tagaytay that transforms into a gateway leading to the best of Sta. Rosa, Laguna. It is already sold out.
12. **San Francisco Heights**, a 23.46-hectare Mediterranean-inspired community in Calamba. Its breathtaking amenities are inspired by the wonders of San Francisco, California.
13. **Gran Avila** is the latest economic housing project in Calamba, Laguna. It encompasses 16.25 hectares of modern-themed development divided into five phases.

Batangas

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

Pampanga

16. **The Arcadia** is a 22.6-hectare property located at Porac, Pampanga. Equipped with numerous nearby destinations that cater to your business, educational, or leisure needs, this residential community is ready to be Pampanga’s home of the future. Marvel at the luxurious and pristine countryside living through its modern contemporary homes and resort-inspired amenities that will surely suit your lifestyle.

Negros Occ.

17. **The Fountain Grove** is a 24.52 hectare residential enclave with perfect balance between contemporary design and lush nature, located inside Northhill Gateway in Talisay City (see Townships).
18. **La Riviera** is a 23.55-hectare property along the Western Nautical Highway in Barangay Tinampaan, Cadiz City, Negros Occidental. The project is envisioned to be a prime mixed-used residential community.

Tagum

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

Davao City

20. **One Lakeshore Drive** is a condominium in Davao City that brings together the serenity of a lifestyle by the lake and the vitality of Mindanao’s first-ever live-work-play-learn township, the Davao Park District (see Townships). Rising soon is **Two Lakeshore Drive** and **The Eastpark Residences** as well.

Baguio City

21. **Suntrust 88 Gibraltar** is Mediterranean inspired condo-homes situated in the heart of the country’s Summer Capital, and is already sold out.
22. **The Mist Residence** gifted with multitude of charming and profound beauty with a scenic view on a 2,499.48 sqm lot in Bakakeng Central, Baguio City.
23. **The Sofia Terraces** is the latest project of Suntrust in Baguio City. Elevated in a sloped terrain, it paints a magnificent picture of the City of Pines, with a panoramic view of the city’s mesmerizing lights in the nighttime, and an awe-striking pine tree hillside in the daytime. It has a land area of 3,232 sqm specifically designed to blend in with the terrain, your own escape from the bustling city to a picturesque mountainside that puts you at the peak of serenity, and lets you enjoy the weather and misty air of Baguio City, right within your own community.

Metro Manila

24. **Suntrust Treetop Villas**, a 6,122-sqm low-dense community in Madaluyong City, is sold out.
25. SPI condominiums in Manila namely **Suntrust Adriatico Gardens**, **UN Gardens** and **Suntrust Parkview** are already sold out. **Suntrust Solana** which is a two-tower condominium on a 3,214-sqm lot in Ermita, Manila is a modern contemporary inspired community.

26. **Suntrust Kirana**, a four-tower “ecopolis” on 7,083-sqm property is a *beautiful ray of light* in Pasig City.
27. **Suntrust Shanata** is a 33,421-sqm project of 12-cluster towers in Novaliches, Quezon City.
28. **Suntrust Asmara** is a three-tower condominium community with a low-density design located along E. Rodriguez Avenue, Quezon City on a 8,459 sqm lot.
29. **Suntrust Amadea** is a two-tower condominium project in 4,174.35-sqm in Paligsahan, QC.
30. **Suntrust Capitol Plaza**, a 33-storey tower located in the heart of Diliman, Quezon City, is emerging as a landmark as one of the city’s tallest residential structures. It is designed in the 1920s Palazzo style with a façade enlivened by cornices and corbelled arches and a lobby with a circular foyer with columns and a grand, sweeping staircase.
31. **Suntrust Ascentia** is a modern contemporary tower to rise as a landmark that represents timeless beauty and elegant heritage of Sta. Ana, Manila. Inspired by the Filipino traditional motifs of the 1970s, this 5,210 sqm condominium community showcases state-of-the-art amenities and well-crafted units designed for residents’ comfort and convenience.

Travellers

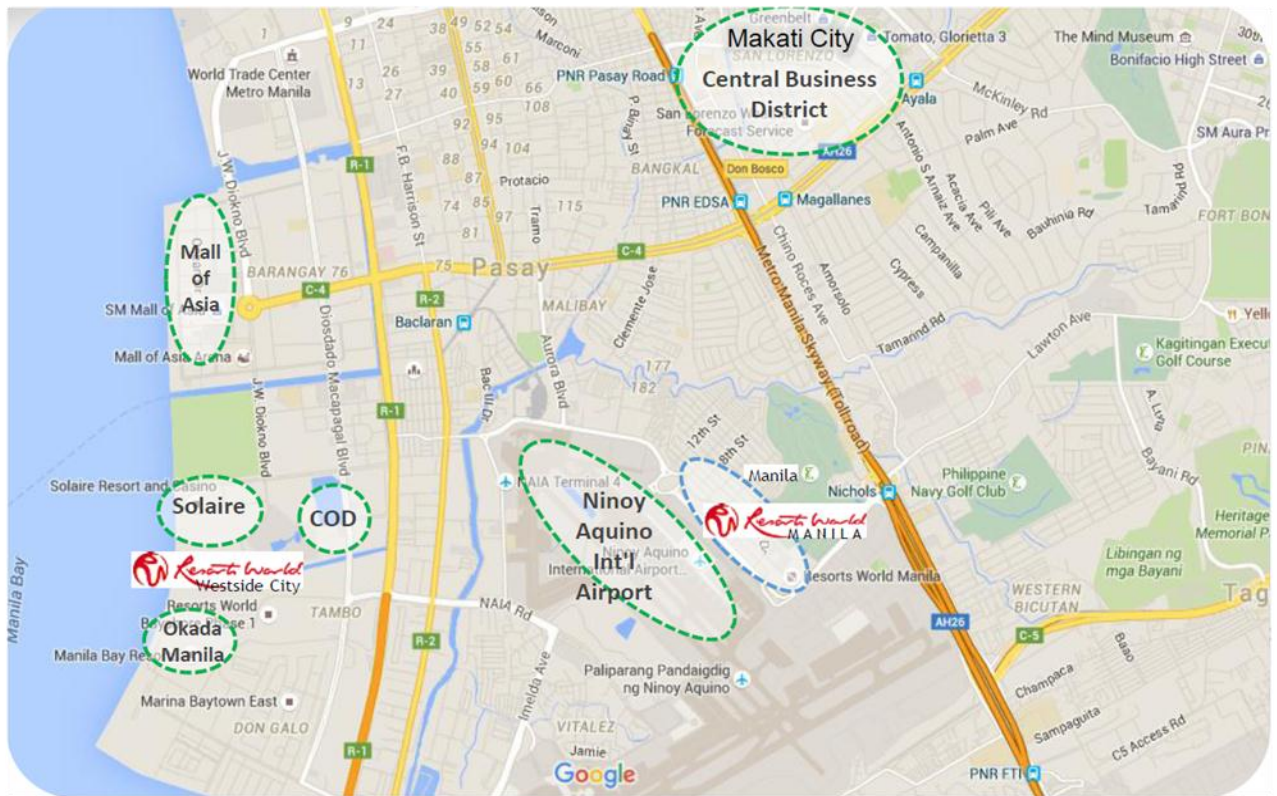
Resorts World Manila (“RWM”), Travellers’ first integrated leisure and lifestyle complex, combines hospitality, entertainment, leisure, shopping and gaming in one grand arena, a one-stop non-stop destination. RWM operates gaming facilities at the Garden Wing, which includes a members-only lifestyle club, with a private gaming area, dining options and other fabulous lifestyle features), and at the Grand Wing, with an aggregate area of 31,135 square meters. As of the end of 2021, RWM has 375 casino tables and 2,249 slot machines/electronic gaming machines (EGMs). RWM also features the upscale **Newport Mall** (52 retail stores and food-and beverage outlets with a mix of high-end boutiques and mass market option), **Newport Cinemas**, the 1,700-seat **Newport Performing Arts Theater** (a majestic venue for concerts, plays, musicals and exclusive productions), **the Horizon Center** (which features a training academy and call centers) and hotels.

Five hotels are currently in operation at RWM – i) the five-star 570-room **Marriott Hotel Manila** opened in October 2009, ii) the five-star 357-room **Hilton Manila** opened in October 2018, iii) the five-star 390-room **Sheraton Manila Hotel** opened in January 2019, iv) the mid-range 737-room **Holiday Inn Express Manila Newport City** opened in February 2018 (formerly, Remington Hotel in November 2011) and v) the 190-room **Hotel Okura Manila** opened in December 2021. Outside Metro Manila, **Courtyard by Marriott Iloilo** located in Iloilo Business Park, Iloilo City opened in 2018 and provides an additional of 326 rooms to the Company’s hotel operations.

RWM also boasts of the **Marriott Grand Ballroom**, a MICE venue with a 3,000-square meter pillar-less ballroom. It is a 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.

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, opened in April 2017. It 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.

Location map of the two RW sites



GADC

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

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

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

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



Pik-Nik

Pik-Nik is an all-American fresh-fried potato snack line that includes Shoestring Potatoes, cheese balls and cheese curls, potato chips and French-fried onion salty 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 has been in the market for over 80 years since it was first introduced in the USA in the 1930s in San Jose, California, and it continues to be the consumers' favorite shoestring snack in the US. Pik-Nik is being manufactured in the USA and sold both in the USA and internationally, with Philippine distribution under EDI.

b.2. Foreign Sales

EMP

EDI local products have established international distribution to 61 countries by end-2020 Bodegas EDI local products have established international distribution in at least 61 countries outside the Philippines by end-2020 and 2021.

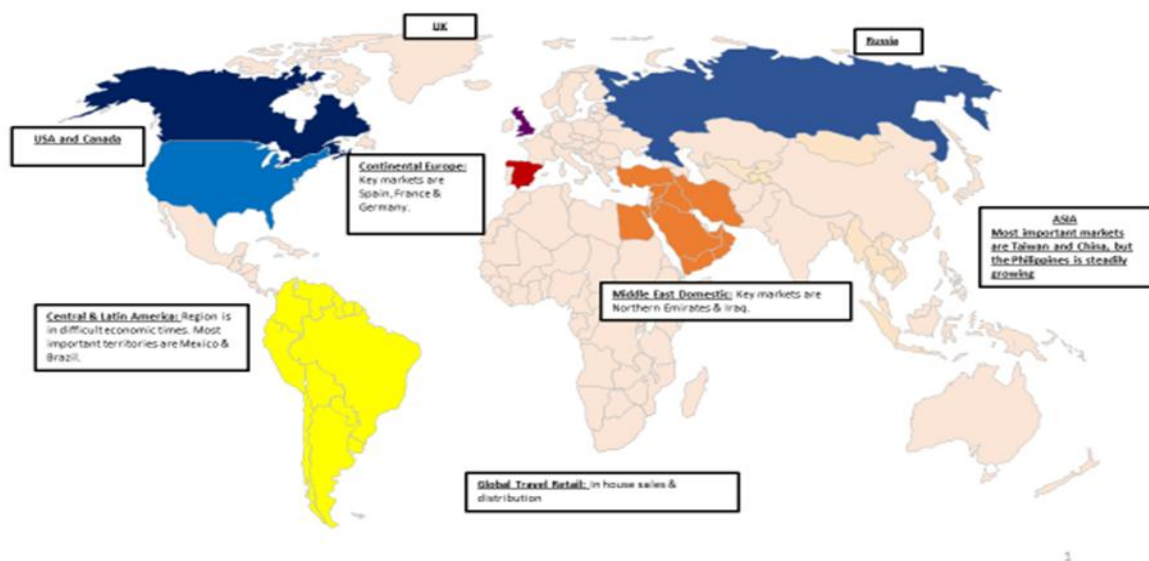
Bodegas Fundador operates as a global brandy and sherry company. The global brandy and wine business is further fortified by the Domecq trademarks that fall under Spain and Mexico and have commercial reach to South America, particularly Brazil and Colombia, and USA. The group has more than 79% [74% in 2020] of revenues coming from Spain, Philippines and Mexico, and the rest coming from other European, American and African markets.

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 markets account for 50%[44% in 2020] of sales revenues. About 48% [51% in 2020] of brand revenues come from UK and other European countries and about 37% [36% in 2020] from Asia and Pacific markets, with the balance coming from Americas, Middle East and Africa. Whyte and Mackay continues to invest across the business for future growth. It maintains a strong level of Strategic Marketing support across its expanding brand portfolio and increased its commercial resources in key disciplines and geographies. Moreover, Whyte and Mackay invested in the assets of the business to

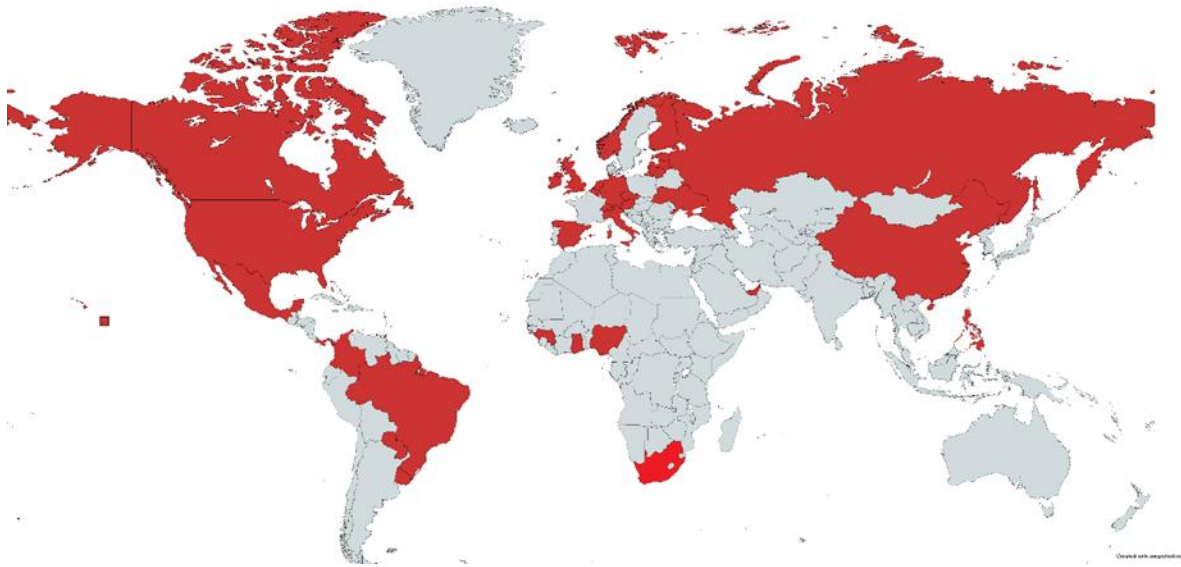
improve efficiency and flexibility and has continued to invest in barrels, ensuring its spirit quality remains at the highest levels.

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

Map showing WMG global reach:



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



MEG

Foreign sales of real estate products contributed approximately 15% of Megaworld’s consolidated sales and revenues for 2021 and 2020. Foreign sales (see b.3. below) came from North America 37% (50% in 2020), Europe 36% (26% in 2020), Asia 15% (7% in 2020) and Middle East 12% (17% in 2020) 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 8% and 16% of GERI’s consolidated real estate sales for the years 2021 and 2020, respectively.

ELI has minimal foreign sales.

Travellers

Based on Travellers’ rated members (those members with gaming activity), the principal foreign market consistently contributing for 2021 were from Korea, China and Malaysia. In addition to these three, foreign guests in RWM hotels came from United States, Japan, United Kingdom, Thailand, Canada, India and Taiwan.

Pik-Nik

Pik-Nik products are being sold locally in USA and exported to other countries. The domestic volume in the USA decreased by 8% in 2021 as compared to an increase of 26% in 2020, which was attributed to production concerns due to trucking shortage. Midwest is still the strongest market in the US, followed closely by Southeast, Texas and Southwest. Consumers continuously work from home and stay at home with their families resulting in steady increase in snack food purchases. International sales outside the USA slightly went down 3% in 2021 and 22% in 2020 mainly due to logistical issues at foreign ports because of pandemic-driven lockdowns.

b.3. Distribution Methods

EMP

EMP’s products are distributed in at least 102 countries globally. Products are sold through general trade, modern trade, on-premise, self-owned stores and online platforms. Promotion strategy depends upon the brand and considers price, communication, and promotional activities.

EDI has a nationwide distribution network operated through sales offices and distribution outlets strategically located in the country that provides it with a distinct competitive advantage. EDI builds its on-premise sales operations to expand its market to hotels and restaurant businesses in the Philippines, given the expansion of its pouring brands and world class brands. Marketing has also expanded outside the traditional platforms to reach into the digital space platform. Considering the shift in purchasing behavior during the pandemic, EDI also made its products available in different e-commerce channels such as Lazada, Shopee and Panda Mart, to name a few. 'Emperador' has established international distribution to at least 61 countries outside the Philippines by end-2021.

Bodegas Fundador has a small team that sells to distributors around the world. It partners with the best players in the distribution market, having long term agreements with country and regional wine and spirit distributors in place. EDI distributes 'Fundador' products in the Philippines, while Whyte and Mackay distributes in UK and Canada. This combination assures a deep sell-out market presence around the world.

In January 2022, Asia's first-ever brandy museum opened its doors in Iloilo City. It is an immersive museum where visitors will have a unique journey of senses through a faithful recreation of the Fundador bodega in Spain. The tour is capped at the museum cafe where guests can enjoy the barista's take on popular beverages spiked with Emperador Coffee Brandy

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

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

MEG

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

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

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

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

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

Travellers

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

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

- Direct sales - that comprises of three levels to provide clients with full service: (i) traditional sales, (ii) a business development team and (iii) in-house VIP host services.
- Indirect sales through junkets – 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 (“DRS”), a fully integrated real-time table games and slots monitoring system.

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

GADC

McDonald’s products are sold through McDonald’s restaurants nationwide. There are 671 restaurants nationwide as of end-2021, 52% of which are owned by GADC while 48% are franchised. Thirty-six new restaurants opened in 2021 across the country; while twenty were permanently closed during the year. The highest concentration of McDonald’s stores is in NCR, followed by the Southern Tagalog region. In most selected areas, McDonald’s products can be ordered and delivered 24 hours a day through its “McDelivery” telephone service, “McDelivery” mobile app or “McDelivery” website “www.mcdelivery.com.ph” and through services from Grab Food, Food Panda and other third party food aggregator apps. More than 69% of restaurants are open 24/7 (24 hours every day) but due to COVID-19 lockdown restrictions, operations were limited based on national and local government guidelines.

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

‘Jura 12 Years Old Sherry Cask’ is a single malt celebrating the shared passion and dedication of two cultures; of Jura and of Spain. This 12 Years Old has been distilled in exceptionally tall stills; matured in American ex-bourbon oak casks then finished in the finest, hand selected, aged Oloroso sherry casks from Jerez, Spain.

“Fundador Sherry Cask” is a Sherry Cask Solera and Solera Reserva, which is the classic Fundador version’s update. After almost 40 years, its image and liquid were refreshed in 2021 through a simultaneous launch in Spain, UK, Italy, México and USA. Aged in Sherry Casks that have previously contained Sherry wine, this Brandy is the combination of experience and innovation that has the credibility to reinvent the Brandy category.

“Vermut Marinero by Garvey” was launched in Spain in 2021, entering a new unexplored category. This product proposal is very different from other competitors: a red vermouth with a touch of Atlantic salt, elaborated from the most selected sherry wines and characterized by a smoothness and a flavour resulting from the Palomino Fino grape macerated with seaweed. A product totally unique and 100% suited for the aperitif moment.

‘Emperador Coffee Brandy’ was launched in August 2021, bringing more fun to coffee and more enjoyment to brandy for that *‘sarap maka-feel good’* feeling.

MEG

The International Finance Center is a 24-storey building and will be a LEED- certified office tower offering 69,200 square meters of office spaces. It will feature six levels of combined podium and basement parking with around 712 slots, and 30 passenger elevators including four parking and two service elevators, ensuring speed and convenience for tenants and employees.

Paragua Coastown, launched in December 2021, is the 28th township that will feature some of the most beautiful beaches along the coastline of San Vicente. It will be highlighted by hotels and resorts, health and wellness sanctuaries, cultural center, educational institutions, a boutique hotel district, a shophouse district, as well as residential developments such as private villas, serviced apartments, themed residential villages, and a mangrove reserve park and expected to be developed in the next 10 to 15 years.

Northwin Global City, launched in November 2021, is an 85-hectare township to be developed along the municipalities of Marilao and Bocaue Bulacan transforming it into a ‘global business district’ that will give the province its first-ever metropolitan hub for business and lifestyle. It will have its own themed commercial district, high-rise residential condominiums, hotels, malls, mixed-use commercial buildings, educational institutions, and state-of-the-art office towers. It will also be integrated with MEG’s iTownship features.

Travellers

RWM’s Phase 3 development has been completed with the opening of the 190-room Hotel Okura Manila. Additional VIP gaming areas and retail stores at the Grand Wing will soon be opened which will provide unique customer experiences across a variety of gaming and non-gaming amenities.

During the year, RWM redesigned the GF retail area and its café at the Garden Wing providing a more modern look and feel as RWM continues to improve its offerings.

GADC

McDonald's Philippines launched a number of new products and promotions that added excitement and variety to the regular menu. In April, we activated our Taste of the World platform and brought the flavors of Korea with the much talked about **K-Chicken and K-Beef burgers**, growing the burger business by 10%. In June, we took the K-craze a notch further with **The BTS Meal**, turning the entire nation purple and bringing every ARMY to clamor for our 10-pcs McNuggets, Fries and Coca-Cola in its BTS-themed packaging. We sold a staggering 3 million BTS Meals throughout the campaign period! Come August, the certified fan favorite **Twister Fries** made its way back to our stores, and as expected, delivered strong results for the business, reinforcing that McDonald's is the maker of the best-tasting fries!

2021 was also a year of milestones for the 3Ds – Drive-Thru, Delivery and Digital. By leveraging on technology and focusing on operational excellence, **Drive-Thru** hit over Php1M monthly sales. We were also able to introduce new Drive-Thru configurations like the Dual Lane that allows us to cater to more customers. **Delivery**, on the other hand, continued to innovate with the expansion of Loginext and launch of the new McDelivery App and Site which promises to improve internal and external customer experience. Last but not the least of the 3Ds, our digital value app – **McDonald's App** – significantly improved with x8 of its URD by end of the year, making it an effective guest count driving app that makes McDonald's more accessible to more customers.

Last but not the least, we ran programs that brought good to the community. **McClassroom** was again reactivated this year opening our spaces as a venue for conducive learning to teachers and students. Our **Share-the-Light Christmas initiatives** brought moments of light, brightness and feel-good moments to every Filipino. For one, the **Christmas Lights Ride-Thru** activation brought a sparkle of happiness to the young and young-at-heart with their lit up Drive-Thru experience. On the other hand, the **Christmas Carol** campaign allowed customers to share the light and give back through RMHC and the Kindness Kitchen program, feeding more than 100,000 Filipinos in need.

b.5. Competition

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

EMP

The group competes against established spirits companies. 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. Our ability to strengthen the selling power and premium image of our brands and to differentiate ourselves from our competitors affects our sales and profit margins. The Group believes it has a track record of proven strength on these areas.

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

The Fundador brands face strong competition in the Spanish market and internationally in the brandy and sherry businesses, among which are Osborne, Gonzales Byass 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

For three decades, Megaworld has made a name for itself as a trailblazer in Philippine real estate. Year after year, the Company notches impressive accomplishments, further solidifying its leadership in the industry. It differentiates itself from other real estate developers through its live-work-play-learn philosophy. This concept shaped the Megaworld's townships, an approach to real estate that it pioneered.

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.

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.

It aims to be the leading developer of integrated tourism and leisure estates in the Philippines. The Company's tourism projects are strategically located in Boracay and Laurel, Batangas and feature strategic master-planned communities integrated with resort amenities. 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 and payment terms, strategic locations, and innovative development concepts. These factors keep the ELI a strong player in the dynamic property industry.

Travellers

RWM 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 is currently being 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 12 gaming facilities across the Philippines and 36 satellite gaming facilities (which are smaller casinos and slots clubs). The Philippine gaming market also includes many other private casino and gambling operations, including seven licensed private casino operators in special economic zones ("Ecozones"). The Philippine gaming market is also comprised of other gambling competitors specializing in horse racing, cock fighting, jueteng, lotteries, sweepstakes, online gaming operators and other smaller-scale gaming operators.

GADC

McDonald's restaurants compete with a large and diverse group of restaurant chains and individual restaurants that range from independent local operators to well-capitalized national and international QSRs and convenience stores. GADC considers Jollibee Foods Corporation as its main competitor. Jollibee, a home-grown brand with more restaurants nationwide than McDonald's, offers Filipino-influenced dishes of chicken, burgers, spaghetti, and other menu items. Another one is KFC, a global brand from USA whose most popular product is its Original Recipe fried chicken served with rice and side dishes. Other competitors include Popeye's, Mang Inasal, Wendy's, Kenny Rogers, Shakey's and Pizza Hut. Since 2005, GADC had opened more than 500 new restaurants and initiated marketing campaigns such as new product launches, promotions, emotive television commercials, and discount coupons. It has embarked on innovating the customer experience from its brick and mortar restaurants, drive thru and digital store front through McDelivery. GADC competes on the basis of taste, food quality, safety and cleanliness, value, convenience of location, and customer service.

b.6. Sources and Availability of Raw Materials

The principal raw materials for the manufacture of the alcoholic beverage products are grapes from the group's vineyards and other suppliers, wine, grain and malts, distilled neutral spirit, brandy distillates, and water. It also requires a regular supply of glass bottles and packaging materials. Raw materials are sourced from from subsidiaries and third-party suppliers. All of the water for blending in the Philippine operations 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 while the rest are imported or sourced using recycled returned bottles. EDI sources final packing materials such as carton boxes and closures from at least three different suppliers. 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 plant to cover possible delays in shipments and to prevent delivery interruptions.

For production facilities in Scotland, the UK is the major source of cereals and dry goods such as bottles, labels, closures and cartons while casks are sourced from USA and from Spain.

For production facilities in Spain, grapes come from owned vineyards and from third parties as needed. For Mexico, grapes are sourced from various suppliers and *aguardientes* from Spain, Chile, Argentina and Australia.

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.

Whyte and Mackay and Bodegas Fundador have long term relationships with its suppliers to meet the current business requirements.

MEG

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

Travellers

Travellers has a large base of contractors and suppliers that provide construction, engineering and consulting services, and is not dependent on any one contractor or supplier. In 2021, the ten largest suppliers – Global Matrix Concept Group, Top Source Maintenance and Contracting Services, Gabrien Food Company, JC Seafood Supply, ARL Power Connect Corp, Empire Automation Philippines, Inc., Coca Cola Beverages Philippines, Marrisonne Leigh Trading Corporation, Systech Lighting and Controls, Inc. and Magic Clean Corporation- accounted for 48.79% 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 works with quality assurance laboratories around the world to ensure that its standards are consistently updated and upheld. In addition, McDonald's works closely with suppliers not just for assured supply but encouraging innovation, best practices sharing and 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.

Financial Statements

The consolidated audited 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.

--Continued on next page--

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATION

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

a. Key Performance Indicators – Top Five

| In Million Pesos | 2021 | 2020 | 2019 | 2018 | YoY % 2021 | YoY % 2020 | YoY % 2019 |
|-------------------------------------|----------------|----------------|----------------|----------------|---------------|----------------|---------------|
| REVENUES | 152,793 | 128,790 | 179,989 | 156,775 | 18.6% | (28.4%) | 14.8% |
| NET PROFIT ["NP"] | 23,789 | 10,260 | 27,100 | 23,665 | 131.9% | (62.1%) | 14.5% |
| NET PROFIT TO OWNERS ["NPO"] | 16,944 | 8,829 | 17,722 | 15,114 | 91.9% | (50.2%) | 17.3% |
| Gross Profit | 59,739 | 47,598 | 76,218 | 64,881 | 25.5% | (37.5%) | 17.5% |
| NP rate ["NPR"] | 15.57% | 7.97% | 15.06% | 15.09% | | | |
| NPO rate ["NPOR"] | 11.09% | 6.86% | 9.85% | 9.64% | | | |
| GPR % | 41.79% | 38.21% | 43.66% | 42.84% | | | |
| Return on investment/assets [NP/TA] | 3.38% | 1.53% | 4.20% | 4.02% | | | |
| | Dec-21 | Dec-20 | Dec-19 | Dec-18 | YoY % | YoY % | YoY % |
| TOTAL ASSETS | 703,960 | 668,493 | 644,476 | 588,240 | 5.3% | 3.7% | 9.6% |
| CURRENT ASSETS | 351,418 | 316,397 | 301,176 | 280,124 | 11.1% | 5.1% | 7.5% |
| CURRENT LIABILITIES | 172,459 | 155,833 | 130,699 | 94,826 | 10.7% | 19.2% | 37.8% |
| Current ratio | 2.04x | 2.03x | 2.30x | 2.95x | | | |
| Quick ratio | 0.98x | 0.94x | 1.05x | 1.28x | | | |
| | 2021 | 2020 | 2019 | 2018 | YoY % | YoY % | YoY % |
| Profit before tax and interest | 35,316 | 21,746 | 42,163 | 35,857 | 62.4% | (48.4%) | 17.6% |
| Interest expense | 7,240 | 6,841 | 6,293 | 4,084 | 5.8% | 8.7% | 54.1% |
| Interest coverage rate | 4.88 | 3.18 | 6.70 | 8.78 | | | |
| * | | | | | | | |

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

b. Discussion and Analysis of Operation

b.1. Results Of Operations

The challenges brought about by the COVID-19 pandemic that started in March 2020, and still continuing as of report date, have had significant impact on global economy as pandemic restrictions weaken economic conditions in many markets. The Group has conducted business operations in compliance with government directives and protocols. The Group has diversified revenue streams, by product types and geographic locations that help mitigate the impact of the pandemic-related restrictions. Its growth trajectory has taken an upswing in 2021 as all business segments have recovered in 2021 as compared to 2020, with the loosening up of restrictions in spite of the COVID-19 infection waves and varying lockdown sways.

Below is the Group's performance as organized into its four major business segments, which aptly correspond to its operating subsidiaries, namely Megaworld, Emperador, Travellers or RWM, and GADC or McDonald's, which in turn represent the main products and services provided by the Group and the lines of business in which the Group operates (i.e. real estate development and leasing, manufacture of distilled spirits, tourism-entertainment and gaming, and quick-service restaurant operations).

| In Million Pesos | 2021 Contribution | 2021 Pre Conso | 2021 Conso | 2020 Pre Conso | 2020 Conso | 2019 Pre Conso | 2019 Conso | 2018 Pre Conso | 2018 Conso | YoY % 2021 | YoY % 2020 | YoY % 2019 |
|----------------------|-------------------|----------------|------------|----------------|------------|----------------|------------|----------------|------------|------------|------------|------------|
| Revenues and income | 100.00% | 158,306 | 152,793 | 138,958 | 128,790 | 185,337 | 179,989 | 160,874 | 156,775 | 18.6% | (28.4%) | 14.8% |
| Megaworld | 32.91% | 50,617 | 50,283 | 43,471 | 43,092 | 67,313 | 66,821 | 57,261 | 56,895 | 16.7% | (35.5%) | 17.4% |
| Emperador | 36.26% | 55,424 | 55,403 | 52,741 | 52,720 | 51,547 | 51,507 | 47,038 | 47,045 | 5.1% | 2.4% | 9.5% |
| Travellers | 12.47% | 19,052 | 19,048 | 12,292 | 11,990 | 29,062 | 28,438 | 22,522 | 22,412 | 58.9% | (57.8%) | 26.9% |
| Golden Arches | 16.82% | 25,575 | 25,705 | 20,715 | 20,654 | 32,255 | 32,255 | 28,620 | 28,620 | 24.5% | (36.0%) | 12.7% |
| Others | 1.54% | 7,638 | 2,353 | 9,739 | 334 | 5,160 | 968 | 5,433 | 1,803 | 604.3% | (65.5%) | (46.3%) |
| Cost and expenses | 100.00% | 124,853 | 124,717 | 114,680 | 113,884 | 145,124 | 144,119 | 125,197 | 125,002 | 9.5% | (21.0%) | 15.3% |
| Megaworld | 28.69% | 35,674 | 35,784 | 29,535 | 29,506 | 41,935 | 41,905 | 35,883 | 35,827 | 21.3% | (29.6%) | 17.0% |
| Emperador | 33.99% | 42,529 | 42,397 | 43,305 | 42,872 | 43,067 | 42,433 | 38,601 | 38,573 | (1.1%) | 1.0% | 10.0% |
| Travellers | 15.41% | 19,299 | 19,218 | 17,770 | 17,569 | 28,031 | 27,808 | 20,938 | 20,907 | 9.4% | (36.8%) | 33.0% |
| Golden Arches | 19.16% | 23,893 | 23,900 | 21,457 | 21,343 | 29,450 | 29,346 | 26,213 | 26,124 | 12.0% | (27.3%) | 12.3% |
| Others | 2.74% | 3,458 | 3,418 | 2,614 | 2,594 | 2,641 | 2,627 | 3,562 | 3,571 | 31.7% | (1.3%) | (26.4%) |
| Tax expense | 100.00% | 4,287 | 4,287 | 4,646 | 4,646 | 8,770 | 8,770 | 8,108 | 8,108 | (7.7%) | (47.0%) | 8.2% |
| Megaworld | 13.18% | 565 | 565 | 3,348 | 3,348 | 6,082 | 6,082 | 5,544 | 5,544 | (83.1%) | (45.0%) | 9.7% |
| Emperador | 64.07% | 2,747 | 2,747 | 1,399 | 1,399 | 1,647 | 1,647 | 1,608 | 1,608 | 96.3% | (15.1%) | 2.5% |
| Travellers | 0.78% | 34 | 34 | 26 | 26 | 91 | 91 | 145 | 145 | 27.6% | (70.9%) | (37.5%) |
| Golden Arches | 19.58% | 840 | 840 | (145) | (145) | 911 | 911 | 758 | 758 | 677.9% | (115.9%) | 20.2% |
| Others | 2.38% | 102 | 102 | 18 | 18 | 39 | 39 | 53 | 53 | 476.5% | (54.9%) | (25.5%) |
| Net profit | 100.00% | 29,167 | 23,789 | 19,633 | 10,260 | 31,443 | 27,100 | 27,569 | 23,665 | 131.9% | (62.1%) | 14.5% |
| Megaworld | 58.57% | 14,378 | 13,934 | 10,589 | 10,238 | 19,296 | 18,834 | 15,834 | 15,524 | 36.1% | (45.6%) | 21.3% |
| Emperador | 43.12% | 10,148 | 10,259 | 8,037 | 8,449 | 6,833 | 7,427 | 6,829 | 6,864 | 21.4% | 13.8% | 8.2% |
| Travellers | -0.85% | (281) | (203) | (5,504) | (5,605) | 941 | 540 | 1,439 | 1,360 | 96.4% | (1137.3%) | (60.3%) |
| Golden Arches | 4.06% | 842 | 965 | (596) | (544) | 1,894 | 1,998 | 1,649 | 1,738 | 277.6% | (127.2%) | 15.0% |
| Others | -4.90% | 4,079 | (1,167) | 7,108 | (2,278) | 2,479 | (1,699) | 1,818 | (1,821) | 48.8% | (34.1%) | 6.7% |
| Net profit to owners | 100.00% | 27,785 | 16,944 | 18,881 | 8,829 | 29,971 | 17,722 | 26,775 | 15,114 | 91.9% | (50.2%) | 17.3% |
| Megaworld | 53.69% | 13,434 | 9,097 | 9,886 | 7,016 | 17,931 | 12,031 | 15,208 | 9,920 | 29.7% | (41.7%) | 21.3% |
| Emperador | 51.15% | 9,971 | 8,668 | 7,967 | 7,141 | 6,726 | 6,312 | 6,658 | 5,547 | 21.4% | 13.1% | 13.8% |
| Travellers | -1.20% | (569) | (203) | (5,500) | (2,818) | 945 | 65 | 1,444 | 573 | 92.8% | (4437.7%) | (88.7%) |
| Golden Arches | 3.24% | 869 | 549 | (580) | (232) | 1,889 | 1,030 | 1,646 | 895 | 336.9% | (122.5%) | 15.0% |
| Others | -6.89% | 4,079 | (1,167) | 7,108 | (2,278) | 2,480 | (1,716) | 1,819 | (1,821) | 48.8% | 32.7% | (5.8%) |

Numbers may not add up due to rounding off. Percentages are taken based on full/unrounded numbers

"Pre-conso" refers to numbers at subsidiary level; revenues and other income here presented may slightly differ due to reclassifications for alignment made at consolidation level. "Conso" represents numbers from external customers, i.e. after elimination/ consolidation adjustments.

RWM revenues are presented net of promotional allowance.

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

| In Million Pesos | 2021 | 2020 | 2019 | 2018 | YoY % 2021 | YoY % 2020 | YoY % 2019 |
|---|---------|---------|---------|---------|------------|------------|------------|
| REVENUES AND INCOME | | | | | | | |
| Sale of goods | 88,036 | 77,015 | 93,520 | 85,276 | 14.3% | (17.6%) | 9.7% |
| Consumer goods | 56,906 | 52,156 | 50,916 | 47,608 | 9.1% | 2.4% | 6.9% |
| Revenue from real estate (RE) sales | 31,129 | 24,859 | 42,604 | 37,668 | 25.2% | (41.7%) | 13.1% |
| Rendering of services | 54,910 | 47,541 | 81,043 | 66,177 | 15.5% | (41.3%) | 22.5% |
| Gaming | 16,725 | 13,291 | 27,645 | 20,016 | 25.8% | (51.9%) | 38.1% |
| Less: Promotional allowance | (6,395) | (3,893) | (6,099) | (4,134) | 64.3% | (36.2%) | 47.5% |
| Net Gaming | 10,330 | 9,398 | 21,546 | 15,882 | 9.9% | (56.4%) | 35.7% |
| Sales by company-operated quick-service restaurants | 22,745 | 18,045 | 28,769 | 25,605 | 26.0% | (37.3%) | 12.4% |
| Franchise revenues | 2,192 | 1,764 | 3,195 | 2,728 | 24.3% | (44.8%) | 17.1% |
| Rental Income | 13,781 | 13,170 | 17,326 | 14,741 | 4.6% | (24.0%) | 17.5% |

| In Million Pesos | 2021 | 2020 | 2019 | 2018 | YoY % 2021 | YoY % 2020 | YoY % 2019 |
|---|----------------|----------------|----------------|----------------|---------------|----------------|---------------|
| Others | 5,862 | 5,163 | 10,207 | 7,221 | 13.5% | (49.4%) | 41.4% |
| Hotel operations | 4,246 | 3,581 | 7,546 | 5,005 | 18.5% | (52.5%) | 50.8% |
| Other services | 1,616 | 1,581 | 2,661 | 2,216 | 2.2% | (40.6%) | 20.1% |
| Share in net profits of associated and joint ventures | - | 115 | 180 | 291 | (100.0%) | (36.1%) | (38.1%) |
| Finance and other income | 9,846 | 4,119 | 5,246 | 5,031 | 139.0% | (21.5%) | 4.3% |
| TOTAL | 152,793 | 128,790 | 179,989 | 156,775 | 18.6% | (28.4%) | 14.8% |
| COST AND EXPENSES | | | | | | | |
| Cost of goods sold | 53,188 | 49,668 | 57,085 | 51,609 | 7.1% | (13.0%) | 10.6% |
| Consumer goods sold | 36,313 | 35,877 | 33,705 | 31,274 | 1.2% | 6.4% | 7.8% |
| RE sales | 16,874 | 13,791 | 23,380 | 20,335 | 22.4% | (41.0%) | 15.0% |
| Cost of services | 30,020 | 27,289 | 41,261 | 34,962 | 10.0% | (33.9%) | 18.0% |
| Gaming | 5,765 | 5,562 | 11,127 | 8,546 | 3.7% | (50.0%) | 30.2% |
| Services | 24,255 | 21,728 | 30,134 | 26,416 | 11.6% | (27.9%) | 14.1% |
| Other operating expenses | 32,043 | 29,277 | 38,653 | 31,578 | 9.4% | (24.3%) | 22.4% |
| Selling and marketing | 10,462 | 10,056 | 16,167 | 13,529 | 4.0% | (37.8%) | 19.5% |
| General and administrative | 21,581 | 19,222 | 22,486 | 18,049 | 12.3% | (14.5%) | 24.6% |
| Share in net losses of associates and joint ventures | 15 | - | - | - | n/m | | |
| Finance cost and other charges | 9,451 | 7,650 | 7,120 | 6,853 | 23.5% | 7.4% | 3.9% |
| TOTAL | 124,717 | 113,884 | 144,119 | 125,002 | 9.5% | (21.0%) | 15.3% |
| TAX EXPENSE | 4,287 | 4,646 | 8,770 | 8,108 | (7.7%) | (47.0%) | 8.2% |
| NET PROFIT | 23,789 | 10,260 | 27,100 | 23,665 | 131.9% | (62.1%) | 14.5% |
| NET PROFIT TO OWNERS | 16,944 | 8,829 | 17,722 | 15,114 | 91.9% | (50.2%) | 17.3% |

Note: Numbers may not add up due to rounding off. Percentages are taken based on full/unrounded numbers. n/m- not meaningful

For the Year Ended December 31, 2021 vs. 2020

The Philippine economy grew 5.6% year-on-year ("YoY") in 2021, a turnaround from the 9.6% contraction in 2020, with YoY recovery recorded in second to fourth quarters of the year, in spite of the spiking COVID cases in April and August when Alpha Beta and Delta variants swept the country. Restrictions loosened up towards mid-November to December, in time for the Christmas season, as the entire Philippines was put under Alert Level 2 in December, where operating capacity for business and activities were increased up to 50% indoor and 70% outdoor and age mobility restrictions more relaxed.

The Group ended the year strongly with P23.8 billion **net profit ("NP")**, out of which P16.9 billion was **attributable to owners ("NPO")**, respectively rebounding 132% and 92% YoY, on the back of a 19% growth in **revenues and income**. This hefty performance was attributed to AGI's diversified portfolio and continuous drive for operating efficiencies. **Net profit rate ("NPR")** was registered at 16% while **net-profit-to-owners rate ("NPOR")** was at 11%, both surpassing 2020 rates of 8% and 7% and 2019 rates of 15% and 10%, respectively.

The Group grew revenues and other income, net profit and net profit attributable to owners by 15%, 65% and 64% YoY, respectively, in the fourth quarter, ascribing respectively 10%, 41% and 40% upticks quarter-on-quarter ("QoQ").

Megaworld, one of the country's property giants, reported revenues and income of P50.8 billion, NP of P14.4 billion and NPO of P13.4 billion that exceeded last year's results by 17% and 36%, respectively, due to less restrictive business activities. NPR improved to 28% as compared to 24% a year ago and 29% two years ago.

Real estate sales went up 25% YoY to P31.1 billion from P24.9 billion a year ago as quarantine restrictions eased which allowed mobility that improved construction activities. Sales reservations amounted to P80.0 billion during the year, with around P28.0 billion worth of new project launches particularly in Maple Grove, Eastland Heights, Arden Westpark, Alabang West, The Lindgren, Park McKinley West, Northwin Main Street and Paragua Coastown. The Megaworld-GERI-Empire East-

Suntrust/SLI brands turned over 64-12-12-12 share [52-15-17-16 in 2020] of real estate sales. The brands sold well in Quezon City, Pasig City, Makati City, San Juan, Mandaluyong and Taguig which constitute 51% of real estate sales this year.

Rental income grew 3% YoY to P13.3 billion from P12.9 billion as occupancy rates of offices remained stable at 90%, supported by overall resilient outsourcing sector. Rentals from its office leasing arm, Megaworld Premier Offices amounted to P11.0 billion, up 6% YoY. Around 108-thousand sqm of office spaces were new leases while 128-thousand sqm were renewals of various company tenants during the year. Total leasable office inventory is 1.4 million sqm. Megaworld Lifestyle Malls brought in P2.3B rentals due to a still low foot traffic.

Revenues from the hotel business jumped 30% to P1.9 billion from P1.5 billion a year ago, with occupancy rate of 84%, due to increasing mobility of people and easing of gathering restriction. Hotel revenues in last quarter soared 108% YoY and 18% QoQ.

Megaworld group's operating results brought in 33%, 59% and 54% of AGI's consolidated revenues and income, NP and NPO, respectively.

Emperador, the world's largest brandy company and owner of the world's 5th largest producer of Scotch whisky in the world by capacity (*Source: Scotch Whisky Industry Review, 2020*), performed better in 2021 amidst a still volatile environment¹, anchored on the strength of its diversified portfolio and international operations. NP for the year surged 26% YoY to a record-high of P10.1 billion, as revenues and income jumped 6% YoY to P55.9 billion. NPO accelerated to P10.0 billion, up 25% YoY. Gross profit rate ("**GPR**") improved to 36% from 31% a year ago, and NPR and NPOR higher at 18% this year as compared to 15% a year ago. *Normalized* net profit [i.e. P0.7 billion non-cash consolidation tax adjustment in 2021 added back] soared 35% to P10.8 billion, of which P 10.6 billion was attributable to owners, up 34% year-on-year.

The Brandy segment realized NP of P7.6 billion during the year, up 31% YoY, as it turned over P37.2 billion revenues and income from external customers, up 1% YoY. Brandy sales grew YoY at both the Philippine and international markets, particularly in Mexico, Spain and USA where restrictions on on-trade business have loosened up. 'Emperador', 'Fundador', 'Presidente', and 'Terry' remained as the top-selling brandy brands, with sales increases registered during the year. Sales of 'Harveys Bristol Cream' also rose as it sold well in UK. Gross profit expanded 24% YoY to P12.6 billion with GPR improving to 34% from 28% of a year ago as more of high-margin products were sold in the current year. The higher GP and lower operating costs lifted both NP and NPO to P7.6 billion and P7.4 billion, respectively, with NPR and NPOR of 20% in the current year as compared to 15% a year ago.

The Scotch Whisky segment ended the year with P18.7 billion revenues and income from external customers, a 17% jump YoY, with NP [also its NPO] growing at 14% YoY to P2.6 billion. Adding back a non-cash deferred tax expense, *normalized* net profit amounted to P3.2 billion which is up 44% from a year ago, buoyed by its single malt products. Single malts 'Dalmore', 'Jura', 'Tamnavulin' and 'Fettercairn' continued to post double-digit YoY growths in net net sales. There were large increases in Asia, UK, Europe, USA, Travel Retail, and practically all regions as economies began to bounce back against the pandemic although some countries were re-imposing restrictions in response to new COVID variants. UK off-trade and e-commerce continued to grow as demands remained high. Gross profit expanded 28% YoY to P7.4 billion with GPR improving to 40% from 36% last year as sales grew faster than cost of goods sold due mainly to product sales mix (sales of high-priced/ high-margin products increased). As markets opened up and sales grew, operating expenses increased. The segment ended with NPR of 14% and normalized NPR of 17% as compared to 14% of last year.

EMP Group accounted for 36% of AGI's consolidated revenues and income, 43% of consolidated NP and 51% of consolidated NPO.

¹ *The COVID-19 pandemic, as declared by WHO on March 11, 2020, is continuing globally. Several variants are sprouting and causing spikes in certain areas globally. However, death tolls are not as high as before because many people are vaccinated and boosted already.*

Travellers, the owner and operator of RWM, an integrated-tourism resort, had shown improved NP and NPO growths of 95% and 90% YoY as revenues and income grew 55% to P19.1 billion, which were still short to support costs and expenses. Tourism was hit hard by the pandemic restrictions that have not allowed entry of foreign nationals, except those fully vaccinated and with existing valid visas already, for almost two years already [note: reopening to international tourists started on February 10, 2022]. Mobility restrictions, however, loosened up at varying degrees during the year, more loosely towards the Christmas season.

Gross gaming revenues picked up 26% YoY to P16.7 billion from P13.3 billion. Casino drops rose to 66% YoY driven by the 82% increase from the VIP segment and 2% increase from the non-VIP segment. Blended win rate was at 4% as compared to 5% last year. Average daily property visitation decreased 12% in 2021.

Non-gaming revenues (hotel, food, beverage, others) increased 10% YoY to P2.3 billion as RWM hotels' blended occupancy rate picked up to an average of 70% this year from 51% a year ago with the resurgence of staycations. Total room keys at RWM were 2,054 at end-2021. The Courtyard by Marriott Hotel in Iloilo registered an occupancy rate of 9% in 2021. Other revenues shrank 22% to P0.5 billion due to restrictions affecting theater, cinemas and mall operations.

Travellers contributed 12% to AGI's consolidated revenues and -1% to AGI's consolidated NP and to consolidated NPO.

GADC, the master franchise holder of McDonald's in the Philippines and a strategic partnership with the George Yang group, ended the year with core revenues jumping 26% YoY to P24.9 billion and NPO soaring 250% YoY to P0.9 billion. Same-store sales grew 27% year-on-year while system-wide sales went up 30% from a year ago. Being in the food service, which is an essential business, McDonald's restaurants operated for delivery, drive-through and take-out orders, with no or limited dine-in (depending on CQ stage in the locality, up to 50% capacity allowed) at limited hours (due to curfew) and menu (due to available ingredients) from mid-March. Initially, when dine-in and large gatherings were not allowed, about 38% of stores remained operational; and, as the restrictions gradually eased, more stores resumed operations that by year-end 98% have re-opened as allowed by the local governments where the restaurants are located. A total of thirty-six (36) stores were opened while twenty (20) less-performing ones were closed during the year, to end the year with 671 stores as compared to 655 stores at the beginning of the year.

Convenience through its delivery and drive-thru channels significantly contributed to sales recovery, accounting for about 60% of system-wide sales for the year. Within McDelivery, innovation played a critical role as digital sales comprise bulk of total delivery sales - with aggressive expansion and programs with food aggregators like Grab Food and Food Panda, and continued push for the McDelivery app. As delivery boosted growth, McDonald's promoted bundles or group meals for in-home consumption and free delivery for a minimum purchase amount.

Business was already improving in the second half of the year with net profit of P0.7 billion realized in the fourth quarter, a 404% increase quarter-on-quarter, as core revenues increased 21% quarter-on-quarter. System-wide sales in the fourth quarter grew 23% quarter-on-quarter.

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

These operating results translated into 17%, 4% and 3% of the consolidated revenues and income, net profit and net profit to owners of AGI and subsidiaries, respectively.

Revenues and income, as a result of the foregoing, reached P152.8 billion in 2021, growing 19% or P24 billion over P128.8 billion in 2020. **Sale of goods** (real estate, alcoholic beverages, snack products) totaled P88.0 billion in 2021, recovering 14% or P11 billion YoY from P77.0 billion in 2020 as both real estate and consumer goods showed strong sales growths of 25% and 9%, respectively, from a year ago, attributed to opening up of economy. **Service revenues** (QSR, gaming, rentals, hotels, cinemas) accelerated 16% or P7.4 billion YoY to P54.9 billion from P47.5 billion a year ago due to easement of

COVID-19 restrictions in most part of the year. **Share in net profits of associates and joint ventures** reversed mainly from losses incurred by MEG's associates that offset profits shared from other associates this year.

Finance and other income shot up 139% or P5.7 billion YoY to P9.8 billion, due to P5.8 billion income recognized by a foreign subsidiary of Travellers in relation to the Westside City project.

Cost and expenses scaled up to P124.7 billion in 2021, 10% or P10.8 billion YoY from P113.9 in 2020, providing good profit margins. **Cost of goods sold** went up 7% or P3.5 billion YoY to P53.2 billion and **cost of services** went up 10% or P2.7 billion YoY to P30.0 billion, both due to increases in revenues, yet at a slower pace. **Other operating expenses** expanded 9% or P2.8 billion YoY to P32.0 billion as business activities increased.

Finance costs and other charges went up 24% or P1.8 billion YoY to P9.4 billion in 2021 from P7.6 billion in 2020 mainly from higher interest expense of MEG attributed to their new borrowings during the year and of EMP due to higher interest paid on ELS, and foreign currency losses of MEG.

Tax expense went down 8% or P0.4 billion YoY to P4.3 billion in 2021 from P4.6 billion in 2020, mainly from the recording in 2021 of the P1.9 billion tax benefit adjustment due to lower tax rates under CREATE on 2020 taxes, offset by the deferred tax adjustment due to higher tax rates under UK taxation effective 2023. Taking out these items, tax expense increased due to increase in taxable income.

Net Profit totaled P23.8 billion in 2021, up P13.5 billion or 132% YoY from P10.3 billion in 2020, with **net profit to owners** growing to P16.9 billion, 92% or P8.1 billion YoY over P8.8 billion in 2020

For the Year Ended December 31, 2020 vs. 2019

The year 2020 was an unusual year as it brings unprecedented challenges due to COVID-19 pandemic. The pandemic, which put the Philippines in a state of calamity from March 17, is still sweeping globally as of date of this report. To curb the spread of this novel coronavirus, the governments across the world have implemented safety protocols, stay-at-home orders and varying degrees of lockdown [called community quarantine ("CQ")¹ in the Philippines]. At the onset, the entire Luzon, its associated islands, and practically the whole country were under ECQ for two months, which paralyzed all non-essential activities and public transportation. By the end of the year 2020, most of the country was already under the more relaxed MGCQ while Metro Manila, Batangas, and the cities of Iloilo, Davao and Tacloban continued to be under GCQ.

The Group has conducted business operations in compliance with government directives and protocols amidst complex challenges brought by the localized CQ measures which include non-essential business suspensions, limited public transportation and public gathering restrictions. In all allowed activities and public/work places, the minimum public health standards are followed at all times and contactless connections are promoted. Prolonged physical meetings are discouraged, online interactions are encouraged, and alternative work arrangements such as shifts, rotation, skeletal force and work-from-home are implemented when necessary. Transport service and health and safety guards (face masks, face shields, alcohol, vitamin C and personal protective equipment) are provided to employees and workers. By the end of the year 2020, public transportation, dine-in services and mass gatherings were still limited at about 50% capacity; curfew is still in effect; and only hotels with accreditation from the Department of Tourism are allowed to accommodate guests and clients.

The Group has diversified revenue streams, either by type of products or by geographic locations, that helped mitigate the impact of the pandemic-related lockdown restrictions. The complex challenges of the CQ measures resulted in a downturn in the Group's growth trajectory with revenues and income,

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

net profit, and net profit to owners sliding by 28%, 62% and 50%, respectively, as compared to a year ago, to end the year 2020 with P128.8 billion **revenues and income**, P10.3 billion **net profit** and P8.8 billion **net profit to owners**. Net losses were reported by Travellers and GADC that further pulled down the consolidated bottom line. Nevertheless, **net profit rate** was registered at 8% as compared to 15% in 2019, while **net-profit-to-owners rate** was at 7% versus 10% in 2019.

The Group saw 22%, 77% and 48% growths quarter-on-quarter in revenues and income, net profit and net profit to owners in fourth quarter of 2020, respectively, as the COVID-19 restrictions gradually eased towards the Christmas season.

Megaworld, one of the country's property giants, reported year-on-year declines in its revenues and income, net profit and net profit to owners for the year 2020 of 35%, 45% and 45%, respectively, which reportedly amounted to P43.5 billion, P10.6 billion and P9.9 billion, respectively, due to curtailment in activities brought by the pandemic restrictions. Net profit rate remained healthy at 24% as compared to 29% in 2019. Through continuous innovation and strengthened relationships with customers and retail partners, the group was able to preserve profitability.

Real estate sales amounted to P24.9 billion, down 42% from P42.6 billion a year ago due to fewer reservations, limited selling activities and restricted construction activities. Megaworld implemented more flexible payment terms during the lockdown period. Sales reservations amounted to P68.1 billion during the year 2020, with around P7.8 billion worth of new project launches particularly in The Upper East Bacolod, Iloilo Business Park, Capital Town Pampanga and Hamptons Caliraya Laguna. The Megaworld-GERI-Empire East-Suntrust/SLI brands turned over 52-15-17-16 of real estate sales. The brands sold well in Quezon City, Pasig City, Pasay City and Taguig which constitute 53% of real estate sales.

Rental income slid 23% to P12.9 billion primarily due to temporary closure of malls, rent concessions and lower foot traffic on reopening. Rentals from its office leasing arm, Megaworld Premier Offices amounted to P10.4 billion, at about the same level as 2019. Around 135-thousand sqm of fresh office spaces were leased out in Iloilo, Quezon City and Fort Bonifacio, mainly for expansion programs of existing office partners and the rest from new clients. Around 145-thousand sqm of offices spaces were also renewed by various company tenants during the year. Around 87-thousand sqm of office spaces were completed during the year, bringing the total leasable office inventory to 1.4 million sqm. Megaworld Lifestyle Malls brought in P2.5B rentals. Megaworld offered deferment of monthly rent without penalty until the end of 2020 and waived certain rental charges of mall tenants and retail partners affected by the lockdown when non-essential shops were temporarily closed.

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

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

Megaworld group's operating results in 2020 brought in 33%, 100% and 79% of AGI's consolidated revenues and income, net profit and net profit to owners, respectively.

Emperador, the world's largest brandy company and owner of the world's 5th largest producer of Scotch whisky in the world by capacity (*Source: Scotch Whisky Industry Review, 2020*), exhibited strong results during the year 2020 amidst the pandemic challenges. Net profit to owners soared 18% year-on-year to a record-high of P8.0 billion while revenues went up 2% year-on-year to reported P52.8 billion, attesting to the strength of the Group's diversified portfolio and global operations. While on-trade and global travel retail had been affected by the lockdowns and liquor bans, EMP group took advantage of the buoyant off-trade and e-commerce channels as well as new open markets to increase sales. Emperador was able to navigate through the challenges, adapting to the new consumption trends and streamlining efficiencies. Gross profit margin remained healthy at 31% while net profit to owners margin was higher at 15% as compared to 13% a year ago.

The Brandy segment realized a 20% soar in net profit to owners to P5.7 billion in 2020 from P4.8 billion in 2019 as it turned over P36.9 billion revenues from external customers, down 2% year-on-year. The business was affected by the two-month hard lockdown from mid-March up to mid-May, when local production and distribution were completely suspended in compliance with government directive, and the liquor bans imposed in most localities. While Bodegas Fundador was able to continue its regular production and distribution in Jerez, on-trade sales was affected but off-trade and e-commerce were strong and international market resilient. When borders began opening up in June, sales picked up in Europe, Asia and Americas. 'Terry Centenario' remained as the fastest growing brandy and market leader in Spain cornering about one-fourth of the market. 'Emperador' garnered a leading 37% share of the market volume of the top three local manufacturers in the Philippines. The segment's gross profit margin slightly moved to 28% due to product mix and spike of cost inputs from abroad. The segment's net profit to owners' rate improved to 15% as the group observed prudence in its operating expenditures.

The Scotch Whisky segment ended the year 2020 with P16.0 billion revenues to external customers, a 14% surge year-on-year, with net profit to owners growing at the same 14% pace year-on-year to P2.3 billion. Business in UK accelerated in 2020 as consumers sought out our brands in the off-trade and e-commerce channels while on-trade was effectively shut March-July and restrictions reimposed (so that not all premises were open) from November. Single malts 'Jura' and 'Tamnavulin' captured the first and fifth positions of fastest-growing malt brands in UK while blended 'Whyte & Mackay' captured the fastest-growing blended whisky brand, as their sales soared to double-digit growths in UK. Similarly, sales of 'Harveys' had increased in UK. As markets opened up, exports to Asia picked up from second quarter continuing through the rest of the year. While markets from Europe, Latin America, Africa and Middle East had been affected by the varying stages and degrees of lockdown, good growths were seen for the single malts in North America, developing markets and Europe. Global Travel Retail was the most challenged channel as most airports have remained closed and restricted. The segment's gross profit margin was registered at 36% primarily due to shift in product mix. Tight control on strategic marketing and other operating expenses (normally associated with on-trade and Travel Retail) boosted net profit and net profit rates.

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

EMP Group accounted for 41% of AGI's consolidated revenues and income, 82% of consolidated net profit and 81% of consolidated net profit to owners in 2020.

Travellers, the owner and operator of RWM, among all the business segments, was hit the hardest by the pandemic-related measures imposed by the government that restricted foot traffic, local and international travel and tourism and the accommodation and dining services in 2020. These disruptions resulted in 57% decline in net revenues reported for the year 2020 to P12.2 billion, not enough to support the cost and expenses that pulled the bottom line 7 times down from P0.9 billion to P5.5 billion in the red.

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

Non-gaming revenues from hotel accommodations downscaled 58% to P2.1 billion due to check-in decline. Hotel blended occupancy rate averaged 51%. Hotel rooms were converted as temporary quarantine room facilities for Overseas Filipino Workers. New service offerings were tapped to improve occupancy rates, including WFH (Work from Hotel) packages, special staycation packages for frontliners and locally stranded individuals, and virtual meeting packages plus the E-Concierge mobile app. Other revenues shrank 60% to P0.7 billion due to restrictions affecting theater, cinemas and mall operations.

In the last quarter of 2020, revenues picked up 43% quarter-on-quarter (gaming 44%, non-gaming 40%) while net profit improved 28 times quarter-on-quarter.

Travellers contributed 9%, -55% and -32% to AGI's consolidated revenues and income, consolidated net profit, and consolidated net profit to owners, respectively, in 2020.

GADC, the master franchise holder of McDonald's in the Philippines which is a strategic partnership with the George Yang group, ended the year 2020 with core revenues reaching P19.8 billion and net profit sliding to P0.6 billion in the red, which were 38% and 131% behind last year, respectively. Same-store sales contracted 41% year-on-year while system-wide sales went down 38% from a year ago. The low results were the effects of the long-standing CQ restrictions (in different phases) nationwide that cut foot traffic in the stores and put constraints in operations and customer spending. Being in the food service, which is an essential business, McDonald's restaurants operated for delivery, drive-through and take-out orders, with no or limited dine-in (depending on CQ stage in the locality, up to 50% capacity allowed) at limited hours (due to curfew) and menu (due to available ingredients) from mid-March. Initially, when dine-in and large gatherings were not allowed, about 38% of stores remained operational; and, as the restrictions gradually eased, more stores resumed operations that by year-end 95% have re-opened as allowed by the local governments where the restaurants are located. A total of sixteen (16) stores were opened while thirty (30) non-performing ones were closed during the year, to end the year 2020 with 655 stores as compared to 669 stores at the beginning of the year.

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

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

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

These operating results translated into 16%, -5% and -3% of the consolidated revenues and income, net profit and net profit to owners of AGI and subsidiaries, respectively, in 2020.

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

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

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

Finance costs and other charges went up 7% or P0.5 billion to P7.6 billion in 2020 mainly from higher interest expense of Travellers, GADC and MEG attributed to their new borrowings during the year.

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

Net Profit totaled P10.3 billion in 2020, 62% down year-on-year from P27.1 billion in 2019, with **net profit to owners** down 50% to P8.8 billion.

For the Year Ended December 31, 2019 vs. 2018

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

McFlurry with Oreo, Brown Sugar Sundae with Pearls, and the new Milk Tea McFloat with Brown Sugar Pearls.

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

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

Revenues, as a result of the foregoing, reached P180.0 billion in 2019, a P23.2 billion or 15% jump from P156.8 billion in 2018 with all segments of the Group reporting favorable performances during the year. **Sale of goods** (real estate, alcoholic beverages, snack products) went up 10% or P8.2 billion to P93.5 billion from P85.3 billion a year ago. **Service revenues** (QSR, gaming, rentals, hotels, cinemas) surged 22% or P14.9 billion to P81.0 billion in 2019 as compared to P66.2 billion in 2018. **Share in net profits of associates and joint ventures** decreased by 38% or P111 million, mainly from losses incurred by MEG’s associates this year as compared to profits reported last year.

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

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

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

Financial Condition

December 31, 2021 vs 2020

Consolidated total assets amounted to P704.0 billion at end of 2021 from P668.5 at beginning of year. The Group is strongly liquid with **current assets** exceeding **current liabilities** 2.0 times. Current assets amounted to P351.4 billion while current liabilities amounted to P172.5 billion at end of 2021.

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

Cash and cash equivalents increased 18% or P12.6 billion to end the year with P82.3 billion from P69.7 billion at the beginning of the year, primarily from net cash flows generated from operating activities exceeding cash used in financing and investing activities during the year as shown in more detail in the consolidated statements of cash flows.

Current trade and other receivables went up 8% or P5.3 billion mainly from real estate trade receivables (reflective of robust sales) and advances to contractors and suppliers. **Non-current trade and other receivables**, on the other hand, went down by 13% or P2.1 billion primarily from the reduction in advances to contractors and suppliers related to real estate projects that gets completed, offset by the increase in real estate trade 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 down 10% or P1.3 billion for the **currently** maturing assets while **non-currently** maturing assets went up 30% or P1.8 billion.

Financial assets at fair value through profit or loss increased 38% or P3.7 billion from acquisitions during the year and change in market valuation.

Inventories increased 9% or P12.8 billion mainly from real estate related accounts (real estate for sale, property development costs, raw land) as project development pumped up during the year due to less restrictive protocols, and work-in-process account as the Group builds up on aging its distilled spirits inventory.

Other current assets jumped 11% or P1.8 billion mainly due to increases in MEG's creditable withholding taxes, and prepaid rent and other prepayments.

Advances to landowners and joint operators slid 5% or P0.4 billion as real estate business activities improved.

Financial assets at fair value through other comprehensive income went up 6% or P0.02 billion from marked-to-market valuation loss offset by foreign currency gains.

Deferred tax assets dipped 22% or P1.4 billion significantly from deferred tax assets of GADC, attributed to timing differences mainly on their lease liabilities.

Other non-current assets dropped 7% or P0.6 billion from the P1.2 billion deposit made by Megaworld in 2020 for the on-market purchase of its perpetual securities, and such was fully utilized in 2021. This was offset by the increases in Megaworld's deferred commissions and in Travellers' advances for future investments made to PAGCOR during the year.

Non-current assets held for sale were reduced by 81% or P4.0 billion as the sale pertaining to Travellers' assets was completed in 2021.

Current trade and other payables depleted 11% or P7.6 billion mainly due to the application of advance deposits received in relation to the Westside project since conditions specified in the co-development agreement have been completed offset by the increase in trade payables mainly due to timing of purchases for production.

Current interest-bearing loans soared 62% or P30.8 billion while **non-current interest-bearing loans** dipped 25% or P31.3 billion, for a net decrease of 0.3% or P0.5 billion, mainly from Megaworld's new loans as offset by loan repayments.

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 P15.3 billion, respectively, at the end of 2021, decreasing by 8% or P0.1 billion and 3% or P0.5 billion, respectively, from the beginning of the year balances.

Contract liabilities represent MEG's excess of collection over the progress of work under MEG, with **current** portion decreasing 8% or P0.2 billion and **non-current** portion increasing 55% or P1.8 billion.

Income tax payable increased 16% or P0.3 billion, mainly from higher taxable liabilities sitting at EMP and GADC.

Advances from related parties and joint operator partners went up 13% or P0.3 billion due to cash advances granted during the year.

Other current liabilities were down 26% or P6.8 billion primarily due to decreases in Megaworld's deferred rental, commissions payable, advances from customers, and derivative liability; and reclassification of Emperador's equity-linked securities to equity. On the other hand, **Other non-current liabilities** increased by 78% or P8.9 billion mainly from deposits from Travellers' patrons offset by the decrease in Megaworld's customer deposits.

Retirement benefit obligation decreased 60% or P1.4 billion from higher fair value of the plan assets this year as compared to last year, as a result of remeasurement gains arising from return on plan assets, foreign exchange adjustment and contributions into the plan.

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

The **changes in equity components** are presented in detail in the consolidated statements of changes in equity. The equity attributable to owners increased 15% or P26.6 billion mainly due to consolidated net profit during the year and Megaworld's consolidation reserves during the year while non-controlling interest increased 11% or P12.8 billion due to net profit during the year and deposit for future stock subscription on ELS shares. Treasury shares pertain to the acquisition cost of the shares that have been brought back from the market pursuant to the AGI's ongoing buyback program.

December 31, 2020 vs 2019

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

In summary, for **accounts with at least +/-5% year-on-year changes**:

Cash and cash equivalents increased 36% or P18.4 billion to end the year 2020 with P69.7 billion from P51.3 billion at the beginning of the year, primarily from net cash flows generated internally and net proceeds from debts during the year, particularly from MEG and GADC. Cash flows from operating, financing and investing activities during the period were presented in the consolidated statements of cash flows.

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

Contract assets, which represent the reclassified portion of trade and other receivables relating to rights to payment which are conditioned upon the completion of units sold and represent excess of progress of work over the right to an amount of consideration, went up 22% or P2.4 billion for the **currently maturing assets** and **non-currently maturing assets** decreased 21% or P1.7 billion.

Financial assets at fair value through profit or loss depleted by 19% or P2.3 billion from net disposals in 2020.

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

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

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

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

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

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

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

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

Current and Non-current lease liabilities were accounts brought about by the adoption of PFRS 16- Leases beginning January 1, 2019. These amounted to P1.3 billion and P14.6 billion, respectively, at the end of 2019 and increased by 10% or P0.1 billion and 8% or P1.2 billion, respectively, during the year; thereby ending the year 2020 with P1.4 billion and P15.9 billion.

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

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

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

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

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

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

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

The **changes in equity components** are presented in detail in the consolidated statements of changes in equity. The equity attributable to owners increased 2% mainly due to net profit during the year, while non-controlling interest decreased 4% or P5.2 billion due to dividend declared by investee. Treasury

shares pertain to the acquisition cost of the shares that have been brought back from the market pursuant to the AGI's ongoing buyback program.

December 31, 2019 vs 2018

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

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

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

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

Contract assets which represent the reclassified portion of trade and other receivables relating to rights to payment which are conditioned upon the completion of units sold and represent excess of progress of work over the right to an amount of consideration, went down 2% or P0.3 billion for the **currently** maturing assets and **non-currently** maturing assets decreased 30% or P3.3 billion. These reductions signified completion of contract works.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b.2. Liquidity and Capital Resources

The consolidated statements of financial position showed strong liquidity with current assets exceeding current liabilities 2.0times, 2.0times, and 2.3times at end of 2021, 2020, and 2019, respectively. Total-liabilities-to-equity ratios were at 1.1:1, 1.3:1 and 1.2:1 at end 2021, 2020 and 2019, while interest-bearing-debt-to-total-equity ratios were correspondingly at 64%, 74% and 70%. Assets exceeded liabilities 2times and equity 2times as well at end-2021, 2020 and 2019.

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 | 2021 | 2020 | 2019 |
|---|----------------|----------------|----------------|
| Cash and cash equivalents | 82,278 | 69,698 | 51,271 |
| FVTPL/ FVOCI financial assets | 13,934 | 10,185 | 12,462 |
| Total Available | 96,212 | 79,883 | 63,732 |
| Interest-bearing debt- current | 80,304 | 49,546 | 40,870 |
| Interest-bearing debt noncurrent | 93,109 | 124,371 | 138,283 |
| Bonds payable- noncurrent | 41,982 | 40,283 | 24,624 |
| Equity-linked securities* | - | 3,444 | 5,280 |
| Total Debt | 215,395 | 217,644 | 209,057 |
| Net cash (debt) | (119,183) | (137,761) | (145,325) |
| Available cash and financial assets to debt | 44.67% | 36.70% | 30.49% |
| Total debt to total equity | 64.25% | 73.57% | 70.36% |

b.3 Prospects for the future

The Group remains optimistic in its prospects ahead as it anchors its growth on the Group's strong brand equity, firm market positioning, focused strategies and overall financial strength. It is mindful of the current challenges in global and domestic economies.

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

b.4 Others

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

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

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

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

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

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

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

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

FIRST QUARTER 2022

Management's Discussion and Analysis of Interim Financial Condition and Results of Operations

Key Performance Indicators – Top Five

| In Million Pesos | Q1 2022 | Q1 2021 | YoY 2022 | YoY % |
|-------------------------------------|----------|----------|----------|--------|
| REVENUES | 37,498 | 31,807 | 5,691 | 17.9% |
| NET PROFIT ["NP"] | 5,350 | 3,204 | 2,145 | 66.9% |
| NET PROFIT TO OWNERS ["NPO"] | 3,887 | 2,564 | 1,324 | 51.6% |
| NP rate ["NPR"] | 14.27% | 10.07% | | |
| NPO rate ["NPOR"] | 10.37% | 8.06% | | |
| EBITDA Margin | 30.73% | 28.32% | | |
| Return on investment/assets [NP/TA] | 0.76% | 0.46% | | |
| | Mar-2022 | Dec-2021 | YoY 2022 | YoY % |
| TOTAL ASSETS | 708,350 | 703,960 | 4,390 | 0.6% |
| CURRENT ASSETS | 351,350 | 351,418 | (68) | (0.0%) |
| CURRENT LIABILITIES | 172,701 | 172,459 | 242 | 0.1% |
| Current ratio | 2.03x | 2.04x | | |
| Quick ratio | 0.95x | 0.98x | | |
| | Q1 2022 | Q1 2021 | YoY 2022 | YoY % |
| Profit before tax and interest | 8,847 | 6,268 | 2,579 | 41.1% |
| Interest expense | 1,730 | 1,751 | (21) | (1.2%) |
| Interest coverage rate | 5.11 | 3.58 | | |

Note: Numbers may not add up due to rounding off

- o Revenue growth – measures the percentage change in sales/revenues over a designated period. Performance is measured in terms of both amount and volume, where applicable.
- o Net profit growth – measures the percentage change in net profit over a designated period of time
- o Net profit rate – computed as percentage of net profit to revenues - measures the operating efficiency and success of maintaining satisfactory control of costs
- o Return on investment [or capital employed] – the ratio of net profit to total assets - measures the degree of efficiency in the use of resources to generate net income
- o 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
- o Interest coverage ratio - computed as profit before tax and interest expense divided by interest expense -measures the business' ability to meet its interest payments.

Results of Operations – Three Months 2022 vs 2021

The Philippine economy¹ grew 8.3% year-on-year in the first quarter of 2022, a significant reversal from 3.8% contraction in first quarter last year, 1.9% faster than 7.8% growth in previous quarter and surpassing pre-pandemic 2019 levels. Domestic economic activity has gained stronger traction from

¹ GDP growths were taken from Philippine Statistics Authority ref. 2022-205 released on May 12, 2022.

the easing of remaining restrictions, in spite of setback from the Omicron-driven² surge in Covid-19 cases in January this year. For Metro Manila and other key areas, operating capacity for business and activities were reduced to 10% indoor and 30% outdoor under Alert Level 3, easing to 50% indoor and 70% outdoor under Alert Level 2, and to full capacity for establishments and public transport under most lenient Alert Level 1. As of April 1, 2022, about 79% of economy was already under Alert Level 1.

The Group continued its growth trajectory in this volatile environment, surpassing performance in comparable period last year, anchored on the strength of its diversified revenue streams, strong brand equity and optimized cost management. All business segments delivered strong year-on-year (“YoY”) growths.

Net profit (“NP”) for the first quarter soared 67% YoY (+P2.1 billion) to P5.4 billion, attributing P3.9 billion of net profit to owners (“NPO”) which surged 52% YoY (+P1.3 billion), on the back of 18% YoY growth (+P5.7 billion) in revenues and income. NP rate (“NPR”) improved to 14% and NPO rate (“NPOR”) to 10% this year as compared to 10% and 8%, respectively, of a year ago.

By business segments, as represented by the major subsidiary groups:

| In Million Pesos | Contribution | Q1 2022 Pre Conso | Q1 2022 Conso | Q1 2021 Pre Conso | Q1 2021 Conso | YoY 2022 | YoY % |
|---------------------------|--------------|----------------------|------------------|----------------------|------------------|-------------|----------|
| Revenues and other income | 100.00% | 37,681 | 37,498 | 34,644 | 31,807 | 5,691 | 17.9% |
| Megaworld | 34.34% | 12,950 | 12,877 | 10,109 | 10,053 | 2,824 | 28.1% |
| Emperador | 32.81% | 12,309 | 12,304 | 12,022 | 12,017 | 287 | 2.4% |
| Travellers | 13.03% | 4,886 | 4,885 | 3,768 | 3,765 | 1,120 | 29.8% |
| Golden Arches | 19.15% | 7,193 | 7,180 | 5,680 | 5,680 | 1,499 | 26.4% |
| Others | 0.67% | 343 | 253 | 3,064 | 292 | (39) | (13.4%) |
| Cost and expenses | 100.00% | 30,534 | 30,381 | 27,358 | 27,290 | 3,091 | 11.3% |
| Megaworld | 28.07% | 8,556 | 8,529 | 6,993 | 6,993 | 1,537 | 22.0% |
| Emperador | 32.06% | 9,830 | 9,741 | 9,561 | 9,528 | 213 | 2.2% |
| Travellers | 15.72% | 4,766 | 4,777 | 4,864 | 4,863 | (85) | (1.8%) |
| Golden Arches | 22.03% | 6,737 | 6,693 | 5,287 | 5,259 | 1,434 | 27.3% |
| Others | 2.11% | 647 | 641 | 652 | 647 | (6) | (0.9%) |
| Tax expense | 100.00% | 1,767 | 1,767 | 1,313 | 1,313 | 454 | 34.6% |
| Megaworld | 50.17% | 886 | 886 | 626 | 626 | 261 | 41.7% |
| Emperador | 19.76% | 349 | 349 | 362 | 362 | (13) | (3.5%) |
| Travellers | 18.59% | 328 | 328 | 1 | 1 | 327 | 28170.0% |
| Golden Arches | 11.38% | 201 | 201 | 324 | 324 | (123) | (37.9%) |
| Others | 0.10% | 2 | 2 | - | - | 2 | 1848.4% |
| Net profit | 100.00% | 5,379 | 5,350 | 5,974 | 3,204 | 2,145 | 66.9% |
| Megaworld | 64.70% | 3,508 | 3,461 | 2,491 | 2,435 | 1,027 | 42.2% |
| Emperador | 41.38% | 2,130 | 2,214 | 2,099 | 2,127 | 87 | 4.1% |
| Travellers | -4.13% | (208) | (221) | (1,097) | (1,099) | 878 | 79.9% |
| Golden Arches | 5.34% | 255 | 286 | 69 | 98 | 188 | (192.9%) |
| Others | -7.30% | (305) | (391) | 2,412 | (356) | (35) | (9.8%) |
| Net profit to owners | 100.00% | 4,913 | 3,887 | 5,836 | 2,564 | 1,324 | 51.6% |
| Megaworld | 60.47% | 3,069 | 2,351 | 2,362 | 1,611 | 740 | 45.9% |
| Emperador | 48.47% | 2,098 | 1,884 | 2,084 | 1,788 | 96 | 5.4% |
| Travellers | -2.95% | (207) | (115) | (1,096) | (544) | 429 | 78.9% |
| Golden Arches | 4.05% | 258 | 157 | 73 | 64 | 93 | (145.0%) |
| Others | -10.05% | (305) | (391) | 2,412 | (356) | (35) | (9.8%) |

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

"Pre-conso" refers to numbers at subsidiary level; revenues and other income here presented may slightly differ due to reclassifications for alignment made at consolidation level. "Conso" represents numbers from external customers, i.e. after elimination/ consolidation adjustments. RWM revenues are presented net of promotional allowance.

²The COVID-19 pandemic, which broke out in 2020, is continuing to spread globally with new variants and resurgences causing reimposition of mobility and lockdown restrictions by affected governments. In January, the Omicron variant ("Omicron"), first named by WHO in November 2021, less severe more transmissible than Delta, spread fast worldwide causing record peaks in most countries (including UK, Spain, Mexico, USA and Philippines) and declined quickly. The governments were forced to tighten mobility restrictions as Omicron infection surged. As the situation improved globally, public health restrictions had eased in most places while there were still tightening in other places. In the Philippines, right after the New Year holidays, Metro Manila and other places were put under stricter Alert Level 3 for a month (from Alert Level 2 since mid-November 2021), then restrictions were gradually eased to Alert Level 2 in February and Alert Level 1 in March (up to this report date); while other areas were under the stricter levels. Omicron sub-variants have been detected in May 2022.

Megaworld, the county's pioneer developer of integrated urban townships, was in for a strong start as it reported revenues and other income of P13.1 billion, NP of P3.5 billion and NP to its owners of P3.1 billion rising 29%, 41% and 30% YoY attributed to double-digit growths in all of its revenue segments. NPR was registered at 27% and NPOR at 23%, as compared to 24% and 23%, respectively, of a year ago.

Real estate sales climbed 36% YoY to P8.1 billion as construction activities normalized. Reservation sales reported an improvement of 12% ending the period with P23.2 billion compared to P20.7 billion during the same period last year. The current brand mix for Megaworld-GERI-Empire East-Suntrust/SLI was 66%-13%-13%-8%. About 66% of sales were for Metro Manila projects, 17% Cavite-Laguna-Batangas-Rizal and 7% Iloilo.

