



ALLIANCE GLOBAL

# Staging the Future

2021 Annual Sustainability Report

# About the Title & Cover

## Staging the Future

The Alliance Global Group, Inc. (AGI) is a world-class Filipino conglomerate that promises to be an active partner in national economic development. Though AGI is composed of different companies with varied products and services, AGI as a group is bound by the same mission and vision: elevating lives, serving and reaching more people, and transforming the nation.

The 2021 cover represents the Group’s united vision, as well as the diverse industries where AGI operates: real estate, quick-service restaurants, spirits, and gaming and leisure. As one, the AGI group thread the same path: always driven towards innovation and growth, and on the move to develop quality products and services that stage the future and bring communities together.

# About the Report

102-1 102-46 102-49 102-50 102-51 102-52  
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**Staging the Future** is the 2021 Annual Sustainability Report of the Alliance Global Group, Inc. and covers AGI and subsidiaries Megaworld Corporation, Travellers International Hotel Group, Inc., Emperador Inc., and Golden Arches Development Corporation. It details the economic, social, and environmental contributions and impacts of the Group, as well as their financial and operational highlights for the year. This report has been prepared in accordance with the GRI Standards: Core option. It also complies with the Sustainability Reporting Guidelines for Publicly Listed Companies of the Philippine Securities and Exchange Commission.

### Reporting Frameworks

Global Reporting Initiative (GRI) Standards Core Option  
SEC Sustainability Reporting Guidelines for Publicly-Listed Companies

### Period Covered

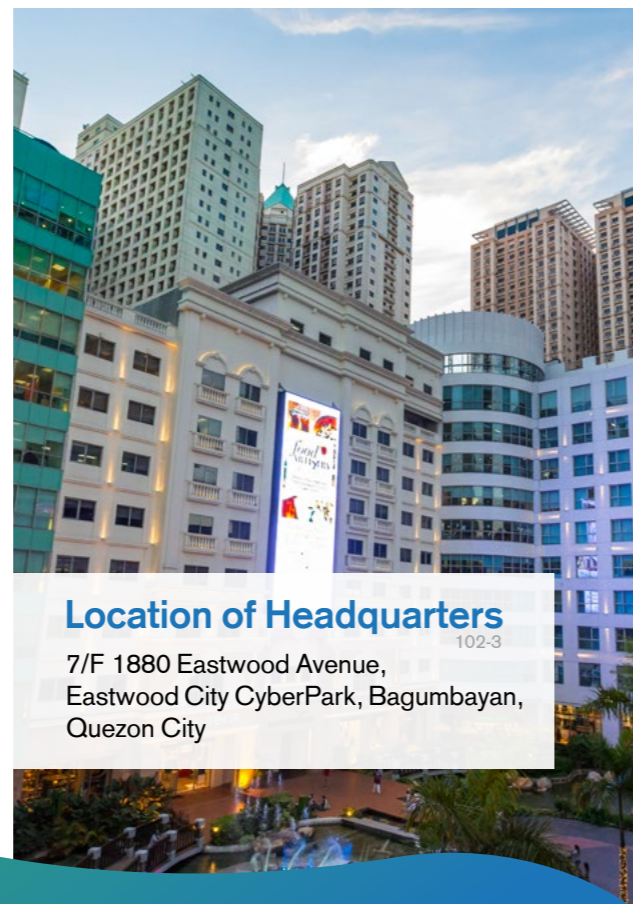
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January 1, 2021 to December 31, 2021

### Reporting Cycle

Annual

### Coverage of most recent report:

January 2020-December 2020



### Location of Headquarters

102-3

7/F 1880 Eastwood Avenue,  
Eastwood City CyberPark, Bagumbayan,  
Quezon City

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# 2021

## FINANCIAL HIGHLIGHTS

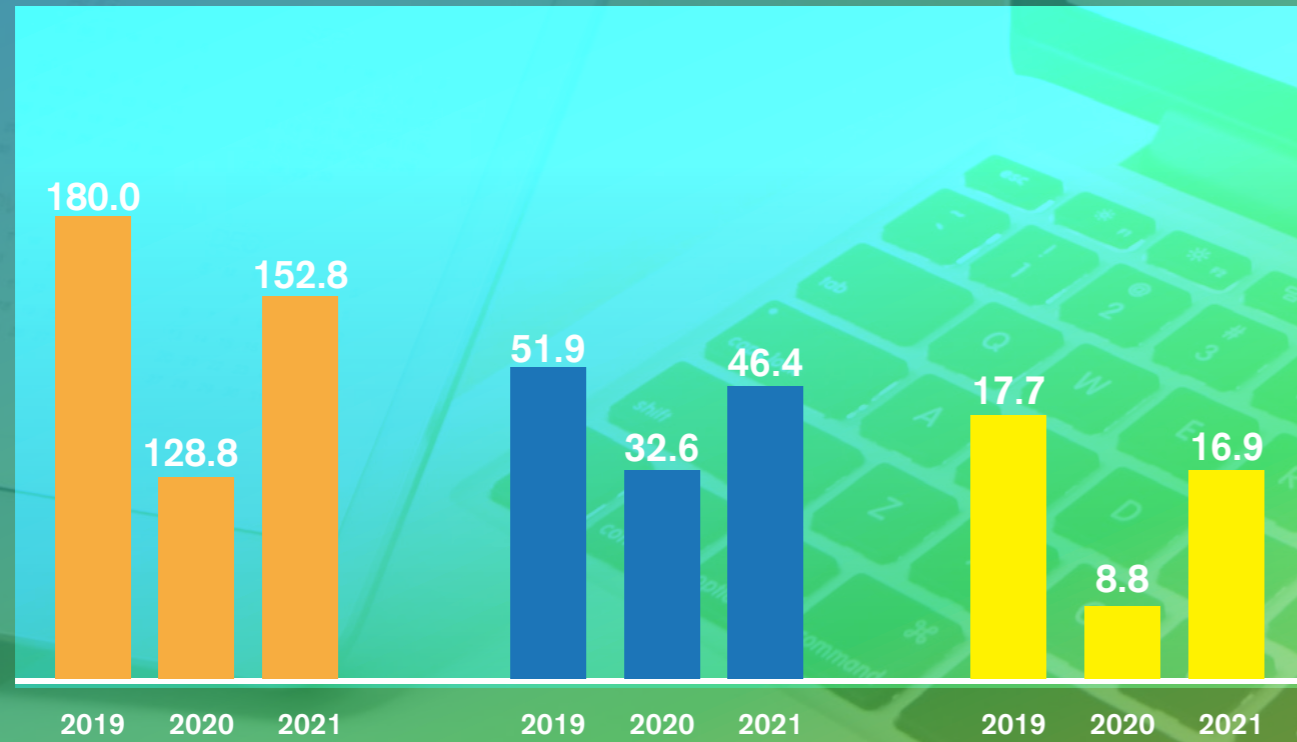
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### 3 - YEAR TREND

REVENUE

EBITDA

NET INCOME



\*In Billion Pesos

## OPERATIONAL UPDATES



**6,900**  
Hotel Room Keys



**5**  
International Hotel Brands



**7**  
Home-grown Hotel Brands



**28**  
Townships and Integrated Lifestyle Communities



**5,000**  
Landbank



**1.4m**  
Office GLA (sqm)



**670**  
Lifestyle Malls GLA (sqm)



**6**  
Vineyard Estates



**5**  
Distilleries in Scotland



**102**  
Counties under Global distribution system for EMP



**25**  
EMP domestic sales offices



**397**  
VIP and Mass gaming tables in RWM complex



**1,655**  
Slot machines in RWM complex



**671**  
McDonald's Stores



**472**  
McDelivery Hubs



**53%**  
Male Workforce



**47%**  
Female Workforce



**PHP 153M**  
Investments to community

# 2021 Sustainability Initiatives



Zero waste lifestyle



LEED-certified buildings



Installation of solar panels



Naturally created biogas



Rainwater recovery system



Green electricity



Occupancy sensors



Plastic neutrality and waste reduction



Sustainable sourcing



Sustainable construction



Ronald McDonald Bahay Bulilit Learning Center

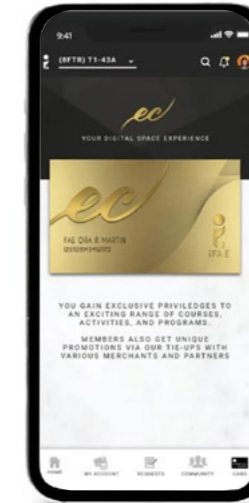


McDonald's Kindness Kitchen

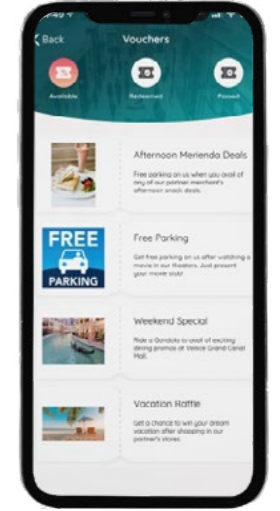
# Digitization Efforts



Pick-a-roo



i-FAE



e-Concierge



Boozy



McDelivery



Resorts World App



# About the Company

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## A WORLD-CLASS FILIPINO CONGLOMERATE

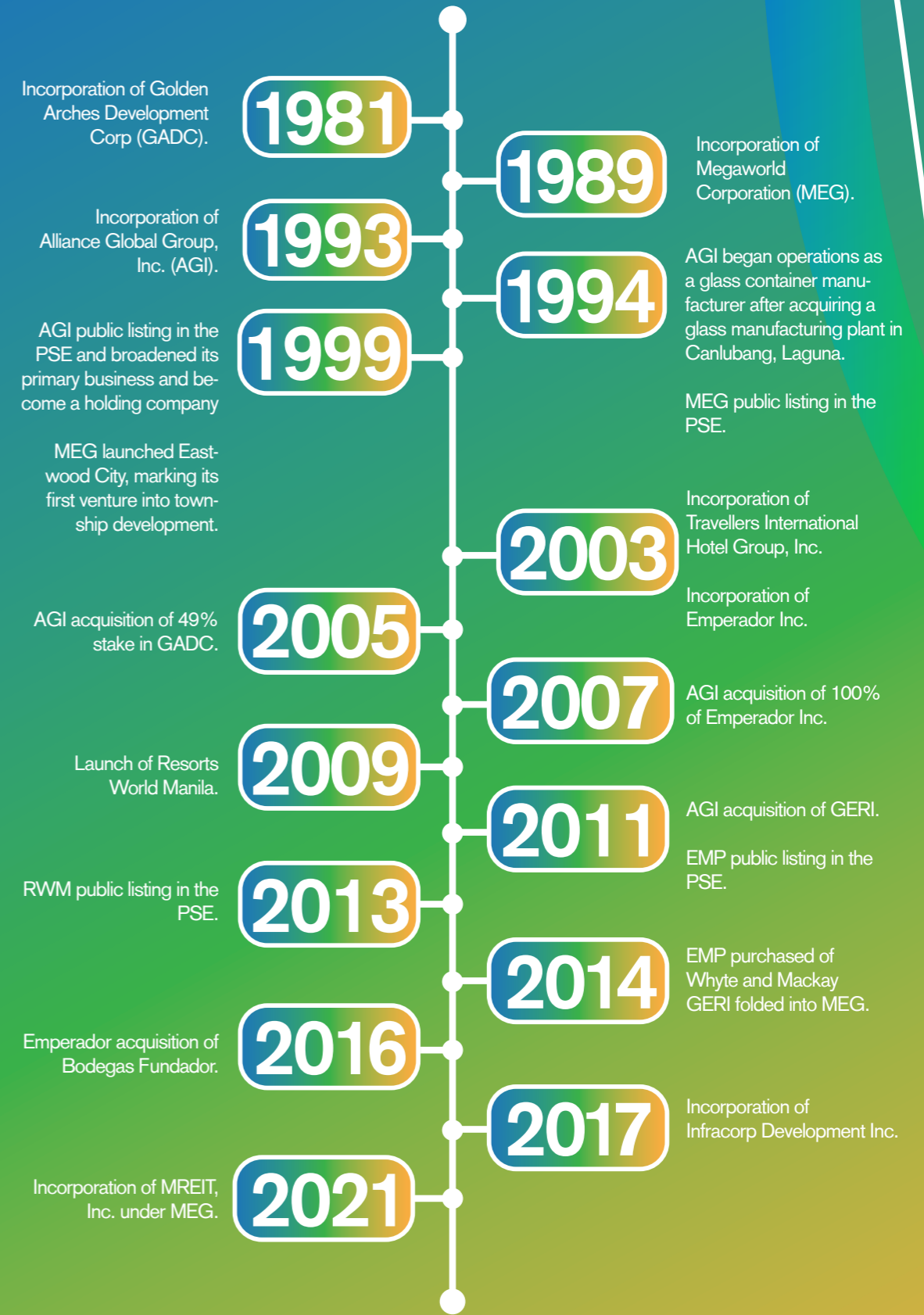
Alliance Global Group, Inc. (AGI) is one of the largest conglomerates in the Philippines. It continually pushes the boundaries of innovation in its diverse businesses to deliver top-notch products and services to customers locally and worldwide.

It was incorporated in the Philippines on October 12, 1993, and began its commercial operations as a glass container manufacturer in 1994. After its listing on the Philippine Stock Exchange (PSE) in 1999, it obtained approval from the Philippine Securities and Exchange Commission (SEC) to broaden its primary business and become a holding company.

It then began developing a diverse group of businesses, primarily in the real estate and consumer sectors. Today, through its different subsidiaries, AGI engages in property development, food, and beverage manufacturing and distribution, quick-service restaurants, integrated tourism development, and infrastructure development.

# History and Ownership

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# Our Vision and Mission

102-16

We are priming ourselves for international competitiveness in the new century by consistently delivering products and services that meet the quality standards of markets both here and abroad. Through continuing research and innovation, we will enhance the company's ability to gain customer satisfaction and goodwill and build on our market franchise.

As a world-class Filipino conglomerate, we will be an active partner in national economic development through the pursuit of excellence in our core businesses and investment in industries that offer more room for profitability and growth. We will enhance our competitiveness in an ever-expanding marketplace through export development and competitive pricing. As a matter of policy, we will always adapt to the dynamics of the market.

We will constantly strive to enhance shareholder value by making our products and services desirable, accessible, and affordable to the target consumers in the Philippines and abroad. Through a continuing reward program, our stockholders will be entitled to an immediate share of the company's gains in the form of stock or cash dividends.



## SUBSIDIARIES 102-4 102-9

Real Estate

### Megaworld Corporation (Megaworld)

The leading township developer in the Philippines, with a diverse portfolio of residential projects, office spaces, commercial leases, and hotels. Its township development provides its residents, office, and commercial tenants the "Live, Work, Play" concept expressing a wonderful mix of lifestyle dynamics.



Spirits

### Emperador, Inc. (EMP)

The Philippines' biggest liquor company and the world's largest brandy manufacturer. It has operations in the Philippines, Spain, Scotland, and Mexico. Its local and acquired global brands of whisky and other alcoholic beverages are currently available in over 100 countries worldwide.



Integrated Tourism

### Travellers International Hotel Group, Inc. (TIHGI)

The owner and operator of Resorts World Manila, the first integrated tourism resort in the Philippines that combines gaming facilities with hotel, retail, dining, entertainment, MICE (meeting, incentive, conference, and exhibition), and other leisure amenities.



Quick-service Restaurant

### Golden Arches Development Corporation (GADC)

A strategic partnership between Alliance Global Group, Inc. (AGI) and George Yang, which holds the master franchise to operate the 'McDonald's' brand in the Philippines. It has successfully made the international brand one of the country's top quick-service restaurants among Filipinos for four decades. It began its digital transformation journey in 2016 in its bid to elevate customers' experience across all touchpoints, grounded on its fundamentals of quality, service, convenience, and value.



Infrastructure

### Infracorp Development, Inc.

The Group's foray into infrastructure development, with plans to provide transport solutions that will improve the connectivity of all our properties and enhance the value of our real estate and tourism developments.



# Global Presence and Local Reach

102-4 102-9

AGI's primary operations are in the Philippines, headquartered in Eastwood City CyberPark, Quezon City. Through acquired global brands under Emperador, AGI has manufacturing and bottling operations in Scotland (United Kingdom), Spain, and Mexico, as well as a world-wide distribution network in over 100 countries. The global marketing arm of Megaworld Corporation, Megaworld International, extends AGI's presence to 60 countries.