Rental income increased 20% YoY to P3.7 billion as a result of higher rental rate from new leases and rent escalations and increase in occupancy rates. Megaworld Lifestyle Malls, which operates 20 lifestyle malls, showed a big improvement in its performance. As foot traffic improved during the period together with high operational occupancy of 88%, mall rentals grew 40% YoY to P0.7 billion. Megaworld Premier Offices continued on its track by posting P3.0 billion rental income, a 16% YoY growth occupancy rate improved to 91% compared to the 82-83% industry average level.

Megaworld Hotels & Resorts, which operates 11 hotel properties, reported hotel revenues of P0.5 billion, a 50% leap YoY reflective of the improvement on leisure-related and MICE activities and domestic travel attributed to loosening of mobility restrictions throughout the first quarter.

These operating results brought in 34%, 65% and 60% to AGI's consolidated revenues and other income, net profit and net profit attributable to owners, respectively.

Emperador, the world's largest brandy company and owner of the world's 5th largest Scotch whisky producer in the world by capacity, showed improved results in the first quarter of current year as compared to same period of 2021 and of pre-pandemic 2019, as it anchored on its diversified portfolio and international operations, amidst a volatile pandemic environment caused by Omicron waves globally that tamed the Group's growth trajectory.

It reported P12.3 billion revenues and other income in the first quarter, up 2% YoY despite the challenges posed by global logistics and lockdowns attributed to Omicron across international markets including the Philippines. NP and NPO hit P2.1 billion. Nevertheless, these numbers were respectively 12%, 22% and 21% better than the pre-pandemic first quarter of 2019.

GPR and NPR remained robust amidst inflationary pressures. GPR was at 32% this year compared to 33% a year ago while NPR remained stable at 17% as the group continued to maintain caution and optimization in its spending.

The Brandy segment ended the first quarter with revenues and other income from external customers of P7.6 billion, dampened by logistics constraints and lockdown restrictions from Omicron waves. Emperador increased its sales prices in January, yet it took the price of rising costs. GP contracted 18% YoY to P1.9 billion with GPR sliding to 26% from 28% of a year ago. The lower GP and higher operating costs brought both NP and NPO to P1.2 billion, with margin of 16% and 15%, respectively.

The Scotch Whisky segment ended the first quarter with revenues and other income from external customers increasing 20% YoY to P4.7 billion, buoyed by its single malt products which showed double-digit growths and accounted for 63% of the segment's sales (as compared to 55% a year ago). Scotch Whisky sales continued to grow strongly in Europe, Americas and Asia Pacific regions in spite of supply chain challenges which were affecting its markets. Nevertheless, demand remains strong with orders on hand. GP expanded 18% YoY to P1.9 billion yet GPR remained steady at 40%. A 16% YoY increase on spending was recorded as markets reopened which brought NP and NPO to P0.9 billion, up 25% YoY. NPR and NPOR improved to 19% from 18% in comparable period last year.

For the first quarter of the year, Emperador group contributed 33% to AGI's consolidated revenues and other income, 41% to consolidated net profit, and 48% to consolidated net profit attributable to AGI owners.

Travellers, the owner and operator of Resorts World Manila (RWM), an integrated tourism resort, made a remarkable recovery from the reopening of business activities as it reported 29% YoY growth in its core revenues to P4.8 billion for the first quarter. NP and NPO improved 81% YoY which were still short to support costs and expenses.

Gross gaming revenues hiked 43% YoY to P6.5 billion as gaming activities were allowed to open in March. With increased activity, promotional allowance expanded to P2.6 billion, up 83% YoY. Net gaming revenues increased 25% YoY to P3.9 billion

Non-gaming revenues (from hotel, food, beverage and others) also improved 46% year-on-year to P0.9 billion due to loosening of mobility and travel restrictions resulting in increased foot traffic, foreign tourist arrivals and MICE activities. Reopening of tourism to international tourists started on February 10 this year. Hotel occupancy rates of the 5 hotels in RWM ranged 47% to 85% (35% to 73% a year ago). The hotel in Iloilo registered an occupancy rate of 16% (6% a year ago) due to higher restrictions in the area during the quarter.

Travellers group accounted for 13%, -4% and -3% of AGI's consolidated revenues and other income, consolidated net profit and consolidated net profit attributable to owners of AGI, respectively.

GADC, the master franchise holder of McDonald's in the Philippines and a strategic partnership with the George Yang group, started the year with a stronger quarter YoY in spite of the initial setback caused by the Omicron surge at the beginning of the year. GADC reportedly grew its core revenues for the first three months to P7.2 billion, up 27% YoY. Its NP and NPO made a huge leap of 268% and 253% YoY, respectively, to close at P255 million and P258 million, respectively, by the end of the first quarter.

As lockdown restrictions were easing during the period, consumer mobility improved and operating hours and store capacity increased. Systemwide store sales expanded 29% YoY, boosted by dine-in consumption and return of birthday parties and large group gatherings. Same-store sales grew 22% YoY. Sustained efforts on consumers' priorities – safety and trust, affordability, accessibility – plus menu excitement through limited time offers drove the brands's sales and guest count achievements. Total store count stood at 679 as the group opened 8 stores and did not close any during the first quarter (3 opened, 3 closed in first quarter last year). Stores were concentrated 82% in Luzon. About 99% of total stores were already operating by the end of the first quarter.

These operating results translated into 19% contribution to consolidated revenues and other income, 5% to consolidated net profit and 4% to net profit to owners of AGI.

By profit and loss accounts:

The preceding discussions are reflected in the consolidated profit and loss accounts, as shown below:

| In Million Pesos | Q1 2022 | Q1 2021 | YoY 2022 | YoY % |
|---|---------------|---------------|--------------|--------------|
| REVENUES AND INCOME | | | | |
| Sale of goods | 20,050 | 17,994 | 2,055 | 11.4% |
| Consumer goods | 11,999 | 12,092 | (93) | (0.8%) |
| Revenue from real estate (RE) sales | 8,051 | 5,902 | 2,148 | 36.4% |
| Rendering of services | 16,340 | 12,866 | 3,473 | 27.0% |
| Gaming | 6,530 | 4,557 | 1,973 | 43.3% |
| Less: Promotional allowance | (2,607) | (1,426) | (1,182) | 82.9% |
| Net Gaming | 3,923 | 3,131 | 792 | 25.3% |
| Sales by company-operated quick-service restaurants | 6,515 | 5,135 | 1,380 | 26.9% |
| Franchise revenues | 659 | 524 | 136 | 25.9% |
| Rental Income | 3,862 | 3,115 | 747 | 24.0% |
| Others | 1,381 | 962 | 419 | 43.5% |
| Hotel operations | 1,246 | 849 | 397 | 46.8% |
| Other services | 135 | 113 | 21 | 18.7% |
| Share in net profits of associated and joint ventures | - | 5 | (5) | (100.0%) |
| Finance and other income | 1,108 | 941 | 167 | 17.8% |
| TOTAL | 37,498 | 31,807 | 5,691 | 17.9% |

| In Million Pesos | Q1 2022 | Q1 2021 | YoY 2022 | YoY % |
|--|---------------|---------------|--------------|--------------|
| COST AND EXPENSES | | | | |
| Cost of goods sold | 12,270 | 11,226 | 1,044 | 9.3% |
| Consumer goods sold | 8,153 | 8,107 | 47 | 0.6% |
| RE sales | 4,117 | 3,119 | 997 | 32.0% |
| Cost of services | 8,483 | 7,069 | 1,414 | 20.0% |
| Gaming | 1,618 | 1,706 | (87) | (5.1%) |
| Services | 6,865 | 5,363 | 1,502 | 28.0% |
| Other operating expenses | 7,699 | 6,997 | 702 | 10.0% |
| Selling and marketing | 2,703 | 2,455 | 247 | 10.1% |
| General and administrative | 4,996 | 4,542 | 454 | 10.0% |
| Share in net losses of associates and joint ventures | 42 | - | 42 | |
| Finance cost and other charges | 1,887 | 1,998 | (110) | (5.5%) |
| TOTAL | 30,381 | 27,290 | 3,091 | 11.3% |
| TAX EXPENSE | 1,767 | 1,313 | 454 | 34.6% |
| NET PROFIT | 5,350 | 3,204 | 2,145 | 66.9% |
| NET PROFIT TO OWNERS | 3,887 | 2,564 | 1,324 | 51.6% |

Note: Numbers may not add up due to rounding off. Percentages are taken based on full numbers, not from the presented rounded amounts.

Revenues and income, as a result of the foregoing discussion, increased 18% YoY (+P5.7 billion) to P37.5 billion in the first quarter. **Sale of goods** (real estate, alcoholic beverages and snack products) increased 11% YoY (+P2.0 billion) to P20.0 billion as real estate sales grew 36% YoY (+P2.1 billion) from increased construction activity, while sales of consumer goods remained stable at P12.0 billion. **Service revenues** (gaming, hotels, quick-service restaurants, cinemas and theaters, leasing, hotels and other related services) climbed 27% YoY (+P3.5 billion) to P16.3 billion as net gaming revenues, sales of quick-service restaurants, franchise revenues, rental revenues and hotel operations improved by 25% (+P0.8 billion), 27% (+P1.4 billion), 26% (+P0.1 billion), 24% (+P0.7 billion) and 47% (+P0.4 billion), respectively. **Share in net profits of associates and joint ventures** of P0.005 billion a year ago reversed to P0.04 billion **share in net losses** in the first quarter this year. **Finance and other income** increased 18% YoY (+P0.2 billion) to P1.1 billion from higher interest income and foreign currency gains during the quarter.

Costs and expenses stepped up 11% YoY (+P3.1 billion) to P30.4 billion, providing good profit margins. **Cost of goods sold** and **cost of services** increased 9% YoY (+P1.0 billion) and 20% YoY (+P1.4 billion), respectively, due to increases in revenues, yet at a slower pace. **Other operating expenses** went up 10% YoY (P0.7 billion) to P7.7 billion due to resumption of business activities. **Share in net losses of associates and joint ventures** was reported mainly due to incurred losses of an associate of Megaworld. **Finance and other charges** fell 6% YoY (-P0.1 billion) to P1.9 billion due mainly to turnaround of foreign currency losses recorded from a year ago.

Tax expense ballooned 35% YoY (+P0.4 billion) to P1.8 billion from higher taxable profit of Megaworld and Travellers.

Earnings before interest, taxes, depreciation and amortizations (EBITDA) (computed as net profit before income taxes, interest expense, depreciation and amortizations) hiked 28% YoY (+P2.5 billion) to P11.5 billion from P9.0 billion a year ago, exhibiting 31% and 28% EBITDA rate, respectively.

Net profit accelerated 67% YoY (+P2.1 billion) to P5.3 billion from higher gross profit (sales growth outpacing costs growth) and optimization of expenditures.

Net profit attributable to AGI owners amounted to P3.9 billion from P2.6 billion a year ago, a robust 52% YoY growth because of the foregoing.

Financial Condition

Consolidated total assets amounted to P708.4 billion at end of the interim period from P704.0 billion at beginning of year, a modest 1% growth (+P4.4 billion) in the first quarter. The Group is liquid with **current assets** exceeding **current liabilities** 2.0 times at the end and beginning of the

interim period. Current assets amounted to P351.3 billion while current liabilities amounted to P172.7 billion at end of the interim period.

Cash and cash equivalents were depleted by 3% (-P2.6 billion) during the interim, ending at P79.7 billion from P82.3 billion at the beginning of the year, primarily due to uses in financing activities (payments of loans, interest, dividends, lease) and investing activities (capital expenditures, advances) outpacing cash provided by operating activities. Net cash provided by operations and used in financing and investing activities during the period were presented in the interim consolidated statements of cash flows.

In summary, the **accounts with at least +/- 5% changes** from year-end were as follows.

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 7% (+P0.9 billion) for **currently** maturing assets while the **non-currently** maturing assets went down 3% (-P0.2 billion).

Financial assets at fair value through other comprehensive income soared 29% (+P0.1 billion) to P0.5 billion due to increase in fair value during the interim period.

Current trade and other payables increased 5% (+P3.5 billion) to P68.0 billion mainly due to resumption/increase of business activities of the Group.

Current lease liabilities decreased 3% (-P0.04 billion) to P1.3 billion and **non-current lease liabilities** increased 5% (+P0.7 billion) to P16.1 billion from rental payments and additions made during the period.

Contract liabilities represent MEG's excess of collection over the progress of work with **current** portion increasing 19% (+P0.5 billion) and **non-current portion** increasing 9% (+P0.4 billion) during the interim period.

Income tax payable dropped 22% (-P0.5 billion) to P1.6 billion due mainly to reductions in Emperador, as annual obligations at beginning of the year were paid during the interim period.

Advances from related parties and joint operator partners fell 12% (-P0.3 billion) to P2.2 billion from Megaworld.

Other current liabilities were reduced 10% (-P1.8 billion) to P17.2 billion primarily due to payments made during the interim period.

Retirement benefit obligation went down 9% (-P0.09 billion) to P0.9 billion due mainly to the excess of fair value of retirement plan assets over the present value of the obligation due changes in financial assumptions and foreign exchange adjustments booked in UK.

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

Liquidity and Capital Resources

The consolidated statements of financial position showed strong liquidity with current assets exceeding current liabilities 2times at end of interim period. The interim period opened and closed with total-liabilities-to-equity ratio of 1.1 : 1.0 and interest-bearing-debt-to-equity ratio of 0.6 : 1.0. Assets exceeded liabilities nearly 1.9times, and equity 2.1times at the beginning and end of the interim period.

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

| Amounts in Million Pesos | March 2022 | December 2021 |
|-------------------------------|------------|---------------|
| Cash and cash equivalents | 79,683 | 82,278 |
| FVTPL/ FVOCI financial assets | 14,502 | 13,934 |

| | | |
|---|------------------|-----------|
| Total Available | 94,185 | 96,212 |
| Interest-bearing debt- current | 79,269 | 80,304 |
| Interest-bearing debt noncurrent | 91,057 | 93,109 |
| Bonds payable- noncurrent | 42,315 | 41,982 |
| Total Debt | 212,641 | 215,395 |
| Net cash (debt) | (118,456) | (119,183) |
| Available cash and financial assets to debt | 44.29% | 44.67% |
| Total debt to total equity | 62.46% | 64.25% |
| Net debt to total equity | 34.79% | 35.55% |

Prospects for the future

The Group remains optimistic in its prospects ahead as it anchors its growth on the Group's strong brand equity, firm market positioning, focused strategies and overall financial strength. It is mindful of the current challenges in global and domestic economies.

The Group, with its diversified businesses, has a proven record of creating value over time and is confident in its ability to deliver sustainable profitable growth and value for its stakeholders, backed by its overall resilience and adaptability.

Others

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

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

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

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

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

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

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

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

Market Price and Dividends on Common Shares

Market Information

The Company's common shares are traded on the Philippine Stock Exchange. The closing price of the said shares as of latest practicable trading date of **24 May 2022** was **P10.36**. The trading prices of the said shares for each quarter within the last two years and subsequent interim period are set forth below:

| | 2020 | | | | 2021 | | | | 2022 |
|------|-------|------|------|-------|-------|-------|-------|-------|-------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 |
| High | 11.54 | 7.70 | 7.28 | 11.12 | 11.08 | 11.50 | 11.12 | 12.50 | 13.30 |
| Low | 5.30 | 5.61 | 5.44 | 6.93 | 9.14 | 9.79 | 9.00 | 10.02 | 11.20 |

Source: Philippine Stock Exchange

Shareholders

As of 31 March 2022, the Company had 856 stockholders holding 9,465,964,879 common shares. The Top Twenty Stockholders of the Company are as follows:

| Rank | Stockholder | No. of Shares Held | Percent to Total |
|------|---|--------------------|------------------|
| 1 | The Andresons Group, Inc. | 4,693,783,694 | 49.59% |
| 2 | PCD Nominee Corporation (Non-Filipino) | 1,544,581,253 | 16.32% |
| 3 | PCD Nominee Corporation (Filipino) | 1,519,593,312 | 16.05% |
| 4 | Altavision Resources, Inc. | 887,678,334 | 9.38% |
| 5 | Yorkshire Holdings, Inc. | 255,773,508 | 2.70% |
| 6 | Asiagroup Holdings, Inc. | 220,004,000 | 2.32% |
| 7 | California Orchard Growers' Investments, Inc. | 120,000,000 | 1.27% |
| 8 | Eastwood Property Holdings, Inc. | 112,600,000 | 1.19% |
| 9 | Andrew L. Tan | 63,684,350 | 0.67% |
| 10 | Andresons Global, Inc. | 30,088,596 | 0.32% |
| 11 | Megaworld Cebu Properties, Inc. | 10,000,000 | 0.10% |
| 12 | Kingson U. Sian | 5,001,100 | 0.05% |
| 13 | Lucio W. Yan &/or Clara Y. Yan | 1,000,000 | 0.01% |
| 14 | First Centro, Inc. | 364,200 | 0.00% |
| 15 | Jianhua Su | 202,500 | 0.00% |
| 16 | American Wire & Cable Co., Inc. | 200,000 | 0.00% |
| 17 | Ramon C. Garcia | 100,000 | 0.00% |
| 18 | Rupesh s. Narvekar | 100,000 | 0.00% |
| 19 | Sang Won Lee | 52,500 | 0.00% |
| 20 | Atty. Pacifico B. Tacub | 46,000 | 0.00% |

In September 2017, the Board of Directors authorized the Company to repurchase up to Php5billion worth of the Company's common shares from the market for a term of 24 months, or until September 2019 and was extended up to September 2020. In September 2020, the Board of Directors authorized a new buy-back program to repurchase up to Php2.5 Billion worth of the Company's common shares from the market for a term of 12 months, or until September 2021, and in October 2021, the Board of Directors authorized a new buy-back program to repurchase up to Php4billion worth of the Company's common shares from the market for a term of two and a half years, or until April 2024.

Dividends in the Two Most Recent Years and Subsequent Interim Period

It is the policy of the Company and its subsidiaries to periodically declare a portion of its unrestricted retained earnings as dividend either in the form of cash or stock. The declaration of dividends depends upon the declaring company's earnings, cash flow and financial condition, among other factors. Dividends may be declared 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. Dividends may be paid 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. Stock dividends are subject to the approval by both the Board of Directors and at least two-thirds (2/3) of the outstanding capital stock of the stockholders at a stockholders' meeting called for such purpose.

On December 01, 2020, the Company declared cash dividend of P0.05 per share, payable to all stockholders of record as of December 15, 2020, out of the unrestricted retained earnings of the Company as of December 31, 2019. On December 01, 2021, the Company declared cash dividend of

P0.07 per share, payable to all stockholders of record as of December 17, 2021, out of the unrestricted retained earnings of the Company as of December 31, 2020. The Company has not declared yet in the current interim period.

MEG intends to maintain an annual cash dividend payment ratio of 20% of its net profit from the preceding year, subject to the requirements of applicable laws and regulations and the absence of circumstances that may restrict the payment of such dividends, such as where MEG undertakes major projects and developments. Cash dividends amounting to ₱1.36 billion, ₱1.19 billion and ₱2.39 billion were declared on the MEG's common shares in 2021, 2020 and 2019, respectively. The dividends were paid in December 2021, January 2021 and July 2019, respectively. Cash dividends were declared on MEG's Series "A" Preferred Shares in 2021, 2020 and 2019 in the amount of ₱600,000 for each year. The dividends were paid in December 2021, January 2021 and July 2019.

EMP has declared approximately 40% of the preceding year's consolidated net profit as dividends in the past three years, taking into consideration a number of factors including restrictions that may be imposed by current and prospective financial covenants, projected levels of operating results of its businesses/subsidiaries, working capital needs and long-term capital expenditures of its businesses/subsidiaries; and regulatory requirements on dividend payments, among others. For the two most recent years, EMP declared a cash dividend per share of P0.11 on August 5, 2020, P0.12 on January 4, 2021, P0.09 on March 8, 2021 and P0.11 on August 2, 2021. It has not yet declared in the current interim period.

Travellers intends to maintain an annual cash and/or share dividend payout of up to 20% of its net profit from the preceding year, subject to the requirements of applicable laws and regulations and the absence of circumstances that may restrict the payment of such dividends. Its retained earnings are restricted to the extent of the cost of its treasury shares. For the two most recent years and the first quarter of 2022, Travellers had not declared any dividends.

GADC declares dividends as when its Board of Directors deem expedient, taking into consideration the working capital requirements and reserve for contingencies and such other purpose conducive to the best interest of the company. For the two most recent years, it had not declared any dividends. In February this year, it declared and paid cash dividends of P3,016.77 per common share and P1.00 per preferred share.

Infracorp is not yet in commercial operations and has not declared dividends up to date of this report.

Recent Sales of Unregistered or Exempt Securities 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.

Compliance with Leading Practices on Corporate Governance

In 2002, the Company adopted a Manual on Corporate Governance in order to institutionalize the rules and principles of good corporate governance in the entire organization in accordance with the Code of Corporate Governance promulgated by SEC. A Revised Manual was adopted by the Company on July 30, 2014 pursuant to SEC Memorandum Circular No. 6, Series of 2009 and as amended by SEC Memorandum Circular No. 9, Series of 2014. The Manual was further revised and adopted by the Company on May 30, 2017 pursuant to SEC Memorandum Circular No. 19, Series of 2016.

Corporate Governance Committee

The Company's Corporate Governance Committee is responsible for assisting the Board in the performance of its corporate governance responsibilities, as well as establishing formal and transparent procedure to develop a policy for determining the remuneration of directors and officers, and determining the nomination and election process for the Corporation's directors and the general profile of board members that the Corporation may need to ensure that appropriate knowledge, competencies and expertise that complement the existing skills of the Board. This Committee shall be composed of three (3) members, two of whom are independent directors, including the Chairman. The Corporate

Governance Committee is composed of Sergio R. Ortiz-Luis, Jr., Chairman, and Jesli A. Lapus and Kevin Andrew L. Tan, members.

Board Risk Oversight Committee

The Company's Board Risk Oversight Committee is responsible for the oversight of the Corporation's Enterprise Risk Management system to ensure its functionality and effectiveness. This Committee shall be composed of three (3) members of the Board, the majority of whom are independent directors, including the Chairman. The members of the Board Risk Oversight Committee are Jesli A. Lapus, Chairman, Sergio R. Ortiz-Luis, Jr. and Kevin Andrew L. Tan, members.

Audit Committee

The Company's Audit Committee is responsible for ensuring that all financial reports comply with internal financial management and accounting standards, performing oversight financial management functions, pre-approving all audit plans, scope and frequency and performing direct interface functions with internal and external auditors. This Committee has three members, two of whom are independent directors. An independent director serves as the head of the committee. The members of the Audit Committee are Sergio R. Ortiz-Luis, Jr., Chairman, Jesli A. Lapus and Andrew L. Tan, members.

Related Party Transaction Committee

The Company's Related Party Transaction Committee is responsible for reviewing all material related party transactions of the Corporation, including evaluating on an ongoing basis existing relations between and among business and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. This Committee shall be composed of three directors, two of whom are independent directors, including the Chairman. The members of the Related Party Transaction Committee are Sergio R. Ortiz-Luis, Jr., Chairman, and Jesli A. Lapus and Andrew L. Tan, members.

In 2021, the directors of the Company were required to take a Corporate Governance Orientation course and are encouraged to undergo further training in corporate governance.

The Company likewise complies with its Revised Manual on Corporate Governance requirement that it rotate its external auditor or change the handling partner every five (5) years or earlier.

Evaluation System

The Company has designated a Compliance Officer who is tasked with monitoring compliance with the provisions of its Manual of Corporate Governance. The Compliance Officer, who is directly reporting to the Chairman of the Board, has established an evaluation system to measure or determine the level of compliance by the Company with its Manual.

Deviations from Manual and Sanctions Imposed

In 2021, the Company substantially complied with its Manual of Corporate Governance and did not materially deviate from its provisions. No sanctions have been imposed on any director, officer or employee on account of non-compliance.

Plan to Improve Corporate Governance

Pursuant to SEC Memorandum Circular No. 6, Series of 2009 and as amended by SEC Memorandum Circular No. 9, Series of 2014, the Company has revised its Manual of Corporate Governance to make its provision compliant with the Revised Code of Corporate Governance. The Manual was further revised and adopted by the Company on May 30, 2017 pursuant to SEC Memorandum Circular No. 19, Series of 2016.

Among the measures undertaken by the Company in order to fully comply with the provisions of the leading practices on good corporate governance adopted in its Manual on Corporate Governance are monitoring and evaluation of the internal control system for corporate governance. The Company likewise maintains an active website where its Annual Reports, Quarterly Reports, Financial Statements and other disclosures are uploaded for easy access and reference by the investing public. The Company is committed to good corporate governance and continues to improve and enhance the evaluation system for purposes of determining the level of compliance by the Company with its Manual on Corporate Governance.

Discussion on Section 49 of the Revised Corporation Code

In compliance with Section 49 of the Revised Corporation Code, a copy of the Minutes of the previous annual stockholders' meeting is attached herein as **Annex "B"**.

The attendance of the directors at the meetings of the Board of Directors for the year 2021 is as follows:

| Name | No. of Meetings held during the year | No. of Meetings Attended | % |
|---------------------------|--------------------------------------|--------------------------|------|
| Andrew L. Tan | 23 | 23 | 100% |
| Kevin Andrew L. Tan | 23 | 23 | 100% |
| Kingson U. Sian | 23 | 23 | 100% |
| Katherine L. Tan | 23 | 23 | 100% |
| Winston S. Co | 23 | 23 | 100% |
| Sergio R. Ortiz-Luis, Jr. | 23 | 23 | 100% |
| Alejo L. Villanueva, Jr* | 23 | 12 | 52% |
| Jesli A. Lapus** | 23 | 11 | 48% |

*Term ended on June 17, 2021

**Elected during the Annual Stockholders' Meeting on June 17, 2021

The Company adopts a policy of full disclosure with regard to related party transactions. All terms and conditions of related party transactions are reported to the Board of Directors. The Company ensures that the transactions are entered on terms comparable to those available from unrelated third parties. Disclosure of relationship or association is required to be made before entering into transaction. No participation in the approval of the transaction. None of the Corporation's directors and officers have entered into self-dealing and related party transactions with or involving the Corporation in 2021.

Below are the disclosure requirements under Section 49 of the Revised Corporation Code.

| | Required Information | Reference Material |
|----|---|---|
| 1. | Description of the voting and vote tabulation procedures used in the previous meeting. | Please refer to the Minutes of the Annual Meeting of Stockholders held on 17 June 2021 attached herein as Annex "B". |
| 2. | A description of the opportunity given to stockholders to ask questions and a record of the questions asked and answers given in the previous meeting | Please refer to the Minutes of the Annual Meeting of Stockholders held on 17 June 2021 attached herein as Annex "B". |
| 3. | The matters discussed and resolutions reached in the previous meeting | Please refer to the Minutes of the Annual Meeting of Stockholders held on 17 June 2021 attached herein as Annex "B". |
| 4. | A record of the voting results for each agenda item in the previous meeting | Please refer to the Minutes of the Annual Meeting of Stockholders held on 17 June 2021 attached herein as Annex "B". |
| 5. | A list of the directors or trustees, officers and stockholders or members who attended the previous meeting | Please refer to the Minutes of the Annual Meeting of Stockholders held on 17 June 2021 attached herein as Annex "B". |
| 6. | Information in the interest of good corporate governance and the protection of minority stockholders | Please refer to the Revised Manual on Corporate Governance Manual at the website, https://www.allianceglobalinc.com/corporate-governance/manual-corporate-governance |
| 7. | Material information on the current stockholders and their voting rights | Please refer to Item 4 of this Definitive Information Statement |
| 8. | A detailed, descriptive, balanced and comprehensible assessment of the Corporation's performance, which shall include information on any material change in the | Please refer to SEC Form 17-A (Annual Report) of the Corporation for the year ended 31 December 2021, attached herein as Annex "C". |

| | | |
|-----|---|---|
| | Corporation's business, strategy, and other affairs | |
| 9. | A financial report for the preceding year, which shall include financial statements duly signed, and certified in accordance with this Code and the rules the Commission may prescribe, a statement on the adequacy of the corporation's internal controls or risk management systems, and a statement of all external audit and non-audit fees | Attached as Annex "C" is the Consolidated Audited Financial Statements for the year ended 31 December 2021. |
| 10. | An explanation of the dividend policy and the fact of payment of dividends or the reasons for nonpayment thereof | See Discussion above on Page 80. |
| 11. | Director profiles which shall include, among others, their qualifications and relevant experience, length of service in the Corporation, trainings and continuing education attended, and their board representations in other corporations | See profile on Pages 9-12. |
| 12. | A director attendance report, indicating the attendance of each director at each of the meetings of the board and its committees and in regular or special stockholders' meetings. | See Discussion above on Pages 82 to 83. |
| 13. | Appraisals and performance for the board and the criteria and procedure for assessment | Please refer to the Revised Manual on Corporate Governance Manual at the website, https://www.allianceglobalinc.com/corporate-governance/manual-corporate-governance |
| 14. | A director compensation report prepared in accordance with applicable rules and regulations | See discussion on Page 17. |
| 15. | Director disclosures on self-dealings and related party transactions | Please refer to Item 5 of this Definitive Information Statement. |
| 16. | The profiles of directors nominated or seeking election or reelection. | The profiles of the Nominees for Election to the Board of Directors for the Year 2022, can be found in Item 5 and Profiles of the Nominees section of this Definitive Information Statement. |

ANNEX "A"

ALLIANCE GLOBAL GROUP, INC.

Procedures and Requirements for Voting and Participation in the 2022 Annual Stockholders' Meeting

Pursuant to the Corporation's Amended By-Laws and the Revised Corporation Code, Alliance Global Group, Inc. (the "Company") will dispense with the physical attendance of its stockholders for the 2022 Annual Stockholders' Meeting (ASM). Instead, the Company will conduct the 2022 ASM scheduled on 16 June 2022 at 9:00 AM by remote communication and will conduct electronic voting *in absentia*.

Only stockholders of record as of 19 May 2022 are entitled to participate and vote in the 2022 ASM.

The Company has adopted the following procedures and requirements to enable its stockholders to participate and vote in the 2022 ASM.

I. ONLINE REGISTRATION STEPS AND REQUIREMENTS

A. Stockholders may register from 9:00 AM of 26 May 2022 until 5:00 PM of 09 June 2022 to signify his/her/its intention to participate in the 2022 ASM by remote communication. The registration steps and requirements are available the Company's website: <https://www.allianceglobalinc.com/asm2022>.

B. To register, stockholders shall submit the following requirements to the Office of the Corporate Secretary via email at corporatesecretary@allianceglobalinc.com.

B.1 For Individual Stockholders –

- (i) Scanned copy of stock certificate issued in the name of the individual stockholder;
- (ii) Valid email address and active contact number;
- (iii) Scanned copy of valid government-issued identification card; and
- (iv) Recent photo of stockholder.

B.2 For Stockholders with Joint Accounts –

- (i) Authorization letter signed by all stockholders indicating the name of the person authorized to cast the votes;
- (ii) Scanned copy of stock certificate issued in the name of the joint stockholders;
- (iii) Valid email address and active contact number of the authorized stockholder;
- (iv) Scanned copy of valid government-issued identification card of the authorized stockholder; and
- (v) Recent photo of the authorized stockholder.

B.3 For Stockholders under PCD Participant/Brokers Account or holding 'Scripless Shares'-

- (i) Stockholders should coordinate with their broker and request for the full account name and reference number or account number they provided the Company;
- (ii) Broker's Certification on the stockholder's number of shareholdings;
- (iii) Valid email address and active contact number of the stockholder;
- (iv) Scanned copy of valid government-issued identification card of stockholder; and
- (v) Recent photo of stockholder.

B.4 For Corporate Stockholders (including Partnerships and Associations) –

- (i) Secretary's Certificate or Board Resolution attesting to the authority of the representative to vote the shares on behalf of the corporate stockholder;
 - (ii) Scanned copy of stock certificate issued in the name of the corporate stockholder;
 - (iii) Valid email address and active contact number of authorized representative;
 - (iv) Valid government-issued identification card of authorized representative; and
 - (v) Recent photo of stockholder.
- C. The documents submitted will then be verified by the Office of the Corporate Secretary. The validation process will be completed by the Company no later than three (3) business days from the stockholder's receipt of an email from the Company acknowledging receipt of the stockholder's registration documents. Once validated, the stockholder will receive an email that his/her/its account has been verified and shall provide instructions for the stockholder's access to the Company's electronic voting and to access the ASM livestreaming link.

II. ELECTRONIC VOTING IN ABSENTIA

- A. Duly registered stockholders have the option to vote for the matters contained in the agenda for the 2022 ASM through electronic voting *in absentia*. The deadline for registration is 5:00 PM of 09 June 2022. Beyond this date, stockholders may no longer avail of the option to electronically vote *in absentia*.
- B. After verification, the Company shall send a ballot to the registered stockholder through his/her/its e-mail address which shall contain all the agenda items for approval as indicated in the Notice of Meeting and the registered stockholder may vote as follows:
- (1) For items other than Election of Directors, the registered stockholder has the option to vote: In Favor of, Against, or Abstain. The vote is considered cast for all the registered stockholder's shares.
 - (2) For the Election of Directors, the registered stockholder may vote for all nominees, not vote for any of the nominees, or vote for some nominees only, in such number of shares as preferred by the stockholder, provided that the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of directors to be elected. The total number of votes the stockholder is allowed to cast shall be based on the number of shares he/she or it owns.
 - (3) Once voting on the agenda items is finished, the stockholder can proceed to submit the accomplished ballot via email to corporatesecretary@allianceglobalinc.com.
 - (4) After the ballot has been submitted, the stockholder may no longer change his/her vote. The stockholder will receive a confirmation email that his/her/its vote has been recorded.
- C. Thereafter, the Office of the Corporate Secretary, through election inspectors appointed for the meeting, shall tabulate all valid and confirmed votes cast through electronic voting, together with the votes through proxies, subject to validation by representatives of the Company's external auditors.
- D. Registered stockholders shall have until 5:00 PM of **09 June 2022** to cast their votes *in absentia*. Stockholders will not be allowed to cast votes during the livestream of the 2022 ASM.

III. VOTING BY PROXY

- A. For individual stockholders holding certificated shares of the Company – Download the proxy form that is available at <https://www.allianceglobalinc.com/asm2022>. A copy of the duly signed and notarized Special Power of Attorney or Authorization Letter must be submitted together with the proxy form. For reference, a sample Special Power of Attorney is also available at <https://www.allianceglobalinc.com/asm2022>.

B. For stockholders holding 'scripless' shares, or shares held under a PCD Participant/Broker – Download the proxy form that is available at <https://www.allianceglobalinc.com/asm2022>. Stockholders are advised to coordinate with their brokers first for the execution of this type of proxy.

C. For corporate stockholders - Download the proxy form that is available at <https://www.allianceglobalinc.com/asm2022>. A copy of the duly signed and notarized Secretary's Certificate must be submitted together with the proxy form. For reference, a sample Secretary's Certificate is also available at <https://www.allianceglobalinc.com/asm2022>.

D. General Instructions on Voting by Proxy:

- (1) Download and fill up the appropriate proxy form. Follow the instructions on how to cumulate or allocate votes in the election of directors.
- (2) Send the scanned copy of the duly executed proxy form via email to corporatesecretary@allianceglobalinc.com or submit the original proxy form to the Office of the Corporate Secretary at the 9th Floor, Eastwood Global Plaza, Palm Tree Avenue, Eastwood City CyberPark, Bagumbayan, Quezon City.
- (3) Deadline for the submission of proxies is at 5:00 PM of **09 June 2022**.
- (4) Validation of proxies will be on 13 June 2022.
- (5) If a stockholder avails of the option to cast his/her vote electronically *in absentia* and also issues proxy votes with differing instructions, the duly accomplished ballots sent through e-mail shall replace the proxy votes issued by the stockholder.

IV. PARTICIPATION BY REMOTE COMMUNICATION

- A. Only duly registered stockholders will be included in determining the existence of a quorum.
- B. Duly registered stockholders may send their questions and/or comments prior to the ASM through email at corporatesecretary@allianceglobalinc.com. The deadline for submitting questions shall be at 5:00 PM of 09 June 2022.
- C. The proceedings during the 2022 ASM will be recorded.

For any clarifications, please contact the Office of the Corporate Secretary via email at corporatesecretary@allianceglobalinc.com.

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

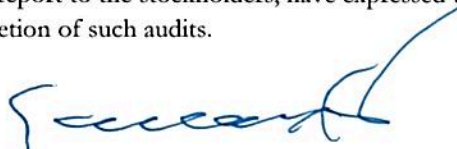
The management of *Alliance Global Group, Inc. and Subsidiaries* (the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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



ANDREW L. TAN
Chairman of the Board



KEVIN ANDREW L. TAN
Chief Executive Officer




DINA D.R. INTING
Chief Financial Officer

SUBSCRIBED AND SWORN to before me this **MAY 12, 2022**, 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. 45
Page No. 10
Book No. 2
Series of 2022



ATTY. MARK EBENEZER A. BERNARDO
Notary Public for Makati City
Until December 31, 2022
Notarial Commission No. M-02
Roll No. 74096
IBP Number: 169485 01/03/2022, PPLM



FOR SEC FILING

Consolidated Financial Statements and
Independent Auditors' Report

Alliance Global Group, Inc. and Subsidiaries

December 31, 2021, 2020 and 2019

Report of Independent Auditors

Punongbayan & Araullo

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

T +63 2 8988 2288

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

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

Opinion

We have audited the consolidated financial statements of Alliance Global Group, Inc. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, 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, 2021, 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC) and described in Note 2 to the consolidated financial statements.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 1 to the consolidated financial statements, which describes management's assessment of the continuing impact on the Group's consolidated financial statements of the business disruptions brought by the COVID-19 pandemic.

We draw attention to Note 2 to the consolidated financial statements, which indicates that the consolidated financial statements have been prepared in accordance with PFRS, as modified by the financial reporting reliefs issued and approved by the SEC. The qualitative impact of the financial reporting reliefs on the consolidated financial statements are disclosed in Note 2 to the consolidated financial statements.

Our opinion is not modified in respect of these matters.

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) Revenue Recognition for Sale of Consumer Goods and Sales from Group-operated Quick-service Restaurants***Description of the Matter***

Sale of consumer goods amounting to P56.9 billion, which is mainly from its Emperador business segment, represents 37.2% of the Group's total revenues and income. Revenue from sale of goods is recognized when control over the goods has been transferred at a point in time to the customer, i.e., generally when the customer has acknowledged receipt of the goods.

Sale from group-operated quick-service restaurants amounting to P22.7 billion, which is mainly from its GADC business segment, represents 14.9% of the Group's total revenues and income. The Group recognizes revenue from restaurant sales at a point in time when services are rendered, that is, when food and beverage products or promotional items purchased by customers have been delivered and accepted by the customers.

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

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

How the Matter was Addressed in the Audit

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

On sale of consumer goods:

- Tested the design and operating effectiveness of the Group's processes and controls over revenue recognition, approval and documentation, including the implemented information technology general and application controls over automated systems that record the revenue transaction;
- Evaluated the appropriateness of the Group's revenue recognition policy in accordance with the requirements of PFRS 15, *Revenue from Contracts with Customers*;
- Tested, on a sample basis, sales invoices, delivery receipts and cash receipts of sales transactions throughout the current period to determine whether sale of goods is valid and existing;
- Confirmed trade receivables using positive confirmation, on a sample basis, and performed alternative procedures for non-responding customers, such as, examination of evidence of subsequent collections, or corresponding sales invoices and proof of deliveries;
- Tested sales invoices and delivery receipts immediately prior and subsequent to the current period to determine whether the related sales transactions are recognized in the proper reporting period; and,
- Performed substantive analytical review procedures over revenues such as, but not limited to, yearly and monthly analyses of sales per product/brand and location, and sales mix composition based on our expectations and following up variances from our expectations; and, verified that the underlying data used in the analyses are valid.

On sales from group-operated quick-service restaurants:

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

(b) 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 P31.1 billion or 20.4% of the consolidated revenues and income and P16.9 billion or 13.6% of the consolidated costs and expenses, respectively, for the year ended December 31, 2021. The areas affected by revenue recognition, which requires significant judgments and estimates, include determining when a contract will qualify for revenue recognition, measuring the progress of the development of real estate projects which defines the amount of revenue to be recognized and determining the amount of actual costs incurred as cost of real estate sales. These areas were significant to our audit as an error in application of judgments and estimates could cause a material misstatement in the consolidated financial statements.

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

How the Matter was Addressed in the Audit

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

- Updated the understanding of the revenue recognition policy regarding real estate sales transactions and the related significant business processes of the Group;
- Performed test of design and operating effectiveness on controls regarding real estate revenues and costs recognition, including test of ITGC over relevant automated controls;
- Performed test of mathematical accuracy and completeness of supporting contract summary, examination of supporting documents of a sample of agreements, and performing overall analytical review of actual results;
- Inspected sample agreements for compliance with a set of criteria for revenue recognition and test of controls over contract approval;
- Tested the reasonableness of management's judgment in determining the probability of collection of the consideration in a contract which involves a historical analysis of customer payment pattern and behavior;
- Tested the progress reported for the year in reference to the actual costs incurred relative to the total budgeted project development costs, which includes testing of controls over the recognition and allocation of costs per project and direct examination of supporting documents. In testing the reasonableness of budgetary estimates, we have ascertained the qualifications of project engineers who prepared the budgets and reviewed the actual performance of completed projects with reference to their budgeted costs;

- Performed physical inspection of selected projects under development to assess if the completion based on costs is not inconsistent with the physical completion of the project;
- In relation to cost of real estate sales, we obtained an understanding of the Group's cost accumulation process. On a sampling basis, we traced costs accumulated to supporting documents such as invoices and accomplishment reports from the contractors and official receipts; and,
- Tested the adequacy of financial statement disclosures.

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

The Group's hotel operations segment continues to be adversely affected by the lower number of guests and reduced room rates, which significantly impacted the revenues reported for this segment. Meanwhile, the Group's rental segment, both office and retail, are also affected due to temporary closures of non-essential stores during community quarantine, reduced foot traffic, lease concessions and restructuring and, more particularly for office rental, transition to work-from-home arrangements. Similarly, the Group's gaming segment was adversely affected due to temporary closure of casino operations during the enhanced community quarantine, and, subsequently, when it resumed operations, capacity was only limited to 30%, then 50%. Likewise, the Group's company-operated quick-service restaurants segment are also affected due to restrictions in operating capacity and store hours, which also caused lower foot traffic and closure of some stores. The impairment of real properties under the hotel operations, rental segments and company-operated quick-service restaurants segment is significant to our audit because the aforementioned events and conditions are impairment indicators requiring the assessment of the recoverable amount of property and equipment and investment properties, which involves significant judgment, estimation and assumptions. In addition, because of the COVID-19 pandemic, there is a heightened level of uncertainty on the future economic outlook and market forecast. Real properties and right-of-use assets under hotel operations, gaming and company-operated quick-service restaurants (included as part of property, plant and equipment), and real properties held for leasing (included part of investment properties) are significant to the financial statements and totalled P189.2 billion or 26.9% of consolidated total assets as of December 31, 2021.

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

How the Matter was Addressed in the Audit

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

- Evaluated the appropriateness of the Group's policy and methodology on impairment of non-financial assets particularly in the determination of recoverable amount of real properties under hotel operations and rental segments, which includes key inputs such as cash flow forecast and discount rates;

- Tested the cash flow forecast considering the judgments, estimation and assumptions about occupancy rates, average room rates, average lease rates, restructuring and termination of lease contracts with consideration of the effect of COVID-19 pandemic, used in determining the recoverable amount;
- Reviewed the growth rates and discount rate used in determining the cash flow forecast by comparing it with current market data; and,
- Involved our internal specialist in evaluating the appropriateness of methodologies used in estimating the recoverable amount and the reasonableness of assumptions used.

(d) 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, 2021, goodwill amounted to P20.2 billion, while the trademarks with indefinite useful lives amounted to P20.0 billion. We considered the impairment of these assets as a key audit matter because the amounts of goodwill and trademarks are material to the consolidated financial statements. In addition, management's impairment assessment process involved significant judgement and high estimation uncertainty based on the assumptions used. The significant assumptions include the determination of the discount rate, growth rate and cash flow projections used in determining the value-in-use of the trademarks and the cash-generating units over which the goodwill was allocated. The assumptions used by management are generally affected by expected future market and economic conditions.

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

How the Matter was Addressed in the Audit

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

- Evaluated the appropriateness and reasonableness of methodology and assumptions used in determining the value-in-use of cash-generating units attributable to the trademarks and goodwill, which include the discount rate, growth rate and the cash flow projections, by comparing them to external and historical data, with assistance from our Firm's valuation specialists;
- Tested the calculation of valuation model for mathematical accuracy and validating the appropriateness and reliability of inputs and amounts used;

- Performed independent sensitivity analysis of the projections and discount rate using the valuation model used to determine whether a reasonably possible change in assumptions could cause the carrying amount of cash generating units to exceed the recoverable amount; and,
- Evaluated the adequacy of the financial statement disclosures relating to goodwill, trademarks and impairment, including disclosure of key assumptions and judgments.

(e) Existence and Valuation of Inventories

Description of the Matter

Inventories amounted to P152.8 billion as at December 31, 2021, which are mainly from the Group's Megaworld and Emperador business segments. The valuation of inventories is at the lower of cost or net realizable value (NRV).

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

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

How the Matter was Addressed in the Audit

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

On existence of inventories:

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

On valuation of inventories:

- Tested the design and operating effectiveness of processes and controls over inventory costing, reconciliation, data entry and review, including test of ITGC over relevant controls;
- Evaluated the appropriateness of the method used by management for inventory costing and valuation of the lower of cost or NRV and assessed the consistency of their application from period to period;
- Performed, on a sample basis, a price test of inventory items by examining supporting documents such as, but not limited to, purchase contracts and invoices, and relevant importation documents;
- Performed detailed analysis of the Group's standard costing of inventories through analytical review procedures of actual costs during the current period against the budgeted standard, and tested significant actual costs, on a sample basis, by agreeing with contracts and invoices; and,
- Evaluated the appropriateness and sufficiency of the amount of allowance for inventory write-down by testing the key assumptions used on the expected realization of inventories.

(f) Consolidation Process

Description of the Matter

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

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

How the Matter was Addressed in the Audit

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

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

- Tested the accuracy and appropriateness of intercompany elimination entries, the translation of the financial statements of foreign subsidiaries of the Group, and other significant consolidation adjustments;
- Performed analytical procedures at the consolidated level; and,
- Evaluated the sufficiency and adequacy of disclosures in the Group's consolidated financial statements in accordance with PFRS.

(g) Conduct of Remote Audit

Description of the Matter

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

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

How the Matter was Addressed in the Audit

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

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

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021, 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, 2021 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, as modified by the application of the financial reporting reliefs issued and approved by the SEC as described in Note 2 to the consolidated financial statements, 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.

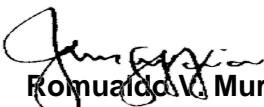
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 2021 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. 8852339, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-4 (until Sept. 4, 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-022-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 29, 2022

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020
(Amounts in Philippine Pesos)

| | Notes | 2021 | 2020 |
|--|-------|--------------------------|-------------------|
| <u>A S S E T S</u> | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 5 | P 82,278,122,850 | P 69,697,688,432 |
| Trade and other receivables - net | 6 | 72,659,307,764 | 67,316,976,331 |
| Contract assets | 24 | 11,970,852,843 | 13,265,242,603 |
| Financial assets at fair value through profit or loss | 7 | 13,512,733,032 | 9,788,321,208 |
| Inventories - net | 8 | 152,847,415,170 | 140,025,856,105 |
| Other current assets | 9 | 18,149,365,608 | 16,302,863,173 |
| | | 351,417,797,267 | 316,396,947,852 |
| NON-CURRENT ASSETS | | | |
| Trade and other receivables - net | 6 | 14,049,075,860 | 16,176,300,006 |
| Contract assets | 24 | 7,951,394,519 | 6,115,483,710 |
| Advances to landowners and joint operators | 10 | 7,158,576,223 | 7,513,380,172 |
| Financial assets at fair value through other comprehensive income | 11 | 420,870,489 | 396,914,433 |
| Investments in associates and joint ventures | 12 | 6,793,930,448 | 6,760,790,295 |
| Property, plant and equipment - net | 13 | 141,904,029,538 | 140,156,527,643 |
| Investment properties - net | 14 | 120,539,734,330 | 116,364,208,432 |
| Intangible assets - net | 15 | 40,483,366,565 | 39,399,635,484 |
| Deferred tax assets - net | 29 | 4,970,539,083 | 6,351,607,385 |
| Other non-current assets | 9 | 7,308,890,602 | 7,869,369,362 |
| | | 351,580,407,657 | 347,104,216,922 |
| NON-CURRENT ASSETS HELD FOR SALE | 16 | 961,740,550 | 4,991,620,393 |
| TOTAL ASSETS | | P 703,959,945,474 | P 668,492,785,167 |

| | Notes | 2021 | 2020 |
|--|-------|--------------------------|-------------------|
| <u>LIABILITIES AND EQUITY</u> | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 17 | P 64,572,635,732 | P 72,161,288,500 |
| Interest-bearing loans | 18 | 80,303,949,739 | 49,545,524,642 |
| Lease liabilities | 13 | 1,309,447,535 | 1,427,669,658 |
| Contract liabilities | 24 | 2,447,089,883 | 2,647,780,045 |
| Income tax payable | | 2,099,665,745 | 1,817,658,321 |
| Redeemable preferred shares | 20 | 251,597,580 | 251,597,580 |
| Advances from related parties and joint operator partners | 30 | 2,469,533,312 | 2,181,442,496 |
| Other current liabilities | 21 | 19,005,123,221 | 25,800,354,438 |
| Total Current Liabilities | | 172,459,042,747 | 155,833,315,680 |
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing loans | 18 | 93,108,742,222 | 124,371,416,317 |
| Bonds payable | 19 | 41,982,042,246 | 40,282,855,986 |
| Lease liabilities | 13 | 15,336,726,680 | 15,864,238,579 |
| Contract liabilities | 24 | 4,956,605,925 | 3,195,849,258 |
| Retirement benefit obligation | 28 | 982,052,130 | 2,432,312,926 |
| Redeemable preferred shares | 20 | 1,365,641,108 | 1,464,659,539 |
| Deferred tax liabilities - net | 29 | 18,167,163,730 | 17,792,304,155 |
| Other non-current liabilities | 21 | 20,379,289,896 | 11,436,372,526 |
| Total Non-current Liabilities | | 196,278,263,937 | 216,840,009,286 |
| Total Liabilities | | 368,737,306,684 | 372,673,324,966 |
| EQUITY | | | |
| Equity attributable to owners of the parent company | 22 | 209,903,697,035 | 183,276,765,473 |
| Non-controlling interest | 22 | 125,318,941,755 | 112,542,694,728 |
| Total Equity | | 335,222,638,790 | 295,819,460,201 |
| TOTAL LIABILITIES AND EQUITY | | P 703,959,945,474 | P 668,492,785,167 |

See Notes to Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

| | Notes | 2021 | 2020 | 2019 |
|--|--------|-------------------------|--------------------------|------------------------|
| REVENUES AND INCOME | | | | |
| Sale of goods | 24 | P 88,035,908,845 | P 77,014,663,718 | P 93,520,269,375 |
| Rendering of services | 24 | 54,910,229,642 | 47,540,714,247 | 81,042,859,297 |
| Share in net profits of associates and joint ventures - net | 12 | - | 115,185,780 | 180,320,026 |
| Finance and other income | 27 | 9,846,377,786 | 4,119,238,110 | 5,245,562,371 |
| | | <u>152,792,516,273</u> | <u>128,789,801,855</u> | <u>179,989,011,069</u> |
| COSTS AND EXPENSES | | | | |
| Cost of goods sold | 25 | 53,187,520,993 | 49,667,709,342 | 57,084,896,446 |
| Cost of services | 25 | 30,019,769,583 | 27,289,295,321 | 41,260,475,103 |
| Other operating expenses | 26 | 32,043,367,974 | 29,277,193,282 | 38,653,193,586 |
| Share in net losses of associates and joint ventures - net | 12 | 14,744,130 | - | - |
| Finance costs and other charges | 27 | 9,451,171,367 | 7,650,283,520 | 7,120,531,463 |
| | | <u>124,716,574,047</u> | <u>113,884,481,465</u> | <u>144,119,096,598</u> |
| PROFIT BEFORE TAX | | 28,075,942,226 | 14,905,320,390 | 35,869,914,471 |
| TAX EXPENSE | 29 | 4,286,957,389 | 4,645,709,637 | 8,769,844,365 |
| NET PROFIT | | 23,788,984,837 | 10,259,610,753 | 27,100,070,106 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | |
| Items that will not be reclassified subsequently to profit or loss | | | | |
| Actuarial gains (losses) on remeasurement of retirement benefit obligation | 28 | 1,366,967,353 | (396,925,867) | (405,294,791) |
| Net unrealized fair value gain (loss) on financial assets at fair value through other comprehensive income | 11 | 23,956,056 | (17,674,933) | 65,542,492 |
| Deferred tax income (expense) relating to components of other comprehensive income (loss) | 28, 29 | (278,240,315) | (208,421,283) | 29,007,853 |
| | | <u>1,112,683,094</u> | <u>(623,022,083)</u> | <u>(310,744,446)</u> |
| Items that will be reclassified subsequently to profit or loss | | | | |
| Translation adjustments | 2 | 2,576,961,097 | (1,895,572,159) | (598,534,358) |
| Net unrealized fair value gain (loss) on cash flow hedge | 21 | 199,713,502 | (144,749,961) | (293,369,328) |
| Share in other comprehensive income (loss) of associates | 12 | 20,926,197 | 1,474,538 | (11,417,059) |
| Deferred tax income (expense) relating to components of other comprehensive income (loss) | 29 | (11,813,411) | 4,481,239 | 939,955 |
| | | <u>2,785,787,385</u> | <u>(2,034,366,343)</u> | <u>(902,380,790)</u> |
| TOTAL COMPREHENSIVE INCOME | | P 27,687,455,316 | P 7,602,222,327 | P 25,886,944,870 |
| Net profit attributable to: | | | | |
| Owners of the parent company | | P 16,944,095,592 | P 8,829,293,379 | P 17,721,519,071 |
| Non-controlling interest | | <u>6,844,889,245</u> | <u>1,430,317,374</u> | <u>9,378,551,035</u> |
| | | P 23,788,984,837 | P 10,259,610,753 | P 27,100,070,106 |
| Total comprehensive income attributable to: | | | | |
| Owners of the parent company | | P 19,529,875,614 | P 6,751,980,148 | P 17,038,982,431 |
| Non-controlling interest | | <u>8,157,579,702</u> | <u>850,242,179</u> | <u>8,847,962,439</u> |
| | | P 27,687,455,316 | P 7,602,222,327 | P 25,886,944,870 |
| Earnings Per Share for the Net Profit Attributable to Owners of the Parent Company: | | | | |
| Basic | 23 | P 1.8194 | P 0.9213 | P 1.8269 |
| Diluted | | P 1.8194 | P 0.9213 | P 1.8264 |

See Notes to Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

| Notes | Attributable to Owners of the Parent Company | | | | | | | | | | | | | | | Noncontrolling Interest | Total Equity |
|---|--|----------------------------|-----------------------------|---|---|-------------------------------------|---|----------------------|-------------------------|------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|-------------------------|--------------|
| | Capital Stock | Additional Paid-in Capital | Treasury Shares – at Cost | Net Actuarial Losses on Retirement Benefit Plan | Net Fair Value Gains on Financial Assets at FVOCI | Accumulated Translation Adjustments | Revaluation Reserves on Cash Flow Hedge | Share Options | Other Reserves | Retained Earnings | | | Total | | | | |
| | | | | | | | | | | Appropriated | Unappropriated | Total | | | | | |
| Balance at January 1, 2021 | P 10,269,827,979 | P 34,518,916,029 | (P 7,596,939,422) | (P 783,537,269) | P 504,426,943 | (P 6,047,569,788) | (P 172,210,870) | P 620,625,162 | P 9,436,023,550 | P 3,993,550,000 | P 138,533,653,159 | P 142,527,203,159 | P 183,276,765,473 | P 112,542,694,728 | P 295,819,460,201 | | |
| Transactions with owners: | | | | | | | | | | | | | | | | | |
| Change in percentage of ownership | - | - | - | - | - | - | - | - | 10,315,081,441 | - | - | - | 10,315,081,441 | 2,408,294,498 | 12,723,375,939 | | |
| Acquisition of treasury shares | - | (2,919,408,630) | - | - | - | - | - | - | - | - | - | (2,919,408,630) | - | (2,919,408,630) | | | |
| Deposit on future stock subscription | - | - | - | - | - | - | - | - | - | - | - | - | - | 3,443,750,000 | | | |
| Dividend paid by investee | - | - | - | - | - | - | - | - | - | - | - | - | - | 1,449,114,546 | | | |
| Redemption of perpetual securities | - | - | - | - | - | - | - | - | 333,653,373 | 333,653,373 | (333,653,373) | - | 156,604,063 | 484,257,436 | | | |
| Cash dividends declared | - | - | - | - | - | - | - | - | (659,678,012) | (659,678,012) | (659,678,012) | (659,678,012) | (659,678,012) | (659,678,012) | | | |
| Acquisition and incorporation of new subsidiaries | - | - | - | - | - | - | - | - | - | - | - | - | - | 10,001,000 | | | |
| Share-based compensation | - | (2,919,408,630) | - | - | - | - | - | - | - | - | - | (326,024,639) | (326,024,639) | 55,132,310 | | | |
| | - | - | - | - | - | - | - | - | 10,315,081,441 | - | - | (326,024,639) | (326,024,639) | 11,688,315,497 | | | |
| Changes in legal reserves during the year | - | - | - | - | - | - | - | 27,407,776 | - | - | - | - | 27,407,776 | - | 27,407,776 | | |
| Appropriation of retained earnings | - | - | - | - | - | - | - | - | 4,198,180,000 | (4,198,180,000) | - | - | - | - | | | |
| Reversal of appropriation | - | - | - | - | - | - | - | - | (3,737,550,000) | 3,737,550,000 | - | - | - | - | | | |
| Total comprehensive income (loss) | - | - | - | 868,549,219 | (431,480,273) | 2,011,108,473 | 137,602,603 | - | - | - | 16,944,095,592 | 16,944,095,592 | 19,529,875,614 | 8,157,579,702 | 27,687,455,316 | | |
| Balance at December 31, 2021 | P 10,269,827,979 | P 34,518,916,029 | (P 10,516,348,052) | P 85,011,950 | P 72,946,670 | (P 4,036,461,315) | (P 34,608,267) | P 620,625,162 | P 19,778,512,767 | P 4,454,180,000 | P 154,691,094,112 | P 159,145,274,112 | P 209,903,697,035 | P 125,318,941,755 | P 335,222,638,790 | | |
| Balance at January 1, 2020 | P 10,269,827,979 | P 34,518,916,029 | (P 6,793,114,766) | (P 237,089,623) | P 399,058,137 | (P 4,510,575,970) | (P 72,970,297) | P 620,625,162 | P 11,001,806,871 | P 3,931,650,000 | P 130,245,674,104 | P 134,177,324,104 | P 179,373,807,626 | P 117,742,987,878 | P 297,116,793,504 | | |
| Transactions with owners: | | | | | | | | | | | | | | | | | |
| Change in percentage of ownership | - | - | - | - | - | - | - | - | (1,560,413,791) | - | - | (1,560,413,791) | (1,560,413,791) | (5,343,757,820) | (6,904,171,611) | | |
| Acquisition of treasury shares | - | (803,824,656) | - | - | - | - | - | - | - | - | - | (803,824,656) | - | (803,824,656) | | | |
| Dividend paid by investee | - | - | - | - | - | - | - | - | - | - | - | - | (755,117,591) | (755,117,591) | | | |
| Cash dividends declared | - | - | - | - | - | - | - | - | (479,414,324) | (479,414,324) | (479,414,324) | (479,414,324) | (479,414,324) | (479,414,324) | | | |
| Share-based compensation | - | (803,824,656) | - | - | - | - | - | - | (1,560,413,791) | - | (479,414,324) | (479,414,324) | (2,843,652,771) | (6,050,535,329) | | | |
| | - | - | - | - | - | - | - | - | (1,560,413,791) | - | (479,414,324) | (479,414,324) | (2,843,652,771) | (8,894,188,100) | | | |
| Changes in legal reserves during the year | - | - | - | - | - | - | - | (5,369,530) | - | - | - | (5,369,530) | - | (5,369,530) | | | |
| Appropriation of retained earnings | - | - | - | - | - | - | - | - | 3,337,550,000 | (3,337,550,000) | - | - | - | - | | | |
| Reversal of appropriation | - | - | - | - | - | - | - | - | (3,275,650,000) | 3,275,650,000 | - | - | - | - | | | |
| Total comprehensive income (loss) | - | - | - | (546,447,646) | 105,368,806 | (1,536,993,818) | (99,240,573) | - | - | - | 8,829,293,379 | 8,829,293,379 | 6,751,980,148 | 850,242,179 | 7,602,222,327 | | |
| Balance at December 31, 2020 | P 10,269,827,979 | P 34,518,916,029 | (P 7,596,939,422) | (P 783,537,269) | P 504,426,943 | (P 6,047,569,788) | (P 172,210,870) | P 620,625,162 | P 9,436,023,550 | P 3,993,550,000 | P 138,533,653,159 | P 142,527,203,159 | P 183,276,765,473 | P 112,542,694,728 | P 295,819,460,201 | | |
| Balance at January 1, 2019 | P 10,269,827,979 | P 34,395,380,979 | (P 4,330,664,509) | (P 37,087,081) | P 292,038,325 | (P 4,186,081,933) | P 124,320,576 | P 744,676,052 | P 17,189,184,985 | P 3,520,080,000 | P 112,992,076,974 | P 116,512,156,974 | P 171,173,752,347 | P 117,337,834,927 | P 288,511,587,274 | | |
| Transactions with owners: | | | | | | | | | | | | | | | | | |
| Change in percentage of ownership | - | - | - | - | - | - | - | (515,840) | (6,291,950,241) | - | - | (6,292,466,081) | (6,292,466,081) | (4,749,499,783) | (11,041,965,864) | | |
| Acquisition of treasury shares | - | (2,662,450,257) | - | - | - | - | - | - | - | - | - | (2,662,450,257) | - | (2,662,450,257) | | | |
| Acquisition of perpetual capital securities | - | - | - | - | - | - | - | - | - | - | - | - | (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 | - | - | - | - | - | - | - | - | - | - | - | - | - | 231,718,658 | | | |
| Share-based compensation | - | - | - | - | - | - | - | - | - | - | - | - | - | 45,675,579 | | | |
| Recycling due to disposal and dilution | - | (2,662,450,257) | - | - | - | - | - | (515,840) | (6,291,950,241) | - | 11,417,059 | 11,417,059 | 11,417,059 | 11,417,059 | | | |
| | - | - | - | - | - | - | - | - | (515,840) | (6,291,950,241) | - | 11,417,059 | 11,417,059 | 8,442,809,488 | | | |
| Disposal of financial assets at fair value through other comprehensive income | - | - | - | 67,769,000 | - | - | - | - | - | - | (67,769,000) | (67,769,000) | - | - | | | |
| Unexercised share options reclassified to additional paid-in capital | - | 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 | - | - | - | - | - | - | - | - | 3,445,650,000 | (3,445,650,000) | - | - | - | - | | | |
| Reversal of appropriation | - | - | - | - | - | - | - | - | (3,034,080,000) | 3,034,080,000 | - | - | - | - | | | |
| Total comprehensive income (loss) | - | - | - | (200,002,542) | 39,250,812 | (324,494,037) | (197,290,873) | - | - | - | 17,721,519,071 | 17,721,519,071 | 17,038,282,431 | 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 297,116,793,504 | | |

See Notes to Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

| | Notes | 2021 | 2020 | 2019 |
|---|--------|--------------------|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Profit before tax | | P 28,075,942,226 | P 14,905,320,390 | P 35,869,914,471 |
| Adjustments for: | | | | |
| Depreciation and amortization | 25, 26 | 11,078,788,962 | 10,842,387,970 | 9,730,433,947 |
| Interest expense | 27 | 7,239,976,324 | 6,840,980,033 | 6,292,708,219 |
| Interest income | 27 | (2,158,373,961) | (2,160,829,212) | (2,874,346,544) |
| Unrealized foreign currency losses (gains) - net | 27 | 1,874,730,622 | 161,039,461 | (674,805,749) |
| Recognition of impairment losses - net | 26, 27 | 1,762,128,794 | 268,392,304 | 230,818,401 |
| Gain from COVID-19-related rent concessions | 27 | (509,232,978) | (413,426,144) | - |
| Net loss on disposal of assets | 27 | 91,383,298 | 174,787,449 | 11,601,932 |
| Stock option benefit expense | 28 | 55,132,310 | 48,340,082 | 45,675,579 |
| Gain from derecognition of right-of-use assets and lease liabilities | 13 | (32,926,577) | (51,149,786) | - |
| Dividend income | 27 | (19,524,671) | (7,117,104) | (20,870,837) |
| Share in net losses (profits) of associates and joint ventures | 12 | 14,744,130 | (115,185,780) | (180,320,026) |
| Fair value loss (gain) on financial assets at fair value through profit or loss | 27 | 2,772,787 | (130,149) | 1,528,528 |
| Gain on sale of investments in an associate | 27 | - | - | (340,809,382) |
| Operating profit before working capital changes | | 47,475,541,266 | 30,493,409,514 | 48,091,528,539 |
| Decrease (increase) in trade and other receivables | | 1,789,346,781 | 1,543,230,149 | (9,523,414,180) |
| Increase in inventories | | (11,768,337,778) | (3,054,023,476) | (3,401,637,049) |
| Decrease (increase) in contract assets | | (541,521,049) | (737,721,626) | 3,584,275,000 |
| Decrease (increase) in financial assets at fair value through profit or loss | | (1,924,681,622) | 528,750,678 | 361,367,591 |
| Decrease (increase) in other current assets | | (1,631,329,367) | 1,080,165,305 | (1,749,653,611) |
| Increase (decrease) in trade and other payables | | (8,425,195,459) | 11,370,724,789 | 8,301,399,849 |
| Increase (decrease) in contract liabilities | | 1,560,066,505 | 630,074,260 | (155,112,252) |
| Increase (decrease) in retirement benefit obligation | | (361,533,758) | (374,405,332) | 35,064,502 |
| Increase (decrease) in other current liabilities | | (3,351,481,217) | 5,250,324,829 | 5,301,094,701 |
| Increase (decrease) in other non-current liabilities | | 8,964,115,778 | (4,006,312,015) | (1,665,036,588) |
| Cash generated from operations | | 31,784,990,080 | 42,724,217,075 | 49,179,876,502 |
| Cash paid for taxes | | (2,464,195,157) | (4,906,590,957) | (5,345,768,301) |
| Net Cash From Operating Activities | | 29,320,794,923 | 37,817,626,118 | 43,834,108,201 |
| <i>Balance carried forward</i> | | P 29,320,794,923 | P 37,817,626,118 | P 43,834,108,201 |

| | Notes | 2021 | 2020 | 2019 |
|---|------------|-------------------------|-------------------------|-------------------------|
| <i>Balance brought forward</i> | | P 29,320,794,923 | P 37,817,626,118 | P 43,834,108,201 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Acquisitions of: | | | | |
| Investment properties | 14 | (7,055,426,460) | (6,731,614,968) | (10,390,591,440) |
| Property, plant and equipment | 13 | (5,884,326,566) | (7,536,618,838) | (12,018,740,610) |
| Intangible assets | 15 | (39,978,451) | (14,931,794) | (30,343,308) |
| Subsidiaries and associates | 12 | - | - | (1,350,050,000) |
| Proceeds from: | | | | |
| Collections of advances from associates and other related parties | 30 | 89,575,462 | 35,608,643 | 129,918,481 |
| Disposal of property, plant and equipment | 13 | 16,968,082 | 122,632,048 | 482,072,447 |
| Sale of investment in financial asset at FVOCI | 11 | - | 1,960,000 | 100,250,000 |
| Sale of an investment in an associate | 12 | - | - | 1,017,844,908 |
| Disposal of investment property | 14 | - | 793,598 | 716,363 |
| Interest received | | 2,200,985,307 | 1,166,137,587 | 1,704,951,850 |
| Decrease (increase) in other non-current assets | | 636,475,753 | (831,036,259) | (766,373,764) |
| Collection (advances) to landowners, joint ventures and other related parties - net | | 354,803,949 | (454,495,711) | (148,706,559) |
| Cash dividends received | 30 | 19,524,671 | 7,117,104 | 303,370,802 |
| Additional advances granted to associates and other related parties | 30 | (413,989,152) | (260,769,849) | (570,167,429) |
| Net Cash Used in Investing Activities | | (10,075,387,405) | (14,495,218,439) | (21,535,848,259) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Payment of interest-bearing loans and bonds | 18, 19, 36 | (44,311,503,846) | (26,034,969,977) | (16,580,133,659) |
| Proceeds from interest-bearing loans and bonds | 18, 19, 36 | 41,661,571,715 | 39,804,855,872 | 30,677,150,000 |
| Proceeds from secondary offering of subsidiary's shares | 22 | 14,717,312,432 | - | - |
| Interest paid | | (10,612,511,415) | (10,871,776,813) | (10,953,777,226) |
| Acquisition of treasury shares | 22 | (2,919,408,630) | (803,824,656) | (2,662,450,257) |
| Dividends paid | 22 | (2,108,792,558) | (836,705,875) | (678,332,636) |
| Payment of lease liabilities | 13 | (1,819,030,854) | (1,800,935,151) | (1,056,881,797) |
| Buyback of shares from non-controlling interest | 22 | (1,159,117,081) | (3,892,492,056) | (11,573,166,064) |
| Advances collected and received from related parties | 30 | 388,120,585 | 41,795,703 | 190,873,862 |
| Redemption of preferred shares | 20, 36 | (251,597,580) | (251,597,580) | (251,597,580) |
| Advances granted and paid to related parties | 30 | (250,015,868) | (249,649,665) | (413,161,385) |
| Acquisition of perpetual capital securities | 22 | - | - | (2,505,213,782) |
| Net Cash Used in Financing Activities | | (6,664,973,100) | (4,895,300,198) | (15,806,690,524) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 12,580,434,418 | 18,427,107,481 | 6,491,569,418 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | 69,697,688,432 | 51,270,580,951 | 44,779,011,533 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | | P 82,278,122,850 | P 69,697,688,432 | P 51,270,580,951 |

Supplemental Information on Non-cash Investing and Financing Activities –

In the normal course of business, the Group enters into non-cash activities which are not reflected in the cash flows, including but not limited to 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 properties between Inventories, Property, Plant and Equipment and Investment Properties; and, (c) borrowing costs under capitalized Inventories or Construction in Progress.

See Notes to Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 General Information

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

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

| Subsidiaries/Associates/ Joint Ventures | Short Name | Notes | Percentage of Effective Ownership of AGI | | |
|--|---------------|-------|---|------|------|
| | | | 2021 | 2020 | 2019 |
| Subsidiaries | | | | | |
| Megaworld and subsidiaries | | | | | |
| Megaworld Corporation | | | | | |
| Megaworld | Megaworld | (a) | 69% | 69% | 67% |
| Megaworld Resort Estates, Inc. | | (b) | 84% | 84% | 83% |
| Townsquare Development, Inc. | TDI | | 50% | 50% | 50% |
| Golden Panda-ATI Realty Corporation | | | 50% | 50% | 50% |
| Arcovia Properties, Inc. | | | 69% | 69% | 67% |
| Belmont Newport Luxury Hotels, Inc. | | | 69% | 69% | 67% |
| Davao Park District Holdings Inc. | | | 69% | 69% | 67% |
| Eastwood Cyber One Corporation | ECOC | | 69% | 69% | 67% |
| Global One Hotel Group, Inc. | | | 69% | 69% | 67% |
| Global One Integrated Business Services, Inc. | | | 69% | 69% | 67% |
| Hotel Lucky Chinatown, Inc. | | | 69% | 69% | 67% |
| Landmark Seaside Properties, Inc. | | | 69% | 69% | 67% |
| Luxury Global Hotels and Leisures, Inc. | | | 69% | 69% | 67% |
| Luxury Global Malls, Inc. | | | 69% | 69% | 67% |
| Mactan Oceanview Properties and Holdings, Inc. | | | 69% | 69% | 67% |
| Megaworld Cayman Islands, Inc. | | (c) | 69% | 69% | 67% |
| Megaworld Cebu Properties, Inc. | | | 69% | 69% | 67% |
| Megaworld Land, Inc. | | | 69% | 69% | 67% |
| Citywalk Building Administration, Inc. | | | 69% | 69% | 67% |
| Forbestown Commercial Center Administration, Inc. | | | 69% | 69% | 67% |
| Iloilo Center Mall Administration, Inc. | | | 69% | 69% | 67% |
| Newtown Commercial Center Administration, Inc. | | F | 69% | 69% | 67% |
| Paseo Center Building Administration, Inc. | | | 69% | 69% | 67% |
| San Lorenzo Place Commercial Center Administration, Inc. | | | 69% | 69% | 67% |
| Southwoods Lifestyle Mall Management, Inc. | | | 69% | 69% | 67% |
| Uptown Commercial Center Administration, Inc. | | | 69% | 69% | 67% |
| Valley Peaks Property Management, Inc. | | | 69% | 69% | 67% |

| Subsidiaries/Associates/ Joint Ventures | Short Name | Notes | Percentage of Effective Ownership of AGI | | |
|---|---------------|--------|---|------|------|
| | | | 2021 | 2020 | 2019 |
| Subsidiaries | | | | | |
| Megaworld and subsidiaries | | | | | |
| Megaworld Newport Property Holdings, Inc. | | | 69% | 69% | 67% |
| Oceantown Properties, Inc. | | | 69% | 69% | 67% |
| Piedmont Property Ventures, Inc. | | | 69% | 69% | 67% |
| Prestige Hotels and Resorts, Inc. | | | 69% | 69% | 67% |
| Richmonde Hotel Group International Ltd. | RHGI | (d) | 69% | 69% | 67% |
| San Vicente Coast, Inc. | | | 69% | 69% | 67% |
| Savoy Hotel Manila, Inc. | | | 69% | 69% | 67% |
| Savoy Hotel Mactan, Inc. | | | 69% | 69% | 67% |
| Kingsford Hotel Manila, Inc. | | (d, e) | 69% | 69% | - |
| Agile Digital Ventures, Inc. | | (d, e) | 69% | 69% | - |
| MREIT Fund Managers, Inc. | MFMI | (f) | 69% | - | - |
| MREIT Property Managers, Inc. | MPMI | (f) | 69% | - | - |
| MREIT, Inc. | MREIT | (f) | 43% | - | - |
| Stonehaven Land, Inc. | | | 69% | 69% | 67% |
| Streamwood Property, Inc. | | | 69% | 69% | 67% |
| Megaworld Bacolod Properties, Inc. | | | 63% | 63% | 62% |
| Manila Bayshore Property Holdings, Inc. | MBPHI | | 63% | 62% | 62% |
| Megaworld Capital Town, Inc. | MCTI | | 53% | 52% | 51% |
| Megaworld Central Properties, Inc. | | | 53% | 52% | 51% |
| Soho Cafe and Restaurant Group, Inc. | | | 52% | 51% | 50% |
| La Fuerza, Inc. | LFI | | 46% | 46% | 45% |
| Megaworld-Daewoo Corporation | | | 41% | 41% | 40% |
| Northwin Properties, Inc. | | | 41% | 41% | 40% |
| Gilmore Property Marketing Associates Inc. | | | 36% | 36% | 35% |
| Integrated Town Management Corporation | | | 34% | 34% | 34% |
| Maple Grove Land, Inc. | | | 34% | 34% | 34% |
| Megaworld Globus Asia, Inc. | MGAI | | 34% | 34% | 34% |
| Suntrust Properties, Inc. | | | | | |
| Governor's Hills Science School, Inc. | SPI | | 69% | 69% | 67% |
| Sunrays Property Management, Inc. | | | 69% | 69% | 67% |
| Suntrust Ecotown Developers, Inc. | SEDI | | 69% | 69% | 67% |
| Suntrust One Shanata, Inc. | | | 69% | 69% | 67% |
| Suntrust Two Shanata, Inc. | | | 69% | 69% | 67% |
| Stateland, Inc. | STLI | (g) | 68% | 66% | 65% |
| Global-Estate Resorts, Inc. | | | | | |
| Southwoods Mall Inc. | GERI | (h) | 57% | 56% | 55% |
| Twin Lakes Corp. | TLC | | 63% | 62% | 61% |
| Twin Lakes Hotel, Inc. | TLHI | | 63% | 62% | 61% |
| Megaworld Global-Estate, Inc. | | (i) | 62% | 61% | 60% |
| Fil-Estate Golf and Development, Inc. | | | 57% | 56% | 55% |
| Golforce, Inc. | | | 57% | 56% | 55% |
| Southwoods Ecocentrum Corp. | SWEC | | 34% | 34% | 33% |
| Philippine Aquatic Leisure Corp. | | | 34% | 34% | 33% |
| Fil-Estate Properties, Inc. | FEPI | | 57% | 56% | 55% |
| Aklan Holdings Inc. | | | 57% | 56% | 55% |
| Blu Sky Airways, Inc. | | | 57% | 56% | 55% |
| Fil-Estate Subic Development Corp. | | | 57% | 56% | 55% |
| Fil-Power Concrete Blocks Corp. | | | 57% | 56% | 55% |
| Fil-Power Construction Equipment Leasing Corp. | | | 57% | 56% | 55% |
| Golden Sun Airways, Inc. | | | 57% | 56% | 55% |
| La Compañía De Sta. Barbara, Inc. | | | 57% | 56% | 55% |
| MCX Corporation | | | 57% | 56% | 55% |
| Pioneer L-5 Realty Corp. | | | 57% | 56% | 55% |
| Prime Airways, Inc. | | | 57% | 56% | 55% |
| Sto. Domingo Place Development Corp. | | | 57% | 56% | 55% |
| Fil-Estate Industrial Park, Inc. | | | 45% | 45% | 44% |
| Sherwood Hills Development Inc. | | | 31% | 31% | 30% |
| Fil-Estate Urban Development Corp. | | | 57% | 56% | 55% |
| Global Homes and Communities, Inc. | | | 57% | 56% | 55% |
| Savoy Hotel Boracay, Inc. | | | 57% | 56% | 55% |
| Belmont Hotel Boracay, Inc. | | | 57% | 56% | 55% |
| Novo Sierra Holdings Corp. | | | 57% | 56% | 55% |

| Subsidiaries/Associates/ Joint Ventures | Short Name | Notes | Percentage of Effective Ownership of AGI | | |
|--|------------------|--------|---|------|------|
| | | | 2021 | 2020 | 2019 |
| Subsidiaries | | | | | |
| Megaworld and Subsidiaries | | | | | |
| Elite Communities Property Services, Inc. | ECPSI | | 57% | 56% | 55% |
| Oceanfront Properties, Inc. | OFPI | | 28% | 28% | 28% |
| Empire East Land Holdings, Inc. | EELHI | | 57% | 56% | 55% |
| Sonoma Premiere Land, Inc. | | (j) | 74% | 74% | 73% |
| Pacific Coast Mega City, Inc. | PCMI | (k) | 75% | 83% | 82% |
| Valle Verde Properties, Inc. | | | 56% | 56% | 55% |
| Laguna BelAir School, Inc. | | | 41% | 41% | 40% |
| 20th Century Nylon Shirt, Inc. | | | 56% | 56% | 55% |
| Eastwood Property Holdings, Inc. | | | 56% | 56% | 55% |
| Empire East Communities, Inc. | | | 56% | 56% | 55% |
| Sherman Oak Holdings, Inc. | | | 56% | 56% | 55% |
| Emperador and subsidiaries | | | | | |
| Emperador Inc. | EMP or Emperador | (l) | 86% | 84% | 85% |
| Emperador Distillers, Inc. | EDI | | 86% | 84% | 85% |
| Alcazar de Bana Holdings Company, Inc. | | | 86% | 84% | 85% |
| ProGreen AgriCorp, Inc. | PAI | | 86% | 84% | 85% |
| South Point Science Park, Inc. | | | 86% | 84% | 85% |
| Anglo Watsons Glass, Inc. | AWGI | | 86% | 84% | 85% |
| Cocos Vodka Distillers Philippines, Inc. | | | 86% | 84% | 85% |
| The Bar Beverage, Inc. | | | 86% | 84% | 85% |
| Tradewind Estates, Inc. | TEI | (m) | 86% | 84% | 85% |
| BoozyLife, Inc. | | (m) | 53% | 52% | 43% |
| Zabana Rum Company Inc. | | | 86% | 84% | 85% |
| Emperador International Ltd. | EIL | (d) | 86% | 84% | 85% |
| Emperador Asia Pte Ltd. | EA | (n) | 86% | 84% | 85% |
| Grupo Emperador Spain, S.A. | GES | (n) | 86% | 84% | 85% |
| Bodega San Bruno, S.L. | BSB | (n) | 86% | 84% | 85% |
| Bodegas Fundador, S.L.U. | BFS | (n, p) | 86% | 84% | 85% |
| Complejo Bodeguero San Patricio, S.L.U. | CBSP | (n, p) | - | - | 85% |
| Harvey's Cellars S.L.U (formerly Destilados de la Mancha S.L.) | HCS | (n) | 86% | 84% | 85% |
| Grupo Emperador Gestion S.L. | GEG | (n) | 86% | 84% | 85% |
| Domecq Bodega Las Copas, S.L. | DBLC | (n) | 43% | 42% | 42% |
| Stillman Spirits, S.L. | SSSL | (n) | 86% | 84% | 85% |
| Domecq Distribucion De Bebidas S.A. de C.V. | DDDB | (n, o) | - | 42% | 42% |
| Pedro Domecq S.A. de C.V. | PDSC | (n, o) | 43% | 42% | 42% |
| Emperador Europe SARL | EES | (n) | 86% | 84% | 85% |
| Emperador Holdings (GB) Limited | EGB | (n) | 86% | 84% | 85% |
| Emperador UK Limited | EUK | (n) | 86% | 84% | 85% |
| Whyte and Mackay Global Limited | WMGL | (n) | 86% | 84% | 85% |
| Whyte and Mackay Group Limited | WMG | (n) | 86% | 84% | 85% |
| Whyte and Mackay Limited | WML | (n) | 86% | 84% | 85% |
| Whyte and Mackay Warehousing Ltd. | WMWL | (n) | 86% | 84% | 85% |
| GADC and subsidiaries | | | | | |
| Golden Arches Development Corporation | | | | | |
| Advance Food Concepts Manufacturing, Inc. | GADC | | 49% | 49% | 49% |
| Golden Arches Realty Corporation | GARC | (q) | 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% |

| Subsidiaries/Associates/ Joint Ventures | Short Name | Notes | Percentage of Effective Ownership of AGI | | |
|---|---------------|-----------|---|------|------|
| | | | 2021 | 2020 | 2019 |
| Subsidiaries | | | | | |
| Travellers and subsidiaries | | | | | |
| Travellers International Hotel Group, Inc. | | | | | |
| Travellers | (r) | 50% | 50% | 50% | |
| Agile Fox Amusement and Leisure Corporation | | 50% | 50% | 50% | |
| APEC Assets Limited | | 50% | 50% | 50% | |
| Aquamarine Delphinium Leisure and Recreation Corporation. | | 50% | 50% | 50% | |
| Bright Pelican Leisure and Recreation, Inc. | | 50% | 50% | 50% | |
| Brightleisure Management, Inc. | | 50% | 50% | 50% | |
| Brilliant Apex Hotels and Leisure Corporation | | 50% | 50% | 50% | |
| Captain View Group Limited | Captain View | (d, e, s) | 50% | 50% | - |
| Coral Primrose Leisure and Recreation Corporation | | 50% | 50% | 50% | |
| Deluxe Hotels and Recreation, Inc. | DHRI | | 50% | 50% | 50% |
| Entertainment City Integrated Resorts & Leisure, Inc. | | 50% | 50% | 50% | |
| FHTC Entertainment & Productions, Inc. | FHTC | | 50% | 50% | 50% |
| Golden Peak Leisure and Recreation, Inc. | | 50% | 50% | 50% | |
| Grand Integrated Hotels and Recreation, Inc. | | 50% | 50% | 50% | |
| Grandservices, Inc. | | 50% | 50% | 50% | |
| Grandventure Management Services, Inc. | | 50% | 50% | 50% | |
| Lucky Star Hotels and Recreation, Inc. | LSHRI | | 50% | 50% | 50% |
| Lucky Panther Amusement and Leisure Corporation | | 50% | 50% | 50% | |
| Luminescent Vertex Hotels and Leisure Corporation | | 50% | 50% | 50% | |
| Magenta Centaurus Amusement and Leisure Corporation | | 50% | 50% | 50% | |
| Majestic Sunrise Leisure & Recreation, Inc. | | 50% | 50% | 50% | |
| Netdeals, Inc. | | 50% | 50% | 50% | |
| Newport Star Lifestyle, Inc. | | 50% | 50% | 50% | |
| Royal Bayshore Hotels & Amusement, Inc. | | 50% | 50% | 50% | |
| Sapphire Carnation Leisure and Recreation Corporation | | 50% | 50% | 50% | |
| Scarlet Milky Way Amusement and Leisure Corporation | | 50% | 50% | 50% | |
| Sparkling Summit Hotels and Leisure Corporation | | 50% | 50% | 50% | |
| Valiant Leopard Amusement and Leisure Corporation | | 50% | 50% | 50% | |
| Vermillion Triangulum Amusement and Leisure Corporation | | 50% | 50% | 50% | |
| Westside City Resorts World, Inc. | WCRWI | (s) | 49% | 49% | 49% |
| Purple Flamingos Amusement and Leisure Corporation | PFALC | (s) | 49% | 49% | 49% |
| Red Falcon Amusement and Leisure Corporation | RFALC | (s) | 49% | 49% | 49% |
| Westside Theatre Inc. | | 50% | 50% | 50% | |
| Corporate and Others | | | | | |
| Alliance Global Brands, Inc. | | | 100% | 100% | 100% |
| McKester Pik-nik International Limited | MPIL | (d) | 100% | 100% | 100% |
| Great American Foods, Inc. | | (t) | 100% | 100% | 100% |
| New Town Land Partners, Inc. | NTLPI | | 100% | 100% | 100% |
| Alliance Global Group Cayman Islands, Inc. | AG Cayman | (c) | 100% | 100% | 100% |
| Boracay Newcoast Resorts, Inc. | | | 100% | 100% | 100% |
| Dew Dreams International, Inc. | | | 100% | 100% | 100% |
| First Centro, Inc. | FCI | | 100% | 100% | 100% |
| ERA Real Estate Exchange, Inc. | | | 100% | 100% | 100% |
| Oceanic Realty Group International, Inc. | | | 100% | 100% | 100% |
| Greenspring Investment Holdings Properties Ltd. | | (d) | 100% | 100% | 100% |
| Infracorp Development, Inc. | | (u) | 100% | 100% | 100% |
| Shiok Success International, Inc. | | | 100% | 100% | 100% |
| Travellers Group Ltd. | | (d) | 100% | 100% | 100% |

| Subsidiaries/Associates/ Joint Ventures | Short Name | Notes | Percentage of Effective Ownership of AGI | | |
|--|---------------|-----------|---|------|------|
| | | | 2021 | 2020 | 2019 |
| Corporate and Others | | | | | |
| Venezia Universal Ltd. | | (d) | 100% | 100% | 100% |
| Dew Dreams International, Ltd. | | (d) | 100% | 100% | 100% |
| Shiok Success International, Ltd. | | (d) | 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 | | 32% | 32% | 31% |
| Suntrust Home Developers, Inc. | SHDI | (v), 12.2 | 23% | 23% | 23% |
| Citylink Coach Services, Inc. | CCSI | (w) | - | 6% | 6% |
| First Oceanic Property Management, Inc. | FOPMI | (w) | - | 6% | 6% |
| Palm Tree Holdings and Development Corporation | PTHDC | | 28% | 27% | 27% |
| SWC Project Management Limited | SPML | (w) | 23% | 23% | - |
| WC Project Management Limited | WPML | (w) | 23% | 23% | - |
| Fil-Estate Network, Inc. | FENI | | 11% | 11% | 11% |
| Fil-Estate Sales, Inc. | FESI | | 11% | 11% | 11% |
| Fil-Estate Realty and Sales Associates, Inc. | FERSAI | | 11% | 11% | 11% |
| Fil-Estate Realty Corp. | FERC | | 11% | 11% | 11% |
| Nasugbu Properties, Inc. | NPI | | 8% | 8% | 8% |
| Joint Ventures | | | | | |
| Bodegas Las Copas, S.L. | BLC | (x), 12.3 | 43% | 42% | 42% |
| Front Row Theatre Management, Inc. | FRTMI | (y) | 25% | 25% | 25% |

Explanatory notes:

- (a) AGI's effective ownership interest is derived from its 46% direct ownership, 3% direct holdings of FCI, 18% direct holdings of NTLPI and 2% holdings of other subsidiaries.
- (b) AGI and Megaworld directly own 49% and 51%, respectively.
- (c) Foreign subsidiaries operating under the laws of the Cayman Islands.
- (d) Foreign subsidiaries operating under the Business Companies Act of the British Virgin Islands.
- (e) Newly incorporated subsidiaries in 2020.
- (f) MFMI, MPMI, and MREIT are newly incorporated subsidiaries of Megaworld in 2021. MFMI is engaged in the business of providing fund management services to real estate investment trust ("REIT") companies. MPMI is engaged in the business of providing services in relation to property management, lease management, marketing and project management. MREIT is engaged in the business of an REIT, as provided under Republic Act ("R.A.") No. 9856, *The Real Estate Investment Trust Act of 2009*, including its implementing rules and regulations, and other applicable laws.
- (g) In 2021, Megaworld acquired additional common shares of STLI from previous stockholders representing 1.44% ownership interest.
- (h) AGI's effective ownership interest represents its indirect holdings through Megaworld, which owns 82% of GERI as at December 31, 2021 and 2020.
- (i) A subsidiary through 60% and 40% direct ownership of GERI and Megaworld, respectively.
- (j) A subsidiary through 60% and 40% direct ownership of EELHI and FCI, respectively.
- (k) In 2021, AGI sold a certain number of shares to Megaworld which decreased the effective ownership of AGI over PCMI to 75%.
- (l) On February 5, 2020, EMP reissued a portion of its treasury shares which decreased AGI's effective ownership (see Note 21). In 2021, in line with its buy-back program, EMP repurchased common shares which resulted in the increase of AGI's effective ownership over EMP.
- (m) In January 2020, TEI increased its ownership interest in BoozyLife, Inc. from 51% to 62%.
- (n) Subsidiaries under EIL, EA, EES and EGB are direct subsidiaries of EIL. EA is operating under the laws of Singapore. A subsidiary of EA, GES and its subsidiaries BSB, BFS, GEG, CBSP, DBLC, SSSL and HCS (a subsidiary of BFS) are operating under the laws of Spain. DBLC's subsidiaries PDSC, BDSC and DDDDB are operating under the laws of Mexico. EES is operating under the laws of Luxembourg. EGB is the ultimate UK parent of EUK, WMG, WMGL, WML and WMWL which are operating under the laws of Scotland.
- (o) On December 15, 2021, PDSC merged with DDDDB with the former as the surviving entity [see Note 2.11(b)].
- (p) On January 1, 2020, CBSP was merged with BFS by absorption wherein the latter is the absorbing entity. The Group accounted for these business combinations under common control using pooling-of-interests method [see Note 2.11(b)].
- (q) GARC was acquired together with GADC.
- (r) Travellers' common shares are directly owned 16% by AGI, 3% by FCI, 1% by Megaworld, 49% by Adams, 30% by Genting Hongkong Limited ("GHL") and 1% by the public.

- (s) Established to primarily engage in the business of hotels, restaurants, leisure parks, entertainment centers and other related businesses which include holding investments in and opening casinos and other gaming activities as part of its main operations. WCRWI has three wholly owned subsidiaries, PFALC, RFALC, and Captain View. Captain View is a foreign entity incorporated in the British Virgin Islands and is engaged in rendering of consultancy and advisory services, among others. PFALC and RFALC have not yet started commercial operations as of December 31, 2021. AGI's effective ownership in WCRWI 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).
- (t) Foreign subsidiary of MPIL operating under the laws of United States of America.
- (u) Infracorp is a subsidiary incorporated to engage in infrastructure business.
- (v) In 2019, Megaworld and TDI disposed of certain number of shares over SHDI. In addition, Megaworld and a third party investor subscribed to the increase in the capitalization of SHDI, and the third party became the controlling shareholder. The foregoing transactions decreased AGI's effective ownership over SHDI to 23% (see Notes 12.2 and 31.9).
- (w) Subsidiaries of SHDI, an associate of Megaworld. SPML and WPML are wholly-owned subsidiaries of SHDI in 2020. These companies are engaged in project management and consultancy services. In 2021, SHDI disposed its investments in CCSI and FOPMI.
- (x) A foreign joint venture under GES and operating under the laws of Spain.
- (y) 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 c, d, n, t, and x above).

AGI's shares of stock and those of Megaworld, EMP, GERI, EELHI, MREIT and SHDI are listed in and traded through the PSE as of December 31, 2021. Travellers applied for voluntary delisting and was officially delisted in the PSE on October 21, 2019.

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

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

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

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

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

- decentralized business operations as satellite offices were opened;
- maximized the use of digital platforms to limit face-to-face engagements;
- accelerated digitalization, which was started couple of years ago, that enabled the launch of online and mobile apps and platforms such as Pick-A-Roo, e-Concierge, iFAE, Boozy.ph, RWM Mobile App and McDonald's Apps, that allow contactless interactions;
- assisted tenants in implementing social distancing measures;
- converted certain hotels into temporary quarantine facilities;
- maximized business opportunities with the opening up of borders both in the local and global markets and the relaxing in-country social lockdowns and restrictions;
- reduced its overall capital expenditures spending for the year; and,
- implemented work-from-home, rotation and skeletal shifts based on nature of work.

The impact of these government-instituted restrictions, which ease out into four phases of community quarantine (“CQ”) and later on to alert levels, to the Group’s revenue streams are as follows:

(a) *Sale of Goods*

Real estate sales in 2021 closed at 25% higher as compared to that of 2020 as a result of resumption of construction activities.

The sales of consumer goods increased by 9% during the year as compared to 2020 as the Group maximized business opportunities with the opening up of borders for travel across the regions in Europe, United States of America and Asia and the relaxing in-country social lockdowns and restrictions.

(b) *Rendering of Services*

Sales by company-operated quick-service restaurants increased by 26% year-on-year as the Group gradually resumed business operations as allowed by the local and national governments where the Group’s restaurants are located. Several Filipinos were also able to get vaccinated throughout the year and COVID-19 cases generally decreased which resulted in easement of several restrictions affecting the Group’s operations.

Rental income of the Group posted an increase of 5% year-on-year in 2021 due to new and renewed office leases that stabilized occupancy rate at 90%, and gradual opening of malls and commercial operations. Business process outsourcing (BPO) offices remained operational even during the strictest lockdowns.

Gaming revenues, net of promotional allowances, increased by 10% in 2021 compared to that of 2020, caused by gradual and limited continuation of the business operations as allowed by the different quarantine classifications imposed by the government in 2021, except when brief lockdowns were implemented in March and September 2021, as compared to temporary closure of the Groups casino from March to June 2020. The quarantine protocols imposed by the government relaxed in 2021 slowly increasing the capacity of casinos.

Hotel revenues increased by 19% in 2021 as compared to that of 2020, as a result of an increase in occupancy rates during the year as hotels resumed operations and travel restrictions were relaxed.

Although the Group posted higher revenue in 2021, it is still to reach pre-pandemic level of operations. Management will continue to take actions to continually improve the operations as the need arises. Based on the foregoing improvements, management projects that the Group would continue to report positive results of operations and would remain liquid to meet current obligations as they fall due. Accordingly, management has not determined a material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern due to the effects of the pandemic.

1.3 Approval of the Consolidated Financial Statements

The Board of Directors (“BOD”) approved on April 29, 2022 the issuance of the consolidated financial statements of the Group as at and for the year ended December 31, 2021 (including the comparative consolidated financial statements as at December 31, 2020 and for the years ended December 31, 2020 and 2019).

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”) which include the availment of financial reporting reliefs issued and approved by the SEC discussed below and in Note 2.3(c). PFRS are adopted by the Financial Reporting Standards Council (“FRSC”) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

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

(b) SEC Financial Reporting Reliefs Availed by the Group

In 2020, the Group has availed of several financial reporting reliefs granted by the SEC under Memorandum Circular (MC) No. 14-2018, *Philippine Interpretation Committee Question and Answer (PIC Q&A) No. 2018-12 Implementation Issues Affecting Real Estate Industry*, MC No. 3-2019, *PIC Q&A Nos. 2018-12-H and 2018-14*, MC No. 4-2020, *Deferment of the Implementation of IFRS Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Costs) for Real Estate Industry*, and MC 34-2020, *Deferral of PIC Q&A No. 2018-12 and IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry for another period of three years or until 2023*, relating to several implementation issues of PFRS 15, *Revenue from Contracts with Customers*, affecting the real estate industry.

In 2021, MC No. 2021-08, *Amendment to SEC MC No. 2018-14, MC No. 2019-03, MC No. 2020-04, and MC No. 2020-34 to clarify transitory provision*, provides real estate companies the accounting policy option of applying either the full retrospective approach or the modified retrospective approach when they apply the provisions of the PIC and IFRIC pronouncement.

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

- (i) IFRIC Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry (deferred until December 31, 2023)

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.

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.

- (ii) PIC Q&A No. 2018-12-D, *Concept of the Significant Financing Component in the Contract to Sell* and PIC Q&A No. 2020-04, *Addendum to PIC Q&A 2018-12-D: Significant Financing Component Arising from Mismatch Between the Percentage of Completion and Schedule of Payments* (deferred until December 31, 2023)

IFRS 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.

There is no significant financing component if the difference between the promised consideration and the cash selling price of the good or service arises for reasons other than the provision of finance to either the customer or the entity, and the difference between those amounts is proportional to the reason for the difference. Further, the Group does not need to adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception that the timing difference of the receipt of full payment of the contract price and that of the completion of the project, are expected within one year and significant financing component is not expected to be significant.

Had the Group elected not to defer this provision of the standard, it would have an impact in the consolidated financial statements as 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 an interest expense when lesser. Both interest income and expense will be calculated using the effective interest rate method. This will impact the retained earnings, real estate sales, and profit or loss in 2021 and prior years.

(c) *Presentation of Consolidated Financial Statements*

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

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

(d) *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 in the profit or loss generated by the associates are credited or charged against the Share in Net Profits (Losses) of Associates and Joint Ventures account in the consolidated statement of comprehensive income. These changes include subsequent depreciation, amortization and impairment of the fair value adjustments of the associates' assets and liabilities.

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

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

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

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

(c) *Interests in Joint Arrangements*

Investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

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

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

(d) *Transactions with Non-Controlling Interest*

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

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

2.3 Adoption of Amended PFRS

(a) *Effective in 2021 that are Relevant to the Group*

The Group adopted for the first time the following pronouncements, which are mandatorily effective for annual periods beginning on or after January 1, 2021:

| | | |
|--|---|--|
| PFRS 7, PFRS 9 and PFRS 16 (Amendments) | : | Financial Instruments: Disclosures and Financial Instruments and Leases – Interest Rate Benchmark Reform Phase 2 |
| PFRS 16 (Amendments) | : | Leases – COVID-19-Related Rent Concessions beyond June 30, 2021 |

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

- (i) PFRS 7 (Amendments), *Financial Instruments: Disclosures*, and PFRS 9 (Amendments), *Financial Instruments* and PFRS 16 (Amendments), *Leases– Interest Rate Benchmark Reform Phase 2*. The amendments address issues that may affect financial reporting during the interest rate benchmark reform, including the effect of changes to contractual cash flows or hedging relationships resulting from the replacement of the London Interbank Offered Rate (“LIBOR”) with alternative benchmark rates.

When changes are made to the hedging instruments, hedged item and hedged risk as a result of the interest rate benchmark reform, the Group updates the hedge documentation without discontinuing the hedging relationship and, in the case of a cash flow hedge, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative reference rate.

The Phase 2 amendments are relevant to the Group because it is exposed to the effects of the LIBOR reform on its interest-bearing loan and the designated hedging instruments that use LIBOR as interest benchmark rates (see Note 18). Management assessed that the exposure is minimal as the benchmark rate of the hedging instruments will likely follow the benchmark rate of the interest-bearing loans.

- (ii) PFRS 16 (Amendments), *Leases – COVID-19-Related Rent Concessions beyond June 30, 2021*. The Group elected to adopt early the amendments, which is effective from April 1, 2021. The amendment extends for one year the use of practical expedient of not assessing whether rent concessions reducing payments up until June 30, 2022 occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications.

The amount of reduction in lease liabilities that was recognized in the 2021 and 2020 profit or loss amounted to P509.2 million and P413.4 million, respectively, and is presented as Gain on COVID-19-related rent concessions under the Finance and Other Income account in the consolidated statements of comprehensive income (see Notes 13.3 and 27).

(b) *Effective Subsequent to 2021 but not Adopted Early*

There are pronouncements effective for annual periods subsequent to 2021, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

- (i) PFRS 3 (Amendments), *Business Combination – Reference to the Conceptual Framework* (effective from January 1, 2022)
- (ii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022)
- (iii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective from January 1, 2022)
- (iv) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Group:
- PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 percent' Test for Derecognition of Liabilities*
 - Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*
- (v) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)
- (vi) PAS 1 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective January from 1, 2023)

- (vii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)
 - (viii) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)
 - (ix) PFRS 17, *Insurance Contracts* (effective from January 1, 2025)
 - (x) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely).
- (c) *PIC Q&As Relevant to the Real Estate Industry Applicable in 2021*

Discussed below and in the succeeding page are the PIC Q&As effective January 1, 2021 that are applicable to the Group, including the description of their impact to the Group's consolidated financial statements.

- (i) PIC Q&A No. 2018-12-E, *Treatment of uninstalled materials in the determination of POC* and PIC Q&A No. 2020-02, *Conclusion on PIC Q&A No. 2018-12-E: On the Treatment of Materials Delivered on Site But Not Yet Installed in Measuring the Progress of the Performance Obligation*

PIC Q&A No. 2018-12-E specifies, in recognizing revenue using a cost-based input method, the cost incurred for customized materials not yet installed are to be included in the measurement of progress to properly capture the efforts expended by the Group in completing its performance obligation. In the case of uninstalled materials delivered on-site that are not customized, 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 progress. Control over the uninstalled materials is not transferred to the customer upon delivery to the site but only when these are installed or when they are used in the construction. The application of the PIC Q&A had no significant financial impact to Group's consolidated financial statements since the Group does not include uninstalled materials that are not customized in determining measure of progress for revenue recognition.

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

PIC Q&A No. 2020-03 concludes that the difference when the POC is ahead of the buyer's payment can be accounted for either as a contract asset or receivable. The PIC has concluded that both views are acceptable as long as this is consistently applied in transactions of the same nature. The Group assessed to continue its current treatment of accounting for the difference when the POC is ahead of the buyer's payment as part of the Contract Assets account, hence, the adoption did not have a significant impact on the 2021 consolidated financial statements.

(iii) PIC Q&A No. 2020-05, *Accounting for Cancellation of Real Estate Sales*

This PIC Q&A superseded PIC Q&A No. 2018-14. The interpretation provides three acceptable approaches in accounting for sales cancellation and repossession of the property as follows:

- a. reposessed property is recognized at fair value less cost to repossess;
- b. reposessed property is recognized at fair value plus repossession cost; or,
- c. cancellation is accounted for as a modification of the contract.

The Group assessed to continue to account for cancellations of sales contracts and repossession of property as a modification of contract; hence, the adoption of this PIC Q&A did not have a significant impact on the Group's consolidated financial statements.

2.4 Financial Assets

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

(a) Classification and Measurement of Financial Assets

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

Financial assets are initially measured at fair value and then subsequently measured either at amortized cost, fair value through other comprehensive income ("FVOCI"), or at fair value through profit or loss ("FVTPL"), depending on the classification determined at initial recognition. Financial assets designated and effective as hedging instruments are classified as financial assets at FVTPL.

(i) Financial Assets at Amortized Cost

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

- Business model test: the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,
- Cash flow characteristics test: the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

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

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

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

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

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

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

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

- Business model test: they are held under a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset (“hold to collect and sell”); and,
- Cash flow characteristics test: SPPI on the principal amount outstanding.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as Net Fair Value Gains (Losses) on Financial Assets at FVOCI account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized is not reclassified to profit or loss but is reclassified directly to Retained Earnings account, except for those debt securities classified as FVOCI wherein cumulative fair value gains or losses are recycled to profit or loss.

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

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

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

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

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

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

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

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

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

(b) *Reclassification of Financial Assets*

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

- From amortized cost to FVTPL: Fair value is measured at reclassification date, with the difference between the amortized cost and fair value recognized as gain or loss in profit or loss.
- From amortized cost to FVOCI (debt instruments): Fair value is measured at reclassification date, with the difference between the amortized cost and the fair value recognized as gain or loss in other comprehensive income (“OCI”). The effective interest rate and the measurement of expected credit losses (“ECL”) remain the same.
- From FVTPL to amortized cost: Fair value at the reclassification date becomes its new gross carrying amount. The effective interest rate is determined on the basis of the fair value at reclassification date, which is now treated as the date of initial recognition.
- From FVTPL to FVOCI: The financial asset continues to be measured at fair value.
- From FVOCI to amortized cost: Fair value at the reclassification date becomes its new gross carrying amount. The cumulative gain or loss previously recognized in OCI is removed from equity and adjusted against the fair value of the financial asset at reclassification date. As a result, the measurement at reclassification date is as if the financial asset had always been measured at amortized cost. This adjustment affects OCI but does not affect profit or loss and therefore is not a reclassification adjustment. The effective interest rate and the measurement of ECL remain the same.
- From FVOCI to FVTPL: The financial asset continues to be measured at fair value. The cumulative gain or loss previously recognized in OCI is reclassified to profit or loss as a reclassification adjustment at reclassification date.

There were no reclassification of financial assets in 2021 and 2020.

(c) *Impairment of Financial Assets*

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

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

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

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

To calculate the ECL of related parties, the Group determines possible impairment based on the sufficiency of the related parties' highly liquid assets in order to repay the Group's receivables if demanded at the reporting date taking into consideration the historical defaults of the related parties. If the Group cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of advances to related parties can be collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized.

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

- *Probability of Default ("PD")* – It is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.
- *Loss Given Default ("LGD")* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Group would expect to receive, including the realization of any collateral or effect of any credit enhancement.
- *Exposure at Default ("EAD")* – It represents the gross carrying amount of the financial instruments subject to the impairment calculation which pertains to its amortized cost.

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

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

The put option on a co-development agreement meets the definition of financial guarantee contract, wherein it provides the holder of the instrument with protection against an adverse event (put option event). The put option transfers a risk to the Group, in which the Group is obligated to pay a specified amount if the holder chooses to exercise the put option upon the happening of any put option event [see Note 31.8(iv)].

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

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

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

(e) *Derecognition of Financial Assets*

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

2.5 Derivative Financial Instruments and Hedge Accounting

A derivative is a financial instrument wherein its value changes in response to a specified change in variable; it requires no initial net investment or on an initial investment that is smaller than what would be required for other types of financial instruments that would be expected to have a similar response to changes in market factors; and, it is settled on a future date. The Group occasionally uses derivative financial instruments to manage its risks associated with foreign currency and interest rates. Derivatives are recognized initially and subsequently at fair value. Such derivatives are carried as assets when there is gain in the net fair value and as liabilities when there is loss in net fair value. Any gains or losses arising from changes in fair value of derivative financial instruments which are not designated as accounting hedges are recognized directly in profit or loss [see Note 2.4(a)].

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

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

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

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

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

2.6 Inventories

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

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

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

2.7 Real Estate Inventories and Transactions

Cost of inventories includes acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of the property to the Group; related property development costs; and, borrowing costs on certain loans incurred during the development of the real estate properties are also capitalized by the Group (see Note 2.17). All costs relating to the real estate property sold are recognized as expense as the work to which they relate is performed. Costs of inventories are assigned using specific identification of their individual costs. These properties and projects are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete and the estimated costs necessary to make the sale.

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

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

2.8 Other Assets

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

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

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

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

2.9 Property, Plant and Equipment

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

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use, including borrowing costs (see Note 2.17) and asset retirement obligation relating to property and equipment installed/constructed on leased properties [see Note 3.2(n)].

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

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

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

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

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

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

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

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

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

2.10 Investment Properties

Properties held for lease under operating lease agreements, which comprise mainly of land, buildings and condominium units, are classified as Investment Properties and are carried at cost less accumulated depreciation and any impairment in value, except for land which is not subjected to depreciation [see Notes 2.20, 3.1(g), and 14].

Cost capitalization, depreciation, impairment loss and asset derecognition are recorded in the same manner as in Property, Plant and Equipment (see Note 2.9). Depreciation of investment property (excluding land) is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 50 years [see Note 3.2(h)].

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

2.11 Business Combinations and Asset Acquisitions

(a) Accounting for Business Combination using the Acquisition Method

A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. When a unit acquired does not constitute a business, it is accounted for as an asset acquisition. Under the asset purchase accounting, the purchase costs are allocated to identifiable assets and liabilities based on relative fair values of individual items, goodwill or gain on bargain purchase is not recognized, and transaction costs are capitalized.

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

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

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

Goodwill represents the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any existing equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Any impairment loss is recognized immediately in profit or loss and is not subsequently reversed (see Note 2.20). Negative goodwill, which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost, is recognized directly to income [see Note 2.2(a)]. For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

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

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

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

Business combinations arising from transfers of interests in entities that are under the common control of the principal stockholder are accounted for under the pooling-of-interests method. Transfers of assets between commonly-controlled entities are accounted for under historical cost accounting; hence, the assets and liabilities are reflected in the consolidated financial statements at carrying values and no adjustments are made to reflect fair values or recognize any new assets or liabilities, at the date of the combination that otherwise would have been done under the acquisition method.

No restatements are made to the financial information in the consolidated financial statements for periods prior to the business combination as allowed under PIC Q&A No. 2012-01, PFRS 3.2 – *Application of Pooling of Interest Method for Business Combination of Entities under Common Control in Consolidated Financial Statements* (as amended by PIC Q&A No. 2015-01, *Conforming Changes to PIC Q&As – Cycle 2015*, and PIC Q&A No. 2018-13, *Conforming Changes to PIC Q&As – Cycle 2018*); hence, the profit and loss of the acquiree is included in the consolidated financial statements for the full year, irrespective of when the combination took place. Also, no goodwill is recognized as a result of the business combination and any excess between the net assets of the acquiree and the consideration paid is accounted for as “equity reserves”, which will eventually be closed to additional paid-in capital. Also, any pre-acquisition income and expenses of a subsidiary are no longer included in the consolidated financial statements. The Group used this method in accounting for mergers and restructurings [see Note 1.1(o) and (p)].

2.12 Intangible Assets

Intangible assets include goodwill, trademarks, leasehold rights, computer software and franchise fee. Except goodwill and some specific trademarks, all other intangible assets have finite lives and are carried at cost less accumulated amortization and any impairment in value. Goodwill and trademarks with indefinite useful lives are not amortized, but are reviewed for impairment at least annually (see Notes 2.11, 2.20 and 15).

The cost of trademarks, leasehold rights, computer software and franchise fee includes the acquisition price and other direct costs. Capitalized costs are amortized on a straight-line basis over the estimated useful lives of the assets as follows [see Note 3.2(h)]:

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

Leasehold rights are amortized over the useful life of 20 years or the term of the lease, whichever is shorter.

When an intangible asset is retired or otherwise disposed of, the carrying value value is removed from the accounts. Any resulting gain or loss is credited to or charged against current operations.

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

2.13 Financial Liabilities

Financial liabilities, which include Interest-bearing Loans (see Note 18), Bonds Payable (see Note 19), Lease Liabilities (see Note 13.3), Trade and Other Payables (except tax-related payables) (see Note 17), Advances from Related Parties (see Note 30.6), Redeemable Preferred Shares (see Note 20), and Equity-linked debt securities (“ELS”), Derivative liability, Guarantee deposits, Commission payable, Subscription payable and Retention payable [which are presented as part of Other Current Liabilities and Other Non-Current Liabilities accounts (see Note 21)] are recognized when the Group becomes a party to the contractual agreements of the instrument.

Except for capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.17), all interest-related charges incurred on financial liabilities are recognized as an expense in profit or loss under Finance Costs and Other Charges in the consolidated statement of comprehensive income (see Note 27).

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

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

Redeemable Preferred Shares of GADC and TLC, which are mandatorily redeemable at the option of the holder, are initially recognized at fair value, net of transaction costs, on inception date and presented as a liability in the consolidated statement of financial position; the liability is subsequently measured at amortized cost (see Note 20). The corresponding accretion of the liability and the dividends paid on those shares are charged as part of Interest expense under Finance Costs and Other Charges account (see Note 27) in the consolidated statement of comprehensive income.

Dividend distributions to shareholders are recognized as financial liabilities on the record date set upon declaration by the BOD.

The Group's derivative liability arising from financial instruments designated as cash flow hedges is recognized and subsequently measured in accordance with its hedge accounting policy (see Note 2.5). All other derivative liabilities are measured at fair value (see Note 21).

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

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or if the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of the new liability, and the difference in the respective carrying amounts is recognized as gain or loss in profit or loss. If the modification is not considered substantial, the liability is restated to the net present value of revised cash flows discounted at the original effective interest rate, with the adjustment 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(p)].

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision. Contingent assets are not recognized, but disclosed where an inflow of economic benefits is probable. The asset is only recognized when it is virtually certain that the inflow of economic benefits will arise to the Group.

2.15 Equity

Capital stock represents the nominal value of shares that have been issued (see Note 22.1).

APIC includes any premiums received on the issuance or reissuance of capital stock. Any transaction costs associated with such issuances of shares are deducted from APIC, net of any related income tax benefits. Excess of proceeds from sale of treasury shares over acquisition cost of such treasury shares, and amounts of unexercised share options are also added to APIC (see Note 22.2).

Treasury shares refer to AGI shares reacquired by the Company but not cancelled and AGI shares held by subsidiaries for investment purposes. These are carried at cost of reacquiring such shares (see Notes 2.2 and 22.3).

Net actuarial gains or losses on post-employment benefit plan pertain to actuarial gains or losses from remeasurement of post-employment benefit obligation and the Group's share in other comprehensive income or loss of associates and joint ventures.

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

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

Revaluation reserves on cash flow hedges pertain to the cumulative effective portion of gains and losses recognized on hedging instruments in a cash flow hedge (see Note 2.5).

Other reserves include legal reserves and reserves from changes in ownership interest in subsidiaries that do not result in a loss of control. Legal reserves represent the statutory requirements in Luxembourg, which comprise of net wealth tax reserve and capital reserve. Certain statutory requirements based on Spanish legislation were also included as part of this account.

Dilution gain or loss (presented as part of Other Reserves) arises when an investor or the Group exercises its pre-emptive rights to maintain its ownership interest in an investee. This represents the difference between the book value per share in an investee versus the Group's offer price at the time the rights are exercised. This also includes the Group's share in previous period's profit (loss) as a result of the current increase (decrease) in equity ownership over its subsidiaries. Dilution gain or loss is recognized on investments of which the Group continues to exercise control (see Note 22.4).

Share options represent the value of share options during vesting period upon recognition of share-based remuneration expense in profit or loss, net of any share options exercised or expired [see Notes 2.21(e) and 22.6].

Retained earnings, the appropriated portion of which is not available for dividend declaration, represent all current and prior period results of operations as reported in the profit and loss section of the consolidated statement of comprehensive income, reduced by the amount of dividends declared (see Note 22.7).

Non-controlling interests represent the portion of the net assets and profit or loss not attributable to the Parent Company's shareholders, which are presented separately in the Group's consolidated statement of comprehensive income and within the equity in the Group's consolidated statement of financial position and consolidated statement of changes in equity [see Notes 2.2(d), 2.11 and 22.8].

2.16 Revenue and Expense Recognition

Revenue arises mainly from sale of consumer goods and real properties and rendering of services which include quick-service restaurants, gaming-related activities, hotel operations and franchise revenues.

Revenue is recognized in a manner that depicts the pattern of goods and services to customers at an amount to which the Group expects to be entitled in exchange for those goods and services. The focus of revenue recognition is on the transfer of control of goods or services, which could be at a point in time or over time, following this five-step process:

1. Identify the contract with a customer;
2. Identify the performance obligation (distinct goods or services promised);
3. Determine the transaction price (including fixed amounts or variable amounts, or both, financing components, non-cash consideration, consideration payable to customer, if any);
4. Allocate the transaction price to the performance obligations; and,
5. Recognize revenue when (or as) performance obligations are satisfied (at a point in time or over time).

In identifying whether a contract with a customer exists, the following five gating criteria must be present:

- a. the parties to the contract have approved the contract either in writing or in accordance with other customary business practices and committed to perform their respective obligations;
- b. each party's rights regarding the goods or services to be transferred or performed can be identified;
- c. the payment terms for the goods or services to be transferred or performed can be identified;
- d. the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
- e. collection of the consideration in exchange of the goods and services is probable (i.e., more likely than not to occur).

A contract, for purposes of revenue recognition, does not exist if each party has a unilateral enforceable right to terminate a wholly unperformed contract without compensating the other party.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied. The Group uses the practical expedient in PFRS 15 with respect to non-disclosure of the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance obligations as of the end of the reporting period and the explanation of when such amount will be recognized as revenue.

The following specific recognition criteria must also be met before revenue is recognized (see Note 24):

- (a) *Sale of consumer goods (under Sale of Goods)* – Revenues from sale of goods are recognized at a point in time when the customer has acknowledged the receipt of the goods.
- (b) *Real estate sales (under Sale of Goods)* – The Group develops real properties such as developed land, house and lot, and condominium units. The timing of revenue recognition is based on whether the real estate sold is pre-completed or completed. The significant judgment used in determining the timing of satisfaction of the Group's performance obligation with respect to its contracts to sell real properties is disclosed in Note 3.1(a).

The Group often enters into contracts to sell real properties as they are being developed. On such *pre-completed real estate properties*, revenue is recognized over time proportionate to the progress of the development. The Group measures its progress based on actual costs incurred relative to the total expected costs to be incurred in completing the development. On *completed real estate properties*, revenue is recognized at point in time when the control over the real estate property is transferred to the buyer.

Sales cancellations are accounted for on the year of forfeiture. Any gain or loss on cancellation is charged to profit or loss.

For tax reporting purposes, a modified basis of computing the taxable income for the year based on collections from sales is used by Megaworld, GERI, EELHI, SPI, ECOC, MBPHI, SEDI, LFI, OPI, MGAI, MCTI and STLI.

- (c) *Sale of undeveloped land and golf and resort shares (included under Real Estate Sales)* – Revenues on sale of undeveloped land and golf and resort shares for sale are recognized at point in time when control on the undeveloped land and golf and resort shares have passed to the buyer and the amount of revenue can be measured reliably.
- (d) *Food, beverage and others (included in Hotel Operations under Rendering of Services)* – Revenues are recognized at point in time upon delivery to and receipt of consumer goods by the customer. Invoices for consumer goods transferred are due upon receipt by the customer.
- (e) *Hotel accommodation (included in Hotel Operations under Rendering of Services)* – Revenues are recognized over time during the occupancy of hotel guest and end when the scheduled hotel room accommodation has lapsed (i.e., the related room services have been rendered). As applicable, invoices for hotel accommodations are due upon receipt by the customer.
- (f) *Sales from Group-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 in Contract Assets account 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 in Contract Liabilities account in the consolidated statement of financial position. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

If a transaction does not yet qualify as contract revenue under PFRS 15, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of revenue on real estate sales, consideration received from buyers are presented as Customers' deposits under Other Liabilities account in the consolidated statement of financial position (see Note 21).

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

Gaming revenues from table games and slot machines are recognized from net wins (losses) from gaming activities, which represent the difference between coins and currencies deposited into the gaming machines or operations and the payments to customers; and for other games, the difference between gaming wins and losses, less sales incentives and other adjustments (i.e., promotional allowances) (see Note 24). The payout for wagers placed on gaming activities typically is known at the time the wager is placed (i.e., fixed odds wagering). These gaming transactions are accounted for as derivative transactions in accordance with PFRS 9 (see Note 2.5). Gaming revenues from these transactions are recognized at fair value, which represents the price that would be received to sell a wager position or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Promotional allowances include rebates under the casino rebates program and the provision for the value of the gaming points earned by members, i.e. in using a membership card provided by the Group, by reference to the relative fair values of the complimentary goods or services. Promotional allowances are presented as a reduction of gaming revenues.

The Group also administers games in which the Group receives a fee rather than the Group being at risk to win or lose based on the outcome of the game, i.e., tournaments including card games and bingo operations. Revenues from these gaming-related activities, which are accounted for in accordance with PFRS 15, are recognized over time as the services for administering the games are rendered, at an amount equivalent to the fee collected.

Cost and expenses (other than cost of real estate sales) are recognized in profit or loss upon utilization of the services or receipt of the goods or at the date they are incurred (see Notes 25 and 26). Incremental costs of obtaining a contract to sell a real estate property to a customer are recognized as an asset and are subsequently amortized over the duration of the contract on the same basis as revenue from such contract is recognized. Incremental costs in obtaining other customer contracts are expensed as incurred since amortization period of these costs, if capitalized, would be less than one year (a practical expedient in PFRS 15).

2.17 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred (see Note 27), except to the extent that they are capitalized (see Notes 2.7, 2.9 and 2.10). Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.18 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

For any new contracts, the Group considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

The Group assesses whether the contract meets the following three key evaluations:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- there is a right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,
- there is a right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At commencement date of the lease, a right-of-use asset ("ROUA") and a lease liability are recognized in the consolidated statement of financial position. For short-term leases and leases of low-value assets, the Group uses the practical expedients where related lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term.

The ROUA is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the ROUA is depreciated on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the ROUA or the end of the lease term. The Group also assesses the ROUA for impairment when such indicators exist (see Note 2.20). The ROUA is also adjusted for any remeasurement of the related lease liabilities, except for changes in lease payments in which the practical expedient on COVID-19-related rent concessions is applied.

On the other hand, the lease liability is measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease, if that rate is readily available, or the Group's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed payments) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

On the consolidated statement of financial position, ROUA are included as part of Property, Plant and Equipment account. On the other hand, Lease Liabilities are presented as a separate line item under Current Liabilities and Non-current Liabilities sections.

GADC is legally required under various lease agreements to dismantle the installations and restore the leased sites at the end of the lease term. It is also a Group's policy to remove permanent improvements or additions which contain designs and configurations inherent to GADC's business signs, trademarks, trade names, patent and other similar intellectual property rights belonging to McDonald's Corporation ("McDonald's") upon the termination or expiration of lease contract. The present value of these estimated costs is recognized and being depreciated on a straight-line basis over the shorter of the useful life of the related asset or the lease term [see Note 3.2(n)]. The 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).

(b) *Group as Lessor*

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

Moreover, the Group derecognizes ROUA pertaining to subleases classified as finance lease and recognizes a corresponding finance lease receivable in its consolidated statement of financial position. The difference between the derecognized ROUA and recognized finance lease receivable is recognized in the consolidated profit or loss.

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

2.19 Foreign Currency Transactions and Translation

(a) Transactions and Balances

Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income.

(b) Translation of Financial Statements of Foreign Subsidiaries

The operating results and financial position of foreign subsidiaries (see Note 1), which are measured using the United States (“U.S.”) dollars, British pound sterling and European Union euro, their functional currencies, are translated to Philippine pesos, the Parent Company’s functional currency as follows:

- (i)* Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- (ii)* Income and expenses for each profit or loss account are translated at the average exchange rates over the reporting period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and,
- (iii)* All resulting exchange differences are recognized in other comprehensive income and in a separate component of equity under Accumulated Translation Adjustments account.

When a foreign operation is partially disposed of or sold, such exchange differences are recognized in the consolidated statement of comprehensive income as part of the gain or loss on sale.

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

2.20 Impairment of Non-Financial Assets

The Group's Investments in Associates and Joint Ventures [see Notes 2.2(b), 2.2(c) and 12], Intangible Assets (see Notes 2.12 and 15), Investment Properties (see Notes 2.10 and 14), Property, Plant and Equipment (including right-of-use assets) (see Notes 2.9, 2.18, and 13) and other non-financial assets (see Notes 2.8 and 9) are subject to impairment testing [see Note 3.2(i)]. Intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts, which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

Except for intangible assets with indefinite useful life or those not yet available for use, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

2.21 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan, as well as a defined contribution plan, and other employee benefits which are recognized as follows (see Note 28):

(a) Short-term Employee Benefits

Short-term employee benefits include wages, salaries, bonuses, and non-monetary benefits provided to current employees, which are expected to be settled before twelve months after the end of the annual reporting period during which an employee services are rendered, but does not include termination benefits. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in the profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of Accrued expenses 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 on the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation ("BVAL"). BVAL provides evaluated prices that are based on market observations from contributed sources.

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

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

(c) *Post-employment Contribution Plan*

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

(d) *Termination Benefits*

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

(e) *Share-based Employee Remuneration*

The Group grants share options to key executive officers and employees eligible under each share option plan of the Parent Company, Megaworld, GERI, EMP and Travellers. The services received in exchange for the grant, and the corresponding share options, are valued by reference to the fair value of the equity instruments granted at grant date. This fair value excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions), if any. The share-based remuneration is recognized as an expense in profit or loss and the corresponding share option is recorded in the Equity section of the consolidated statement of financial position.

Expense is recognized during the vesting period based on the best available estimate of the number of share options expected to vest. The estimate is subsequently revised, if necessary, such that it equals the number that ultimately vested on vesting date. No subsequent adjustment is made to expense after vesting date, even if share options are ultimately not exercised.

Upon exercise of share option, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to capital stock with any excess being recorded as APIC, and the cost of the share option under Share Options account is reclassified to APIC.

Upon expiration of share option, the value assigned to the Share Options is reclassified to the APIC account in the Equity section of the consolidated statement of financial position.

(f) *Bonus Plans*

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

(g) *Compensated Absences*

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

2.22 Income Taxes

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any (see Note 29).

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

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

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

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

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

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

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

2.23 Non-current Assets Held for Sale

Non-current assets classified as held for sale refers to construction in progress, and land and buildings that the Group intends to sell within one year from the date of reclassification as held for sale (see Note 16).

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In the event that the sale of the asset is extended beyond one year, the extension of the period required to complete the sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset.

Non-current asset held for sale is measured at the lower of its carrying amount, immediately prior to their classification as held for sale, and its fair value less costs to sell. The Group shall recognize an impairment loss for any initial or subsequent write-down of the asset at fair value less cost to sell. Gain from any subsequent increase in fair value less cost to sell of an asset is recognized to the extent of the cumulative impairment loss previously recognized. Assets classified as held for sale are not subject to depreciation.

If the Group has classified an asset as held for sale, but the criteria for it to be recognized as held for sale are no longer satisfied, the Group shall cease to classify the asset as held for sale.

The gain or loss arising from the sale or remeasurement of held for sale assets is recognized in profit or loss in the consolidated statement of comprehensive income.

2.24 Earnings per Share

Basic earnings per share ("EPS") is computed by dividing net profit attributable to equity holders of the parent company by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period (see Note 23).

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of potentially dilutive shares [e.g., vested share options (see Note 22.6)].

2.25 Segment Reporting

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

In identifying its operating segments, management generally considers the Group's major subsidiaries, as disclosed in Note 4, which represent the main products and services provided by the Group and the line of business in which the Group operates. Each of these operating segments, which represents the major subsidiaries within the Group, is managed separately by each respective officers and management. All intersegment transfers are carried out at arm's length prices.

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

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

2.26 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged (see Note 30).

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

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

Transactions individually or in aggregate over a 12-month period with the same related party, amounting to 10% or more of the total assets based on the latest audited consolidated financial statements that were entered into with related parties are considered material. This is based on the requirements of SEC MC No. 2019-10, *Rules of Material Related Party Transactions of Publicly-listed Companies*.

All individual material related party transactions shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold, the same board approval would be required for the transaction(s) that meets and exceeds the materiality threshold covering the same related party.

Directors with personal interest in the transaction should abstain from participating in discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

2.27 Events After the End of the Reporting Period

Any post year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements. There are no post year-end events that occurred up to date of issuance of the consolidated financial statements that would require adjustment (see Note 37).

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) *Evaluating the Timing of Satisfaction of Performance Obligations*

(i) *Real Estate Sales*

The Group exercises critical judgment in determining whether each performance obligation to develop properties promised in its contracts with customers is satisfied over time or at a point in time. In making this judgment, the Group considers the following:

- any asset created or enhanced as the Group performs;
- the ability of the customer to control such asset as it is being created or enhanced;
- the timing of receipt and consumption of benefits by the customer; and,
- the Group's enforceable right for payment for performance completed to date.

The Group determined that its performance obligation for pre-completed real estate properties is satisfied over time since it does not have an alternative use of the specific property sold as it is precluded by its contract from redirecting the use of the property for a different purpose. Further, the Group has rights over payment for development completed to date as the Group can choose to complete the development and enforce its rights to full payment under its contracts even if the customer defaults on amortization payments.

(ii) *Sales of Consumer Goods*

The Group determines that revenue is recognized at a point in time when the control of the goods has passed to the customer, i.e., generally when the customer acknowledged delivery of goods.

(iii) *Hotel Accommodations*

The Group determines that its revenue from hotel accommodations shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group provides the services without the need of reperformance of other entities. This demonstrates that the customers simultaneously receive and consume the benefits of the Group's rendering of hotel services as it performs.

(iv) *Food and Beverages, and Others*

In determining the appropriate method to use in recognizing the Group's revenues from food, beverage and other consumer goods, the Group determines that revenue is recognized at a point in time when the control of the goods has passed to the customer, i.e., generally when the customer acknowledged delivery of goods. The service component of the restaurant operations is deemed as an insignificant cause on the timing of satisfaction of performance obligation since it is only passage of time until the customer receives and consumes all the benefits after delivery of the food and beverage items.

(v) *Forfeited Collections and Deposits*

The Group determines that its revenue from forfeited collections and deposits shall be recognized at point in time in the year the contract was cancelled.

(vi) *Property Management Services*

The Group determines that its revenue from property management services shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group applies the practical expedient to recognize revenue at the amount to which it has a right to invoice, which corresponds directly to the value to the customer of the entity's performance completed to date, i.e., generally when the customer has acknowledged the Group's right to invoice.

(b) *Estimating Collection Threshold for Real Estate Revenue Recognition*

The Group uses judgment in evaluating the probability of collection of contract price on real estate sales as a criterion for revenue recognition. The Group uses historical payment pattern of customers in establishing a percentage of collection threshold over which the Group determines that collection of total contract price is reasonably assured.

(c) *Determining the Accounting Treatment of Gaming Revenues under PFRS 9 and PFRS 15*

The Group exercises judgment in determining whether its gaming transactions and gaming-related activities are within the scope of PFRS 9 or PFRS 15. In making this judgment, management considers whether both the Group and the patrons have the chance to win or lose money or other items of economic value based on the outcome of the game; or, only the patron has the chance to win or lose money or other items of economic value, with the Group only receiving a fee for administering the game (PFRS 15), rather than the Group being at risk to win or lose based on the outcome of the game (PFRS 9). When the Group takes a position against a patron, the resulting unsettled wager or position is a financial instrument that would likely meet the definition of derivative financial instrument and is accounted for under PFRS 9.

Relative to this, the management has determined that its gaming revenues from table games and slot machines are within the scope of PFRS 9, while gaming-related revenues from administering bingo and tournament games are within the scope of PFRS 15.

(d) *Evaluating the Business Model and Cash Flow Characteristics of Financial Assets*

The Group applies the business model test and cash flow characteristics test at a portfolio of financial assets (i.e., group of financial instruments that are managed together to achieve a particular objective) and not on an instrument-by-instrument approach (i.e., not based on intention for each or specific characteristic of individual instrument) as these relate to the Group's investment and trading strategies.

The business model assessment is performed on the basis of reasonably expected scenarios (and not on reasonably expected not to occur, such as the so-called 'worst case' or 'stress case', scenarios). A business model for managing financial assets is typically observable through the activities that the Group undertakes to achieve the objective of the business model.

The Group uses judgment when it assesses its business model for managing financial assets and that assessment is not determined by a single factor or activity. Instead, the Group considers all relevant evidence that is available at the date of assessment which includes, but not limited to:

- How the performance of the business model and the financial assets held within the business model are evaluated and reported to key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and,
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

(e) *Determining the ECL on Trade and Other Receivables*

The Group applies the ECL methodology which requires certain judgments in selecting the appropriate method of measuring ECL. In measuring ECL, the Group considers a broad range of information which include past events, current conditions, and reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The Group uses a provision matrix to calculate ECL for trade and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating).

The provision matrix is based on historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). The Group has considered the continuing impact of COVID-19 pandemic and revised its assumptions in determining the macroeconomic variables and loss rates in the computation of ECL. Details about the ECL on the Group's trade and other receivables are disclosed in Notes 2.4(c) and 32.2.

(f) Determining Lease Term of Contracts with Renewal and Termination Options

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option.

Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

The Group determines whether any non-cancellable period or notice period in a lease would meet the definition of a contract and thus, would be included as part of the lease term. A contract would be considered to exist only when it creates rights and obligations that are enforceable.

In assessing the enforceability of a contract, the Group considers whether the lessor can refuse to agree to a request from the Group to extend the lease. In contrast, a lessor's right to terminate a lease is ignored when determining the lease term because, in that case, the lessee has an unconditional obligation to pay for the right to use the asset for the period of the lease, unless and until the lessor decides to terminate the lease.

The Group also considers any potential cost of dismantling and restoration of buildings and leasehold improvements for which the Group might be held liable in evaluating whether to renew the lease.

(g) Distinguishing Investment Properties, Owner-Occupied Properties and Real Estate Inventories

The Group determines whether a property qualifies as investment properties (see Note 2.10), owner-occupied properties or inventories. The Group applies judgment upon initial recognition of the asset based on the intention and also when there is a change in use. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Investment properties comprise of properties held to earn rental or for capital appreciation. Owner-occupied properties (see Note 2.9) generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process, while inventories (see Note 2.7) are properties that are held for sale in the ordinary course of business. The Group considers each property separately in making its judgment.

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

(b) *Distinguishing Investments in Financial Instruments and Golf and Resort Shares Inventories*

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

(i) *Classifying Perpetual Debt Securities*

The Group exercises judgment in classifying its perpetual debt securities as financial liabilities or equity instruments. In making its judgment, the Group considers the terms of the securities including any restrictions on the Group's ability to defer interest payments. As of December 31, 2020, Megaworld had perpetual capital securities that did not appear in the consolidated statement of financial position because all were bought back by subsidiaries of AGI in 2019.

In 2021, Megaworld fully redeemed the perpetual capital securities for P9.8 billion (see Note 22.8).

(j) *Determining Control, Joint Control or Significant Influence*

Judgment is exercised in determining whether the Group has control, joint control or significant influence over an entity, even though the Group holds less than 50% or less than 20% of the investee's voting shares. In assessing control or significant influence over investees, the Group considers voting rights, representation on the board of directors or equivalent governing body of the investee, presence of interlocking directors, participation in policy-making process and all other facts and circumstances, including terms of any contractual arrangement.

(k) *Distinguishing Asset Acquisition and Business Combinations*

At the time of acquisition, the Group determines whether the acquisition represents an 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.

Moreover, the transfer of ownership interest over WML and WMWL from WMG to WMGL, the merger between CBSP and BFS and between PDSC and BDSC and the merger between PDSC and DDDDB are accounted for as business combinations using pooling-of-interest method as these are transfers of interests in entities that are under the common control and there is no change of control before and after the restructuring or mergers [see Note 1.1(p)].

(l) *Distinguishing Between Operating and Finance Leases where the Group is the Lessor*

The Group has entered into various lease agreements as a lessor. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Based on management's assessment, the Group's lease agreements as lessor are classified as operating leases, except for one which has been classified as a finance lease.

(m) *Determining Whether Lease Concessions Constitute a Lease Modification*

In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Group waived its right to collect rent and other charges as part of various lease concessions it granted to certain lessees, such as lease payment holidays or lease payment reductions.

The Group also received lease concessions from its lessors in 2021 and 2020.

In making this judgment, the Group determines whether the rent concessions have changed the scope of the lease, or the consideration thereof, that was not part of the original terms and conditions of the lease. The Group assessed that the lease concessions it granted to lessees and received from lessors do not qualify as lease modifications since the terms and conditions under the corresponding lease contracts have not been modified by the waiver and therefore, are not lease modifications under PFRS 16.

The rent concessions granted by the Group amounted to P2.3 billion and P2.2 billion in 2021 and 2020, respectively, while the total gain on lease concessions received by the Group amounted to P509.2 million and P413.4 million in 2021 and 2020, respectively, and is presented as Gain on COVID-19-related rent concessions under the Finance and Other Income account in the consolidated statements of comprehensive income (see Notes 13.3 and 27).

(n) *Determining the Accounting Treatment of Put Option*

The Group determined that the put option contract entered by the Group meets the definition of financial guarantee under PFRS 4. Although a financial guarantee meets the definition of insurance contract under PFRS 4, if the risk transferred is significant, the issuer of the guarantee contract should apply PFRS 9.

The Group determined that the risk transferred to the Group is significant; hence, the put option is accounted for under PFRS 9 [see Notes 2.4(d) and 31.8(iv)].

(o) *Classification of Non-current Assets as Held for Sale*

The Group classifies an asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets (or disposal group) and its sale must be highly probable.

For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, except when delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset (or disposal group). The actions required to complete the plan should also indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Based on management's assessment, the letter of intent in 2020, which provides the Group's commitment to sell certain land and buildings to a related party, is the main consideration for classifying these assets as non-current assets held for sale (see Note 13).

In 2021, the sale of certain land development classified as part of non-current assets held for sale was completed (see Note 16).

(p) *Recognizing Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.14 and disclosures on relevant provisions and contingencies are presented in Note 31.

3.2 Key Sources of Estimation Uncertainty

Presented below and in the succeeding pages are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

(a) *Revenue Recognition for Performance Obligation Satisfied Over Time*

In determining the amount of revenue from real estate sales to be recognized for performance obligations satisfied over time, the Group measures progress on the basis of actual costs incurred relative to the total expected costs to complete such performance obligation. Specifically, the Group estimates the total development costs with reference to the project development plan and any agreement with customers. Management regularly monitors its estimates and apply changes as necessary. A significant change in estimated total development costs would result in a significant change in the amount of revenue recognized in the year of change.

(b) *Impairment of Financial Assets at Amortized Cost and Measurement of Put Option*

In measuring allowance for ECL, the Group uses significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses), as further detailed in Note 2.4(c). The Group evaluated impairment based on available facts and circumstances affecting the collectability of the accounts, including, but not limited to, the length of the Group's relationship with the counterparties, the counterparties' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

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

Further, the measurement of the put option value under the ECL model required the use of significant assumptions with regard to the possibility of any of the option events from happening in the future and the possible change in the evaluation of the collateral within the 12-month assessment period, as further detailed in Note 31.8.

(c) *Valuation of Inventories*

In determining the NRV of inventories (see Notes 2.6 and 2.7), management takes into account the most reliable evidence available at the dates the estimates are made. NRV is one of the key variables used in analyzing possible impairment.

The Group's core business is subject to changes in market factors that directly affect the demand for inventories, such as purchasing power of consumers, degree of competition, and other market-related factors. Future realization of the carrying amounts of these assets is also affected by price changes in the costs incurred necessary to produce the inventories and make a sale as well as market trends. Changes in the sources of estimation may cause significant adjustments to the Group's inventories and real estate properties within the next financial reporting period.

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

Considering the Group's pricing policy, the NRV of real estate properties are higher than their related costs.

(d) *Fair Value Measurement of Financial Assets at FVOCI*

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

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

The carrying amounts of financial assets at FVOCI are disclosed in Note 11 [see Note 2.4(a)(iii)].

(e) *Fair Value Measurement of Investment Properties*

Investment properties are measured using the cost model (see Note 2.10). The fair value disclosed in Note 14 to the consolidated financial statements was estimated either by: (i) using the fair value of similar properties in the same location and condition; or, (ii) using the discounted cash flows valuation technique since the information on current or recent prices of certain investment property is not available.

The Group uses assumptions that are mainly based on market conditions existing at each reporting period, such as: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and, appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

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

A significant change in these elements may affect prices and the value of the assets. As of December 31, 2021 and 2020, the Group determined that there were no significant circumstances that may affect the fair value measurement of these properties. The fair value of the investment properties is disclosed in Notes 14 and 34.4.

(f) *Fair Value Estimation of Share Options*

The fair value of the Executive Share Option (the "Options") recognized as part of Salaries and employee benefits is shown under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 26). A corresponding credit to Share Options for options related to the Group is presented in the Equity section of the consolidated statements of financial position (see Note 22.6).

The Group estimates the fair value of the Options by applying an option valuation model, considering the terms and conditions on which the Options were granted. The estimates and assumptions used are presented in Note 22.6 which include, among other things, the option's time of expiration, applicable risk-free interest rate, expected dividend yield, volatility of the share price (i.e., the Parent Company, Megaworld, GERI, TRAV and EMP) and fair value of the specific common shares. Changes in these factors can affect the fair value of share options at grant date.

(g) *Fair Value Measurement of Derivative Financial Instruments*

Fair value measurement for gaming revenues under PFRS 9 represents the price that would be received to sell a wager position or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date, less any promotional allowances and other similar adjustments.

For other derivative financial instruments, management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. The determination of the fair value of derivatives is dependent on the selection of certain assumptions used by third party experts in calculating such amounts. Those assumptions include, among others, expected movements in the index cumulative performance as defined in the swap agreements for cross-currency swaps and changes in forward rates for forward contracts. Changes in assumptions could affect reported fair value of financial instruments. The Group uses judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(h) *Estimation of Useful Lives of Property, Plant and Equipment, Investment Properties and Intangible Assets*

The Group estimates the useful lives of property, plant and equipment (including right-of-use assets) (see Notes 2.9 and 2.18), investment properties (see Note 2.10) and intangible assets (see Note 2.12) with finite lives based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, investment properties and intangible assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

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

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

Based on management's assessment, no change in the estimated useful lives of property, plant and equipment, investment properties and intangible assets is necessary in 2021 and 2020.

(i) *Impairment of Non-Financial Assets*

Goodwill and specific intangible assets with indefinite useful life are reviewed annually for impairment. An impairment review on all other non-financial assets is performed when certain impairment indicators are present. The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.20. Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Impairment losses recognized on property, plant and equipment and certain trademarks are discussed in Notes 13 and 15, respectively. There is no other impairment loss recognized on the Group's investment properties, goodwill and other intangible assets, and other non-financial assets based on management's evaluation for the years ended December 31, 2021, 2020 and 2019.

(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 were 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) (as of end-2020) and Non-controlling interest account under Equity section of 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. On December 3, 2021, the financial liability component of the ELS amounting to P3.4 billion was derecognized, and an equity component was recognized amounting to P3.4 billion, which is presented as part of Non-controlling Interest account under the Equity section of the 2021 consolidated statement of financial position. The actual conversion pertaining to issuance of ELS shares is expected to happen in 2022.

(n) Provision for Restoration of Leased Property

Determining the provision for leased property restoration requires estimation of the cost of dismantling and restoring leased properties (building and leasehold improvements) to their original condition for which the Group is liable (see Note 2.9). The estimated cost was initially determined based on a recent cost to restore the facilities and is being adjusted to consider the estimated incremental annual costs up to the end of the lease term. The estimated dismantling cost was discounted using the prevailing market rate at the inception of the lease for an instrument with maturity similar to the term of the lease.

The carrying amount of ARO and provision for dilapidation are presented as part of Other Non-Current Liabilities account in the consolidated statements of financial position (see Note 21).

(o) *Provision for Onerous Lease*

The Group determines the provision for leasehold properties which are no longer used in the business for which the recoverable amount of the interest in the property is expected to be insufficient to cover future obligations relating to the lease using discounted cash flows and assumptions relating to future sublease income expectations. A significant change in the credit-adjusted risk-free rate used in discounting the estimated cost and sublease assumptions would result in a significant change in the amount of provision recognized with a corresponding effect on consolidated profit or loss.

In 2019, these provisions were directly adjusted against the beginning balance of the Group's right-of-use assets in accordance with PFRS 16. In 2021 and 2020, an additional provision was recognized due to changes in assumptions arising from the continuing impact of COVID-19. The carrying amount of provision for onerous lease is presented as part of Other Non-Current Liabilities account in the consolidated statements of financial position (see Note 21).

(p) *Determination of Appropriate Discount Rate in Measuring Lease Liabilities*

The Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(q) *Business Combinations*

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment (see Note 2.11).

4. SEGMENT INFORMATION

4.1 *Business Segments*

The Group is organized into major business segments, which are the major subsidiaries of the Group. These represent the main products and services provided by the Group and the line of business in which the Group operates (see Note 2.25).

Presented below is the basis of the Group in reporting its primary segment information.

- (a) The *Megaworld* segment consists of development of real estate, integrated resorts, leasing of properties and hotel operations business, which is primarily undertaken by Megaworld Corporation and subsidiaries, the Group's forerunner in the real estate industry.
- (b) The *Emperador* segment refers to the manufacture and distribution of distilled spirits, including the production of glass containers, which is undertaken by Emperador Inc. and subsidiaries.
- (c) The *Travellers* segment relates to tourism-oriented business that integrates entertainment, hospitality and leisure, including gaming, as that of Resorts World Manila, which is operated by Travellers International Hotel Group, Inc. and subsidiaries.
- (d) The *GADC* segment refers to operations of McDonald's restaurants in the Philippines in accordance with the franchise agreement between GADC and McDonald's Corporation, USA.

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

4.2 Segment Assets and Liabilities

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

4.3 Intersegment Transactions

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

4.4 Analysis of Segment Information

Segment information can be analyzed as follows for the years ended December 31, 2021, 2020 and 2019:

| | 2021 | | | | |
|--|--------------------------------|-------------------------------|-----------------------------|--------------------------------|--------------------------------|
| | <u>Megaworld</u> | <u>Travellers</u> | <u>GADC</u> | <u>Emperador</u> | <u>Total</u> |
| REVENUES | | | | | |
| Sales to external customers | P 47,852,574,643 | P 13,178,792,085 | P 24,981,223,562 | P 54,859,868,391 | P 140,872,458,681 |
| Intersegment sales | 333,685,748 | 3,781,754 | 53,279,180 | 20,861,004 | 411,607,686 |
| Finance and other income | <u>2,430,598,039</u> | <u>5,869,561,754</u> | <u>540,662,873</u> | <u>543,129,154</u> | <u>9,383,951,820</u> |
| Segment revenues | 50,616,858,430 | 19,052,135,593 | 25,575,165,615 | 55,423,858,549 | 150,668,018,187 |
| Cost of sales and expenses excluding depreciation and amortization | (<u>27,357,969,647</u>) | (<u>13,926,615,339</u>) | (<u>20,192,198,403</u>) | (<u>40,193,894,605</u>) | (<u>101,670,677,994</u>) |
| | 23,258,888,783 | 5,125,520,254 | 5,382,967,212 | 15,229,963,944 | 48,997,340,193 |
| Depreciation and amortization | (3,467,925,032) | (3,438,789,892) | (2,699,707,554) | (1,547,143,708) | (11,153,566,186) |
| Finance cost and other charges | (<u>4,958,100,463</u>) | (<u>1,852,218,880</u>) | (<u>1,007,891,042</u>) | (<u>656,306,587</u>) | (<u>8,474,516,972</u>) |
| Profit before tax | 14,832,863,288 | (165,488,518) | 1,675,368,616 | 13,026,513,649 | 29,369,257,035 |
| Tax expense | (<u>564,917,329</u>) | (<u>33,572,786</u>) | (<u>839,581,930</u>) | (<u>2,746,817,808</u>) | (<u>4,184,889,853</u>) |
| SEGMENT PROFIT (LOSS) | <u>P 14,267,945,959</u> | <u>(P 199,061,304)</u> | <u>P 835,786,686</u> | <u>P 10,279,695,841</u> | <u>P 25,184,367,182</u> |
| SEGMENT ASSETS AND LIABILITIES | | | | | |
| Segment assets | P 395,561,313,126 | P 113,652,601,547 | P 36,054,436,750 | P 126,100,101,392 | P 671,368,452,815 |
| Segment liabilities | 153,768,820,135 | 81,552,270,631 | 29,083,047,027 | 45,003,038,365 | 309,407,176,158 |
| OTHER SEGMENT INFORMATION | | | | | |
| Share in net profit (loss) of associates and joint ventures | (<u>176,548,383</u>) | (<u>19,847</u>) | - | <u>161,824,100</u> | (<u>14,744,130</u>) |
| Interest income | <u>1,940,725,166</u> | <u>19,958,194</u> | <u>43,191,682</u> | <u>85,581,808</u> | <u>2,089,456,850</u> |
| Interest expense | <u>1,915,870,863</u> | <u>1,884,329,596</u> | <u>1,010,566,223</u> | <u>764,622,658</u> | <u>5,575,389,340</u> |
| Impairment reversal (losses) – net | - | (<u>1,970,737,642</u>) | <u>182,933,013</u> | - | (<u>1,787,804,629</u>) |
| Investment property and PPE acquisition | <u>7,578,086,399</u> | <u>6,403,291,716</u> | <u>1,228,412,180</u> | <u>2,340,741,404</u> | <u>17,550,531,699</u> |

| | 2020 | | | | |
|--|---------------------------|----------------------------|---------------------------|---------------------------|---------------------------|
| | Megaworld | Travellers | GADC | Emperador | Total |
| REVENUES | | | | | |
| Sales to external customers | P 40,359,723,561 | P 12,167,008,299 | P 19,872,519,690 | P 51,395,295,032 | P 123,794,546,582 |
| Intersegment sales | 379,396,452 | 302,114,071 | 60,894,560 | 20,935,609 | 763,340,692 |
| Finance and other income | <u>2,731,878,167</u> | <u>(176,954,741)</u> | <u>781,791,127</u> | <u>1,324,441,878</u> | <u>4,661,156,431</u> |
| Segment revenues | 43,470,998,180 | 12,292,167,629 | 20,715,205,377 | 52,740,672,519 | 129,219,043,705 |
| Cost of sales and expenses excluding depreciation and amortization | <u>(23,499,228,103)</u> | <u>(12,030,590,679)</u> | <u>(17,267,508,300)</u> | <u>(40,791,074,691)</u> | <u>(93,588,401,773)</u> |
| | 19,971,770,077 | 261,576,950 | 3,447,697,077 | 11,949,597,828 | 35,630,641,932 |
| Depreciation and amortization | <u>(3,104,661,233)</u> | <u>(3,415,318,051)</u> | <u>(2,871,924,719)</u> | <u>(1,567,325,817)</u> | <u>(10,959,229,820)</u> |
| Finance cost and other charges | <u>(2,902,210,084)</u> | <u>(2,122,927,402)</u> | <u>(1,203,893,047)</u> | <u>(513,380,443)</u> | <u>(6,742,410,976)</u> |
| Profit before tax | 13,964,898,760 | (5,276,668,503) | (628,120,689) | 9,868,891,568 | 17,929,001,136 |
| Tax expense | <u>(3,347,906,258)</u> | <u>(26,305,278)</u> | <u>145,292,878</u> | <u>(1,399,085,656)</u> | <u>(4,628,004,314)</u> |
| SEGMENT PROFIT (LOSS) | <u>P 10,616,992,502</u> | <u>(P 5,302,973,781)</u> | <u>(P 482,827,811)</u> | <u>P 8,469,805,912</u> | <u>P 13,300,996,822</u> |
| SEGMENT ASSETS AND LIABILITIES | | | | | |
| Segment assets | P 374,893,702,823 | P 116,426,830,157 | P 34,826,330,051 | P 117,650,258,379 | P 643,797,121,410 |
| Segment liabilities | 148,742,486,482 | 84,390,957,849 | 29,262,553,333 | 52,427,534,132 | 314,823,531,796 |
| OTHER SEGMENT INFORMATION | | | | | |
| Share in net profit (loss) of associates and joint ventures | <u>(69,879,672)</u> | <u>(42,607)</u> | - | 185,108,059 | 115,185,780 |
| Interest income | 1,815,477,035 | 78,077,879 | 51,261,830 | 181,474,347 | 2,126,291,091 |
| Interest expense | 1,612,876,982 | 2,118,900,450 | 1,028,710,347 | 527,374,333 | 5,287,862,112 |
| Impairment reversal (losses) - net | - | <u>(132,628,909)</u> | 90,993,216 | - | <u>(41,635,693)</u> |
| Investment property and PPE acquisition | 7,162,324,039 | 8,896,976,635 | 742,674,846 | 818,549,748 | 17,620,525,268 |

| | 2019 | | | | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|----------------------------|
| | Megaworld | Travellers | GADC | Emperador | Total |
| REVENUES | | | | | |
| Sales to external customers | P 63,342,918,434 | P 28,267,765,663 | P 32,008,231,692 | P 50,287,604,713 | P 173,906,520,502 |
| Intersegment sales | 492,157,146 | 624,157,769 | - | 39,622,750 | 1,155,937,665 |
| Finance and other income | <u>3,477,664,373</u> | <u>170,650,370</u> | <u>246,811,141</u> | <u>1,219,630,451</u> | <u>5,114,756,335</u> |
| Segment revenues | 67,312,739,953 | 29,062,573,802 | 32,255,042,833 | 51,546,857,914 | 180,177,214,502 |
| Cost of sales and expenses excluding depreciation and amortization | | | | | |
| | (<u>35,954,821,728</u>) | (<u>22,873,552,664</u>) | (<u>26,126,976,615</u>) | (<u>40,133,921,654</u>) | (<u>125,089,272,661</u>) |
| | 31,357,918,225 | 6,189,021,138 | 6,128,066,218 | 11,412,936,260 | 55,087,941,841 |
| Depreciation and amortization | (<u>2,718,633,788</u>) | (<u>3,170,381,239</u>) | (<u>2,400,921,516</u>) | (<u>1,545,659,310</u>) | (<u>9,835,595,853</u>) |
| Finance cost and other charges | (<u>3,232,333,913</u>) | (<u>1,763,599,201</u>) | (<u>818,097,750</u>) | (<u>752,870,374</u>) | (<u>6,566,901,238</u>) |
| 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 | (<u>6,081,657,290</u>) | (<u>90,504,543</u>) | (<u>910,956,200</u>) | (<u>1,647,434,352</u>) | (<u>8,730,552,385</u>) |
| SEGMENT PROFIT | <u>P 19,325,293,234</u> | <u>P 1,164,536,155</u> | <u>P 1,998,090,752</u> | <u>P 7,466,972,224</u> | <u>P 29,954,892,365</u> |
| SEGMENT ASSETS AND LIABILITIES | | | | | |
| Segment assets | P 347,968,101,289 | P 115,651,536,817 | P 31,959,120,433 | P 122,233,919,740 | P 617,812,678,279 |
| Segment liabilities | 132,846,602,884 | 76,439,478,594 | 25,704,962,190 | 57,392,889,576 | 292,383,933,244 |
| OTHER SEGMENT INFORMATION | | | | | |
| Share in net profit (loss) of associates and joint ventures | (58,832,233) | (15,811) | - | 239,168,070 | 180,320,026 |
| Interest income | 2,328,813,700 | 180,038,942 | 69,759,950 | 345,272,714 | 2,923,885,306 |
| Interest expense | 1,512,905,580 | 1,940,416,252 | 834,903,457 | 661,591,381 | 4,949,816,670 |
| Impairment losses | - | - | 88,377,482 | - | 88,377,482 |
| Investment property and PPE acquisition | 10,740,708,282 | 12,223,857,190 | 2,170,458,185 | 2,158,685,600 | 27,293,709,257 |

4.5 Reconciliations

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

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|---|--------------------------|--------------------------|--------------------------|
| Revenues | | | |
| Total segment revenues | P 150,668,018,187 | P 129,219,043,705 | P 180,177,214,502 |
| Unallocated corporate revenue | 2,536,105,772 | 334,098,842 | 967,734,232 |
| Elimination of intersegment revenues | (411,607,686) | (763,340,692) | (1,155,937,665) |
| Revenues as reported in consolidated comprehensive income | <u>P 152,792,516,273</u> | <u>P 128,789,801,855</u> | <u>P 179,989,011,069</u> |
| Profit or loss | | | |
| Segment operating profit | P 25,184,367,182 | P 13,300,996,822 | P 29,954,892,365 |
| Unallocated corporate loss | (983,774,659) | (2,278,045,377) | (1,698,884,594) |
| Elimination of intersegment revenues | (411,607,686) | (763,340,692) | (1,155,937,665) |
| Profit as reported in consolidated comprehensive income | <u>P 23,788,984,837</u> | <u>P 10,259,610,753</u> | <u>P 27,100,070,106</u> |
| Assets | | | |
| Segment assets | P 671,368,452,815 | P 643,797,121,410 | P 617,812,678,279 |
| Unallocated corporate assets | <u>32,591,492,659</u> | <u>24,695,663,757</u> | <u>26,663,650,188</u> |
| Total assets reported in the consolidated statements of financial position | <u>P 703,959,945,474</u> | <u>P 668,492,785,167</u> | <u>P 644,476,328,467</u> |
| Liabilities | | | |
| Segment liabilities | P 309,407,176,158 | P 314,823,531,796 | P 292,383,933,244 |
| Unallocated corporate liabilities | <u>59,330,130,526</u> | <u>57,849,793,170</u> | <u>54,975,599,719</u> |
| Total liabilities reported in the consolidated statements of financial position | <u>P 368,737,306,684</u> | <u>P 372,673,324,966</u> | <u>P 347,359,532,963</u> |

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

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are broken down as follows:

| | <u>2021</u> | <u>2020</u> |
|---------------------------|-------------------------|-------------------------|
| Cash on hand and in banks | P 34,946,747,460 | P 29,085,987,191 |
| Short-term placements | <u>47,331,375,390</u> | <u>40,611,701,241</u> |
| | <u>P 82,278,122,850</u> | <u>P 69,697,688,432</u> |

Cash in banks generally earn interest based on daily bank deposit rates [see Notes 27 and 32.1(b)].

Short-term placements are made for varying periods up to 90 days and earn effective interest per annum ranging from 0.03% to 4.5% in 2021, 0.3% to 4.9% in 2020, and 1.0% to 6.6% in 2019.

Interest income from Cash and Cash Equivalents is presented under Finance and Other Income account in the consolidated statements of comprehensive income (see Note 27).

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).

6. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of:

| | Notes | <u>2021</u> | <u>2020</u> |
|--|-------------------|--------------------------------|--------------------------------|
| Current: | | | |
| Trade receivables | 18(s, v), 24.2 | P 44,402,333,541 | P 42,770,552,610 |
| Advances to contractors and suppliers | | 18,475,110,817 | 16,808,912,784 |
| Due from related parties | 30.4, 30.5 | 4,485,757,784 | 4,063,987,929 |
| Advances to condominium associations | | 609,826,161 | 607,672,180 |
| Receivable from sale of land | 30.10 | 378,391,250 | 378,391,250 |
| Accrued interest receivable | | 116,987,049 | 127,923,540 |
| Finance lease receivable | | 49,650,856 | 52,663,520 |
| Loan receivable | | 26,086,957 | 26,086,957 |
| Note receivable | | 20,685,368 | 21,040,182 |
| Others | | 5,480,806,320 | <u>3,865,534,313</u> |
| | | 74,045,636,103 | 68,722,765,265 |
| Allowance for impairment | 32.2 | (1,386,328,339) | (1,405,788,934) |
| | | <u>72,659,307,764</u> | <u>67,316,976,331</u> |
| Non-current: | | | |
| Trade receivables | 24.2 | 7,879,307,774 | 7,779,783,780 |
| Advances to contractors and suppliers | | 4,466,629,924 | 6,739,828,296 |
| Finance lease receivable | | 523,254,133 | 540,640,642 |
| Receivable from employees | | 115,288,876 | 118,254,343 |
| Loans receivable | | 32,608,678 | 58,695,652 |
| Note receivable | | - | 52,080,930 |
| Others | | 1,044,211,411 | <u>899,241,299</u> |
| | | 14,061,300,796 | 16,188,524,942 |
| Allowance for impairment | 32.2 | (12,224,936) | (12,224,936) |
| | | <u>14,049,075,860</u> | <u>16,176,300,006</u> |
| | | <u>P 86,708,383,624</u> | <u>P 83,493,276,337</u> |

Trade receivables are noninterest-bearing. Most trade receivables, particularly those relating to real estate sales, are covered by post-dated checks. As at December 31, 2021 and 2020, the Group has outstanding receivables assigned to local banks amounting to P0.9 billion and P1.4 billion, respectively [see Note 18(s 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 P483.3 million, P269.8 million and P494.9 million in 2021, 2020 and 2019, 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 P641.6 million, P408.3 million, and P697.2 million in 2021, 2020 and 2019, 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 relates to purchases of inventories while the non-current advances relates to the construction of property, plant and equipment and investment properties.

Current note receivable pertains mainly to a three-year unsecured interest-bearing advances granted by Travellers in prior years to a certain third party and non-current pertains to a note receivable with conversion option granted by FCI to a certain third party.

Due from related parties pertain to noninterest-bearing, unsecured and immediately demandable advances, settlement of which is generally made in cash (see Note 30.4)

Receivable from employees pertain to advances made to employees which are generally settled in cash or through deductions from employees' salary or employees' liquidation of business-related expenses.

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.