## Over 100 countries

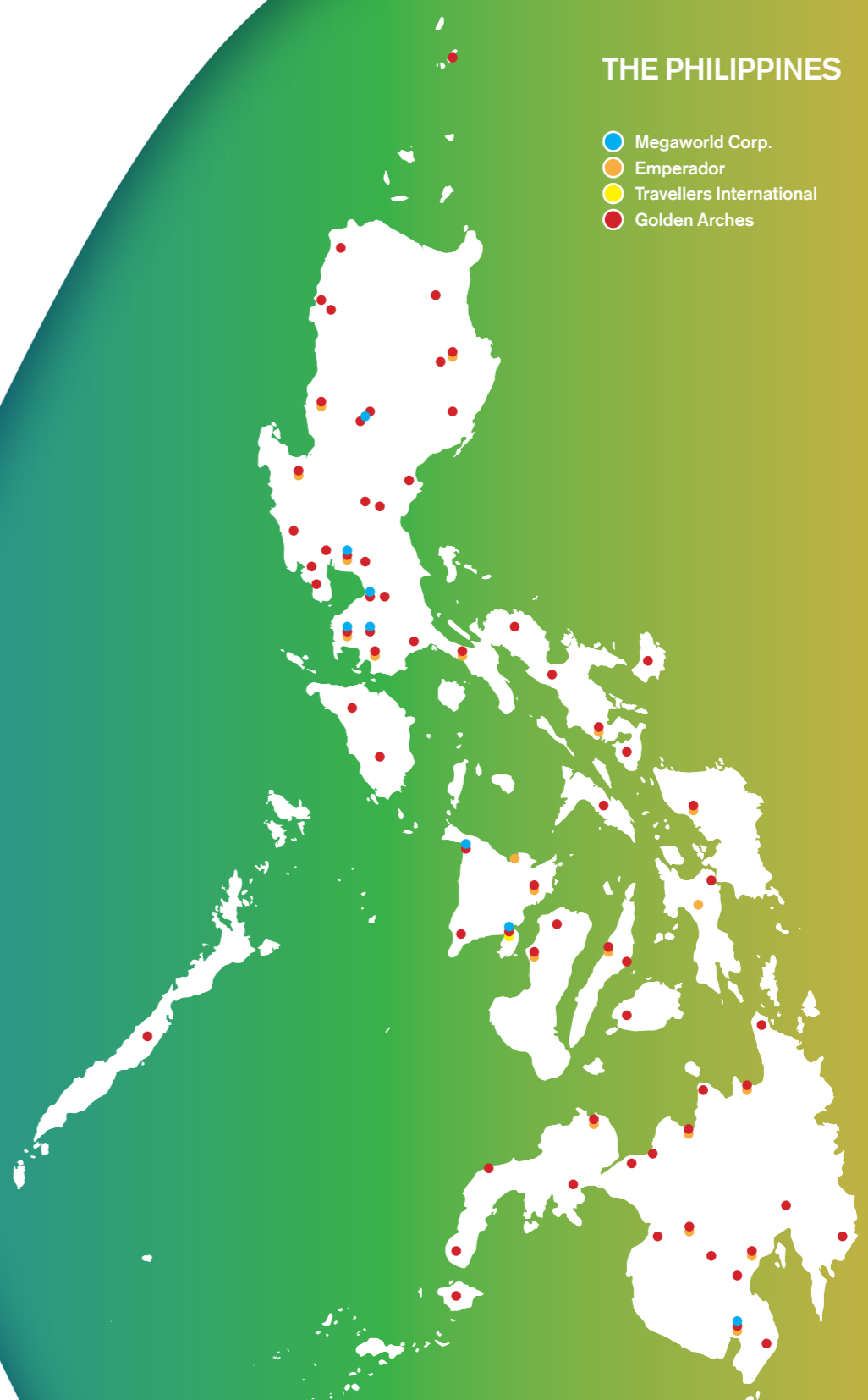
Under the Global Distribution Network of Emperador Inc.

## Over 60 countries

Megaworld International offices

### THE PHILIPPINES

- Megaworld Corp.
- Emperador
- Travellers International
- Golden Arches





# Message from the Chairman

102-14

This 2021, development and expansion took center stage as AGI welcomed recovery and steadily moved past the challenges presented by the COVID-19 pandemic. Geared toward growth and improvement, we carried our learnings from the past year, which, while challenging, made AGI even more resilient, better prepared, and ready to stage the future for our diversified portfolio spanning real estate, tourism, gaming, spirits, and quick service restaurants.

Various project launches and new product offerings, both locally and globally, defined our year. Powered by innovation, and with sustainability in mind, we showcased smart and modern townships, more efficient operations, and services that reached and catered to more people. These showed our commitment to evolve, our drive to thrive, and our agility in transforming challenges into opportunities in a time of crisis.

We are proud to announce that Megaworld launched two new townships this year:

Northwin Global City in Bulacan and Paragua Coasttown in Palawan. These two new additions to Megaworld's expanding assets provide more growth opportunities for the Company. Megaworld also launched eight new projects, mainly residential developments and commercial districts, as well as the 529-room Kingsford Hotel in Westside City. These developments supported PhP80 billion in reservation sales, which surpassed our initial PhP70-billion target and reflected an increase of 18 percent year on year.

Megaworld marked another milestone when it launched MREIT, its real estate investment trust company. Since its listing, Megaworld has raised PhP23.4 billion in new capital via MREIT.

Meanwhile, our world-class spirits company, Emperador, enjoyed record-breaking growth as its whisky and brandy segments expanded their reach while building on the popularity of its flagship brands.





Contributing to Emperador's strong growth in 2021 was the improvement of its whiskey segment. Whyte and Mackay's luxury brand, The Dalmore, continued to be the fastest-growing single malt over the past two years. It was recognized by industry authority Rare Whisky 101 as one of the world's most investable whiskies. Its premium brand Jura, for its part, became the number one single malt in the UK off trade. Its Tamnavulin line was also recognized for its taste and quality, winning five Gold awards in the 2021 International Spirit Challenge. For brandy, the premium Fundador Supremo 18 Brandy de Jerez by Bodegas Fundador bagged the Platinum Award at the San Francisco World Spirits Competition in 2021.

Golden Arches ended 2021 at 80 percent of its pre-pandemic sales levels, and capped the year with a total of 671 stores. This growth was on the back of a consistent focus on elevating the customer experience across all

touchpoints, whether it be dine-in, drive-thru or delivery.

Travellers International opened the Japan-inspired Hotel Okura with 190 rooms and suites, while Resorts World Manila unveiled an upgraded Garden Wing. Travellers had a net revenue of PhP12.2 billion in 2021, showing strong growth driven by its improved VIP business and an increase in hotel occupancy rates with the resurgence in staycations.

Our resilience manifested through the positive financial performance of our businesses as we registered figures that surpassed 2020 numbers. AGI ended 2021 with consolidated revenues of PhP152.8 billion, EBITDA of PhP46.4 billion, and attributable net profit of PhP16.9 billion.

As our businesses remained strong, we also did not waver in supporting our employees and helping our communities throughout the

## As our businesses remained strong, we also did not waver in supporting our employees and helping our communities throughout the pandemic.

pandemic. We were able to fully vaccinate our people through our AGImmunity program, an important step in easing back into face-to-face operations.

Our foundations also continued their education, health and livelihood programs, reaching out especially to school children, frontline workers, and indigenous peoples. Investing as much as PhP152 million into these efforts, we hope to contribute to the United Nations Sustainable Development Goals, as well as sustained local development.

As we move toward further recovery, we are staging the future with vibrant new developments, products and services. We believe in the skills and leadership potential of our employees, which we will continue to hone to help us achieve our collective

goals. We also believe in the robustness of our businesses and our strategies that have withstood crises through the years.

I would like to thank our shareholders, employees, partners, and customers. With your continued support and patronage, we are excited to move forward and harness the opportunities of a post-pandemic world. We will continue to be your partner in development—purposefully staging the future for our communities and our country.

**Dr. Andrew L. Tan**  
Chairman of the Board, Alliance Global Inc.

### Transcending Challenges and moving toward recovery

Challenges are part of business operations, and undoubtedly, in the many years that AGI has been in the industry, the group has faced many. Still, none can equal the magnitude of what the COVID-19 brought locally and globally. In 2020, we met the onslaught of the pandemic and navigated a world of frequent lockdowns and uncertainty with AGI's five Point Recovery strategy to cushion the pandemic's impact. We focused on (1) earnings diversity; (2) sustainability and well-being; (3) adaptability; (4) digitalization; and (5) financial flexibility.

This year, 2021, we continued to face the challenges of the pandemic: vaccine delays plagued the earlier part of the year and the introduction of the highly transmissible Delta variant. These resulted in an increase in the reported cases on a daily basis. In the latter part of the year, the Omicron variant caused a steady surge of infections that continued the next year. Armed with lessons learned from the past year, however, we transcended the challenges of this global health crisis through capacity and asset expansions, new product introductions and project launches, and our strong digitization efforts. Backed by our continued commitment to protecting our employees, consumers, and the community, we remain optimistic about our recovery from the pandemic and its effects.

#### Growing our assets

As part of our recovery, we are growing and expanding our capacity. Megaworld launched two (2) new townships: the Paragua

Coastown in Palawan and the Northwin Global City in Bulacan. It also introduced and took public a new subsidiary, MREIT, which will become an important platform to be able to further expand our investment properties. It is our aspiration to grow this venture into the largest real estate investment trust in South East Asia in the next five years.

Emperador strengthened its liquor distribution and launched new products through its contemporize, premiumize, and internationalize strategy. Though there were logistical problems during the year that affected international distribution, coupled with local alcohol bans, there was sustained growth in whisky and brandy products this year as restrictions were slowly relieved.

Golden Arches, known as McDonald's Philippines, opened thirty six (36) stores in 2021, with its increased drive-thru and delivery services augmenting dine-in sales. McDonald's online platform is also improving sales despite restrictions during the year.

Travellers International upgraded its Garden Wing, which together with the Grand Wing, helped reinvigorate its gaming business which operated at improved capacity as restrictions eased. Hotel Okura Manila welcomed guests as leisure stays or staycations also fueled this year's recovery.

Growing our assets is a big milestone considering that the pandemic limited mobility and halted the economy. This growth also signifies our commitment to exploring new opportunities that will expand the Company despite challenges.

#### Strengthening our Digital Platforms

We have constantly been transforming the way we do our business. AGI adapts to the needs of the time while also looking onwards—this inspires future-ready

innovations that make the Company resilient and growing amidst challenges. One of the endeavors that proved beneficial is our five-year Innovation and Digital Transformation Program, which was launched in 2018. This is especially helpful during the pandemic as we saw the massive switch to digital tools to be able to continue operations.

Our different array of digital applications and platforms helped us continue to reach out to customers, tenants, and retail partners: we have the iFAE for residential customers, e-concierge for our hotels, McDelivery PH App for McDonald's, Boozy.ph for liquor delivery, RWM mobile App for Resorts World Manila, and Pick.A.Roo as an all-in-one delivery App that supports our retail partners. We continue to leverage these platforms and bring them to new heights as we move towards recovery.

We believe that even in a post-pandemic situation, online and offline will definitely interact with each other in some way or form. This is why we are continuing to enhance our digital assets.

#### Protecting People

Vaccination against COVID-19 is among the top priorities this year, as protected employees mean protected customers as well. We started our vaccination program across the group at the beginning of the second quarter. We continued throughout the year, targeting employees and including frontliners and crews, as well as their dependents. Our program was able to vaccinate more than 60,000 employees, and this high vaccination rate can also be attributed to the education campaign that highlighted the importance and benefits of getting an immunization.

The vaccination program, which also included booster shots, allowed us to



# Message from the CEO



protect our employees, preparing them for the transition of getting back to the office. We have started easing employees back through a hybrid work set-up and then transitioning to a face-to-face scheme which signals the steady return to normal. This set-up offered more efficiency at work and promoted collaboration, better culture, interaction, and training. These factors, we believe, will allow us to thrive and be resilient throughout the pandemic.

In the larger scheme, our company-wide vaccination allowed us to contribute to the nation's goal of jumpstarting the economy with an immunized citizenry. Moreover, as a government partner in its fight against COVID, we provided venues and hosted eleven (11) Local Government Units (LGUs) for their vaccination drives. We were able to help vaccinate 300-400 people per site per day and totaling more than a million at the end of the campaign.

### Empowering Employees

We remain supportive of our employees, who are the power behind the operation of all our businesses. We are proud to say that

there were no retrenchments this year, even with limited operations. We also prioritized employee welfare by providing work-from-home schemes, transportation and accommodation, digitization of training, and creating an e-learning portal so that employee learning and development can continue.

### Staging the Future

A total of P60bn worth of capital expenditure was allocated for the whole group for the next year. This value being close to our pre-pandemic allocation signals an important shift for us toward a post-pandemic mindset. We are committed to growing and expanding our various portfolios of companies and launching new products that shape multiple parts of the country, help build society, and uplift lives.

Our stockholders and customers alike have a lot to look forward to: we are pushing through with our dual listing of Emperador this 2022 on the Singapore stock exchange after a year of preparation; Megaworld is launching four townships: one in Metro Manila, two in Luzon, and one Mindanao totaling to about 500 hectares; fourteen new residential projects

**This is Staging the Future for us: knowing that we can transform lives, create jobs, and transform cities motivate us to develop products and services that enhance the lives of Filipinos.**

are also in line for Megaworld. For our fast food business, McDonald's is set to open forty-five stores to serve more people.

This is Staging the Future for us: knowing that we can transform lives, create jobs, and transform cities motivate us to develop products and services that enhance the lives of Filipinos.

For our stockholders, this year had been an exciting one regardless of what the world went through. We learned how to be a more cost efficient company while expanding. We continued to do our buy-back program, restored our dividends for our listed companies, and rewarded investors who supported us through the crisis. We are steadily recovering, more than doubling the income we had the previous year. We hope for your continued support in the following years.

To our employees, we remain supportive and committed to your development and prioritizing employee welfare. To our customers and consumers, know that innovation is at the heart of AGI and that we would continue to create products and services that are accessible to all. With our industries well-suited for the post-pandemic world, we will continue to provide to consumers and take advantage of this very vibrant future.

**Kevin L. Tan**  
Chief Executive Officer

# Awards

## MEGAWORLD

### Virtus Awards

- Outstanding S&M Associate
- Outstanding S&M Manager
- Outstanding S&M Leader

### TripAdvisor Travelers Choice Awards 2021 Travelers Choice Awards – Hotel category

- Belmont Hotel Manila
- Belmont Hotel Boracay
- Hotel Lucky Chinatown
- Richmonde Hotels
- Savoy Hotel Boracay
- Savoy Hotel Manila
- Twin Lakes Hotel

### 2021 Travelers Choice Awards – Dining Category

- Café Belmont; Belmont Manila
- Savoy Café; Savoy Hotel Manila

### All Megaworld Hotel properties:

- OTA Awards
- Booking.com Travelers Review Awards
- Expedia Travel Awards
- Agoda Golden Circle
- Various recognitions from Online Travel Agents based on consistent positive reviews by guests and top producing hotel properties in terms of booking conversions

### World Travel Awards

- 2021 Leading Airport Hotel Award – Philippines and Asia | Savoy Hotel Manila

### 18th Philippine Quill Awards

- **Excellence (Division 1: Communication Management (CovidComms 2020) - Category 14: CSR)** Mega Malasakit: Megaworld Foundation COVID-19 Response
- **Excellence (Division 4: Communication Skills - Category 21: Audio/Visual)** Megaworld Takes a Stand for the United Nations



- Sustainable Development Goals
- **Merit (Division 4: Communication Skills (CovidComms 2020) - Category 22: Social Media Programs)** Mega Summer Ventures #RoamFromHome
- **Merit (Division 1: Communication Management (CovidComms 2020) - Category 14: CSR)** Megaworld Foundation Scholarship in the New Normal
- **Merit (Division 1: Communication Management - Category 2: Employee Engagement)** Megaworld Takes a Stand for the United Nations Sustainable Development Goals



For companies that have a heart

### CSR and Nonprofit Awards 2021

- Social Meaning - Scholarship Program(External) Honorable Mention: Scholarship Program
- Social Meaning - Diversity Initiative Honorable Mention: One with the Aetas



### 56th Anvil Awards

- Silver (PR Programs, C. Specialized PR Programs - COVID-related PR programs with tools) Mega Malasakit: Megaworld Foundation COVID-19 Response
- Silver (PR Programs, A. PR Programs on a Sustained Basis - Education/Literacy) Megaworld Foundation Scholarship in the New Normal
- Silver (PR Programs, A. PR Programs on a Sustained Basis - Education/Literacy) Megaworld Foundation Scholarship in the New Normal Mega Summer Ventures #RoamFromHome
- Silver (PR Programs, B. PR Programs Directed at Specific Stakeholders - Other stakeholders (Employees) Megaworld Takes a Stand for the United Nations Sustainable Development Goals
- Silver (PR Programs, B. PR Programs Directed at Specific Stakeholders - Other stakeholders (Students) Eskwela ng Bayan: A Mega Classroom on Wheels
- Silver (PR Programs, B. PR Programs Directed at Specific Stakeholders - Communities) Taking the Extra Mile for the last Mile