Other current receivables include, among others, non-trade receivables from tenants and advances to raw landowners.

All of the Group's trade and other receivables have been assessed for impairment using the ECL model required under PFRS 9 [see Notes 32.2 and 2.4(c)]. Certain past due accounts from real estate sales are not provided with allowance for impairment to the extent of the expected market value of the property sold to the customer as the titles to the real estate properties remain with the Group until the receivables are fully collected; hence there is no loss given default in case of non-payment (see Note 32.2).

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

| | <u>Notes</u> | <u>2021</u> | <u>2020</u> |
|---|--------------|-------------------------------|-------------------------------|
| Balance at beginning of year | | P 1,418,013,870 | P 1,192,389,757 |
| Reversal of impairment previously recognized | 27, 30.5 | (95,700,853) | (7,575,360) |
| Impairment losses during the year | 26 | 70,025,018 | 234,331,971 |
| Translation adjustment | | 7,196,807 | (757,590) |
| Write-off of trade receivables previously provided with allowance | | (981,567) | (374,908) |
| Balance at end of year | | <u>P 1,398,553,275</u> | <u>P 1,418,013,870</u> |

Impairment losses are presented under Other Operating Expenses account (see Note 26), while the reversal of impairment, which pertains to recovery of receivables previously provided with allowance, is presented as Reversal of impairment losses on receivables under Finance and Other Income account in the consolidated statements of comprehensive income (see Note 27).

All trade receivables are subject to credit risk exposure (see Note 32.2). However, the Group does not identify specific concentrations of credit risk with regard to trade and other receivables as the amounts recognized consist of a large number of receivables from various customers.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account consists of local and foreign investments, held for trading, as follows:

| | <u>2021</u> | <u>2020</u> |
|-----------------------------|--------------------------------|-------------------------------|
| Marketable debt securities | P 9,130,210,667 | P 6,928,122,903 |
| Quoted equity securities | 4,379,228,173 | 2,807,647,073 |
| Derivative financial assets | <u>3,294,192</u> | <u>52,551,232</u> |
| | <u>P 13,512,733,032</u> | <u>P 9,788,321,208</u> |

Marketable debt securities, which bear interest ranging from 4.3% to 7.7%, 4.3% to 7.5% and 4.3% to 7.7% per annum as at December 31, 2021, 2020 and 2019, respectively, are measured at their fair values determined directly by reference to published prices quoted in an active market. The net changes in fair values of these financial assets are presented as part of Fair value gains under Finance and Other Income account or Fair value losses under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 27). Interest income is shown as part of Finance and Other Income account in the consolidated statements of comprehensive income (see Note 27).

Derivative financial assets arise from foreign exchange forward contracts 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). As of December 31, 2021 and 2020, the hedging instrument has a positive fair value of P3.3 million and P52.6 million, respectively.

8. INVENTORIES

The details of inventories are shown below [see Notes 2.6, 2.7, 3.1(g) and 3.2(c)].

| | Notes | <u>2021</u> | <u>2020</u> |
|--------------------------------------|--------|---------------------------------|-------------------------------|
| At cost: | | | |
| Real estate for sale | 18(s) | P 87,369,037,909 | P 82,297,303,262 |
| Property development costs | | 12,770,169,977 | 8,746,972,339 |
| Raw land inventory | | 12,718,498,816 | 12,151,377,975 |
| Golf and resort shares for sale | | <u>2,973,987,068</u> | <u>2,951,286,629</u> |
| | | <u>115,831,693,770</u> | <u>106,146,940,205</u> |
| At net realizable value: | | | |
| Finished goods | 18(oo) | 6,070,587,781 | 5,754,997,339 |
| Work-in-process goods | | 24,225,660,909 | 21,071,773,814 |
| Raw materials | | 3,016,276,952 | 3,956,319,534 |
| Food, supplies and other consumables | | <u>4,228,753,586</u> | <u>3,460,631,092</u> |
| | | <u>37,541,279,228</u> | <u>34,243,721,779</u> |
| Allowance for inventory write-down | 2.6 | (<u>525,557,828</u>) | (<u>364,805,879</u>) |
| | | <u>37,015,721,400</u> | <u>33,878,915,900</u> |
| | | <u>P 152,847,415,170</u> | <u>P 140,025,856,105</u> |

Real estate for sale pertains to the accumulated costs incurred in developing residential houses, lots and condominium units for sale which refer to the Group's horizontal and condominium projects and certain integrated tourism projects. Total cost includes capitalized borrowing costs amounting to P655.0 million and P793.7 million in 2021 and 2020, respectively (see Note 18). The amount capitalized was determined using a capitalization rate of 3.01%, 4.25% and 4.48% in 2021, 2020, and 2019, respectively.

Certain real estate for sale are subject to negative pledge on certain loans obtained by the Group [see Note 18(s and oo)].

Property development costs pertain to accumulated costs incurred for properties undergoing development. The relative cost of a unit sold under development is charged to cost of sales in the same manner as revenue is recognized. The relative costs of units completed prior to sale are reclassified to Real estate for sale.

Raw land inventory pertains to properties which the Group intends to develop into residential properties to be held for sale.

Golf and resort shares for sale comprise of proprietary or membership shares (landowner resort shares and founders shares) that are of various types and costs. The cost of the landowner resort shares is based on the acquisition and development costs of the land and the project. The cost of the founders shares is based on the par value of the resort shares which is P100.0 per share.

Work-in-process goods pertain 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 P19,658.3 million and P17,038.7 million as of December 31, 2021 and 2020, respectively, which included capitalized depreciation costs (see Note 13).

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

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

| | <u>Notes</u> | <u>2021</u> | <u>2020</u> |
|-----------------------------------|--------------|-----------------------------|-----------------------------|
| Balance at beginning of year | | P 364,805,879 | P 277,037,817 |
| Additional losses during the year | 25, 26 | 160,751,949 | 109,688,887 |
| Reversals of write-down | 27 | <u>-</u> | <u>(21,920,825)</u> |
| Balance at end of year | | <u>P 525,557,828</u> | <u>P 364,805,879</u> |

The additional losses were recognized to reduce the carrying values of inventories in 2021 and 2020. These are shown as part of Other direct and overhead costs under Cost of Goods Sold account (see Note 25) while the losses pertaining to promotional supplies are shown as Write-down of inventories under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 26). The reversals of write-down are shown as part of Miscellaneous under Finance and Other Income account in the consolidated statements of comprehensive income (see Note 27).

9. OTHER ASSETS

The composition of this account is shown below.

| | <u>Notes</u> | <u>2021</u> | <u>2020</u> |
|----------------------------------|--------------|--------------------------------|--------------------------------|
| Current: | | | |
| Input VAT | | P 6,404,826,959 | P 6,644,898,072 |
| Prepayments | | 3,463,843,555 | 2,640,680,112 |
| Restricted short-term placements | 5, 31.2(a) | 2,961,842,891 | 2,954,766,368 |
| Creditable withholding taxes | | 2,752,214,334 | 1,413,355,529 |
| Deferred commission | 24.3 | 1,552,396,393 | 1,805,210,470 |
| Refundable deposits | | 184,826,265 | 80,219,250 |
| Office supplies | | 171,417,014 | 202,287,593 |
| Time deposits | 5 | 124,806,266 | 122,840,813 |
| Others | | <u>533,191,931</u> | <u>438,604,966</u> |
| <i>Balance carried forward</i> | | <u>P 18,149,365,608</u> | <u>P 16,302,863,173</u> |

| | <u>Notes</u> | <u>2021</u> | <u>2020</u> |
|--|--------------|--------------------------------|-------------------------|
| <i>Balance brought forward</i> | | <u>P 18,149,365,608</u> | <u>P 16,302,863,173</u> |
| Non-current: | | | |
| Advances for future investment | 31.2(a) | 2,126,513,059 | 1,538,277,765 |
| Deferred commission | 24.3 | 2,022,525,348 | 1,554,862,853 |
| Refundable deposits | | 1,740,902,199 | 2,004,150,671 |
| Property mortgage receivable | | 646,636,072 | 613,935,936 |
| Deferred input VAT | | 69,900,392 | 102,716,712 |
| Advance payments for assets acquisition | | 66,462,757 | 246,254,633 |
| Claims for tax refund | | 49,954,694 | 49,954,694 |
| Deposit for cancellation of perpetual securities | | - | 1,200,900,000 |
| Others | | <u>585,996,081</u> | <u>558,316,098</u> |
| | | <u>7,308,890,602</u> | <u>7,869,369,362</u> |
| | | <u>P 25,458,256,210</u> | <u>P 24,172,232,535</u> |

Restricted short-term placements [see Note 31.2(a)] are made for varying periods ranging from 30 to 90 days in 2021 and 2020, and earn effective interest of 0.3% to 0.4% per annum both in 2021 and 2020, and 5.6% to 6.2% per annum in 2019 (see Note 27).

Time deposits pertain to placements with maturity of 360 days, which earn an effective interest of 0.9% in 2021, 1.9% in 2020, and 2.6% in 2019.

Interest income from Restricted short-term placements and Time deposits are presented as part of Interest income under Finance and Other Income in the consolidated statements of comprehensive income.

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 2021 and 2020, the Group made additional payments to PAGCOR amounting to P588.2 million in each year to fulfill the future investment. [See Note 31.2(a)]. In 2020, the Group received parcels of land with a fair value of P1,782.9 million. As consideration for the transfers, the advances for future investment were reduced by the value of the land received.

On December 23, 2020, Megaworld advanced an amount of P1,200.9 million for on-market purchase of its own perpetual capital securities (see Note 22.8). As the securities are under the trusteeship of a third party, the amount was presented as Deposit for cancellation of perpetual securities as of December 31, 2020. The advances were utilized in full in 2021 (see Note 22.8).

The advance payment for assets acquisition represents the deposits made for future purchase of machinery and equipment. Amounts reclassified to property and equipment amounted to P113.2 million and P36.5 million in 2021 and 2020, respectively.

Current others include payroll funds and food and beverage supplies while non-current others include various security and other deposits.

10. ADVANCES TO/FROM LANDOWNERS AND JOINT OPERATORS

10.1 Advances to Landowners and Joint Operators

The Group enters into numerous joint arrangements for the joint development of various real estate projects. The joint operation agreements stipulate that the Group's joint operator shall contribute parcels of land while the Group shall be responsible for the planning, conceptualization, design, demolition of existing improvements, construction, financing and marketing of residential and condominium units to be constructed on the properties. In addition, there were no separate entities created by these joint arrangements. Costs incurred by the Group on these projects are recorded under the Inventories account in the consolidated statements of financial position (see Notes 2.7 and 8).

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

The total amount of advances made by the Group less amounts liquidated is presented as Advances to Landowners and Joint Operators account in the consolidated statements of financial position.

As at December 31, 2021 and 2020, management has assessed that the advances to joint ventures are fully recoverable. Further, there has been no outstanding commitment for cash advances under the joint agreements.

The net commitment for construction expenditures amounts to:

| | <u>2021</u> | <u>2020</u> |
|--|--------------------------------|------------------------|
| Total commitment for construction expenditures | P 43,260,563,281 | P 34,237,388,185 |
| Total expenditures incurred | (28,723,107,507) | (24,563,557,032) |
| Net commitment | <u>P 14,537,455,774</u> | <u>P 9,673,831,153</u> |

The Group's interests in joint operations and projects, ranging from 57% to 90% in 2021 and 2020, are as follows:

Megaworld:

- McKinley Hill
- McKinley West
- Newport City
- Manhattan Garden City
- Noble Place
- Uptown Bonifacio
- Northhill Gateway
- The Maple Grove
- Vion Tower

GERI:

- Alabang West
- Caliraya Spring
- Forest Hills
- Kingsborough
- Monte Cielo de Peñafrancia
- Mountain Meadows
- Pahara at Southwoods
- Sta. Barbara Heights
Phase 2 & 3
- Holland Park
- Sta. Barbara Heights Shophouse
District

SPI:

- Capitol Plaza
- Governor's Hills
- Mandara
- Sta. Rosa Heights
- Sta. Rosa Hills
- Sentosa
- Asmara
- 88 Gibraltar
- One Lakeshore
- Two Lakeshore
- Riva Bella
- Solana
- Gentry Heights
- Fountain Grove
- Palm City
- The Mist Residence

EELHI:

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

The aggregate amounts of the current assets, long-term assets, current liabilities and long-term liabilities as at December 31, 2021 and 2020, and income and expenses for each of the three years in the period ended December 31, 2021 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, 2021 and 2020, 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 and Joint Operators account in the consolidated statements of financial position.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As of December 31, 2021 and 2020, financial assets at FVOCI [see Note 2.4(a)(ii)], which pertain to equity securities, are comprised of the following:

| | <u>Note</u> | <u>2021</u> | <u>2020</u> |
|----------|-------------|-----------------------------|-----------------------------|
| Quoted | | P 54,700,815 | P 58,847,908 |
| Unquoted | | <u>366,169,674</u> | <u>338,066,525</u> |
| | 34.2 | <u>P 420,870,489</u> | <u>P 396,914,433</u> |

The reconciliation of the carrying amounts of these financial assets are as follows:

| | <u>Notes</u> | <u>2021</u> | <u>2020</u> |
|------------------------------|--------------|-----------------------------|-----------------------------|
| Balance at beginning of year | | P 396,914,433 | P 416,657,341 |
| Fair value gain (loss) | | 23,956,056 | (17,674,933) |
| Translation adjustment | | - | (107,975) |
| Disposals | 30 | <u>-</u> | <u>(1,960,000)</u> |
| Balance at end of year | | <u>P 420,870,489</u> | <u>P 396,914,433</u> |

Quoted equity securities consist of listed local shares of stock and various proprietary club shares which are denominated in Philippine pesos. Golf club shares are proprietary membership shares of Travellers from certain golf clubs. Unquoted equity securities pertain to investments in shares of stock of local, privately-held companies.

The fair values of the quoted financial assets have been determined by reference to published prices in an active market. The fair value of unquoted equity securities were determined through valuation techniques (see Note 34.2). The changes in the fair value amounted to loss of P24.0 million and P17.7 million in 2021 and 2020, respectively, and gain of P65.5 million in 2019 and are presented as Net Unrealized Fair Value Gain (Loss) on Financial Assets at FVOCI in the consolidated statements of comprehensive income.

In 2019, the Group sold a total of P100.3 million of its investment in equity securities at P1.00 per share. As a result, realized fair value changes amounting to P67.8 million were directly reclassified from Net Fair Value Gains on Financial Assets at FVOCI to Retained Earnings account. In 2020, investment in equity securities with a total cost of P2.0 million were sold at cost to The Andresons Group, Inc. ("TAGI"), a stockholder of the Group (see Note 30).

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

12.1 Breakdown of Carrying Values

The details of investments in associates and interest in joint ventures, which are carried at equity method, are presented below and in the succeeding pages.

| | <u>Notes</u> | <u>2021</u> | <u>2020</u> |
|---|--------------|-------------------------------|------------------------|
| Investments of Megaworld in Associates: | | | |
| Acquisition costs: | | | |
| SHDI | 12.2 | P 2,619,800,008 | P 2,619,800,008 |
| NPI | | 734,396,528 | 734,396,528 |
| BWDC | | 199,212,026 | 199,212,026 |
| PTHDC | | <u>64,665,000</u> | <u>64,665,000</u> |
| | | <u>3,618,073,562</u> | <u>3,618,073,562</u> |
| Accumulated share in net losses: | | | |
| Balance at beginning of year | | (386,883,555) | (317,003,883) |
| Share in net losses for the year | | (<u>176,548,383</u>) | (<u>69,879,672</u>) |
| Balance at end of year | | (<u>563,431,938</u>) | (<u>386,883,555</u>) |
| Accumulated equity in other comprehensive income: | | | |
| Balance at beginning of year | | 48,194,714 | 46,720,176 |
| Share in other comprehensive income of associate | | <u>20,926,197</u> | <u>1,474,538</u> |
| Balance at end of year | | <u>69,120,911</u> | <u>48,194,714</u> |
| Accumulated impact of changes in ownership interest | | | |
| | | <u>163,711,981</u> | <u>163,711,981</u> |
| | | <u>3,287,474,516</u> | <u>3,443,096,702</u> |
| Investment of EMP in BLC, | | | |
| a joint venture – acquisition cost | 12.3 | <u>2,845,367,065</u> | <u>2,845,367,065</u> |
| Accumulated share in net profits: | | | |
| Balance at beginning of year | | 448,495,366 | 178,200,678 |
| Share in net profits for the year | | <u>161,824,100</u> | <u>185,108,059</u> |
| Balance at end of year | | <u>610,319,466</u> | <u>363,308,737</u> |
| Translation gain | | | |
| | | <u>26,958,086</u> | <u>85,186,629</u> |
| | | <u>3,482,644,617</u> | <u>3,293,862,431</u> |
| <i>Balance carried forward</i> | | <u>P 6,770,119,133</u> | <u>P 6,736,959,133</u> |

| | <u>2021</u> | <u>2020</u> |
|---|-------------------------------|-------------------------------|
| <i>Balance brought forward</i> | <u>P 6,770,119,133</u> | <u>P 6,736,959,133</u> |
| Investment of Travellers in FRTMI, a joint venture – acquisition cost | <u>10,000,000</u> | <u>10,000,000</u> |
| Accumulated share in net losses: | | |
| Balance at beginning of year | (868,838) | (826,231) |
| Share in net losses for the year | (<u>19,847</u>) | (<u>42,607</u>) |
| Balance at end of year | (<u>888,685</u>) | (<u>868,838</u>) |
| | <u>9,111,315</u> | <u>9,131,162</u> |
| Investment of FCI in FPARI, an associate – acquisition cost | <u>14,700,000</u> | <u>14,700,000</u> |
| | <u>P 6,793,930,448</u> | <u>P 6,760,790,295</u> |

The total share in net losses for the year ended December 31, 2021 amounts to P14.7 million and is shown as Share in Net Losses of Associates and Joint Ventures – Net account in the 2021 consolidated statement of comprehensive income. The total share in net profits amounts to P115.2 million and P180.3 million for the years ended December 31, 2020 and 2019, 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 2021, 2020 and 2019 is not necessary, except for those investments in joint ventures discussed in Note 12.5.

12.2 SHDI

The shares of stock of SHDI are listed in the PSE. In October 2019, Megaworld acquired additional 115.0 million shares of SHDI at market price during that time, totaling P100.1 million. Subsequently, Megaworld disposed of certain number of shares. In December 2019, Megaworld subscribed to additional 2,177.0 million shares from SHDI at P1.00 par value. Megaworld paid P1.25 billion out of the P2.20 billion additional subscribed capital. However, another investor subscribed to more new shares and, as a result, Megaworld's effective ownership was diluted to 34% and dilution gain amounting to P152.3 million was recognized as part of Gain on sale and dilution of investment in associates under Finance and Other Income in the 2019 consolidated statement of comprehensive income (see Note 27). The unpaid portion of subscription is presented as Subscription payable under Other Current Liabilities account in the consolidated statements of financial position (see Note 21).

12.3 BLC

BLC is a foreign joint venture under GES and operating under the laws of Spain. The Group has no other commitments made with regard to this joint venture that are not recognized at the reporting date.

12.4 Boracay Newcoast Hotel Group, Inc. (“BNHGI”)

In 2019, FEPI sold 15% ownership interest over BNHGI for P297.5 million. Gain on sale of investment in BNHGI amounting to P188.5 million was recognized in 2019 and is presented as part of Gain on sale and dilution of investment in associates under Finance and Other Income in the 2019 consolidated statement of comprehensive income (see Note 27). The Group has no more ownership interest in BNHGI after the disposal in 2019.

12.5 Summarized Financial Information

The aggregated amounts of assets, liabilities, revenues and net profit (loss) of the associates are as follows as at and for the years ended December 31, 2021 and 2020 (in thousands):

| | <u>Current Assets</u> | <u>Non-current Assets</u> | <u>Current Liabilities</u> | <u>Non-current Liabilities</u> | <u>Revenues</u> | <u>Net Profit (Loss)</u> | <u>Other Comprehensive Income (Loss)</u> |
|--------------|---------------------------|----------------------------|----------------------------|--------------------------------|-------------------------|---------------------------|--|
| 2021: | | | | | | | |
| SHDI | P 6,828,836 | P 23,851,492 | P 7,459,885 | P 15,336,700 | P 359 | (P 504,878) | P 61,548 |
| NPI | 255,482 | 5,411,009 | 1,317,012 | - | - | - | - |
| BWDC | 941,814 | 1,664,190 | 882,306 | 31,660 | 75,876 | (10,381) | - |
| PTHDC | <u>1,134,959</u> | <u>146</u> | <u>1,010,048</u> | <u>-</u> | <u>1</u> | <u>(258)</u> | <u>-</u> |
| | <u>P 9,161,091</u> | <u>P 30,926,837</u> | <u>P 10,669,251</u> | <u>P 15,368,360</u> | <u>P 76,236</u> | <u>(P 515,517)</u> | <u>P 61,548</u> |
| 2020: | | | | | | | |
| SHDI | P 5,934,436 | P 16,559,530 | P 350,879 | P 13,816,021 | P 15,197 | (P 211,545) | P 4,337 |
| NPI | 260,528 | 5,411,009 | 1,317,006 | - | - | - | - |
| BWDC | 739,779 | 1,878,640 | 873,746 | 41,797 | 66,587 | 5,048 | - |
| PTHDC | <u>1,134,948</u> | <u>277</u> | <u>1,009,910</u> | <u>-</u> | <u>5</u> | <u>(705)</u> | <u>-</u> |
| | <u>P 8,069,691</u> | <u>P 23,849,456</u> | <u>P 3,551,541</u> | <u>P 13,857,818</u> | <u>P 81,789</u> | <u>(P 207,202)</u> | <u>P 4,337</u> |
| 2019: | | | | | | | |
| SHDI | P 1,307,765 | P 141,145 | P 57,503 | P - | P 582,956 | (P 314,779) | (P 9,232) |
| NPI | 260,528 | 5,411,009 | 1,317,006 | - | 9 | (726) | - |
| BWDC | 728,777 | 1,859,781 | 843,760 | 69,418 | 165,496 | 104,863 | - |
| PTHDC | <u>1,134,934</u> | <u>828</u> | <u>1,009,742</u> | <u>-</u> | <u>13</u> | <u>(462)</u> | <u>-</u> |
| | <u>P 3,432,004</u> | <u>P 7,412,763</u> | <u>P 3,228,011</u> | <u>P 69,418</u> | <u>P 748,474</u> | <u>(P 211,104)</u> | <u>(P 9,232)</u> |

A reconciliation of the above summarized financial information to the carrying amount of the investment in associates are shown below and in the succeeding page:

| | <u>SHDI</u> | <u>NPI</u> | <u>BWDC</u> | <u>PTHDC</u> |
|--|------------------------------|-----------------------------|-----------------------------|----------------------------|
| December 31, 2021 | | | | |
| Net assets | P7,883,742,164 | P4,349,479,217 | P1,692,037,903 | P 125,056,995 |
| Subscription receivable | 1,387,499,990 | - | - | - |
| Convertible bonds | (4,592,867,070) | - | - | - |
| | 4,678,375,084 | 4,349,479,217 | 1,692,037,903 | 125,056,995 |
| Proportion of ownership interest by the Group | <u>34%</u> | <u>14%</u> | <u>46%</u> | <u>40%</u> |
| Ownership share of the Group in the net assets | 1,590,647,529 | 608,927,090 | 778,337,435 | 50,022,798 |
| Nominal goodwill | - | 122,513,422 | - | - |
| Valuation adjustments | <u>177,268,629</u> | <u>(3,070,632)</u> | <u>(54,402,987)</u> | <u>17,231,232</u> |
| Carrying amount of investment | <u>P1,767,916,158</u> | <u>P 728,369,880</u> | <u>P 723,934,448</u> | <u>P 67,254,030</u> |

| | <u>SHDI</u> | <u>NPI</u> | <u>BWDC</u> | <u>PTHDC</u> |
|--|-----------------------|----------------------|----------------------|---------------------|
| December 31, 2020 | | | | |
| Net assets | P8,327,065,945 | P4,354,530,488 | P1,702,875,266 | P 125,315,140 |
| Subscription receivable | 1,387,499,990 | - | - | - |
| Convertible Bonds | (4,592,867,070) | - | - | - |
| | <u>5,121,698,865</u> | <u>4,354,530,488</u> | <u>1,702,875,266</u> | <u>125,315,140</u> |
| Proportion of ownership interest by the Group | <u>34%</u> | <u>14%</u> | <u>46%</u> | <u>40%</u> |
| Ownership share of the Group in the net assets | 1,741,377,614 | 609,634,268 | 783,322,622 | 50,126,056 |
| Nominal goodwill | - | 122,513,422 | - | - |
| Valuation adjustments | <u>177,270,895</u> | <u>(3,777,810)</u> | <u>(54,601,597)</u> | <u>17,231,232</u> |
| Carrying amount of investment | <u>P1,918,648,509</u> | <u>P 728,369,880</u> | <u>P 728,721,025</u> | <u>P 67,357,288</u> |

The summarized financial information of BLC, a joint venture, as of December 31, 2021 and 2020 and for the years then ended are presented below (in thousands).

| | <u>2021</u> | <u>2020</u> |
|---|---------------------------|--------------------|
| Cash and cash equivalents | P 461,439 | P 46,095 |
| Trade and other receivables | <u>1,287,888</u> | <u>985,946</u> |
| Financial assets | <u>P 1,749,327</u> | <u>P 1,032,041</u> |
| Current assets | P 2,378,824 | P 1,674,212 |
| Non-current assets | <u>1,997,584</u> | <u>2,364,174</u> |
| Total assets | <u>P 4,376,408</u> | <u>P 4,038,386</u> |
| Current liabilities | P 743,236 | P 430,529 |
| Non-current liabilities | <u>3,072</u> | <u>2,345</u> |
| Total liabilities | <u>P 746,308</u> | <u>P 432,874</u> |
| Current financial liabilities (excluding trade and other payables and provisions) | P 427,987 | P 195,399 |
| Non-current financial liabilities | <u>3,072</u> | <u>2,345</u> |
| Total financial liabilities | <u>P 431,059</u> | <u>P 197,744</u> |
| Revenues | <u>P 2,772,067</u> | <u>P 5,798,133</u> |
| Depreciation and amortization | <u>P 78,583</u> | <u>P 78,671</u> |
| Net profit for the year | <u>P 323,648</u> | <u>P 370,216</u> |

A reconciliation of the above summarized financial information to the carrying amount of the investment in BLC is shown below (in thousands):

| | <u>2021</u> | <u>2020</u> |
|---|---------------------------|---------------------------|
| Net assets of BLC | P 3,630,100 | P 3,605,512 |
| Proportion of ownership interest by the Group | <u>50%</u> | <u>50%</u> |
| Ownership share of the Group in net assets of BLC | 1,815,050 | 1,802,756 |
| Fair value and translation adjustments | <u>1,667,595</u> | <u>1,491,106</u> |
| Carrying amount of investment | <u>P 3,482,645</u> | <u>P 3,293,862</u> |

13. PROPERTY, PLANT AND EQUIPMENT

The carrying amount of this account is composed of the following:

| | <u>Notes</u> | <u>2021</u> | <u>2020</u> |
|-------------------------------|--------------|---------------------------------|---------------------------------|
| Property, plant and equipment | 13.1 | P 128,705,231,303 | P 126,599,135,738 |
| Right-of-use assets | 13.2 | <u>13,198,798,235</u> | <u>13,557,391,905</u> |
| | | <u>P 141,904,029,538</u> | <u>P 140,156,527,643</u> |

13.1 Carrying Values of Property, Plant and Equipment

The gross carrying amounts and accumulated depreciation, amortization and impairment of property, plant and equipment at the beginning and end of the reporting periods are shown below [see Notes 2.9, 3.1(g) and 3.2(h)(i)].

| | <u>Land and Land Improvements</u> | <u>Buildings and Leasehold Improvements</u> | <u>Machinery and Equipment</u> | <u>Transportation Equipment</u> | <u>Condominium Units, Fixtures and Other Equipment</u> | <u>Construction in Progress</u> | <u>Total</u> |
|--|---|---|--|-------------------------------------|--|---|---------------------------------|
| December 31, 2021 | | | | | | | |
| Cost | P 14,169,237,074 | P 76,212,514,732 | P 33,678,749,064 | P 1,567,427,889 | P 18,563,315,791 | P 38,212,194,459 | P 182,403,439,009 |
| Accumulated depreciation, amortization and impairment | (386,246,896) | (21,843,620,413) | (19,843,299,123) | (1,281,890,731) | (10,342,995,023) | (155,520) | (53,698,207,706) |
| Net carrying amount | <u>P 13,782,990,178</u> | <u>P 54,368,894,319</u> | <u>P 13,835,449,941</u> | <u>P 285,537,158</u> | <u>P 8,220,320,768</u> | <u>P 38,212,038,939</u> | <u>P 128,705,231,303</u> |
| December 31, 2020 | | | | | | | |
| Cost | P 13,412,006,314 | P 71,255,207,852 | P 32,122,388,427 | P 1,621,260,671 | P 17,601,149,500 | P 35,699,233,434 | P 171,711,246,198 |
| Accumulated depreciation, amortization and impairment | (334,917,463) | (17,370,224,979) | (17,354,334,868) | (1,200,734,773) | (8,851,898,377) | - | (45,112,110,460) |
| Net carrying amount | <u>P 13,077,088,851</u> | <u>P 53,884,982,873</u> | <u>P 14,768,053,559</u> | <u>P 420,525,898</u> | <u>P 8,749,251,123</u> | <u>P 35,699,233,434</u> | <u>P 126,599,135,738</u> |
| January 1, 2020 | | | | | | | |
| Cost | P 14,153,085,791 | P 69,489,075,792 | P 31,763,065,154 | P 1,616,805,812 | P 16,549,026,376 | P 29,335,143,553 | P 162,906,202,478 |
| Accumulated depreciation, amortization and impairment | (288,957,872) | (14,932,440,177) | (15,497,884,848) | (1,017,447,714) | (7,497,158,886) | - | (39,223,889,497) |
| Net carrying amount | <u>P 13,864,127,919</u> | <u>P 54,556,635,615</u> | <u>P 16,265,180,306</u> | <u>P 599,358,098</u> | <u>P 9,051,867,490</u> | <u>P 29,335,143,553</u> | <u>P 123,672,312,981</u> |

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

| | <u>Land and Land Improvements</u> | <u>Buildings and Leasehold Improvements</u> | <u>Machinery and Equipment</u> | <u>Transportation Equipment</u> | <u>Condominium Units, Fixtures and Other Equipment</u> | <u>Construction in Progress</u> | <u>Total</u> |
|--|---|---|--|-------------------------------------|--|---|---------------------------------|
| Balance at January 1, 2021, net of accumulated depreciation amortization and impairment | P 13,077,088,851 | P 53,884,982,873 | P 14,768,053,559 | P 420,525,898 | P 8,749,251,123 | P 35,699,233,434 | P 126,599,135,738 |
| Transfer from investment property | 400,470 | - | - | - | - | - | 400,470 |
| Additions | 756,830,290 | 4,104,776,929 | 1,327,130,000 | 48,154,435 | 1,014,083,242 | 3,905,283,010 | 11,156,257,906 |
| Disposals – net | - | (80,741,241) | (50,437,605) | (26,338,983) | (6,748,408) | (17,113,548) | (181,379,785) |
| Reclassifications – net | - | 1,363,953,037 | 11,021,850 | - | 233,550 | (1,375,208,437) | - |
| Derecognition | - | - | - | - | (47,388,166) | - | (47,388,166) |
| Impairment reversal (loss) | - | (1,887,010,523) | 418,080 | - | - | - | (1,886,592,443) |
| Depreciation and amortization charges for the year | (<u>51,329,433</u>) | (<u>3,017,066,756</u>) | (<u>2,220,735,943</u>) | (<u>156,804,192</u>) | (<u>1,489,110,573</u>) | (<u>155,520</u>) | (<u>6,935,202,417</u>) |
| Balance at December 31, 2021, net of accumulated depreciation, amortization and impairment | <u>P 13,782,990,178</u> | <u>P 54,368,894,319</u> | <u>P 13,835,449,941</u> | <u>P 285,537,158</u> | <u>P 8,220,320,768</u> | <u>P 38,212,038,939</u> | <u>P 128,705,231,303</u> |

| | <u>Land and Land Improvements</u> | <u>Buildings and Leasehold Improvements</u> | <u>Machinery and Equipment</u> | <u>Transportation Equipment</u> | <u>Condominium Units, Fixtures and Other Equipment</u> | <u>Construction in Progress</u> | <u>Total</u> |
|--|---|---|--|-------------------------------------|--|---|--------------------------|
| Balance at January 1, 2020, net of accumulated depreciation, amortization and impairment | P 13,864,127,919 | P 54,556,635,615 | P 16,265,180,306 | P 599,358,098 | P 9,051,867,490 | P 29,335,143,553 | P 123,672,312,981 |
| Transfer from investment property | - | - | - | - | 169,332,500 | - | 169,332,500 |
| Additions | 107,808,533 | 745,080,350 | 958,244,449 | 48,079,766 | 948,094,877 | 8,075,319,836 | 10,882,627,811 |
| Disposals – net | - | (94,951,243) | (129,061,453) | (23,377,041) | (16,946,473) | (33,083,287) | (297,419,497) |
| Transfer to non-current asset as held for sale (see Note 16) | (848,888,010) | (112,852,585) | - | - | - | - | (961,740,595) |
| Reclassifications – net | - | 1,575,261,731 | 64,202,409 | - | (7,031,438) | (1,678,146,668) | (45,713,966) |
| Impairment reversal (loss) | - | 163,413,461 | (78,925,153) | - | - | - | 84,488,308 |
| Depreciation and amortization charges for the year | (<u>45,959,591</u>) | (<u>2,947,604,456</u>) | (<u>2,311,586,999</u>) | (<u>203,534,925</u>) | (<u>1,396,065,833</u>) | - | (<u>6,904,751,804</u>) |
| Balance at December 31, 2020, net of accumulated depreciation, amortization and impairment | <u>P 13,077,088,851</u> | <u>P 53,884,982,873</u> | <u>P 14,768,053,559</u> | <u>P 420,525,898</u> | <u>P 8,749,251,123</u> | <u>P 35,699,233,434</u> | <u>P 126,599,135,738</u> |
| Balance at January 1, 2019, net of accumulated depreciation, amortization and impairment, | P 14,362,349,192 | P 47,776,672,210 | P 15,007,723,509 | P 682,833,746 | P 8,097,143,170 | P 31,509,507,398 | P 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 | (<u>45,185,921</u>) | (<u>2,552,926,656</u>) | (<u>2,422,697,747</u>) | (<u>213,355,661</u>) | (<u>1,202,983,405</u>) | - | (<u>6,437,149,390</u>) |
| Balance at December 31, 2019, net of accumulated depreciation, amortization and impairment | <u>P 13,864,127,919</u> | <u>P 54,556,635,615</u> | <u>P 16,265,180,306</u> | <u>P 599,358,098</u> | <u>P 9,051,867,490</u> | <u>P 29,335,143,553</u> | <u>P 123,672,312,981</u> |

Construction in progress includes accumulated costs incurred on the casino and hotel sites being constructed as part of Travellers' investment commitment in accordance with its Provisional License Agreement with PAGCOR [see Note 31.2(a)]. Construction in progress also includes the accumulated costs incurred in the construction of new McDonald's stores and construction of distillery plant in Batangas. The corresponding costs of completed projects were transferred to specific property, plant and equipment accounts.

In 2020 and 2019, the following Property, Plant and Equipment amounting to P1.0 billion and P4.0 billion, respectively, were reclassified to Non-current Assets Held for Sale account in the consolidated statements of financial position, to reflect the intention of the management to recover these assets through sale rather than continuing use (see Notes 16 and 31.9):

- On October 28, 2019, a co-development agreement was entered into by WCRWI and Travellers with SHDI, wherein WCRWI and Travellers are to lease the portion of Site A to SHDI for the development and management of the hotel casino. Accordingly, construction activities at Site A was suspended on October 31, 2019, following such agreement. As part of the agreement, the construction costs already incurred by the Group on Site A are to be reimbursed by SHDI.
- In 2020, the Group has discontinued the use of certain land and buildings previously occupied by a business unit. On December 27, 2020, management approved their sale through the signed letter of intent with Global One Real Estate Spain, SAU ("Global One"). The letter of intent stated that the Group will sell and Global One will purchase the assets at a purchase price equivalent to the net book value of the property, at any time until three years after the COVID-19 pandemic has ended.

Total property, plant and equipment includes capitalized borrowing costs amounting to P2,500.3 million and P2,864.5 million in 2021 and 2020, respectively, representing the actual borrowing costs, net of related investment income, incurred on specific and general borrowings obtained to fund the construction project (see Note 18). The capitalization rate used was based on effective interest rates of applicable specific and general borrowings ranging from 3.8% to 9.2% and 4.5% to 8.8% in 2021 and 2020, respectively.

In 2021 and 2020, as a result of increase in earning potential of its stores, including store equipment, GADC's annual impairment testing resulted in recognition of gain on reversal of impairment losses on these assets amounting to P84.1 million and P296.0 million, respectively, and are presented as part of Reversal of impairment losses on PPE under Finance and Other Income account in the 2021 and 2020 consolidated statements of comprehensive income (see Note 27). The recoverable amount was determined using value in use calculations which considers weighted average cost of capital of 3.7% and 5.9% in 2021 and 2020, respectively. Further, in 2020, certain equipment were determined by GADC to have no future use; hence an impairment loss of P78.9 million was recognized and presented as part of Impairment of PPE under Other Operating Expenses in the 2020 consolidated statement of comprehensive income (see Note 26).

In 2021, Travellers recognized impairment losses of P1,970.7 million on certain hotels due to reduction in operating capacity. The impairment loss is presented as Impairment on PPE under Other Operating Expenses in the 2021 consolidated statement of comprehensive income (see Note 26). The recoverable amount was determined using value in use calculations which considers weighted average cost of capital of 4.3%.

In 2021, 2020 and 2019, the Group recognized net losses on disposal of various property, plant and equipment amounting to P91.4 million, P174.8 million and P11.6 million, respectively, which are presented as Loss on disposal of PPE – net under Finance Costs and Other Charges account in the 2021, 2020 and 2019 consolidated statements of comprehensive income (see Note 27).

The amount of depreciation and amortization charges is presented as part of Depreciation and amortization which is presented under Cost of Goods Sold, Cost of Services and Other Operating Expenses accounts (see Notes 25 and 26). In 2021, 2020 and 2019, depreciation expense amounting to P373.1 million, P329.3 million and P320.4 million, respectively, was capitalized to form part of the work-in-process inventory. Such capitalized amount represents depreciation expense on barrels and warehouse buildings wherein the maturing bulk stocks of whisky are held (see Note 8).

As of December 31, 2020, certain land and building with a carrying value of P112.2 million are held as collateral by a local bank for a loan obtained by GADC in 2011. The loans are already fully paid by GADC as of December 31, 2021 [see Note 18(ww)].

13.2 Right-of-Use Assets

The Group has leases for certain land, commercial space, buildings and warehouses, gaming equipment and transportation and other equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected in the consolidated statements of financial position as ROUA under Property and Equipment account and Lease Liabilities account. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liability and ROUA.

The table below describes the nature of the Group's leasing activities by type of ROUA recognized in the consolidated statements of financial position.

| | Number of right-of-use assets leased | Range of remaining term | Average remaining lease term | Number of leases with extension options | Number of leases with termination options |
|------------------------------------|--------------------------------------|-------------------------|------------------------------|---|---|
| December 31, 2021 | | | | | |
| Land | 2 | 14 to 18 years | 16 years | 1 | - |
| Commercial space | 670 | 1 to 26 years | 14 years | 545 | 505 |
| Buildings and warehouses | 53 | 1 to 12 years | 7 years | 14 | 12 |
| Gaming equipment | 1 | 3 years | 3 years | - | - |
| Transportation and other equipment | 72 | 1 to 3 years | 2 years | - | - |
| December 31, 2020 | | | | | |
| Land | 2 | 16 to 19 years | 18 years | 1 | - |
| Commercial space | 585 | 1 to 27 years | 14 years | 530 | 491 |
| Buildings and warehouses | 54 | 2 to 13 years | 8 years | 20 | 17 |
| Gaming equipment | 1 | 4 years | 4 years | - | - |
| Transportation and other equipment | 72 | 1 to 4 years | 3 years | - | - |

The carrying amounts of the Group's ROUAs as at December 31, 2021 and 2020, and the movements during those year are shown below.

| | | Land | Commercial Space | Building and Warehouses | Gaming Equipment | Transportation and Other Equipment | Total |
|------------------------------|----------|--------------------|------------------------|-------------------------|---------------------|------------------------------------|------------------------|
| Balance at January 1, 2021 | P | 913,443,490 | P12,369,807,607 | P 163,680,198 | P 52,088,845 | P 58,371,765 | P13,557,391,905 |
| Additions | - | - | 1,175,078,952 | 57,261,516 | - | - | 1,232,340,468 |
| Translation adjustment | - | - | 45,327,683 | - | - | (209,623) | 45,118,060 |
| Derecognition | - | - | (52,308,601) | (23,724,068) | (52,088,845) | - | (128,121,514) |
| Impairment reversal | - | - | 98,787,814 | - | - | - | 98,787,814 |
| Amortization | (| 49,140,236) | (1,485,045,370) | (65,824,962) | - | (6,707,930) | (1,606,718,498) |
| Balance at December 31, 2021 | P | 864,303,254 | P12,151,648,085 | P 131,392,684 | P - | P 51,454,212 | P13,198,798,235 |
| Balance at January 1, 2020 | P | 962,583,724 | P11,226,356,917 | P 259,882,975 | P 77,091,490 | P 64,318,160 | P12,590,233,266 |
| Additions | - | - | 2,922,801,170 | 30,130,997 | - | - | 2,952,932,167 |
| Effect of lease modification | - | - | (32,482,473) | - | - | - | (32,482,473) |
| Translation adjustment | - | - | (63,171,043) | - | - | - | (63,171,043) |
| Derecognition | - | - | (77,871,407) | - | - | - | (77,871,407) |
| Impairment | - | - | (126,124,001) | - | - | - | (126,124,001) |
| Amortization | (| 49,140,234) | (1,479,701,556) | (126,333,774) | (25,002,645) | (5,946,395) | (1,686,124,604) |
| Balance at December 31, 2020 | P | 913,443,490 | P12,369,807,607 | P 163,680,198 | P 52,088,845 | P 58,371,765 | P13,557,391,905 |
| Effect of PFRS 16 adoption | P | 1,011,723,960 | P10,042,340,599 | P 358,688,291 | P 102,094,135 | P 71,235,714 | P11,586,082,699 |
| Additions | - | - | 2,629,527,645 | 20,461,156 | - | - | 2,649,988,801 |
| Derecognition | - | - | (319,136,009) | - | - | - | (319,136,009) |
| Impairment | - | - | (22,263,234) | - | - | - | (22,263,234) |
| Amortization | (| 49,140,236) | (1,104,112,084) | (119,266,472) | (25,002,645) | (6,917,554) | (1,304,438,991) |
| Net carrying amount | P | 962,583,724 | P11,226,356,917 | P 259,882,975 | P 77,091,490 | P 64,318,160 | P12,590,233,266 |

The Group has relied on its historical assessments as to whether leases were onerous immediately before the date of initial application as alternative to performing an impairment review on right-of-use assets, and accordingly reclassified portion of its provision for onerous lease amounting to P355.6 million against the January 1, 2019 balance of ROUA. In 2021 and 2020, additional onerous lease provisions amounting to P38.1 million and P56.3 million, respectively, were recognized and are presented as part of Miscellaneous under Other Operating Expenses account in the 2021 and 2020 consolidated statements of comprehensive income (see Note 26).

Moreover, estimated cost of dismantling and restoration of certain leased properties amounting to P65.4 million was reclassified from Buildings and leasehold improvements to ROUA upon adoption of PFRS 16 [see Notes 2.9, 3.2(n) and 13.1]. The carrying amount of ARO and provision for dilapidation are presented as part of Other Non-Current Liabilities account in the consolidated statements of financial position (see Note 21).

The derecognition of ROUA in 2021 and 2020 amounting to P128.1 million and P77.9 million pertains to pre-termination of certain lease contracts during both years. The derecognition resulted in a gain amounting to P32.9 million and P51.1 million in 2021 and 2020, respectively, presented as Gain from derecognition of right-of-use assets and lease liabilities under Finance and Other Income account in the consolidated statements of comprehensive income (see Note 27).

GADC's impairment testing of its ROUA resulted in reversal of impairment losses amounting to P98.8 million in 2021, presented as part of Reversal of impairment losses on PPE under Finance and Other Income account in the 2021 consolidated statement of comprehensive income (see Note 27) and impairment losses of P126.1 million in 2020 and P22.3 million in 2019 and are presented as part of Impairment of PPE and intangible assets under Other Operating Expenses account in the 2020 and 2019 consolidated statements of comprehensive income (see Note 26). The recoverable amount was determined using value in use calculations which considers weighted average cost of capital of 3.7% and 5.9% in 2021 and 2020, respectively.

As at December 31, 2021 and 2020, none of the Group's ROUAs are used as collateral for any of the Group's interest-bearing loans and borrowings.

The amount of depreciation on ROUAs is presented as part of Depreciation and amortization which is presented under Cost of Goods Sold, Cost of Services and Other Operating Expenses accounts (see Notes 25 and 26).

13.3 Lease Liabilities

Lease liabilities are presented in the consolidated statements of financial position as at December 31 as follows:

| | <u>2021</u> | <u>2020</u> |
|-------------|--------------------------------|-------------------------|
| Current | P 1,309,447,535 | P 1,427,669,658 |
| Non-current | <u>15,336,726,680</u> | <u>15,864,238,579</u> |
| | <u>P 16,646,174,215</u> | <u>P 17,291,908,237</u> |

The use of extension and termination options gives the Group added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Group's regional markets strategy and the economic benefits of exercising the option exceeds the expected overall cost.

As at December 31, 2021, the Group has committed to lease contracts which has not yet commenced. The total future cash outflows for leases that had not yet commenced amounted to P1,847.4 million in 2021 and P1,135.5 million in 2020.

The maturity analysis of lease liabilities at December 31 is as follows:

| | <u>Within 1 year</u> | <u>1 to 2 years</u> | <u>2 to 3 years</u> | <u>3 to 4 years</u> | <u>4 to 5 years</u> | <u>More Than 5 years</u> | <u>Total</u> |
|--------------------------|------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|--------------------------------|--------------------------------|
| December 31, 2021 | | | | | | | |
| Lease liabilities | P2,154,681,972 | P 3,012,871,437 | P 2,956,383,357 | P 3,019,020,676 | P 2,905,735,484 | P 9,864,731,525 | P 23,913,424,451 |
| Finance charges | (845,234,437) | (834,647,414) | (823,171,951) | (815,161,222) | (805,469,971) | (3,143,565,261) | (7,267,250,236) |
| Net present values | <u>P1,309,447,535</u> | <u>P 2,178,224,023</u> | <u>P 2,133,211,426</u> | <u>P 2,203,859,454</u> | <u>P 2,100,265,513</u> | <u>P 6,721,166,264</u> | <u>P 16,646,174,215</u> |
| December 31, 2020 | | | | | | | |
| Lease liabilities | P2,378,117,470 | P 1,926,180,433 | P 1,866,800,252 | P 1,909,724,283 | P 1,793,764,283 | P 15,144,416,594 | P 25,019,003,315 |
| Finance charges | (950,447,812) | (728,993,566) | (715,923,526) | (706,242,201) | (699,156,441) | (3,926,331,532) | (7,727,095,078) |
| Net present values | <u>P1,427,669,658</u> | <u>P 1,197,186,867</u> | <u>P 1,150,876,726</u> | <u>P 1,203,482,082</u> | <u>P 1,094,607,842</u> | <u>P 11,218,085,062</u> | <u>P 17,291,908,237</u> |

The movements in the lease liabilities recognized in the consolidated statements of financial position are as follows:

| | <u>Notes</u> | <u>2021</u> | <u>2020</u> |
|---|--------------|--------------------------------|-------------------------|
| Balance at beginning of year | | P 17,291,908,237 | P 15,920,464,431 |
| Repayments of lease liabilities | | (1,819,030,854) | (1,880,935,151) |
| Additions during the year | | 961,862,054 | 2,926,260,202 |
| Accretion of interest | 27 | 860,333,192 | 926,438,279 |
| Gain on COVID-19-related rent concessions | 2.3(a) | (509,232,978) | (413,426,144) |
| Derecognition | | (147,235,562) | (129,021,193) |
| Foreign exchange losses (gains) | | 7,570,126 | (11,457,816) |
| Offset against finance lease receivable | | - | (93,931,898) |
| Lease modifications | | - | (32,482,473) |
| Balance at end of year | | <u>P 16,646,174,215</u> | <u>P 17,291,908,237</u> |

Interest expense incurred on the lease liabilities amounting to P850.9 million, P926.4 million and P790.6 million in 2021, 2020 and 2019, 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).

13.4 Lease Payments Not Recognized as Lease Liabilities

The Group has elected not to recognize lease liabilities for short-term leases or for leases of low value assets; instead, expenses relating to these leases, which are significantly from short-term leases, amounting to P1,982.9 million and P1,786.0 million in 2021 and 2020, respectively, are presented as Rentals under Cost of Services and Other Operating Expenses in the consolidated statements of comprehensive income (see Notes 25 and 26).

The future minimum rentals payable of the Group arising from short-term leases amounted to P1,509.9 million and P1,534.6 million as of December 31, 2021 and 2020, respectively.

14. INVESTMENT PROPERTIES

The Group's investment properties include several parcels of land, buildings and improvements which are held for investment purposes only, either to earn rental income or for capital appreciation, or both. The gross carrying amounts and accumulated depreciation of investment property at the beginning and end of the reporting periods are shown below [see Notes 2.10, 3.1(g), 3.2(e) and 3.2(h)].

| | <u>Land</u> | <u>Buildings and Improvements</u> | <u>Total</u> |
|--------------------------|--------------------------------|---------------------------------------|---------------------------------|
| December 31, 2021 | | | |
| Cost | P 27,756,764,466 | P 111,334,500,007 | P 139,091,264,473 |
| Accumulated depreciation | (25,251,903) | (18,526,278,240) | (18,551,530,143) |
| Net carrying amount | <u>P 27,731,512,563</u> | <u>P 92,808,221,767</u> | <u>P 120,539,734,330</u> |
| December 31, 2020 | | | |
| Cost | P 27,143,977,662 | P 108,888,844,599 | P 132,032,822,261 |
| Accumulated depreciation | - | (15,668,613,829) | (15,668,613,829) |
| Net carrying amount | <u>P 27,143,977,662</u> | <u>P 89,220,230,770</u> | <u>P 116,364,208,432</u> |
| January 1, 2020 | | | |
| 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 | <u>P 26,982,515,398</u> | <u>P 85,355,672,166</u> | <u>P 112,338,187,564</u> |

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

| | <u>Land</u> | <u>Buildings and Improvements</u> | <u>Total</u> |
|---|--------------------------------|---------------------------------------|---------------------------------|
| Balance at January 1, 2021, net of accumulated depreciation | P 27,143,977,662 | P 89,220,230,770 | P 116,364,208,432 |
| Transfer to property, plant and equipment | (400,470) | - | (400,470) |
| Additions | 587,935,371 | 6,467,491,090 | 7,055,426,461 |
| Disposals | - | (138,211) | (138,211) |
| Depreciation charges for the year | - | (2,879,361,882) | (2,879,361,882) |
| Balance at December 31, 2021, net of accumulated depreciation | <u>P 27,731,512,563</u> | <u>P 92,808,221,767</u> | <u>P 120,539,734,330</u> |
| Balance at January 1, 2020, net of accumulated depreciation | P 26,982,515,398 | P 85,355,672,166 | P 112,338,187,564 |
| Transfer from inventories | 34,421 | 14,402,577 | 14,436,998 |
| Transfer to property, plant and equipment | - | (169,332,500) | (169,332,500) |
| Additions | 161,427,843 | 6,570,187,125 | 6,731,614,968 |
| Disposals | - | (793,598) | (793,598) |
| Depreciation charges for the year | - | (2,549,905,000) | (2,549,905,000) |
| Balance at December 31, 2020, net of accumulated depreciation | <u>P 27,143,977,662</u> | <u>P 89,220,230,770</u> | <u>P 116,364,208,432</u> |
| Balance at January 1, 2019, net of accumulated depreciation | P 26,682,755,078 | P 77,952,778,663 | P 104,635,533,741 |
| Transfer to property, plant and equipment | (286,841) | (401,544,662) | (401,831,503) |
| Additions | 300,047,161 | 10,090,544,279 | 10,390,591,440 |
| Disposals | - | (716,363) | (716,363) |
| Depreciation charges for the year | - | (2,285,389,751) | (2,285,389,751) |
| Balance at December 31, 2019, net of accumulated depreciation | <u>P 26,982,515,398</u> | <u>P 85,355,672,166</u> | <u>P 112,338,187,564</u> |

Rental income earned from the investment property amounted to P13.6 billion, P13.2 billion and P17.3 billion for the years ended December 31, 2021, 2020 and 2019, respectively, are presented as Rental income under Rendering of Services account in the consolidated statements of comprehensive income (see Note 24.1). The direct operating costs, exclusive of depreciation, incurred by the Group relating to the investment property that generates income amounted to P805.4 million, P884.7 million and P737.2 million in 2021, 2020 and 2019, 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 2021, 2020 and 2019 amounted to P29.6 million, P37.2 million, and P34.7 million, respectively. The operating lease commitments of the Group as a lessor are fully disclosed in Note 31.1.

In 2020, the Group reclassified investment properties with a carrying amount of P169.3 million to property, plant and equipment as such properties were used for operations (see Note 13.1). Also in 2020, the Group reclassified inventories with a carrying amount of P14.4 million to investment properties as use for such properties changed to earn rentals (see Note 8).

In 2019, 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 P400.5 million from Investment Property account to Property, Plant and Equipment account (see Note 13.1).

Investment property includes capitalized borrowing costs amounting to P1,607.2 million and P1,846.8 million in 2021 and 2020, respectively, representing the actual borrowing costs, net of related investment income, incurred on specific and general borrowings obtained to fund the construction project (see Note 18 and 19). The capitalization rate used was based on effective interest rates of applicable specific and general borrowings ranging from 3.0% to 3.9% and 2.9% to 4.3% in 2021 and 2020, respectively.

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, 2021 and 2020, none of the Group's investment properties are held as collateral.

The fair market values of these properties amounted to P562.7 billion and P454.2 billion as at December 31, 2021 and 2020, respectively. These are estimated either by reference to current prices for similar properties or using the income approach by calculating of the present values of the estimated cash inflows anticipated until the end of the life of the investment property using discount rates that reflect the risks and uncertainty in cash flows (see Note 34.4).

15. INTANGIBLE ASSETS

The gross carrying amounts and accumulated amortization of intangible assets at the beginning and end of the reporting periods are shown below (see Notes 2.12 and 2.20).

| | <u>Goodwill</u> | <u>Trademarks</u> | <u>Leasehold Rights</u> | <u>Computer Software</u> | <u>Franchise Fee</u> | <u>Total</u> |
|--------------------------|-------------------------|-------------------------|-------------------------|--------------------------|----------------------|-------------------------|
| December 31, 2021 | | | | | | |
| Cost | P 19,797,100,274 | P 20,673,713,244 | P 180,597,127 | P 66,486,954 | P 180,956,711 | P 40,898,854,310 |
| Translation adjustment | 416,859,827 | 657,528,573 | - | - | - | 1,074,388,400 |
| Accumulated amortization | - | (1,298,974,825) | (86,687,244) | (48,063,723) | (56,150,353) | (1,489,876,145) |
| Net carrying amount | <u>P 20,213,960,101</u> | <u>P 20,032,266,992</u> | <u>P 93,909,883</u> | <u>P 18,423,231</u> | <u>P 124,806,358</u> | <u>P 40,483,366,565</u> |
| December 31, 2020 | | | | | | |
| Cost | P 20,044,019,140 | P 20,954,565,481 | P 187,545,568 | P 46,980,004 | P 160,485,210 | P 41,393,595,403 |
| Translation adjustment | (246,918,866) | (280,852,237) | - | - | - | (527,771,103) |
| Accumulated amortization | - | (1,297,359,434) | (85,969,782) | (46,980,004) | (35,879,596) | (1,466,188,816) |
| Net carrying amount | <u>P 19,797,100,274</u> | <u>P 19,376,353,810</u> | <u>P 101,575,786</u> | <u>P -</u> | <u>P 124,605,614</u> | <u>P 39,399,635,484</u> |
| January 1, 2020 | | | | | | |
| Cost | P 20,296,474,629 | P 21,762,915,653 | P 187,045,568 | P 46,980,007 | P 146,053,416 | P 42,439,469,273 |
| Translation adjustment | (252,455,489) | (808,350,172) | - | - | - | (1,060,805,661) |
| Accumulated amortization | - | (1,295,744,043) | (78,241,229) | (42,505,799) | (18,801,438) | (1,435,292,509) |
| Net carrying amount | <u>P 20,044,019,140</u> | <u>P 19,658,821,438</u> | <u>P 108,804,339</u> | <u>P 4,474,208</u> | <u>P 127,251,978</u> | <u>P 39,943,371,103</u> |

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

| | <u>Goodwill</u> | <u>Trademarks</u> | <u>Leasehold Rights</u> | <u>Computer Software</u> | <u>Franchise Fee</u> | <u>Total</u> |
|---|-------------------------|-------------------------|-------------------------|--------------------------|----------------------|------------------------|
| Balance at January 1, 2021, net of accumulated amortization | P 19,797,100,274 | P19,376,353,810 | P 101,575,786 | P - | P 124,605,614 | P39,399,635,484 |
| Additions | - | - | - | 19,506,950 | 20,471,501 | 39,978,451 |
| Translation adjustment | 416,859,827 | 657,528,574 | - | - | - | 1,074,388,401 |
| Amortization for the year | - | (1,615,391) | (7,665,903) | (1,083,719) | (20,270,757) | (30,635,771) |
| Balance at December 31, 2021, net of accumulated amortization | <u>P 20,213,960,101</u> | <u>P 20,032,266,992</u> | <u>P 93,909,883</u> | <u>P 18,423,231</u> | <u>P 124,806,358</u> | <u>P40,483,366,565</u> |
| Balance at January 1, 2020, net of accumulated amortization | P 20,044,019,140 | P19,658,821,438 | P 108,804,339 | P 4,474,208 | P 127,251,978 | P39,943,371,103 |
| Additions | - | - | 500,000 | - | 14,431,794 | 14,931,794 |
| Translation adjustment | (246,918,866) | (280,852,237) | - | - | - | (527,771,103) |
| Amortization for the year | - | (1,615,391) | (7,728,553) | (4,474,208) | (17,078,158) | (30,896,310) |
| Balance at December 31, 2020, net of accumulated amortization | <u>P 19,797,100,274</u> | <u>P19,376,353,810</u> | <u>P 101,575,786</u> | <u>P -</u> | <u>P 124,605,614</u> | <u>P39,399,635,484</u> |
| Balance at January 1, 2019, net of accumulated amortization | P 20,296,474,629 | P20,741,189,001 | 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 | <u>P 20,044,019,140</u> | <u>P19,658,821,438</u> | <u>P 108,804,339</u> | <u>P 4,474,208</u> | <u>P 127,251,978</u> | <u>P39,943,371,103</u> |

Goodwill primarily relates to growth expectations arising from operational efficiencies and synergies that will be achieved by combining the resources, skills and expertise of the individual components of the Group and by improving the Group's market reach and industry visibility both in the local and global market.

Trademarks pertain to trademarks registered under the Group for the manufacture and sale of distilled spirits, mostly brandy, which include brand names 'Emperador Brandy', 'Generoso Brandy', 'Emperador Deluxe', and 'The Bar.'

In 2014, from the Group's acquisition of WMG Group, the trademarks "Jura" and "The Dalmore" (collectively, "WMG brands") were recorded for a total of P9.6 billion. In 2016, the Group's acquisition of Bodegas Fundador in Jerez resulted in the recognition of four trademarks amounting to P6.7 billion, namely "Fundador Brandy", "Terry Centenario Brandy", "Tres Cepas Brandy", and "Harveys" sherry wine (collectively, "Fundador brands"). In 2017, the Group acquired various trademarks amounting to P3.5 billion including "Domecq" brands of Mexican and Spanish brandies which include "Presidente", "Azteca de Oro" and "Don Pedro"; "Grupo Garvey brands" which include "Garvey Brandy" and "Fino San Patricio"; and, other well-known sheries and liquors brands. These trademarks have indefinite useful lives; hence, are not subject to amortization.

The Group monitors goodwill and trademarks with indefinite useful lives on the cash generating units to which these assets were allocated [see Notes 2.20 and 3.2(i)]. An analysis of the value-in-use and the amount of intangible assets allocated to such groups of cash generating units is presented as follows (amounts in billions of pesos):

| | 2021 | | | | 2020 | | | |
|--|-----------------------------|--------------|----------------------|---------------|-----------------------------|--------------|----------------------|---------------|
| | 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 466.24 | 1.00% | 5.82% | P 9.14 | P 333.33 | 1.00% | 4.59% |
| GADC | 1.25 | 13.03 | 1.00% | 5.51% | 1.25 | 9.85 | 1.00% | 5.34% |
| WMG* | 7.77 | 32.86 | 2.00% | 9.75% | 7.36 | 12.28 | 2.00% | 9.75% |
| GES* | 1.63 | 2.80 | 1.60% | 9.04% | 1.63 | 5.81 | 1.60% | 7.51% |
| Trademarks with indefinite lives: | | | | | | | | |
| WMG brands* | 9.77 | 61.85 | 2.00% | 8.68% | 9.20 | 40.34 | 2.00% | 9.75% |
| Fundador brands | 7.43 | 18.70 | 1.60% | 9.04% | 7.43 | 22.83 | 1.60% | 7.51% |
| Domecq brands** | 2.74 | 3.99 | 1.50% | 4.50% | 2.66 | 3.92 | 1.50% | 4.50% |
| Grupo Garvey brands** | 0.09 | 0.10 | 0.50% | 7.65% | 0.09 | 0.10 | 0.50% | 7.65% |

* 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, 2021 and 2020, management believes that Domecq brands are not impaired as DBLC's operations, which carry the Domecq brands, have reported revenues of P2.7 billion in 2021, P2.4 billion in 2020 and P3.0 billion in 2019. Moreover, management believes that, after the impairment provided for Grupo Garvey brands in 2019, the value-in-use as of December 31, 2021 and 2020 approximates its carrying value. As of December 31, 2021 and 2020, management believes that the carrying values of Domecq and Grupo Garvey brands approximate their value-in-use as of those dates since these were only acquired in 2017.

The value-in-use of each group of cash generating unit was determined using cash flow projections for five years, taking into consideration the impact of COVID-19, and extrapolating cash flows beyond the projection period using a perpetual terminal growth rate. The discount rates and growth rates are the key assumptions used by management in determining the value-in-use of the cash generating units.

In 2019, due to continuous decline of the Group's revenue from the products, the management assessed that a portion of trademarks under Grupo Garvey brands are impaired. Accordingly, the Group recognized an impairment loss amounting to P272.4 million which is presented as part of Impairment of PPE and intangible assets under Other Operating Expenses account in the 2019 consolidated statement of comprehensive income (see Note 26). Further, no impairment loss is required to be recognized on the carrying value of the other intangible assets (goodwill, leasehold rights, computer software and franchise fee) in 2021, 2020 and 2019 (see Note 2.20).

The amortization of trademarks with finite useful lives amounted to P1.6 million each in 2021, 2020 and 2019. These are shown as part of Depreciation and amortization under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 26).

As of December 31, 2021 and 2020, the remaining useful life of the Group's "Emperador Deluxe" trademark with definite life is 1.5 years and 2.5 years, respectively [see Note 3.2(h)].

The "The BaR", "Emperador Brandy" and "Generoso Brandy" trademarks were fully amortized since 2018. Consequently, the Group renewed the trademark application of Emperador Brandy with the Intellectual Property Office of the Philippines in 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, which is presented as part of Depreciation and amortization under Other Operating Expenses account in the 2018 consolidated statement of comprehensive income (see Note 26). The carrying amount of P783.3 million was reclassified as part of Right-of-use assets upon adoption of PFRS 16 in 2019.

As at December 31, 2021 and 2020, 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, 2021 and 2020.

16. NON-CURRENT ASSETS AS HELD FOR SALE

The breakdown of these assets as of December 31, 2021 and 2020 are as follows:

| | <u>2021</u> | <u>2020</u> |
|----------------------------|-----------------------------|-------------------------------|
| Land and land improvements | P 848,888,000 | P 1,162,602,736 |
| Buildings | 112,852,550 | 112,852,585 |
| Construction in progress | <u>-</u> | <u>3,716,165,072</u> |
| | <u>P 961,740,550</u> | <u>P 4,991,620,393</u> |

In 2019, the Group reclassified to non-current assets held for sale land development cost made for the construction of Site A that WCRWI has discontinued in the same year, following the Co-Development Agreement (CDA) with SHDI. The transfer of assets did not take place in 2020 since certain obligations under the CDA relating to the development of properties, project management and other conditions were not yet performed as of December 31, 2020. In 2021, the obligations relating to the CDA have been completed and the assets transferred [see Note 31.8(ii)]. The carrying value of this non-current asset held for sale amounted to P4.0 billion as of December 31, 2020 (nil in 2021) and is presented under the Travellers segment (see Note 4.4).

In 2020, the Group discontinued the use of land and buildings called as “Complejo Bellavista” and “Cerro Viejo Vineyards” previously classified under property, plant and equipment (see Note 13.1). On December 27, 2020, management approved their sale at net book value through the signed letter of intent with Global One (see Note 31.9). The carrying value of the non-current asset held for sale amounting to P1.0 billion is presented under the Emperador segment (see Note 4.4).

The Group believes that the sale of these assets is highly probable.

17. TRADE AND OTHER PAYABLES

The breakdown of this account follows (see Note 2.13):

| | Notes | 2021 | 2020 |
|-----------------------------|------------------------------|--------------------------------|-------------------------|
| Trade payables | 30.1, 30.2 | P 35,979,279,416 | P 33,191,985,612 |
| Accrued expenses | 30.3, 31.2, 31.4(e), 31.5 | 15,149,125,243 | 15,872,123,007 |
| Retention payable | | 5,237,458,717 | 5,526,451,618 |
| Accrued interest payable | 18, 19 | 1,644,499,305 | 1,488,658,449 |
| Refund liability | | 1,598,037,403 | 1,042,344,049 |
| Dividends payable | 22.5 | 642,658,461 | 807,540,407 |
| Output VAT payable | | 602,515,558 | 485,066,543 |
| Slot jackpot liability | 2.5 | 585,151,683 | 259,221,496 |
| Due to related parties | 30.5 | 360,249,006 | 412,878,940 |
| Gaming license fees payable | 29.3 | 341,328,168 | 516,846,603 |
| Withholding tax payable | | 292,632,642 | 113,269,541 |
| Unredeemed gaming points | 3.2(l) | 201,220,177 | 201,492,558 |
| Deposit from SHDI | 27, 31.8 | - | 9,901,072,000 |
| Others | | <u>1,938,479,953</u> | <u>2,342,337,677</u> |
| | | <u>P 64,572,635,732</u> | <u>P 72,161,288,500</u> |

Trade payables significantly comprise of obligations to subcontractors and suppliers of construction materials for the Group's projects and suppliers of raw materials. These also include unredeemed gaming chips determined as the difference between total gaming chips placed in service and the actual inventory of gaming chips under control or in custody, casino deposit certificates from patrons and other gaming-related liabilities.

Accrued expenses include accruals for salaries and other benefits, utilities, local and overseas travel, training and recruitment, dues and subscriptions, advertising, rentals, marketing and other operating expenses of the Group.

Retention payable pertains to amount withheld from payments made to contractors for construction work performed to ensure compliance and completion of contracted projects. Upon completion of the contracted projects, the retained amounts are returned to the contractors.

Refund liability pertains to amounts payable to customers due to real estate sales cancellation in respect of instalment sales contracts as covered by the R.A. No. 6552, *Realty Installment Buyer Protection Act*, otherwise known as the Maceda Law.

The unredeemed gaming points liability represents the estimated costs of unredeemed casino gaming points issued, which are redeemable for complimentary goods or services of the Group [see Notes 2.16 and 3.2(l)].

Dividends payable represents the non-controlling interest share on the dividends declared by AGI in 2021 payable on January 2022, AGI and Megaworld in 2020 payable and paid in January 2021, and by Emperador in 2019 payable and paid in January 2021 (see Note 22.5).

Others include unearned rental, payables to government and other regulatory agencies, and various unreleased checks which are reverted to liability.

18. INTEREST-BEARING LOANS

The composition of the Group's outstanding interest-bearing loans is shown below.

| | <u>2021</u> | <u>2020</u> |
|--------------------|---------------------------------|--------------------------|
| Current: | | |
| Philippine Pesos | P 39,841,780,389 | P 45,078,795,464 |
| Foreign currencies | <u>40,462,169,350</u> | <u>4,466,729,178</u> |
| | <u>80,303,949,739</u> | <u>49,545,524,642</u> |
| Non-current: | | |
| Philippine Pesos | 69,562,138,334 | 65,693,853,000 |
| Foreign currencies | <u>23,546,603,888</u> | <u>58,677,563,317</u> |
| | <u>93,108,742,222</u> | <u>124,371,416,317</u> |
| | <u>P 173,412,691,961</u> | <u>P 173,916,940,959</u> |

The summarized terms and conditions of each availed loan as at December 31, 2021 and 2020 are as follows:

| <u>Outstanding Principal Balance</u> | | <u>Explanatory</u> | <u>Interest Rate</u> | <u>Security</u> | <u>Maturity</u> |
|--------------------------------------|-------------------------|--------------------|---|-----------------|-----------------|
| <u>2021</u> | <u>2020</u> | <u>Notes</u> | | | <u>Date</u> |
| <i>Megaworld</i> | | | | | |
| P 5,963,383,173 | P - | (a) | Higher of 3-month BVAL or BSP O/N plus certain spread | Unsecured | 2026 |
| 4,980,567,033 | 4,970,284,838 | (b) | Floating rate based on a 5-day average reference rate plus a certain spread | Unsecured | 2025 |
| 4,971,765,905 | - | (c) | Fixed at 4.00% | Unsecured | 2026 |
| 4,967,256,443 | - | (d) | Higher of 3-month BVAL or 28-day BSP T-bill rate | Unsecured | 2026 |
| 3,515,246,092 | 4,681,307,504 | (e) | Higher of 4.75% fixed rate and floating rate plus certain spread | Unsecured | 2024 |
| 3,325,544,496 | 4,285,282,788 | (f) | Floating rate on a 3-month LIBOR plus a certain spread | Unsecured | 2024 |
| 3,325,434,376 | 4,982,878,796 | (g) | Fixed at 7.8488% | Unsecured | 2023 |
| 1,255,042,517 | 2,374,728,101 | (h) | Floating rate on a 3-month LIBOR plus a certain spread | Unsecured | 2022 |
| 769,230,769 | 1,538,461,539 | (i) | Fixed at 5.25% | Unsecured | 2022 |
| 416,666,666 | 2,083,333,333 | (j) | Fixed at 5.6286% | Unsecured | 2022 |
| - | 4,992,347,917 | (k) | 5-day average reference rate plus a certain spread | Unsecured | 2021 |
| - | 1,995,105,616 | (l) | Floating rate plus a certain spread | Unsecured | 2021 |
| - | 1,250,000,000 | (m) | Fixed at 6.4274% | Unsecured | 2021 |
| - | 769,230,769 | (n) | Fixed at 5.3812% | Unsecured | 2021 |
| - | <u>500,000,000</u> | (o) | Fixed at 5.2632% | Unsecured | 2021 |
| <u>P 33,490,137,470</u> | <u>P 34,422,961,201</u> | | | | |

| <u>Outstanding Principal Balance</u> | | <u>Explanatory Notes</u> | <u>Interest Rate</u> | <u>Security</u> | <u>Maturity Date</u> |
|--------------------------------------|-------------------------|--------------------------|---|-----------------|---|
| <u>2021</u> | <u>2020</u> | | | | |
| <i>EELHI</i> | | | | | |
| P 1,000,000,000 | P - | (p) | Floating rate of 3.5% | Unsecured | 2028 |
| 250,000,000 | 583,333,335 | (q) | Fixed at 5.4% for 2 tranches; floating rate of 3.2% - 3.5% subject to quarterly repricing for the third tranche | Unsecured | 2022 |
| - | 100,000,000 | (r) | Floating rate of 4.5% | Unsecured | 2021 |
| - | 384,610 | (s) | Fixed at range of 7.0% and 9.0% | Secured | Upon collection of assigned receivables |
| - | 500,000,000 | (t) | Fixed at 3.12% | Unsecured | 2021 |
| <u>P 1,250,000,000</u> | <u>P 1,183,717,945</u> | | | | |
| <i>SPI</i> | | | | | |
| P 1,925,000,000 | P 2,200,000,000 | (u) | Floating rate of 4.5% subject to repricing every 30 to 180 days | Unsecured | 2025 |
| 924,807,289 | 1,422,690,170 | (v) | Variable prevailing market rate of 5.5% to 15.0% | Secured | Upon collection of related assigned receivables |
| 400,000,000 | - | (w) | Fixed at 4.38% | Unsecured | 2027 |
| 300,000,000 | 300,000,000 | (x) | Fixed at 5.25% | Unsecured | 2022 |
| 300,000,000 | 300,000,000 | (y) | Floating rate of 4.5% subject to repricing | Unsecured | 2027 |
| 200,000,000 | - | (w) | Fixed at 4.38% | Unsecured | 2027 |
| 200,000,000 | - | (z) | Fixed at 4.00% | Unsecured | 2022 |
| 100,000,000 | - | (w) | Fixed at 4.38% | Unsecured | 2027 |
| - | 300,000,000 | (aa) | 3.50% subject to repricing every 30-180 days | Unsecured | 2021 |
| - | 100,000,000 | (bb) | Floating rate of 3.5% repricing 30-180 days | Unsecured | 2021 |
| - | 14,238,281 | (x) | Fixed at range of 5.50% to 5.75% | Unsecured | 2021 |
| <u>P 4,349,807,289</u> | <u>P 4,636,928,451</u> | | | | |
| <i>GERI</i> | | | | | |
| P 1,176,470,580 | P 1,647,058,820 | (cc) | Floating interest rate | Unsecured | 2024 |
| 1,000,000,000 | 1,000,000,000 | (dd) | Fixed at 5.26% | Unsecured | 2025 |
| 1,000,000,000 | - | (ee) | Fixed at 5.37% | Unsecured | 2025 |
| 500,000,000 | 1,000,000,000 | (ff) | Floating interest rate | Unsecured | 2022 |
| 500,000,000 | 500,000,000 | (gg) | Floating interest rate | Unsecured | 2027 |
| 500,000,000 | - | (hh) | Floating interest rate | Unsecured | 2027 |
| - | 250,000,000 | (ii) | Fixed based on 5-year PDST-R2 plus spread at 3% floor | Unsecured | 2021 |
| <u>P 4,676,470,580</u> | <u>P 4,397,058,820</u> | | | | |
| <i>TLC</i> | | | | | |
| P 206,250,000 | P 281,250,000 | (jj) | Floating interest rate | Unsecured | 2024 |
| 343,750,000 | 468,750,000 | (jj) | Floating interest rate of 5%-5.3% subject to 30-180 days repricing | Unsecured | 2024 |
| 137,500,000 | 187,500,000 | (jj) | Floating interest rate | Unsecured | 2024 |
| <u>P 687,500,000</u> | <u>P 937,500,000</u> | | | | |
| <i>MREIT</i> | | | | | |
| <u>P 7,195,789,259</u> | <u>P -</u> | (kk) | Fixed at 3.64% subject to repricing in 2024 | Unsecured | 2031 |
| <i>EIL</i> | | | | | |
| <u>P 20,126,000,000</u> | <u>P 23,490,000,729</u> | (ll) | 1.05% plus EURIBOR | Unsecured | 2024 |

| <u>Outstanding Principal Balance</u> | | <u>Explanatory Notes</u> | <u>Interest Rate</u> | <u>Security</u> | <u>Maturity Date</u> |
|--------------------------------------|------------------------|--------------------------|--|-----------------|----------------------|
| <u>2021</u> | <u>2020</u> | | | | |
| EDI | | | | | |
| P - | P 62,500,000 | (mm) | Fixed at 5.245% | Unsecured | 2021 |
| - | 62,500,000 | (mm) | Fixed at 5.113% | Unsecured | 2021 |
| - | 150,000,000 | (nn) | Fixed at 5.9641% | Unsecured | 2021 |
| - | 41,666,667 | (mm) | Fixed at 5% | Unsecured | 2021 |
| - | 105,000,000 | (nn) | Fixed at 6.1277% | Unsecured | 2021 |
| <u>P -</u> | <u>P 421,666,667</u> | | | | |
| WMG | | | | | |
| P 2,633,833,596 | P - | (oo) | 0.85% over Sterling Overnight Index Average | Secured | 2022 |
| - | 3,917,012,288 | (oo) | 0.5% over LIBOR | Secured | 2021 |
| <u>P 2,633,833,596</u> | <u>P 3,917,012,288</u> | | | | |
| DBLC | | | | | |
| P 1,681,597,050 | P 2,151,664,921 | (pp) | Fixed at 1.6% | Unsecured | 2027 |
| PAI | | | | | |
| P 400,000,000 | P 400,000,000 | (qq) | Fixed at 5.0% initial; Fixed at 4% latest | Unsecured | 2022 |
| GADC | | | | | |
| P 814,021,739 | P 949,071,146 | (rr) | Fixed at 4.5% | Unsecured | 2025 |
| 437,500,000 | 500,000,000 | (ss) | Fixed at 4.5% | Unsecured | 2025 |
| 350,000,000 | 450,000,000 | (tt) | Fixed at 4.5% | Unsecured | 2025 |
| - | 118,571,429 | (uu) | Fixed at 4.18% and 5.17% | Unsecured | 2021 |
| - | 37,142,857 | (vv) | Fixed at 4.71% | Unsecured | 2021 |
| - | 17,142,857 | (ww) | Fixed at 5% | Secured | 2021 |
| <u>P 1,601,521,739</u> | <u>P 2,071,928,289</u> | | | | |
| Travellers | | | | | |
| P 11,487,825,815 | P 12,096,667,284 | (xx) | Fixed at 7.0% | Unsecured | 2025 |
| 7,456,035,645 | 7,446,357,741 | (xx) | Fixed at 4.75% | Unsecured | 2027 |
| 5,888,914,647 | 7,355,143,470 | (xx) | Fixed at 8.6% for two years and at 9% in the next five years | Unsecured | 2025 |
| 4,972,203,209 | - | (yy) | Floating rate subject to repricing | Unsecured | 2026 |
| 4,368,305,826 | 6,112,975,966 | (zz) | Fixed at 6.6% to date | Unsecured | 2024 |
| 3,000,000,000 | - | (zz) | Fixed at 4.0% | Unsecured | 2022 |
| 2,803,824,270 | 4,045,164,693 | (yy) | Fixed at 8.2% | Unsecured | 2024 |
| 2,167,130,435 | 2,167,130,435 | (xx) | Fixed at 4.75% | Unsecured | 2022 |
| 2,000,000,000 | - | (zz) | Fixed at 4.5% | Unsecured | 2022 |
| 1,747,099,416 | 3,641,402,975 | (yy) | Fixed at 7.3%, subject to 5.3% floor both plus 1.15% spread | Unsecured | 2024 |
| 1,500,000,000 | - | (zz) | Fixed at 4.5% | Unsecured | 2022 |
| 1,500,000,000 | - | (zz) | Fixed at 4.0% | Unsecured | 2022 |
| 1,500,000,000 | - | (zz) | Fixed at 4.5% | Unsecured | 2022 |
| 1,500,000,000 | - | (zz) | Fixed at 4.5% | Unsecured | 2022 |
| 1,328,776,342 | 3,985,416,244 | (aaa) | Floating rate subject to repricing plus a spread of 1.0% in 2019; with a floor rate of 5.25% in 2020 | Unsecured | 2023 |
| 1,000,000,000 | 1,000,000,000 | (yy) | Floating rate subject to repricing | Unsecured | 2022 |
| 975,000,000 | - | (yy) | Fixed at 5.8% | Unsecured | 2022 |
| 312,500,000 | - | (yy) | Floating rate subject to repricing | Unsecured | 2022 |
| 175,000,000 | - | (yy) | Floating rate subject to repricing | Unsecured | 2022 |
| 75,000,000 | - | (yy) | Floating rate subject to repricing | Unsecured | 2022 |

| <u>Outstanding Principal Balance</u> | | <u>Explanatory</u> | <u>Interest Rate</u> | <u>Security</u> | <u>Maturity</u> |
|--------------------------------------|--------------------------|--------------------|--|-----------------|-----------------|
| <u>2021</u> | <u>2020</u> | <u>Notes</u> | | | <u>Date</u> |
| <i>Travellers</i> | | | | | |
| P - | P 3,483,766,103 | (bbb) | Fixed at 5.7% | Unsecured | 2024 |
| - | 2,000,000,000 | (yy) | Floating rate subject to repricing | Unsecured | 2021 |
| - | 1,000,000,000 | (yy) | Floating rate subject to repricing | Unsecured | 2021 |
| - | 1,000,000,000 | (yy) | Floating rate subject to repricing | Unsecured | 2021 |
| - | 1,000,000,000 | (aaa) | Fixed at 5.8% | Unsecured | 2021 |
| - | 1,000,000,000 | (ccc) | Fixed at 6.2% | Unsecured | 2021 |
| <u>P 55,757,615,606</u> | <u>P 57,334,024,911</u> | | | | |
| <i>AGI</i> | | | | | |
| <u>P 4,575,663,794</u> | <u>P 4,966,862,180</u> | (ddd) | Fixed at 4.5%; subject to repricing at the end of fifth year | Unsecured | 2027 |
| <i>AG Cayman</i> | | | | | |
| P 24,993,359,598 | P 23,993,272,553 | (eee) | Fixed at 4.1456% | Unsecured | 2022 |
| 4,997,782,244 | 4,798,045,435 | (eee) | Fixed at 3.9% | Unsecured | 2022 |
| <u>4,995,613,737</u> | <u>4,794,296,569</u> | (eee) | Fixed at 3.8330% | Unsecured | 2022 |
| <u>P 34,986,755,579</u> | <u>P 33,585,614,557</u> | | | | |
| <u>P 173,412,691,961</u> | <u>P 173,916,940,959</u> | | | | |

Explanatory Notes:

- (a) Five-year loan amounting to P6,000.0 million obtained by Megaworld in May 2021 from a local bank. The loan is payable quarterly beginning August 2022. Interest is payable quarterly.
- (b) Five-year loan amounting to P5,000.0 million obtained by Megaworld in March 2020 from a local bank. The loan is payable quarterly for a term of five years with a grace period of two years upon availment. The principal repayments on the loan shall commence in June 2022 and interest is paid quarterly.
- (c) Five-year loan amounting to P5,000.0 million obtained by Megaworld in March 2021 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 repayment on the loan shall commence in March 2022.
- (d) Five-year loan amounting to P5,000.0 million obtained by Megaworld in August 2021 from a local bank. The loan is payable quarterly for a term of five years with the first principal payment due in November 2022. Interest is payable quarterly.
- (e) Five-year loan amounting to P5,000.0 million obtained by Megaworld in December 2019 from a local bank. The loan is payable quarterly for a term of five years with a grace period of one year upon availment. The principal repayments on this loan commenced in December 2020 and interest is payable quarterly.
- (f) 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).

- (g) Five-year loan amounting to P5,000.0 million obtained by Megaworld from a local bank in December 2018. The principal repayment is quarterly after two years from availment. Interest is payable quarterly.
- (h) 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).
- (i) Seven-year loan amounting to P5,000.0 million obtained by Megaworld from a local bank in November 2015. The principal repayments commenced in November 2016 and interest is payable semi-annually.
- (j) Seven-year loan obtained by Megaworld from a local bank in two tranches in March and June 2015 totalling P10,000.0 million to fund various real estate projects and to retire currently maturing obligations. Quarterly principal repayment on this seven-year loan commenced in June 2016 and interest is paid quarterly.
- (k) Three-year loan amounting to P5,000.0 million obtained by Megaworld from a local bank in July 2018. The principal is payable upon maturity while interest is payable quarterly and commenced in October 2018. In 2021, Megaworld has paid in full its outstanding loan balance.
- (l) Three-year loan amounting to P5,000.0 million obtained by Megaworld from a local bank in December 2018. The principal repayments commenced in September 2019 and interest is paid quarterly. In 2021, Megaworld has paid in full its outstanding loan balance.
- (m) Five-year loan amounting to P5,000.0 million obtained by Megaworld from a local bank in November 2016. The principal repayments commenced in February 2018 and interest is paid quarterly. In 2021, Megaworld has paid in full its outstanding loan balance.
- (n) Seven-year loan amounting to P5,000.0 million obtained by Megaworld from a local bank in August 2014. The principal repayments commenced in August 2015 while interest is paid semi-annually. In 2021, Megaworld has paid in full its outstanding loan balance.
- (o) Five-year loan amounting to P2,000.0 million obtained by Megaworld in August 2016 from a local bank with a grace period of two years from availment. The principal repayment commenced in November 2018 and interest is paid quarterly. In 2021, Megaworld has paid in full its outstanding loan balance.
- (p) Seven-year loan amounting to P1,000.0 million obtained by EELHI from a local bank in February 2021. The proceeds of the loan were used to fund the development of its various real estate projects. The principal of the loan is payable in 20 equal quarterly payments starting in May 2023 with a two-year grace period and interest is payable quarterly in arrears.

- (q) Seven-year loan amounting to P2,000.0 million obtained by EELHI in 2015 from a local bank released in three tranches from 2015-2016. Proceeds were used to fund development of various real estate projects.
- (r) 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. In 2021, EELHI has paid in full its outstanding loan balance.
- (s) Loans obtained by EELHI from local banks by assigning trade receivables on a with recourse basis (see Note 6). The loans are secured by certain residential and condominium units for sale with carrying value of P28.5 million as of December 31, 2020 (see Note 8). The principal amount of the loan is being paid as the related receivables are collected. In 2021, EELHI has paid in full its outstanding loan balance.
- (t) 90-day unsecured loans obtained by EELHI from local banks in 2020. The proceeds of the loan were used to fund the development of EELHI's various real estate projects. The principal of the loan is payable upon maturity and interest is payable monthly. In 2021, EELHI has paid in full its outstanding loan balance.
- (u) Seven-year loan amounting to P2,200.0 million obtained by SPI from a local bank in 2018 to fund the acquisition of STLI. Principal repayments is payable on a monthly basis after a grace period of three years from the date of availment.
- (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) Six-year loans amounting to P200.0 million, P100.0 million, and P400.0 million obtained by SPI in February 2021, August 2021, and October 2021, respectively, from a local bank. The principal amount is payable on a monthly basis after a grace period of three years from the date of availments.
- (x) Outstanding balance of short-term and one-year loans availed in 2020 by SPI from local banks. The short-term loans were partially settled by SPI in 2021.
- (y) Seven-year loan amounting to P300.0 million obtained by SPI in 2020 from a local bank. The loan bears a floating interest and is payable upon maturity.
- (z) Outstanding balance of a short-term loan availed by SPI in 2021 from a local bank.
- (aa) Five-year loan totalling P900.0 million obtained by SPI from a local bank in 2017 and 2016, payable on a monthly basis after a grace period of two years from the date of availment. The loan bears floating interest which is subject to repricing every 30-180 days. In 2021, SPI has paid in full its outstanding loan balance.

- (bb) 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. In 2021, SPI has paid in full its outstanding loan balance.
- (cc) Five-year loan amounting to P2,000.0 million obtained by GERI in 2019 from a local bank payable quarterly for a term of five years, plus interest.
- (dd) Five-year loan amounting to P1,000.0 million obtained by GERI in 2020 from a local bank payable quarterly for a term of five years with a grace period of two years upon availment. The principal repayment on the loan shall commence in December 2022. The loan bears a fixed interest rate and is payable quarterly.
- (ee) Four-year loan amounting to P1,000.0 million obtained by GERI in July 2021 from a local bank. The loan is payable quarterly for a term of four years commencing on the beginning of the fifth quarter from the date of availment.
- (ff) Five-year loan amounting to P2,000.0 million obtained by GERI in December 2017 from a local bank payable quarterly commencing on the beginning of the fifth quarter from the initial drawdown date. Interest is payable quarterly.
- (gg) Seven-year loan amounting to P500.0 million obtained by GERI in 2020 from a local bank. The loan is payable quarterly with a grace period of one year upon availment. The principal repayment on the loan shall commence in March 2022. The loan bears a floating interest rate and is payable quarterly.
- (hh) Six-year loan amounting to P500.0 million obtained by GERI in March 2021 from a local bank. The loan is payable quarterly for a term of six years with a grace period of two years upon availment.
- (ii) Five-year loan amounting to P2,000.0 million obtained by GERI in 2016 from a local bank, with a grace period of two years on principal installment. The loan is payable in quarterly installments of P125.0 million commencing on the 9th quarter from the date of initial drawdown and balloon payment at the end of five years. In 2021, GERI has already paid in full its outstanding loan balance.
- (jj) Five-year loan amounting to P300.0 million and P200.0 million obtained by TLC in August and November 2019, respectively, from a local bank. The loans are payable in quarterly installments commencing in November 2020. In March 2020, TLC obtained additional interest-bearing loan amounting to P500.0 million. The loan bears floating interest rates and quarterly installments beginning in November 2020 are due until the loan will be fully settled in 2024.
- (kk) Ten-year term loan amounting to P7,250.0 million acquired by MREIT in December 2021 from a local bank to finance the acquisition of investment properties from Megaworld. The principal is payable quarterly in installment beginning in the last quarter of the fifth year with a balloon payment at the end of the term.

- (ll) Five-year foreign-currency denominated loan obtained in 2019 from a syndicate of foreign financial institutions at a lower margin to prepay existing loans.
- (mm) Five-year loan obtained by EDI in three tranches totaling P2,000.0 million in 2016 from a local bank with principal repayment in 12 equal quarterly payments starting on the ninth quarter after the initial drawdown. In 2021, EDI had already fully paid its outstanding loan balance.
- (nn) 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 were payable in 12 equal quarterly amortizations commencing on the beginning of the ninth quarter from the initial drawdown. In 2021, EDI has already paid in full its outstanding loan balance.
- (oo) WMG has an existing asset-based lending facility with a foreign bank (different bank from July 2021). The loan is secured by way of floating charge against WMG's inventories (see Note 8).
- (pp) Foreign-currency-denominated loans of DBLC totaling P3,000.0 million used in relation to asset acquisition in 2017 and maturing in 2027.
- (qq) In 2020, PAI obtained short-term loans at a total amount of P400.0 million from a local bank for working capital purposes. The loan is renewable and re-priced every six months.
- (rr) Five-year US dollar loan with a principal amount of P1,000.0 million obtained by GADC from a local bank in March 2020. GADC has a Cross Currency Swap (CCS) agreement with the local bank, whereby GADC will receive and settle the dollar loan and its interest at a fixed foreign exchange rate of P50.60 per US\$1 or total of P1,000.0 million (see Note 21). The loan is payable quarterly and bears a fixed interest rate.
- (ss) Five-year loan obtained by GADC from a local bank in June 2020 payable quarterly starting from September 2021. The loan bears a fixed interest.
- (tt) Five-year loan obtained by GADC from another local bank in June 2020 payable in 20 quarters from September 2020 to June 2025. Interest payments are fixed.
- (uu) Loans obtained by GADC from a local bank in 2014 payable in 21 quarterly principal payments commencing in September 2016. The amount was already settled as of end of 2021.
- (vv) 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. The amount was already settled as of end of 2021.

(ww) Ten-year loan granted to GADC in December 2011 by a local bank for the purchase of land and building from the latter, payable monthly starting on the third year of the loan until December 2021. The acquired land and building served as collateral on the loan (see Note 13.1). The amount was already settled as of end of 2021.

(xx) In prior years, a local bank approved a credit line which grants Travellers to borrow P33,500.0 million. In 2019, Travellers made an additional drawdown amounting to P7,500.0 million as a short-term loan. In 2021 and 2020, it converted some of the omnibus loans into a long-term loan and made additional borrowings amounting to P2,200.0 million. The loans are outstanding as of December 31, 2021 and 2020.

(yy) In 2017, Travellers entered into various credit line agreements with a total maximum loanable amount of P10,000.0 million from a local bank. As of December 31, 2018, drawdowns totaled P10,000.0 million, half of which pertains to term loans and the other half to omnibus loans. In 2019, the Group obtained another term loan facility with the bank amounting to P5,000.0 million. This was utilized through the conversion of the P5,000.0-million omnibus loan to a long-term loan. Following the conversion, the Group obtained various short-term loans in 2019 amounting to P3,000.0 million. In 2020, additional omnibus loans amounting to P2,000.0 million were borrowed.

In 2021, the Group availed another long-term facility with the bank amounting to P5.0 billion, which is fully utilized during the year. Following the additions made, the Group obtained other various short-term loans in 2021 amounting to P1.6 billion.

(zz) Seven-year loans totalling P7,000.0 million obtained by Travellers in 2017 from a P7,000.0 million credit line with a local bank.

In 2021, Travellers opened an omnibus credit facility with the bank in the amount of P15.0 billion and drew P11.0 billion. This was subsequently rolled to another short-term loan which will mature in 2022, resulting to a total unutilized credit line of P4.0 billion as of December 31, 2021.

(aaa) Five-year loan amounting to P4,000.0 million obtained by Travellers from a P5,000.0 million credit line with a local bank in 2018. In 2019, Travellers obtained a P1,000.0 million omnibus loan from the remaining unutilized credit line.

(bbb) In 2018, Travellers obtained a P3,500.0 million credit line from a local bank, which it had fully utilized in 2018 and settled P2,500.0 million in the same year. The remaining P1,000.0 million was settled early in 2019. Further, in 2019, Travellers renewed the credit line and drew down three omnibus loans, which upon maturity were converted into a five-year term loan for the same amount. Said loan was settled during 2021.

- (ccc) In 2019, Travellers procured a P2,000.0 million omnibus line with a local bank in which it utilized P1,000.0 million in same year. Travellers' utilized credit line of P1.0 billion was settled in 2021.
- (ddd) Seven-year loan amounting to P5,000.0 million obtained by AGI in July 2020 from a local bank. The loan is payable quarterly commencing after the one-year grace period, as provided in the loan agreement. The loan bears a fixed rate for the first five years, subject to repricing at the end of the fifth year. The interest is payable quarterly in arrears.
- (eee) 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, 2021 and 2020, the Group has complied with related loan covenants, including maintaining certain financial ratios, at the reporting dates. However, in 2020 and 2019, Travellers was not able to meet some financial covenants of its long-term loans but it was able to secure debt covenant waivers certified by the said local banks prior to December 31, 2020 and 2019.

Total interest expense attributable to these loans, including amortization of capitalized transaction costs, amounted to P4,941.5 million, P4,684.9 million and P4,536.9 million for the years ended December 31, 2021, 2020 and 2019, 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, 2021, 2020 and 2019 are included as part of additions to Construction in progress under Property, Plant and Equipment account (see Note 13.1), Investment Properties (see Note 14) and Real estate for sale under Inventories account (see Note 8). The amounts of outstanding accrued interest as at December 31, 2021 and 2020 are presented as part of Accrued interest payable under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

19. BONDS PAYABLE

This account consists of bonds payable of the Company's subsidiary as follows:

| | <u>2021</u> | <u>2020</u> |
|-----------------|--------------------------------|-------------------------|
| U.S. Dollar | P 30,000,109,334 | P 28,308,952,890 |
| Philippine peso | <u>11,981,932,912</u> | <u>11,973,903,096</u> |
| | <u>P 41,982,042,246</u> | <u>P 40,282,855,986</u> |

The significant terms of the bonds are discussed below.

| Face Amount | Outstanding Principal Balance | | Explanatory Notes | Interest Rate | Nature | Maturity |
|-----------------|-------------------------------|-----------------------|-------------------|------------------|-----------|----------|
| | <u>2021</u> | <u>2020</u> | | | | |
| \$250.0 million | P 12.5 billion | P 12.0 billion | (a) | Fixed at 4.25% | Unsecured | 2023 |
| P 12.0 billion | 12.0 billion | 12.0 billion | (b) | Fixed at 5.3535% | Unsecured | 2024 |
| \$350.0 million | <u>17.5 billion</u> | <u>16.3 billion</u> | (c) | Fixed at 4.125% | Unsecured | 2027 |
| | <u>P 42.0 billion</u> | <u>P 40.3 billion</u> | | | | |

- (a) On April 17, 2013, Megaworld issued 10-year term bonds with semi-annual interest payments in arrears every April 17 and October 17. The proceeds of the bond issuance are being used by Megaworld for general corporate purposes. The notes are listed in the Singapore Exchange Securities Trading Limited (SGX-ST).
- (b) On March 28, 2017, Megaworld issued seven-year term bonds totaling P12.0 billion. The bond carries a coupon rate of 5.3535% per annum and interest is payable semi-annually in arrears every March 28 and September 28. The notes are listed in the Philippine Dealing & Exchange Corporation (PDEX).
- (c) On July 30, 2020, Megaworld issued seven-year term senior unsecured notes totaling to U.S. \$350 million. The notes carry a coupon rate of 4.125% per annum and interest is payable semi-annually in arrears on January 30 and July 30. The notes are listed in the SGX-ST.

Megaworld has complied with the bond covenants, including maintaining certain financial ratios, at the end of the reporting periods.

Total interest incurred on these bonds amounted to P1,983.9 million, P1,496.5 million and P1,201.8 million in 2021, 2020 and 2019, respectively. Of these amounts, portion charged as expense amounted to P1,103.1 million, P872.2 million and P717.4 million in 2021, 2020 and 2019, 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, 2021, 2020 and 2019 are included as part of additions to Construction in progress under Property, Plant and Equipment account (see Note 13.1), Investment Properties account (see Note 14) and Real estate for sale under Inventories account (see Note 8). The outstanding interest payable as at December 31, 2021 and 2020 is presented as part of Accrued interest payable under Trade and Other Payables account in the consolidated statements of financial position (see Note 17). Unrealized foreign currency gains in relation to these foreign bonds are presented as part of Foreign currency gains – net under Finance and Other Income account in the consolidated statements of comprehensive income (see Note 27).

Interest capitalized amounted to P799.4 million, P581.2 million and P484.4 million in 2021, 2020 and 2019, respectively. Capitalization rate used in determining the amount of interest charges qualified for capitalization is 3.87% in 2021, 2.89% in 2020 and 4.05% in 2019.

20. REDEEMABLE PREFERRED SHARES

The Group's redeemable preferred shares pertain to preferred shares issued by GADC and TLC as presented below and in the succeeding page. The preferred shares are considered as financial liabilities. Accordingly, the redeemable preferred shares are recognized at fair value on the date of issuance which is subsequently adjusted for any foreign exchange gains and losses and classified in the consolidated statements of financial position as presented below.

| | Notes | 2021 | 2020 |
|--------------|-------|------------------------|-----------------|
| Current – | | | |
| TLC | 20.2 | P 251,597,580 | P 251,597,580 |
| Non-current: | | | |
| GADC | 20.1 | 1,365,641,108 | 1,213,061,959 |
| TLC | 20.2 | - | 251,597,580 |
| | | 1,365,641,108 | 1,464,659,539 |
| | | P 1,617,238,688 | P 1,716,257,119 |

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:

- 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;
- Has preference as to dividends declared by the BOD, but in no event shall the dividends exceed P1 per share; and,
- 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 2021, 2020 and 2019 amounted to P152.6 million, P135.3 million and P120.3 million, respectively, and is presented as part of Interest expense under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 27). The fair value of these shares amounting to P1,637.6 million in 2021 and P1,437.4 million in 2020 were 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 3.25% in 2021 and 2.32% in 2020.

20.2 TLC's Redeemable Preferred Shares

These were issued by TLC in September 2012 consisting of 1,258.0 million shares which are nonvoting and earn dividend at a fixed annual rate of 2.50% subject to the existence of TLC's unrestricted retained earnings. These were issued in exchange for certain parcels of land with total fair value of P1,338.2 million. The issuance through the exchange of land was approved by the SEC on April 17, 2013.

The preferred shares have a maturity of 10 years and shall be redeemed every anniversary date beginning on the sixth anniversary date until expiration of the 10-year period. Only 1/5 of the aggregate face value of preferred shares may be redeemed per year during such redemption period, with all remaining shares to be redeemed on the 10th anniversary date.

The accrued dividends on these preferred shares amounting to P0.5 million and P0.9 million as at December 31, 2021 and 2020, respectively, are presented as part of Others under 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, 2021, 2020 and 2019 amounting to P11.1 million, P16.9 million and P22.7 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, 2021 and 2020, the fair values of the redeemable preferred shares on the date of issuance approximate their par values.

21. OTHER LIABILITIES

The composition of this account is shown below.

| | <u>Notes</u> | <u>2021</u> | <u>2020</u> |
|--------------------------------|--------------|--------------------------------|--------------------------------|
| Current: | | | |
| Customers' deposits | 2.16 | P 10,609,013,192 | P 11,458,223,060 |
| Deferred rental income | | 2,928,397,465 | 3,668,867,976 |
| Commission payable | | 2,632,525,561 | 3,164,723,364 |
| Advances from customers | | 1,558,113,579 | 1,993,994,411 |
| Subscription payable | 12.2 | 1,114,665,008 | 1,114,665,008 |
| Derivative liability | 2.5, 2.13 | 151,807,136 | 849,006,544 |
| Equity-linked debt securities | 3.2(m) | - | 3,443,750,000 |
| Others | | 10,601,280 | 107,124,075 |
| | | <u>P 19,005,123,221</u> | <u>P 25,800,354,438</u> |
| <i>Balance carried forward</i> | | | |

| | Notes | <u>2021</u> | <u>2020</u> |
|---------------------------------|--------------------|--------------------------------|-------------------------|
| <i>Balance brought forward</i> | | <u>P 19,005,123,221</u> | <u>P 25,800,354,438</u> |
| Non-current: | | | |
| Long-term deposits from patrons | | 10,048,277,856 | - |
| Deferred rental income | | 3,959,090,806 | 4,005,898,409 |
| Retention payable | | 3,289,211,913 | 3,255,790,866 |
| Customers' deposit | 2.16 | 1,281,160,572 | 2,968,470,263 |
| Guaranty deposits | | 546,288,536 | 495,325,739 |
| Provision for dilapidations | 3.2(n) | 375,358,504 | 157,351,424 |
| Asset retirement obligation | 2.9, 2.18, 13.2 | 98,511,914 | 93,634,802 |
| Provision for onerous lease | 3.2(o), 13.3 | 29,061,092 | 65,648,128 |
| Accrued rent | | 10,039,717 | 11,538,105 |
| Others | 20.2 | 742,288,986 | 382,714,790 |
| | | <u>20,379,289,896</u> | <u>11,436,372,526</u> |
| | | <u>P 39,384,413,117</u> | <u>P 37,236,726,964</u> |

Deferred rental income refers to the rental payments advanced by the lessee at the inception of the lease which will be applied to the remaining payments at the end of the lease term.

Derivative liability included the effect of change in foreign currency exchange rates in 2021 and 2020 that arises from the hedging instruments designated as cash flow hedges entered into by Megaworld with the same local bank in 2019 and 2017 (see Note 2.5). Under the cross currency swap agreement in 2017, Megaworld would receive a total of \$98.87 million to be paid on a quarterly basis beginning March 2019 up to December 2022 plus interest based on 3-month LIBOR plus a certain spread. In exchange, Megaworld would make fixed quarterly payments in Philippine pesos plus a fixed interest of 4.91%. In the other cross currency swap agreement in 2019, Megaworld will receive \$95.62 million to be paid on a quarterly basis beginning December 2020 up to September 2024 plus interest based on three-month LIBOR plus a certain spread. Megaworld shall make fixed quarterly payments in Philippine pesos plus a fixed interest of 4.82%.

Megaworld has designated the cross currency swap as a hedging instrument to hedge the risk in changes in cash flows of its loan denominated in U.S. dollar as an effect of changes in foreign currency exchange rates and interest rates [see Note 18(f) and (h)]. The hedging instruments have a negative fair value of P147.8 million and P758.0 million at end of 2021 and 2020, respectively. The Group recognized unrealized gain on cash flow hedges amounting to P199.7 million in 2021 and unrealized loss on cash flow hedges amounting to P144.7 million and P293.4 million in 2020 and 2019, respectively. These are presented under items that will be reclassified subsequently to consolidated profit or loss as part of other comprehensive income in the consolidated statements of comprehensive income.

As of December 31, 2021 and 2020, the Group has assessed that the cross currency swaps designated as cash flow hedges will continue to be highly effective over the term of the agreement; hence, the Group used hedge accounting on the hedging relationship of its cross currency swaps and on its interest-bearing loans [see Note 3.1(n)].

GADC also has a derivative liability which arose from a cross currency swap agreement related to foreign currency denominated loan payable in 2021. The terms of the agreement provide for the repayment of the principal and interest to be made in fixed peso amounts [see Note 18(rr)]. As of the end of 2021 and 2020, this instrument has a negative fair value of P4.0 million and P91.0 million, respectively. The changes in fair value resulted in unrealized gain of P87.0 million in 2021 presented as part of Miscellaneous under Finance and Other Income in the 2021 consolidated statement of comprehensive income (see Note 27) and unrealized loss of P91.0 million in 2020 presented as part of Miscellaneous under the Other Operating Expenses account in the 2020 consolidated statement of comprehensive income (see Note 26).

Equity-linked debt securities (“ELS”) instrument arises from the subscription agreement between EMP and Arran Investment Private Limited (“the Holder” or “Arran”) for the issuance of additional common shares of EMP. The ELS may be converted into a fixed number of common shares (“conversion shares”) of EMP. The ELS bears a fixed annual interest rate (5.0% initially; 0% as amended in 2017) and variable interest (equal to the same dividend price declared and payable to common shareholders). On June 15, 2017, the ELS was amended, stipulating among others the change in the fixed number of Conversion Shares (728,275,862 new and fully paid-up) and in the Share Market Price (greater than P7.25 per share) for the mandatory conversion at any time from Redemption Date and ending on the Extended Redemption Date (December 4, 2021).

On December 23, 2019, the parties further agreed to give the Holder the right to two tranches of conversion and allowed the Holder to transfer ELS to an affiliate of EMP. Furthermore, on January 31, 2020, the parties agreed to remove the mandatory conversion of the ELS when the Share Market Price is reached; and on February 5, 2020, the Holder exercised its Tranche 1 Conversion for P1,836,250,000 into 253,275,862 shares. As of December 31, 2020, the Holder has not yet exercised its Tranche 2 Conversion right corresponding to P3,443,750,000 into 475,000,000 shares.

On December 31, 2021, the Holder exercised its right to Tranche 2 Conversion and EMP was given a period until February 28, 2022, subsequently modified to May 15, 2022, to issue the Tranche 2 Shares. Pursuant to this, EMP derecognized the financial liability component of the ELS and recognized an equity component amounting to P3.4 billion. Such amount is presented as part of NCI in the 2021 consolidated statement of financial position. The issuance of shares by EMP is expected to happen in 2022.

The carrying amount of the liability and equity components of the ELS instrument as of December 31, 2020 is presented in the 2020 consolidated statement of financial position as part of Other Current Liabilities. The related interest expense amounted to P152.0 million, P52.3 million and P36.4 million in 2021, 2020 and 2019, respectively, and is presented as part of Interest expense under Finance Cost and Other Charges account in the consolidated statements of comprehensive income (see Note 27).

Long-term deposits from patrons relate to cash deposited by patron groups as part of the Group’s loyalty program. These deposits are expected to be reclaimed by the patrons beyond 12 months from year-end.

Guaranty deposits consist of rental deposits and utility deposits.

Provision for dilapidations is recognized for the present value of the costs to be incurred by WML for the restoration of the leased properties to a specified condition at the end of the lease term in 2029 as provided in the tenant repairing clauses of lease agreements. Additional provisions are capitalized as part of ROUA in 2021, 2020 and 2019.

Provision for onerous lease pertains to WML's existing non-cancellable lease agreements on leasehold properties located in Glasgow and Edinburgh, Scotland, covering manufacturing plant facilities, buildings and parking spaces, which are vacant or subleased at a discount. The provision takes into account the current market conditions, expected future vacant periods, and expected future sublet benefits and are calculated by discounting expected net cash outflows on a pre-tax basis over the remaining period of the lease, which as of December 31, 2021 and 2020, is between one to nine years and one to ten years, respectively. In line with the adoption of PFRS 16 in 2019, the Group adjusted a portion of its provision amounting to P399.0 million against the beginning balance of right-of-use assets (see Note 13.3). In 2021 and 2020, the Group recognized additional provision amounting to P38.1 million and P56.3 million, respectively, because of certain changes in assumptions arising from the impact of COVID-19. The additional provision is presented as part of Miscellaneous under Other Operating Expenses account in the 2021 and 2020 consolidated statements of comprehensive income since the related right-of-use assets were fully impaired as of December 31, 2019 (see Note 26). The outstanding provision pertains to the remaining services expected to be settled with third party.

Others, which are currently due, include liabilities on stocks purchases and due to condominium unit holders arising from condo hotel operations while Others, which are not currently due, include accrued dividends on redeemable preferred shares (see Note 20.2) and security and miscellaneous deposits.

22. EQUITY

22.1 Capital Stock

Capital stock consists of:

| | Shares | | | Amount | | |
|------------------------------|-----------------------|-----------------------|-----------------------|--------------------------|-------------------------|-------------------------|
| | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 |
| Common shares – P1 par value | | | | | | |
| Authorized | <u>12,950,000,000</u> | <u>12,950,000,000</u> | <u>12,950,000,000</u> | <u>P12,950,000,000</u> | <u>P12,950,000,000</u> | <u>P12,950,000,000</u> |
| Capital stock | | | | <u>P10,269,827,979</u> | <u>P10,269,827,979</u> | <u>P10,269,827,979</u> |
| Additional paid-in capital | | | | <u>34,518,916,029</u> | <u>34,518,916,029</u> | <u>34,518,916,029</u> |
| Total issued: | <u>10,269,827,979</u> | <u>10,269,827,979</u> | <u>10,269,827,979</u> | <u>44,788,744,008</u> | <u>44,788,744,008</u> | <u>44,788,744,008</u> |
| Treasury stock – at cost | <u>(956,709,700)</u> | <u>(686,257,400)</u> | <u>(569,464,200)</u> | <u>(10,516,348,052)</u> | <u>(7,596,939,422)</u> | <u>(6,793,114,766)</u> |
| Total outstanding | <u>9,313,118,279</u> | <u>9,583,570,579</u> | <u>9,700,363,779</u> | <u>P34,272,395,956</u> | <u>P37,191,804,586</u> | <u>P37,995,629,242</u> |

On March 12, 1999, the SEC approved the initial public offering of the Company's 336.1 million shares (248.1 million then outstanding and 88.0 million new issues) at P1.27 per share. The shares were initially listed in the PSE on April 19, 1999.

A 10% stock dividend was approved by the SEC and listed in September 1999. Three private placements ensued up to January 2011, of which 1.5 billion shares were listed in 2006. Then, a 10% rights offering of 200.47 million shares and 1:1 stock rights of 2.2 billion shares were approved and listed in 2005 and 2007, respectively. In 2007, there were also a share-swap transaction and a follow-on international offering wherein 4.1 billion and 1.8 billion shares, respectively, were issued and listed.

As at December 31, 2021 and 2020, the quoted closing price per share was P11.8 and P10.6, respectively. There are 996 holders, which include nominees, of the Company's total issued and outstanding shares as at December 31, 2021. The percentage of the Company's shares of stock owned by the public is 30.89% and 32.72% as at December 31, 2021 and 2020, respectively.

22.2 Additional Paid-in Capital

APIC consists mainly of P21.9 billion from the stock rights offering, share swap transaction and international offering in 2007. In prior years, the Group reissued treasury shares, resulting in an increase in APIC amounting to P7,237.7 million.

In 2019, P123.5 million was reclassified from Share Options account following the expiration of share options granted on December 19, 2011.

22.3 Treasury Shares

On September 19, 2017, the BOD approved a two-year share repurchase program of up to P5.0 billion worth of shares in the open market, to enhance shareholder value. On September 18, 2019, the BOD approved another share repurchase program for P2.5 billion over a 12-month period ending on September 23, 2020. On September 21, 2020, the BOD approved another one-year share repurchase program for P2.5 billion to end on September 23, 2021. On October 8, 2021, the BOD approved another share repurchase program for a term of 2.5 years for P4.0 billion to end on April 8, 2024. As of December 31, 2021, the Parent Company has repurchased 798,475,700 shares for P9,342.1 million, which included transaction costs.

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

There are 158.23 million shares held by subsidiaries at a total cost of P1.17 billion that were reported as part of Treasury Shares in the consolidated statements of changes in equity (see Notes 2.15 and 22.5).

22.4 Other Reserves

The components of Other Reserves are presented below (see Note 2.15).

| | Consolidation | Legal | |
|---|--------------------------------|----------------------------|--------------------------------|
| | Reserves | Reserves | Total |
| Balance as of January 1, 2021 | P 9,391,857,779 | P 44,165,771 | P 9,436,023,550 |
| Effect of change in percentage of ownership | 10,341,436,777 | - | 10,341,436,777 |
| Changes in legal reserves | - | 1,052,040 | 1,052,440 |
| | <u>10,341,436,777</u> | <u>1,052,040</u> | <u>10,342,489,217</u> |
| Balance as of December 31, 2021 | <u>P 19,733,294,556</u> | <u>P 45,217,811</u> | <u>P 19,778,512,767</u> |

| | <u>Consolidation Reserves</u> | <u>Legal Reserves</u> | <u>Total</u> |
|---|-----------------------------------|---------------------------|--------------------------|
| Balance as of January 1, 2020 | P 10,952,271,570 | P 49,535,301 | P 11,001,806,871 |
| Effect of change in percentage of ownership | (1,560,413,791) | - | (1,560,413,791) |
| Changes in legal reserves | <u>-</u> | <u>(5,369,530)</u> | <u>(5,369,530)</u> |
| | <u>(1,560,413,791)</u> | <u>(5,369,530)</u> | <u>(1,565,783,321)</u> |
| Balance as of December 31, 2020 | <u>P 9,391,857,779</u> | <u>P 44,165,711</u> | <u>P 9,436,023,550</u> |
| Balance as of January 1, 2019 | P 17,173,392,786 | P 15,792,199 | P 17,189,184,985 |
| Effect of change in percentage ownership | (6,221,121,216) | - | (6,221,121,216) |
| Changes in legal reserves | <u>-</u> | <u>33,743,102</u> | <u>33,743,102</u> |
| | <u>(6,221,121,216)</u> | <u>33,743,102</u> | <u>(6,187,378,114)</u> |
| Balance as of December 31, 2019 | <u>P 10,952,271,570</u> | <u>P 49,535,301</u> | <u>P 11,001,806,871</u> |

In 2021, MREIT offered and sold 949,837,500 shares or 37.51% ownership interest held by Megaworld, through an initial public offering for P16.10 per share or P14.7 billion. The sale of shares did not result in the Group's loss of control over MREIT. The difference between the proportionate net book value and the consideration received amounting to P10,448.9 million is credited to Consolidation reserves under Other Reserves in the 2021 consolidated statement of changes in equity.

In 2019, AGI repurchased shares of Travellers upon its delisting in the PSE which resulted to a credit of P4,050.7 million to Consolidation reserves under Other Reserves in the 2019 consolidated statement of changes in equity.

Various investment activities of the Group from 2019 to 2021 as described in Note 1, apart from those mentioned above, affected AGI's effective ownership over its subsidiaries. The impact to equity attributable to owners of AGI is recorded as part of Consolidation reserves under Other reserves in the consolidated statements of changes in equity.

22.5 Dividends

On December 1, 2021, the BOD approved the declaration of cash dividends of P0.07 per share. Total dividends amounting to P672.0 million were payable on January 12, 2022 to stockholders of record as at December 17, 2021. The unpaid dividends as of December 31, 2021 were presented, net of P29.4 million final tax, as part of Dividends payable under Trade and Other Payables account in the 2021 consolidated statement of financial position (see Note 17).

On December 1, 2020, the BOD approved the declaration of cash dividends of P0.05 per share. Total dividends amounting to P485.6 million were payable on January 6, 2021 to stockholders of record as at December 15, 2020. The unpaid dividends as of December 31, 2020, net of P26.5 million final tax, were presented as part of Dividends payable under Trade and Other Payables account in the 2020 consolidated statement of financial position (see Note 17).

The amounts presented in the consolidated statements of changes in equity are net of dividends paid to subsidiaries (see Note 22.3). The Parent Company did not declare any dividends in 2019.

22.6 Share Options

(a) *Of the Company*

On July 27, 2011, the BOD approved an Executive Share Option Plan (“ESOP”) for the Company’s key executive officers, which was subsequently ratified by the stockholders on September 20, 2011. Under the ESOP, the Company shall initially reserve for exercise of share options up to 300.0 million common shares, or 3% of the outstanding capital stock, which may be issued out of the authorized but unissued shares. Share options may be granted within 10 years from the adoption of the ESOP and continue to be exercisable in accordance with terms of issue. Modification of any part of the ESOP is subject to approval by the stockholders before such modification can take effect.

The options shall vest within three years from date of grant (“offer date”) and the holder may exercise only a third of the option at the end of each year of the three-year vesting period. The vested option may be exercised within seven years from date of grant. The exercise price shall be at a 15% discount from the volume weighted average closing price of the Company’s shares for nine months immediately preceding the date of grant.

On December 19, 2011, pursuant to this ESOP, the Company granted share options to certain key executives to subscribe to 46.5 million common shares of the Company, at an exercise price of P9.175 per share. As at December 31, 2019, all of the said options have expired and the related value of the stock option amounting to P123.5 million was reclassified to Additional Paid-in Capital account (see Note 22.2).

On March 14, 2013, the Company granted additional 59.1 million share options to certain key executives at an exercise price of P12.9997. On March 12, 2020, the BOD affirmed the resolution of the Corporate Governance Committee to extend the exercise period for this grant until March 15, 2025 under the same terms and exercise price, and on August 6, 2020, this was ratified by the stockholders. As at December 31, 2021 and 2020, all of the said options vested and none have been exercised.

The fair values of the option granted were estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP.

The following principal assumptions were used in the valuation of the March 2013 grant:

| | | |
|---|---|---------|
| Original option life | | 7 years |
| Share price at grant date | P | 21.65 |
| Exercise price at grant date | P | 12.9997 |
| Average fair value at grant date | P | 9.18 |
| Average standard deviation of share price returns | | 35.29% |
| Average dividend yield | | 2.10% |
| Average risk-free investment rate | | 2.92% |

The underlying expected volatility was determined by reference to historical prices of the Company’s shares over a period of four years.

(b) *Of Megaworld*

On April 26, 2012, Megaworld's BOD approved an ESOP for its key executive officers, and on June 15, 2012, the stockholders adopted it.

The options shall generally vest on the 60th birthday of the option holder and may be exercised until the date of his/her retirement from Megaworld. The exercise price shall be at a 15% discount from the volume weighted average closing price of Megaworld's shares for nine months immediately preceding the date of grant.

Pursuant to this ESOP, on November 6, 2012, Megaworld granted share options to certain key executives to subscribe to 235.0 million of its common shares, at an exercise price of P1.77 per share.

In 2013, additional share options were granted to certain key executives to subscribe to 20.0 million common shares of Megaworld at an exercise price of P2.33 per share. In 2014, additional 40.0 million share options were granted in 2014 at an average exercise price of P3.00 per share. In 2019, additional 10 million share options were granted at an exercise price of P1.77. There were no grants in 2015 to 2018.

Further, in 2021 and 2019, 15.0 million and 10.0 million share options, respectively, were forfeited due to resignation of certain key executive officers. There was no forfeiture due to resignation in 2020.

A total of 1.0 million and 5.0 million and 10.0 million share options have vested in 2021, 2020 and 2019, respectively.

In 2020 and 2019, 1.0 million and 0.5 million share options were exercised, respectively, at a price of P1.77 per share. There was no similar transaction in 2021.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP.

The following principal assumptions were used in the valuation:

| | |
|---|---------------------|
| Option life | 6.08 to 30.17 years |
| Share price at grant date | P2.54 to P4.52 |
| Exercise price at grant date | P1.77 to P3.23 |
| Fair value at grant date | P0.98 to P2.15 |
| Average standard deviation of share price return | 10.98 % |
| Average dividend yield | 0.82 % |
| Average risk-free investment rate | 3.93 % |

The underlying expected volatility was determined by reference to historical date of Megaworld's shares over a period of time consistent with the option life.

(c) *Of GERI*

On September 23, 2011, GERI's BOD approved an ESOP for its key executive officers. This was approved on November 8, 2011 by stockholders holding at least 2/3 of the outstanding capital stock. The purpose of the ESOP is to enable the key executives and senior officers of GERI, who are largely responsible for its further growth and development, to obtain an ownership interest and thereby encourage long-term commitment to GERI. The ESOP is being administered by the Executive Compensation Committee of GERI's BOD.

Under the ESOP, GERI shall initially reserve for exercise of share options up to 500.0 million common shares of its outstanding shares to be issued, in whole or in part, out of the authorized but unissued shares. Share options may be granted within 10 years from the adoption of the ESOP and may be exercised within seven years from date of grant.

The exercise price shall be at a 15% discount from the volume weighted average closing price of GERI's shares for twelve months immediately preceding the date of grant. The options shall vest within three years from date of grant and the holder of an option may exercise only a third of the option at the end of each year of the three-year period.

As of December 31, 2021, pursuant to this ESOP, GERI has granted the options to its key executive officers to subscribe to 400.0 million GERI shares. An option holder may exercise in whole or in part his vested option provided, that, an option exercisable but not actually exercised within a given year shall accrue and may be exercised at any time thereafter but prior to the expiration of said option's life cycle. All 400.0 million options were fully vested as of December 31, 2019, but none of these have been exercised yet by any of the option holders as of December 31, 2021.

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 data 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 and adopted by the shareholders on December 15, 2014. On August 17, 2021 EMP's BOD approved certain amendments to the plan.

The options shall generally vest on the 60th birthday or the date of retirement of the option holder provided that the option holder had continuously served as an employee for 11 years after the option offer date or 3 years for option holder who has continuously served for at least 20 years before the option offer date, and may be exercised within 5 years from vesting date, subject to the terms and conditions of the amended ESOP. The exercise price shall be at most 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, share options were granted to certain key executives of EDI to subscribe to 118.0 million common shares of EMP at an exercise price of P7.00 per share.

On March 25, 2021 and August 25, 2021, share options were granted to certain qualified employees to subscribe to 20.0 million and 55.0 million common shares of EMP, at an exercise price of P10.10 and P10.65 per share, respectively.

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 | 11 - 20.23 years |
| Share price at grant date | P8.90 - P15.50 |
| Exercise price at grant date | P7.00 - P10.65 |
| Average fair value of option at grant date | P3.26 - P7.59 |
| Average standard deviation of share price returns | 10.24% - 13.13% |
| Average dividend yield | 1.08% - 1.10% |
| Average risk-free investment rate | 4.44% - 4.89% |

The underlying expected volatility was determined by reference to historical prices of EMP's shares over a period of one year.

(e) *Of Travellers*

Travellers has adopted an ESOP that grants share options to eligible key executive officers.

Travellers' ESOP is exempt from the registration requirements of SEC's Securities Regulation Code with respect to the issuance of the common shares, not to exceed 945,352,491 common shares, to eligible employees pursuant to Travellers' ESOP adopted by the its shareholders and BOD effective June 13, 2014.

The purpose of the ESOP is to (a) strengthen the alignment of interests between key employees and consultants of Travellers and its shareholders through the ownership of Travellers' shares of common stock and thereby increase focus on Travellers' share value; (b) motivate, attract and retain the services of key employees and consultants of Travellers, upon whose judgment, valuable work and special efforts, the day-to-day and long-term success and development of the business and the operations of Travellers are largely dependent; and, (c) encourage long-term commitment of the key employees and consultants of Travellers to contribute to the long-term financial success of Travellers.

The ESOP was being administered by the Remuneration and Compensation Committee of Travellers' BOD. The ESOP was abolished last October 21, 2019, when the Company was approved of their delisting application. The Company has not granted any option to its eligible optionees as of October 21, 2019.

The Group recognized a total of P55.1 million P48.3 million and P45.7 million Share-option benefit expense in 2021, 2020 and 2019, respectively, as part of Salaries and employee benefits under Other Operating Expenses account in the consolidated statements of comprehensive income and a corresponding credit to Equity and through Non-controlling Interest account for the portion related to the other shareholders of the subsidiaries (see Notes 26 and 28.3).

22.7 Appropriated Retained Earnings

In 2021 and 2020, GADC's BOD approved the appropriation of P6.5 billion and P6.0 billion, respectively, for its continuing business expansion projects which include construction of new stores and business extensions, renovation of existing stores and development of information technology projects. The construction of new stores and renovation of existing stores are projected to be completed within 2023. The appropriation in 2020 was fully utilized and reversed in 2021, through opening of nineteen new company-owned McDonald's restaurants and development of information technology projects. In 2019 and 2018, GADC's BOD appropriated P6.7 billion and P6.2 billion for the continuing business expansion which was fully utilized and reversed in 2020 and 2019, respectively.

In 2021, AWGI reversed the appropriated retained earnings of P800.0 million for capital expenditures. Also, in 2021, AWGI appropriated P1,200.0 million for the rehabilitation of furnace and other capital expenditures for the glass manufacturing plant which are expected to be completed in 2025.

In 2020, NTLPI's BOD approved the appropriation of P400.0 million for capital expenditures, including land development for the next two years.

22.8 Perpetual Capital Securities

On April 11, 2018, Megaworld issued bonds amounting \$200.0 million. The bonds were issued with a nominal interest of 5.375% per annum and interest is payable semi-annually in arrears every April 11 and October 11. The bonds are currently listed in the Singapore Exchange. The financial instruments are treated as equity securities. These bonds may be voluntarily redeemed by Megaworld on April 11, 2023 or on any distribution date thereafter. The amount was previously presented as part of Non-controlling interest (NCI). As of December 31, 2020 and 2019, the perpetual capital securities do not appear in the consolidated statements of financial position because all are held within the Group.

In 2021, Megaworld fully redeemed its perpetual capital securities for P9.8 billion. The excess of carrying amount of perpetual capital securities over the redemption price was directly credited to the consolidated retained earnings for the amount of P333.7 million and to NCI for the amount of P150.6 million as presented in the 2021 consolidated statement of changes in equity [see Notes 3.1(i) and 9].

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 | |
|------------|--|------|---|---------------|---------------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 | December 31, 2021 | December 31, 2020 |
| | Megaworld | 31% | 31% | P 4,178,119 | P 3,108,155 | P 87,459,353 |
| Travellers | 50% | 51% | (287,691) | (2,782,397) | 21,769,074 | 22,056,765 |
| GADC | 51% | 51% | 443,287 | (295,849) | 2,052,137 | 1,608,850 |
| Emperor | 14% | 16% | 1,413,897 | 1,238,112 | 14,053,492 | 13,429,678 |

Dividends paid to NCI amounted to P1.4 billion in 2021, P0.8 billion in 2020 and P1.5 billion in 2019.

The summarized financial information of the subsidiaries, before intragroup eliminations, is shown below and in the succeeding page (in thousands).

| | December 31, 2021 | | | |
|--|-----------------------------|-----------------------------|----------------------------|-----------------------------|
| | <u>Megaworld</u> | <u>Travellers</u> | <u>GADC</u> | <u>Emperor</u> |
| Current assets | P 227,834,770 | P 18,774,333 | P 16,615,717 | P 64,945,196 |
| Non-current assets | <u>170,142,481</u> | <u>98,999,830</u> | <u>21,153,272</u> | <u>63,571,181</u> |
| Total assets | <u>P 397,977,251</u> | <u>P 117,774,163</u> | <u>P 37,768,989</u> | <u>P 128,516,377</u> |
| Current liabilities | P 61,908,026 | P 41,344,617 | P 11,463,479 | P 23,523,398 |
| Non-current liabilities | <u>106,365,234</u> | <u>43,263,835</u> | <u>18,087,267</u> | <u>26,274,744</u> |
| Total liabilities | <u>P 168,273,260</u> | <u>P 84,608,452</u> | <u>P 29,550,746</u> | <u>P 49,798,141</u> |
| Revenues | <u>P 50,754,291</u> | <u>P 13,182,574</u> | <u>P 24,937,193</u> | <u>P 55,936,272</u> |
| Profit (loss) for the year attributable to: | | | | |
| Owners of Parent | P 13,434,467 | (P 568,783) | P 869,191 | P 9,971,065 |
| NCI | <u>943,926</u> | <u>287,946</u> | <u>(26,947)</u> | <u>177,294</u> |
| Profit (loss) for the year | <u>14,378,393</u> | <u>(280,838)</u> | <u>842,244</u> | <u>10,148,359</u> |
| Other comprehensive income (loss) attributable to: | | | | |
| Owners of Parent | 1,841,957 | 150,220 | (65,488) | 3,704,272 |
| NCI | <u>23,590</u> | <u>-</u> | <u>-</u> | <u>44,363</u> |
| Other comprehensive income (loss) for the year | <u>1,865,547</u> | <u>150,220</u> | <u>(65,488)</u> | <u>3,748,635</u> |
| Total comprehensive income (loss) for the year | <u>P 16,243,940</u> | <u>(P 130,617)</u> | <u>P 776,756</u> | <u>P 13,896,995</u> |
| Net cash from (used in) | | | | |
| Operating activities | P 5,623,613 | P 9,351,369 | P 3,964,750 | P 16,414,417 |
| Investing activities | (6,921,007) | (3,193,095) | (1,250,043) | (1,596,297) |
| Financing activities | 4,925,244 | (5,871,615) | (1,891,452) | (13,045,506) |

| | December 31, 2019 | | | |
|---|-------------------|--------------|--------------|--------------|
| | Megaworld | Travellers | GADC | Emperador |
| <i>Balance brought forward</i> | P 19,296,029 | P 941,112 | P 1,893,837 | P 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) |

23. EARNINGS PER SHARE

Earnings per share is computed as follows:

| | 2021 | 2020 | 2019 |
|---|----------------------|----------------------|----------------------|
| Basic: | | | |
| Net profit attributable to owners of the parent company | P 16,944,095,592 | P 8,829,293,379 | P 17,721,519,071 |
| Divided by the weighted average number of outstanding common shares | <u>9,313,118,279</u> | <u>9,583,570,579</u> | <u>9,700,363,779</u> |
| | <u>P 1.8194</u> | <u>P 0.9213</u> | <u>P 1.8269</u> |
| Diluted: | | | |
| Net profit attributable to owners of the parent company | P 16,944,095,592 | P 8,829,293,379 | P 17,721,519,071 |
| Divided by the weighted average number of outstanding common shares and potentially dilutive shares | <u>9,313,118,279</u> | <u>9,583,570,579</u> | <u>9,702,914,942</u> |
| | <u>P 1.8194</u> | <u>P 0.9213</u> | <u>P 1.8264</u> |

The actual number of outstanding common shares approximates the weighted average for each year. There are 2.6 million potentially dilutive shares as at December 31, 2019 from the Group's ESOP (see Note 22.6). However, such number of dilutive shares has no significant effect on the weighted average number of outstanding common shares and, consequently, has little effect on the 2019 diluted EPS.

The basic and diluted earnings per share are the same for the years ended December 31, 2021 and 2020, as the potentially dilutive shares from the Group's ESOP are considered to be antidilutive since their conversion to ordinary shares would increase earnings per share. Thus, the number of issued and outstanding common shares presented above does not include the effect of the potential common shares from the ESOP.

24. REVENUES

24.1 Disaggregation of Revenues

The Group disaggregates revenues recognized from contracts with customers into the operating business segments presented in Notes 4.1 and 4.4 that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The same disaggregation is used in earnings releases, annual reports and investor presentations.

The breakdown of revenues from sale of goods and rendering of services is presented below:

| | Notes | 2021 | 2020 | 2019 |
|---|---------------|--------------------------------|-------------------------|-------------------------|
| Sale of Goods: | | | | |
| Sales of consumer goods | 2.16(a) | P 56,906,491,121 | P 52,156,126,415 | P 50,916,284,803 |
| Real estate sales | 2.16(b, c) | 31,129,417,724 | 24,858,537,303 | 42,603,984,572 |
| | | <u>P 88,035,908,845</u> | <u>P 77,014,663,718</u> | <u>P 93,520,269,375</u> |
| Rendering of Services: | | | | |
| Sales by company-operated quick-service restaurants | 2.16(f) | P 22,745,083,827 | P 18,045,120,784 | P 28,769,278,450 |
| Rental income | 2.18, 14 | 13,781,184,993 | 13,170,220,536 | 17,326,063,085 |
| Net gaming revenues | 2.16 | 10,330,110,235 | 9,398,336,935 | 21,545,613,743 |
| Hotel operations | 2.16(d, e) | 4,245,502,111 | 3,581,296,104 | 7,545,578,746 |
| Franchise revenues | 2.16(g), 31.5 | 2,192,109,300 | 1,764,272,777 | 3,195,054,315 |
| Others | 2.16(h) | 1,616,239,176 | 1,581,467,111 | 2,661,270,958 |
| | | <u>P 54,910,229,642</u> | <u>P 47,540,714,247</u> | <u>P 81,042,859,297</u> |

Other revenues include income from commissions, construction, property management operations, cinema operations, parking, bingo, tournaments and production shows.

The disaggregation of revenues for each reportable segment is presented below and in the succeeding page.

| | 2021 | | | | | |
|-----------------------|--------------------------------|-------------------------------|-------------------------------|--------------------------------|-------------------------------|---------------------------------|
| | Megaworld | Travellers | GADC | Emperador | Unallocated | Total |
| Sale of goods | P 31,129,417,724 | P - | P - | P54,845,254,471 | P 2,061,236,650 | P 88,035,908,845 |
| Rendering of services | 16,723,156,919 | 13,178,792,085 | 24,981,223,562 | 14,613,920 | 12,443,156 | 54,910,229,642 |
| | <u>P 47,852,574,643</u> | <u>P13,178,792,085</u> | <u>P24,981,223,562</u> | <u>P 54,859,868,391</u> | <u>P 2,073,679,806</u> | <u>P 142,946,138,487</u> |

| | 2020 | | | | | |
|-----------------------|-------------------------|------------------------|------------------------|-------------------------|----------------------|--------------------------|
| | Megaworld | Travellers | GADC | Emperador | Unallocated | Total |
| Sale of goods | P 24,858,537,303 | P - | P - | P51,395,295,032 | P 760,831,383 | P 77,014,663,718 |
| Rendering of services | <u>15,501,186,258</u> | <u>12,167,008,299</u> | <u>19,872,519,690</u> | <u>-</u> | <u>-</u> | <u>47,540,714,247</u> |
| | <u>P 40,359,723,561</u> | <u>P12,167,008,299</u> | <u>P19,872,519,690</u> | <u>P 51,395,295,032</u> | <u>P 760,831,383</u> | <u>P 124,555,377,965</u> |

| | 2019 | | | | | |
|-----------------------|-------------------------|------------------------|------------------------|------------------------|----------------------|--------------------------|
| | Megaworld | Travellers | GADC | Emperador | Unallocated | Total |
| Sale of goods | P 42,603,984,572 | P - | P - | P50,259,676,633 | P 656,608,170 | P 93,520,269,375 |
| Rendering of services | <u>20,738,933,862</u> | <u>28,267,765,663</u> | <u>32,008,231,692</u> | <u>27,928,080</u> | <u>-</u> | <u>81,042,859,297</u> |
| | <u>P 63,342,918,434</u> | <u>P28,267,765,663</u> | <u>P32,008,231,692</u> | <u>P50,287,604,713</u> | <u>P 656,608,170</u> | <u>P 174,563,128,672</u> |

24.2 Contract Accounts

The significant changes in the contract assets and contract liabilities balances as of December 31 are as follows:

| | 2021 | | 2020 | |
|--|-------------------------------|------------------------------|------------------------|------------------------|
| | Contract Assets | Contract Liabilities | Contract Assets | Contract Liabilities |
| Balance at beginning of year | P19,380,726,313 | P5,843,629,303 | P18,643,004,687 | P 5,213,555,043 |
| Transfers from contract assets recognized at the beginning of year to trade receivables | (6,331,845,183) | - | (4,684,255,960) | - |
| Increase due to satisfaction of performance obligation over time, net of cash collection | 6,873,366,232 | - | 5,421,977,586 | - |
| Revenue recognized that was included in contract liabilities at the beginning of year | - | (1,704,149,276) | - | (1,195,609,872) |
| Increase due to cash received in excess of performance to date | <u>-</u> | <u>3,264,215,781</u> | <u>-</u> | <u>1,825,684,132</u> |
| Balance at end of year | <u>P19,922,247,362</u> | <u>P7,403,695,808</u> | <u>P19,380,726,313</u> | <u>P 5,843,629,303</u> |

The current and non-current classification of the Group's Contract Assets account as presented in the consolidated statements of financial position is shown below.

| | 2021 | 2020 |
|-------------|--------------------------------|-------------------------|
| Current | P 11,970,852,843 | P 13,265,242,603 |
| Non-current | <u>7,951,394,519</u> | <u>6,115,483,710</u> |
| | <u>P 19,922,247,362</u> | <u>P 19,380,726,313</u> |

The current and non-current classification of the Group's Contract Liabilities account as presented in the consolidated statements of financial position is shown below.

| | 2021 | 2020 |
|-------------|-------------------------------|------------------------|
| Current | P 2,447,089,883 | P 2,647,780,045 |
| Non-current | <u>4,956,605,925</u> | <u>3,195,849,258</u> |
| | <u>P 7,403,695,808</u> | <u>P 5,843,629,303</u> |

The outstanding balance of trade receivables arising from contracts with real estate and hotel customers amounted to P27.5 billion and P25.7 billion as of December 31, 2021 and 2020, 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 2021 and 2020 is presented below.

| | <u>2021</u> | <u>2020</u> |
|------------------------------|-------------------------------|-------------------------------|
| Balance at beginning of year | P 3,360,073,323 | P 2,113,414,716 |
| Additional capitalized costs | 1,049,897,401 | 1,898,751,533 |
| Reversals due to back-out | (14,187,040) | (12,545,654) |
| Amortization for the year | (820,861,943) | (639,547,272) |
| Balance at end of year | <u>P 3,574,921,741</u> | <u>P 3,360,073,323</u> |

The breakdown of deferred commission as of December 31, 2021 and 2020 is presented Below (see Note 9).

| | <u>2021</u> | <u>2020</u> |
|-------------|-------------------------------|-------------------------------|
| Current | P 1,552,396,393 | P 1,805,210,470 |
| Non-current | <u>2,022,525,348</u> | <u>1,554,862,853</u> |
| | <u>P 3,574,921,741</u> | <u>P 3,360,073,323</u> |

24.4 Transaction Price Allocated to Unsatisfied Performance Obligations

The aggregate amount of transaction price allocated to partially or wholly unsatisfied contracts amounted to P47.1 billion and P41.8 billion as of December 31, 2021 and 2020, respectively, which the Group expects to recognize as follows:

| | <u>2021</u> | <u>2020</u> |
|-------------------------------------|--------------------------------|--------------------------------|
| Within a year | P 21,139,283,515 | P 17,112,265,610 |
| More than one year to three years | 19,761,215,172 | 19,283,075,464 |
| More than three years to five years | <u>6,225,643,643</u> | <u>5,426,500,143</u> |
| | <u>P 47,126,142,330</u> | <u>P 41,821,841,217</u> |

25. COST OF GOODS SOLD AND SERVICES

The components of cost of goods sold and services are as follows:

| | Notes | 2021 | 2020 | 2019 |
|--|--------|--------------------------------|-------------------------|-------------------------|
| Cost of Goods Sold: | 2.16 | | | |
| Cost of consumer goods sold: | | | | |
| Direct materials used | | P 30,423,454,664 | P 20,559,491,616 | P 27,045,305,943 |
| Salaries and employee benefits | 28.1 | 1,498,786,389 | 1,404,287,077 | 1,495,018,481 |
| Depreciation and amortization | 13 | 1,178,508,887 | 1,188,004,363 | 902,861,094 |
| Change in work in process and finished goods | | 617,875,112 | 10,746,888,171 | 2,201,004,997 |
| Utilities | | 359,775,061 | 269,051,436 | 240,089,684 |
| Indirect materials and other consumables | | 352,562,619 | 279,932,536 | 333,823,318 |
| Repairs and maintenance | | 325,965,699 | 255,517,659 | 285,073,846 |
| Outside services | 30.1 | 266,880,588 | 240,130,937 | 234,555,623 |
| Supplies | | 161,066,562 | 73,696,771 | 243,509,236 |
| Taxes and licenses | | 129,182,495 | 191,844,422 | 169,487,067 |
| Other direct and overhead costs | 8 | 999,179,638 | 668,338,522 | 554,348,157 |
| | | <u>36,313,237,714</u> | <u>35,877,183,510</u> | <u>33,705,077,446</u> |
| Cost of real estate sales: | | | | |
| Contracted services | | 13,921,991,148 | 9,505,319,098 | 17,531,181,959 |
| Land costs | | 1,870,060,652 | 3,598,926,919 | 4,927,689,375 |
| Borrowing costs | | 792,405,811 | 462,338,695 | 549,543,413 |
| Other costs | | 289,825,668 | 223,941,120 | 371,404,253 |
| | 2.7 | <u>16,874,283,279</u> | <u>13,790,525,832</u> | <u>23,379,819,000</u> |
| | | <u>P 53,187,520,993</u> | <u>P 49,667,709,342</u> | <u>P 57,084,896,446</u> |
| Cost of Services: | 2.16 | | | |
| Food, supplies and other consumables | | P 10,198,881,316 | P 8,364,214,634 | P 13,759,782,530 |
| Salaries and employee benefits | 28.1 | 4,933,089,160 | 5,465,068,304 | 8,419,165,899 |
| Depreciation and amortization | 13, 14 | 4,925,177,592 | 5,020,689,064 | 4,413,068,746 |
| Gaming license fees | 29.3 | 3,147,619,690 | 2,636,024,717 | 5,908,762,626 |
| Rental | 13.4 | 1,770,757,012 | 1,417,386,202 | 3,196,427,509 |
| Outside services | | 1,081,226,866 | 1,245,013,053 | 810,865,489 |
| Hotel operations | | 814,552,675 | 668,681,337 | 1,381,156,765 |
| Casino operating expenses | | 471,180,190 | 318,685,528 | 1,056,185,565 |
| Entertainment, amusement and recreation | | 28,957,341 | 31,548,612 | 88,024,085 |
| Flight operations | | - | 19,138,932 | 45,164,491 |
| Other direct and overhead costs | | <u>2,648,327,741</u> | <u>2,102,844,938</u> | <u>2,181,871,398</u> |
| | | <u>P 30,019,769,583</u> | <u>P 27,289,295,321</u> | <u>P 41,260,475,103</u> |

Other direct and overhead costs include, among others, costs incurred for real property taxes, insurance, repairs and maintenance, utilities, other operating supplies, service fees charged by online ordering platforms and waste disposal.

26. OTHER OPERATING EXPENSES

The details of other operating expenses are shown below.

| | Notes | 2021 | 2020 | 2019 |
|--|-----------------------------|--------------------------------|--------------------------------|--------------------------------|
| Salaries and employee benefits | 22.6, 28.1 | P 5,992,663,117 | P 6,010,147,091 | P 7,144,731,793 |
| Advertising and promotions | | 5,925,905,035 | 5,442,508,371 | 9,733,284,262 |
| Depreciation and amortization | 13, 14, 15 | 4,975,102,489 | 4,633,694,543 | 4,414,504,107 |
| Professional fees and outside services | | 2,054,907,104 | 1,754,679,361 | 2,230,438,143 |
| Impairment of PPE and intangibles | 13, 15 | 1,970,737,642 | 337,678,063 | 360,779,482 |
| Taxes and licenses | | 1,643,980,830 | 1,580,851,219 | 1,419,368,580 |
| Commissions | 24.3 | 1,252,692,456 | 1,261,848,815 | 2,496,225,421 |
| Royalty | 31.5 | 1,123,511,292 | 889,229,140 | 1,411,937,403 |
| Utilities | | 1,087,053,472 | 950,790,339 | 1,523,080,666 |
| Transportation and travel | | 747,272,335 | 737,193,346 | 1,255,802,420 |
| Repairs and maintenance | | 572,716,282 | 497,323,933 | 627,031,314 |
| Dues and subscriptions | | 457,350,127 | 524,970,742 | 470,115,202 |
| Freight and handling | | 415,133,136 | 559,511,059 | 470,860,051 |
| Management fees | 30.3, 31.4 | 233,416,658 | 167,636,473 | 508,866,877 |
| Rental | 13.4 | 212,051,183 | 368,647,671 | 507,267,828 |
| Representation and entertainment | | 158,882,100 | 378,253,305 | 560,602,339 |
| Impairment of receivables | 6 | 70,025,018 | 234,331,971 | 12,453,267 |
| Communication and office expenses | | 58,597,847 | 59,837,455 | 74,462,512 |
| Insurance | | 38,037,836 | 37,569,713 | 30,062,799 |
| Write-down of inventories | 8 | 24,429,762 | 64,913,811 | 34,242,266 |
| Miscellaneous | 12.6, 13.2, 15, 21, 31.2 | 3,028,902,253 | 2,785,576,861 | 3,367,076,854 |
| | | <u>P 32,043,367,974</u> | <u>P 29,277,193,282</u> | <u>P 38,653,193,586</u> |

Miscellaneous expenses include expenses incurred for security services, supplies and other consumables, donations, training and development, dues and subscriptions, and various other expenses.

These other operating expenses are classified by function as follows:

| | 2021 | 2020 | 2019 |
|-------------------------------------|--------------------------------|--------------------------------|--------------------------------|
| General and administrative expenses | P 21,580,879,470 | P 19,221,601,871 | P 22,486,207,787 |
| Selling and marketing expenses | <u>10,462,488,504</u> | <u>10,055,591,411</u> | <u>16,166,985,799</u> |
| | <u>P 32,043,367,974</u> | <u>P 29,277,193,282</u> | <u>P 38,653,193,586</u> |

27. OTHER INCOME AND CHARGES

Other income and charges provide details of Finance and Other Income account and Finance Costs and Other Charges account as presented in the consolidated statements of comprehensive income.

| | Notes | 2021 | 2020 | 2019 |
|--|---------------|-------------------------------|-------------------------------|-------------------------------|
| Finance and other income: | | | | |
| Gain on co-development agreement | 16, 31.8(ii) | P 5,849,603,560 | P - | P - |
| Interest income | 2.16, 5, 6, 7 | 2,158,373,961 | 2,160,829,212 | 2,874,346,544 |
| Gain on COVID-19-related rent concessions | 2.3(a), 13.2 | 509,232,978 | 413,426,144 | - |
| Reversal of impairment losses on PPE | 13.1, 13.2 | 182,933,013 | 296,042,370 | - |
| Reversal of impairment losses on receivables | 6 | 95,700,853 | 7,575,360 | 142,414,348 |
| Gain on sale of financial assets at FVTPL | 7 | 79,576,615 | - | 16,221,425 |
| Gain from derecognition of right-of-use assets and lease liabilities | 13.2, 13.3 | 32,926,577 | 51,149,786 | - |
| Dividend income | | 19,524,671 | 7,117,104 | 20,870,837 |
| Foreign currency gains – net | 11, 19 | - | 593,679,386 | 893,016,567 |
| Fair value gains - net | 7 | - | 130,149 | - |
| Gain on finance lease | 6 | - | - | 350,218,385 |
| Gain on sale and dilution of investments in associates | 12.2, 12.4 | - | - | 340,809,382 |
| Insurance recovery | 31.10 | - | - | 69,386,881 |
| Miscellaneous – net | 6, 8, 13, 21 | <u>913,338,697</u> | <u>589,288,599</u> | <u>538,278,002</u> |
| | | <u>P 9,846,377,786</u> | <u>P 4,119,238,110</u> | <u>P 5,245,562,371</u> |

| | Notes | 2021 | 2020 | 2019 |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Finance costs and other charges: | | | | |
| Interest expense | 13.3, 18, 19, 20, 21, 28.2 | P 7,239,976,324 | P 6,840,980,033 | P 6,292,708,219 |
| Foreign currency losses – net | | 1,180,044,788 | - | - |
| Day one loss | 6 | 483,265,727 | 269,781,190 | 494,929,021 |
| Loss on disposal of PPE and investment properties – net | 13 | 91,383,298 | 174,787,449 | 11,601,932 |
| Fair value losses – net | 7 | 2,772,787 | - | 1,528,528 |
| Loss on sale of financial assets at FVTPL | 7 | 1,306,930 | 818,378 | - |
| Miscellaneous | | 452,421,513 | 363,916,470 | 319,763,763 |
| | | <u>P 9,451,171,367</u> | <u>P 7,650,283,520</u> | <u>P 7,120,531,463</u> |

Interest income mainly pertains to interest earned from the Group's financial assets at amortized cost and financial assets at FVTPL.

Miscellaneous income includes gain on sale of other non-current assets, marketing fees and others.

Miscellaneous expenses pertain to amortization of discounts on security deposits, bank charges and other related fees.

28. SALARIES AND EMPLOYEE BENEFITS

28.1 Salaries and Employee Benefits

Expenses recognized for salaries and employee benefits are presented below.

| | Notes | 2021 | 2020 | 2019 |
|--------------------------------------|------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Short-term employee benefits | | P 11,832,690,140 | P 12,343,924,950 | P 16,466,671,687 |
| Post-employment defined benefit | 2.21(b), 28.2 | 334,441,221 | 281,743,665 | 365,960,970 |
| Post-employment defined contribution | | 202,274,995 | 205,493,775 | 180,607,937 |
| Share option benefit expense | 2.21(e), 22.6, 28.3, 30.8 | 55,132,310 | 48,340,082 | 45,675,579 |
| | | <u>P 12,424,538,666</u> | <u>P 12,879,502,472</u> | <u>P 17,058,916,173</u> |

These are classified in the consolidated statements of comprehensive income as follows:

| | Notes | 2021 | 2020 | 2019 |
|--------------------------|-------|--------------------------------|--------------------------------|--------------------------------|
| Cost of goods sold | 25 | P 1,498,786,389 | P 1,404,287,077 | P 1,495,018,481 |
| Cost of services | 25 | 4,933,089,160 | 5,465,068,304 | 8,419,165,899 |
| Other operating expenses | 26 | 5,992,663,117 | 6,010,147,091 | 7,144,731,793 |
| | | <u>P 12,424,538,666</u> | <u>P 12,879,502,472</u> | <u>P 17,058,916,173</u> |

28.2 Post-employment Defined Benefit

(a) Characteristics of the Defined Benefit Plan

Megaworld Group, EDI, EELHI, GADC and WML maintain funded, tax-qualified, noncontributory post-employment benefit plans, except that EELHI is partially-funded and GADC allows voluntary employee contribution. Each of the plans is being administered by a trustee bank that is legally separated from the Group. GERI and GADC's subsidiaries have unfunded, noncontributory post-employment benefit plans. All of plans mentioned cover all qualified regular and full-time employees.

The Parent Company and all other subsidiaries have no established corporate retirement plans. AWGI and TEI compute their retirement obligations based on the provisions of R.A. No. 7641, *The Retirement Pay Law*. Whereas, the Parent Company and the other subsidiaries within the Group have not accrued any post-employment benefit obligation as each entity has less than ten employees. The Group's management believes that non-accrual of the estimated post-employment benefits will not have any material effect on the Group's consolidated financial statements.

(b) *Explanation of Amounts Presented in the Consolidated Financial Statements*

Actuarial valuations are made annually to update the post-employment benefit costs and the amount of contributions. All amounts presented below and in the succeeding pages are based on the actuarial valuation reports obtained from independent actuaries in 2021 and 2020.

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:

| | <u>2021</u> | <u>2020</u> |
|---|-----------------------------|-------------------------------|
| Present value of the obligation | P18,570,053,950 | P18,527,265,539 |
| Fair value of plan assets | (17,588,309,672) | (16,094,952,613) |
| | 981,744,278 | 2,432,312,926 |
| Unrecognized asset due to the effect of the asset ceiling | <u>307,852</u> | <u>-</u> |
| | <u>P 982,052,130</u> | <u>P 2,432,312,926</u> |

The movements in the present value of retirement benefit obligation are as follows:

| | <u>2021</u> | <u>2020</u> |
|---|--------------------------------|--------------------------------|
| Balance at beginning of year | P 18,527,265,539 | P 17,334,655,874 |
| Effects of foreign currency adjustment | 924,176,000 | (410,525,122) |
| Current service and interest costs | 830,559,014 | 881,210,464 |
| Past service cost | - | 2,476,491 |
| Remeasurements – | | |
| Actuarial losses (gains) arising from changes in: | | |
| Financial assumptions | (558,350,712) | 1,205,855,326 |
| Demographic assumptions | (151,408,891) | 278,476,360 |
| Experience adjustments | (241,412,419) | 127,875,106 |
| Benefits paid | (760,774,581) | (892,758,960) |
| Balance at end of year | <u>P 18,570,053,950</u> | <u>P 18,527,265,539</u> |

The movements in the fair value of plan assets of funded retirement plans of the Group are presented below.

| | <u>2021</u> | <u>2020</u> |
|--|--------------------------------|-------------------------|
| Balance at beginning of year | P 16,094,952,613 | P 15,143,284,766 |
| Effects of foreign exchange adjustment | 924,032,000 | (412,026,001) |
| Return on plan assets (excluding amounts included in net interest) | 415,944,842 | 1,215,280,925 |
| Benefits paid | (597,376,778) | (734,424,352) |
| Contributions paid into the plan | 450,972,940 | 551,215,465 |
| Interest income | 299,784,055 | 331,621,810 |
| Balance at end of year | <u>P 17,588,309,672</u> | <u>P 16,094,952,613</u> |

The plan assets of MEG, EMP, GADC and Travellers as at December 31 consist of the following:

| | <u>2021</u> | <u>2020</u> |
|------------------------------|-----------------------|----------------|
| Investments in: | | |
| Long-term equity investments | 65.07% | 63.42% |
| Debt instruments | 25.54% | 26.15% |
| Unit investment trust fund | 2.54% | 2.29% |
| Cash and cash equivalents | 2.42% | 3.71% |
| Property | 4.43% | 4.41% |
| Loans and receivables | 0.01% | 0.02% |
| | <u>100.00%</u> | <u>100.00%</u> |

Actual returns on plan assets in 2021 and 2020 amounted to P715.7 million and P1,546.9 million, respectively.

The fair value of the investments in other securities and debt instruments, long-term equity investments and cash and cash equivalents is at Level 1 in the fair value hierarchy. Unit investment trust fund is at Level 2, while loans and receivables and property are at Level 3 (see Note 34).

The amounts of post-employment benefits expense recognized as part of Salaries and employee benefits in profit or loss (see Note 28.1) and other comprehensive income are as follows:

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|-----------------------------|----------------------|----------------------|
| <i>Reported in consolidated profit or loss –</i> | | | |
| Current service cost | P 334,441,221 | P 279,267,174 | P 365,960,970 |
| Past service cost | - | 2,476,491 | - |
| | <u>P 334,441,221</u> | <u>P 281,743,665</u> | <u>P 365,960,970</u> |

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|---|-------------------------------|---------------------------------|---------------------------------|
| <i>Reported in consolidated other comprehensive income:</i> | | | |
| Actuarial gains (losses) arising from changes in: | | | |
| Financial assumptions | P 281,535,295 | (P 1,205,855,326) | (P 2,010,691,704) |
| Demographic assumptions | 173,348,692 | (278,476,360) | (571,726,580) |
| Experience adjustments | 218,185,195 | (127,875,106) | (125,507,518) |
| Return on plan assets (excluding amounts in net interest expense) | 429,430,934 | 1,215,280,925 | 2,051,615,975 |
| Change in effect of asset ceiling | 149,511 | - | - |
| | 1,366,967,353 | (396,925,867) | (405,294,791) |
| Tax income (expense) | (278,240,315) | (208,421,283) | 29,007,853 |
| | <u>P 1,088,727,038</u> | <u>(P 605,347,150)</u> | <u>(P 376,286,938)</u> |

In 2021, 2020 and 2019, post-employment benefit expense amounting to P202.3 million, P205.5 million, and P180.6 million, respectively, were incurred for WML's defined contribution plan.

The amounts of post-employment benefits expense are included as part of Salaries and employee benefits under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 26).

The interest costs are presented as part of Interest expense under Finance Costs and Other Charges account (see Note 27).

In determining the post-employment benefit obligation, the following actuarial assumptions were used:

| | <u>2021</u> | <u>2020</u> |
|------------------------------------|----------------------|----------------|
| Discount rates | 3.58% - 5.20% | 3.70% - 5.12% |
| Expected rates of salary increases | 3.00% - 7.00% | 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.

| | <u>Change in Assumption</u> | <u>Impact on Post-employment Obligation</u> | |
|---------------------------------|-----------------------------|---|-------------------------------|
| | | <u>Increase in Assumption</u> | <u>Decrease in Assumption</u> |
| <u>December 31, 2021</u> | | | |
| Discount rate | +/-0.25% to +/-1.00% | (P 1,886,148,261) | P 2,178,649,103 |
| Salary increase rate | +/-1.0% | 1,708,903,998 | (1,375,674,225) |
| <u>December 31, 2020</u> | | | |
| Discount rate | +/-0.25% to +/-1.00% | (P 1,400,533,254) | P 1,644,211,046 |
| Salary increase rate | +/-1.0% | 1,069,174,899 | (891,874,650) |

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 P982.1 million based on the Group's latest actuarial valuations. While there is no minimum funding requirement in the Philippines, the size of the underfunding may pose a cash flow risk in about 20 years' time when a significant number of employees is expected to retire.

The maturity profile of undiscounted expected benefit payments from the plan as at December 31 are as follows:

| | <u>2021</u> | <u>2020</u> |
|-----------------------------------|--------------------------------|--------------------------------|
| Within one year | P 676,454,272 | P 612,336,840 |
| More than one year to five years | 1,653,749,357 | 2,039,505,267 |
| More than five years to ten years | 1,450,798,473 | 1,412,911,211 |
| More than ten years to 15 years | 758,411,681 | 769,785,844 |
| More than 15 years to 20 years | 1,258,063,321 | 1,313,404,284 |
| More than 20 years | <u>6,437,395,444</u> | <u>6,437,395,444</u> |
| | <u>P 12,234,872,548</u> | <u>P 12,585,338,890</u> |

The Group expects to contribute P111.6 million and P40.0 million to the retirement plan maintained for Megaworld and GADC, respectively, in 2021. GERI and EMP have yet to decide the amount of future contributions to their existing retirement plans.

28.3 Share Option Benefits

The Group's share option benefit expense includes the amounts recognized by the Company, Megaworld, GERI and EMP over the vesting period of the options granted by them (Travellers has not yet granted any share options to its eligible optionees) (see Note 22.6). Options for 465.0 million shares and 440.0 million shares have vested and exercisable as at December 31, 2021 and 2020, respectively. Share option benefits expense, included as part of Salaries and employee benefits amounted to P55.1 million in 2021, P48.3 million in 2020 and P45.7 million in 2019 (see Note 28.1).

29. TAXES

29.1 Current and Deferred Taxes

On March 26, 2021, Republic Act (R.A.) No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, as amended, was signed into law and took effect on April 11, 2021 (15 days after publication). The following are the major changes brought about by the CREATE Act, which are relevant to and considered by AGI and its Philippine subsidiaries:

- regular corporate income tax (“RCIT”) rate is decreased from 30% to 25% starting July 1, 2020;
- minimum corporate income tax (“MCIT”) rate is decreased from 2% to 1% starting July 1, 2020 until June 30, 2023;
- the imposition of 10% tax on improperly accumulated retained earnings is repealed; and,
- the allowable deduction for interest expense is reduced from 33% to 20% of the interest income subjected to final tax.

As a result of the application of the lower RCIT rate starting July 1, 2020, the current income tax expense and income tax payable, as presented in each 2020 annual income tax returns (“ITR”), would be lower by P340.8 million than the amount presented in the 2020 consolidated financial statements and such amount was charged to 2021 profit or loss.

In 2021, the recognized net deferred tax liabilities as of December 31, 2020 was remeasured to the effective tax rates that applies to the components. This resulted in a decline in the recognized deferred tax liabilities in 2020 by P1,888.7 million and such was recognized as tax expense in the 2021 profit or loss (P1,854.8 million) and in other comprehensive income (P33.9 million).

In UK, an increase in corporate tax rates from 19% to 25% shall take effect on April 1, 2023 by the Royal Assent received on June 10, 2021. Accordingly, deferred tax assets and deferred tax liabilities were remeasured at the new tax rate which resulted in additional tax expense of which P672.4 million pertains principally to intangibles at the consolidation level. This deferred tax adjustment was taken up in the consolidated financial statements only, does not affect stand-alone operating results of UK business, and it would not be realized or paid unless the business is liquidated or sold in the far future.

The tax expense reported in the consolidated statements of comprehensive income for the years ended December 31 are presented below (see Note 37.1).