### Gold Quill Awards 2021

- Merit (Division 4: Communication Skills - Category 23: Social Media) Mega Summer Ventures #RoamFromHome

### Asia Pacific Stevie Awards 2021



## ASIA-PACIFIC STEVIE® AWARDS

- Silver (Video Awards Category D03. Award for Innovation in Corporate Social Responsibility (CSR) Videos) Megaworld Takes a Stand for the United Nations Sustainable Development Goals
- Bronze (Corporate Communications, Investor Relations, and Public Relations Awards Categories C.07 Award for Innovation in the Use of Social Media) Megaworld Takes a Stand for the United Nations Sustainable Development Goals
- Silver (Mega Malasakit: Megaworld Foundation COVID-19 Response COVID-19 Response Category - Organization Nominations K.13 Most Valuable Non-profit Response) Mega Malasakit: Megaworld Foundation COVID-19 Response

### Digital Awards 2021

- Honorable Mention (Campaigns and Products - Video) Megaworld Takes a Stand for the United Nations Sustainable Development Goals
- Bronze Anvil Awards 2021 (Facebook Engagement) Mega Summer Ventures #RoamFromHome

### Bronze Anvil Awards 2021

- Commendation Winner (Facebook Engagement) Mega Summer Ventures #RoamFromHome

### Global Good Awards 2021

- Bronze (Educational Excellence) Megaworld Foundation Scholarship in the New Normal

**Nonprofit Communications Awards 2021**

- Honorable Mention (Community-nonprofit Partnership) Taking the Extra Mile for the last Mile

**International Business Awards 2021**

- Silver (Company of the Year - B29. Non-Profit or Government Organizations Category)
- Winner People's Choice Award (Nonprofit category) Champion in Education

**International CSR Excellence Awards 2021**

- Winner (Charitable Giving Category) Taking the Extra Mile for the last Mile
- Winner (Communication) Mega Summer Ventures #RoamFromHome
- Winner (Volunteering) Rice Together: Megaworld Foundation Community Pantry



**DotComm Awards 2021**

- Gold (Web - Content Marketing - 95. eBook Category) The Visionary, The Philanthropist
- Platinum (Digital Advertising & Marketing - Owned Media - 194. eBook Category) The Visionary, The Philanthropist
- Platinum (Podcasts (Audio or Video) - Virtual Events - 266. Other: Virtual Book Launch Category) The Visionary, The Philanthropist Virtual Book Launch
- Platinum (Web - Social Media Marketing - 111. Facebook) Mega Summer Ventures #RoamFromHome

**Communitas Awards 2021**

- Winner (Leadership in Community Service and Corporate Social Responsibility) Megaworld Takes a Stand for the United Nations Sustainable Development Goals
- Winner (Excellence in Community Service - Company Community Service (Community Partnership) Rice Together: Megaworld Foundation Community Pantry
- Winner Excellence in Community Service - Organization Community Service (Organization's Specific Program) Rice Together: Megaworld Foundation Community Pantry
- Winner Excellence in Community Service - Community Service/Other (Community Service/New Category -Staying Connected amidst the Pandemic) Rice Together: Megaworld Foundation Community Pantry

**MarCom Awards 2021**

- Platinum (Digital Media - Social Media - 216. Facebook Engagement) Strategic Communications- Marketing/ Promoting Campaign - 152C. Special Event
- Platinum (Strategic Communications- Marketing/ Promoting Campaign - 156C. Corporate Social Responsibility) Mega Scholarship in the New Normal
- Gold (Digital Media - E-Communication - 258. E-Book (iBook) The Visionary, The Philanthropist
- Gold (Strategic Communications- Marketing/ Promoting Campaign - 152C. Special Event) The Visionary, The Philanthropist Virtual Book Launch

**12th Asia Best CSR Practices Awards**

- Winner (Best Overall Excellence in CSR) Mega Scholarship in the New Normal
- Winner (Charitable Giving/Charity Support) Rice Together: Megaworld Foundation Community Pantry

**Silver Quill Awards 2021**

- Awards of Excellence (Social Media)
- Mega Summer Ventures #RoamFromHome

**EMPERADOR INC.**

**Rafael Rendón**

- Recognition by the Confederation of Cádiz Entrepreneurs (Business Association of Cádiz)
- IQNet SR10 Certification (Social Responsibility Management System)

**Department of Labor and Employment (DOLE) Region 4-A**

- Safety Seal certification

**Distiller of the Year**

- Whyte & Mackay Group Ltd. 2021 Icons of Whisky Awards

**Best Campaign 2021 (National, UK) Best Campaign 2021**

- Woodsman 2021 Campaign Media Awards

**Emperador Brand Awards**

**2021 International Spirits Competition**

- Fundador 12 Year Old Pedro Ximenez - Double Gold
- Fundador 15 Year Old Amontillado - Double Gold
- Fundador 18 Year Old Olorosso
- Fundador Exclusivo - Silver
- Fundador Triple Madera - Silver
- Fundador Imperial Brandy - Bronze

**2021 International Wine and Spirits Competition**

- Harvey's Pedro Ximenez (30 Year Old V.O.R.S. Sherry) - Gold 96 and IWSC Trophy
- Harvey's Very Old Amontillado (30 Year Old V.O.R.S. Sherry) - Gold 95
- Harvey's Very Old Palo Cortado Blend Medium (30 Year Old V.O.R.S. Sherry) - Silver 94

- Harvey's Very Old Oloroso Blend Medium (30 Year Old V.O.R.S. Sherry) - Silver 92

**Whisky Category**

**The Dalmore**

**2021 International Spirits Competition**

- The Dalmore 15 Year Old - Gold
- The Dalmore 18 Year Old - Gold
- The Dalmore 25 Year Old - Gold
- The Dalmore KAll - Gold
- The Dalmore Portwood Reserve - Gold
- The Dalmore Vintage Trio - Gold
- The Dalmore Vintage Quartet - Gold
- The Dalmore Vintage Quintet - Gold

**2021 International Wine and Spirits Competition**

- The Dalmore 25 Year Old - Gold 95
- The Dalmore Vintage Trio - Gold 95
- The Dalmore Vintage Quartet - Gold 95
- The Dalmore Vintage Quintet - Gold 95

**Fettercairn**

**2021 International Spirits Competition**

- Fettercairn 28 Year Old ('18 Release) - Gold

**Jura**

2021 International Spirits Competition

- Jura Winter Edition - Gold
- Jura French Oak - Gold
- Jura 12 Year Old Sherry Cask (Asia Exclusive) - Gold
- Jura 18 Year Old - Gold
- Jura 19 Year Old The Paps - Gold
- Jura 21 Year Old Tide (Domestic) - Gold

2021 International Wine and Spirits Competition

- Jura Red Wine Cask Finish - Gold 96
- Jura Winter Edition - Gold 96
- Jura French Oak - Gold 96
- Jura Rum Cask Finish - Silver 93
- Jura Seven Wood - Gold 95

**Tamnavulin**

2021 International Spirits Competition

- Tamnavulin Double Cask - Gold
- Tamnavulin Sherry Cask Edition - Gold
- Tamnavulin Tempranillo Cask Edition - Gold
- Tamnavulin French Cab Sav - Gold
- Tamnavulin Spanish Grenache - Gold

2021 International Wine and Spirits Competition

- Tamnavulin Sherry Cask Edition - Gold 95
- Tamnavulin French Cab Sav - Gold 98
- Tamnavulin Spanish Grenache - Gold 96

**GOLDEN ARCHES**

**Mobility Awards (Institute for Climate and Sustainable Cities. The Climate Reality Project, MNL Moves, 350.org) - Silver**

- McDonald's Clark Gate and McDonald's P Oliveros
- Most Bicycle-Friendly Stand-Alone Establishments

**LCF Guild Awards (Outstanding CSR Collaboration Project)**

- McDonald's Kindness Kitchen

**TRAVELLERS INTERNATIONAL**

**Anvil Awards**

Gold Anvil Award - Digital Public Relations Program: Good Governance/Social Responsibility/Responsible Citizenship

**18th Philippine Quill Awards**

Award of Excellence - Division 1: Communication Management - Category 1: Internal Communication  
CovidComms 2020: ThrillmakersTV: Positive Doses of Thrill

Award of Merit - Division 1: Communication Management - Category 7: Marketing, Advertising and Brand Communication  
CovidComms 2020: Resorts World Manila's (RWM) My Frontliner Hero

Award of Merit - Division 1: Communication Management - Category 16: Non-profit Campaigns  
CovidComms 2020: The L.O.V.E. Project  
CovidComms 2020: Pinas Muna Tayo

Award of Merit - Division 4: Communication Skills - Category 19: Special and

Experiential Events  
Resorts World Manila's (RWM) 10 Years of Thrills

2021 Asia-Pacific Stevie Awards®

Silver Stevie Award - COVID-19 Response Categories: K10. Most Exemplary Employer  
Resorts World Manila: Making the most and making it together

Silver Stevie Award - COVID-19 Response Categories: K11. Most Valuable Corporate Response  
Resorts World Manila's (RWM) The L.O.V.E. Project

Bronze Stevie Award - COVID-19 Response Categories: K28. Most Valuable Service  
RWM-Brand of Service Home with Delish-very

Bronze Stevie Award - Best Use of Social Media  
Ang Huling El Bimbo Online Streaming in partnership with ABS-CBN

Bronze Stevie Award - COVID-19 Response Categories: K20. Best Use of Social Media  
Resorts World Manila's Project Safety

Marriott Asia Pacific exc China

Food & Beverage Leadership & Innovation  
HR Team Resilience Award  
HR Special Leadership

Sheraton

Maynilad and Department of Tourism (DOT)  
Commendation Awardee - 2021 Golden

Kubeta Seal of Good Toilet-Keeping

Hilton

Hilton Worldwide  
Hospitality Heroes 2021

Hotel Okura  
2021 Tripadvisor Travellers Choice Award - Yamazato

HIEX  
Booking.com Traveller Review Awards 2021  
8.1 rating

InterContinental Hotels Group (IHG)  
South East Asia & Korea (SEAK)  
Highest Enrollment in SEAK

F&B

Golden Kubeta  
(Seal of Good Toilet-Keeping)

# AGility and Resilience: 2021 Financial and Operational Highlights

103-1, 103-2, 103-3 201-1 203-1 203-2

Driven by the resurgence of activities across all its business segments helped by increased mobility, AGI registered consolidated revenues of PhP152.8 billion, an 18% increase from last year's figure. Net income amounted to PhP23.8 billion, more than double its income last year, reflecting the agility and resilience of the Group in emerging from a challenging time. Attributable profit stood at PhP16.9 billion, higher by 92% from year-ago level.

Megaworld shifted its focus from COVID-19 management to establishing its growth in the new normal. Helped further by lowered pandemic restrictions, the company gained a 17% increase in revenue from PhP43.5 billion to PhP50.8 billion in 2021. Such favorable performance was attributed to increased project completion, higher income on office rentals which for the first time breached the

PhP11-billion mark, the boost in foot traffic in malls as restrictions relax, and the recovery in leisure and MICE (Meetings, Incentives, Conventions, and Exhibitions) activities.

Earnings before interest, taxes, depreciation, and amortization (EBITDA) improved to PhP20.3 billion compared to the previous year's PhP18.7 billion, supported with effective cost management. Megaworld also had a 36% increase in its net profit from PhP10.6 billion to PhP14.4 billion.

Megaworld opened two new townships this 2021: the 462-hectare eco-tourism township, Paragua Coasttown in Palawan, and the 85-hectare global business hub, Northwin Global City in Bulacan.

Paragua Coasttown integrates tourism and residential development, featuring hotels and

resorts, health and wellness sanctuaries, a cultural center, educational institutions, a boutique hotel district, a shophouse district, and residential developments. The Northwin Global City is designed to be Bulacan's first metropolitan hub for business and lifestyle and will feature sustainable infrastructure for mobility and interconnectivity, as well as 40% green and open spaces.

Megaworld launched Tower D at Park McKinley West, making it the first Company to offer to the market a Metro Manila development project at the height of a continuing pandemic. Megaworld also launched several other projects this year: Arden West Park Village and The Lindgren, both located in its Arden Botanical township in Tanza, Cavite; La Cassia Residences in Maple Grove in Cavite; The Grand Hill Heights at Eastland Heights; as well as the Rodeo Drive commercial lots and residential expansion lots in Alabang West. Towards the close of the year, Megaworld also launched a slew of commercial projects valued at PhP11.2 billion in its new townships, Paragua and Northwin. These brought the company's total project launches in 2021 to PhP28 billion, its most aggressive yet at a time of the pandemic.

In October 2021, Megaworld also launched another venture, MREIT - its Philippine REIT platform with prime locations at Eastwood City, McKinley Hill, and Iloilo Business Park townships. The venture reported gross revenue of PhP1.5 billion and rental income of PhP1.2 billion on average occupancy rate of 96%.

Emperador continued going strong as a global brand, gaining a record normalized net profit of PhP10.8 billion in 2021 - 32% higher than the previous year's PhP8.0 billion. Consolidated revenues are up by 6%, totaling PhP55.9 billion. Its global presence and wide distribution in North and Latin America, Asia, and Europe significantly improved the sales



of its premium whisky and brandy products. Meanwhile, the lifting of liquor bans in the Philippines, and the increase in the indoor capacity of bars contributed to Emperador's local success.

Driving the gains of Emperador as well is its successful Contemporize, Premiumize, and Internationalize (CPI) strategy. Contemporizing its offerings, the Company reached out to the younger generation of consumers, employed creative branding and marketing strategies, and introduced its new line of products. The company premiumizes its portfolio by leveraging its marquee brands and focusing on luxury single malts, constituting approximately 70% of the whisky segment. Emperador also expanded its reach in the international market, reaching over 100 countries with plans on expanding in the next years.

Golden Arches ended the year with PhP24.9 billion sales revenue which is 26% higher than the 2020 figures. Largely affected by pandemic restrictions and lockdowns that limited dine-in customers, the gradual reopening of the country and the resulting increased demand contributed to the Company's gains. Golden Arches additionally improved its sales through upgraded online

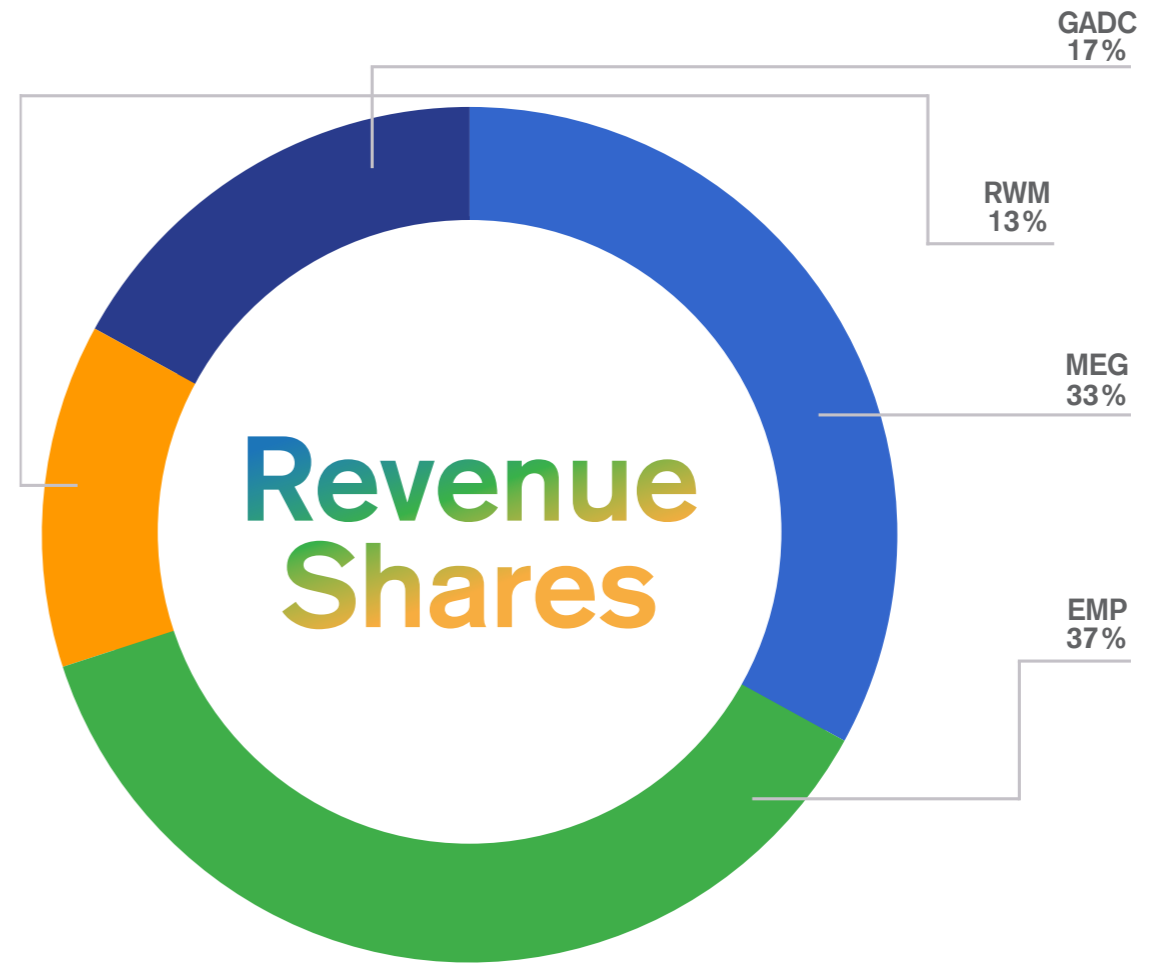


tools and apps for delivery and more efficient drive-thru areas. With this, the Company recorded an 80% year-on-year growth in gross profit which amounted to PhP5.4 billion.