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|-------------------------------|------------------------|------------------------|
| <i>Reported in consolidated profit or loss:</i> | | | |
| Current tax expense: | | | |
| RCIT at 30%, 25%, 19% and 10% | P 3,029,364,593 | P 4,190,172,616 | P 5,847,290,957 |
| MCIT at 1% in 2021 and 2% in 2020 and 2019 | 17,600,870 | 124,145,803 | 24,259,585 |
| Final tax at 20% and 15% | 54,703,063 | 95,025,628 | 315,964,163 |
| Preferential tax rate at 5% | 3,903,409 | 2,470,548 | 26,812,173 |
| Adjustment in 2020 income tax due to change in tax rate | (340,765,934) | - | - |
| Others | 56,277,237 | 10,851,633 | 22,348,608 |
| | <u>2,821,083,238</u> | <u>4,422,666,228</u> | <u>6,236,675,486</u> |
| Deferred tax expense (income): | | | |
| Due to the effect of change in income tax rate | (1,514,083,174) | - | - |
| Relating to effect of change in income tax rate on fair value of assets/ intangibles | 672,384,000 | - | - |
| Relating to origination and reversal of temporary differences | 2,307,573,325 | 223,043,409 | 2,533,168,879 |
| | <u>1,465,874,151</u> | <u>223,043,409</u> | <u>2,533,168,879</u> |
| | <u>P 4,286,957,389</u> | <u>P 4,645,709,637</u> | <u>P 8,769,844,365</u> |
| <i>Reported in consolidated other comprehensive income –</i> | | | |
| Deferred tax expense (income): | | | |
| Due to the effect of change in income tax rate | (P 33,899,505) | P - | P - |
| Relating to origination and reversal of temporary differences | 323,953,231 | 203,940,044 | (29,947,808) |
| | <u>P 290,053,726</u> | <u>P 203,940,044</u> | <u>(P 29,947,808)</u> |

The Company and its Philippine subsidiaries are subject to the higher of RCIT at 25% in 2021 and 30% in 2020 of net taxable income or MCIT at 1% in 2021 and 2% in 2020 of gross income, as defined under the Philippine tax regulations. The foreign subsidiaries are subject to income and other taxes based on the enacted tax laws of the respective countries or jurisdictions where they operate.

MREIT is registered as a real estate investment trust entity under R.A. No. 9846 which enjoys certain income tax-free incentives, including deductibility of dividend distribution (subject to certain conditions) and exemption from MCIT.

ECOC, SEDI, Travellers, DHRI and LSHRI are Philippine Economic Zone Authority – registered entities which are entitled to 5% preferential tax rate on gross income from registered activities in lieu of all local and national taxes and to other tax privileges.

In May 2014, the Board of Investments approved SPI's application for registration on a certain project. SPI is entitled to income tax holiday for four years from May 2014 or actual start of commercial operations/selling, whichever is earlier but in no case earlier than the date of registration, with certain terms. In May 2018, the registration with Board of Investments on the certain project has expired.

The reconciliation of tax on consolidated pretax income computed at the applicable statutory rates to consolidated tax expense is as follows:

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|---|-------------------------------|------------------------|------------------------|
| Tax on consolidated pretax income at 25% in 2021 and 30% in 2020 and 2019 | P 7,018,985,557 | P 4,471,596,117 | P 10,760,974,341 |
| Effect of change in income tax rate | (1,182,465,108) | - | - |
| Adjustment for income subjected to different tax rates | (320,059,170) | (278,695,172) | (392,261,409) |
| Tax effects of: | | | |
| Income not subject to RCIT | (7,393,882,844) | (6,892,435,488) | (11,280,631,715) |
| Nondeductible expenses | 5,158,999,200 | 6,048,086,449 | 8,656,572,348 |
| Tax benefit arising from unrecognized deferred tax asset | 1,048,647,814 | 1,389,201,783 | 826,894,719 |
| Adjustments in claiming | | | |
| Optional Standard Deduction ("OSD") | (424,113,544) | (216,046,654) | 284,614,862 |
| Others | 380,845,484 | <u>124,002,602</u> | <u>(86,318,781)</u> |
| Tax expense reported in consolidated profit or loss | <u>P 4,286,957,389</u> | <u>P 4,645,709,637</u> | <u>P 8,769,844,365</u> |

The deferred tax assets and liabilities as at December 31 presented in the consolidated statements of financial position relate to the following:

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|---|--------------------------------|-------------------------|-------------------------|
| Deferred tax assets – net: | | | |
| Lease liabilities | P 3,978,266,773 | P 4,823,535,729 | P 4,241,570,673 |
| Retirement benefit obligation | 367,021,184 | 807,752,626 | 687,630,599 |
| Allowance for impairment losses | 191,624,535 | 165,110,241 | 169,307,403 |
| Difference between the fair value and carrying value of net assets acquired | 141,225,062 | 141,225,062 | 141,225,062 |
| Net operating loss carry-over ("NOLCO") | 55,273,231 | 192,766,983 | 5,766,629 |
| MCIT | 45,469,960 | 112,734,340 | 2,054,074 |
| Allowance for inventory write-down | 19,183,175 | 31,677,025 | 18,910,914 |
| Allowance for property development costs | 7,689,776 | 9,227,732 | 9,227,732 |
| Unrealized foreign currency loss | (232,104) | - | 1,627,464 |
| Others | 164,567,491 | <u>67,577,647</u> | <u>200,008,661</u> |
| | <u>P 4,970,539,083</u> | <u>P 6,351,607,385</u> | <u>P 5,477,329,211</u> |
| Deferred tax liabilities – net: | | | |
| Uncollected gross profit | P 7,095,801,281 | P 6,623,820,829 | P 7,039,045,027 |
| Capitalized interest | 3,914,130,209 | 4,161,467,864 | 3,620,859,394 |
| Right-of-use asset | 3,018,701,667 | 3,694,709,140 | 3,269,619,057 |
| Brand valuation | 2,491,991,522 | 1,807,354,161 | 1,612,067,160 |
| Rent income differential | 1,037,372,316 | 1,071,596,877 | 1,173,233,118 |
| Unrealized foreign currency loss – net | (690,783,131) | (374,269,984) | (705,855,183) |
| Fair value adjustment | 386,575,763 | 280,794,649 | 250,030,968 |
| Retirement benefit obligation | 73,078,395 | (86,226,360) | (359,341,851) |
| Uncollected rental income | 65,973,836 | 37,264,192 | 34,979,523 |
| Others | 774,321,872 | <u>575,792,787</u> | <u>439,636,491</u> |
| | <u>P 18,167,163,730</u> | <u>P 17,792,304,155</u> | <u>P 16,374,273,704</u> |

The net deferred tax expense (income) reported in the consolidated statements of comprehensive income is shown below.

| | Consolidated Profit or Loss | | | Consolidated Other Comprehensive Income | | |
|--|-----------------------------|----------------------|-----------------------|---|---------------------|-----------------------|
| | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 |
| Deferred tax expense (income): | | | | | | |
| Brand valuation | P 684,637,361 | P 195,287,001 | (P 220,901,496) | P - | P - | P - |
| Uncollected gross profit | 471,980,452 | (669,620,316) | 2,119,133,707 | - | - | - |
| Unrealized foreign currency losses - net | (328,094,454) | 331,585,199 | 148,503,722 | - | - | - |
| Retirement benefit obligation | 321,795,882 | 48,321,237 | (249,186,139) | 278,240,315 | 208,421,283 | (29,007,853) |
| Capitalized interest | (247,337,655) | 592,193,899 | 629,431,927 | - | - | - |
| NOLCO | 137,043,752 | (187,000,354) | (367,414) | - | - | - |
| Fair value adjustments | 105,781,114 | 30,779,550 | 171,234,563 | - | - | - |
| MCIT | 67,264,380 | (110,680,266) | 3,669,008 | - | - | - |
| Rent income differential | (34,224,561) | (101,636,241) | (214,516,038) | - | - | - |
| Uncollected rental income | 28,709,644 | (3,683,975) | (46,664,018) | - | - | - |
| Allowance for impairment losses | (12,482,488) | 10,536,958 | (2,998,325) | - | - | - |
| Accrued rent | 1,537,956 | 3,399,573 | 3,299,972 | - | - | - |
| Translation adjustments | - | - | - | 11,813,411 | (4,481,239) | (939,955) |
| Others | 269,262,768 | 83,561,144 | 192,529,410 | - | - | - |
| Net deferred tax expense (income) | <u>P1,465,874,151</u> | <u>P 223,043,409</u> | <u>P2,533,168,879</u> | <u>P290,053,726</u> | <u>P203,940,044</u> | <u>(P 29,947,808)</u> |

The details of NOLCO, which can be claimed as deduction from the respective subsidiaries' future taxable income, are shown below. Specifically, NOLCO incurred in 2020 and 2021 can be claimed as a deduction within five years after the year it was incurred, pursuant to Section 4 (bbbb) of R.A. No. 11494, *Bayanihan to Recover as One Act* (otherwise known as Bayanihan II) and as implemented under Revenue Regulations No. 25-2020.

| Year | Original Amount | Applied | Expired Balance | Remaining Balance | Valid Until |
|------|------------------------|------------------------|------------------------|------------------------|-------------|
| 2021 | P 3,894,565,470 | P - | P - | P 3,894,565,470 | 2026 |
| 2020 | 5,095,100,079 | (236,880) | - | 5,094,863,199 | 2025 |
| 2019 | 2,554,636,847 | (40,663,361) | (40,448,252) | 2,473,525,234 | 2022 |
| 2018 | 462,696,002 | (267,528,467) | (195,167,535) | - | |
| | <u>P12,006,998,398</u> | <u>(P 308,428,708)</u> | <u>(P 235,615,787)</u> | <u>P11,462,953,903</u> | |

Some companies within the Group are subject to the MCIT which is computed at 2% of gross income, as defined under the tax regulations. The details of excess MCIT over RCIT, which can be applied as deduction from the entities' respective future RCIT payable within three years from the year the MCIT was paid, are shown below.

| Year | Original Amount | Applied | Expired Balance | Remaining Balance | Valid Until |
|------|----------------------|--------------------|-----------------------|----------------------|-------------|
| 2021 | P 19,339,585 | P - | P - | P 19,339,585 | 2024 |
| 2020 | 115,231,299 | (258,234) | - | 114,973,065 | 2023 |
| 2019 | 21,359,451 | (154,982) | - | 21,204,469 | 2022 |
| 2018 | 62,398,404 | (137,497) | (62,260,907) | - | |
| | <u>P 218,328,739</u> | <u>(P 550,713)</u> | <u>(P 62,260,907)</u> | <u>P 155,517,119</u> | |

The table below summarizes the amount of NOLCO and other deductible temporary differences as at the end of 2021, 2020 and 2019 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.

| | 2021 | | 2020 | | 2019 | |
|--|-------------------------------|------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | Amount | Tax Effect | Amount | Tax Effect | Amount | Tax Effect |
| NOLCO | P11,241,860,980 | P 2,810,465,245 | P 5,653,621,307 | P 1,696,086,392 | P 4,059,420,723 | P 1,217,826,217 |
| Allowance for impairment | 2,284,099,176 | 571,024,794 | 447,338,780 | 134,201,634 | 314,846,930 | 94,454,079 |
| Share-based compensation | 523,704,160 | 130,926,040 | 523,704,160 | 157,111,248 | 523,704,160 | 157,111,248 |
| MCIT | 110,047,159 | 110,047,159 | 93,622,327 | 93,622,327 | 128,855,798 | 128,855,798 |
| Retirement benefit obligation | 63,808,600 | 15,952,150 | 74,443,367 | 22,333,010 | 181,307,167 | 54,392,150 |
| Unrealized foreign currency gains (losses) – net | (3,690,160) | (922,540) | 10,920,953 | 3,276,286 | (1,811,460) | (543,438) |
| | <u>P14,219,829,915</u> | <u>P3,637,492,848</u> | <u>P 6,803,650,894</u> | <u>P 2,106,630,897</u> | <u>P 5,206,323,318</u> | <u>P 1,652,096,054</u> |

The total amount of MCIT for which no deferred tax assets have been recognized as of December 31, 2021 and 2020, would expire in full at the end of 2024 and 2023, respectively, while unrecognized deferred taxes from NOLCO as of December 31 2021 and 2020 will expire in full on 2026 and 2025, respectively. All other unrecognized deferred tax assets do not expire.

29.2 Optional Standard Deduction

Philippine corporate taxpayers have an option to claim either itemized deductions or OSD equivalent to 40% of gross sales. Once the option to use OSD is made at the beginning of the year, it shall be irrevocable for that particular taxable year.

In 2020 and 2019, the Philippine companies within the Group opted to continue claiming itemized deductions in computing for its income tax due, except for EDI, PAI and AWGI which opted to claim OSD during the said taxable years. In 2021, the Company, EDI, PAI, AWGI and MREIT opted to claim OSD.

29.3 Taxation of Casino Operations

Under the Provisional License Agreement with PAGCOR, Travellers is subject to 25% and 15% license fees, inclusive of franchise tax and in lieu of all taxes, with reference to the income component of the gross gaming revenues. The license fees are directly remitted by Travellers to PAGCOR as required under the Provisional License Agreement.

In April 2013, the Bureau of Internal Revenue (“BIR”) issued Revenue Memorandum Circular (“RMC”) 33-2013 declaring that PAGCOR and its contractees and its licensees are no longer exempt from corporate income tax under the National Internal Revenue Code of 1997, as amended [see Note 31.2(c)].

In August 2016, the SC, in *Bloomberry Resorts and Hotels, Inc. vs. BIR*, (the SC Decision) confirmed that “all contractees and licensees of PAGCOR, upon payment of the 5% franchise tax, shall be exempted from all other taxes, including income tax realized from the operation of casinos.” The SC Decision has been affirmed with finality by SC in a resolution dated November 28, 2016, when it denied the Motion for Reconsideration filed by the BIR. Consistent with the decision of SC, on June 13, 2018, the Office of the Solicitor General issued a legal opinion stating that the tax exemption and imposition of 5% franchise tax in lieu of all other taxes and fees for gaming operations that was granted to PAGCOR extended to all PAGCOR contractees and licensees.

Total license fees recognized amounted to P3.1 billion, P2.6 billion and P5.9 billion in 2021, 2020 and 2019, 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, 2021, 2020 and 2019 are as follows:

| Related Party Category | Notes | Amount of Transaction | | | Outstanding Balance Receivable (Payable) | |
|---|---------|-----------------------|----------------|-----------------|--|-------------------|
| | | 2021 | 2020 | 2019 | 2021 | 2020 |
| Parent Company and subsidiaries’ stockholders: | | | | | | |
| Casino transactions | 30.2 | (P 66,579) P | 23,697,780 P | 236,735,346 P | - | (P 66,579) |
| Management fees | 30.3 | 151,282,459 | 100,326,466 | 312,928,400 | (225,387,007) | (96,767,702) |
| Accounts payable | 30.5 | (32,629,934) | - | - | (315,040,576) | (347,670,510) |
| Acquisition of investment | 30.7 | - | 5,898,135,038 | 930,000,000 | - | - |
| Sale of financial asset at FVOCI – at cost | 11 | - | 1,960,000 | - | - | - |
| Related party under common ownership: | | | | | | |
| Purchase of raw materials | 30.1 | 1,414,490,208 | 2,775,139,348 | 3,709,697,815 | (621,856,151) | (811,977,473) |
| Advances granted | 30.4 | 413,989,152 | 222,908,412 | 474,737,422 | 2,624,589,330 | 2,210,600,178 |
| Purchase of finished goods | 30.1 | 16,516,490 | 14,824,943 | 28,098,331 | (972,593) | (983,717) |
| Management services | 30.1 | 60,000,000 | 60,000,000 | 60,000,000 | (33,000,000) | (110,000,000) |
| Associates: | | | | | | |
| Advances granted | 30.4 | (89,575,462) | 2,252,794 | (34,488,474) | 1,009,737,832 | 1,099,313,294 |
| Deposit from an associate | 31.8 | (9,901,072,000) | 9,901,072,000 | - | - | (9,901,072,000) |
| Others: | | | | | | |
| Advances | 30.6 | (288,090,816) | (62,738,157) | (141,282,465) | (2,469,533,312) | (2,181,442,496) |
| Accounts receivable | 30.5 | 97,356,165 | 145,115,805 | 280,683,010 | 851,430,622 | 754,074,457 |
| Sales of investment property | 30.10 | - | - | - | 378,391,250 | 378,391,250 |
| Accounts payable | 30.5 | (20,000,000) | - | - | (45,208,430) | (65,208,430) |
| Donations | 31.2(b) | 119,946,847 | 103,557,015 | 234,453,338 | (13,436,801) | (10,907,256) |

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

30.1 Purchase of Goods and Management Agreement

Emperador imports raw materials such as alcohol, flavorings and other items, and finished goods through Andresons Global, Inc., a related party under common ownership. These transactions are normally being paid within 30 days. Emperador also imports raw materials from Alcoholera dela Mancha Vinicola, S.L., a wholly owned subsidiary of BLC, which is considered a related party under joint control.

Moreover, Emperador had a management agreement with Consolidated Distillers of the Far East, Inc., a related party under common ownership, for the consultancy and advisory services in relation to the operation, management, development and maintenance of its distillery plant. The total management fees incurred are presented as part of Outside services under the Costs of Goods Sold account in the consolidated statements of comprehensive income (see Note 25).

The outstanding liability related to these purchases is presented as part of Trade payables under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

30.2 Casino Transactions with GHL

Travellers recognized outstanding payables to GHL [see Note 1.1(w)] representing show money received by Travellers from foreign patrons which the counterparty will later remit to the other. The outstanding balances, which are unsecured, noninterest-bearing and payable in cash upon demand, are presented as part of Trade payables under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

30.3 Operations and Management Agreement with GHL

Some of Travellers' administrative functions are being handled by certain key officers and employees under the management of GHL as agreed by both parties under the Operations and Management Agreement. These transactions are presented as part of Management fees under the Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 26). The outstanding liability arising from this transaction is presented as part of Accrued expenses under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

30.4 Advances to Associates and Other Related Parties

Entities within the Group grant advances to associates and other related parties for working capital purposes. These advances to associates and other related parties are unsecured, noninterest-bearing and repayable upon demand. Settlement is generally made in cash or through offsetting arrangements.

The outstanding balances of Advances to associates and other related parties, which are shown as part of Due from related parties under Trade and Other Receivables account in the consolidated statements of financial position, are presented in the succeeding page [see Notes 6 and 12.1].

| | <u>2021</u> | <u>2020</u> |
|-----------------------|-------------------------------|-------------------------------|
| Associates | P 1,009,737,832 | P 1,099,313,294 |
| Other related parties | <u>2,624,589,330</u> | <u>2,210,600,178</u> |
| | <u>P 3,634,327,162</u> | <u>P 3,309,913,472</u> |

The movements in the advances to associates and other related parties are as follows:

| | <u>2021</u> | <u>2020</u> |
|---|-------------------------------|-------------------------------|
| <i>Advances to associates</i> | | |
| Balance at beginning of year | P 1,099,313,294 | P 1,097,060,500 |
| Collections | (89,575,462) | - |
| Cash advances granted | <u>-</u> | <u>2,252,794</u> |
| Balance at end of year | <u>P 1,009,737,832</u> | <u>P 1,099,313,294</u> |
| <i>Advances to other related parties</i> | | |
| Balance at beginning of year | P 2,210,600,178 | P 1,987,691,766 |
| Cash advances granted | 413,989,152 | 258,517,055 |
| Collections | <u>-</u> | <u>(35,608,643)</u> |
| Balance at end of year | <u>P 2,624,589,330</u> | <u>P 2,210,600,178</u> |

As at December 31, 2021 and 2020, based on management's assessment, the outstanding balances of advances to associates and other related parties are not impaired; hence, no impairment losses were recognized (see Note 32.2).

30.5 Due from/to Related Parties

Transactions with related parties include the following: financing of opening of letters of credit and payment of progress billing, royalty fees, rentals, interest and certain expenses in behalf of the entities within Group or other related parties. The amounts due from and to related parties are unsecured, noninterest-bearing and due and demandable any time. Settlement is generally made in cash or through offsetting arrangements.

The outstanding balances of Due from/to Related Parties are presented under Trade and Other Receivables (see Note 6) and Trade and Other Payables (see Note 17) accounts, respectively, in the consolidated statements of financial position as follows:

| | <u>2021</u> | <u>2020</u> |
|--|-----------------------------|-----------------------------|
| <i>Due from Related Parties</i> | | |
| Officers and employees | P 400,085,062 | P 346,821,504 |
| Other related parties | <u>451,345,560</u> | <u>407,252,953</u> |
| | <u>P 851,430,622</u> | <u>P 754,074,457</u> |
| <i>Due to Related Parties</i> | | |
| Stockholders | P 315,040,576 | P 347,670,510 |
| Other related parties | <u>45,208,430</u> | <u>65,208,430</u> |
| | <u>P 360,249,006</u> | <u>P 412,878,940</u> |

The details of the due from/to related parties are as follows:

| | <u>2021</u> | <u>2020</u> |
|---|----------------------|----------------------|
| <i>Due from officers and employees</i> | | |
| Balance at beginning of year | P 346,821,504 | P 185,600,211 |
| Additions | 88,154,871 | 163,016,996 |
| Collections | (34,891,313) | (1,795,703) |
| Balance at end of year | <u>P 400,085,062</u> | <u>P 346,821,504</u> |
| <i>Due from other related parties</i> | | |
| Balance at beginning of year | P 407,252,953 | P 423,358,441 |
| Additions | 60,447,369 | 23,894,512 |
| Collections | (16,354,762) | (40,000,000) |
| Balance at end of year | <u>P 451,345,560</u> | <u>P 407,252,953</u> |
| <i>Due to stockholders</i> | | |
| Balance at beginning of year | P 347,670,510 | P 347,670,510 |
| Repayments | (32,629,934) | - |
| Balance at end of year | <u>P 315,040,576</u> | <u>P 347,670,510</u> |
| <i>Due to other related parties</i> | | |
| Balance at beginning of year | P 65,208,430 | P 65,208,430 |
| Repayments | (20,000,000) | - |
| Balance at end of year | <u>P 45,208,430</u> | <u>P 65,208,430</u> |

With respect to its due from related parties, the Group under the ECL model recognized an impairment recovery amounting to P0.9 million in 2019, which are presented as part of Finance and Other Income account in the 2019 consolidated statement of comprehensive income (see Note 27).

As at December 31, 2021 and 2020, 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 Other 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 P333.2 million and P277.2 million in 2021 and 2020, respectively, and is presented as part of Advances from Related Parties in the consolidated statements of financial position (see Note 10.2).

The movements in advances from related parties are as follows:

| | <u>2021</u> | <u>2020</u> |
|------------------------------|-----------------------|-----------------------|
| Balance at beginning of year | P2,181,442,496 | P2,244,180,653 |
| Advances availed | 336,874,510 | 24,157,233 |
| Advances paid | (48,783,694) | (86,895,390) |
| Balance at end of year | <u>P2,469,533,312</u> | <u>P2,181,442,496</u> |

30.7 Acquisition of Investments

In 2019, AGI and TAGI amended the total consideration for the assignment of subscription rights for the acquisition of 2,250.0 million shares of PCMI in 2018 from P3,714.3 million to P4,644.3 million. This resulted in the recognition of subscription payable to Pacific Coast amounting to P930.0 million, which were paid during the same year. In 2020, AGI acquired additional 184.8 million shares of Megaworld and 524.9 million shares of Emperador at a total cost of P5.9 billion. As at December 31, 2019, the outstanding liability from this transaction amounted to P680.0 million which is shown as part of Others under Trade and Other Payables account in the 2019 consolidated statement of financial position (see Note 17). The outstanding liability was settled in full in 2020. There was no acquisition of investments from the Parent Company and subsidiaries' stockholders in 2021.

30.8 Key Management Personnel Compensation

The compensation of key management personnel is broken down as follows (see Note 28.1):

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|------------------------------|-----------------------------|----------------------|-----------------------|
| Short-term employee benefits | P 761,807,640 | P 664,530,027 | P1,013,451,876 |
| Retirement benefit expense | 90,881,624 | 109,436,279 | 132,403,058 |
| Share option benefit expense | <u>20,226,506</u> | <u>25,594,399</u> | <u>18,717,409</u> |
| | <u>P 872,915,770</u> | <u>P 799,560,705</u> | <u>P1,164,572,343</u> |

30.9 Transactions with the Retirement Plans

The Group has a formal retirement plan established separately for each significant subsidiary, particularly Megaworld, GERI, EELHI, Travellers, GADC, EDI and WML. These plans are defined benefit post-employment plan maintained for qualified employees, administered and managed by trustee banks (except for GERI which is still an unfunded plan) that are legally separated from the Group. The retirement funds do not provide any guarantee or surety for any obligation of the Group and their investments are not covered by any restrictions or liens. Plan assets do not comprise any of the Group's or its related parties' own financial instruments or any of their assets occupied and/or used in its operations. The fair value, carrying amount and the composition of the plan assets as at December 31, 2021 and 2020 are shown in Note 28.2.

30.10 Sale of Investment Property

In 2017, GADC sold a parcel of land to a certain related party with an aggregate cost of P555.7 million for a total consideration of P565.5 million. Receivable from the sale of land amounted to P378.4 million as at December 31, 2021 and 2020. The receivable is collectible upon the completion and submission of required documents by the buyer.

31. COMMITMENTS AND CONTINGENCIES

31.1 Operating Lease Commitments – Group as Lessor

The Group is a lessor under non-cancellable operating lease agreements covering various office and commercial spaces. The leases have terms ranging from 3 to 20 years, with renewal options, and include annual escalation rate of 5% to 10%.

The Group is subject to risk incidental to the operation of its office and commercial properties, which include, among others, changes in market rental rates, inability to renew leases upon lease expiration, and inability to collect rent from tenants due to bankruptcy or insolvency of tenants. Majority of the Group’s revenue from rental properties are derived from commercial and BPO-based tenants. If the expected growth, particularly from BPO-based tenants, does not meet management’s expectations, or in the case of commercial tenants more stringent health measures are imposed resulting to further temporary or permanent closures of commercial establishments, the Group may not be able to lease their properties in a timely manner or collect rent at profitable rates.

To mitigate these risks, tenants pay security deposits and advance rent equal to three to six months’ rent, which are forfeited in case a tenant pre-terminates without prior notice or before the expiry of lease term without cause. In addition, tenants are usually required to pay the monthly rent in advance on a monthly basis, without need of further demand. Security deposits and advance rent are presented as part of Deferred rental income under Other Current Liabilities and Other Non-current Liabilities in the consolidated statements of financial position (see Note 21).

Future minimum lease receivables under these leases as of December 31 are as follows:

| | <u>2021</u> | | <u>2020</u> | | <u>2019</u> |
|---|--------------------------------|---|--------------------------|---|-------------------------|
| Within one year | P 15,346,826,374 | P | 12,632,761,053 | P | 16,115,991,723 |
| After one year but not more than two years | 19,794,874,132 | | 20,521,928,927 | | 18,650,355,567 |
| After two years but not more than three years | 20,409,706,265 | | 21,458,334,550 | | 20,985,308,875 |
| After three years but not more than four years | 22,140,397,894 | | 23,144,750,760 | | 21,954,423,486 |
| After four years but not more than five years | 22,902,976,810 | | 25,236,915,271 | | 23,504,678,022 |
| More than five years | <u>28,951,568,529</u> | | <u>29,407,145,172</u> | | <u>27,249,075,851</u> |
| | <u>P129,546,350,004</u> | | <u>P 132,401,835,733</u> | | <u>P128,459,833,524</u> |

31.2 Provisional License Agreement of Travellers with PAGCOR

On June 2, 2008, PAGCOR issued a Provisional License (“License”) authorizing Travellers to participate in the development of a portion of certain entertainment sites (Site A and B), which is part of a larger scale integrated tourism project envisioned by PAGCOR, and to establish and operate casinos, and engage in gaming activities in Sites A and B. The term of Travellers’ License shall be co-terminus with PAGCOR’s franchise which will expire on July 11, 2033, and shall be renewed subject to the terms of the PAGCOR Charter.

(a) *Investment Commitments*

Under the terms of the License, Travellers and WCRWI are required to complete its U.S.\$1.3 billion (about P66.0 billion) investment commitment in phases, which amount is divided into Site A and Site B with the minimum investment of U.S.\$1.1 billion (about P55.8 billion) and U.S.\$216.0 million (about P11.0 billion), respectively (collectively, the “Project”).

Since PAGCOR was only able to turnover and/or deliver possession of Site A property to the Group in 2014, PAGCOR approved a revised project implementation plan for the Westside City Resorts World Project. WCRWI held the groundbreaking rites at Site A on October 1, 2014.

As a requirement in developing the aforementioned Project, Travellers transferred U.S.\$100.0 million (about P5.1 billion) to an escrow account with a universal 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). If the funds fall below the maintaining balance at any given time, Travellers is allowed a 15-day grace period to achieve the maintaining balance, failure in which will cause Travellers to be charged by PAGCOR an amount equal to P2.5 million for every 15-calendar day period, or a fraction thereof, until the balance is maintained. While the Project is on-going, 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, 2021, Travellers has spent P93.6 billion for its casino projects pursuant to its investment commitment under the License. It has restricted short-term placements amounting to U.S.\$60.8 million (about P3.0 billion) and U.S.\$73.8 million (about P3.0 billion) as at December 31, 2021 and 2020, 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, 2021, 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;
- Scholarship program for underprivileged but deserving students enrolled in the field of performing arts;
- Construction of treatment and rehabilitation centers in coordination with the Department of Health in Davao City and Taguig City;
- Donation of funds for medicines, medical supplies and equipment for Philippine National Police Camp Crame General Hospital and Paranaque City;
- Construction of the National Capital Region Police Office Medical Center and Administrative Processing Center; and,
- Donation of medical supplies and relief goods to public hospitals and various government units to aid in the COVID-19 efforts.

Donations to the Foundation are recorded as part of Miscellaneous under Other Operating Expenses account (see Note 26). The outstanding liability, representing donations due for the last month of each year, and which is unsecured, noninterest-bearing and payable in cash upon demand, as at December 31, 2021 and 2020 is presented as part of Accrued expenses under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

(c) *Tax Contingencies of Casino Operations*

Under the Travellers' License with the PAGCOR, Travellers is subject to the 25% and 15% license fees, in lieu of all taxes, with reference to the income component of the gross gaming revenues. In April 2013, however, the BIR issued RMC 33-2013 declaring that PAGCOR, its contractees and its licensees are no longer exempt from corporate income tax under the National Internal Revenue Code of 1997, as amended (see Note 29.3).

In August 2016, the SC confirmed that “all contractees and licensees of PAGCOR, upon payment of the 5% franchise tax, shall be exempted from all other taxes, including income tax realized from the operation of casinos.” The SC Decision has been affirmed with finality by the SC in a Resolution dated November 28, 2016, when it denied the Motion for Reconsideration filed by the BIR. Consistent with the decision of SC, on June 13, 2018, the Office of the Solicitor General issued a legal opinion stating that the tax exemption and imposition of 5% franchise tax in lieu of all other taxes and fees for gaming operations that was granted to PAGCOR extended to all PAGCOR contractees and licensees.

31.3 Participation in the Incorporation of Entertainment City Estate Management, Inc. (“ECEMI”)

As a PAGCOR licensee, Travellers committed itself to take part in the incorporation of ECEMI in 2012, a non-stock, non-profit entity that shall be responsible for the general welfare, property, services and reputation of the Bagong Nayong Pilipino Entertainment City Manila. As at December 31, 2021 and 2020, contributions made to ECEMI booked in favor of Travellers amounted to P1.3 million and is presented as part of Others under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

31.4 Various Hotel Agreements Entered by Travellers

(a) Marriott Group (Marriott and Courtyard Iloilo)

Travellers has various service, license and royalty agreements with Marriott International B.V., Marriott International Design and Construction Services Inc., and International Hotel Licensing Company S.A.R.L., and Marriott International Licensing Company B.V. (collectively hereafter referred to as “Marriott Group”) for the license, supervision, direction, control and management of operations of the Travellers’ Marriott, including the monitoring of its compliance with Marriott Group’s standards.

The service agreements also include certain services in support of Marriott outside the Philippines. Such services are generally made available to hotels in the Marriott System and shall include the international advertising, promotion and sales programs, core training programs and other training programs for the benefit of the Marriott employees, special services and programs for the benefit of the Marriott System, and the reservations system, property management system and other systems.

Further, the license and royalty agreement with Marriott Group grants Travellers a non-exclusive and non-transferable right and license within Metro Manila and Iloilo to use the Marriott Trademarks for hotel services and other related goods and services offered only in connection with Travellers’ Marriott hotels and brands.

(b) Holiday Inn Express

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 opened in December 2021.

(d) *Sheraton Manila Hotel*

In 2017, an Operating Services Agreement ("OSA") was executed between LSHRI and Starwood Asia Pacific Hotels & Recreation PTE. LTD ("Starwood"), a fully-owned company of Marriott Group, for the license, supervision, direction, control and management of operations of the Sheraton Manila Hotel, including the monitoring of its compliance with Marriott Group's standards.

The OSA also includes certain services similar to those covered by the existing agreement with the Marriott Group. Likewise, the license and royalty agreement with Starwood grants LSHRI similar rights provided by Marriott Group to Travellers. In January 2019, Sheraton Manila Hotel started its commercial operations.

(e) *Hilton Manila*

Also in 2017, a Management Agreement ("MA") was executed between DHRI and Hilton International Manage LLC ("Hilton") for the license, supervision, direction, control and management of operations of Hilton Manila, including the monitoring of its compliance with Hilton's standards.

The MA includes design and decoration of the Hilton Manila, advertising, promotion and sales programs, core training programs and other training programs for the benefit of the Hilton employees, special services and programs, and the reservations system, property management system and other systems.

The MA grants DHRI a nonexclusive and nontransferable right to use the Hilton Trademarks for hotel services and other related goods and services offered only in connection with the Hilton Manila. The Hilton Manila started operations in October 2018.

Payments to be made by Travellers for operating these foregoing hotel brands shall be computed based on the provisions of the above agreements. Total expenses recognized from these transactions in 2021, 2020 and 2019 totaled P70.5 million, P59.4 million and P181.2 million, respectively, and are presented as part of Management fees under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 26). As of 2020, there were no payments yet for the agreements with Okura.

The outstanding liabilities, which are unsecured, noninterest-bearing and payable in cash upon demand, as at December 31, 2021 and 2020 amounted to P36.9 million and P17.4 million, respectively, and are presented as part of Accrued expenses under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

31.5 License Agreements with MRO

MRO granted GADC the nonexclusive right to adopt and use the McDonald's System in its restaurant operations in the Philippines. In March 2005, the license agreement was renewed for another 20 years, and provides for a royalty fee based on certain percentage of gross sales from the operations of GADC's restaurants, including those operated by the franchisees. GADC recognized royalty expenses amounting to P1,123.5 million, P889.2 million and P1,411.9 million in 2021, 2020 and 2019, 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 P780.0 million and P1,115.8 million as at December 31, 2021 and 2020, respectively, and presented as part of Accrued expenses under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

Individual sublicense arrangements granted to franchisees and joint venturers generally include a lease and a license to use the McDonald's system in the Philippines and, in certain cases, the use of restaurant facility, generally for a period of 10 years provided, however, that should GADC's license rights from McDonald's be terminated at an earlier date or not renewed for any reason whatsoever, these sublicense agreements shall thereupon also be terminated. Revenues recognized from sublicense agreements are presented as Franchise revenues under Rendering of Services in the consolidated statements of comprehensive income (see Note 24.1).

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

In 2018, the consortium of seven conglomerates, which included AGI, was granted an Original Proponent Status ("OPS") for its NAIA project proposal. On November 29, 2019, the National Economic and Development Authority approved the unsolicited proposal which triggered the negotiation stage in the process. The project would then have to go through a Swiss Challenge before it can be awarded.

In the light of the far-reaching and long lasting consequences of the COVID-19 pandemic on airline travel, airline operations and airport passenger traffic, the consortium submitted the proposed changes in the Project's framework.. On July 10, 2020, Manila International Airport Authority terminated any further negotiations with the consortium and revoked the OPS and approvals earlier granted.

31.7 Skytrain Project

On October 2017, the Group submitted an unsolicited proposal to the government to build Skytrain that will link Uptown Fort Bonifacio to Guadalupe Station of Metro Rail Transit Line-3. The Group was granted an Original Proponent Status by the DOTr in May 2018 and its proposal is now undergoing review and evaluation at NEDA Board.

31.8 CDA between WCRWI and SHDI

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

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

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

In line with the foregoing, on February 21, 2020, WCRWI and Travellers entered into a lease agreement with SHDI.

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

SHDI shall finance the development and construction of a hotel casino on the leased area. SHDI shall also pay a certain fixed amount to WCRWI for the initial cost of the project.

In 2020, WCRWI received the payment of US\$200.0 million (P9.9 billion) presented as Deposit from SHDI under Trade and Other Payables account in the 2020 consolidated statement of financial position. As of December 31, 2020 (see Notes 17 and 30), certain conditions specified in the CDA had not yet been complied.

In 2021, these conditions specified in the CDA had been fulfilled and the transfer of assets had been completed (see Note 16). Accordingly, such deposit was derecognized in 2021 and the gain arising from such transaction amounting to P5.8 billion was recognized as Gain on Co-Development Agreement in the 2021 consolidated statement of comprehensive income (see Notes 17 and 27).

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

WCRWI and SHDI shall enter into an agreement for the operations and management of a hotel casino for the period of the gaming Provisional License Agreement (i.e. up to July 11, 2033) as well as any extension or renewal of the Provisional License Agreement on terms of the operations and management agreement to be mutually agreed between the WCRWI and SHDI.

On May 4, 2020, the parties entered into the required agreement. In accordance thereof, WCRWI's share on the gross gaming revenues shall be as follows (which payment shall only be payable when the hotel casino commences operation):

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

As of December 31, 2021, the hotel casino has not yet commenced its operation; hence, agreement above has not yet materialized.

(iv) *WCRWI and the Travellers as Warrantors*

Fortune Noble Limited ("Fortune") [a wholly-owned subsidiary of Suncity Group Holdings Limited], the parent company of SHDI, conditionally agreed to subscribe to 2.55 billion new SHDI shares subject to the terms and conditions mutually agreed upon by the parties. WCRWI and Travellers agreed to act as the warrantors, wherein, a put option over the shares of SHDI was included. The put option enables Fortune to transfer ownership over SHDI to the warrantors in exchange for an option price, upon the happening of any of the put option events during the option period. The option period commences from the date of the agreement up to the day immediately preceding the date on which the hotel casino first starts its operation. The put option events mainly pertains to the successful commencement of operations of the hotel casino, which include, among others, the termination or suspension of gaming license due to the default of the warrantors, termination of WCRWI's lease over Site A as applicable, or failure to acquire government consent for operation of hotel casino.

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

Travellers' management assessed that since the put option transfers significant risk to the Group, as warrantors, it shall be accounted for as a financial guarantee to be measured under PFRS 9 [see Note 3.1(n)]. Accordingly, the put option was initially recognized at the amount of premium received then, subsequently measured at the higher of the amount initially recognized or the amount using the ECL model [see Note 2.4(e)].

Applying the ECL model, the option price that WCRWI and Travellers are committed to pay amounting to P3.7 billion was compared with the value of the collateral or the shares of stock that they will receive. In determining the value of the shares, management assessed that the price of SHDI shares in the PSE of P1.12 per share or a total value of P4.1 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, 2021, the value of the put option is still the amount initially recognized as the option price is fully secured by the value of SHDI shares and that the probability of default was assessed to be remote.

31.9 Purchase and Sale Commitment

On December 27, 2020, management approved the sale of certain land and buildings in Spain through the signed letter of intent with Global One. The letter of intent stated that the Group will sell and Global One will purchase the assets at a purchase price of €16.6 million (equivalent to P961.7 million), which is equivalent to the net book value of the property, at any time within the period from December 27, 2020 until three years after the COVID-19 pandemic has ended. The assets remain unsold as of December 31, 2021 and is presented as part of Non-current Assets Held For Sale in the consolidated statements of financial position (see Note 16).

31.10 Others

As at December 31, 2021 and 2020, the Group has unused lines of credit from banks and financial institutions totaling P35.6 billion and P18.2 billion, respectively (see Note 18).

On June 2, 2017, a certain individual entered Travellers' premises, fired his assault rifle, and set ablaze gaming furniture and equipment in the casino which resulted to physical damages on a portion of the Travellers' properties. The individual forcibly entered the casino area with a clear motive to rob and he started fires as a diversionary tactic. The smoke from the fires caused the death of several employees and guests, as well as physical injuries to a number of people. In 2018, Travellers' fully collected the claims accrued as of December 31, 2017 and received additional recoveries for business interruption. Further in 2019, Travellers' received P69.4 million as recoveries for third party claims paid by the Group to the victims in 2017. The Group presented the income from these recoveries under Finance and Other Income account in the 2019 consolidated statement of comprehensive income (see Note 27).

There are other commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying consolidated financial statements. The management of the Group is of the opinion that losses, if any, from these items will not have any material effect on its consolidated financial statements.

32. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has various financial instruments such as cash and cash equivalents, financial assets at FVTPL, financial assets at FVOCI, interest-bearing loans, bonds payable, trade receivables and payables and derivative liabilities which arise directly from the Group's business operations. The financial debts were issued to raise funds for the Group's capital expenditures or working capital requirements. The Group does not actively engage in the trading of financial assets for speculative purposes.

The Group is exposed to a variety of financial risks in relation to financial instruments. The main types of risks are market risk (which includes other price risk), credit risk and liquidity risk.

32.1 Market Risk

(a) Foreign Currency Sensitivity

Most of the Group's transactions are carried out in Philippine pesos, U.S. dollars, Euros and U.K. pounds, which are the functional currencies of the individual subsidiaries making the transactions.

The currency exchange risk arises from transactions carried out in currencies other than the functional currency of the subsidiaries at each entity level. The Group has no significant exposure to changes in foreign currency exchange rates for Euros and U.K. pounds since these currencies are not significant to the Group's consolidated financial statements.

Foreign currency denominated financial assets and liabilities, translated into Philippine pesos at period-end closing rate are as follows:

| | 2021 | | 2020 | |
|-----------------------|----------------------------|------------------------|---------------------------|------------------------|
| | U.S. Dollars | HK Dollars | U.S. Dollars | HK Dollars |
| Financial assets | P 8,527,714,209 | P 1,894,349,341 | P 18,398,371,318 | P 2,101,047,856 |
| Financial liabilities | (39,578,899,793) | (628,939,237) | (40,502,064,230) | (327,936,484) |
| | <u>(P 31,051,185,584)</u> | <u>P 1,265,410,105</u> | <u>(P 22,103,692,912)</u> | <u>P 1,773,111,372</u> |

The sensitivity of the consolidated income before tax for the period with regard to the Group's financial assets and financial liabilities and the U.S. dollar – Philippine peso exchange rate assumes +/- 7.54% and +/- 6.34% changes in exchange rate for the years ended December 31, 2021 and 2020, respectively. The HK dollar – Philippine peso exchange rate assumes +/- 7.56% and +/- 6.44% changes for the years ended December 31, 2021 and 2020. These percentages have been determined based on the average market volatility in exchange rates in the previous year and 12 months, respectively, estimated at 95% level of confidence. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting periods.

If the Philippine peso had strengthened against the U.S. dollar, with all other variables held constant, consolidated profit before tax would have increased by P2.3 billion for the year ended December 31, 2021 and increased by P1.4 billion for the year ended December 31, 2020. If in 2021 and 2020, the Philippine peso had strengthened against the HK dollar, with all other variables held constant, consolidated profit before tax would have decreased by P0.1 billion for both the years ended December 31, 2021 and 2020.

However, if the Philippine peso had weakened against the U.S. dollar and the HK dollar by the same percentages, then consolidated profit before tax would have changed at the opposite direction by the same amounts.

The Group periodically reviews the trend of the foreign exchange rates and monitors its non-functional currency cash flows as part of the Group's foreign exchange risk management strategy consistent with its use and/or entering into cross currency swap agreements.

Exposures to foreign exchange rates vary during the period depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

(b) *Interest Rate Sensitivity*

The Group's interest risk management policy is to minimize interest rate cash flow risk exposures to changes in interest rates. At present, the Group is exposed to changes in market interest rates through bank borrowings and cash and cash equivalents, which are subject to variable interest rates. The Group maintains a debt portfolio unit of both fixed and variable interest rates. All other financial assets are subject to fixed interest rates.

The sensitivity of the consolidated income before tax for the period to a reasonably possible change in interest rates of +/- 0.47% for Philippine peso and +/- 0.38% for U.S. dollar in 2021 and +/- 2.05% for Philippine peso and +/- 2.13% for U.S. dollar in 2020 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, 2021 and 2020, with effect estimated from the beginning of the period. All other variables held constant, the consolidated income before tax would have decreased by P0.2 billion and P0.6 billion for the years ended December 31, 2021 and 2020, 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 | 2021 | 2020 |
|--|-------|---------------------------------|---------------------------------|
| Cash and cash equivalents | 5 | P 82,278,122,850 | P 69,697,688,432 |
| Trade and other receivables | 6 | 59,279,230,664 | 55,880,547,328 |
| Contract assets | 24.2 | 19,922,247,362 | 19,380,726,313 |
| Due from related parties | 6 | 4,485,757,784 | 4,063,987,929 |
| Restricted short-term placements and time deposits | 9 | 3,086,649,157 | 3,077,607,181 |
| Property mortgage receivable | 9 | 646,636,072 | 613,935,936 |
| Refundable and other deposits | 9 | 1,925,728,464 | 2,084,369,921 |
| | | <u>P 171,624,372,353</u> | <u>P 154,798,863,040</u> |

The credit risk for cash and cash equivalents are considered negligible since the counterparties are reputable banks with high quality external credit ratings. Cash and cash equivalents in banks in the Philippines are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 per depositor per banking institution.

The Group maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. Franchisees are subject to stringent financial, credit and legal verification process. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant portion of sales, advance payments are received to mitigate credit risk.

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

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

ECL for advances to associates and other related parties are measured and recognized using the liquidity approach. Management determines possible impairment based on the related party's ability to repay the advances upon demand at the reporting date taking into consideration the historical defaults from the related parties.

Based on the Group's assessment, total loss allowance amounted to P1.4 billion as of December 31, 2021 and 2020, which is mostly coming from receivables from real estate sales.

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

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

The estimated fair value of collateral and other security enhancements held against trade receivables are as follows:

| | <u>Gross Maximum Exposure</u> | <u>Fair Value of Collaterals</u> | <u>Net Exposure</u> |
|----------------------------------|---------------------------------------|--|-------------------------|
| <u>2021</u> | | | |
| Real estate sales receivables | P 24,648,043,135 | P 47,366,699,973 | P - |
| Contract assets | 19,922,247,362 | 39,245,568,476 | - |
| Rental receivables | <u>6,484,362,991</u> | <u>6,868,267,197</u> | <u>-</u> |
| | <u>P51,054,653,488</u> | <u>P93,480,535,646</u> | <u>P -</u> |
| <u>2020</u> | | | |
| Real estate sales receivables | P 25,161,593,375 | P 51,002,905,196 | P - |
| Contract assets | 19,380,726,313 | 36,253,449,145 | - |
| Rental receivables | <u>4,412,404,797</u> | <u>7,685,122,965</u> | <u>-</u> |
| | <u>P 48,954,724,485</u> | <u>P 94,941,477,306</u> | <u>P -</u> |

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

| | <u>2021</u> | <u>2020</u> |
|-----------------------|-------------------------------|-------------------------------|
| Not more than 30 days | P 3,008,898,748 | P 1,900,321,575 |
| 31 to 60 days | 960,552,139 | 1,702,476,239 |
| Over 60 days | <u>4,604,130,704</u> | <u>4,499,027,092</u> |
| | <u>P 8,573,581,591</u> | <u>P 8,101,824,906</u> |

Moreover, the management has assessed that risk over the put option has not increased significantly, as the related probability of any of the put option event from happening is low or remote under the circumstances. Hence, in accordance with the general approach of ECL, the value of the put option was measured on a 12-month basis [see Note 31.8(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 2021, 2020 and 2019, the Group wrote off receivables amounting to P1.0 million, P0.4 million and P69.9 million respectively.

32.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans, bonds, and preferred shares.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits, mutual funds or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets. In addition, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise. Fundraising activities may include obtaining bank loans and capital market issues.

As at December 31, 2021 and 2020, the Group's financial liabilities (excluding lease liabilities – see Note 13.3) have contractual maturities which are presented below.

| | Current | | Non-current | |
|-------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | Within 6 Months | 6 to 12 Months | 1 to 5 Years | Later than 5 Years |
| December 31, 2021: | | | | |
| Trade and other payables | P 51,709,577,951 | P 10,853,593,926 | P - | P - |
| Interest-bearing loans | 56,262,294,141 | 25,601,805,195 | 89,849,826,309 | 10,235,411,126 |
| Bonds payable | 923,161,125 | 923,161,125 | 28,001,900,250 | 17,506,119,750 |
| Advances from related parties | - | 2,469,533,312 | - | - |
| Redeemable preferred shares | 104,259,120 | 355,856,700 | 1,365,641,108 | - |
| Subscription payable | - | 1,114,665,008 | - | - |
| Guaranty deposits | - | 50,613,498 | 98,056,158 | 487,325,361 |
| Accrued rent | 1,335,701 | 1,335,701 | 8,267,316 | - |
| Derivative liabilities* | 743,688,137 | 10,743,048 | 10,229,777 | - |
| Other liabilities | - | 2,632,525,561 | 13,864,779,355 | - |
| | <u>P109,744,316,175</u> | <u>P 44,013,833,074</u> | <u>P133,198,700,273</u> | <u>P 28,228,856,237</u> |
| December 31, 2020: | | | | |
| Trade and other payables | P 45,205,848,778 | P 15,140,777,051 | P - | P - |
| Interest-bearing loans | 27,993,950,057 | 25,580,114,668 | 129,359,591,892 | 809,092,749 |
| Bonds payable | - | 1,846,322,250 | 29,154,792,750 | 18,199,639,500 |
| ELS | 99,750,000 | 3,443,750,000 | - | - |
| Advances from related parties | - | 2,181,442,496 | - | - |
| Redeemable preferred shares | - | 257,384,324 | 251,597,580 | 1,574,159,348 |
| Subscription payable | - | 1,114,665,008 | - | - |
| Guaranty deposits | - | 18,471,898 | 424,524,542 | 454,344,271 |
| Accrued rent | - | - | 11,538,105 | - |
| Derivative liabilities* | 1,049,127,427 | - | 78,333,347 | - |
| Other liabilities | - | 3,164,723,364 | 3,255,223,656 | - |
| | <u>P 74,348,676,262</u> | <u>P 52,747,651,059</u> | <u>P162,535,601,872</u> | <u>P 21,037,235,868</u> |

*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, 2021 and 2020 are summarized below.

| | Observed Volatility Rates | | Impact on Equity | |
|---|------------------------------|----------|------------------|------------------|
| | Increase | Decrease | Increase | Decrease |
| 2021 - Investment in quoted equity securities at: | | | | |
| FVOCI | +37.05% | -37.05% | P 20,266,652 | (P 20,266,652) |
| FVTPL | +37.05% | -37.05% | 1,629,039,658 | (1,629,039,658) |
| 2020 - Investment in quoted equity securities at: | | | | |
| FVOCI | +66.28% | -66.28% | P 39,004,393 | (P 39,004,393) |
| FVTPL | +66.28% | -66.28% | 1,860,908,480 | (1,860,908,480) |

The maximum additional estimated loss in 2021 and 2020 is to the extent of the carrying value of the securities held as of these reporting dates with all other variables held constant. The estimated change in quoted market price is computed based on volatility of listed companies at the PSE for the past 12 months at 95% confidence level.

The investments in listed equity securities are considered long-term strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilized in the Group's favor.

The Group is also exposed to other price risk in respect of its financial instruments at marketable debt securities and derivative financial assets and liabilities arising from foreign exchange margins trading spot and forward. These financial instruments will continue to be measured at fair value based on quoted prices for marketable debt and equity securities, and index reference provided by certain foreign financial institution for derivative financial assets.

33. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

33.1 Carrying Values and Fair Values of Financial Assets and Financial Liabilities

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

| Notes | 2021 | | 2020 | |
|-------------------------------------|-----------------|--------------------------|--------------------------|--------------------------|
| | Carrying Values | Fair Values | Carrying Values | Fair Values |
| Financial assets | | | | |
| Financial assets at amortized cost: | | | | |
| Cash and cash equivalents | 5 | P 82,278,122,848 | P 82,278,122,848 | P 69,697,688,432 |
| Trade and other receivables | 6 | 68,193,398,557 | 65,798,626,444 | 59,944,535,257 |
| Other financial assets | 9 | 5,659,013,693 | 5,700,240,293 | 5,775,913,038 |
| | | <u>P 156,130,535,098</u> | <u>P 153,776,989,585</u> | <u>P 135,418,136,727</u> |
| | | | | <u>P 135,449,637,395</u> |

| Notes | 2021 | | 2020 | |
|--|-----------------|---------------------------------|---------------------------------|---------------------------------|
| | Carrying Values | Fair Values | Carrying Values | Fair Values |
| Financial assets at FVTPL: | | | | |
| Marketable debt and equity securities | 7 | <u>P 13,512,733,032</u> | <u>P 13,512,733,032</u> | <u>P 9,788,321,208</u> |
| Financial assets at FVOCI – | | | | |
| Equity securities | 11 | <u>P 420,870,489</u> | <u>P 420,870,489</u> | <u>P 396,914,433</u> |
| Financial liabilities | | | | |
| Financial liabilities at FVTPL – | | | | |
| Derivative liabilities* | 17, 21 | <u>P 736,958,819</u> | <u>P 736,958,819</u> | <u>P 1,108,228,040</u> |
| Financial liabilities at amortized cost: | | | | |
| Current: | | | | |
| Trade and other payables | 17 | <u>P 62,415,511,836</u> | <u>P 62,415,511,836</u> | <u>P 60,529,715,231</u> |
| Interest-bearing loans | 18 | <u>80,303,949,739</u> | <u>79,406,537,853</u> | <u>49,545,524,642</u> |
| Lease liabilities | 13 | <u>1,309,447,535</u> | <u>1,309,447,535</u> | <u>1,427,669,658</u> |
| Subscription payable | 21 | <u>1,114,665,008</u> | <u>1,114,665,008</u> | <u>1,114,665,008</u> |
| Redeemable preferred shares | 20 | <u>251,597,580</u> | <u>251,597,580</u> | <u>251,597,580</u> |
| Advances from related parties | 30 | <u>2,469,533,312</u> | <u>2,469,533,312</u> | <u>2,181,442,496</u> |
| ELS | 21 | <u>-</u> | <u>-</u> | <u>3,443,750,000</u> |
| Commission payable | 21 | <u>2,632,525,561</u> | <u>2,632,525,561</u> | <u>3,164,723,364</u> |
| | | <u>P 150,497,230,571</u> | <u>P 149,599,818,685</u> | <u>P 121,659,087,979</u> |
| Non-current: | | | | |
| Bonds payable | 19 | <u>P 41,982,042,246</u> | <u>P 42,567,948,736</u> | <u>P 40,282,855,986</u> |
| Interest-bearing loans | 18 | <u>93,108,742,222</u> | <u>88,973,326,321</u> | <u>124,371,416,317</u> |
| Lease liabilities | 13 | <u>15,336,726,680</u> | <u>15,336,726,680</u> | <u>15,864,238,579</u> |
| Redeemable preferred shares | 20 | <u>1,365,641,108</u> | <u>1,637,560,105</u> | <u>1,464,659,539</u> |
| Retention payable | 21 | <u>3,289,211,913</u> | <u>3,289,211,913</u> | <u>3,255,790,866</u> |
| Security deposits | 21 | <u>809,239,196</u> | <u>854,594,866</u> | <u>759,328,648</u> |
| Accrued rent | 21 | <u>10,039,717</u> | <u>10,039,717</u> | <u>11,538,105</u> |
| | | <u>P 155,901,643,082</u> | <u>P 152,669,408,338</u> | <u>P 186,009,828,040</u> |

*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.

33.2 Offsetting of Financial Assets and Financial Liabilities

Currently, the Group's financial assets and financial liabilities are settled on a gross basis because there is no relevant offsetting arrangement on them as of December 31, 2021 and 2020. In subsequent reporting periods, each party to the financial instruments (particularly those involving related parties) may decide to enter into an offsetting arrangement in the event of default of the other party.

34. FAIR VALUE MEASUREMENT AND DISCLOSURES

34.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value.

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the resource or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or financial liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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

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

34.2 Financial Instruments Measurements at Fair Value

The tables below and in the succeeding page show the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the consolidated statements of financial position on a recurring basis as at December 31, 2021 and 2020.

| | <u>2021</u> | | | |
|--------------------------------------|--------------------------------|-----------------------------|-----------------------------|--------------------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| <i>Financial assets:</i> | | | | |
| Financial assets at FVTPL – | | | | |
| Debt and equity securities | P 13,512,733,032 | P - | P - | P 13,512,733,032 |
| Financial assets at FVOCI – | | | | |
| Equity securities | <u>54,700,815</u> | <u>149,600,000</u> | <u>216,569,674</u> | <u>420,870,489</u> |
| | <u>P 13,567,433,847</u> | <u>P 149,600,000</u> | <u>P 216,569,674</u> | <u>P 13,933,603,521</u> |
| <i>Financial liabilities:</i> | | | | |
| Financial liability at FVTPL – | | | | |
| Derivative liabilities | <u>P -</u> | <u>P 736,958,819</u> | <u>P -</u> | <u>P 736,958,819</u> |

| | 2020 | | | Total |
|---|------------------------|------------------------|----------------------|-------------------------|
| | Level 1 | Level 2 | Level 3 | |
| <i>Financial assets:</i> | | | | |
| Financial assets at FVTPL – Debt and equity securities | P 9,788,321,208 | P - | P - | P 9,788,321,208 |
| Financial assets at FVOCI – Equity securities | <u>58,847,908</u> | <u>127,200,000</u> | <u>210,866,525</u> | <u>396,914,433</u> |
| | <u>P 9,847,169,116</u> | <u>P 127,200,000</u> | <u>P 210,866,525</u> | <u>P 10,185,235,641</u> |
| <i>Financial liabilities:</i> | | | | |
| Financial liability at FVTPL – Derivative liabilities | <u>P -</u> | <u>P 1,108,228,040</u> | <u>P -</u> | <u>P 1,108,228,040</u> |

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 Group's classes of financial assets are determined.

(a) *Equity Securities*

As at December 31, 2021 and 2020, equity securities classified as financial assets at FVTPL or at FVOCI included in Level 1 were valued based on their market prices quoted in various stock exchanges and converted into Philippine peso amounts at the translation rates at the end of each reporting period.

Golf club shares classified as financial assets at FVOCI in 2021 and 2020 are included in Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period. Moreover, equity securities held in private companies are included in Level 3 since its market value is not quoted in an active market. The fair value was determined using the discounted cash flows model as the valuation technique. In determining the fair value, the management assumes a discount rate of 5%, terminal growth rate of 1% to 5%, using three-to-five year financial projections. Management assessed that based on the valuation technique used, the fair value of these financial instruments approximate their carrying values and any fair value changes are not material to the consolidated financial statements.

A reconciliation of the carrying amounts of Level 3 FVOCI equity securities at the beginning and end of 2021 and 2020 is shown below.

| | <u>2021</u> | <u>2020</u> |
|------------------------------|-----------------------------|-----------------------------|
| Balance at beginning of year | P 210,866,525 | P 215,583,274 |
| Fair value gains (losses) | 5,703,149 | (2,756,749) |
| Disposal | <u>-</u> | <u>1,960,000</u> |
| Balance at end of year | <u>P 216,569,674</u> | <u>P 210,866,525</u> |

(b) *Debt Securities*

The fair value of the Group's debt securities which consist of corporate bonds is estimated by reference to quoted bid price in active market at the end of the reporting period and is categorized within Level 1.

(c) *Derivative Financial Instruments*

The fair value of derivative financial instruments is measured at inputs other than quoted prices that are indirectly observable for the financial instruments and are categorized within Level 2. The fair value is derived from prices set in the derivative contracts.

34.3 Financial Instruments Measured at Amortized Cost for Which Fair Value is Disclosed

The tables 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, 2021 and 2020.

| | 2021 | | | |
|-------------------------------|--------------------------------|----------------------------|---------------------------------|---------------------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets: | | | | |
| Cash and cash equivalents | P 82,278,122,848 | P - | P - | P 82,278,122,848 |
| Trade and other receivables | - | 62,214,193 | 65,736,412,251 | 65,798,626,444 |
| Other financial assets | 3,086,649,157 | - | 2,613,591,136 | 5,700,240,293 |
| | <u>P 85,364,772,005</u> | <u>P 62,214,193</u> | <u>P 68,350,003,387</u> | <u>P 153,776,989,585</u> |
| Financial liabilities: | | | | |
| Current: | | | | |
| Trade and other payables | P - | P - | P 62,415,511,836 | P 62,415,511,836 |
| Interest-bearing loans | - | - | 79,406,537,853 | 79,406,537,853 |
| Lease liabilities | - | - | 1,309,447,535 | 1,309,447,535 |
| Subscription payable | - | - | 1,114,665,008 | 1,114,665,008 |
| Advances from related parties | - | - | 2,469,533,312 | 2,469,533,312 |
| Redeemable preferred shares | - | - | 251,597,580 | 251,597,580 |
| Commission payable | - | - | 2,632,525,561 | 2,632,525,561 |
| Non-current: | | | | |
| Bonds payable | 42,567,948,736 | - | - | 42,567,948,736 |
| Lease liabilities | - | - | 15,336,726,680 | 15,336,726,680 |
| Interest-bearing loans | - | - | 88,973,326,321 | 88,973,326,321 |
| Redeemable preferred shares | - | - | 1,637,560,105 | 1,637,560,105 |
| Retention payable | - | - | 3,289,211,913 | 3,289,211,913 |
| Security deposits | - | - | 854,594,866 | 854,594,866 |
| Accrued rent | - | - | 10,039,717 | 10,039,717 |
| | <u>P 42,567,948,736</u> | <u>P -</u> | <u>P 269,739,516,426</u> | <u>P 312,307,465,162</u> |
| 2020 | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets: | | | | |
| Cash and cash equivalents | P 69,697,688,432 | P - | P - | P 69,697,688,432 |
| Trade and other receivables | - | 89,627,074 | 59,858,347,878 | 59,947,974,952 |
| Other financial assets | 3,077,607,181 | - | 2,726,366,830 | 5,803,974,011 |
| | <u>P 72,775,295,613</u> | <u>P 89,627,074</u> | <u>P 62,584,714,708</u> | <u>P 135,449,637,395</u> |

| | 2020 | | | |
|-------------------------------|-------------------------|------------|--------------------------|--------------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| <i>Financial liabilities:</i> | | | | |
| Current: | | | | |
| Trade and other payables | P - | P - | P 60,529,715,231 | P 60,529,715,231 |
| Interest-bearing loans | - | - | 50,353,603,335 | 50,353,603,335 |
| Lease liabilities | - | - | 1,427,669,658 | 1,427,669,658 |
| Subscription payable | - | - | 1,114,665,008 | 1,114,665,008 |
| Advances from related parties | - | - | 2,181,442,496 | 2,181,442,496 |
| Redeemable preferred shares | - | - | 251,597,580 | 251,597,580 |
| ELS | - | - | 3,443,750,000 | 3,443,750,000 |
| Commission payable | - | - | 3,164,723,364 | 3,164,723,364 |
| Non-current: | | | | |
| Bonds payable | 43,032,299,663 | - | - | 43,032,299,663 |
| Lease liabilities | - | - | 15,864,238,579 | 15,864,238,579 |
| Interest-bearing loans | - | - | 121,262,609,744 | 121,262,609,744 |
| Redeemable preferred shares | - | - | 1,688,949,585 | 1,688,949,585 |
| Retention payable | - | - | 3,255,790,866 | 3,255,790,866 |
| Security deposits | - | - | 794,092,056 | 794,092,056 |
| Accrued rent | - | - | 11,538,105 | 11,538,105 |
| | <u>P 43,032,299,663</u> | <u>P -</u> | <u>P 265,344,385,607</u> | <u>P 308,376,685,270</u> |

For financial assets with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values. The fair values of the financial assets and financial liabilities included in Level 2 and Level 3 above which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

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

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

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

The Group determines the Level 3 fair value of idle properties through appraisals by independent valuation specialists using market-based valuation approach where prices of comparable properties are adjusted for specific market factors such as location and condition of the property.

As at December 31, 2021 and 2020, the fair value of the Group's investment property amounted to P562.7 billion and P454.2 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 2021 and 2020.

35. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objective is to ensure its ability to continue as a going concern; to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk; and to maintain strong and healthy financial position to support its current business operations and drive its expansion and growth in the future.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position. The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

It monitors capital using the liabilities-to-equity ratio as shown below.

| | <u>2021</u> | <u>2020</u> |
|-----------------------------|-------------------------------|------------------------|
| Total liabilities | P 368,737,306,684 | P 372,673,324,966 |
| Total equity | <u>335,222,638,790</u> | <u>295,819,460,201</u> |
| Liabilities-to-equity ratio | <u>1.10:1.00</u> | <u>1.26:1.00</u> |

The Group has complied with financial covenant obligations that require maintaining certain liabilities-to-equity ratios for both periods.

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The reconciliation of liabilities arising from financing activities in 2021, 2020 and 2019 is presented below and in the succeeding pages. The details of net cash flows are presented in the consolidated statements of cash flows.

| | Interest-bearing Loans (see Note 18) | Bonds Payable (see Note 19) | Derivative Liabilities (see Note 21) | ELS (see Note 21) | Redeemable Preferred Shares (see Note 20) | Total* |
|--|---|--|---|------------------------------|--|---------------------------------|
| Balance as of January 1, 2021 | P 173,916,940,959 | P 40,282,855,986 | P 849,006,544 | P 3,443,750,000 | P 1,716,257,119 | P 220,208,810,608 |
| Cash flows from financing activities: | | | | | | |
| Borrowings availed | 41,661,571,715 | - | - | - | - | 41,661,571,715 |
| Payment of borrowings | (44,311,503,846) | - | - | - | - | (44,311,503,846) |
| Redemption of preferred shares | - | - | - | - | (251,597,580) | (251,597,580) |
| Non-cash activities: | | | | | | |
| Foreign currency adjustment | 2,069,183,447 | 1,617,763,016 | - | - | - | 3,686,946,463 |
| Transfer to equity component | - | - | - | (3,443,750,000) | - | (3,443,750,000) |
| Amortization of transaction costs | 76,499,686 | 81,423,244 | - | - | - | 157,922,930 |
| Unrealized loss on cash flow hedges | - | - | (697,199,407) | - | - | (697,199,407) |
| Accretion of redeemable preferred shares | - | - | - | - | 152,579,149 | 152,579,149 |
| Balance at December 31, 2021 | <u>P 173,412,691,961</u> | <u>P 41,982,042,246</u> | <u>P 151,807,137</u> | <u>P -</u> | <u>P 1,617,238,688</u> | <u>P 217,163,780,032</u> |

*Excluding lease liabilities (see Note 13.3)

| | Interest-bearing Loans <u>(see Note 18)</u> | Bonds Payable <u>(see Note 19)</u> | Derivative Liabilities <u>(see Note 21)</u> | ELS <u>(see Note 21)</u> | Redeemable Preferred Shares <u>(see Note 20)</u> | <u>Total*</u> |
|--|---|--|---|-----------------------------|---|--------------------------|
| Balance as of January 1, 2020 | P 179,153,113,712 | P 24,623,883,690 | P 242,417,137 | P 5,280,000,000 | P 1,832,512,909 | P 211,131,927,448 |
| Cash flows from financing activities: | | | | | | |
| Borrowings availed | 23,111,920,680 | 16,692,935,192 | - | - | - | 39,804,855,872 |
| Payment of borrowings | (26,034,969,977) | - | - | - | - | (26,034,969,977) |
| Redemption of preferred shares | - | - | - | - | (251,597,580) | (251,597,580) |
| Non-cash activities: | | | | | | |
| Foreign currency adjustment | (2,352,752,914) | (1,077,137,260) | - | - | - | (3,429,890,174) |
| Conversion of ELS | - | - | - | (1,836,250,000) | - | (1,836,250,000) |
| Amortization of transaction costs | 39,629,458 | 43,174,364 | - | - | - | 82,803,822 |
| Unrealized loss on cash flow hedges | - | - | 606,589,407 | - | - | 606,589,407 |
| Accretion of redeemable preferred shares | - | - | - | - | 135,341,790 | 135,341,790 |
| Balance at December 31, 2020 | <u>P 173,916,940,959</u> | <u>P 40,282,855,986</u> | <u>P 849,006,544</u> | <u>P 3,443,750,000</u> | <u>P 1,716,257,119</u> | <u>P 220,208,810,608</u> |

*Excluding lease liabilities (see Note 13.3)

| | Interest-bearing Loans <u>(see Note 18)</u> | Bonds Payable <u>(see Note 19)</u> | Derivative Liabilities <u>(see Note 21)</u> | ELS <u>(see Note 21)</u> | Redeemable Preferred Shares <u>(see Note 20)</u> | <u>Total*</u> |
|--|---|--|---|-----------------------------|---|--------------------------|
| Balance as of January 1, 2019 | P 167,401,953,304 | P 25,102,042,365 | P - | P 5,258,801,592 | P 1,963,861,825 | P 199,726,659,086 |
| Cash flows from financing activities: | | | | | | |
| Borrowings availed | 30,677,150,000 | - | - | - | - | 30,677,150,000 |
| Payment of borrowings | (16,580,133,659) | - | - | - | - | (16,580,133,659) |
| Redemption of preferred shares | | - | - | - | (251,597,580) | (251,597,580) |
| Non-cash activities: | | | | | | |
| Foreign currency adjustment | (2,450,405,725) | (493,907,863) | - | - | - | (2,944,313,588) |
| Amortization of transaction costs | 104,549,792 | 15,749,188 | - | 21,198,408 | - | 141,497,388 |
| Unrealized loss on cash flow hedges | - | - | 242,417,137 | - | - | 242,417,137 |
| Accretion of redeemable preferred shares | - | - | - | - | 120,248,664 | 120,248,664 |
| Balance at December 31, 2019 | <u>P 179,153,113,712</u> | <u>P 24,623,883,690</u> | <u>P 242,417,137</u> | <u>P 5,280,000,000</u> | <u>P 1,832,512,909</u> | <u>P 211,131,927,448</u> |

*Excluding lease liabilities (see Note 13.3)

37. EVENTS AFTER THE END OF THE REPORTING PERIOD

37.1 Conversion of ELS

On February 28, 2022, the Conversion Period to issue 475.0 million ELS shares to Arran per the ELS Instrument was modified to May 15, 2022.

37.2 Capital Infusion to Travellers

In February 2022, AGI has agreed to infuse capital to Travellers amounting to P7.8 billion in paid-up capital. The infusion of fresh capital aims to augment the working capital of Travellers that will afford AGI's entertainment and hotel business the opportunity to keep current with its obligations and catch the window of business recovery with the easing of COVID-19 restrictions.

37.3 Purchase of Land by Megaworld

On January 18, 2022, the Group, through Megaworld, has entered into a Memorandum of Agreement with Manila Jockey Club, Inc. to purchase 2.2-hectares of prime real estate property in Sta. Cruz, Manila. Megaworld will purchase the lots in cash and by installment for a total amount of P1.89 billion. The purchase was completed by Megaworld on March 29, 2022.

37.4 Additional Subscription of MREIT Shares by Megaworld

On April 1, 2022, the BOD of Megaworld approved the subscription by Megaworld to 263,700,000 shares in MREIT for a total subscription price of P5.3 billion to be paid by way of transfer of four grade A buildings located in PEZA-registered Zones. The transaction, once completed, will result to an increase of control and ownership of the Group from 43% to 45%. Equity attributable to NCI is estimated to increase by P541.4 million as a result of the transaction.

37.5 Dividend Declaration of MREIT

Details of dividends declared by MREIT subsequent to year end and the corresponding reduction to NCI are presented below.

| <u>Declaration date</u> | <u>Payment date</u> | | <u>Dividend rate</u> | | <u>Impact on NCI (in millions)</u> |
|-------------------------|---------------------|---|----------------------|---|------------------------------------|
| March 4, 2022 | March 31, 2022 | P | 0.2399 | P | 230.3 |
| April 22, 2022 | May 31, 2022 | | 0.2430 | | 233.2 |

37.6 Others

The escalation of conflict in Ukraine in early 2022 caused disruptions on global supply chains particularly on supply of natural gas and crude oil. Although the Group has operations in Europe, the disruptions do not have a significant impact on the Group's operations.



P&A
Grant Thornton

**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
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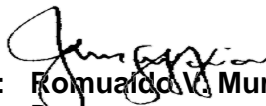
T +63 2 8988 2288

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

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Alliance Global Group, Inc. and subsidiaries (the Group) for the year ended December 31, 2021, on which we have rendered our report dated April 29, 2022. 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. 8852339, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-4 (until Sept. 4, 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-022-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 29, 2022

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
LIST OF SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021

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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Other Required Information

Reconciliation of Retained Earnings Available for Dividend Declaration

Map Showing the Relationship Between and Among the Company and its Related Entities

Alliance Global Group, Inc. and Subsidiaries
Schedule A - Financial Assets (Marketable Securities)
December 31, 2021

| 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 | 13,457,228,173 | P | 3,400,000 |
| Bank of Singapore | | 1,436,667 | | 345,449 |
| Various marketable debt securities | | 50,774,000 | | 956,564 |
| Derivative financial assets | | 3,294,192 | | - |
| | | <u>13,512,733,032</u> | | <u>4,702,013</u> |
| Financial Assets at Fair Value Through Other Comprehensive Income | | | | |
| Various unquoted equity instruments | | 216,569,674 | | 2,661,866,841 |
| Various quoted equity instruments | | 54,700,815 | | 48 |
| Various club shares | | 149,600,000 | | - |
| | | <u>420,870,489</u> | | <u>2,661,866,889</u> |
| Total Financial Assets | P | <u>13,933,603,521</u> | P | <u>2,666,568,902</u> |

Alliance Global Group, Inc. and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2021

| <i>Name and Designation of Debtor</i> | <i>Balance at the Beginning of Period</i> | | <i>Deductions</i> | | <i>Ending Balance</i> | | <i>Balance at the End of Period</i> | | | | | | | |
|--|---|---------------------------|-------------------|---------------------------|-----------------------|--------------------------|-------------------------------------|--------------------|----------|---------------------------|----------|-----------------|----------|---------------------------|
| | | | <i>Additions</i> | <i>Amounts Collected</i> | <i>Impairment</i> | <i>Current</i> | | <i>Non-current</i> | | | | | | |
| Advances to Officers and Employees: | | | | | | | | | | | | | | |
| Travellers - Officers and employees | P | 88,156,829 | P | 28,482,452 | P | - | P | - | P | 116,639,281 | P | - | P | 116,639,281 |
| Travellers - Other related parties | | 89,929,165 | | 5,232,014 | | 16,354,762 | | - | | 78,806,417 | | - | | 78,806,417 |
| Megaworld - Officers and employees | | 2,805,219 | | 525,641 | | 1,676,425 | | - | | 1,654,435 | | - | | 1,654,435 |
| Emperador - Officers and employees | | 44,299,252 | | 59,146,778 | | - | | - | | 103,446,030 | | - | | 103,446,030 |
| GADC - Officers and employees | | 211,560,204 | | - | | 33,214,888 | | - | | 178,345,316 | | - | | 178,345,316 |
| GADC - Other related parties | | <u>317,323,788</u> | | <u>55,215,355</u> | | <u>-</u> | | <u>-</u> | | <u>372,539,143</u> | | <u>-</u> | | <u>372,539,143</u> |
| | P | <u>754,074,457</u> | P | <u>148,602,240</u> | P | <u>51,246,075</u> | P | <u>-</u> | P | <u>851,430,622</u> | P | <u>-</u> | P | <u>851,430,622</u> |

Legend:

Megaworld - Megaworld Corporation
Travellers - Travellers International Hotel Group, Inc.
Emperador - Emperador Inc.
GADC - Golden Arches Development Corporation

Alliance Global Group, Inc. and Subsidiaries
Schedule C - Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements
December 31, 2021

| <i>Name and Designation of Debtor</i> | | | <i>Deductions</i> | | <i>Ending Balance</i> | | <i>Balance at End of Period</i> | | | | | |
|---|---|------------------|--------------------------|----------------------------|-----------------------|--------------------|---------------------------------|----------------|---|---|---|----------------|
| | | | <i>Amounts Collected</i> | <i>Amounts Written off</i> | <i>Current</i> | <i>Not current</i> | | | | | | |
| <i>Due from Related Parties</i> | | | | | | | | | | | | |
| New Town Land Partners, Inc. | P | 2,894,403,740 | P | - | P | 48,086,000 | P | 2,846,317,740 | p | - | P | 2,846,317,740 |
| Venezia Universal, Ltd. | | 2,369,902,159 | | 1,253,573,028 | | - | | 3,623,475,187 | | - | | 3,623,475,187 |
| Greenspring Investment Holdings Properties Ltd. | | 2,923,551,534 | | - | | 1,206,207,321 | | 1,717,344,213 | | - | | 1,717,344,213 |
| Alliance Global Brands, Inc. | | 403,555,608 | | - | | 403,555,608 | | - | | - | | - |
| Alliance Global Group Cayman Islands, Inc. | | 286,369,186 | | 105,999,711 | | - | | 392,368,897 | | - | | 392,368,897 |
| McKester Pik-nik International Limited | | 16,314,735,270 | | 662,096,437 | | - | | 16,976,831,707 | | - | | 16,976,831,707 |
| Empire East Land Holdings Inc. | | 376,184,174 | | - | | 19,455,643 | | 356,728,531 | | - | | 356,728,531 |
| Travellers International Hotel Group, Inc. | | 2,664,416,063.00 | | - | | 108,281,759 | | 2,556,134,304 | | - | | 2,556,134,304 |

Alliance Global Group, Inc. and Subsidiaries
Schedule D - Long-Term Debt
December 31, 2021

| 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 113,984,505,736 | P 42,306,111,814 | P 71,678,393,922 |
| Foreign borrowings: | | | |
| AG Cayman | \$ 700,000,000 | 34,986,755,579 | - |
| Emperador | € 347,000,000 | - | 20,126,000,000 |
| Emperador | € 28,993,053 | 377,248,750 | 1,304,348,300 |
| Emperador | £ 38,732,847 | 2,633,833,596 | - |
| | | <u>80,303,949,739</u> | <u>93,108,742,222</u> |
| Bonds Payable: | | <u>80,303,949,739</u> | <u>93,108,742,222.00</u> |
| Issuer: | | | |
| Megaworld | P 11,981,932,912 | - | 11,981,932,912 |
| Megaworld | \$ 600,000,000 | - | 30,000,109,334 |
| | | <u>-</u> | <u>41,982,042,246</u> |
| | | P 80,303,949,739 | P 135,090,784,468 |

- a Interest-bearing loans include loans obtained by Megaworld pertaining to the following:
- 1.) Seven-year loan obtained by Megaworld from a local bank in two tranches in March and June 2015 to fund various real estate projects and retire currently maturing obligations. Quarterly principal repayment on this seven-year loan commenced in June 2016 and interest is paid quarterly.
 - 2.) Five-year foreign-currency denominated loan obtained by Megaworld from a local bank in December 2017 amounting to U.S. \$98.87 million payable quarterly with a grace period of one year upon availment. The principal repayment shall commence in March 2019 and a floating interest is paid quarterly. Megaworld entered into a cross-currency swap transaction to hedge the U.S. dollar exposure of the loans.
 - 3.) Three-year loan obtained by Megaworld from a local bank in July 2018. The principal is payable upon maturity while interest is payable quarterly and commenced in October 2018. In 2021, Megaworld has paid in full its outstanding loan balance.
 - 4.) Five-year loan obtained by Megaworld from a local bank in December 2018. The principal repayment is quarterly after two years from availment. Interest is payable quarterly.
 - 5.) Three-year loan obtained by Megaworld from a local bank in December 2018. The principal repayments commenced in September 2019 and interest is paid quarterly. In 2021, Megaworld has paid in full its outstanding loan balance.
 - 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. In 2021, Megaworld has paid in full its outstanding loan balance.
 - 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.) Seven-year loan obtained by Megaworld from a local bank in August 2014. The principal repayments commenced in August 2015 while interest is paid semi-annually. In 2021, Megaworld has paid in full its outstanding loan balance.
 - 9.) 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. In 2021, Megaworld has paid in full its outstanding loan balance.
 - 10.) Five-year loan obtained by Megaworld in December 2019 from a local bank. The loan is payable quarterly for a term of five years with a grace period of one year upon availment. The principal repayments on this loan commenced in December 2020 and interest is payable quarterly.