Golden Arches opened thirty six (36) new restaurants in 2021, of which 250 are the innovative NXTGEN stores that feature self-ordering kiosks that allow cashless payments. Golden Arches also introduced dual-lane drive-thrus/ride-thrus for faster services that cater to cars and bicycles. They also partnered with Grab Food and FoodPanda to further improve its delivery services as online ordering increased.

Travellers International performed better with net revenue of PhP13.2 billion - an increase of 8% from its 2020 figure of PhP12.2 billion. The easing of restrictions, improved hotel occupancy with the resurgence of staycations, and ongoing cost efficiency measures to mitigate the rise in gaming-related expenses contributed to the favorable performance of the Company. Travellers also benefitted from the improvement of its VIP business with the entry of new junkets since before the pandemic, garnering 50% more revenue or PhP11.3 billion than last year, in this area.

Travellers International maximized the lockdowns imposed this year and made use of the time to renovate and expand gaming locations. They also launched Hotel Okura Manila - the first Okura Nikko Hotels property in the Philippines - this 2021. This new development adds to the Company's expanding hotel network





# Stakeholder Engagement

102-40 102-42 102-43 102-44

AGI's stakeholders are its customers, business partners, employees, community, society, regulatory bodies, and shareholders. Because of the diversity of businesses under the Company, stakeholder concerns greatly vary among subsidiaries and can be very specific to the industry concerned. These particular concerns are discussed more in detail in each subsidiary's annual reports.

With the continuing COVID-19 pandemic and the introduction of the Delta and Omicron variants, health and safety is the year's top concern across stakeholders. With lockdowns and quarantine regulations, business continuity and product/service delivery were also topics of concern. The table below lists down general concerns across AGI's businesses and the Company responses for the year 2021.

CUSTOMERS	
<b>Stakeholder Concerns</b>	<ul style="list-style-type: none"> <li>Safety compliance and sanitation standards in residences/malls/hotels/ gaming areas/restaurants</li> <li>Digitalization of transactions for safety</li> <li>Business continuity/services offered during the pandemic</li> <li>Sustainability and environmental conservation initiatives</li> </ul>
<b>Engagement Channels</b>	<ul style="list-style-type: none"> <li>Personal encounter, email, online meetings, phone calls, social media, email, signages</li> <li>Implementation of protocols on-site</li> </ul>
<b>Company Response</b>	<ul style="list-style-type: none"> <li>Setup temperature screening on all entrances, fill-out digital health declaration, safety on track/ upgraded sanitation and safety procedures in all sites.</li> <li>To address the ongoing pandemic, vaccination programs have been undertaken in coordination with AGImmunity, Megaworld Lifestyle Malls, and the concerned LGUs Vaccination services including unit owners, residents, employees, and service providers</li> <li>Compliance with Department of Tourism (DOT)/Department of Trade and Industry (DTI) quarantine guidelines</li> <li>Offered flexible room reservation cancellation program and extended flexible rates. (for hotels)</li> <li>Tie-up with cashless payment facilities like Gcash, Paymaya, and other means of cashless payment methods</li> <li>Creation of sustainability programs as customers become more aware of sustainable practices and environmental conservation initiatives.</li> <li>Creation of attractive and lower equity payment options and increased activation and engagement for Megaworld Brokers Network</li> </ul>



BUSINESS PARTNERS (CONTRACTORS, VENDORS, SUPPLIERS)	
<b>Stakeholder Concerns</b>	<ul style="list-style-type: none"> <li>Management of COVID infections/compliance with stricter policies and protocols due to COVID-19 pandemic/occupational health and safety</li> <li>Travel restrictions</li> <li>Availability of supply</li> <li>Availability of manpower</li> </ul>
<b>Engagement Channels</b>	<ul style="list-style-type: none"> <li>Email, Meetings (both virtual and limited face to face, with maintained distance), teleconference, and SMS</li> <li>Zoom Meetings, Posters, Visual Aids, and electronic campaigns for OHS</li> </ul>
<b>Company Response</b>	<ul style="list-style-type: none"> <li>Awareness campaign and regular reminder for contractors regarding the safety protocols and use of proper PPEs; installation of signages and posters around work areas</li> <li>Presentation of health certificate indicating that the bearer is not included on the COVID19 list of their respective LGU and does not present any symptoms related to COVID19 at the time of entry as a precautionary measure</li> <li>Health Assessment is done prior to entry</li> <li>Made arrangements for employees to stay in and provided subsistence allowance when there were travel restrictions</li> <li>To address the ongoing pandemic, vaccination programs have been undertaken in coordination with AGImmunity, Megaworld Lifestyle Malls, and the concerned LGUs Vaccination services included unit owners, residents, employees, and service providers</li> <li>Compliance with Department of Tourism (DOT)/Department of Trade and Industry (DTI) quarantine guidelines</li> <li>Offered flexible room reservation cancellation program and extended flexible rates. (for hotels)</li> <li>Tie-up with cashless payment facilities like Gcash, Paymaya, and other means of cashless payment methods</li> <li>Creation of sustainability programs as customers become more aware of sustainable practices and environmental conservation initiatives.</li> <li>Creation of attractive and lower equity payment options and increased activation and engagement for Megaworld Brokers Network</li> </ul>

EMPLOYEES	
<b>Stakeholder Concerns</b>	<p><b>Health</b></p> <ul style="list-style-type: none"> <li>• COVID-19 situation in enclosed workspaces and/or sites</li> <li>• Impact of Covid transmission within offices</li> <li>• Physical Safety and Mental Health</li> <li>• Rapid increase of COVID-19 cases in the country</li> <li>• Access to Covid-19 vaccination for self and family members</li> </ul> <p><b>Accessibility</b></p> <ul style="list-style-type: none"> <li>• Transportation- Unable to go to work due to enhanced community quarantine</li> <li>• Accommodation</li> </ul> <p><b>Work-related concerns</b></p> <ul style="list-style-type: none"> <li>• Return to Office</li> <li>• Work from home setup</li> </ul> <p><b>Engagement</b></p> <ul style="list-style-type: none"> <li>• Continuation of training</li> </ul>
<b>Engagement Channels</b>	<ul style="list-style-type: none"> <li>• Personal encounter, email, online meetings, phone calls, social media, email, signages</li> <li>• Implementation of protocols on-site</li> </ul>
<b>Company Response</b>	<ul style="list-style-type: none"> <li>• Setup temperature screening on all entrances, fill-out digital health declaration, safety on track/ upgraded sanitation and safety procedures in all sites.</li> <li>• To address the ongoing pandemic, vaccination programs have been undertaken in coordination with AGIImmunity, Megaworld Lifestyle Malls, and the concerned LGUs Vaccination services included unit owners, residents, employees, and service providers</li> <li>• Compliance with Department of Tourism (DOT)/Department of Trade and Industry (DTI) quarantine guidelines</li> <li>• Offered flexible room reservation cancellation program and extended flexible rates. (for hotels)</li> <li>• Tie-up with cashless payment facilities like Gcash, Paymaya, and other means of cashless payment methods</li> <li>• Creation of sustainability programs as customers become more aware of sustainable practices and environmental conservation initiatives.</li> <li>• Creation of attractive and lower equity payment options and increased activation and engagement for Megaworld Brokers Network</li> </ul>

COMMUNITY AND SOCIETY	
<b>Stakeholder Concerns</b>	<ul style="list-style-type: none"> <li>• Rapid increase of COVID-19 cases</li> <li>• Management of COVID-19 infections</li> <li>• Loss of employment and business of MSMEs</li> <li>• Distance Learning for students</li> <li>• Social responsibility of Companies</li> </ul>
<b>Engagement Channels</b>	<ul style="list-style-type: none"> <li>• Continuation of partnerships and establishment of new ones.</li> <li>• In-kind donations</li> <li>• Meetings and continuous communication with different NGOs/Charities</li> </ul>

<b>Company Response</b>	<ul style="list-style-type: none"> <li>• Through different foundations headed by AGI subsidiaries, various programs that help Local Government, frontliners, students, youth and children, and vulnerable groups were conducted in partnership with local institutions and non-government organizations.</li> <li>• Tie-up with LGU for various malls as vaccination venues.</li> <li>• Donated vaccines to LGUs</li> <li>• Opened hotels as quarantine and testing facility</li> <li>• Organized community markets across malls featuring MSMEs and farmers to help communities and growers alike</li> </ul>
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GOVERNMENT REGULATORY BODY	
<b>Stakeholder Concerns</b>	<ul style="list-style-type: none"> <li>• Compliance with obligations, laws, and standards set</li> </ul>
<b>Company Response</b>	<ul style="list-style-type: none"> <li>• Maintain a relationship of transparency and collaboration with the bodies of the Public Administrations and regulatory bodies</li> </ul>

SHAREHOLDERS	
<b>Stakeholder Concerns</b>	<ul style="list-style-type: none"> <li>• Adequate profits and returns</li> <li>• Business Continuity Plans (BCP) of Suppliers for Assured Supply</li> <li>• Customer education on sustainable practices</li> <li>• Pandemic</li> <li>• Business profitability</li> <li>• Employee Vaccination</li> </ul>
<b>Engagement Channels</b>	<ul style="list-style-type: none"> <li>• Continuous and direct communication</li> <li>• Emails and Virtual Meetings</li> <li>• Talks and presentations on industry and company initiatives, including sustainability</li> </ul>
<b>Company Response</b>	<ul style="list-style-type: none"> <li>• Savings plan to ensure adequate profitability</li> <li>• Ensuring all suppliers have BCP</li> <li>• Execution of company strategies</li> <li>• Rent Relief and Incentives</li> <li>• Company vaccination program</li> </ul>

## Material Topics

102-46 102-47 102-49

To identify AGI's material topics, common material topics were reviewed across all AGI subsidiaries, which include: Megaworld Corporation, Travellers International Hotel Group, Inc. (TIHGI), Emperador Inc. and Golden Arches Development Corp (GADC). The materiality process of the subsidiaries followed the GRI-G4 Guidelines, wherein a

list of select disclosures from GRI Standards, Sustainability Accounting Standards Board (SASB), along with other international reporting frameworks, were translated into an on-line survey. The results of each subsidiary's survey were then analyzed to provide an initial list of material topics, which were presented to the board of directors/sustainability team

for assessment and approval. Furthermore, the material topics from AGI's previous annual report aligned with the UN SDGs were also reviewed and cross-checked with this reporting year's subsidiaries' common topics.

Apart from SDG alignment, identified material topics were further clustered into five themes this year — Employee Experience, Diversity and Inclusion (PEOPLE), Waste and Resource Efficiency (EFFICIENCY), Sustainable Business and Innovation (SUSTAINABILITY), Economic Growth (GROWTH), and Business Ethics, Values, and Corporate Governance (GOVERNANCE). These five themes represent the core areas that are important to the Company and its stakeholders for the year. The same topics guide this 2021 report.

PEOPLE	EFFICIENCY	SUSTAINABILITY	GROWTH	GOVERNANCE
Employee Experience, Diversity and Inclusion	Waste and Resource Efficiency	Sustainable Business and Innovation	Economic Growth	Business Ethics, Values, and Corporate Governance
SDG 3 Good Health and Well-being  SDG 8 Decent Work and Economic Growth	SDG 12 Responsible Consumption and Production	SDG 13 Climate Action  SDG 12 Responsible Consumption and Production  SDG 7 Affordable and Clean Energy	SDG 8 Decent Work and Economic Growth	SDG 16 Peace, Justice, and Strong Institutions
<ul style="list-style-type: none"> <li>Labor rights</li> <li>Employee diversity, equal opportunity and non-discrimination</li> <li>Employee training and development</li> <li>Occupational Health and Safety</li> </ul>	<ul style="list-style-type: none"> <li>Waste Management</li> <li>Energy Use and Efficiency</li> <li>Water and Wastewater Management</li> <li>GHG Emissions</li> <li>Materials Sourcing, Efficiency, and Management</li> </ul>	<ul style="list-style-type: none"> <li>Business model and product innovation</li> <li>Product quality and safety</li> <li>Climate action</li> </ul>	<ul style="list-style-type: none"> <li>Economic Performance</li> <li>Market Presence</li> </ul>	<ul style="list-style-type: none"> <li>Business Ethics and Integrity</li> <li>Community relations</li> <li>Customer Health and Safety</li> </ul>

# Enterprise Risk Management System: Preparing for Challenges

102-11 102-15 102-17 102-30

An Enterprise Risk Management System allows an organization to list down and assess potential risks that could happen, and consequently layout plans in preparation for the identified dangers. Having clear policies in connection with the identified risks prepares the Company from potential harm or losses that could interfere with operations.

RISK EXPOSURE	COMPANY RISK MANAGEMENT POLICY	OBJECTIVE
Hazards and natural or other catastrophes	Have an emergency response plan or action	Allow the different business segments to continue operations even during natural disaster or calamity.
Regulatory developments	Review of new laws and regulations	Ensure the different business segments are compliant with all laws and regulations
Money laundering and cheating at gaming areas	Constant security check and monitoring  A system of checks and balances	Minimize situations where these activities can happen
Supply of raw materials and packaging materials	Maintain a diverse group of suppliers  Get at least three quotations from suppliers	Prevent overdependence on a single supplier  Ensure the best price possible
Consumer taste, trends, and preferences	Market study and analysis	Be aware of trends and preferences to develop new products or adapt existing strategy

RISK EXPOSURE	COMPANY RISK MANAGEMENT POLICY	OBJECTIVE
Competition	Market study and analysis Maintain a diversified earnings base Constant product innovation	Be aware of trends and preferences to develop new products or adapt existing strategy  Revenue and property diversification
Interests of joint development partners	Use of pre-selling as a project financing tool  Entering into joint development agreements for the acquisition of land	Minimize cash outlays for projects, control development costs, and maintain a net cash position  Maximize cost efficiencies and resources
Land for future developments	Use of pre-selling as a project financing tool  Entering into joint development agreements for the acquisition of land	Minimize cash outlays for projects, control development costs, and maintain a net cash position  Maximize cost efficiencies and resources
Philippine economic and political conditions	Review of business and political situation	Ensure the different business segments can immediately adapt to changes in economic and political conditions, and can devise strategies to meet these changes

# Minority Shareholders

## Risk to Minority Shareholders

The majority shareholder's voting power in the Company may affect the ability of minority shareholders to influence and determine corporate strategy

RISK EXPOSURE	RISK ASSESSMENT (MONITORING AND MEASUREMENT PROCESS)	RISK ASSESSMENT (MONITORING AND MEASUREMENT PROCESS)
Hazards and natural or other catastrophes	Have an emergency response plan or action	Allow the different business segments to continue operations or minimize downtime during natural disaster or calamity
Regulatory developments	Review of new laws and regulations	Ensure the Company is compliant with all laws and regulations
Philippine economic and political conditions	Review of business and political situation	Ensure the Company can immediately adapt to changes in economic and political conditions and can devise strategies to meet these changes
Liquidity	Minimize exposure to financial markets	Actively secure short to medium-term cash flow

# Company Policy

## Whistle-Blowing Policy

The Committee on Ethics accepts reports of wrongdoing by the Company's directors, senior management, and employees and investigates them while, at the same time, ensures the confidentiality of information.

## Conflict of Interest

A director must not use his position to profit or gain some benefit or advantage for himself and/or his related interest. If an actual or potential conflict of interest may arise on the part of a director, he must fully and immediately disclose it and must not participate in the decision-making process.

The Board, through the Audit Committee, reviews the effectiveness of the Group's risk management system, including its subsidiaries and affiliates, with emphasis on monitoring existing and emerging risks, as well as implementing risk mitigation measures and identifying risks before they cause negative impacts on the business.

Based on the set guidelines, directors are assigned specific subsidiaries, affiliates, or businesses where they monitor compliance with the risk management system. The risk management system review is ongoing, awaiting reports from each subsidiary, affli-

ate, and business segment. Criteria used for review comply with established guidelines and controls, and the appropriate risk management and risk mitigation measures were undertaken.

- Risk Policy
- Control System Set-UP
- Company Policy
- Whistle-Blowing Policy
- Conflict of Interest
- Insider Trading
- Policy and Data Relating to Health, Safety, and Welfare of Employees

Before an employee enters into an official transaction with a supplier or contractor, he must disclose in writing to his immediate supervisor any relationship or association that binds him to the supplier or contractor or its authorized representative to avoid possible conflict of interest.

**Insider Trading**

A director must keep secure and confidential all non-public information he may acquire or learn because of his position as director. He should not reveal confidential information to unauthorized persons without the authority of the Board.

**Policy and Data Relating to Health, Safety, and Welfare of Employees**

The Company maintains a safety and security program for its employees, which is periodically updated and revised. The Company provides free health care coverage to its employees, and periodically upgrades its security procedures and facilities to ensure the safety of its employees in the workplace.

# Partner in Development

103-1 103-2 103-3 201-1 203-2

AGI, through its different businesses spanning real estate, spirits, integrated tourism, and quick-service restaurants, have been an active economic partner in national development. Through its diverse operations services and products, the Company was able to generate PhP152.8 billion of revenue and provide direct economic benefits to its employees, suppliers, stockholders, and the government through wages and benefits, payments to services incurred, dividends, and taxes, respectively

The Group also invests in projects which uplift the community either through donations or CSR activities: Megaworld continued its partnerships with different schools and organizations for education and scholarship programs; Golden Arches or McDonald's rolled out Kindness Kitchen and served over 500,000 meals. Travellers had its Virtual Run to Give partnering once again with Save the Children Philippines to help support the Education, Health & Nutrition and Child Rights and Protection. Additionally Travellers started a local Disaster relief fund to help our own associates in need, given the compounding effects of COVID-19 on the livelihood and well-being of Hospitality Associates.



# Sustainability at AGI: Growing Responsibly

102-11 102-12 102-13 203-2 413-2

Mindful of the impact and consequences of its actions and decisions, AGI puts sustainability at the core of its strategies. Sustainability at AGI is embedded in all aspects of the Group's operations and serves as a guide in an ever-changing business environment. In line with the United Nations Sustainable Development Goals (UN SDGs), AGI's two major commitments remain:

- To be carbon neutral by 2030 through the development of more water and energy-efficient homes, facilities, and buildings as well as more sustainable transportation alternatives to the communities we serve;
- To generate at least five million direct and indirect jobs by 2035 by bringing economic development in all regions and key growth areas across the country.

Each subsidiary has its own sustainability agenda in connection with AGI's commitments and the industry they are in. Subsidiaries also support the UN SDGs through the implementation of relevant policies, the conduct of various projects, and partnership with groups that can help in the attainment of the Goals.

AGI focuses on the areas of water and energy, job creation, local economic development, environment, women in the workplace, waste management, resiliency, green development, education, and community development.

**1 NO POVERTY**



**SDG 1: NO POVERTY**

- A Stitches to Riches Livelihood Program for families in Megaworld-GK Village in Mandaluyong.
- The group provided livelihood for street families and for those who lost their jobs living in Makati & Manila

**2 ZERO HUNGER**



**SDG 2: ZERO HUNGER**

- Hapag Saya sa Kapaskuhan Project of MEG
- Rice Together Campaign, a Megaworld Community Pantry
- Partnership with Tayo Tayo (Stand Together)
- McDonald's Kindness Kitchen

**SDG 3: GOOD HEALTH AND WELL-BEING**

- The group promote not just physical, but also mental well-being of its stakeholders through seminars, health programs, and vaccination programs for COVID-19.

**3 GOOD HEALTH AND WELL-BEING**



**SDG 4: QUALITY EDUCATION**

- MEG supported the renovation of the floating classroom and sponsored an e-learning hub in partnership with Yellow Boat of Hope Foundation to benefit 981 Badjao students in Basilan
  - Scholarship Programs of the Group
  - Ronald McDonald's Bullit Learning Center

**4 QUALITY EDUCATION**



**SDG 5: GENDER EQUALITY**

- Equal opportunities in employment, skills training, and career advancement across the group

**5 GENDER EQUALITY**



**SDG 6: CLEAN WATER AND SANITATION**

- Proper handling of wastewater and effluents through STPs in MEG properties and EMP operations.
- Bantay Langis Project of Travellers in partnership with ABS-CBN Foundation, Inc - Bantay Kalikasan
  - Grey Water Recycling in Marriott Hotel Manila.

**6 CLEAN WATER AND SANITATION**




**SDG 7: AFFORDABLE AND CLEAN ENERGY**

- The Group adapts DOE's Energy Efficiency Program
- Green & Good Program of Golden Arches that ensures environmental footprint is low in locations where it operates.
- Use of LED lights, solar lamp posts, and VRF air-conditioning system to reduce energy consumption and GHG emissions
- Occupancy sensing rooms of MEG and Travellers hotels

**7 AFFORDABLE AND CLEAN ENERGY**




**8** DECENT WORK AND ECONOMIC GROWTH



**SDG 8: DECENT WORK AND ECONOMIC GROWTH**

- MEG develops many of its residential projects in locations near public transportation hubs
- The Group provide fair compensation and benefits to its employees while giving livelihood opportunities to its neighboring communities

**SDG 13: CLIMATE ACTION**

- Adopt-a-Forest program of MEG
- Tree planting at La Mesa Watershed
- The Group responsibly manage the environmental impacts of its supply chain

**13** CLIMATE ACTION



**9** INDUSTRY, INNOVATION AND INFRASTRUCTURE



**SDG 9: INDUSTRY, INNOVATION, AND INFRASTRUCTURE**

- Township and community building by MEG and its subsidiaries

**SDG 14: LIFE BELOW WATER**

- Sustainable Seafood Program
- EMP fund and participate in programs for biodiversity conservation and greening.

**14** LIFE BELOW WATER



**10** REDUCED INEQUALITIES



**SDG 10: REDUCED INEQUALITIES**

- The Group contributes in improving access to basic goods and services for people living in poverty

**SDG 15: LIFE ON LAND**

- The Group is implementing paperless transactions
  - EMP fund and participate in programs for biodiversity conservation and greening.
- Travellers' Farm to Table partnerships and on-site machine farming

**15** LIFE ON LAND



**11** SUSTAINABLE CITIES AND COMMUNITIES



**SDG 11: SUSTAINABLE CITIES AND COMMUNITIES**

- MEG Supported the Plastic Smart Cities Campaign. Livelihood (upcycle) for the community in Donsol, Sorsogon
- MEG building of Sustainable Townships

**SDG 16: PEACE, JUSTICE, AND STRONG INSTITUTIONS**

- The Group develops effective, accountable and transparent institutions at all levels

**16** PEACE, JUSTICE AND STRONG INSTITUTIONS



**12** RESPONSIBLE CONSUMPTION AND PRODUCTION



**SDG 12: RESPONSIBLE CONSUMPTION AND PRODUCTION**

- MEG and EMP's reallocation of excess materials from previous projects, use of natural materials.
- Travellers' implementing a Solid Waste Diversion System
- Waste Recycling program of hotels in the Resorts World complex.
- EMP explore ways to utilize renewable energy through energy-efficient technology such as solar lamps, plants, and electric vehicles.
- EMP adopts water conservation and management programs across its plants.

**SDG 17: PARTNERSHIP FOR THE GOALS**

- The Group partners with government agencies and other civil organizations to carry out programs aligned with the UN SDGs.
- Bodegas Fundador have been awarded by the Confederation of Cadiz Entrepreneurs for their commitments to the UN SDGs

**17** PARTNERSHIPS FOR THE GOALS




# Summary of Disclosures

		2021
<b>ECONOMIC</b>		
Economic Performance	Revenue (Php)	152.8 bn
	EBITDA (Php)	46.4 bn
	Net Income (Php)	23.8 bn
<b>ENVIRONMENTAL</b>		
Energy	Energy consumption (mJ)	22,122
Emissions	Scope 1 (tCO2e)	106,080
	Scope 2 (tCO2e)	590,505
	Total emissions (tCO2e)	696,552
	Emissions intensity (tCO2e/mPhp)	4.56
Waste	Total waste (tonnes)	1,063,804
Water	Total volume (m3)	240,393,172
	Water intensity (m3/mPhp)	1,573.33
<b>SOCIAL</b>		
Workforce by gender	Male	20,774
	Female	17,472
Employee Training	Total number of hours for all employees	152,638,570
Community	Total community investment (Php)	152.6 m

## Promoting Efficiency Through Resource Tracking And Management

AGI subsidiaries strive to maintain strict compliance with environmental laws and regulations to ensure that the Group's operations and supply chains have the least possible impact on the environment and the communities where they operate. Additionally, the subsidiaries must conform to and maintain efficiency in resource management in order to support economic growth and build corporate competitiveness in the long run.



## Energy Use 103-1 103-2 103-3 302-1 302-4

Energy consumption in (in GJ)

Subsidiary	Amount
Megaworld	1,492,412
Travellers	409,926*
Emperador	19,653,374
Golden Arches	566,161
<b>Total</b>	<b>22,121,873</b>

\*This is an estimated total energy consumption of the 5 hotels - Sheraton, Marriott, Hilton, HIEx, and Hotel Okura.

Alliance Global Group, Inc. (AGI) needs energy in the form of electricity, gas, diesel, natural gas, biogas, and solar power for its diverse businesses— property development, food, and beverage manufacturing and distribution, quick-service restaurants, integrated tourism development, and infrastructure development. It uses gasoline and natural gas for furnaces, boilers, turbines, refrigeration processes, diesel for generators, owned transportation, and biogas from sugarcane bagasse. It also purchases its electricity from the grid for its day-to-day operations.

Energy efficiency abates greenhouse gas emissions, and AGI aims to power activities while consuming less energy through renewable fuel consumption, green real estate development, sustainable manufacturing practices, as well as capitalizing on other energy-efficient opportunities.





Megaworld, as an example, has invested in a Chiller Optimization system in Uptown Mall, which aims to save energy by 52,710 kWh monthly. Bodegas Fundador, through the use of biogas, has reduced its energy consumption by 1,987,443 kWh in 2021. Additionally, Pedro Domecq and Anglo Watsons Glass, Inc. (AWGI) uses renewable energy in the form of solar photovoltaic energy, while Golden Arches invests in LED lighting/solar PV perimeter lighting. In 2021, AGI reduced 128,664 GJ of energy as a direct result of fuel and electricity conservation and efficiency initiatives.

Other subsidiaries continue to monitor, analyze their energy consumption and overall environmental impact annually to track trends, understand outcomes and provide guidance to meet the targets of the UN Sustainable Development Goals and the Paris Agreement, which aims to avoid threats of climate change by limiting the global rise in temperature to 2°C above pre-industrial levels while pursuing efforts to limit it to 1.5°C.

### Reduction of Energy Consumption

Reductions in energy per subsidiary

Subsidiary	Type of energy	Amount
Megaworld	Electricity (kwh)	411,173.89
	Fuel (GJ)	198
Travellers	Electricity (kwh)	5,697,849
Emperador	Electricity (kwh)	2,120,181
Golden Arches	Electricity (kwh)	8,986,518

### Energy reduction initiatives

- Megaword - The organization has recorded a reduction in electricity consumption as a result of existing factors such as: Chiller Optimization Savings, and operation optimization and proper maintenance of facilities and equipment. Moreover, the organization was able to cut their fuel consumption by 198 GJ in 2021.
- Travellers - In 2021, Sheraton and Marriott reduced their electricity consumption by a combined amount of 5,697,849 kWh.
- Emperador - Bodegas Fundador, through the use of biogas, has reduced their energy consumption by 1,987,443 kWh in 2021. Progreen’s Balayan plant was able to reduce their energy consumption due to the efficient use of biogas and bagasse as well. On the other hand, Emperador’s Nasugbu plant was able to reduce their use of bunker fuel by 1653 MT due to conservation efforts. In addition, Casa Domecq and Anglo Watsons Glass, Inc (AWGI) uses renewable energy in the form of solar photovoltaic energy. AWGI also continually recycles cullet as a raw material to lessen the amount of energy required to produce glass.
- Golden Arches - The organization's reduction in energy consumption is the result of their

use of solar LED lamp posts, LED lights, and Variable Refrigerant Flow (VRF) air-conditioning system.

### GHG Emissions

103-1 103-2 103-3 305-1 305-2

The company's direct (scope 1) emissions are derived from the use of propane, diesel, natural gas, biogas for boilers, furnaces, gas turbines, diesel generators, owned transportation, and refrigeration processes. The consumption of purchased electricity from the grid is the source of its indirect (scope 2) emissions.

GHG Emissions (in tCO2e)

Subsidiary	Direct (Scope 1) GHG Emission	Indirect (Scope 2) GHG Emission
Megaworld	4,236	261,519
Travellers*	1,989	79,288
Emperador**	91,448	166,986
Golden Arches	9,407	82,712
<b>TOTAL</b>	<b>590,505</b>	<b>590,505</b>

\*This is estimated GHG Direct (Scope 1) emissions of the 5 hotels - Sheraton, Marriott, Hilton, HlEx, and Hotel Okura.

\*\*Progreen Nasugbu Plant and Boozy have no available data on Direct (Scope 1) emissions





AGI aims to implement strategies to reduce emissions in its operations and supply chains and achieve carbon neutrality by 2035.

In line with this goal, Emperador Group continues to recycle cullet as a raw material in glass bottle production. This process requires less energy to melt compared to the usage of virgin raw materials to manufacture a new glass bottle. Aside from this, its Balayan and Nasugbu distillery plants reduce GHG emissions into the atmosphere by capturing raw CO<sub>2</sub> gas and processing it into liquidized CO<sub>2</sub>. They invested in an Anaerobic Digester, which reduces wastewater while generating a useful byproduct, biogas. The biogas produced through this process is used by the plant as a source of renewable energy.

Additionally, Emperador's energy efficiency programs are anchored on the use of natural lighting, natural ventilation, renewable energy, as well as the use of light-emitting diode (LED) bulbs. This is an ongoing process as it incorporates these in the design of the existing and upcoming facilities globally, all of which reduce carbon emissions and lower energy consumption.

Other subsidiaries continue to analyze their GHG emissions and establish annual targets to lower them in order to reduce the impact of AGI's business activities on the environment and worsening global temperature rise. AGI is committed to implementing strategies to reduce emissions in its own operations and supply chains to acquire competitive advantages over time.

## Waste Management 306-1 306-2 306-3

Waste Generated (in metric tonnes)

Subsidiary	Total solid waste generated	Total hazardous waste generated
Megaworld	26,158	91
Travellers	1,132*	13**
Emperador	191,370	162
Golden Arches***	429,766	415,115
<b>TOTAL</b>	<b>648,425</b>	<b>415,379</b>

*\*Total solid waste generated is an estimation of TIHGI, Hilton, Sheraton, and Marriott hotels data only.*

*\*\*Data of TIHGI, Sheraton, and Marriott only*

*\*\*\*Estimation for 669 McDonald's stores for 365 days*

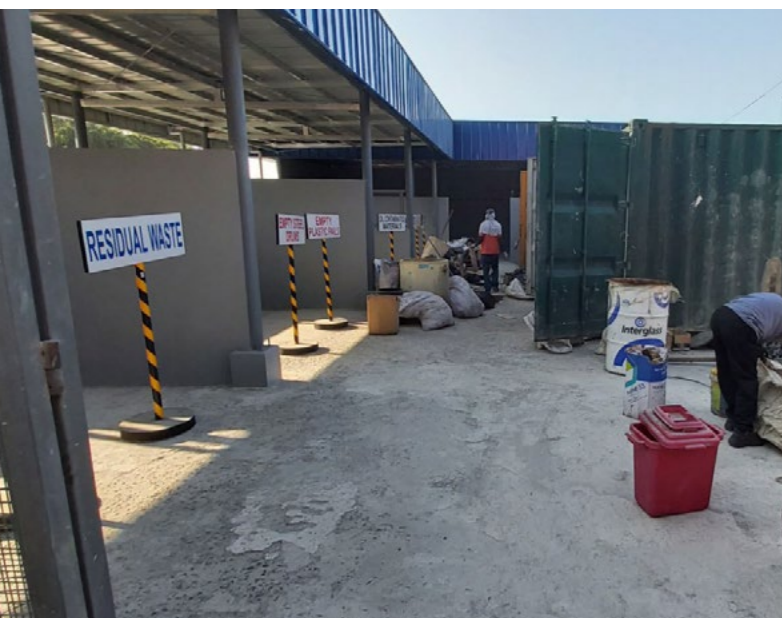
AGI's recycling programs focus on responsible plastic use and the strategic recycling of materials in managing waste. The Group predominantly uses recyclable and reusable materials for its products, such as glass bottles, fiber boxes, and paper labels.