Alliance Global Group, Inc. and Subsidiaries
Schedule D - Long-Term Debt (continuation)
December 31, 2021

- 11.) *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.*
- 12.) *Five-year loan obtained by Megaworld in March 2020 from a local bank. The loan is payable quarterly for a term of five years with a grace period of two years upon availment. The principal repayments on the loan shall commence in June 2022 and interest is paid quarterly.*
- 13.) *Five-year loan obtained by Megaworld in March 2021 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 the loan shall commence in March 2022 and interest is paid quarterly.*
- 14.) *Five-year loan obtained by Megaworld in August 2021 from a local bank. The loan is payable quarterly for a term of five years. The principal repayments on the loan shall commence in November 2022 and interest is paid quarterly.*
- 15.) *Five-year loan obtained by Megaworld in May 2021 from a local bank. The loan is payable quarterly for a term of five years beginning August 2022.*

b *Interest-bearing loans include loans obtained by EELHI pertaining to the following:*

- 1.) *Seven-year loan obtained by EELHI in 2015 from a local bank released in three tranches from 2015-2016. Proceeds were used to fund development of various real estate projects.*
- 2.) *Three-year loan obtained by EELHI from a local bank in February 2018 where the proceeds of the loan were used to fund various real estate projects. The principal is payable quarterly with a one-year grace period together with interest payable monthly in arrears.*
- 3.) *Loans obtained by EELHI from local banks by assigning trade receivables on a with recourse basis (see Note 6). The loans are secured by certain residential and condominium units for sale with carrying value of P28.5 million as of December 31, 2020. The principal amount of the loan is being paid as the related receivables are collected. In 2021, EELHI has paid in full its outstanding loan balance.*
- 4.) *90-day unsecured loans obtained by EELHI from local banks in 2020. The proceeds of the loan were used to fund the development of EELHI's various real estate projects. The principal of the loan is payable upon maturity and interest is payable monthly.*
- 5.) *Seven-year loan obtained by EELHI from local bank released in full in February 2021. The proceeds of the loan were used to fund the development of its various real estate projects. The principal of the loan is payable quarterly starting May 2023 with two-grace period and interest is payable also in quarterly.*

c *Interest-bearing loans obtained by SPI include the following:*

- 1.) *Seven-year loan obtained by SPI from a local bank in 2018 to fund the acquisition of STLI. Principal repayment is payable on a monthly basis after a grace period of three years from the date of availment.*
- 2.) *Five-year loan obtained by SPI from a local bank in 2017 and 2016, payable on a monthly basis after a grace period of two years from the date of availment. The loan bears floating interest which is subject to repricing every 30-180 days. In 2021, SPI had paid in full its outstanding loan balance.*
- 3.) *Three-year loan obtained by SPI from a local bank in 2018. The principal repayment is payable on a monthly basis after a grace period of two years from date of availment. In 2021, SPI has paid in full its outstanding loan balance.*
- 4.) *Outstanding balance of short-term loans availed in 2021 by SPI from local banks.*
- 5.) *Loans obtained by SPI from a local bank in 2015 through assignment of trade receivables. The loans are being paid as the receivables are collected.*
- 6.) *Seven-year loan obtained by SPI from a local bank in 2020. The principal amount is payable on a monthly basis after a grace period of two years from the date of availment.*

Alliance Global Group, Inc. and Subsidiaries
Schedule D - Long-Term Debt (continuation)
December 31, 2021

- 7.) Six-year loan obtained by SPI from a local bank in 2021. The principal amount is payable on a monthly basis after a grace period of three years from the date of availment.
- 8.) Six-year loan obtained by SPI from a local bank in 2021. The principal amount is payable on a monthly basis after a grace period of three years from the date of availment where interest is subject to quarterly repricing.
- d** Interest-bearing loans obtained by GERI include the following:
- 1.) Five-year loan obtained by GERI in 2019 from a local bank payable quarterly for a term of five years, plus interest.
- 2.) Five-year loan availed by GERI in 2017 from a local bank payable quarterly commencing on the beginning of the fifth quarter from the initial drawdown date.
- 3.) Five-year loan obtained by GERI from a local bank in 2016, with a grace period of two years on principal installment. The loan is payable in quarterly installments of P125.0 million commencing on the 9th quarter from the date of initial drawdown and balloon payment at the end of five years.
- 4.) Seven-year loan obtained by GERI in 2020 from a local bank. The loan is payable quarterly with a grace period of one year upon availment. The principal repayment on the loan shall commence in March 2022. The loan bears a floating interest rate and is payable quarterly.
- 5.) Five-year loan obtained by GERI in 2020 from a local bank payable quarterly with a grace period of two years upon availment. The principal repayment on the loan shall commence in December 2022. The loan bears a fixed interest rate and is payable quarterly.
- 6.) Seven-year loan obtained by GERI in 2021 from a local bank payable quarterly with a grace period of two years upon availment. The loan and interest is payable quarterly.
- 7.) Four-year loan obtained by GERI in 2021 from a local bank payable quarterly commencing on the beginning of the fifth quarter from date of availment. Interest is payable quarterly.
- e** Five-year loan obtained by TLC in August and November 2019 from a local bank. The loan is payable in quarterly installments.
- f** Ten-year loan obtained by MREIT from a local bank payable quarterly in installment beginning in the last quarter of the fifth year with a balloon payment at the end of the term. Interest is payable quarterly subject to repricing.
- g** Five-year foreign-currency denominated loan obtained by EIL in 2019 from international financial institutions to refinance its maturing loan. The loan is repayable in full at maturity.
- h** Interest-bearing loans obtained by EDI include the following:
- 1.) Five-year loan obtained by EDI in three tranches totaling P2,000.0 million in 2016 from a local bank. Principal repayment is in 12 equal quarterly payments starting on the ninth quarter after the initial drawdown. In 2021, EDI had already fully paid its outstanding loan balance.
- 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 or starting April 10, 2019. In 2021, EDI has already paid in full its outstanding loan balance.
- i** Foreign-currency denominated loan obtained by WMG from a foreign bank. The loan is secured by way of floating charge against WMG's inventories.
- j** Foreign-currency-denominated loans of DBLC totaling P3.0 billion used in relation to asset acquisition in 2017. In 2018, DBLC acquired an additional loan amounting to P0.1 million. In 2021 and 2020, DBLC paid portion of the loans amounting to P535.3 million and P430.1 million, respectively.
- k** In 2020, P-AI obtained short-term loans totaling P400 million from a local bank for working capital purposes renewable and re-priced every 6 months.

Alliance Global Group, Inc. and Subsidiaries
Schedule D - Long-Term Debt (continuation)
December 31, 2021

- l** *Interest-bearing loans obtained by G.ADC include the following:*
- 1.) Loans obtained by G.ADC from local banks in 2014 payable in 21 quarterly principal payments commencing in September 2016.*
 - 2.) Ten-year loan granted to G.ADC 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.*
 - 3.) Five-year US dollar loan obtained by G.ADC from a local bank in March 2020. The loan is payable quarterly and bears a fixed interest rate.*
 - 4.) Five-year loan obtained by G.ADC from a local bank in June 2020 payable quarterly starting from September 2021. The loan bears a fixed interest.*
 - 5.) Five-year loan obtained by G.ADC from another local bank in June 2020 payable in 20 quarters from September 2020 to June 2025. Interest payments are fixed.*
 - 6.) Loan obtained by G.ADC from a local bank in December 2014. Principal repayments began in September 2016 for 21 quarters.*
- m** *Interest-bearing loans also include loans obtained by Travellers which includes the following:*
- 1.) In prior years, a local bank approved a credit line which grants Travellers to borrow P33,500.0 million. In 2019, Travellers made an additional drawdown amounting to P7,500.0 million as a short-term loan. In 2020, it converted some of the omnibus loans into a long-term loan and made additional borrowings amounting to P2,200.0 million. The loans are outstanding as of December 31, 2021 and 2020.*
 - 2.) Seven-year loans obtained by Travellers in 2017 from a credit line with a local bank. In 2018, Travellers opened a P5,000.0 million omnibus credit facility with the bank, drew P1,000.0 million which was paid in the same year. The omnibus credit facility remains fully unutilized as of both December 31, 2021 and 2020.*
 - 3.) In 2017, Travellers entered into various credit line agreements with a total maximum loanable amount of P10,000.0 million from a half to omnibus loans. In 2019, the Group obtained another term loan facility with the bank amounting to P5,000.0 million. This was utilized through the conversion of the P5,000.0-million omnibus loan to a long-term loan. Following the conversion, the Group obtained various short-term loans in 2019 amounting to P3,000.0 million. In 2020, additional omnibus loans amounting to P2,000.0 million were borrowed. In 2021, the Group availed another long-term facility with the bank amounting to P5.0 billion, which is fully utilized during the year. Following the additions made, the Group obtained other various short-term loans in 2021 amounting to P1.6 billion.*
 - 4.) Five-year loan obtained by Travellers from a credit line with a local bank in 2018. In 2019, Travellers obtained a P1,000.0 million omnibus loan from the remaining unutilized credit line. The loans remained outstanding as of December 31, 2021 and 2020.*
 - 5.) In 2019, Travellers renewed a P3,500.0 million credit line and drew down three omnibus loans, which upon maturity were converted into a five-year term loan for the same amount. Said loan was settled in 2021.*
 - 6.) In 2019, Travellers, procured a credit facility with a local bank which consist of an omnibus line amounting to P2,000.0 million. Travellers utilized P1,000.0 million of the credit line, which was settled in 2021.*
- n** *Seven-year loan obtained by AGI in July 2020 from a local bank. The loan is payable quarterly commencing after the one-year grace period, as provided in the loan agreement. The loan bears a fixed rate for the first five years, subject to repricing at the end of the fifth year. The interest is payable quarterly in arrears. AGI has also properly complied with the loan agreement's covenants as of December 31, 2021.*
- o** *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 in 2021 and 2020.*

Alliance Global Group, Inc. and Subsidiaries
Schedule D - Long-Term Debt (continuation)
December 31, 2021

- p** *On March 28, 2017, Megaworld issued seven-year term bonds totaling P12.0 billion. 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.*
- q** *On April 17, 2013, Megaworld issued 10-year term bond totaling U.S. \$250 million 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.*
- r** *On July 30, 2020, Megaworld issued seven-year term bonds totaling to U.S. \$350.0 million. The notes carry a coupon rate of 4.125% per annum and interest is payable semi-annually in arrears on January 30 and July 30 and shall mature on July 30, 2027.*

Legend:

AGI - Alliance Global Group, Inc.
Megaworld - Megaworld Corporation
EELHI - Empire East Land Holdings, Inc.
SPI - Suntrust Properties, Inc.
GERI - Global-Estates Resorts, Inc.
TLC - Twin Lakes Corp.
EIL - Emperador International Ltd.
EDI - Emperador Distillers, Inc.
WMG - Whyte and Mackay Group Limited
DBLC - Domecq Bodega Las Copas, S.L.
GADC - Golden Arches Development Corporation
Travellers - Travellers International Hotel Group, Inc.
AG Cayman - Alliance Global Group Cayman Islands, Inc.
PAI - ProGreen AgriCorp, Inc.
STLI - Stateland, Inc.

Alliance Global Group, Inc. and Subsidiaries
Schedule E - Indebtedness to Related Parties (Long-Term Loans from Related Companies)
December 31, 2021

| <i>Title of issue and type of obligation</i> | <i>Amount authorized by indenture</i> | <i>Balance at the beginning of year</i> | <i>Balance at the end</i> |
|--|---------------------------------------|---|---------------------------|
|--|---------------------------------------|---|---------------------------|

-nothing to report-

Alliance Global Group, Inc. and Subsidiaries
Schedule F - Guarantees of Securities of Other Issuers
December 31, 2021

| <i>Name of Issuing Entity of Securities Guaranteed by the Company for which this statement is Filed</i> | <i>Title of Issue of Each Class of Securities Guaranteed</i> | <i>Total Amount Guaranteed and Outstanding</i> | <i>Amount Owned by Person for which this Statement is Filed</i> | <i>Nature of Guarantee</i> |
|---|--|--|---|--|
| Alliance Global Group Cayman Islands, Inc. by Alliance Global Group, Inc. | US\$ 700.0 million, 5-year loans, 3.8330% to 4.1456% interest | P 34,986,755,579 | P 34,986,755,579 | Guarantee of Principal and Interest |

Alliance Global Group, Inc. and Subsidiaries
Schedule G - Capital Stock
December 31, 2021

| <i>Title of Issue</i> | <i>Number of shares authorized</i> | <i>Number of shares issued and outstanding as shown under the related balance sheet caption</i> | <i>Number of shares reserved for options, warrants, conversion and other rights</i> | <i>Number of shares held by</i> | | |
|------------------------------|------------------------------------|---|---|---------------------------------|--|---------------|
| | | | | <i>Related parties</i> | <i>Directors, officers and employees</i> | <i>Others</i> |
| Common shares - P1 par value | 12,950,000,000 | 9,471,352,279 | 59,100,000 | 6,477,201,632 | 68,690,940 | 2,925,459,707 |

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

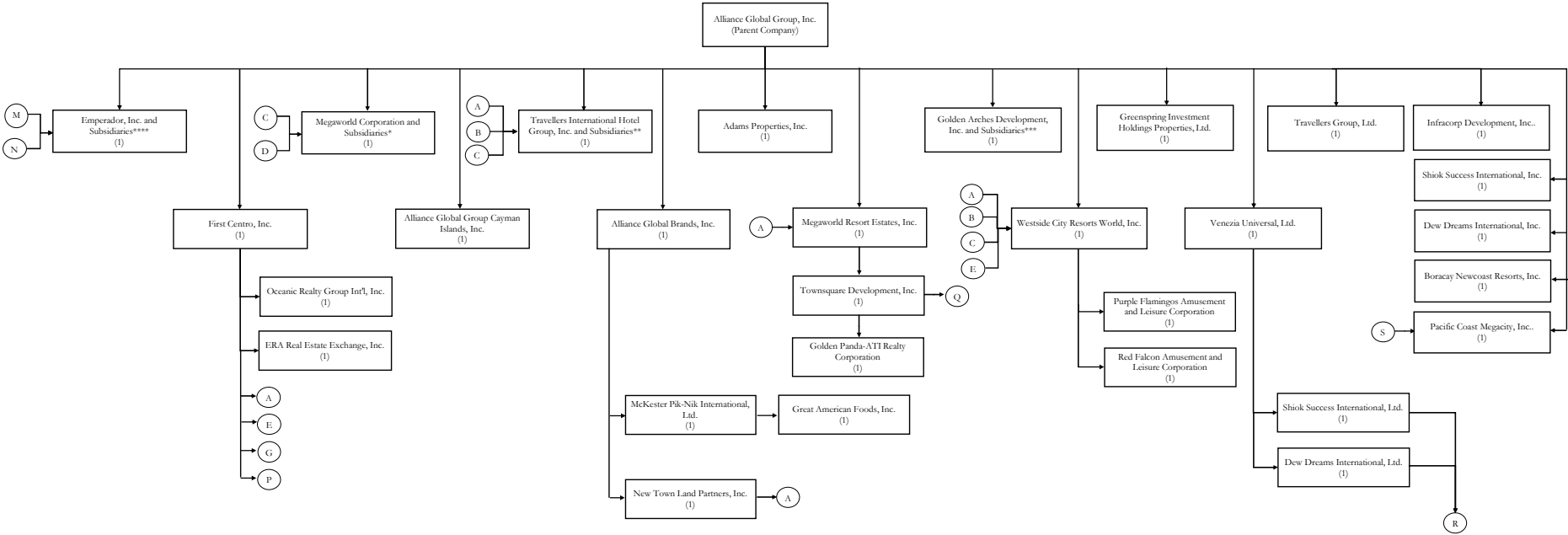
Reconciliation of Retained Earnings Available for Dividend Declaration
Annex 68-D
As of December 31, 2021

| | | |
|--|-----|---|
| Unappropriated Retained Earnings at Beginning of Year | P | 23,866,953,677 |
| Retained Earnings Restricted for Treasury Shares at Beginning* | (| <u>6,660,782,348</u>) |
| Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted | | 17,206,171,329 |
| Net income per Audited Financial Statements | | 4,803,644,449 |
| Other Transaction During the Year | | |
| Acquisition of treasury shares* | (P | 2,681,318,755) |
| Dividends declared | (| <u>672,035,797</u>) (<u>3,353,354,552</u>) |
| Unappropriated Retained Earnings Available for Dividend Declaration at End of Year | | <u>P 18,656,461,226</u> |

* 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. In 2020, another share repurchase program for a term of 12 months and up to P2.5 billion worth of common shares was approved. In 2021, another share repurchase program for a term of 2.5 years and up to P4.0 billion worth of common shares was authorized by the Company's Board of Directors.

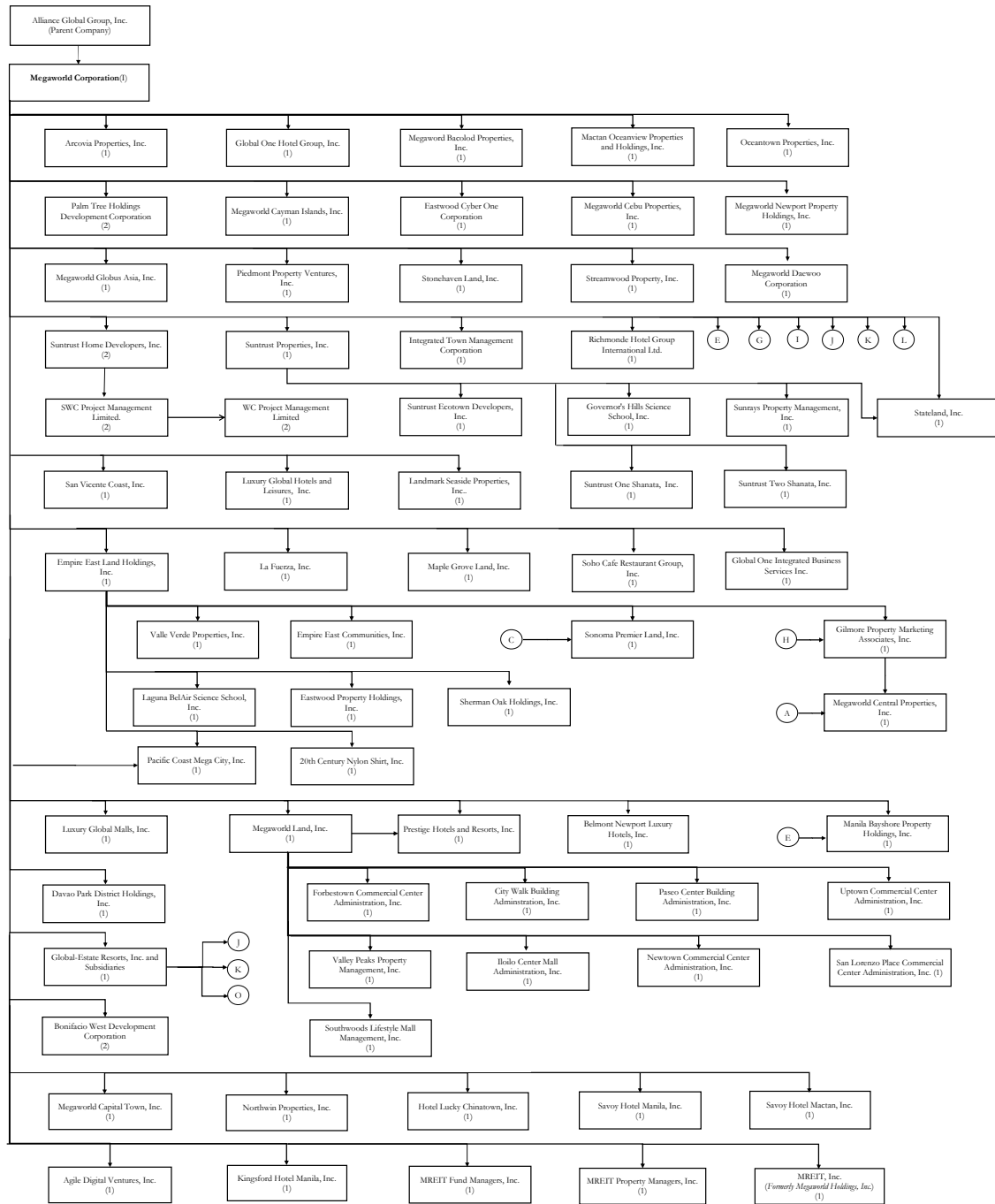
ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
 Map Showing the Relationship Between Alliance Global Group, Inc.
 and its Related Parties

December 31, 2021



| Legend | | | |
|-------------------------------|--|---|---|
| (1) Subsidiary | A Megaworld Corporation | F Manila Bayshore Property Holdings, Inc. | K Megaworld Global Estates, Inc. |
| (2) Associate | B Adams Properties, Inc. | G Westside City Resorts World, Inc. | L Megaworld Central Properties, Inc. |
| (3) Jointly Controlled Entity | C First Centro, Inc. | H Townsquare Development, Inc. | M ShioK Success International, Ltd. |
| | D Newtown Land Partners, Inc. | I Megaworld Resort Estates, Inc. | N Dew Dreams International, Ltd. |
| | E Travellers International Hotel Group, Inc. | J Twin Lakes Corporation | O Southwoods Mall, Inc. |
| | | | P Sonoma Premier Land, Inc. |
| | | | Q Gilmore Property Marketing Associates, Inc. |
| | | | R Emperor Inc. |
| | | | S Empire East Land Holdings, Inc. |
| | | | T Suntrust Home Developers, Inc. |

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
 Map Showing the Relationship Between Alliance Global Group, Inc.
 and Megaworld Corporation Group
 December 31, 2021

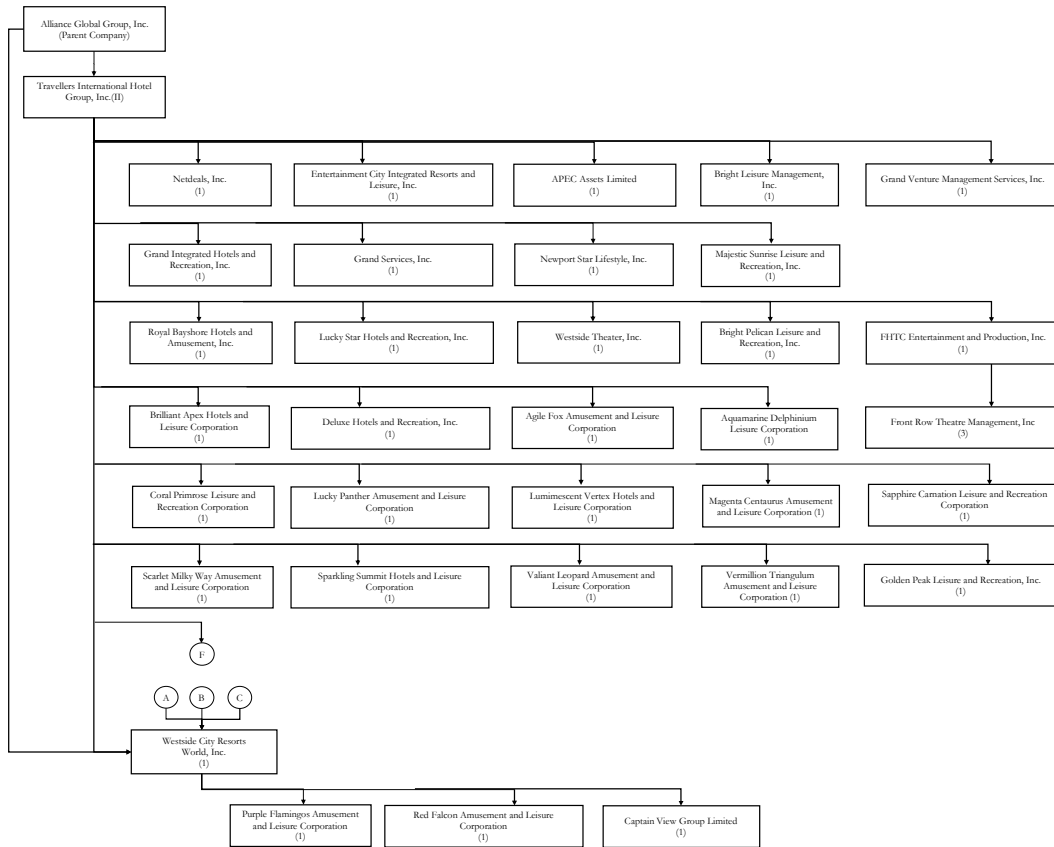


Legend

Relationship with Megaworld Corporation
 (1) Subsidiary
 (2) Associate
 (3) Jointly Controlled Entity

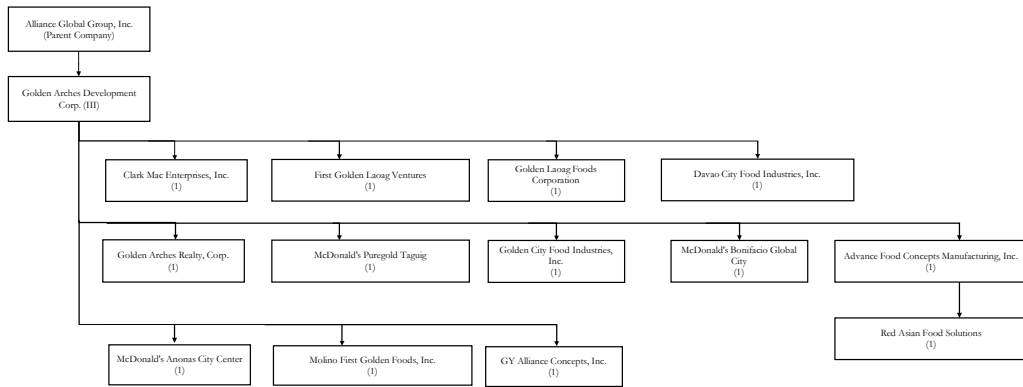
- | | | | | |
|-------------------------------|--|--------------------------------------|------------------------------------|---|
| A Megaworld Corporation | E Travellers International Hotel Group, Inc. | I Megaworld Reson Estates, Inc. | M Shik Success International, Ltd. | Q Gilmore Property Marketing Associates, Inc. |
| B Adams Properties, Inc. | F Manila Bayshore Property Holdings, Inc. | J Twin Lakes Corporation | N Dew Dreams International, Ltd. | R Emperor's Inc. |
| C First Centro, Inc. | G Westside City Resorts World, Inc. | K Megaworld Global Estates, Inc. | O Southwoods Mall, Inc. | S Empire East Land Holdings, Inc. |
| D Newtown Land Partners, Inc. | H Townsquare Development, Inc. | L Megaworld Central Properties, Inc. | P Sonoma Premier Land, Inc. | T Suntrust Home Developers, Inc. |

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
 Map Showing the Relationship Between Alliance Global Group, Inc.
 and Travellers Group
 December 31, 2021



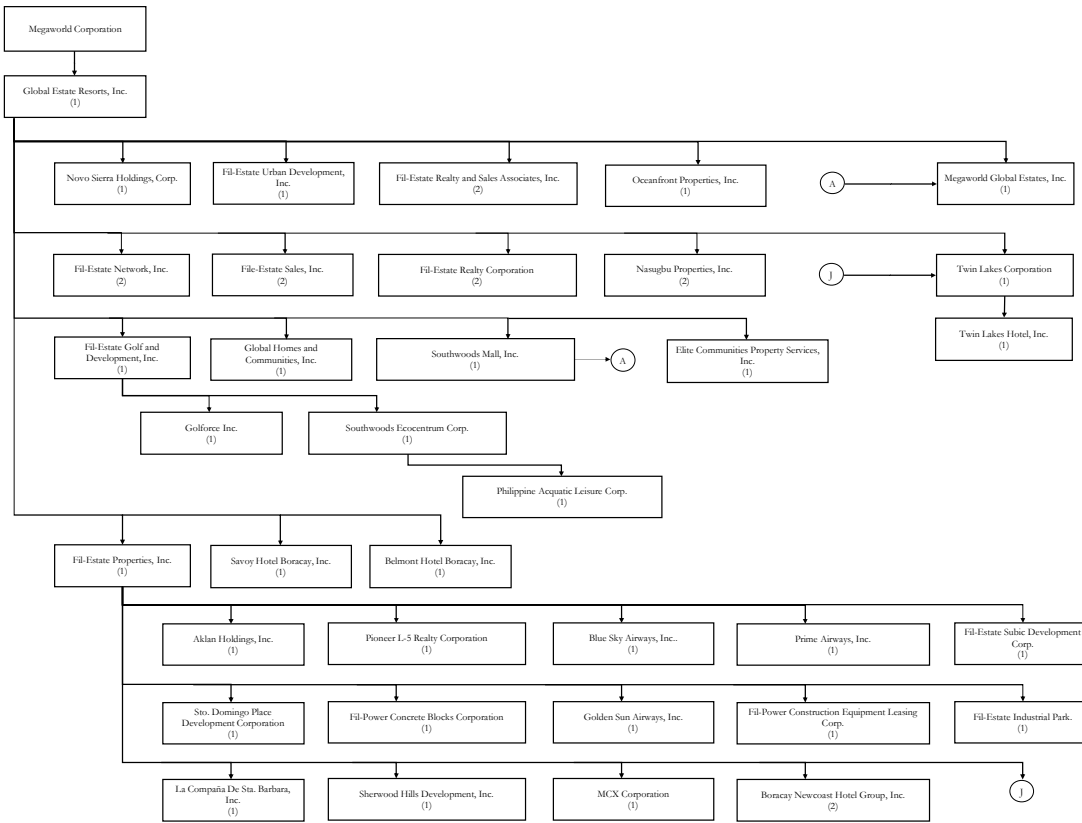
| Legend | |
|--|---|
| Relationship with Travellers International Hotel Group, Inc. | |
| (1) | Subsidiary |
| (2) | Associate |
| (3) | Jointly Controlled Entity |
| A | Megaworld Corporation |
| B | Adams Properties, Inc. |
| C | First Centre, Inc. |
| D | Newtown Land Partners, Inc. |
| E | Travellers International Hotel Group, Inc. |
| F | Manila Bayshore Property Holdings, Inc. |
| G | Westside City Resorts World, Inc. |
| H | Tomogare Development, Inc. |
| I | Megaworld Resort Estates, Inc. |
| S | Empire East Land Holdings, Inc. |
| J | Twin Lakes Corporation |
| K | Megaworld Global Estates, Inc. |
| L | Megaworld Central Properties, Inc. |
| M | 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. |
| T | Suntrust Home Developers, Inc. |

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
 Map Showing the Relationship Between Alliance Global Group, Inc.
 and Golden Arches Development Corporation Group
 December 31, 2021



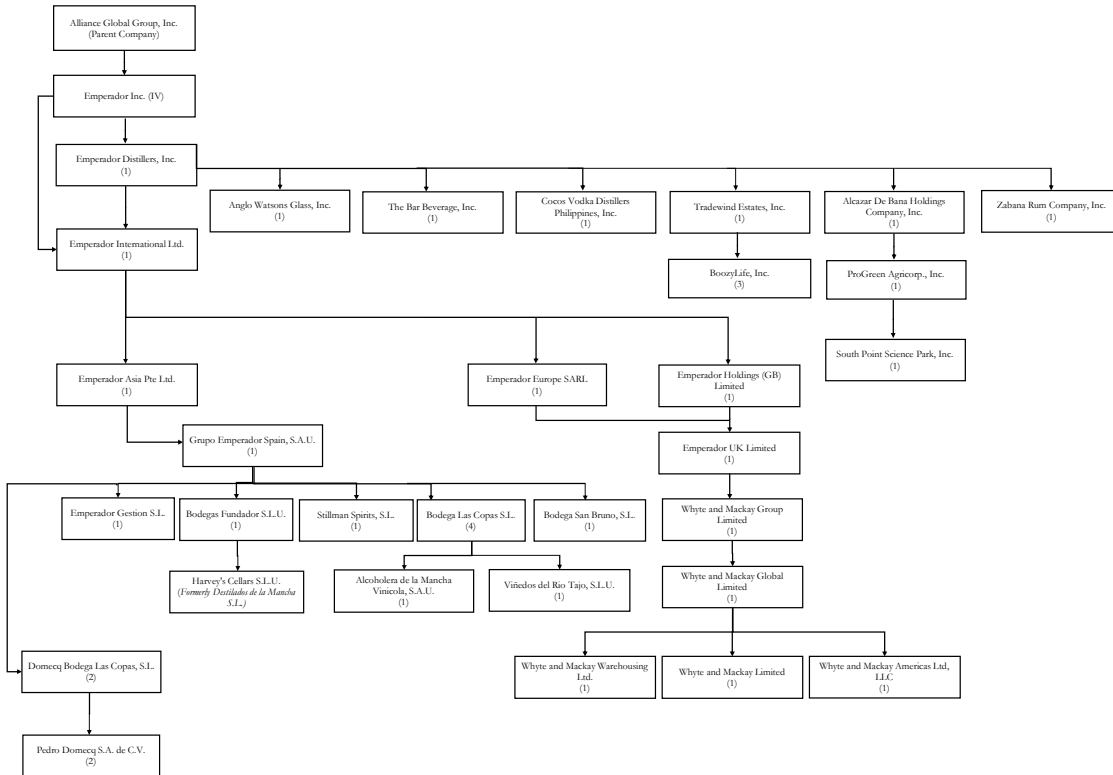
| Legend | |
|--|---|
| <i>Relationship with Golden Arches Development Corporation</i> | |
| (1) | Subsidiary |
| (2) | Associate |
| (3) | Jointly Controlled Entity |
| A | Megaworld Corporation |
| B | Adams Properties, Inc. |
| C | First Centro, Inc. |
| D | Newtown Land Partners, Inc. |
| E | Travellers 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. |
| S | Empire East Land Holdings, 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 | Susoma Premier Land, Inc. |
| Q | Gilmore Property Marketing Associates, Inc. |
| R | Emperador Inc. |
| T | Suntrust Home Developers, Inc. |

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
 Map Showing the Relationship Between and
 Among Megaworld and Global Estate Resorts Inc. Group
 December 31, 2021



| 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 | Tomasgare Development, Inc. |
| I | Megaworld Resort Estates, Inc. |
| S | Empire East Land Holdings, Inc. |
| J | Twin Lakes Corporation |
| K | Megaworld Global Estates, Inc. |
| L | Megaworld Central Properties, Inc. |
| M | Slisk Success International, Ltd. |
| N | Dew Dreams International, Ltd. |
| O | Southwoods Mall, Inc. |
| P | Sonoma Premier Land, Inc. |
| Q | Gilmore Property Marketing Associates, Inc. |
| R | Emperador Inc. |
| T | Suntrust Home Developers, Inc. |

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
 Map Showing the Relationship Between Alliance Global Group, Inc.
 and Emperor Group
 December 31, 2021



| Legend | |
|--------------------------------|---------------------------|
| Relationship with Emperor Inc. | |
| (1) | Subsidiary (100%) |
| (2) | Subsidiary (50%) |
| (3) | Subsidiary (51%) |
| (4) | Jointly Controlled Entity |



Report of Independent Auditors on Components of Financial Soundness Indicators

Punongbayan & Araullo

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

T +63 2 8988 2288

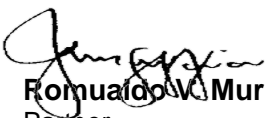
**The Board of Directors and the Stockholders
Alliance Global Group, Inc. and Subsidiaries**

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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Alliance Global Group, Inc. and subsidiaries (the Group) for the year ended December 31, 2021 and 2020, on which we have rendered our report dated April 29, 2022.

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, 2021 and 2020 and for each of the two years in the period ended December 31, 2021 and no material exceptions were noted.

PUNONGBAYAN & ARAULLO


By: **Romualdo W. Murcia III**
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 8852339, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-4 (until Sept. 4, 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-022-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 29, 2022

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, 2021

| Ratio | Formula | 2021 | 2020 |
|---------------------------------------|--|------|------|
| Current ratio | Current assets / Current liabilities | 2.04 | 2.03 |
| Acid test ratio | Quick assets / Current liabilities (Quick assets include cash and cash equivalents, trade and other receivables and financial assets at fair value through profit or loss) | 0.98 | 0.94 |
| Solvency ratio | EBITDA / Total debt (Total debt includes interest bearing loans and borrowings and bonds payable) | 0.19 | 0.15 |
| Debt-to-equity ratio | Total debt / Total stockholders' equity (Total debt includes interest bearing loans and borrowings, bonds payable and equity-linked debt securities) | 0.64 | 0.74 |
| Asset-to-equity ratio | Total assets / Total stockholders' equity | 2.10 | 2.26 |
| Interest rate coverage ratio | EBIT / Total Interest (Non-recurring gain or loss is excluded from EBIT) | 4.24 | 3.10 |
| Return on investment | Net profit / Total stockholders' equity | 0.07 | 0.03 |
| Return on investment of equity owners | Net profit attributable to owners of the Parent Company/ equity attributable to the owners of the Parent Company | 0.08 | 0.05 |
| Return on assets | Net profit/ total assets | 0.03 | 0.02 |
| Net profit margin | Net profit / Total revenues | 0.16 | 0.08 |

COVER SHEET

A S 0 9 3 - 7 9 4 6

S.E.C. Registration Number

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

(Company's Full Name)

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

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

DINA INTING

Contact Person

8709-2038 to 41

Company Telephone Number

1 2
3 1

Month
Day

Fiscal Year

1 7 - Q

FORM TYPE

3rd Thursday of June

Annual Meeting

(QUARTERLY REPORT FOR MARCH 31, 2022)

Certificate of Permit to Offer
 Securities for Sale

Secondary License Type, If Applicable

S E C

Dept. Requiring this Doc.

N/A

Amended Articles Number/Section

996

Total No. of Stockholders

Total Amount of Borrowings

| | |
|----------|---------|
| | |
| Domestic | Foreign |

To be accomplished by SEC Personnel concerned

| | |
|-------------|-----|
| | |
| File Number | LCU |

| | |
|---------------|---------|
| | |
| Document I.D. | Cashier |

S T A M P S

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. *For the quarterly period ended* **March 31, 2022**
2. *SEC Identification Number* **AS093-7946**
3. *BIR Tax Identification No.* **003-831-302-000**
4. *Exact name of issuer as specified in its charter* **ALLIANCE GLOBAL GROUP, INC.**
5. **METRO MANILA, PHILIPPINES**
Province, country or other jurisdiction of incorporation or organization
6. *(SEC Use Only)*
Industry classification code
7. **7thFloor, 1880 Eastwood Avenue, Eastwood City CyberPark
188 E. Rodriguez Jr. Ave., Bagumbayan, 1110 Quezon City**
Address of principal office
8. **(632) 870920-38 to -41**
Registrant's telephone number, including area code
9. *Securities registered pursuant to Sections 8 and 12 of the SRC, or secs. 4 and 8 of the RSA*

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

Common

9,465,964,879

(net of 803,863,100 buyback shares held by AGI)

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

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

PART I – FINANCIAL INFORMATION

1. FINANCIAL STATEMENTS

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

The interim consolidated financial statements (“ICFS”) have been prepared in accordance with the Philippine Financial Reporting Standards (“PFRS”) and Philippine Accounting Standard 34, *Interim Financial Reporting*. As such, they do not include all of the information and disclosures required for full annual consolidated financial statements, and thus should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended December 31, 2021 (“ACFS”). The accounting policies and methods used in the ICFS are consistent with those applied in ACFS. There were no amendments to existing standards adopted by the Group effective January 1, 2022. Accounting estimates, assumptions and judgments are used in preparing these statements; and while these are believed to be reasonable under the circumstances, actual results may ultimately differ from such estimates (see Note 3 to both the ACFS and ICFS).

The ICFS comprise the financial statements of the Company and its subsidiaries, after elimination of material intercompany transactions. In addition, shares of stock of the Company acquired by any of these subsidiaries are recognized as treasury shares and presented at cost as part of Treasury Shares in the consolidated statements of changes in equity. Any changes in their market values as recognized separately by the subsidiaries are likewise eliminated in full. Gain or loss on the sale of these treasury shares is presented as addition to or deduction from additional paid-in capital.

Business Segments

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

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

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

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

Key Performance Indicators – Top Five

| In Million Pesos | Q1 2022 | Q1 2021 | YoY 2022 | YoY % |
|-------------------------------------|----------|----------|----------|--------|
| REVENUES | 37,498 | 31,807 | 5,691 | 17.9% |
| NET PROFIT ["NP"] | 5,350 | 3,204 | 2,145 | 66.9% |
| NET PROFIT TO OWNERS ["NPO"] | 3,887 | 2,564 | 1,324 | 51.6% |
| NP rate ["NPR"] | 14.27% | 10.07% | | |
| NPO rate ["NPOR"] | 10.37% | 8.06% | | |
| EBITDA Margin | 30.73% | 28.32% | | |
| Return on investment/assets [NP/TA] | 0.76% | 0.46% | | |
| | Mar-2022 | Dec-2021 | YoY 2022 | YoY % |
| TOTAL ASSETS | 708,350 | 703,960 | 4,390 | 0.6% |
| CURRENT ASSETS | 351,350 | 351,418 | (68) | (0.0%) |
| CURRENT LIABILITIES | 172,701 | 172,459 | 242 | 0.1% |
| Current ratio | 2.03x | 2.04x | | |
| Quick ratio | 0.95x | 0.98x | | |
| | Q1 2022 | Q1 2021 | YoY 2022 | YoY % |
| Profit before tax and interest | 8,847 | 6,268 | 2,579 | 41.1% |
| Interest expense | 1,730 | 1,751 | (21) | (1.2%) |
| Interest coverage rate | 5.11 | 3.58 | | |

Note: Numbers may not add up due to rounding off

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

Results of Operations – Three Months 2022 vs 2021

The Philippine economy¹ grew 8.3% year-on-year in the first quarter of 2022, a significant reversal from 3.8% contraction in first quarter last year, 1.9% faster than 7.8% growth in previous quarter and surpassing pre-pandemic 2019 levels. Domestic economic activity has gained stronger traction from the easing of remaining restrictions, in spite of setback from the Omicron-driven²

¹ GDP growths were taken from Philippine Statistics Authority ref. 2022-205 released on May 12, 2022.

² The COVID-19 pandemic, which broke out in 2020, is continuing to spread globally with new variants and resurgences causing reimposition of mobility and lockdown restrictions by affected governments. In January, the Omicron variant ("Omicron"), first named by WHO in November 2021, less severe more transmissible than Delta, spread fast worldwide causing record peaks in most countries (including UK, Spain, Mexico, USA and Philippines) and declined quickly. The governments were forced to tighten mobility restrictions as Omicron infection surged. As the situation improved globally, public health restrictions had eased in most places while there were still tightening in other places. In the Philippines, right after the New Year holidays, Metro Manila and other places were put under stricter Alert Level 3 for a month (from Alert Level 2 since mid-November 2021), then restrictions were gradually eased to Alert Level 2 in February and Alert Level 1 in March (up to this report date); while other areas were under the stricter levels. Omicron sub-variants have been detected in May 2022.

surge in Covid-19 cases in January this year. For Metro Manila and other key areas, operating capacity for business and activities were reduced to 10% indoor and 30% outdoor under Alert Level 3, easing to 50% indoor and 70% outdoor under Alert Level 2, and to full capacity for establishments and public transport under most lenient Alert Level 1. As of April 1, 2022, about 79% of economy was already under Alert Level 1.

The Group continued its growth trajectory in this volatile environment, surpassing performance in comparable period last year, anchored on the strength of its diversified revenue streams, strong brand equity and optimized cost management. All business segments delivered strong year-on-year (“YoY”) growths.

Net profit (“NP”) for the first quarter soared 67% YoY (+P2.1 billion) to P5.4 billion, attributing P3.9 billion of net profit to owners (“NPO”) which surged 52% YoY (+P1.3 billion), on the back of 18% YoY growth (+P5.7 billion) in revenues and income. NP rate (“NPR”) improved to 14% and NPO rate (“NPOR”) to 10% this year as compared to 10% and 8%, respectively, of a year ago.

By business segments, as represented by the major subsidiary groups:

| In Million Pesos | Contribution | Q1 2022 Pre Conso | Q1 2022 Conso | Q1 2021 Pre Conso | Q1 2021 Conso | YoY 2022 | YoY % |
|---------------------------|--------------|----------------------|------------------|----------------------|------------------|-------------|----------|
| Revenues and other income | 100.00% | 37,681 | 37,498 | 34,644 | 31,807 | 5,691 | 17.9% |
| Megaworld | 34.34% | 12,950 | 12,877 | 10,109 | 10,053 | 2,824 | 28.1% |
| Emperador | 32.81% | 12,309 | 12,304 | 12,022 | 12,017 | 287 | 2.4% |
| Travellers | 13.03% | 4,886 | 4,885 | 3,768 | 3,765 | 1,120 | 29.8% |
| Golden Arches | 19.15% | 7,193 | 7,180 | 5,680 | 5,680 | 1,499 | 26.4% |
| Others | 0.67% | 343 | 253 | 3,064 | 292 | (39) | (13.4%) |
| Cost and expenses | 100.00% | 30,534 | 30,381 | 27,358 | 27,290 | 3,091 | 11.3% |
| Megaworld | 28.07% | 8,556 | 8,529 | 6,993 | 6,993 | 1,537 | 22.0% |
| Emperador | 32.06% | 9,830 | 9,741 | 9,561 | 9,528 | 213 | 2.2% |
| Travellers | 15.72% | 4,766 | 4,777 | 4,864 | 4,863 | (85) | (1.8%) |
| Golden Arches | 22.03% | 6,737 | 6,693 | 5,287 | 5,259 | 1,434 | 27.3% |
| Others | 2.11% | 647 | 641 | 652 | 647 | (6) | (0.9%) |
| Tax expense | 100.00% | 1,767 | 1,767 | 1,313 | 1,313 | 454 | 34.6% |
| Megaworld | 50.17% | 886 | 886 | 626 | 626 | 261 | 41.7% |
| Emperador | 19.76% | 349 | 349 | 362 | 362 | (13) | (3.5%) |
| Travellers | 18.59% | 328 | 328 | 1 | 1 | 327 | 28170.0% |
| Golden Arches | 11.38% | 201 | 201 | 324 | 324 | (123) | (37.9%) |
| Others | 0.10% | 2 | 2 | - | - | 2 | 1848.4% |
| Net profit | 100.00% | 5,379 | 5,350 | 5,974 | 3,204 | 2,145 | 66.9% |
| Megaworld | 64.70% | 3,508 | 3,461 | 2,491 | 2,435 | 1,027 | 42.2% |
| Emperador | 41.38% | 2,130 | 2,214 | 2,099 | 2,127 | 87 | 4.1% |
| Travellers | -4.13% | (208) | (221) | (1,097) | (1,099) | 878 | 79.9% |
| Golden Arches | 5.34% | 255 | 286 | 69 | 98 | 188 | (192.9%) |
| Others | -7.30% | (305) | (391) | 2,412 | (356) | (35) | (9.8%) |
| Net profit to owners | 100.00% | 4,913 | 3,887 | 5,836 | 2,564 | 1,324 | 51.6% |
| Megaworld | 60.47% | 3,069 | 2,351 | 2,362 | 1,611 | 740 | 45.9% |
| Emperador | 48.47% | 2,098 | 1,884 | 2,084 | 1,788 | 96 | 5.4% |
| Travellers | -2.95% | (207) | (115) | (1,096) | (544) | 429 | 78.9% |
| Golden Arches | 4.05% | 258 | 157 | 73 | 64 | 93 | (145.0%) |
| Others | -10.05% | (305) | (391) | 2,412 | (356) | (35) | (9.8%) |

Notes: Numbers may not add up due to rounding off.
"Pre-conso" refers to numbers at subsidiary level; revenues and other income here presented may slightly differ due to reclassifications for alignment made at consolidation level. "Conso" represents numbers from external customers, i.e. after elimination/ consolidation adjustments. RWM revenues are presented net of promotional allowance.

Megaworld, the county's pioneer developer of integrated urban townships, was in for a strong start as it reported revenues and other income of P13.1 billion, NP of P3.5 billion and NP to its owners of P3.1 billion rising 29%, 41% and 30% YoY attributed to double-digit growths in all of its revenue segments. NPR was registered at 27% and NPOR at 23%, as compared to 24% and 23%, respectively, of a year ago.

Real estate sales climbed 36% YoY to P8.1 billion as construction activities normalized. Reservation sales reported an improvement of 12% ending the period with P23.2 billion compared to P20.7 billion during the same period last year. The current brand mix for Megaworld-GERI-Empire East-Suntrust/SLI was 66%-13%-13%-8%. About 66% of sales were for Metro Manila projects, 17% Cavite-Laguna-Batangas-Rizal and 7% Iloilo.

Rental income increased 20% YoY to P3.7 billion as a result of higher rental rate from new leases and rent escalations and increase in occupancy rates. Megaworld Lifestyle Malls, which operates 20 lifestyle malls, showed a big improvement in its performance. As foot traffic improved during the period together with high operational occupancy of 88%, mall rentals grew 40% YoY to P0.7 billion. Megaworld Premier Offices continued on its track by posting P3.0 billion rental income, a 16% YoY growth occupancy rate improved to 91% compared to the 82-83% industry average level.

Megaworld Hotels & Resorts, which operates 11 hotel properties, reported hotel revenues of P0.5 billion, a 50% leap YoY reflective of the improvement on leisure-related and MICE activities and domestic travel attributed to loosening of mobility restrictions throughout the first quarter.

These operating results brought in 34%, 65% and 60% to AGI's consolidated revenues and other income, net profit and net profit attributable to owners, respectively.

Emperador, the world's largest brandy company and owner of the world's 5th largest Scotch whisky producer in the world by capacity, showed improved results in the first quarter of current year as compared to same period of 2021 and of pre-pandemic 2019, as it anchored on its diversified portfolio and international operations, amidst a volatile pandemic environment caused by Omicron waves globally that tamed the Group's growth trajectory.

It reported P12.3 billion revenues and other income in the first quarter, up 2% YoY despite the challenges posed by global logistics and lockdowns attributed to Omicron across international markets including the Philippines. NP and NPO hit P2.1 billion. Nevertheless, these numbers were respectively 12%, 22% and 21% better than the pre-pandemic first quarter of 2019.

GPR and NPR remained robust amidst inflationary pressures. GPR was at 32% this year compared to 33% a year ago while NPR remained stable at 17% as the group continued to maintain caution and optimization in its spending.

The Brandy segment ended the first quarter with revenues and other income from external customers of P7.6 billion, dampened by logistics constraints and lockdown restrictions from Omicron waves. Emperador increased its sales prices in January, yet it took the price of rising costs. GP contracted 18% YoY to P1.9 billion with GPR sliding to 26% from 28% of a year ago. The lower GP and higher operating costs brought both NP and NPO to P1.2 billion, with margin of 16% and 15%, respectively.

The Scotch Whisky segment ended the first quarter with revenues and other income from external customers increasing 20% YoY to P4.7 billion, buoyed by its single malt products which showed double-digit growths and accounted for 63% of the segment's sales (as compared to 55% a year ago). Scotch Whisky sales continued to grow strongly in Europe, Americas and Asia Pacific regions in spite of supply chain challenges which were affecting its markets. Nevertheless, demand remains strong with orders on hand. GP expanded 18% YoY to P1.9 billion yet GPR remained steady at 40%. A 16% YoY increase on spending was recorded as markets reopened which brought NP and NPO to P0.9 billion, up 25% YoY. NPR and NPOR improved to 19% from 18% in comparable period last year.

For the first quarter of the year, Emperador group contributed 33% to AGI's consolidated revenues and other income, 41% to consolidated net profit, and 48% to consolidated net profit attributable to AGI owners.

Travellers, the owner and operator of Resorts World Manila (RWM), an integrated tourism resort, made a remarkable recovery from the reopening of business activities as it reported 29% YoY growth in its core revenues to P4.8 billion for the first quarter. NP and NPO improved 81% YoY which were still short to support costs and expenses.

Gross gaming revenues hiked 43% YoY to P6.5 billion as gaming activities were allowed to open in March. With increased activity, promotional allowance expanded to P2.6 billion, up 83% YoY. Net gaming revenues increased 25% YoY to P3.9 billion

Non-gaming revenues (from hotel, food, beverage and others) also improved 46% year-on-year to P0.9 billion due to loosening of mobility and travel restrictions resulting in increased foot traffic, foreign tourist arrivals and MICE activities. Reopening of tourism to international tourists started on February 10 this year. Hotel occupancy rates of the 5 hotels in RWM ranged 47% to 85% (35% to 73% a year ago). The hotel in Iloilo registered an occupancy rate of 16% (6% a year ago) due to higher restrictions in the area during the quarter.

Travellers group accounted for 13%, -4% and -3% of AGI's consolidated revenues and other income, consolidated net profit and consolidated net profit attributable to owners of AGI, respectively.

GADC, the master franchise holder of McDonald's in the Philippines and a strategic partnership with the George Yang group, started the year with a stronger quarter YoY in spite of the initial setback caused by the Omicron surge at the beginning of the year. GADC reportedly grew its core revenues for the first three months to P7.2 billion, up 27% YoY. Its NP and NPO made a huge leap of 268% and 253% YoY, respectively, to close at P255 million and P258 million, respectively, by the end of the first quarter.

As lockdown restrictions were easing during the period, consumer mobility improved and operating hours and store capacity increased. Systemwide store sales expanded 29% YoY, boosted by dine-in consumption and return of birthday parties and large group gatherings. Same-store sales grew 22% YoY. Sustained efforts on consumers' priorities – safety and trust, affordability, accessibility – plus menu excitement through limited time offers drove the brands' sales and guest count achievements. Total store count stood at 679 as the group opened 8 stores and did not close any during the first quarter (3 opened, 3 closed in first quarter last year). Stores were concentrated 82% in Luzon. About 99% of total stores were already operating by the end of the first quarter.

These operating results translated into 19% contribution to consolidated revenues and other income, 5% to consolidated net profit and 4% to net profit to owners of AGI.

By profit and loss accounts:

The preceding discussions are reflected in the consolidated profit and loss accounts, as shown below:

| In Million Pesos | Q1 2022 | Q1 2021 | YoY 2022 | YoY % |
|---|---------------|---------------|--------------|--------------|
| REVENUES AND INCOME | | | | |
| Sale of goods | 20,050 | 17,994 | 2,055 | 11.4% |
| Consumer goods | 11,999 | 12,092 | (93) | (0.8%) |
| Revenue from real estate (RE) sales | 8,051 | 5,902 | 2,148 | 36.4% |
| Rendering of services | 16,340 | 12,866 | 3,473 | 27.0% |
| Gaming | 6,530 | 4,557 | 1,973 | 43.3% |
| Less: Promotional allowance | (2,607) | (1,426) | (1,182) | 82.9% |
| Net Gaming | 3,923 | 3,131 | 792 | 25.3% |
| Sales by company-operated quick-service restaurants | 6,515 | 5,135 | 1,380 | 26.9% |
| Franchise revenues | 659 | 524 | 136 | 25.9% |
| Rental Income | 3,862 | 3,115 | 747 | 24.0% |
| Others | 1,381 | 962 | 419 | 43.5% |
| Hotel operations | 1,246 | 849 | 397 | 46.8% |
| Other services | 135 | 113 | 21 | 18.7% |
| Share in net profits of associated and joint ventures | - | 5 | (5) | (100.0%) |
| Finance and other income | 1,108 | 941 | 167 | 17.8% |
| TOTAL | 37,498 | 31,807 | 5,691 | 17.9% |
| COST AND EXPENSES | | | | |
| Cost of goods sold | 12,270 | 11,226 | 1,044 | 9.3% |
| Consumer goods sold | 8,153 | 8,107 | 47 | 0.6% |
| RE sales | 4,117 | 3,119 | 997 | 32.0% |
| Cost of services | 8,483 | 7,069 | 1,414 | 20.0% |
| Gaming | 1,618 | 1,706 | (87) | (5.1%) |
| Services | 6,865 | 5,363 | 1,502 | 28.0% |
| Other operating expenses | 7,699 | 6,997 | 702 | 10.0% |
| Selling and marketing | 2,703 | 2,455 | 247 | 10.1% |
| General and administrative | 4,996 | 4,542 | 454 | 10.0% |
| Share in net losses of associates and joint ventures | 42 | - | 42 | |
| Finance cost and other charges | 1,887 | 1,998 | (110) | (5.5%) |
| TOTAL | 30,381 | 27,290 | 3,091 | 11.3% |
| TAX EXPENSE | 1,767 | 1,313 | 454 | 34.6% |
| NET PROFIT | 5,350 | 3,204 | 2,145 | 66.9% |
| NET PROFIT TO OWNERS | 3,887 | 2,564 | 1,324 | 51.6% |

Note: Numbers may not add up due to rounding off. Percentages are taken based on full numbers, not from the presented rounded amounts.

Revenues and income, as a result of the foregoing discussion, increased 18% YoY (+P5.7 billion) to P37.5 billion in the first quarter. **Sale of goods** (real estate, alcoholic beverages and snack products) increased 11% YoY (+P2.0 billion) to P20.0 billion as real estate sales grew 36% YoY (+P2.1 billion) from increased construction activity, while sales of consumer goods remained stable at P12.0 billion. **Service revenues** (gaming, hotels, quick-service restaurants, cinemas and theaters, leasing, hotels and other related services) climbed 27% YoY (+P3.5 billion) to P16.3 billion as net gaming revenues, sales of quick-service restaurants, franchise revenues, rental revenues and hotel operations improved by 25% (+P0.8 billion), 27% (+P1.4 billion), 26% (+P0.1 billion), 24% (+P0.7 billion) and 47% (+P0.4 billion, respectively). **Share in net profits of associates and joint ventures** of P0.005 billion a year ago reversed to P0.04 billion **share in net losses** in the first quarter this year. **Finance and other income** increased 18% YoY (+P0.2 billion) to P1.1 billion from higher interest income and foreign currency gains during the quarter.

Costs and expenses stepped up 11% YoY (+P3.1 billion) to P30.4 billion, providing good profit margins. **Cost of goods sold** and **cost of services** increased 9% YoY (+P1.0 billion) and 20% YoY (+P1.4 billion), respectively, due to increases in revenues, yet at a slower pace. **Other operating expenses** went up 10% YoY (P0.7 billion) to P7.7 billion due to resumption of business activities. **Share in net losses of associates and joint ventures** was reported mainly due to incurred losses of an associate of Megaworld. **Finance and other charges** fell 6% YoY (-P0.1 billion) to P1.9 billion due mainly to turnaround of foreign currency losses recorded from a year ago.

Tax expense ballooned 35% YoY (+P0.4 billion) to P1.8 billion from higher taxable profit of Megaworld and Travellers.

Earnings before interest, taxes, depreciation and amortizations (EBITDA) (computed as net profit before income taxes, interest expense, depreciation and amortizations) hiked 28% YoY (+P2.5 billion) to P11.5 billion from P9.0 billion a year ago, exhibiting 31% and 28% EBITDA rate, respectively.

Net profit accelerated 67% YoY (+P2.1 billion) to P5.3 billion from higher gross profit (sales growth outpacing costs growth) and optimization of expenditures.

Net profit attributable to AGI owners amounted to P3.9 billion from P2.6 billion a year ago, a robust 52% YoY growth because of the foregoing.

Financial Condition

Consolidated total assets amounted to P708.4 billion at end of the interim period from P704.0 billion at beginning of year, a modest 1% growth (+P4.4 billion) in the first quarter. The Group is liquid with **current assets** exceeding **current liabilities** 2.0 times at the end and beginning of the interim period. Current assets amounted to P351.3 billion while current liabilities amounted to P172.7 billion at end of the interim period.

Cash and cash equivalents were depleted by 3% (-P2.6 billion) during the interim, ending at P79.7 billion from P82.3 billion at the beginning of the year, primarily due to uses in financing activities (payments of loans, interest, dividends, lease) and investing activities (capital expenditures, advances) outpacing cash provided by operating activities. Net cash provided by operations and used in financing and investing activities during the period were presented in the interim consolidated statements of cash flows.

In summary, the **accounts with at least +/- 5% changes** from year-end were as follows.

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 7% (+P0.9 billion) for **currently** maturing assets while the **non-currently** maturing assets went down 3% (-P0.2 billion).

Financial assets at fair value through other comprehensive income soared 29% (+P0.1 billion) to P0.5 billion due to increase in fair value during the interim period.

Current trade and other payables increased 5% (+P3.5 billion) to P68.0 billion mainly due to resumption/increase of business activities of the Group.

Current lease liabilities decreased 3% (-P0.04 billion) to P1.3 billion and **non-current lease liabilities** increased 5% (+P0.7 billion) to P16.1 billion from rental payments and additions made during the period.

Contract liabilities represent MEG's excess of collection over the progress of work with **current** portion increasing 19% (+P0.5 billion) and **non-current portion** increasing 9% (+P0.4 billion) during the interim period.

Income tax payable dropped 22% (-P0.5 billion) to P1.6 billion due mainly to reductions in Emperador, as annual obligations at beginning of the year were paid during the interim period.

Advances from related parties and joint operator partners fell 12% (-P0.3 billion) to P2.2 billion from Megaworld.

Other current liabilities were reduced 10% (-P1.8 billion) to P17.2 billion primarily due to payments made during the interim period.

Retirement benefit obligation went down 9% (-P0.09 billion) to P0.9 billion due mainly to the excess of fair value of retirement plan assets over the present value of the obligation due changes in financial assumptions and foreign exchange adjustments booked in UK.

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

Liquidity and Capital Resources

The consolidated statements of financial position showed strong liquidity with current assets exceeding current liabilities 2times at end of interim period. The interim period opened and closed with total-liabilities-to-equity ratio of 1.1 : 1.0 and interest-bearing-debt-to-equity ratio of 0.6 : 1.0. Assets exceeded liabilities nearly 1.9times, and equity 2.1times at the beginning and end of the interim period.

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

| Amounts in Million Pesos | March 2022 | December 2021 |
|---|------------|---------------|
| Cash and cash equivalents | 79,683 | 82,278 |
| FVTPL/ FVOCI financial assets | 14,502 | 13,934 |
| Total Available | 94,185 | 96,212 |
| Interest-bearing debt- current | 79,269 | 80,304 |
| Interest-bearing debt noncurrent | 91,057 | 93,109 |
| Bonds payable- noncurrent | 42,315 | 41,982 |
| Total Debt | 212,641 | 215,395 |
| Net cash (debt) | (118,456) | (119,183) |
| Available cash and financial assets to debt | 44.29% | 44.67% |
| Total debt to total equity | 62.46% | 64.25% |
| Net debt to total equity | 34.79% | 35.55% |

Prospects for the future

The Group remains optimistic in its prospects ahead as it anchors its growth on the Group's strong brand equity, firm market positioning, focused strategies and overall financial strength. It is mindful of the current challenges in global and domestic economies.

The Group, with its diversified businesses, has a proven record of creating value over time and is confident in its ability to deliver sustainable profitable growth and value for its stakeholders, backed by its overall resilience and adaptability.

Others

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

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

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

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

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

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

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

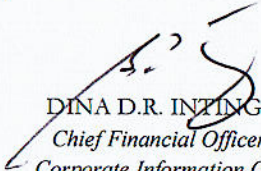
The business has no seasonal aspects that had a material effect on the financial condition and results of operations of the Group.

SIGNATURE

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

Alliance Global Group, Inc.
Issuer

By:


DINA D.R. INTING
*Chief Financial Officer/
Corporate Information Officer*

May 25, 2022

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 March 31, 2022

| Ratio | Formula | 3/31/2022 | 12/31/2021 |
|---------------------------------------|--|------------------|------------------|
| Current ratio | Current assets / Current liabilities | 2.03 | 2.04 |
| Acid test ratio | Quick assets / Current liabilities (Quick assets include cash and cash equivalents, trade and other receivables and financial assets at fair value through profit or loss) | 0.95 | 0.98 |
| Solvency ratio | EBITDA / Total debt (Total debt includes interest bearing loans and borrowings and bonds payable) | 0.05 | 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) | 0.62 | 0.64 |
| Asset-to-equity ratio | Total assets / Total stockholders' equity | 2.08 | 2.10 |
| | | 3/31/2022 | 3/31/2021 |
| Interest rate coverage ratio | EBIT / Total Interest (Non-recurring gain or loss is excluded from EBIT) | 5.11 | 3.58 |
| Return on investment | Net profit / Total stockholders' equity | 0.02 | 0.01 |
| Return on investment of equity owners | Net profit attributable to owners of the Parent Company/ equity attributable to the owners of the Parent Company | 0.02 | 0.01 |
| Return on assets | Net profit/ total assets | 0.01 | 0.00 |
| Net profit margin | Net profit / Total revenues | 0.14 | 0.10 |

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2022 AND DECEMBER 31, 2021
(Amounts in Philippine Pesos)

| | <u>March 31, 2022</u> <u>(UNAUDITED)</u> | <u>December 31, 2021</u> <u>(AUDITED)</u> |
|--|---|--|
| <u>A S S E T S</u> | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | P 79,683,050,456 | P 82,278,122,850 |
| Trade and other receivables - net | 70,030,318,655 | 72,659,307,764 |
| Contract assets | 12,827,005,559 | 11,970,852,843 |
| Financial assets at fair value through profit or loss | 13,959,736,637 | 13,512,733,032 |
| Inventories - net | 156,391,129,541 | 152,847,415,170 |
| Other current assets | <u>18,458,340,953</u> | <u>18,149,365,608</u> |
| Total Current Assets | <u>351,349,581,801</u> | <u>351,417,797,267</u> |
| NON-CURRENT ASSETS | | |
| Trade and other receivables - net | 14,034,368,875 | 14,049,075,860 |
| Contract assets | 7,725,058,838 | 7,951,394,519 |
| Advances to landowners and joint operators | 7,395,845,531 | 7,158,576,223 |
| Financial assets at fair value through other comprehensive income | 542,279,857 | 420,870,489 |
| Investments in associates and joint ventures | 6,740,233,039 | 6,793,930,448 |
| Property, plant and equipment - net | 144,652,660,658 | 141,904,029,538 |
| Investment properties - net | 122,117,062,322 | 120,539,734,330 |
| Intangible assets - net | 40,602,086,249 | 40,483,366,565 |
| Deferred tax assets - net | 4,868,178,661 | 4,970,539,083 |
| Other non-current assets | <u>7,364,529,126</u> | <u>7,308,890,602</u> |
| Total Non-current Assets | <u>356,042,303,156</u> | <u>351,580,407,657</u> |
| NON-CURRENT ASSETS HELD FOR SALE | <u>958,424,167</u> | <u>961,740,550</u> |
| TOTAL ASSETS | <u>P 708,350,309,124</u> | <u>P 703,959,945,474</u> |

| | <u>March 31, 2022</u> <u>(UNAUDITED)</u> | <u>December 31, 2021</u> <u>(AUDITED)</u> |
|--|---|--|
| <u>LIABILITIES AND EQUITY</u> | | |
| CURRENT LIABILITIES | | |
| Trade and other payables | P 68,048,074,676 | P 64,572,635,732 |
| Interest-bearing loans | 79,269,198,351 | 80,303,949,739 |
| Lease liabilities | 1,264,305,062 | 1,309,447,535 |
| Contract liabilities | 2,915,397,983 | 2,447,089,883 |
| Income tax payable | 1,635,341,696 | 2,099,665,745 |
| Redeemable preferred shares | 251,597,580 | 251,597,580 |
| Advances from related parties and joint operator partners | 2,165,624,151 | 2,469,533,312 |
| Other current liabilities | <u>17,151,515,005</u> | <u>19,005,123,221</u> |
| Total Current Liabilities | <u>172,701,054,504</u> | <u>172,459,042,747</u> |
| NON-CURRENT LIABILITIES | | |
| Interest-bearing loans | 91,056,882,792 | 93,108,742,222 |
| Bonds payable | 42,315,196,708 | 41,982,042,246 |
| Lease liabilities | 16,072,705,509 | 15,336,726,680 |
| Contract liabilities | 5,400,753,448 | 4,956,605,925 |
| Retirement benefit obligation | 891,626,759 | 982,052,130 |
| Redeemable preferred shares | 1,405,403,268 | 1,365,641,108 |
| Deferred tax liabilities - net | 18,503,987,381 | 18,167,163,730 |
| Other non-current liabilities | <u>19,539,150,526</u> | <u>20,379,289,896</u> |
| Total Non-current Liabilities | <u>195,185,706,391</u> | <u>196,278,263,937</u> |
| Total Liabilities | <u>367,886,760,895</u> | <u>368,737,306,684</u> |
| EQUITY | | |
| Equity attributable to owners of the parent company | 214,225,694,686 | 209,903,697,035 |
| Non-controlling interest | <u>126,237,853,543</u> | <u>125,318,941,755</u> |
| Total Equity | <u>340,463,548,229</u> | <u>335,222,638,790</u> |
| TOTAL LIABILITIES AND EQUITY | <u>P 708,350,309,124</u> | <u>P 703,959,945,474</u> |

See Notes to Interim Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021
(Amounts in Philippine Pesos)
(UNAUDITED)

| | <u>2022</u> | <u>2021</u> |
|--|------------------------|------------------------|
| REVENUES AND INCOME | | |
| Sale of goods | P 20,049,835,355 | P 17,994,434,686 |
| Rendering of services | 16,339,867,551 | 12,866,416,402 |
| Share in net profits of associates and joint ventures - net | - | 4,891,951 |
| Finance and other income | <u>1,108,201,832</u> | <u>941,014,036</u> |
| | <u>37,497,904,738</u> | <u>31,806,757,075</u> |
| COSTS AND EXPENSES | | |
| Cost of goods sold | 12,270,052,554 | 11,225,991,514 |
| Cost of services | 8,483,146,737 | 7,068,714,205 |
| Other operating expenses | 7,698,913,823 | 6,997,252,253 |
| Share in net losses of associates and joint ventures - net | 41,780,990 | - |
| Finance costs and other charges | <u>1,887,402,807</u> | <u>1,997,887,916</u> |
| | <u>30,381,296,911</u> | <u>27,289,845,888</u> |
| PROFIT BEFORE TAX | 7,116,607,827 | 4,516,911,187 |
| TAX EXPENSE | <u>1,766,886,369</u> | <u>1,312,507,948</u> |
| NET PROFIT | <u>5,349,721,458</u> | <u>3,204,403,239</u> |
| OTHER COMPREHENSIVE INCOME (LOSS) | | |
| Items that will not be reclassified subsequently to profit or loss | | |
| Actuarial gains (losses) on remeasurement of retirement benefit obligation | 82,144,000 | 181,566,000 |
| Net unrealized fair value gain (loss) on financial assets at fair value through other comprehensive income | 98,942,238 | 23,851,144 |
| Deferred tax income (expense) relating to components of other comprehensive income (loss) | (20,536,000) | (45,391,500) |
| | <u>160,550,238</u> | <u>160,025,644</u> |
| Items that will be reclassified subsequently to profit or loss | | |
| Translation adjustments | (215,622,500) | 534,383,187 |
| Net unrealized fair value gain (loss) on cash flow hedge | 38,440,132 | 111,480,610 |
| Deferred tax income (expense) relating to components of other comprehensive income (loss) | (6,379,793) | (6,148,429) |
| | <u>(183,562,161)</u> | <u>639,715,368</u> |
| TOTAL COMPREHENSIVE INCOME | <u>P 5,326,709,535</u> | <u>P 4,004,144,251</u> |
| Net profit attributable to: | | |
| Owners of the parent company | P 3,887,055,483 | P 2,563,526,869 |
| Non-controlling interest | <u>1,462,665,975</u> | <u>640,876,370</u> |
| | <u>P 5,349,721,458</u> | <u>P 3,204,403,239</u> |
| Total comprehensive income attributable to: | | |
| Owners of the parent company | P 3,807,732,574 | P 2,972,628,767 |
| Non-controlling interest | <u>1,518,976,961</u> | <u>1,031,515,484</u> |
| | <u>P 5,326,709,535</u> | <u>P 4,004,144,251</u> |
| Earnings Per Share for the Net Profit Attributable to Owners of the Parent Company: | | |
| Basic | <u>P 0.4176</u> | <u>P 0.2695</u> |
| Diluted | <u>P 0.4176</u> | <u>P 0.2695</u> |

See Notes to Interim Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021
(Amounts in Philippine Pesos)
(UNAUDITED)

| | Attributable to Owners of the Parent Company | | | | | | | | | | | | | | Noncontrolling Interest | Total Equity |
|---|--|----------------------------|-----------------------------|---|---|-------------------------------------|---|----------------------|-------------------------|------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------|
| | Capital Stock | Additional Paid-in Capital | Treasury Shares – at Cost | Net Actuarial Losses on Retirement Benefit Plan | Net Fair Value Gains on Financial Assets at FVOCI | Accumulated Translation Adjustments | Revaluation Reserves on Cash Flow Hedge | Share Options | Other Reserves | Retained Earnings | | Total | Total | | | |
| | | | | | | | | | | Appropriated | Unappropriated | | | | | |
| Balance at January 1, 2022 | P 10,269,827,079 | P 34,518,916,029 | (P 10,516,348,052) | P 85,011,950 | P 72,946,670 | (P 4,036,461,315) | (P 34,688,267) | P 620,625,162 | P 19,778,512,767 | P 4,454,180,000 | P 154,691,094,112 | P 159,145,274,112 | P 209,903,697,035 | P 125,318,941,755 | P 335,222,638,790 | |
| Transactions with owners: | | | | | | | | | | | | | | | | |
| Change in percentage of ownership | - | - | - | - | - | - | - | - | 580,566,734 | - | - | - | 580,566,734 | (221,085,602) | 359,481,132 | |
| Acquisition of treasury shares | - | - | (65,605,210) | - | - | - | - | - | - | - | - | (65,605,210) | (65,605,210) | (65,605,210) | | |
| Dividend paid by investee | - | - | - | - | - | - | - | - | - | - | - | - | - | (382,152,125) | (382,152,125) | |
| Share-based compensation | - | - | (65,605,210) | - | - | - | - | - | - | - | - | - | - | (3,172,554) | (3,172,554) | |
| | - | - | (65,605,210) | - | - | - | - | - | 580,566,734 | - | - | - | 514,961,524 | (600,065,173) | 85,103,647 | |
| Changes in legal reserves during the period | - | - | - | - | - | - | - | (696,447) | - | - | - | (696,447) | - | (696,447) | | |
| Appropriation of retained earnings | - | - | - | - | - | - | - | - | - | 3,168,340,000 | (3,168,340,000) | - | - | - | | |
| Reversal of appropriation | - | - | - | - | - | - | - | - | - | (3,168,340,000) | 3,168,340,000 | - | - | - | | |
| Total comprehensive income (loss) | - | - | - | 57,478,473 | (176,040,610) | (339,327,243) | 26,485,251 | - | - | - | 3,887,055,483 | 3,887,055,483 | 3,807,732,574 | 1,518,976,961 | 5,326,709,535 | |
| Balance at March 31, 2022 | P 10,269,827,079 | P 34,518,916,029 | (P 10,581,953,262) | P 142,490,423 | P 248,987,280 | (P 4,375,788,558) | (P 8,123,016) | P 620,625,162 | P 20,358,383,054 | P 4,454,180,000 | P 158,578,149,595 | P 163,032,329,595 | P 214,228,694,686 | P 126,237,833,543 | P 340,463,548,229 | |
| Balance at January 1, 2021 | P 10,269,827,079 | P 34,518,916,029 | (P 7,596,939,422) | (P 783,537,269) | P 504,426,943 | (P 6,047,569,788) | (P 172,210,870) | P 620,625,162 | P 9,436,023,550 | P 3,993,550,000 | P 138,533,653,159 | P 142,527,203,159 | P 183,276,765,473 | P 112,542,694,728 | P 295,819,460,201 | |
| Transactions with owners: | | | | | | | | | | | | | | | | |
| Change in percentage of ownership | - | - | - | - | - | - | - | - | 58,272,446 | - | - | - | 58,272,446 | (141,313,672) | (83,041,226) | |
| Acquisition of treasury shares | - | - | (625,665,280) | - | - | - | - | - | - | - | - | (625,665,280) | (625,665,280) | (625,665,280) | | |
| Dividend paid by investee | - | - | - | - | - | - | - | - | - | - | - | - | - | (543,680,051) | (543,680,051) | |
| Gain on redemption of perpetual securities | - | - | - | - | - | - | - | - | - | - | 332,442,730 | 332,442,730 | 332,442,730 | 151,814,706 | 484,257,436 | |
| Share-based compensation | - | - | (625,665,280) | - | - | - | - | - | - | - | - | - | - | (1,188,258) | (1,188,258) | |
| | - | - | (625,665,280) | - | - | - | - | - | 58,272,446 | - | - | 332,442,730 | 332,442,730 | (531,948,759) | (766,898,863) | |
| Changes in legal reserves during the period | - | - | - | - | - | - | - | - | 25,761,841 | - | - | 25,761,841 | 25,761,841 | - | 25,761,841 | |
| Total comprehensive income (loss) | - | - | - | 115,012,983 | (30,587,152) | 248,144,628 | 76,531,439 | - | - | - | 2,563,526,869 | 2,563,526,869 | 2,072,628,767 | 1,031,515,484 | 4,004,144,251 | |
| Balance at March 31, 2021 | P 10,269,827,079 | P 34,518,916,029 | (P 8,222,604,702) | (P 668,524,286) | P 473,839,791 | (P 5,799,425,160) | (P 95,679,431) | P 620,625,162 | P 9,520,057,837 | P 3,993,550,000 | P 141,429,622,758 | P 145,423,172,758 | P 186,040,205,977 | P 113,042,261,453 | P 299,082,467,430 | |

See Notes to Interim Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021
(Amounts in Philippine Pesos)
(UNAUDITED)

| | 2022 | 2021 |
|--|----------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | P 7,116,607,827 | P 4,516,911,187 |
| Adjustments for: | | |
| Depreciation and amortization | 2,677,793,795 | 2,740,075,258 |
| Interest expense | 1,729,973,217 | 1,750,916,957 |
| Interest income | (573,185,482) | (492,922,447) |
| Recognition of impairment losses - net | (54,400,087) | (10,754,306) |
| Share in net losses (profits) of associates and joint ventures | 41,780,990 | (4,891,951) |
| Net loss on disposal of assets | 24,737,456 | 11,646,442 |
| Unrealized foreign currency losses (gains) - net | (8,118,334) | 109,173,721 |
| Gain from derecognition of right-of-use assets and lease liabilities | (4,187,084) | - |
| Stock option benefit expense | 3,172,554 | 1,188,258 |
| Fair value loss on financial assets at fair value through profit or loss | 1,352,055 | - |
| Dividend income | - | (24,310,350) |
| Operating profit before working capital changes | 10,955,526,907 | 8,597,032,769 |
| Decrease (increase) in trade and other receivables | 4,621,306,768 | (1,898,983,790) |
| Increase in inventories | (2,935,099,348) | (1,740,825,283) |
| Decrease (increase) in contract assets | (629,817,035) | 16,112,111 |
| Decrease (increase) in financial assets at fair value through profit or loss | 113,776,156 | (480,647,406) |
| Increase in other current assets | (428,388,806) | (667,508,480) |
| Increase in trade and other payables | 3,071,994,760 | 421,786,360 |
| Increase in contract liabilities | 912,455,623 | 892,312,814 |
| Decrease in retirement benefit obligation | (14,005,516) | (56,298,900) |
| Decrease in other current liabilities | (1,853,608,216) | (1,876,655,514) |
| Increase (decrease) in other non-current liabilities | (818,940,962) | 496,753,268 |
| Cash generated from operations | 12,995,200,331 | 3,703,077,949 |
| Cash paid for taxes | (1,672,612,885) | (844,008,113) |
| Net Cash From Operating Activities | 11,322,587,446 | 2,859,069,836 |
| <i>Balance carried forward</i> | P 11,322,587,446 | P 2,859,069,836 |

| | <u>2022</u> | | <u>2021</u> |
|---|--------------------------------|---|-----------------------|
| <i>Balance brought forward</i> | P 11,322,587,446 | P | 2,859,069,836 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisitions of: | | | |
| Property, plant and equipment | (4,171,312,188) | (| 2,436,705,112) |
| Investment properties | (1,968,203,801) | (| 852,356,734) |
| Intangible assets | (1,115,100) | | - |
| Proceeds from: | | | |
| Disposal of property, plant and equipment | 4,522,619 | | 25,227,796 |
| Additional advances granted to associates and other related parties | (270,215,814) | (| 10,425,690) |
| Interest received | 243,336,059 | | 442,931,340 |
| Collection (advances) to landowners, joint ventures and other related parties - net | (237,269,308) | (| 72,432,488) |
| Decrease (increase) in other non-current assets | 35,558,632 | | 1,502,395,239 |
| Cash dividends received | - | | 24,310,350 |
| | <u> </u> | | <u> </u> |
| Net Cash Used in Investing Activities | (6,364,698,901) | (| 1,377,055,299) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Payment of interest-bearing loans and bonds | (19,205,466,824) | (| 11,648,019,261) |
| Proceeds from interest-bearing loans and bonds | 14,986,181,851 | | 8,666,600,000 |
| Interest paid | (2,152,547,616) | (| 1,910,461,384) |
| Advances granted and paid to related parties | (675,000,225) | (| 291,472,509) |
| Dividends paid | (382,152,125) | (| 543,638,051) |
| Advances collected and received from related parties | 265,577,434 | | 132,851,190 |
| Payment of lease liabilities | (296,106,716) | (| 209,283,493) |
| Acquisition of treasury shares | (65,605,210) | (| 625,665,280) |
| Buyback of shares from non-controlling interest | (27,841,508) | (| 108,425,794) |
| | <u> </u> | | <u> </u> |
| Net Cash Used in Financing Activities | (7,552,960,939) | (| 6,537,514,582) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | | |
| | (2,595,072,394) | (| 5,055,500,045) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | | | |
| | <u>82,278,122,850</u> | | <u>69,697,688,432</u> |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | | | |
| | <u>P 79,683,050,456</u> | P | <u>64,642,188,387</u> |

Supplemental Information on Non-cash Investing and Financing Activities –

In the normal course of business, the Group enters into non-cash activities which are not reflected in the cash flows, including but not limited to 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 properties between Inventories, Property, Plant and Equipment and Investment Properties; and, (c) borrowing costs under capitalized Inventories or Construction in Progress.