Emperador implements both solid and hazardous waste management programs to reduce waste disposed of in sanitary landfills by around 3-5%. Megaworld, through Empire East, also works with contractors who implement proper solid waste disposal through accredited haulers on a regular basis. They sell construction wastes such as scrap metals and office wastes to third-party buyers for processing and recycling.

Megaworld collaborated with Plastic Credit Exchange, a non-profit organization promoting plastic aggregation and collecting all types of plastic for reallocation to partner plastic recyclers for plastic credit certificates. The company's use of licensed Transport Haulers and the recycling of PET Bottles guarantees that solid waste has as little impact on the environment as possible.

Megaworld forms partnership with Plastic Credit Exchange





Sheraton Hotel's waste management solutions

AGI subsidiaries continue to understand their waste footprint in their own operations and supply chain through improved inventory management. They collaborate with contractors who use accredited haulers to properly dispose of solid and hazardous waste on a regular basis to ensure proper handling and disposal, protecting the environment and communities where we operate.

Travellers day-to-day operations generate regular and hazardous waste that must be managed properly. Risks include spills, accumulation of waste, and improper disposal, among others. Opportunities involve recycling and reusing materials and reducing waste generation to save costs. The Safety, Environment, and Pollution Control Office manages this.

Measures conducted to minimize waste generation include: (1) prohibition on the use of the single-use plastic bag; (2) reduction in the use of plastic bottled in hotel operations (halted during the pandemic); (3) practice of segregation of waste; and, (4) conduct of regular recycling drives. Regular wastes are collected by a private third-party service provider while hazardous wastes are collected, transported and treated by DENR-accredited hazardous waste transporters and treaters.

Golden Arches generates solid and hazardous wastes that can possibly cause harmful environmental and health impacts. These can be controlled through the sustainability efforts of the company, collaboration with the local government units and guidance of the laws and regulations of the jurisdictions within the store. Additionally, through the zeroing plastic usage-global roadmap of McDonald's, Golden Arches is slowly removing/reducing the use of its plastic footprint.

**Materials** 103-1 103-2 103-3 301-1

Materials used by weight (in metric tonnes)

	Weight (metric tonnes)	Materials used
Renewable materials	6,569,184	Water, wood, food ingredients, paper, cardboard, sugarcane, recycled fiber, glass, etc.
Non-renewable materials	102,820	Diesel, gasoline, LPG, plastic, construction materials—metals, cement, tiles, PVC pipes, etc.

Data presented are based on estimations

Megaword and its subsidiaries use both non-renewable and renewable materials for their diverse and large-scale operations. Megaword and its subsidiaries use various types of construction materials for their numerous and wide-scale property development projects ranging from residential, commercial, office developments, educational/training components, multi-cluster condominium projects, multi-phase subdivision, privately-operated gaming facilities with hotel, retail, dining, entertainment, and other leisure amenities.

Emperador uses distilled neutral spirit, brandy distillates, grain and malt whiskies, water, and glass bottles and packaging materials. At the same time, Golden Arches needs food supplies and packaging supplies for its McDonald's restaurants nationwide.

The building sector, which includes the aforementioned companies, has significant environmental impact due to resource and energy use, as well as production of wastes. AGI recognizes the importance of economic handling of limited resources and adopting the circular economy approach. To fulfill this, it requires reuse of materials and wastes for as long as possible, as well as designing and developing reusable long-lasting products.

Emperador's AWGI, for example, uses a 70% cullet ratio to manufacture glass bottles which allows them to reduce their need for raw materials. Megaworld's Empire East works with contractors which implements proper solid waste disposal through accredited haulers on a regular basis. Other construction and office wastes are sold to third-party buyers for recycling and processing such as excess metals, PVC pipes. Their purchasing department also contracts third party services to sell or dispose of scrap metals. Golden Arches' McDonald's guest paper packaging—clamshell container, paper cups, etc., is made from fiber sourced from 100% certified renewable sources. Additionally, 12% of McDonald's packaging materials are sourced from recycled materials (plastic and/or paper), but not on a closed loop. This is based on the total raw material requirement required for converting finished items into primary packaging.

All subsidiaries continue improving the efficiency of their operations to support long-term business resilience and move towards a circular economy through monthly progress reporting, defining baselines and setting targets to understand the environmental implications of their own operations and value chain.

## Water and Wastewater Management 303-1 303-2 303-3 303-4 303-5

Water consumption within the organization (in cubic meters)

Subsidiary	Water withdrawal	Water consumption	Water discharge	Water recycled and reused
Megaworld	5,030,769	13,373,279	7,890,351 <sup>a</sup>	151,200
Travellers	54,623 <sup>b</sup>	220,489,098 <sup>c</sup>	9,120 <sup>d</sup>	45,750 <sup>e</sup>
Emperador	8,097,967	6,306,795	4,132,253	47,316
Golden Arches <sup>f</sup>	3,663,000	224,000	3,419,000	-
<b>TOTAL</b>	<b>16,846,359</b>	<b>240,393,172</b>	<b>15,450,724</b>	<b>244,266</b>

AGI's total water withdrawal, total water discharge, and total water consumption figures are approximations only.

a Megaworld's water discharge data includes Megaworld and Empire East only.  
 b Data of TIHGI, HIE, Sheraton, and Marriott only  
 c Data of TIHGI, Hilton, Hotel Okura, and Marriott only  
 d Data of TIHGI and Marriott only  
 e Data presented are estimation for 669 McDonald's stores for 365 days

Water and effluents are important aspects in resource management: water is an important resource that should be conserved, while effluents on the other hand, affect the environment and biodiversity as well as human health when improperly discharged.

AGI subsidiaries withdraw water from third-party sources as well as from ground-water for its projects, construction, daily operations, and water supply for its communities. AGI and its subsidiaries are responsible for the water discharges, water storage of facilities and performance of annual activities in cleaning and disinfection of water holding tanks to ensure that water being supplied to customers, employees, and communities is clean and within standard potability level.

Companies within the AGI group keep track of their water usage to better understand their water consumption patterns, identify inefficiencies in management, and take steps to help with water conservation.

Megaworld commits 100% compliance to DENR/LLDA Parameter & Standards to train technical personnel to be a Pollution Control Officer for monitoring and complying with the Standards

Travellers adopts water conservation programs and practices, which are managed by the Facilities and Project Management (FPM). These practices combine Engineering Controls and Information campaigns all throughout the organization and its stakeholders.

Emperador conducts an annual calibration of flow meters, close monitoring of leaks, and their timely correction to ensure the strict implementation of the plant-wide water conservation program. It conducts quarterly effluent analysis, water consumption, and wastewater discharge monitoring. Effluent parameters are monitored to ensure that these are in compliance with the National Effluent Quality Standard of DENR.

Golden Arches conducts several measures in water conservation and usage in compliance with RA9275 and PNSDW. McDonald's Stores has significantly reduced its water-related pollution by installing a wastewater treatment facility to reduce water pollution to acceptable water quality

Stores also increase their water conservation campaign by installing rainwater harvesting for several stores. McDonald's Philippines is fully committed to environmental regulations such as the Clean Water Act and Philippine National Standards for Drinking Water by partnering with several suppliers to install water and wastewater treatment facilities.

## Environment Standards Compliance

103-1 103-2 103-3 307-1

AGI subsidiaries maintain strict compliance with environmental laws and regulations. This ensures that the Group's operations and supply chains have the least possible impact on the environment and the communities where they operate. Additionally, It must conform to and maintain efficiency in resource management in order to support economic growth and build corporate competitiveness in the long run. As a result, AGI did not have any substantial penalties or non-monetary sanctions for non-compliance with environmental laws and regulations.



## Bantay Langis Project in Partnership with ABS-CBN Lingkod Kapamilya Foundation

Sheraton Hotel has been implementing the Batay Langis Project since 2019 in compliance with RA 6969 or the "Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990."

Through the program, used frying oil and oil collected from grease recovery devices are recycled through a company that converts food oil and grease into a useful end product, where available. The Bantay Langis project promotes responsible disposal and stops the proliferation of dangerous pollutants.

Sheraton Hotel's partner hauler, Genetron International, ensures the facilitation of environmentally compliant disposal of the wastes.

# Supporting People and Society

Supporting people and society means providing opportunities for growth, learning, and development within the Company and the society. As the country battled the pandemic in 2021, this also means supporting physical and mental health, providing avenues for getting vaccinated against COVID-19, and ensuring all sites and offices are safe and follow health requirements.



## Employee Wellness and Growth 103-1 103-2 103-3 401-1 401-2

New employee hires

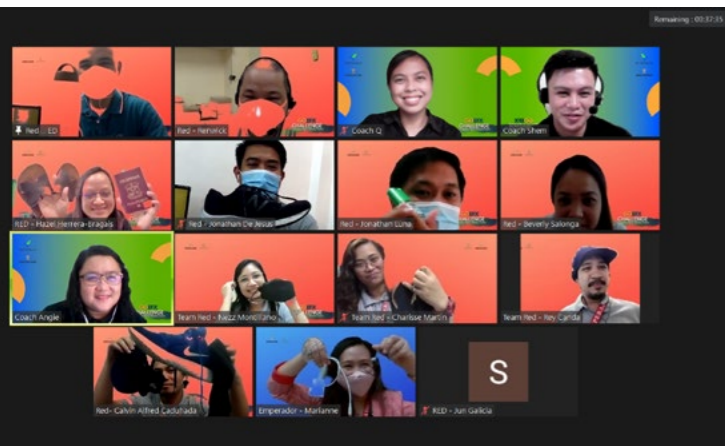
Subsidiary	MALE	FEMALE	TOTAL
Megaworld	303	508	811
Travellers	44	40	84
Emperador	439	214	653
Golden Arches	217	244	461
	1,003	1,006	2,009

Employee turnover

Subsidiary	MALE	FEMALE	TOTAL
Megaworld	458	264	732
Travellers	461	393	854
Emperador	280	88	368
Golden Arches	4,812	4,577	9,389
	6,021	5,322	11,343

AGI and its subsidiaries also continue to provide opportunities for employment in different areas of the business, locally and internationally. AGI's sustainability commitment for development is to generate at least five (5) million direct and indirect jobs by 2035. Megaworld aims to help shape the Philippines 30 years and beyond and commits to creating three (3) million direct and indirect jobs in its various developments across the country within 15 years. Through Emperador, local opportunities in areas of operations are created, including in Europe and South America, where the business also operates.

Golden Arches' (which operates McDonald's Philippines) 671 stores nationwide, and its growing services of drive-thrus, delivery hubs, and NXTGEN stores provide local employment nationwide as well as opportunities for working students and out-of-school youth. Travellers' renowned chain of hotels and gaming and entertainment hubs makes for a flourishing leisure industry, benefitting employees and localities.



### Full-time Employee Benefits

- SSS
- PhilHealth
- Pag-ibig
- Parental leaves
- Vacation leaves
- Sick leaves
- Medical benefits (aside from PhilHealth)
- Housing assistance (aside from Pag-ibig)
- Retirement fund (aside from SSS)
- Further education support
- Telecommuting
- Flexible-working Hours
- Work-from-home setup
- Disability and invalidity coverage



### Employee Diversity, Training & Development

103-1 103-2 103-3 404-1 404-2 405-1

Total training hours provided to employees  
Average training hours provided to employees

**1,499,405 Hours**  
**39.21 Hours**

Capacity building, training, and education of employees continue to be an important part of AGI and its thrust to drive innovation in its diverse set of businesses and the delivery of a wide array of services powered by its different subsidiaries. This year, a total of 1,499,405 hours was dedicated to continuing education and skills updating, shifting mostly from face-to-face interaction to digital learning to adapt to the pandemic. Additionally, performance reviews are scheduled bi-annually to support career development, promotion, and merit enhancement.

Among notable training initiatives is the aSPIre University (SPI is the acronym of Suntrust Properties Inc) of Megaworld. The aSPIre University was formed to encourage continuous learning among the company's

employees. Despite the limitations and hurdles during the Covid-19 pandemic, the company was able to conduct training programs through the available online platforms.

Moreover, Megaworld has the Megaworld Learning Academy, HR Business Partners, Organizational Development, and other Training Groups for some divisions/units that work hand in hand to promote and manage the learning and development needs. A minimum of 8 hours of regular training is always required for employees as a policy and is an embedded requirement in the Company's Performance Management system.

Golden Arches also launched the Restaurant Support Center (RSC) Open University and the RSC Learning & Development

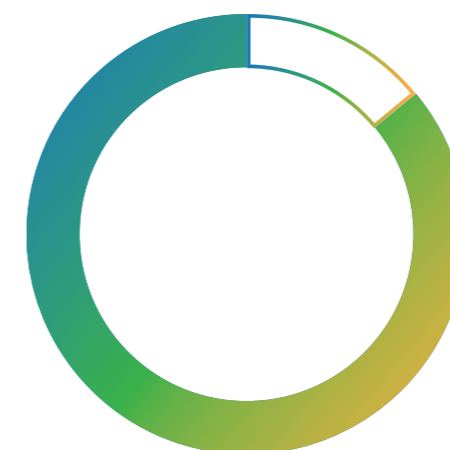
Resources Site, an online gateway to all the courses, resources, and tools that facilitate learning and growth. It is the repository for all training-related documents, Virtual Classes, Open Online Courses, Webinars, RSC Live! Videos, and Leadership Resources for self-directed learning for leaders and staff. Emperor's Pedro Domecq has an e-learning platform that provides a large number of training sessions for employees. Additionally, they are also beginning to offer excellent educational programs to senior leaders of the company. For specific situations, Pedro Domecq provides an unemployment program that includes resume building, specific training, and job boards placement. For the continuous training process, the GBKnowit platform is mainly used, and the company evaluates the success of the management approach by measuring the established KPIs. Wellness is also part of taking care of the employees. For this, the "You Matter" Program of Golden Arches centered on programs and activities on physical wellness, mental, social, and emotional well-being through webinars

on overall Employee Well-being Activities, a monthly wellness week, and awareness of Self Love. "You Matter" increases employee engagement through participation in webinars and workshops; employees can also have direct access to avail services for counseling.

Travellers International has an "Elevating Marriott Culture Plan" wherein an array of activities were executed virtually or limited face to face that supports Marriott's culture around taking care of its associates. Activities include fitness exercises, resilience-building programs, health and well-being lectures, financial wellness talks, and information dissemination on different communication platforms.

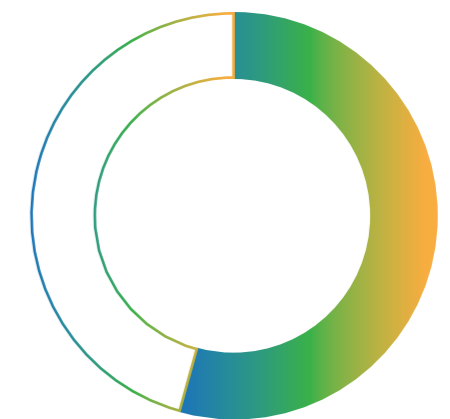
## DIVERSITY AND EQUAL OPPORTUNITY

Board Diversity



Male - 6 (86%)  
Female - 1 (14%)  
Total - 7 (100%)

Employee Diversity



Male - 20,774 (54.3%)  
Female - 17,472 (45.7%)  
Total - 38,246 (100%)

AGI is committed to building a diverse, gender-equal, and inclusive environment for all of its employees. Regardless of race, color, gender, sexual orientation, age, religion, or other factors, the Group ensures equal chances for compensation and benefits, safe workspaces, training, and professional development.

AGI intends to track the progress toward diversity and inclusion moving forward, assisting in creating a more equitable, inclusive society and world. This commitment is essential for the company's efficiency and competitiveness. AGI's subsidiaries also embody this commitment.

## MEGAWORLD

Megaworld believes that diversity and equal opportunity in the workplace facilitates sharing of ideas and obtaining unique feedback and advice. Additionally, a diverse workforce is more likely to understand clients' needs and develop ideas to fulfill them. This will also increase employee morale and instill a desire to be more effective and work more efficiently, which may lead to an increase in productivity in the workplace.

Achieving diversity and inclusion starts in hiring. Megaworld practices objectivity and focuses on the candidate's qualification regardless of age, race, gender, and religion. The Company also believes in empowering its people to grow, learn and make a name for themselves. Megaworld supports its employees through training, special tasks assignments, and opening new opportunities within the organization.

An equal or almost equal opportunity for all genders in the workplace resulted in employee retention and increased employee engagement.



## GOLDEN ARCHES

The Company promotes equal opportunity in hiring regardless of gender and age. This is also applicable to the benefit and remuneration wherein employees are paid according to their job function and performance.

## TRAVELLERS

Discriminatory dynamics are not ingrained in the culture of Travellers. In the Company, everybody is treated fairly and respectfully, be it employees, suppliers, or customers.

### Marriot Hotel

The organization operates with a diversified staffing model suitable to its varying needs to effectively manage its business regardless of age, gender and background. It is an equal opportunity employer committed to hiring a diverse workforce and sustaining an inclusive culture. It does not discriminate on the basis of disability, veteran status, or any other basis protected under federal, state, or local law. All associates, management and non-management, are required to meet the standards of performance and conduct which have been established for their position.

The organization has internal policies to promote equal employment opportunities and the right work environment. Management is responsible for communicating Company policies and practices to associates and ensuring those rules are administered fairly and consistently.



## EMPERADOR

Embracing diversity and equal opportunity goes a long way in developing the EDI culture. All campaigns, including job hiring, promotion, and training, are all anchored by equality, with no age and gender preference. What is important to the company is the capacity, qualifications, and performance of the individual. EDI's Talent Management systems provide equal opportunity to all, regardless of gender, age, and preferences. They have current roles and job functions that cater to both genders. EDI is successful in managing this topic when they are able to develop future leaders from different generations and gender and young leaders who assume a more senior role.



## Ensuring Health & Safety at Work

403-1 403-2 403-3 403-4 403-6 403-7 403-9 403-10

## Workplace Safety and Health

Safe Man-Hours	26,829,362
No. of work-related injuries	69
No. of work-related fatalities	2
No. of work related ill-health	1065
No. of safety drills	87



### Megaworld

Employee well-being is vital in reaching the organization's vision of uplifting lives and mission statement of delivering long-term value to its employees. The organization's OHS focus is maintaining a safe and healthy work environment that impacts across the supply chain. The organization is in the low-risk category relative to the OSHA (Occupational Safety and Health Administration) risk category. Risks include a decrease in productivity and healthcare financing for accidents and illness.

The company has a drafted OSH (Occupational Safety and Health Policy) under review by the legal department. An internal task force was organized to manage the COVID-19 cases and concerns of the company since the pandemic. Safety Protocol Officers were assigned to each significant department and location to raise grievances and remind guidelines related to health and safety. Protecting the employee's health through inoculation was spearheaded by its own Vaccination efforts.

Continuous review of OSH audits, monitoring, and reporting incidents of illness and accidents in the workplace.

### COVID Response

As the pandemic continued by introducing more concerning COVID-19 variants, AGI adapted through the digitization of systems that can protect its employees through contactless transactions. Work-from-home schemes were continued where applicable, as well as strict sanitation measures in sites and offices where employees need to be physically present.

AGI also implemented the AGImmUNITY, or the responsible immunization for stakeholders and employees, to contribute to herd immunity and complement the government's action to promote a national vaccination program. The AGImmUNITY program was cascaded down to the subsidiaries as a way to champion a united action against the COVID-19 virus.



## AGImmUNITY: Vaccination Status 2021

- 98% Megaworld Corporation employees
- 99% Emperador Inc \*
- 95% Travellers International \*
- 99% of Golden Arches employees\*

\* Percentage of vaccinated employees in head office only

AGI and its subsidiaries also promote workplace safety and health by implementing occupational safety and health regulations on all sites.

Megaworld passed the **Safety Seal Certification Program**, an undertaking between the DILG, Department of Tourism, Department of Labor and Employment, Department of Trade and Industry, and Department of Health. It aims to ensure that establishments are safe and follow the minimum public health standards by providing qualified establishments with a Safety Seal as a physical manifestation of an establishment's compliance to health standards.

Megaworld also launched the **HDDS (Health Declaration & Disclosure Statement)**, which are daily updates of employees that nurses closely monitor. Management also formed an internal IATF group to ensure compliance, monitoring, and policy/processes development to hasten the spread of the virus in the company and combat the challenges of the pandemic. In relation to mental health, webinars were conducted and offered as well as counseling services for active Covid-19 cases.

Megaworld's subsidiary- **Global-Estate Resorts, Inc. (GERI)** has reached a milestone of **9 Million Safe man-hours** without lost-time injury among its employees since GERI is committed to strengthening environmental health and safety, establishing the EHS Group of the company.

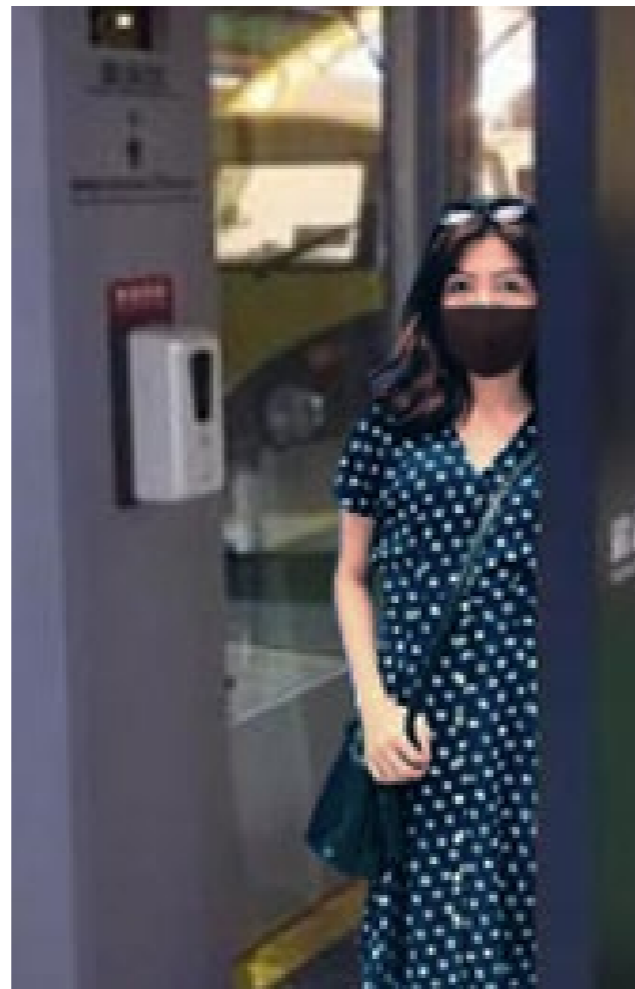


**Travellers**

The Company has an OSHE (Occupational Safety, Health, and Environment) Policy which serves as its guide in the implementation of the OSH Program and commitments. Internal policies which are in accordance with government-mandated standards and protocols are in place, e.g., policies on Workplace Prevention and Control of COVID 19, Workplace Safety Management, TB Prevention and Control, Smoke-Free workplace, Annual Medical Examination, among others.

TIHGI has a pool of DOLE-Accredited OSH Consultants and Practitioners as well as trained Safety Officers who are responsible for managing the OSH implementation under the guidance of the management. The Company has allocated a budget for the OSH programs like training, signages, and fire and life safety equipment. Employees who may have safety-related concerns can report directly to the SEPCU or their immediate leaders.

The Management also tackles critical OSH concerns during the weekly OpsCom meeting. On the other hand, safety concerns among contractors are discussed during the weekly contractors meeting and in the group chats.



**Emperador**

Emperador is committed to conducting its business activities responsibly and conforms to the Occupational Health and Safety Policy of the Philippines. They consider the health and safety of their employees to be as important as business success. Emperador shall lead the business on the continuous improvement of safety and health. To achieve its goal, the company:

- Respects the Occupational Health and Safety and well-being of its employees, neighbors, and visitors
- Creates mitigation plans for potential safety risks
- Complies with all local and applicable Health and Safety legislation

Occupational health and safety standards at Emperador shall apply to all places of employ-

ment. Non-compliance can revoke certain permits, which can affect the company.

The company always aims to have zero accidents by establishing written programs and guidelines that are aligned with DOLE OHS Standards. For the risk of infection from COVID-19, the company has established workplace prevention and control of the virus. Its scope includes employees' mental and physical welfare in times of the pandemic. Emperador also implements the mitigation and management of workplace infection and is committed to workplace safety and health programs aligned with the existing standards and guidelines issued by Philippine Regulatory Agencies.

The company evaluates its KPIs monthly against goals and targets, including key successes and obstacles. In 2021, the company did not receive any regulatory violations, and accidents and incidents were maintained on a low count and degree of severity.



**COVID-19 Control at Sta. Rosa Plant**

Emperador's Sta. Rosa Plant created the Workplace Prevention and Control of COVID-19, which includes the creation of the COVID-19 Task Force that implements all necessary workplace safety and health programs aligned with the existing minimum public health standards and guidelines issued by the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF), DOLE, Department of the Interior and Local Government (DILG), and Department of Health (DOH); increase physical and mental resilience through the involvement of every employee on everyday actions to stay healthy, and transmission reduction by creating safety and health protocols and guidelines. Complementing these ac-



tions is giving a supply of multivitamins, disposable face masks, face shields, hand soap, alcohol, disinfectant, etc., to employees, as well as campaigns on notification and reporting of possible COVID-19 cases, especially those employees who are on sick leave.

Emperador's Sta. Rosa Plant also created the MFG-EHS-G-001 Cleaning and Disinfection as an Infection Prevention and Control Measure Against COVID-19. Moreover, management of incoming contractors, visitors, and truckers, including health assessments done prior to entry, was also implemented.

### Golden Arches

The company has an established McDonald's Workplace Safety and Health Policy which supports the overall implementation of the Workplace Safety and Health Management System. The Company has been implementing an Occupational Health and Management System, which is aligned with the McDonald's Global Safety Standards as well as the DOLE Occupational Safety and Health Standards. This was further strengthened in adherence to the DOLE DO No 198-18, the Implementing Rules and Regulations of Republic Act 11058 or An Act Strengthening Compliance with Occupational Safety and Health Standards and Providing Penalties for Violations Thereof. Further, Management has signed a commitment statement to ensure everyone's safety and health and provide all necessary resources.

The company's Safety Officer 2 is in charge of the safety and health program implementation. For this year, 2021, the focus will be on strengthening the safety and health organization in every restaurant and on the roles of its Safety Officer 2.



## Elevating Consumer Safety

103-1 103-2 103-3 416-1

Health and Safety for customers are priorities to AGI and its subsidiaries, especially this 2021 because of the threat of Covid-19. To ensure safety, AGI prioritized immunization of its employees to protect customers. Compliance with health measures and provisions, as mandated by the government, was also followed at all sites. Where applicable, transactions and payments with customers were digitized to further reduce contact.

### Food safety leadership

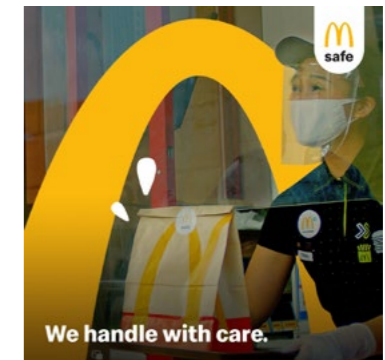
In the quick-service restaurant business under Golden Arches, food safety leadership and food safety culture must be adhered to in all establishments. Food safety is upheld through regular third-party safety audits and food safety alignment with operations and certifying bodies.

For employees, food safety training is a regular part of the operations, as well as food safety week to uphold a food safety culture. Golden

Arches food safety culture even extends to suppliers who should also be aligned with the business standards on food. All of these result in consistent safe and quality products for customers.



Separate trays for payment and order



We handle with care.

### Safety through the MSafe campaign

Golden Arches continues the MSafe campaign, which is a McDonald's program to ensure the health and safety of its people and its customers through the development and adoption of mandated protocols, employee vaccination programs, and vaccination education campaigns for those employees unsure of the vaccine's safety.

In addition, Golden Arches also held virtual first aid classes, Occupational Safety and Health, and Basic Occupational Health and Safety classes for restaurant managers to strengthen safety provisions at work. For employee mental health, a pilot test tie-up with Infnitcare for mental health was initiated, as well as regular kamustahan sessions with leadership.

**Pag  Safe, go lang nang go!**



 Fully-vaccinated crews

 **safe to enjoy**



**You can be sure that the food you enjoy from McDo is safe as we practice:**

-  **Frequent kitchen sanitation**
-  **Handwashing every 30 minutes**
-  **Wearing of face masks, shields and gloves**
-  **Distancing to distancing in the kitchen**



### Travellers

Providing safe and clean accommodations

Travellers addresses customers' safety concerns by ensuring the provision of a clean, sanitized, and comfortable environment. Travellers took excellent care in providing the best air quality, especially in indoor spaces. High-powered UV lamps were installed to sanitize the air from viruses and other airborne contaminants. For the high touchpoint areas, a coating solution that works as an anti-virus and anti-bacterial is applied to ensure safe surfaces.



## Data Privacy and Security

103-1 103-2 103-3



Megaworld values the trust of its customers, and safeguarding against this violation of trust is crucial for the business. The organization gathers and processes a significant amount of data from the clients, partners, and vendors. As such, compliance with the NPC's and DPA's requirements is observed and implemented to ensure that necessary and relevant measures to safeguard this information are kept. Regular reviews and impact assessments are conducted to identify compliance with the company requirements.

For Emperor, this topic is relevant not only for legal compliance but also as part of the corporate responsibility to respect and protect the personal information entrusted by the company's stakeholders. The company has elected a data protection officer and compliance officer to ensure the data privacy of customers. They evaluate their management approach based on audits and risk assessment exercises. Existing manuals are in place that outline the mechanisms to air grievances. The company is scheduled to audit the manual this year, as well as to conduct vulnerability and penetration testing of their systems.

Golden Arches manages customer information through the McDelivery Service. The customer information, including name, contact information, and address, are essential to complete the food delivery service provided by our restaurants. GADC, through its Infrastructure Technology Security team, conducts regular Vulnerability Assessment and Penetration Testing services with an accredited third party. GADC also appointed a Data Privacy Officer who oversees the data privacy compliance of the organization.

## Resort's World receives Safety Seal Certification

The coveted Safety Seal Certification (SSC) was given to the entire Resorts World Manila (RWM) complex in July 2021 by the DOT and the Local Government Unit of Pasay City. The Company was granted an additional 10% operating capacity through the SSC.

Receiving the Safety Seal shows Resorts World's thrust in elevating safety in time of a pandemic, building consumer trust and confidence during a troubled time.



### Project Gryphin: Protecting data privacy

Travellers' Project Gryphin was implemented to ensure data protection across Resorts World Manila and eliminate and monitor possible data breaches. This is also to comply with the Philippine Data Privacy Act.

As observed during the Pandemic, data breaches and cyber-attacks globally are becoming rampant. The implementation of Project Gryphin provided another layer of data security with 24/7 coverage. Through Gryphin, the Company was also able to get up-to-date information on what is happening in cyberspace, including a day of zero known attacks.

## Community Impact

103-1 103-2 103-3 413-1 413-2

AGI's Corporate Social Responsibility projects continued in 2021 through the group's different foundations headed by its subsidiaries. Megaworld Foundation, the socio-civic arm of Megaworld Corporation, has been offering scholarships since 1999 and has programs on environmental care, charitable causes, and local cultural promotions.

### Education

The Foundation continues its scholarship programs which support deserving but financially-handicapped students in elementary, high school, and college in partnership with public and private schools. To address safety concerns of the year, Megaworld Foundation also assisted the transition from physical classes to online learning.

Scholars were also equipped with tutorials and seminars for a more holistic learning experience, setting them up for success and leadership. Career opportunities are made available as well once the scholars graduate.

Additionally, the education of vulnerable groups was implemented, including abused girls in Cebu (with C.U.R.E Foundation), one (1) deaf student (with a partnership with DLSU-College of St. Benilde SDEAS). Partnering with Polytechnic University of the Philippines, the Foundation helped marginalized students gain access to quality education with the help of PUP Pamantasang Bayan - Education on Wheels.

There was also a donation of six (6) printers for module preparation to four (4) schools; through the partnership with Yellow Boat of Hope Foundation, the renovation of the floating classroom in Sitio Tehemen Basilan for Badjao students was initiated. Megaworld Foundation also supported the education of 400 public school students in Marinduque and 125 pre-school children in Camarines Sur through five learning labs.

### Community Health

The Foundation had activities focusing on health and the management of Covid-19 infections wherein, through a partnership with LGUs, they provided vaccination to nearby communities and offered malls for COVAX. This program was also extended to frontline medical workers through: the donation of bicycles in 5 hospitals in Manila; the donation of 3,225 KN95 masks and 13,90 N95 masks to Philippine General Hospital; and, the Eat Out & Help Out campaign, wherein a donation for every P1,000 dine-in spend at participating restaurants is allocated for frontliners struggling due to lack financial means.



### Livelihood Programs

Livelihood programs include the Stitches to Riches Livelihood Project, wherein sewing training was provided, as well as equipment to residents of GK-Megaworld Village. A partnership with Virlaine Foundation resulted in a 6-month Livelihood program for street families who lost their jobs. The Foundation also partnered with Tinalak Weavers Livelihood Assistance Project for Indigenous People weavers.