See Notes to Interim Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021
(With Comparative Figures as of December 31, 2021)
(Amounts in Philippine Pesos)
(Unaudited)

1. CORPORATE INFORMATION

Alliance Global Group, Inc. (the “Company”, “Parent Company”, or “AGI”) was registered with the Philippine Securities and Exchange Commission (“SEC”) on October 12, 1993 and listed its shares in the Philippine Stock Exchange (“PSE”) on April 19, 1999.

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

| Subsidiaries/Associates/Joint Ventures | Short Name | Notes | Percentage of Effective Ownership of AGI | |
|--|-------------|-------|--|---------------|
| | | | March 2022 | December 2021 |
| Subsidiaries | | | | |
| Megaworld and subsidiaries | | | | |
| Megaworld Corporation | | | | |
| Megaworld Resort Estates, Inc. | “Megaworld” | (a) | 69% | 69% |
| Townsquare Development, Inc. | | (b) | 84% | 84% |
| Golden Panda-ATI Realty Corporation | | | 50% | 50% |
| Arcovia Properties, Inc. | | | 69% | 69% |
| Belmont Newport Luxury Hotels, Inc. | | | 69% | 69% |
| Davao Park District Holdings Inc. | | | 69% | 69% |
| Eastwood Cyber One Corporation | | | 69% | 69% |
| Global One Hotel Group, Inc. | | | 69% | 69% |
| Global One Integrated Business Services, Inc. | | | 69% | 69% |
| Hotel Lucky Chinatown, Inc. | | | 69% | 69% |
| Landmark Seaside Properties, Inc. | | | 69% | 69% |
| Luxury Global Hotels and Leisures, Inc. | | | 69% | 69% |
| Luxury Global Malls, Inc. | | | 69% | 69% |
| Mactan Oceanview Properties and Holdings, Inc. | | | 69% | 69% |
| Megaworld Cayman Islands, Inc. | | (c) | 69% | 69% |
| Megaworld Cebu Properties, Inc. | | | 69% | 69% |
| Megaworld Land, Inc. | | | 69% | 69% |
| Citywalk Building Administration, Inc. | | | 69% | 69% |
| Forbestown Commercial Center Administration, Inc. | | | 69% | 69% |
| Iloilo Center Mall Administration, Inc. | | | 69% | 69% |
| Newtown Commercial Center Administration, Inc. | | | 69% | 69% |
| Paseo Center Building Administration, Inc. | | | 69% | 69% |
| San Lorenzo Place Commercial Center Administration, Inc. | | | 69% | 69% |
| Southwoods Lifestyle Mall Management, Inc. | | | 69% | 69% |
| Uptown Commercial Center Administration, Inc. | | | 69% | 69% |
| Valley Peaks Property Management, Inc. | | | 69% | 69% |
| Megaworld Newport Property Holdings, Inc. | | | 69% | 69% |

| Subsidiaries/Associates/Joint Ventures | Short Name | Notes | Percentage of Effective Ownership of AGI | |
|---|------------|-------|--|---------------|
| | | | March 2022 | December 2021 |
| Subsidiaries | | | | |
| Megaworld and subsidiaries | | | | |
| Oceantown Properties, Inc. | | | 69% | 69% |
| Piedmont Property Ventures, Inc. | | | 69% | 69% |
| Prestige Hotels and Resorts, Inc. | | | 69% | 69% |
| Richmonde Hotel Group International Ltd. | | (d) | 69% | 69% |
| San Vicente Coast, Inc. | | | 69% | 69% |
| Savoy Hotel Manila, Inc. | | | 69% | 69% |
| Savoy Hotel Mactan, Inc. | | | 69% | 69% |
| Kingsford Hotel Manila, Inc. | | | 69% | 69% |
| Agile Digital Ventures, Inc. | | | 69% | 69% |
| MREIT Fund Managers, Inc. | “MFMI” | (o) | 69% | 69% |
| MREIT Property Managers, Inc. | “MPMI” | (o) | 69% | 69% |
| MREIT, Inc. | “MREIT” | (o) | 43% | 43% |
| Stonehaven Land, Inc. | | | 69% | 69% |
| Streamwood Property, Inc. | | | 69% | 69% |
| Megaworld Bacolod Properties, Inc. | | | 63% | 63% |
| Manila Bayshore Property Holdings, Inc. | | | 66% | 63% |
| Megaworld Capital Town, Inc. | | | 53% | 53% |
| Megaworld Central Properties, Inc. | | | 53% | 53% |
| Soho Cafe and Restaurant Group, Inc. | | | 52% | 52% |
| La Fuerza, Inc. | | | 46% | 46% |
| Megaworld-Daewoo Corporation | | | 41% | 41% |
| Northwin Properties, Inc. | | | 41% | 41% |
| Gilmore Property Marketing Associates Inc. | | | 36% | 36% |
| Integrated Town Management Corporation | | | 34% | 34% |
| Maple Grove Land, Inc. | | | 34% | 34% |
| Megaworld Globus Asia, Inc. | | | 34% | 34% |
| Suntrust Properties, Inc. | | | | |
| Governor’s Hills Science School, Inc. | | | 69% | 69% |
| Sunrays Properties Management, Inc. | | | 69% | 69% |
| Suntrust Ecotown Developers, Inc. | | | 69% | 69% |
| Suntrust One Shanata, Inc. | | | 69% | 69% |
| Suntrust Two Shanata, Inc. | | | 69% | 69% |
| Stateland, Inc. | | | 68% | 68% |
| Global-Estate Resorts, Inc. | | | | |
| Southwoods Mall Inc. | “GERI” | (e) | 57% | 57% |
| Twin Lakes Corp. | | | 63% | 63% |
| Twin Lakes Hotel, Inc. | | | 63% | 63% |
| Megaworld Global-Estate, Inc. | | | 62% | 62% |
| Fil-Estate Golf and Development, Inc | | | 57% | 57% |
| Golforce, Inc. | | | 57% | 57% |
| Southwoods Ecocentrum Corp. | | | 34% | 34% |
| Philippine Aquatic Leisure Corp. | | | 34% | 34% |
| Fil-Estate Properties, Inc. | | | 57% | 57% |
| Aklan Holdings Inc. | | | 57% | 57% |
| Blu Sky Airways, Inc. | | | 57% | 57% |
| Fil-Estate Subic Development Corp. | | | 57% | 57% |
| Fil-Power Concrete Blocks Corp. | | | 57% | 57% |
| Fil-Power Construction Equipmen Leasing Corp. | | | 57% | 57% |
| Golden Sun Airways, Inc. | | | 57% | 57% |
| La Compañía De Sta. Barbara, Inc. | | | 57% | 57% |
| MCX Corporation | | | 57% | 57% |
| Pioneer L-5 Realty Corp. | | | 57% | 57% |
| Prime Airways, Inc. | | | 57% | 57% |
| Sto. Domingo Place Development Corp. | | | 57% | 57% |
| Fil-Estate Industrial Park, Inc. | | | 45% | 45% |
| Sherwood Hills Development Inc. | | | 31% | 31% |
| Fil-Estate Urban Development Corp. | | | 57% | 57% |
| Global Homes and Communities, Inc. | | | 57% | 57% |
| Savoy Hotel Boracay, Inc. | | | 57% | 57% |
| Belmont Hotel Boracay, Inc. | | | 57% | 57% |
| Novo Sierra Holdings Corp. | | | 57% | 57% |
| Elite Communities Property Services, Inc. | | | 57% | 57% |
| Oceanfront Properties, Inc. | | | 28% | 28% |

| Subsidiaries/Associates/Joint Ventures | Short Name | Notes | Percentage of Effective Ownership of AGI | |
|--|----------------------|----------|--|---------------|
| | | | March 2022 | December 2021 |
| Subsidiaries | | | | |
| Megaworld and subsidiaries | | | | |
| Empire East Land Holdings, Inc. | “EELHI” | | 57% | 57% |
| Sonoma Premiere Land, Inc. | | (f) | 74% | 74% |
| Pacific Coast Mega City, Inc. | | (g) | 75% | 75% |
| Valle Verde Properties, Inc. | | | 56% | 56% |
| Laguna BelAir School, Inc. | | | 41% | 41% |
| 20th Century Nylon Shirt, Inc. | | | 56% | 56% |
| Eastwood Property Holdings, Inc. | | | 56% | 56% |
| Empire East Communities, Inc. | | | 56% | 56% |
| Sherman Oak Holdings, Inc. | | | 56% | 56% |
| Emperador and subsidiaries | | | | |
| Emperador Inc. | “EMP” or “Emperador” | | 86% | 86% |
| Emperador Distillers, Inc. | “EDI” | | 86% | 86% |
| Alcazar de Bana Holdings Company, Inc. | | | 86% | 86% |
| ProGreen AgriCorp, Inc. | | | 86% | 86% |
| South Point Science Park, Inc. | | | 86% | 86% |
| Anglo Watsons Glass, Inc. | | | 86% | 86% |
| Cocos Vodka Distillers Philippines, Inc. | | | 86% | 86% |
| The Bar Beverage, Inc. | | | 86% | 86% |
| Tradewind Estates, Inc. | | | 86% | 86% |
| Boozylife, Inc. | | | 53% | 53% |
| Zabana Rum Company, Inc. | | | 86% | 86% |
| Emperador International Ltd. | “EIL” | (d) | 86% | 86% |
| Emperador Asia Pte Ltd. | “EA” | (i) | 86% | 86% |
| Grupo Emperador Spain, S.A.U. | “GES” | (i) | 86% | 86% |
| Bodega San Bruno, S.L. | “BSB” | (i) | 86% | 86% |
| Bodegas Fundador S.L.U. | “BFS” | (i) | 86% | 86% |
| Destilados de la Mancha S.L. | “DDLMP” | (i) | 86% | 86% |
| Grupo Emperador Gestion S.L. | “GEG” | (i) | 86% | 86% |
| Domecq Bodega Las Copas, S.L. | “DBLC” | (h), (i) | 43% | 43% |
| Stillman Spirits, S.L. | “SSSL” | (i) | 86% | 86% |
| Pedro Domecq S.A. de C.V. | “PDSC” | (h) | 43% | 43% |
| Emperador Europe SARL | “EES” | (i) | 86% | 86% |
| Emperador Holdings (GB) Limited. | “EGB” | (i) | 86% | 86% |
| Emperador UK Limited | “EUK” | (i) | 86% | 86% |
| Whyte and Mackay Group Limited | “WMG” | (i) | 86% | 86% |
| Whyte and Mackay Global Limited | “WMGL” | (i) | 86% | 86% |
| Whyte and Mackay Limited | “WML” | (i) | 86% | 86% |
| Whyte and Mackay Warehousing Ltd. | “WMWL” | (i) | 86% | 86% |
| GADC and subsidiaries | | | | |
| Golden Arches Development Corporation | “GADC” | | 49% | 49% |
| Advance Food Concepts Manufacturing, Inc. | | | 49% | 49% |
| Red Asian Food Solutions, Inc. | | | 37% | 37% |
| Clark Mac Enterprises, Inc. | | | 49% | 49% |
| Golden Laoag Foods Corporation | | | 38% | 38% |
| Davao City Food Industries, Inc. | | | 37% | 37% |
| First Golden Laoag Ventures, Inc. | | | 34% | 34% |
| McDonald’s Anonas City Center | | | 34% | 34% |
| McDonald’s Puregold Taguig | | | 29% | 29% |
| Golden City Food Industries, Inc. | | | 29% | 29% |
| McDonald’s Bonifacio Global City | | | 27% | 27% |
| Molino First Golden Foods, Inc. | | | 26% | 26% |
| GY Alliance Concepts, Inc. | | | 19% | 19% |
| Golden Arches Realty Corporation | | | 49% | 49% |

| Subsidiaries/Associates/Joint Ventures | Short Name | Notes | Percentage of Effective Ownership of AGI | |
|---|--------------|-------|--|---------------|
| | | | March 2022 | December 2021 |
| Travellers and subsidiaries | | | | |
| Travellers International Hotel Group, Inc. | | | | |
| Agile Fox Amusement and Leisure Corporation | “Travellers” | (j) | 60% | 50% |
| APEC Assets Limited | | | 60% | 50% |
| Aquamarine Delphinium Leisure and Recreation, Inc. | | | 60% | 50% |
| Bright Pelican Leisure and Recreation, Inc. | | | 60% | 50% |
| Brightleisure Management, Inc. | | | 60% | 50% |
| Brilliant Apex Hotels and Leisure Corporation | | | 60% | 50% |
| Captain View Group Limited | | | 60% | 50% |
| Coral Primrose Leisure and Recreation Corporation | | | 60% | 50% |
| Deluxe Hotels and Recreation, Inc. | | | 60% | 50% |
| Entertainment City Integrated Resorts & Leisure, Inc. | | | 60% | 50% |
| FHTC Entertainment & Productions, Inc. | “FHTC” | | 60% | 50% |
| Golden Peak Leisure and Recreation, Inc. | | | 60% | 50% |
| Grand Integrated Hotels and Recreation, Inc. | | | 60% | 50% |
| Grandservices, Inc. | | | 60% | 50% |
| Grandventure Management Services, Inc. | | | 60% | 50% |
| Lucky Star Hotels and Recreation, Inc. | | | 60% | 50% |
| Lucky Panther Amusement and Leisure Corporation | | | 60% | 50% |
| Luminescent Vertex Hotels and Leisure Corporation | | | 60% | 50% |
| Magenta Centaurus Amusement and Leisure Corporation | | | 60% | 50% |
| Majestic Sunrise Leisure & Recreation, Inc. | | | 60% | 50% |
| Netdeals, Inc. | | | 60% | 50% |
| Newport Star Lifestyle, Inc. | | | 60% | 50% |
| Royal Bayshore Hotels & Amusement, Inc. | | | 60% | 50% |
| Sapphire Carnation Leisure and Recreation Corporation | | | 60% | 50% |
| Scarlet Milky Way Amusement and Leisure Corporation | | | 60% | 50% |
| Sparkling Summit Hotels and Leisure Corporation | | | 60% | 50% |
| Valiant Leopard Amusement and Leisure Corporation | | | 60% | 50% |
| Vermillion Triangulum Amusement and Leisure Corporation | | | 60% | 50% |
| Westside City Resorts World, Inc. | “WCRWT” | (k) | 59% | 49% |
| Purple Flamingos Amusement and Leisure Corporation | | | 59% | 49% |
| Red Falcon Amusement and Leisure Corporation | | | 59% | 49% |
| Westside Theatre Inc. | | | 60% | 50% |
| Corporate and Others | | | | |
| Alliance Global Brands, Inc. | | | 100% | 100% |
| McKester Pik-nik International Limited | “MPIL” | (d) | 100% | 100% |
| Great American Foods, Inc. | | (l) | 100% | 100% |
| New Town Land Partners, Inc. | “NTLPI” | | 100% | 100% |
| Alliance Global Group Cayman Islands, Inc. | | (c) | 100% | 100% |
| Boracay Newcoast Resorts, Inc. | | | 100% | 100% |
| Dew Dreams International, Inc. | | | 100% | 100% |
| First Centro, Inc. | “FCI” | | 100% | 100% |
| ERA Real Estate Exchange, Inc. | | | 100% | 100% |
| Oceanic Realty Group International, Inc. | | | 100% | 100% |
| Greenspring Investment Holdings Properties Ltd. | | (d) | 100% | 100% |
| Infracorp Development, Inc. | | | 100% | 100% |
| Shiok Success International, Inc. | | | 100% | 100% |
| Travellers Group Ltd. | | (d) | 100% | 100% |

| Subsidiaries/Associates/Joint Ventures | Short Name | Notes | Percentage of Effective Ownership of AGI | |
|--|------------|-------|--|---------------|
| | | | March 2022 | December 2021 |
| Corporate and Others | | | | |
| Venezia Universal Ltd. | | (d) | 100% | 100% |
| Dew Dreams International, Ltd. | | (d) | 100% | 100% |
| Shiok Success International, Ltd. | | (d) | 100% | 100% |
| Adams Properties, Inc. | “Adams” | | 60% | 60% |
| Associates | | | | |
| First Premiere Arches Restaurant Inc. | | | 49% | 49% |
| Bonifacio West Development Corporation | | | 32% | 32% |
| Suntrust Home Developers, Inc. | “SHDI” | | 23% | 23% |
| Palm Tree Holdings and Development Corporation | | | 28% | 28% |
| SWC Project Management Limited | | | 23% | 23% |
| WC Project Management Limited | | | 23% | 23% |
| Fil-Estate Network, Inc. | | | 11% | 11% |
| Fil-Estate Sales, Inc. | | | 11% | 11% |
| Fil-Estate Realty and Sales Associates, Inc. | | | 11% | 11% |
| Fil-Estate Realty Corp. | | | 11% | 11% |
| Nasugbu Properties, Inc. | | | 8% | 8% |
| Joint Ventures | | | | |
| Bodegas Las Copas, S.L. | “BLC” | (m) | 43% | 43% |
| Front Row Theatre Management, Inc. | | (n) | 25% | 25% |

Explanatory notes:

- (a) AGP's effective ownership interest is derived from its 46% direct ownership, 3% direct holdings of FCI, 18% direct holdings of NTLPI and 2% direct holdings of MPIL.
- (b) AGI and Megaworld directly owns 49% and 51%, respectively.
- (c) Foreign subsidiaries operating under the laws of the Cayman Islands.
- (d) Foreign subsidiaries operating under the Business Companies Act of the British Virgin Islands (“BVI”).
- (e) AGP's effective ownership interest represents its indirect holdings through Megaworld, which owns 82% of GERI both as of March 31, 2022 and December 31, 2021.
- (f) A subsidiary through 60% and 40% direct ownership of EELHI and FCI, respectively.
- (g) In 2021, AGI sold certain number of shares to Megaworld which decreased the effective ownership of AGI over PCMI to 75%.
- (h) DBLC, a subsidiary of GES, is operating under the laws of Spain and its subsidiary PDSC is operating under the laws of Mexico.
- (i) Subsidiaries under EIL. EA is operating under the laws of Singapore while GES and its subsidiaries BSB, BFS, GEG, DBLC, SSSL and DDLM, are operating under the laws of Spain. EES is operating under the laws of Luxembourg. EGB (the ultimate UK parent) is operating under the laws of England and Wales. EUK, WMG, WML, WMWL and WMGL are operating under the laws of Scotland. EA, EES and EGB are direct subsidiaries of EIL.
- (j) AGP's effective ownership is through Travellers' common and preferred shares in total, which are directly owned 33% by AGI, 2% by FCI, 2% by Megaworld, 39% by Adams, 24% by Genting Hongkong Limited (“GHL”) and 0.2% by the public. The Group beneficially owns 60% of the common shares.
- (k) AGP's effective ownership is through 1% direct ownership, 57% through 95% ownership of Travellers, and 1% through ownership of other subsidiaries within the Group (i.e., FCI, Megaworld and Adams).
- (l) Foreign subsidiary of MPIL operating under the laws of United States of America.
- (m) A foreign joint venture under GES and operating under the laws of Spain.
- (n) A joint venture through FHTC.
- (o) MFMI, MPMI and MREIT are newly incorporated subsidiaries of Megaworld in 2021. MFMI is engaged in the business of providing fund management services to real estate investment trust (“REIT”) companies. MPMI is engaged in the business of providing services in relation to property management, lease management, marketing and project management. MREIT is engaged in the business of real estate investment trust, as provided under Republic Act No. 9856, the Real Estate Investment Trust Act of 2009.

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

AGP's shares of stock and those of Megaworld, EMP, GERI, EELHI, MREIT and SHDI are listed in and traded through the PSE as of March 31, 2022.

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

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

The Board of Directors ("BOD") approved on May 25, 2022 the release of the interim consolidated financial statements ("ICFS") of the Group as of and for the three months ended March 31, 2022 (including the comparative financial statements as of December 31, 2021, and for the three months ended March 31, 2021).

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these ICFS are consistent with those applied in the audited consolidated financial statements ("ACFS") as of and for the year ended December 31, 2021 (see Note 2.2).

2.1 Basis of Preparation of Interim Consolidated Financial Statements

These ICFS have been prepared in accordance with Philippine Accounting Standard ("PAS") 34, *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Philippine Financial Reporting Standards ("PFRS"), and should be read in conjunction with the Group's ACFS as of and for the year ended December 31, 2021.

The ICFS are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

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

The presentation of the ICFS is consistent with the most recent ACFS presentation.

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

2.2 Adoption of Amended PFRS

(a) Effective in 2022 that are relevant to the Group

The Group adopted for the first time the following amendments to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2022.

| | | |
|--|---|--|
| PFRS 3 (Amendments) | : | Business Combination – Reference to the Conceptual Framework |
| PAS 16 (Amendments) | : | Property, Plant and Equipment – Proceeds Before Intended Use |
| PAS 37 (Amendments) | : | Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract |
| Annual Improvements to PFRS (2018-2020 Cycle) | | |
| PFRS 9 (Amendments) | : | Financial Instruments – Fees in the ‘10 per cent’ Test for Derecognition of Liabilities |
| Illustrative Examples Accompanying PFRS 16, Leases | : | Leases – Lease Incentives |

The adoption of the amendments did not have a significant impact on the Group’s ICFS.

(b) Effective subsequent to 2022 that are relevant to the Group

There are pronouncements effective for annual periods subsequent to 2022. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group’s ICFS.

- (i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)
- (ii) PAS 1 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)
- (iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)
- (iv) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)
- (v) 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)

3. JUDGMENTS AND ESTIMATES

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

The Group performed its annual impairment test of goodwill and trademarks with indefinite useful lives at year-end and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill arising from business combination and other intangible assets is based on value-in-use calculations. The Group monitors goodwill and trademarks with indefinite useful lives on the cash generating units to which these assets were allocated and considers the relationship between the market capitalization of the subsidiaries and its net book value, among other factors, when reviewing for indicators of impairment. The Group's management assessed that as at and for the three months ended March 31, 2022 and as at December 31, 2021, goodwill arising from business combination and other intangible assets with indefinite useful lives are not impaired.

Aside from the foregoing, the judgments, estimates and assumptions applied in the ICFS, including the key sources of estimation uncertainty, were the same as those applied in the ACFS as at and for the year ended December 31, 2021.

4. SEGMENT INFORMATION

4.1 *Business Segments*

The Group is organized into major business segments, which are the major subsidiaries of the Group. These represent the main products and services provided by the Group and the line of business in which the Group operates. Presented below is the basis of the Group in reporting its primary segment information.

- (a) The *Megaworld* segment consists of development of real estate, integrated resorts, leasing of properties and hotel operations business which is primarily undertaken by Megaworld Corporation and subsidiaries, the Group's forerunner in the real estate industry.
- (b) The *Emperador* segment refers to the manufacture and distribution of distilled spirits, including the production of glass containers, which is undertaken by Emperador Inc. and subsidiaries.
- (c) The *Travellers* segment relates to tourism-oriented business that integrates entertainment, hospitality and leisure, including gaming, as that of Resorts World Manila, which is operated by Travellers International Hotel Group, Inc. and subsidiaries.
- (d) The *GADC* segment refers to operations of McDonald's restaurants in the Philippines in accordance with the franchise agreement between GADC and McDonald's Corporation, USA.

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

4.2 Segment Assets and Liabilities

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

4.3 Intersegment Transactions

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

4.4 Analysis of Segment Information

Segment information can be analyzed as follows for the three months ended March 31, 2022 and 2021.

| | For three months ended March 31, 2022 (Unaudited) | | | | |
|--|--|-------------------------------|-----------------------------|-------------------------------|-------------------------------|
| | <u>Megaworld</u> | <u>Travellers</u> | <u>GADC</u> | <u>Emperador</u> | <u>Total</u> |
| REVENUES AND INCOME | | | | | |
| Sales to external customers | P 12,359,971,822 | P 4,847,999,259 | P 7,181,656,843 | P 11,765,368,882 | P 36,154,996,806 |
| Intersegment sales | 72,849,479 | 945,439 | 13,319,795 | 5,365,251 | 92,479,964 |
| Finance and other income | <u>517,210,398</u> | <u>36,982,079</u> | <u>(2,247,445)</u> | <u>538,338,609</u> | <u>1,090,283,641</u> |
| Segment revenues and income | 12,950,031,699 | 4,885,926,777 | 7,192,729,193 | 12,309,072,742 | 37,337,760,411 |
| Cost of sales and expenses excluding depreciation and amortization | <u>(6,660,993,894)</u> | <u>(3,515,895,163)</u> | <u>(5,848,672,332)</u> | <u>(9,139,142,651)</u> | <u>(25,164,704,040)</u> |
| | 6,289,037,805 | 1,370,031,614 | 1,344,056,861 | 3,169,930,091 | 12,173,056,371 |
| Depreciation and amortization | <u>(875,724,565)</u> | <u>(803,611,261)</u> | <u>(555,383,927)</u> | <u>(473,597,353)</u> | <u>(2,708,317,106)</u> |
| Finance costs and other charges | <u>(992,539,890)</u> | <u>(457,721,056)</u> | <u>(288,485,758)</u> | <u>(128,089,869)</u> | <u>(1,866,836,573)</u> |
| Profit before tax | 4,420,773,350 | 108,699,297 | 500,187,176 | 2,568,242,869 | 7,597,902,692 |
| Tax expense | <u>(886,434,339)</u> | <u>(328,431,672)</u> | <u>(201,132,466)</u> | <u>(349,201,226)</u> | <u>(1,765,199,703)</u> |
| SEGMENT PROFIT (LOSS) | <u>P 3,534,339,011</u> | <u>(P 219,732,375)</u> | <u>P 299,054,710</u> | <u>P 2,219,041,643</u> | <u>P 5,832,702,989</u> |
| SEGMENT ASSETS AND LIABILITIES | | | | | |
| Segment assets | P 396,260,140,296 | P 113,717,364,209 | P 36,778,883,402 | P 131,525,105,790 | P 678,281,493,697 |
| Segment liabilities | 152,262,641,240 | 81,091,759,796 | 29,613,233,474 | 47,018,561,961 | 309,986,196,471 |
| OTHER SEGMENT INFORMATION | | | | | |
| Share in net profit (loss) of associates and joint ventures | <u>(66,043,355)</u> | <u>(9,225)</u> | - | 24,271,590 | 41,780,990 |

| | For three months ended March 31, 2021 (Unaudited) | | | | |
|--|---|--------------------------|--------------------------|--------------------------|---------------------------|
| | <u>Megaworld</u> | <u>Travellers</u> | <u>GADC</u> | <u>Emperador</u> | <u>Total</u> |
| REVENUES AND INCOME | | | | | |
| Sales to external customers | P 9,338,356,070 | P 3,759,965,801 | P 5,670,152,156 | P 11,858,051,012 | P 30,626,525,039 |
| Intersegment sales | 56,194,315 | 3,533,490 | - | 5,213,999 | 64,941,804 |
| Finance and other income | <u>714,620,413</u> | <u>4,857,566</u> | <u>10,071,899</u> | <u>159,109,070</u> | <u>888,658,948</u> |
| Segment revenues and income | 10,109,170,798 | 3,768,356,857 | 5,680,224,055 | 12,022,374,081 | 31,580,125,791 |
| | | | | | |
| Cost of sales and expenses excluding depreciation and amortization | (<u>5,390,624,739</u>) | (<u>3,480,012,554</u>) | (<u>4,385,693,147</u>) | (<u>8,989,576,769</u>) | (<u>22,245,907,209</u>) |
| | 4,718,546,059 | 288,344,303 | 1,294,530,908 | 3,032,797,312 | 9,334,218,582 |
| Depreciation and amortization | (850,910,816) | (871,775,232) | (614,761,060) | (429,149,986) | (2,766,597,094) |
| Finance costs and other charges | (<u>751,209,570</u>) | (<u>510,927,525</u>) | (<u>258,396,414</u>) | (<u>109,552,899</u>) | (<u>1,630,086,408</u>) |
| Profit (loss) before tax | 3,116,425,673 | (1,094,358,454) | 421,373,434 | 2,494,094,427 | 4,937,535,080 |
| Tax expense | (<u>625,630,292</u>) | (<u>1,161,769</u>) | (<u>323,772,007</u>) | (<u>362,040,349</u>) | (<u>1,312,604,417</u>) |
| | | | | | |
| SEGMENT PROFIT (LOSS) | <u>P 2,490,795,381</u> | <u>(P 1,095,520,223)</u> | <u>P 97,601,427</u> | <u>P 2,132,054,078</u> | <u>P 3,624,930,663</u> |
| OTHER SEGMENT INFORMATION | | | | | |
| Share in net profit (loss) of associates and joint ventures | (66,338,460) | (384,434) | - | 71,614,845 | 4,891,951 |

The following presents the segment assets and liabilities of the Group as of December 31, 2021 (audited):

| SEGMENT ASSETS AND LIABILITIES | | | | | |
|---------------------------------------|-------------------|-------------------|------------------|-------------------|-------------------|
| Segment assets | P 395,561,313,126 | P 113,652,601,547 | P 36,054,436,750 | P 126,100,101,392 | P 671,368,452,815 |
| Segment liabilities | 153,768,820,135 | 81,552,270,631 | 29,083,047,027 | 45,003,038,365 | 309,407,176,158 |

4.5 Reconciliations

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

| | <u>March 31, 2022 (Unaudited)</u> | <u>March 31, 2021 (Unaudited)</u> |
|---|---|--|
| Revenues and income | | |
| Total segment revenues and income | P 37,337,760,411 | P 31,580,125,791 |
| Unallocated corporate revenue | 252,624,291 | 291,573,088 |
| Elimination of intersegment revenues | (92,479,964) | (64,941,804) |
| Revenues as reported in interim consolidated statements of comprehensive income | <u>P 37,497,904,738</u> | <u>P 31,806,757,075</u> |
| Profit or loss | | |
| Segment operating profit | P 5,832,702,989 | P 3,624,930,663 |
| Unallocated corporate loss | (390,501,567) | (355,585,620) |
| Elimination of intersegment revenues | (92,479,964) | (64,941,804) |
| Profit as reported in interim consolidated statements of comprehensive income | <u>P 5,349,721,458</u> | <u>P 3,204,403,239</u> |
| | <u>March 31, 2022 (Unaudited)</u> | <u>December 31, 2021 (Audited)</u> |
| Assets | | |
| Segment assets | P 678,281,493,697 | P 671,368,452,815 |
| Unallocated corporate assets | <u>30,068,815,427</u> | <u>32,591,492,659</u> |
| Total assets reported in the interim consolidated statements of financial position | <u>P 708,350,309,124</u> | <u>P 703,959,945,474</u> |
| Liabilities | | |
| Segment liabilities | P 309,986,196,471 | P 309,407,176,158 |
| Unallocated corporate liabilities | <u>57,900,564,424</u> | <u>59,330,130,526</u> |
| Total liabilities reported in the interim consolidated statements of financial position | <u>P 367,886,760,895</u> | <u>P 368,737,306,684</u> |

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

5. PROPERTY, PLANT AND EQUIPMENT

The gross carrying amounts and accumulated depreciation, amortization and impairment of property, plant and equipment as of March 31, 2022 and December 31, 2021 are shown below.

| | <u>March 31, 2022 (Unaudited)</u> | <u>December 31, 2021 (Audited)</u> |
|---|---------------------------------------|--|
| Cost | P 204,997,476,113 | P 201,081,408,155 |
| Accumulated depreciation, amortization and impairment | (60,344,815,455) | (59,177,378,617) |
| Net carrying amount | <u>P 144,652,660,658</u> | <u>P 141,904,029,538</u> |

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

| | <u>March 31, 2022</u> <u>(Unaudited)</u> | <u>December 31, 2021</u> <u>(Audited)</u> |
|--|---|--|
| Balance at beginning of period, net of accumulated depreciation, amortization and impairment | P 141,904,029,538 | P 140,156,527,643 |
| Additions | 4,768,360,465 | 12,433,716,434 |
| Depreciation and amortization charges for the period | (2,012,543,664) | (8,541,920,915) |
| Disposals – net | (39,617,275) | (181,379,785) |
| Impairment reversal (loss) | 28,724,252 | (1,787,804,629) |
| Derecognition | 3,707,342 | (175,509,680) |
| Transfer from investment property | <u>-</u> | <u>400,470</u> |
| Balance at end of period, net of accumulated depreciation, amortization and impairment | <u>P 144,652,660,658</u> | <u>P 141,904,029,538</u> |

6. INVESTMENT PROPERTIES

The Group's investment properties include several parcels of land, buildings and improvements which are held for investment purposes only, either to earn rental income or for capital appreciation or both. The gross carrying amounts and accumulated depreciation of investment properties at the beginning and end of the reporting periods are shown below.

| | <u>March 31, 2022</u> <u>(Unaudited)</u> | <u>December 31, 2021</u> <u>(Audited)</u> |
|--------------------------|---|--|
| Cost | P 141,415,060,869 | P 139,091,264,473 |
| Accumulated depreciation | (19,297,998,547) | (18,551,530,143) |
| Net carrying amount | <u>P 122,117,062,322</u> | <u>P 120,539,734,330</u> |

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

| | <u>March 31, 2022</u> <u>(Unaudited)</u> | <u>December 31, 2021</u> <u>(Audited)</u> |
|--|---|--|
| Balance at beginning of period, net of accumulated depreciation | P 120,539,734,330 | P 116,364,208,432 |
| Additions | 2,323,796,396 | 7,055,426,461 |
| Depreciation charges for the period | (746,468,404) | (2,879,361,882) |
| Transfer to property, plant and equipment | - | (400,470) |
| Disposals – net | <u>-</u> | <u>(138,211)</u> |
| Balance at end of period, net of accumulated depreciation | <u>P 122,117,062,322</u> | <u>P 120,539,734,330</u> |

7. DIVIDENDS

There were no dividends declared and paid by the Company for the three-month periods ended March 31, 2022 and 2021.

8. EARNINGS PER SHARE

Earnings per share is computed as follows:

| | March 31, 2022 (Unaudited) | March 31, 2021 (Unaudited) |
|--|---|-------------------------------|
| Basic and Diluted: | | |
| Net profit attributable to owners of the parent company | P 3,887,055,483 | P 2,563,526,869 |
| Divide by the weighted average number of outstanding common shares | <u>9,307,730,879</u> | <u>9,511,118,779</u> |
| | <u>P 0.4176</u> | <u>P 0.2695</u> |

On September 19, 2017, the BOD approved a two-year share repurchase program of up to P5.0 billion worth of shares in the open market, to enhance shareholder value. On September 18, 2019, the BOD approved another share repurchase program for P2.5 billion over a 12-month period ended September 23, 2020. Further, on September 21, 2020, the BOD approved another one-year share repurchase program for P2.5 billion to end on September 23, 2021. On October 8, 2021, the BOD approved another share repurchase program for a term of 2.5 years for P4.0 billion to end on April 8, 2024. The Company has repurchased 803,863,100 shares for P9.4 billion and 600,475,200 shares for P7.0 billion as of March 31, 2022 and 2021, respectively, which are reported as Treasury Shares.

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

There are 158.23 million shares held by subsidiaries with a total cost of P1.2 billion as of March 31, 2022 and 2021 that were reported as part of Treasury Shares in the consolidated statements of changes in equity and taken out of outstanding common shares in computing EPS.

The basic and diluted earnings per share are the same for the three months ended March 31, 2022 and 2021, as the Company's Executive Stock Option Plan are considered to be antidilutive since their conversion to ordinary shares would increase earnings per share. Thus, the number of issued and outstanding common shares presented above does not include the effect of the potential common shares from the Executive Stock Option Plan.

9. RELATED PARTY TRANSACTIONS

The Group's related parties include its stockholders, associates, joint ventures, the Group's key management personnel and retirement fund, and others. The summary of the Group's transactions with its related parties for the periods ended March 31, 2022 and 2021, and the related outstanding balances as of March 31, 2022 and December 31, 2021 are as follows:

| Related Party Category | Notes | Amount of Transaction | | Receivable (Payable) | |
|---|-------|-------------------------------|-------------------------------|-------------------------------|--------------------------------|
| | | March 31, 2022 (Unaudited) | March 31, 2021 (Unaudited) | March 31, 2022 (Unaudited) | December 31, 2021 (Audited) |
| Subsidiaries' stockholders: | | | | | |
| Casino transactions | 9.2 | P 163,700,026 | P - | P 163,700,026 | P - |
| Management fees | 9.3 | (614,692) | 43,617,005 | (50,422,887) | (225,387,007) |
| Accounts payable | 9.5 | - | - | (315,040,576) | (315,040,576) |
| Related party under common ownership: | | | | | |
| Purchase of raw materials | 9.1 | 918,899,419 | 640,404,978 | (872,755,697) | (621,856,151) |
| Purchase of finished goods | 9.1 | 3,459,780 | 2,798,863 | (754,205) | (972,593) |
| Advances granted | 9.4 | 247,820,862 | 555,374 | 2,872,410,192 | 2,624,589,330 |
| Management services | 9.1 | 15,000,000 | 15,000,000 | (82,500,000) | (33,000,000) |
| Associates: | | | | | |
| Advances granted | 9.4 | 22,394,952 | 9,870,316 | 1,032,132,784 | 1,009,737,832 |
| Others: | | | | | |
| Accounts receivable | 9.5 | 52,883,696 | 246,869,233 | 904,314,318 | 851,430,622 |
| Accounts payable | 9.5 | - | (988,317) | (45,208,430) | (45,208,430) |
| Advances from joint venture partners and others | 9.6 | 303,909,161 | (87,259,597) | (2,165,624,151) | (2,469,533,312) |
| Donations | | 50,438,286 | 38,406,167 | (29,578,885) | (13,436,801) |
| Sale of investment property | | - | - | - | 378,391,250 |

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

9.1 Purchase of Goods and Management Agreement

Emperador imports finished goods and raw materials through Andresons Global, Inc., a related party under common ownership. These transactions are normally being paid within 30 days. Emperador also imports raw materials from Alcoholera dela Mancha Vinicola, S.L., a wholly owned subsidiary of BLC. Emperador had a management agreement with Consolidated Distillers of the Far East, Inc., a related party under common ownership, for the consultancy and advisory services in relation to the operation, management, development and maintenance of its distillery plant. The outstanding balances as of March 31, 2022 and December 31, 2021 are shown as part of Trade and Other Payables account in the consolidated statements of financial position.

9.2 Casino Transactions with GHL

Travellers recognized outstanding receivables from (payables to) GHL [see Note 1(j)] representing show money received by Travellers from foreign patrons which the counterparty will later remit to the other. The outstanding balance as of March 31, 2022 amounted to P163.7 million and is presented as part of Trade and Other Payables account in the consolidated statements of financial position. There was no outstanding balance as of December 31, 2021.

9.3 Operations and Management Agreement with GHL

Some of Travellers' administrative functions are being handled by certain key officers and employees under the management of GHL as agreed by both parties under the Operations and Management Agreement. These transactions are presented under the Other Operating Expenses account in the consolidated statements of comprehensive income. The outstanding liability arising from this transaction is presented under Trade and Other Payables account in the consolidated statements of financial position.

9.4 Advances to Associates and Other Related Parties

Entities within the Group grant advances to associates and other related parties for working capital purposes. These advances to associates and other related parties are unsecured, noninterest-bearing and repayable upon demand. Settlement is generally made in cash or through offsetting arrangements.

The movements of the outstanding balances of Advances to associates and other related parties, which are shown as part of Trade and Other Receivables account in the consolidated statements of financial position, are presented as follows:

| | March 31, 2022 (Unaudited) | December 31, 2021 (Audited) |
|--------------------------------|---|-----------------------------------|
| Balance at beginning of period | P 3,634,327,162 | P 3,309,913,472 |
| Cash advances granted | 270,215,814 | 413,989,152 |
| Collections | <u>-</u> | <u>(89,575,462)</u> |
| Balance at end of period | <u>P 3,904,542,976</u> | <u>P 3,634,327,162</u> |

As of March 31, 2022 and December 31, 2021, based on management's assessment, the outstanding balances of advances to associates and other related parties are not impaired; hence, no impairment losses were recognized.

9.5 Due from/to Related Parties

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

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

| | March 31, 2022 <u>(Unaudited)</u> | December 31, 2021 <u>(Audited)</u> |
|--|--|--|
| <i>Due from Related Parties</i> | | |
| Balance at beginning of period | P 851,430,622 | P 754,074,457 |
| Additions | 318,461,130 | 148,602,240 |
| Collections | <u>(265,577,434)</u> | <u>(51,246,075)</u> |
| Balance at end of period | <u>P 904,314,318</u> | <u>P 851,430,622</u> |
| <i>Due to Related Parties</i> | | |
| Balance at beginning of period | P 360,249,006 | P 412,878,940 |
| Collections | <u>-</u> | <u>(52,629,934)</u> |
| Balance at end of period | <u>P 360,249,006</u> | <u>P 360,249,006</u> |

As of March 31, 2022 and December 31, 2021, based on management's assessment, no additional amount of impairment is necessary.

9.6 Advances from Other 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.

The movements in advances from other related parties are as follows:

| | March 31, 2022 <u>(Unaudited)</u> | December 31, 2021 <u>(Audited)</u> |
|--------------------------------|--|--|
| Balance at beginning of period | P 2,469,533,312 | P 2,181,442,496 |
| Advances availed | - | 336,874,510 |
| Advances paid | <u>(303,909,161)</u> | <u>(48,783,694)</u> |
| Balance at end of period | <u>P 2,165,624,151</u> | <u>P 2,469,533,312</u> |

9.7 Transactions with the Retirement Plans

The Group has formal retirement plans established separately for each significant subsidiary, particularly Megaworld, GERI, EELHI, Travellers, GADC, EDI and WML. These plans are defined benefit post-employment plans maintained for qualified employees, administered and managed by trustee banks (except for GERI which is still an unfunded plan) that are legally separated from the Group. The retirement funds do not provide any guarantee or surety for any obligation of the Group and their investments are not covered by any restrictions or liens.

10. COMMITMENTS AND CONTINGENCIES

10.1 Tax Contingencies of Travellers' Casino Operations

Travellers is subject to 25% and 15% license fees, inclusive of franchise tax and in lieu of all taxes, with reference to the income component of the gross gaming revenues, as provided under the Provisional License Agreement with Philippine Amusement and Gaming Corporation ("PAGCOR").

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.

In a Resolution dated May 3, 2021, the Supreme Court also held that Travellers' "gaming revenues as a PAGCOR licensee were exempt from regular corporate income tax after payment of the five percent (5%) franchise tax".

10.2 Skytrain Project

On October 2017, the Group submitted an unsolicited proposal to the government to build Skytrain that will link Uptown Fort Bonifacio to Guadalupe Station of Metro Rail Transit Line-3. The Group was granted an Original Proponent Status by the DOTr in May 2018 and its proposal is now undergoing review and evaluation at NEDA Board.

10.3 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 (P540.1 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 a certain fixed amount to WCRWI for reimbursement of costs already incurred and construction works that have already been accomplished on the Project Site.

In 2021, the conditions specified in the CDA had been fulfilled and the transfer of assets has been completed.

(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 mutually agreed between WCRWI and SHDI. The operations and management agreement was entered into by the parties on May 4, 2020.

As of March 31, 2022, 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 2.55 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, *Financial Instruments*. 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 expected credit loss model (“ECL”).

Applying the ECL model, the option price that WCRWI and Travellers are committed to pay amounting to P3.7 billion was compared with the value of the collateral or the shares of stocks that they will receive. In determining the value of the shares, management assessed that the price of SHDI shares in the PSE as of March 31, 2022 amounting to P1.05 per share or a total value of P7.6 billion is a reasonable estimate of its value. In terms of probability of default, management assessed that it is unlikely or remote (see Note 11.2).

As of March 31, 2022 and December 31, 2021, the value of the put option is still the amount initially recognized as the option price is fully secured by the value of SHDI shares and that the probability of default was assessed to be remote.

10.4 Purchase and Sale Commitment

On December 27, 2020, the Group (as seller) signed a letter of intent with Global One Real Estate Spain SAU, a related party under common ownership, (as buyer) for the sale of the Group's certain land and buildings in Spain (reported as Non-Current Assets Held for Sale in the interim consolidated statements of financial position) for a total purchase price of €16.6 million at any time until three years after the COVID-19 pandemic has ended. As of March 31, 2022, the purchase and sale transaction has not yet consummated.

10.5 Other Commitments and Contingencies

There are other commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying ICFS. Management is of the opinion that losses, if any, from these items will not have any material impact on the ICFS.

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

11. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has various financial instruments such as cash and cash equivalents, financial assets at fair value through profit or loss ("FVTPL"), financial assets at fair value through other comprehensive income ("FVOCI"), interest-bearing loans, bonds payable, trade receivables and payables and derivative assets and liabilities which arise directly from the Group's business operations. The financial debts were issued to raise funds for the Group's capital expenditures.

The Group does not actively engage in the trading of financial assets for speculative purposes.

The Group is exposed to a variety of financial risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

11.1 Market Risk

(a) Foreign Currency Sensitivity

Most of the Group's transactions are carried out in Philippine pesos, U.S. dollars, Euros and U.K. pounds, which are the functional currencies of the individual subsidiaries making the transactions.

The currency exchange risk arises from transactions carried out in currencies other than the functional currency of the subsidiaries at each entity level. The Group has no significant exposure to changes in foreign currency exchange rates for Euros and U.K. pounds since these currencies are not significant to the Group's consolidated financial statements.

Foreign currency denominated financial assets and liabilities, translated into Philippine pesos at period-end closing rate are as follows:

| | <u>March 31, 2022 (Unaudited)</u> | | <u>December 31, 2021 (Audited)</u> | |
|-----------------------|-----------------------------------|------------------------|------------------------------------|------------------------|
| | <u>U.S. Dollars</u> | <u>HK Dollars</u> | <u>U.S. Dollars</u> | <u>HK Dollars</u> |
| Financial assets | P 9,200,452,334 | P 1,980,736,088 | P 8,527,714,209 | P 1,894,349,341 |
| Financial liabilities | (39,497,124,376) | (245,429,916) | (39,578,899,793) | (628,939,237) |
| | <u>(P 30,296,672,042)</u> | <u>P 1,735,306,172</u> | <u>(P 31,051,185,584)</u> | <u>P 1,265,410,105</u> |

The sensitivity of the consolidated income before tax for the period with regard to the Group's financial assets and financial liabilities and the U.S. dollar – Philippine peso exchange rate assumes +/- 11.74% and +/- 7.54% changes in exchange rate for the three months ended March 31, 2022 and for the year ended December 31, 2021, respectively. The HK dollar – Philippine peso exchange rate assumes +/- 10.76% and +/- 7.56% changes in exchange rate for the three months ended March 31, 2022 and for the year ended December 31, 2021, respectively. These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months estimated at 95% level of confidence. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting periods.

If the Philippine peso had strengthened (or weakened) against the U.S. dollar, with all other variables held constant, consolidated profit before tax would have increased (or decreased) by P3.6 billion for the three-month period ended March 31, 2022 and increased (or decreased) by P2.0 billion for the year ended December 31, 2021. If the Philippine peso had strengthened (or weakened) against the HK dollar, with all other variables held constant, consolidated profit before tax would have decreased (or increased) by P0.1 billion for the three-month period ended March 31, 2022 and for the year ended December 31, 2021.

The Group periodically reviews the trend of the foreign exchange rates and monitors its non-functional currency cash flows.

Exposures to foreign exchange rates vary during the period depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

(b) *Interest Rate Sensitivity*

The Group's interest risk management policy is to minimize interest rate cash flow risk exposures to changes in interest rates. At present, the Group is exposed to changes in market interest rates through certain bank borrowings and cash and cash equivalents, which are subject to variable interest rates. The Group maintains a debt portfolio unit of both fixed and variable interest rates. All other financial assets are subject to variable interest rates.

The sensitivity of the consolidated profit before tax for the period to a reasonably possible change in interest rates of +/- 1.10% for Philippine peso and +/- 1.68% for U.S. dollar in 2022, and +/- 0.47% for Philippine peso and +/- 0.38% for U.S. dollar in 2021 with effect from the beginning of the period. These percentages have been determined based on the average market volatility in interest rates, using standard deviation, in the previous 12 months estimated at 95% level of confidence.

The sensitivity analysis is based on the Group's financial instruments held at March 31, 2022 and December 31, 2021, with effect estimated from the beginning of the period. All other variables held constant, the consolidated profit before tax would have increased by P0.1 billion for the three-month period ended March 31, 2022, and P0.2 billion for the year ended December 31, 2021. Conversely, if the interest rates decreased by the same percentage, consolidated profit before tax would have been lower by the same amount.

11.2 Credit Risk

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

The Group maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. Franchisees are subject to stringent financial, credit and legal verification process. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant portion of sales, advance payments are received to mitigate credit risk.

With respect to credit risk arising from the other financial assets of the Group, composed significantly 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 and cash equivalents in banks in the Philippines are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 per depositor per banking institution. The credit risk for cash and cash equivalents are considered negligible since the counterparties are reputable banks with high quality external credit ratings.

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

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

ECL for advances to associates and other related parties are measured and recognized using the liquidity approach. Management determines possible impairment based on the related party's ability to repay the advances upon demand at the reporting date taking into consideration the historical defaults from the related parties.

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

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

Trade and other receivables that are past due but not impaired are presented below.

| | March 31, 2022 (Unaudited) | December 31, 2021 (Audited) |
|-----------------------|---|-----------------------------------|
| Not more than 30 days | P 1,568,758,445 | P 3,008,898,748 |
| 31 to 60 days | 912,612,881 | 960,552,139 |
| Over 60 days | <u>5,093,643,054</u> | <u>4,604,130,704</u> |
| | <u>P 7,575,014,380</u> | <u>P 8,573,581,591</u> |

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

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

11.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a three-month and one-year period are identified monthly. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans, bonds, and preferred shares.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits, mutual funds or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets. In addition, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise. Fund raising activities may include bank loans and capital market issues.

As of March 31, 2022, the Group's financial liabilities (excluding lease liabilities) have contractual maturities which are presented below.

| | Current | | Non-current | |
|-------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | Within 6 Months | 6 to 12 Months | 1 to 5 Years | Later than 5 Years |
| Trade and other payables | P 55,142,291,863 | P 9,691,006,463 | P - | P - |
| Interest-bearing loans | 67,621,341,032 | 15,591,739,208 | 80,780,665,449 | 9,784,950,093 |
| Bonds payable | 762,556,125 | 762,556,125 | 28,001,900,250 | 17,159,359,875 |
| Advances from related parties | - | 2,165,591,730 | - | - |
| Redeemable preferred shares | - | 251,597,580 | 1,405,403,268 | - |
| Subscription payable | - | 1,052,165,007 | - | - |
| Security deposits | 152,097,886 | 28,313,749 | 321,924,943 | 41,254,058 |
| Accrued rent | - | - | 10,039,717 | - |
| Derivative liabilities | 483,276,699 | - | - | - |
| Other liabilities | - | 2,431,965,757 | 13,551,104,573 | - |
| | <u>P124,161,563,605</u> | <u>P 31,974,935,619</u> | <u>P124,071,038,200</u> | <u>P 26,985,564,026</u> |

As of December 31, 2021, the Group's financial liabilities (excluding lease liabilities) have contractual maturities which are presented below.

| | Current | | Non-current | |
|-------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | Within 6 Months | 6 to 12 Months | 1 to 5 Years | Later than 5 Years |
| Trade and other payables | P 51,709,577,951 | P 10,853,593,926 | P - | P - |
| Interest-bearing loans | 56,262,294,141 | 25,601,805,195 | 89,849,826,309 | 10,235,411,126 |
| Bonds payable | 923,161,125 | 923,161,125 | 28,001,900,250 | 17,506,119,750 |
| Advances from related parties | - | 2,469,533,312 | - | - |
| Redeemable preferred shares | 104,259,120 | 355,856,700 | 1,365,641,108 | - |
| Subscription payable | - | 1,114,665,008 | - | - |
| Guaranty deposits | - | 50,613,498 | 98,056,158 | 487,325,361 |
| Accrued rent | 1,335,701 | 1,335,701 | 8,267,316 | - |
| Derivative liabilities | 743,688,137 | 10,743,048 | 10,229,777 | - |
| Other liabilities | - | 2,632,525,561 | 13,864,779,355 | - |
| | <u>P109,744,316,175</u> | <u>P 44,013,833,074</u> | <u>P133,198,700,273</u> | <u>P 28,228,856,237</u> |

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

11.4 Other Price Risk Sensitivity

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

For equity securities listed in the Philippines, the observed volatility rates of the fair values of the Group's investments held at fair value and their impact on the equity as of March 31, 2022 and December 31, 2021 are summarized in the succeeding page.

| | Observed | | Impact on Equity | |
|---|-------------------------|-----------------|-------------------------|------------------|
| | <u>Volatility Rates</u> | | <u>Increase</u> | <u>Decrease</u> |
| | <u>Increase</u> | <u>Decrease</u> | <u>Increase</u> | <u>Decrease</u> |
| 2022 - Investment in quoted equity securities at: | | | | |
| FVOCI | +38.11% | -38.11% | P 68,284,321 | (P 68,284,321) |
| FVTPL | +38.11% | -38.11% | 1,737,764,568 | (1,737,764,568) |
| 2021 - Investment in quoted equity securities at: | | | | |
| FVOCI | +37.05% | -37.05% | P 20,266,652 | (P 20,266,652) |
| FVTPL | +37.05% | -37.05% | P1,629,039,658 | (1,629,039,658) |

The maximum additional estimated gain or loss in 2022 and 2021 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 three months in 2022 and 12 months in 2021, at 95% confidence level.

The investments in listed equity securities are considered long-term strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilized in the Group's favor.

12. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below and in the succeeding page.

| | <u>March 31, 2022 (Unaudited)</u> | | <u>December 31, 2021 (Audited)</u> | |
|--|-----------------------------------|--------------------------|------------------------------------|--------------------|
| | <u>Carrying Values</u> | <u>Fair Values</u> | <u>Carrying Values</u> | <u>Fair Values</u> |
| <i>Financial Assets</i> | | | | |
| Financial assets at amortized cost: | | | | |
| Cash and cash equivalents | P 79,683,050,456 | P 79,683,050,456 | P 82,278,122,848 | P 82,278,122,848 |
| Trade and other receivables | 107,311,405,799 | 107,669,019,884 | 68,193,398,557 | 65,798,626,444 |
| Other financial assets | <u>5,588,604,687</u> | <u>5,517,831,433</u> | 5,659,013,693 | 5,700,240,293 |
| | <u>P 192,583,060,942</u> | <u>P 192,869,901,773</u> | P156,130,535,098 | P 153,776,989,585 |
| Financial assets at FVTPL – | | | | |
| Marketable debt and equity securities | <u>P 13,959,736,637</u> | <u>P 13,959,736,637</u> | P 13,512,733,032 | P 13,512,733,032 |
| Financial assets at FVOCI – | | | | |
| Equity securities | <u>P 542,279,857</u> | <u>P 542,279,857</u> | P 420,870,489 | P 420,870,489 |
| <i>Financial Liabilities</i> | | | | |
| Financial liabilities at FVTPL – | | | | |
| Derivative liabilities | <u>P 518,779,635</u> | <u>P 518,779,635</u> | P 736,958,819 | P 736,958,819 |
| Financial liabilities at amortized cost: | | | | |
| Current: | | | | |
| Trade and other payables | P 65,767,260,275 | P 65,767,260,275 | P 62,415,511,836 | P 62,415,511,836 |
| Interest-bearing loans | 79,269,198,351 | 79,308,694,969 | 80,303,949,739 | 79,406,537,853 |
| Lease liabilities | 1,264,305,062 | 1,264,305,062 | 1,309,447,535 | 1,309,447,535 |
| Subscription payable | 1,114,665,008 | 1,114,665,008 | 1,114,665,008 | 1,114,665,008 |
| Redeemable preferred shares | 251,597,580 | 251,597,580 | 251,597,580 | 251,597,580 |
| Advances from related parties | 2,165,624,151 | 2,165,624,151 | 2,469,533,312 | 2,469,533,312 |
| Commission payable | <u>2,431,965,757</u> | <u>2,431,965,757</u> | 2,632,525,561 | 2,632,525,561 |
| | <u>P 152,264,616,184</u> | <u>P 152,304,112,802</u> | P 150,497,230,571 | P 149,599,818,685 |

| | <u>March 31, 2022 (Unaudited)</u> | | <u>December 31, 2021 (Audited)</u> | |
|--|-----------------------------------|--------------------------|------------------------------------|--------------------------|
| | <u>Carrying Values</u> | <u>Fair Values</u> | <u>Carrying Values</u> | <u>Fair Values</u> |
| Financial liabilities at amortized cost: | | | | |
| Non-current: | | | | |
| Bonds payable | P 42,315,196,708 | P 42,292,175,589 | P 41,982,042,246 | P 42,567,948,736 |
| Interest-bearing loans | 91,056,882,792 | 87,227,544,298 | 93,108,742,222 | 88,973,326,321 |
| Lease liabilities | 16,072,705,509 | 16,072,705,509 | 15,336,726,680 | 15,336,726,680 |
| Casino deposit certificates | 10,048,277,856 | 10,048,277,856 | 10,048,277,856 | 10,048,277,856 |
| Redeemable preferred shares | 1,405,403,268 | 1,519,031,535 | 1,365,641,108 | 1,637,560,105 |
| Retention payable | 3,303,368,086 | 3,303,368,086 | 3,289,211,913 | 3,289,211,913 |
| Security deposits | 793,718,030 | 754,525,261 | 809,239,196 | 854,594,866 |
| Accrued rent | 10,039,717 | 10,039,717 | 10,039,717 | 10,039,717 |
| | <u>P 165,005,591,966</u> | <u>P 161,227,667,851</u> | <u>P 165,949,920,938</u> | <u>P 162,717,686,194</u> |

13. FAIR VALUE MEASUREMENT AND DISCLOSURES

13.1 Fair Value Hierarchy

The hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets or for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the resource or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or financial liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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

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

13.2 Financial Instruments Measured at Fair Value

The table below shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the consolidated statements of financial position on a recurring basis as of March 31, 2022 and December 31, 2021.

| | March 31, 2022 (Unaudited) | | | |
|--|-----------------------------|----------------------|----------------------|-------------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets: | | | | |
| Financial assets at FVTPL – Debt and equity securities | P 13,959,736,637 | P - | P - | P 13,959,736,637 |
| Financial assets at FVOCI – Equity securities | 179,176,911 | 152,700,000 | 210,402,946 | 542,279,857 |
| | P 14,138,913,548 | P 152,700,000 | P 210,402,946 | P 14,502,016,494 |
| Financial liabilities: | | | | |
| Financial liability at FVTPL – Derivative liabilities | P - | P 518,779,635 | P - | P 518,779,635 |
| | | | | |
| | December 31, 2021 (Audited) | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets: | | | | |
| Financial assets at FVTPL – Debt and equity securities | P 13,512,733,032 | P - | P - | P 13,512,733,032 |
| Financial assets at FVOCI – Equity securities | 54,700,815 | 149,600,000 | 216,569,674 | 420,870,489 |
| | P 13,567,433,847 | P 149,600,000 | P 216,569,674 | P 13,933,603,521 |
| Financial liabilities: | | | | |
| Financial liability at FVTPL – Derivative liabilities | P - | P 736,958,819 | P - | P 736,958,819 |

13.3 Financial Instruments Measured at Amortized Cost for Which Fair Value is Disclosed

The table below and in the succeeding page shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the consolidated statements of financial position on a recurring basis as of March 31, 2022 and December 31, 2021.

| | March 31, 2022 (Unaudited) | | | |
|--------------------------------|----------------------------|---------------------|--------------------------|--------------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets: | | | | |
| Cash and cash equivalents | P 79,683,050,456 | P - | P - | P 79,683,050,456 |
| Trade and other receivables | - | 57,399,922 | 107,611,619,962 | 107,669,019,884 |
| Other financial assets | 3,160,442,470 | - | 2,357,388,963 | 5,517,831,433 |
| | P 82,843,492,926 | P 57,399,922 | P 109,969,008,925 | P 192,869,901,773 |
| Financial liabilities: | | | | |
| Current: | | | | |
| Trade and other payables | P - | P - | P 65,767,260,275 | P 65,767,260,275 |
| Interest-bearing loans | - | - | 79,308,694,969 | 79,308,694,969 |
| Subscription payable | - | - | 1,114,665,008 | 1,114,665,008 |
| Redeemable preferred shares | - | - | 251,597,580 | 251,597,580 |
| ELS | - | - | - | - |
| Lease liabilities | - | - | 1,264,305,062 | 1,264,305,062 |
| Commission payable | - | - | 2,431,965,757 | 2,431,965,757 |
| Due to related parties | - | - | 2,165,624,151 | 2,165,624,151 |
| | P - | P - | P 152,304,112,802 | P 152,304,112,802 |
| <i>Balance carried forward</i> | P - | P - | P 152,304,112,802 | P 152,304,112,802 |

| | March 31, 2022 (Unaudited) | | | |
|--------------------------------|--------------------------------|----------------------------|---------------------------------|---------------------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| <i>Balance brought forward</i> | P - | P - | P 152,304,112,802 | P 152,304,112,802 |
| <i>Non-current:</i> | | | | |
| Bonds payable | 42,292,175,589 | - | - | 42,292,175,589 |
| Interest-bearing loans | - | - | 87,227,544,298 | 87,227,544,298 |
| Redeemable preferred shares | - | - | 1,519,031,535 | 1,519,031,535 |
| Lease liabilities | - | - | 16,072,705,509 | 16,072,705,509 |
| Retention payable | - | - | 3,303,368,086 | 3,303,368,086 |
| Security deposits | - | - | 754,525,261 | 754,525,261 |
| Casino deposit certificates | - | - | 10,048,277,856 | 10,048,277,856 |
| Accrued rent | - | - | 10,039,717 | 10,039,717 |
| | <u>P 42,292,175,589</u> | <u>P -</u> | <u>P 271,239,605,064</u> | <u>P 313,531,780,653</u> |
| | | | | |
| | December 31, 2021 (Audited) | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| <i>Financial assets:</i> | | | | |
| Cash and cash equivalents | P 82,278,122,848 | P - | P - | P 82,278,122,848 |
| Trade and other receivables | - | 62,214,193 | 65,736,412,251 | 65,798,626,444 |
| Other financial assets | <u>3,086,649,157</u> | <u>-</u> | <u>2,613,591,136</u> | <u>5,700,240,293</u> |
| | <u>P 85,364,772,005</u> | <u>P 62,214,193</u> | <u>P 68,350,003,387</u> | <u>P 153,776,989,585</u> |
| <i>Financial liabilities:</i> | | | | |
| <i>Current:</i> | | | | |
| Trade and other payables | P - | P - | P 62,415,511,836 | P 62,415,511,836 |
| Interest-bearing loans | - | - | 79,406,537,853 | 79,406,537,853 |
| Lease liabilities | - | - | 1,309,447,535 | 1,309,447,535 |
| Subscription payable | - | - | 1,114,665,008 | 1,114,665,008 |
| Advances from related parties | - | - | 2,469,533,312 | 2,469,533,312 |
| Redeemable preferred shares | - | - | 251,597,580 | 251,597,580 |
| Commission payable | - | - | 2,632,525,561 | 2,632,525,561 |
| <i>Non-current:</i> | | | | |
| Bonds payable | 42,567,948,736 | - | - | 42,567,948,736 |
| Lease Liabilities | - | - | 15,336,726,680 | 15,336,726,680 |
| Interest-bearing loans | - | - | 88,973,326,321 | 88,973,326,321 |
| Redeemable preferred shares | - | - | 1,637,560,105 | 1,637,560,105 |
| Retention payable | - | - | 3,289,211,913 | 3,289,211,913 |
| Security deposits | - | - | 854,594,866 | 854,594,866 |
| Casino deposit certificates | - | - | 10,048,277,856 | 10,048,277,856 |
| Accrued rent | - | - | 10,039,717 | 10,039,717 |
| | <u>P 42,567,948,736</u> | <u>P -</u> | <u>P 269,749,556,143</u> | <u>P 312,317,504,879</u> |

For financial assets and financial liabilities with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

The fair values of the financial assets and financial liabilities included in Level 2 and Level 3 above which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

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

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

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

As of March 31, 2022, the fair value of the Group's investment property amounting to P562.7 billion is classified within Level 3 of the fair value hierarchy. The Level 3 fair value of investment properties earning rental income was determined using the income approach which is performed with values derived using a discounted cash flow model. The income approach uses future free cash flow projections and discounts them to arrive at a present value. The discount rate is based on the level of risk of the business opportunity and costs of capital. The most significant inputs into this valuation approach are the estimated annual cash inflow and outgoing expenses, anticipated increase in market rental, discount rate and terminal capitalization rate.

14. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objective is to ensure its ability to continue as a going concern; to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk; and to maintain strong and healthy financial position to support its current business operations and drive its expansion and growth in the future.

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

| | March 31, 2022 (Unaudited) | December 31, 2021 (Audited) |
|-----------------------------|---|--------------------------------|
| Total liabilities | P 367,886,760,895 | P 368,737,306,684 |
| Total equity | <u>340,463,548,229</u> | <u>335,222,638,790</u> |
| Liabilities-to-equity ratio | <u>P 1.08:1.00</u> | <u>1.10:1.00</u> |

15. SUBSEQUENT EVENTS

15.1 Conversion of ELS

On May 13, 2022, the Conversion Period to issue the Tranche 2 Shares to Arran per the ELS Instrument was further modified to August 12, 2022.

15.2 Additional Subscription of MREIT Shares by Megaworld

On April 1, 2022, the BOD of Megaworld approved the subscription by Megaworld to 263,700,000 shares in MREIT for a total subscription price of P5.3 billion to be paid by way of transfer of four grade A buildings located in PEZA-registered Zones. The transaction, once completed, will result to an increase of control and ownership of the Group from 43% to 45%. Equity attributable to NCI is estimated to increase by P541.4 million as a result of the transaction.

15.3 Dividend Declaration of MREIT

On April 22, 2022, MREIT declared dividends at a rate of P0.2430 payable on May 31, 2022.

16. OTHER MATTERS

The COVID-19 pandemic which put the Philippines in a state of calamity is continuing globally as of date of this report. During the COVID-19 pandemic, restrictions on mobility and business activities are imposed based on degree of infections. At all times, public safety protocols on wearing face masks, hand hygiene and physical distancing are in place.

Business establishments in Metro Manila and other key areas are allowed 100% operations and public transportation full-seating capacity in March 2022. The rest are still under stricter restrictions. In UK, physical distancing and screens ended in March.

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

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
AGING SCHEDULE OF CURRENT TRADE AND OTHER RECEIVABLES

March 31, 2022

(Amounts in Philippine Pesos)

| | | |
|-------------------------------------|----------|-------------------------------------|
| Current | P | 61,550,989,957 |
| 1 to 30 days | | 1,568,758,445 |
| 31 to 60 days | | 912,612,881 |
| Over 60 days | | <u>5,093,643,054</u> |
| Total | | 69,126,004,337 |
| Due from other related parties | | <u>904,314,318</u> |
| Balance as at March 31, 2022 | P | <u><u>70,030,318,655</u></u> |

**MINUTES OF THE ANNUAL MEETING OF STOCKHOLDERS OF
ALLIANCE GLOBAL GROUP, INC.**

17 June 2021

Conducted virtually via <https://www.allianceglobalinc.com/asm2021/>

I. CALL TO ORDER

The President, Mr. Kingson U. Sian, welcomed the stockholders to the meeting. He then turned over the floor to the Chief Executive Officer, Mr. Kevin Andrew L. Tan, who was designated as the Presiding Officer. Thereafter, the Presiding Officer called the meeting to order at 9:06 a.m. The Corporate Secretary, Atty. Alan B. Quintana, recorded the proceedings of the meeting.

II. CERTIFICATION OF NOTICE AND QUORUM

The Presiding Officer stated that the Corporation decided to hold this year's Annual Stockholders' Meeting (the "Meeting") by remote communication pursuant to the Corporation's Amended By-Laws and the Revised Corporation Code, and to conform with the government's current regulations on physical distancing and restrictions on mass gatherings. He added that the Corporation adopted measures to afford the stockholders the opportunity to participate in the Meeting as effectively as a physical meeting.

The Corporate Secretary then certified that all stockholders of record as of May 19, 2021 have been duly notified of the Meeting pursuant to the Corporation's By-Laws and applicable Securities and Exchange Commission ("SEC") Circulars, with the copies of the Notice of the Annual Meeting, the Agenda, and the Definitive Information Statement made available through the Corporation's website and the Philippine Stock Exchange Electronic Disclosure Generation Technology or PSE EDGE. The Notice of the Annual Meeting was also published in the Philippine Daily Inquirer and the Manila Times on May 26, 2021, and the Business Mirror and the Daily Tribune on May 27, 2021. The Corporate Secretary also certified that there existed a quorum to transact the business in the agenda for the Meeting, there being present in person or represented by proxy stockholders holding 82.90% of the entire subscribed and outstanding capital stock of the Corporation.

The Corporate Secretary certified that only stockholders who have successfully registered may participate in the Meeting. Moreover, he explained the Procedures for Registration, Voting and Participation in the Meeting which were contained in the Definitive Information Statement and implemented, as follows: (i) stockholders signifying their intention to participate by remote communication have registered by submitting the requirements by email to the Corporate Secretary; (ii) stockholders who have registered have sent their questions and/or comments prior to the Meeting through email at corporatesecretary@allianceglobalinc.com until 5:00 p.m. of June 09, 2021, with some questions or comments received to be taken up after the report of the Management for the year 2020; (iii) the resolutions proposed to be adopted at the Meeting will be shown on the screen; (iv) stockholders who have duly registered to participate by remote communication have casted their votes by proxy or in absentia by sending their accomplished ballots by email to the Corporate Secretary until 5:00 p.m. of June 09, 2021; and (v) the Office of the Corporate Secretary have tabulated all valid and confirmed votes cast through electronic voting, together with the votes through proxies, with the voting results to be announced during the Meeting and reflected in the minutes of the Meeting.

III. APPROVAL OF MINUTES OF ANNUAL MEETING OF STOCKHOLDERS HELD ON AUGUST 06, 2020

The Presiding Officer then proceeded with the approval of the minutes of the annual stockholders' meeting held on August 6, 2020, and informed the stockholders that the copy of the minutes of the 2020 Annual Meeting have been made available through the Corporation's website.

The Corporate Secretary announced that 100% of the voting shares represented in the Meeting have voted in favor of the approval of the minutes of the annual stockholders' meeting held on August 6, 2020. Therefore, the Presiding Officer declared that the following resolution has been approved:

“RESOLVED, to approve the minutes of the Annual Stockholders’ Meeting held on August 6, 2020.”

IV. ANNUAL REPORT OF MANAGEMENT

The Presiding Officer then turned the floor over to the Chairman, Dr. Andrew L. Tan, who delivered the Chairman’s Message as follows:

As a world-class Filipino conglomerate, Alliance Global Group, Inc. (AGI) has always been an active partner in national economic development, through our relentless pursuit of excellence in our core businesses, and through our significant investments in industries with potential for profitability and growth.

Our strong performance in the previous years has helped prepare us for the unforeseen challenges of 2020, all the more exacerbated by the impacts of the COVID-19 pandemic. A healthy cash position, coupled with a comfortable gearing, gave us the financial muscle to weather the strict two-month lockdown in 2020, all while still taking care of our employees, partners, and other key stakeholders.

The diversification of our operations, products, and services also helped the Group in extenuating the effect of the pandemic on the bottom line. These diversified investments span geographical developments in Metro Manila and key provincial areas, as well as our pursuits in the international spirits market. Our multiple sources of income have allowed our Group to balance our portfolio.

Together with our innovative offerings and digitalization strategy, AGI managed to mitigate the impact of the pandemic, bringing our consolidated revenue to PHP128.8 billion for 2020, with EBITDA of PHP32.6 billion, and an attributable profit of PHP8.8 billion.

While we remain true to the core of our vision and mission as a company, we also continue to support the nation in its ongoing fight against the COVID-19 pandemic. As a Group, AGI has already donated more than PHP4.1 billion to various efforts aimed at addressing this public health crisis. We continue to do this in the fervent hope that we will all rise together from this tribulation, stronger and better as a nation.

As we all navigate this new reality, one that presents a uniquely challenging business environment, AGI will continue to be at the forefront of leading change to ensure a future for all. While the environment where our businesses operate might have changed, our vision, mission, and values have not, and we remain steadfast in our commitment to excellence, agility and innovation.

We will continue to fortify our core businesses by fostering the leadership potential of our employees, bolstering the impact of our ongoing digital transformation initiatives, and maximizing the capabilities of our diverse businesses. Through these combined efforts, we can harness the strength and stability that has allowed AGI and its subsidiaries to withstand any storm – from regional financial crises to the global COVID-19 pandemic.

I would also like to take this time to personally thank all our shareholders, employees, partners, and customers for their continued trust and support over the past year. Indeed, it was a tough year for everyone, not just businesses. Yet, together, we were all able to face a new year brimming with hope and anticipation for what is ahead of us.

Together, we can all rise above this crisis. Together, we can lead change to ensure a better future for all.

Thank you.

After the Chairman's Message, the Presiding Officer presented his pre-recorded report on the performance of the Corporation in 2020.

V. OPEN FORUM

The Presiding Officer requested the Investor Relations Director, Ms. Caroline Kabigting, to read the questions and the names of the stockholders who sent them. Below is a summary of the questions and the answers that were given:

Q (Juan Carlos De Leon): Are there any plans by the Group to tap Green Financing as you come up with more initiatives to further your ESG commitment and now that a number of banks have also offered them?

A (Presiding Officer): This is a facility that we might consider in the future given our increasing ESG initiatives across all our business segments. But we still need to study this and see how the green funding is applicable to our projects, whether in the Philippines or overseas.

Q (Jhomar Soliman): Now that you have proven the salability of your projects outside Metro Manila, are you planning to further increase the share of your provincial projects to your total revenue? Are there challenges at this point in terms of market absorption for such projects?

A (President): Since about a decade ago, Megaworld has already planned to expand its geographic presence in a number of high-growth areas that we have identified throughout the country. This proved to be an advantage especially in light of the ongoing pandemic which prompted the shift in consumer preference to areas where there are large open spaces and which our provincial projects are able to provide. Our projects outside Metro Manila now account for more than 30% of our real estate sales. We believe that this contribution will further grow as we launch more provincial projects in the future because we expect economic progress to spread outside Metro Manila with further improvements in our country's infrastructure.

Q (Hermie Fulgencio): Are there other countries where Emperador Brandy is looking to focus its distribution in the international market?

A (Presiding Officer): Our flagship Emperador Brandy continues to take on the international market and has now established a distribution footprint in more than 61 countries. Emperador Brandy is currently available in the rest of Asia, Europe, North America and Latin America. Moving forward, we intend to expand its global presence using the same route to market established by Whyte and Mackay which is present in over 100 countries around the world.

Q (Joy Kathleen Famarin): 2020 has been a very challenging year for Travellers in view of the temporary closure of casino gaming operations. May we know what measures have you done to cushion the business from the impact of the pandemic? Also, what are you doing to help Travellers recover to its pre-pandemic levels?

A (President): The mobility restrictions since last year have been very tough for our operations at Travellers. One of our priorities is our own people as we focused on their wellness and well-being. But this pandemic forced us to come up with more creative and innovative products and services – for our casino gaming business, our hotel operations and our restaurants, as well as our entertainment offerings. We have also reduced as much of our controllable costs such that we believe that we are now operationally

geared to benefit from a recovery should there be a further reopening of the economy.

Q (Pia Alexandra Mayono): GADC earlier announced that it is looking to add 30 stores this year, resuming its expansion strategy. Are there changes in the way you would consider a store opening given that the economics of a QSR operation may have changed under the New Normal?

A (Presiding Officer): For our planned store launches this year, we are looking at McDonald's store formats that are adapted to the New Reality. The new stores would typically be stand-alone formats, with drive-thru facilities and should be able to have its own delivery system. It would be ideal if there are also for more outdoor open spaces to allow al fresco dining. Our new stores should also be digitally-equipped to conform with the NXTGEN formats.

VI. APPOINTMENT OF INDEPENDENT AUDITORS

The Presiding Officer informed the stockholders that the Board of Directors, upon recommendation of the Audit Committee, has resolved to reappoint Punongbayan & Araullo as independent auditors of the Corporation for the audit of the corporation's financial statements for the year ending December 31, 2021, and that this is being submitted for approval by the stockholders.

The Corporate Secretary certified that 99.95% of the voting shares represented in the Meeting have voted in favor of the engagement of Punongbayan & Araullo as independent auditors for the fiscal year ending December 31, 2021. Therefore, the Presiding Officer declared that the following resolution has been approved:

“RESOLVED, to approve the appointment of PunongBayan & Araullo as the independent auditor of the Corporation for the audit of the Corporation’s financial statements for the year ending December 31, 2021.”

VII. RATIFICATION OF ACTS AND RESOLUTIONS OF THE BOARD OF DIRECTORS, BOARD COMMITTEES, AND OFFICERS

The Presiding Officer informed the stockholders that the next item on the agenda is the ratification of all acts and resolutions of the Board of Directors, Board Committees and Officers of the Corporation since the date of last year's annual stockholders' meeting held on August 6, 2020 until June 17, 2021. He informed the stockholders that a list of such acts was provided in the Definitive Information Statement made available through the Corporation's website and PSE EDGE.

The Corporate Secretary certified that that 99.84% of the voting shares represented in the Meeting have voted in favor of the ratification all acts and resolutions of the Board of Directors, Board Committees and Officers of the Corporation, which were duly adopted in the ordinary course of business since the date of last year's annual stockholders' meeting held on August 6, 2020 until June 17, 2021. Therefore, the Presiding Officer declared that the following resolution has been approved:

“RESOLVED, to ratify each and every act and resolution taken since the annual stockholders’ meeting on August 6, 2020 until June 17, 2021 (the “Period”) of the Board of Directors (the “Board”), the Board Committees exercising powers delegated by the Board, and each and every act, during the Period, of the Management of the Corporation performed in accordance with the resolutions of the Board, the Board Committees, as well as with the By-laws of the Corporation.”

VIII. ELECTION OF DIRECTORS

The Presiding Officer informed the stockholders that, for the current year 2021, the Corporation shall be electing seven (7) directors, at least two of whom shall be independent directors pursuant to the Securities and Regulation Code and the Corporation's Revised Manual of Corporate Governance. He requested Mr. Andrew Aguirre, on behalf of the Corporate Governance Committee, to present the Final List of Nominees for members of the Board of Directors.

Mr. Aguirre, on behalf of the Corporate Governance Committee, presented the Final List of Nominees to the Board of Directors, as follows: Dr. Andrew L. Tan, Mr. Kevin Andrew L. Tan, Mr. Kingson U. Sian, Mrs. Katherine L. Tan, and Mr. Winston S. Co for regular directors, and Mr. Sergio R. Ortiz-Luis, Jr. and Dr. Jesli A. Lapus for independent directors. Mr. Aguirre likewise reported that the Final List of Nominees for election as directors of the Corporation possess all the qualifications and none of the disqualifications to hold office as directors of the Corporation.

The Corporate Secretary then informed the Presiding Officer that no further nominations shall be allowed pursuant to the Corporation's By-Laws, as amended.

The Corporate Secretary thereafter certified that each of the nominees have obtained the required number of votes to be elected as members of the Board. Therefore, the Presiding Officer declared that the following resolution electing the members of the Board has been approved:

“RESOLVED, to elect the following as directors of the Corporation to serve as such beginning today until their successors are elected and qualified:

- 1. Andrew L. Tan**
- 2. Kevin Andrew L. Tan**
- 3. Kingson U. Sian**
- 4. Katherine L. Tan**
- 5. Winston S. Co**
- 6. Sergio R. Ortiz-Luis, Jr. – Independent Director**
- 7. Jesli A. Lapus – Independent Director”**

IX. ADJOURNMENT

The Presiding Officer inquired if there are other matters in the agenda. The Corporate Secretary replied there were none. There being no other matters to be discussed, the Meeting was adjourned at 09:58 a.m.

PREPARED BY:

(SGD.) ALAN B. QUINTANA
Corporate Secretary

NOTED:

(SGD.) DR. ANDREW L. TAN
Chairman