### Environment

Waste disposal and improvement of Solid waste management program together with PCEx, sustainable food source project with Cottolengo Filipino orphans with needs, planting 500 saplings in Haribon sites as well as 100+ fruit-bearing trees for the Tree

of Hope Program, make for the Foundation's 2021 environmental projects. Additionally, they also partnered with Kabang Kalikasan ng Pilipinas Foundation for the Plastic Smart Cities Campaign and provided livelihood for 15 families in Sorsogon.

### Charitable Causes

Megaworld's causes span wide, reaching children, Indigenous Aeta families, orphans, the elderly, youth, and families affected by the pandemic. Their programs include donating fluorescent bulbs to local barangays, donating slippers to 1,110 children, giving 1,000 Mcdonald's Happy Meals to 1,000 kids, and feeding programs for street children and malnourished kids.

## Golden Arches: Ronald McDonald House Charities

McDonald's Kindness Kitchen (MKK) has served 527,463 meals bringing from the initial plan of serving just 50,000 meals. MKK has also served a total of 729 hospitals and quarantine centers, 517 communities, 265 government offices, 57 Non-government organizations, and 23 (and still counting) vaccination centers.

Monetary support was provided by Metrobank Foundation Inc. (MBFI), GT Foundation Inc., Philam Foundation Inc., and Pfizer Philippines Foundation, Inc. to serve more marginalized communities across the country. Manila Water Foundation, Inc. (MWF), through the Agapay Program, sponsored bottled waters.

In partnership with ABS-CBN Lingkod Kapamilya Foundation in support of ABS-CBN's Pantawid ng Pag-ibig, coordination and monitoring for the identified beneficiaries were maximized.

The project also emerged to be one of the founding members of Pilipinas Kontra Gutom – a movement behind Task Force Zero Hunger by the Philippine government in addressing hunger in the country with other corporations including Coca-Cola, Dole Philippines, Johnson and Johnson, McDonald's, Metrobank and San Miguel and NGOs such as Rise Against Hunger, Kabisig ng Kalahi, and Gawad Kalinga.





Run to Give Impacts  
 Fundraisers: 376  
 Donations raised: PHP 1,160,685  
 Completed kms: 64,898 kms

**Travellers: Virtual Run to Give**

In the 2nd year of COVID-19, Travellers once again hosted an inspirational event to drive funding for our community partners and hard-hit associates. We partnered once again with Save the Children Philippines to help support the Education, Health & Nutrition, and Child Rights and Protection. Additionally a local Disaster relief fund to help associates in need, given the compounding effects of COVID-19 on the livelihood and well-being of Hospitality Associates.

The run gives the participants the opportunity to help the community while staying fit and on the move.

# Corporate Governance



**Corporate Governance Structure** 102-18 102-19 102-20 102-21 102-22 102-23 102-24 102-25 102-26 102-23 102-24 102-25 102-26

It shall be the Board's responsibility to foster the long-term success of the Corporation, to sustain its competitiveness, profitability, and fiduciary responsibility, and to act on a fully-informed basis, in good faith, with due diligence and care, and in a manner consistent with its corporate objectives and the long-term best interests of its stockholders and other stakeholders.



**Corporate Governance Committee**

The Corporate Governance Committee assists the Board in performing its corporate governance responsibilities. It oversees the implementation and periodic review of the corporate governance framework; oversees the periodic performance evaluation of the members of the Board; recommends the continuing relevant education and training programs for directors; assigns tasks or projects to board committees; plans for the succession of the board members and senior officers, as well as the remuneration packages for corporate and individual performance; determines the nomination and election process for the general profile and composition of the Board, and ensures that the nomination and election policy and procedures for the Board are conducted properly. It is composed of at least three (3) members, two of whom are independent directors, including the Chairman.

**Audit Committee**

The Audit Committee has oversight over financial reporting, internal control systems, internal and external audit processes, and compliance with applicable laws and regulations. It is responsible for assessing the integrity and independence of external auditors. It monitors and evaluates the adequacy and effectiveness of our internal control systems, including financial reporting control and information technology security, and reviews the reports submitted by the internal and external auditors.

It is composed of at least three (3) members of the Board who, preferably, have accounting, auditing, and finance backgrounds, the majority of whom shall be Independent Directors and another with auditing experience. The chair of the Audit Committee must be an Independent Director.

**Board Risk and Oversight**

The Board Risk Oversight Committee has oversight over the Enterprise Risk Manage-

ment System to ensure its functionality and effectiveness. It shall develop, oversee the implementation, and evaluate a formal enterprise risk management plan; advise the Board on its risk appetite levels and risk tolerance limits; and provide oversight over the Management's activities in managing credit, market, liquidity, operational, legal, and other risk exposures of the Group.

It is composed of at least three (3) members of the Board, the majority of whom must be Independent Directors, including the Chairman. The Chairman of this Committee must not be the Chairman of the Board or of any other committee.

**Related Transaction Committee**

The Related Party Transaction (RPT) Committee reviews all material related party transactions of the Group. It evaluates existing relations between and among business and counterparties on an ongoing basis; ensures that appropriate disclosure is made or information is provided to regulatory and supervisory authorities relating to the Group's RPT exposures; reviews and enforces policies on conflicts of interest or potential conflicts of interest; ensures that transactions with related parties, including a write-off of exposures, are subject to a periodic independent review or audit process; and oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

It is composed of at least three (3) members of the Board, two of whom must be Independent Directors, including the Chairman.

**Nomination and Selection Process for Highest Governance Body**

The Board shall organize a Corporate Governance Committee that should be tasked to assist the Board in the performance of its corporate governance responsibilities.

It determines 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.

The Directors shall have such qualifications prescribed in the Corporation Code, the Securities Regulation Code and other relevant laws, as well as any of the following additional qualifications:

- **A college degree;**
- **Business experience;**
- **Practical understanding of the business of the Corporation;**
- **Working knowledge, experience or expertise relevant to the Corporation's industry;**
- **Membership in good standing in a relevant industry, business or professional organization; and/or**
- **Record of integrity and good repute**

#### Conflicts of Interest

The RPT Policy echoes the general policy statement under the Company's Code of Business Conduct and Ethics that: all employees, senior management and directors are required to immediately disclose any relationship or association to a proposed supplier or contractor or its authorized representative to avoid conflict of interest. They are prohibited from using their authority or position to profit or gain some benefit or advantage for themselves and/or their related interest.

Regardless of the amount of the transaction or contract, each Director, Officer and Key Management Personnel, and Substantial Stockholder is held responsible to: fully and promptly notify the Company of any RPT and the personal interest he/she may have on such RPT (directly or indirectly through or on

behalf of third parties, spouses or relatives) as soon as he/she becomes aware of the transaction; and to obtain approval from the Board of Directors prior to entering into the transaction. He/she shall submit a declaration of the potential RPT to the RPT Committee through the Company's corporate Legal Counsel (or Corporate Secretary, as the case may be), as soon as practicable prior to the occurrence or execution of such RPT, for evaluation and approval (see Evaluation of RPTs, and Approval of Material RPTs). At minimum, the declaration shall include the following Information:

- a. Complete name of the Related Party;
- b. Relationship of the parties;
- c. Expected execution date of the RPT;
- d. Financial or non-financial interest of the Related Parties;
- e. Type and nature of transaction as well as description of the assets involved;
- f. Amount or contract price;
- g. Total assets of the contracting company;
- h. Percentage of the contract price to the total assets;
- i. Carrying amount of collateral, if any;
- j. Terms and conditions;
- k. Rationale for entering into the transaction.

The Director, Officer and Key Management Personnel, or Substantial Stockholder involved shall abstain from discussion, approval and management of such transaction or matter affecting the Company. In case he/she refuses to abstain, his/her attendance and vote shall not be considered for purposes of assessing the quorum and his/her votes shall not be counted for purposes of determining majority approval.

Service providers, suppliers, vendors, customers and other debtors or creditors shall be required to submit a certification that they do not have conflict of interest with the Company. All approving officers signing contracts, agreements, work orders, purchase orders and sales orders shall be required to issue

a disclaimer that they are not related to the counter parties of the proposed transaction. Management shall be mandated to aggregate, summarize and forward to the RPT Committee through the Legal Counsel (or Corporate Secretary) any report obtained from employees on the employees' conflict of interest.

#### Role of Highest Governance Body in Setting Purpose, Values, and Strategy

It shall be the Board's responsibility to foster the long-term success of the Corporation, to sustain its competitiveness, profitability and fiduciary responsibility, and to act on a fully-informed basis, in good faith, with due diligence and care and in a manner consistent with its corporate objectives and the long-term best interests of its stockholders and other stakeholders.

The Board should oversee the development of and approve the Corporation's business objectives and strategy and monitor the implementation thereof, in order to sustain long-term viability and strength.

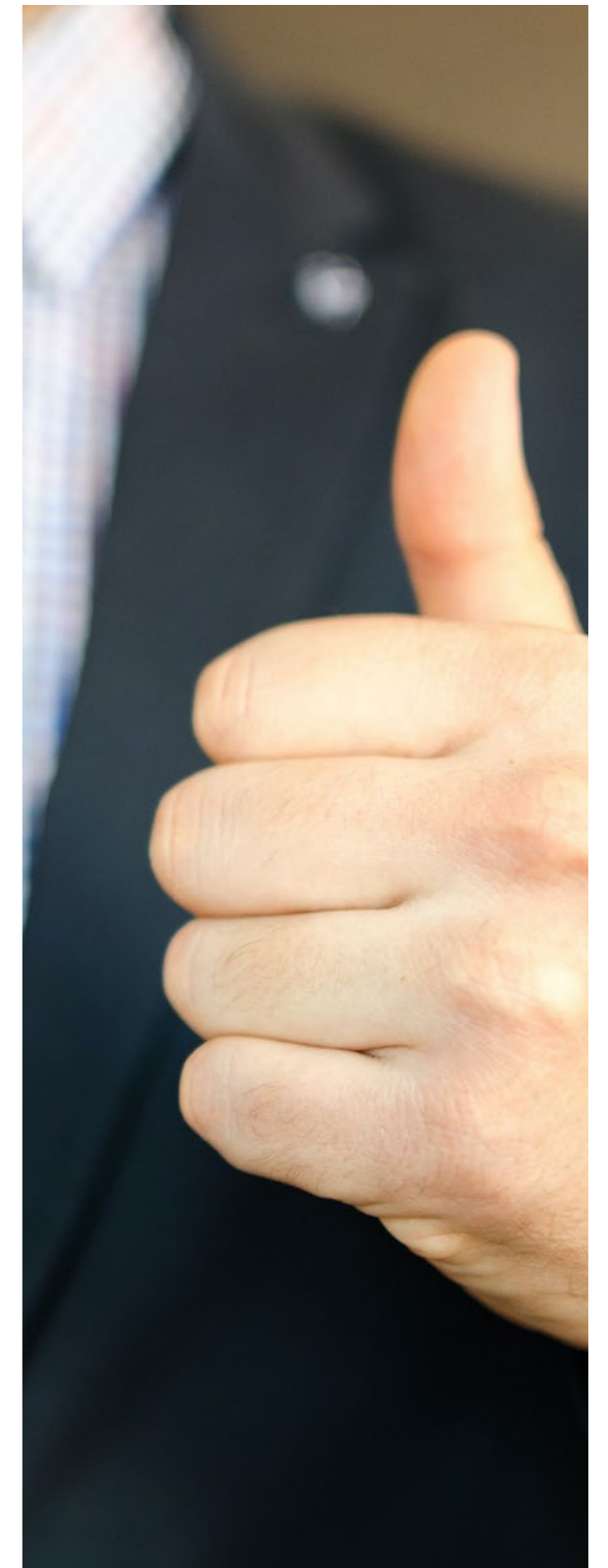
The Board should formulate the Corporation's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.

The Board shall also ensure that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds and materiality, which shall include the appropriate review and approval of material or significant RPTs, which guarantee fairness and transparency of the transactions.

The Board shall carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.

The Board shall conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees.

The Board should have in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, the individual directors, committees and such system should allow for a feedback mechanism from the shareholders.



## Board of Directors



**DR. ANDREW L. TAN**

Chairman of the Board

Dr. Tan has served as Chairman of the Board since September 2006. He has also served as the Chief Executive Officer from September 2006 to June 2018 and as Vice-Chairman of the Board from August 2003 to September 2006. He currently holds the position of Chairman and President at Megaworld Corporation; Chairman at Emperador Inc.; Global-Estate Resorts, Inc., and Empire East Land Holdings, Inc. which are both subsidiaries of Megaworld. 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**

Chief Executive Officer

Mr. Tan has been elected as Chief Executive Officer since June 2018 and Vice-Chairman since September 2018. He is also the Director of Emperador Inc., Empire East Land Holdings, Inc., and Global-Estate Resorts, Inc. He holds the positions of Executive Vice President at Megaworld Corp., and President and CEO of MREIT, Inc. 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**

President

Mr. Sian has served as Director and President since February 20, 2007. He is also the Director/Executive Director of Megaworld Corporation. 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**

Treasurer

Ms. Tan has served as Director and Treasurer since February 2007. She also serves as Director and Treasurer of Emperador Inc., and Megaworld Corp., and Director of MREIT Inc. 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 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 also serves as the President and CEO of Emperador Inc. 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**

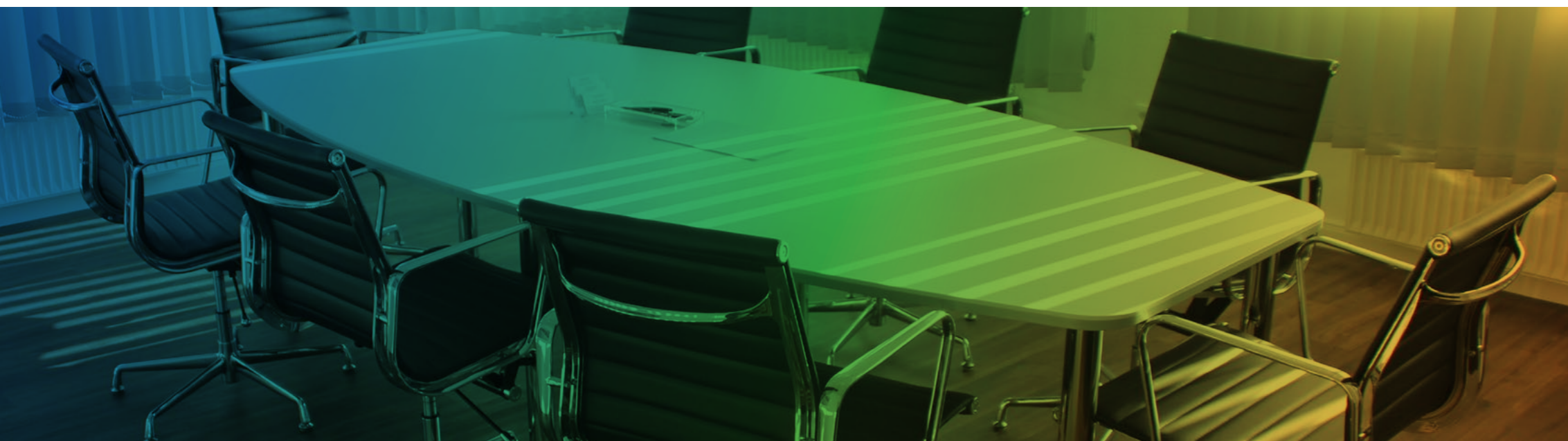
Independent Director

Mr. Ortiz-Luis 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. (PHIL-EXPORT), 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.


**DR. JESLI A. LAPUS**

Independent Director

Dr. Lapus has served as Independent Director since June 2021. Dr. Lapus also serves as Independent Director for Emperador Inc. 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.



## Financial Statements



### COVER SHEET

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

SEC Registration Number  
A S 0 9 3 - 7 9 4 6

**COMPANY NAME**

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

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

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

Form Type Department requiring the report Secondary License Type, If Applicable

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

(For December 31, 2021)

**COMPANY INFORMATION**

Company's Email Address dinainting@allianceglobal.com.ph	Company's Telephone Number/s 8709-2038 to 41	Mobile Number N/A
No. of Stockholders 996	Annual Meeting Month/Day 3rd Thursday of June	Fiscal Year Month/Day DECEMBER 31

**CONTACT PERSON INFORMATION**

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

Name of Contact Person DINA INTING	Email Address dinainting@allianceglobal.com.ph	Telephone Number/s 8709-2038 to 41	Mobile Number N/A
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**Contact Person's Address**

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

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.  
2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

- For the fiscal year ended **December 31, 2021**
- SEC Identification Number **AS093-7946**
- BIR Tax Identification No. **003-831-302-000**
- Exact name of issuer as specified in its charter **ALLIANCE GLOBAL GROUP, INC.**
- METRO MANILA, PHILIPPINES**  
Province, country or other jurisdiction of incorporation or organization
- (SEC Use Only)  
Industry classification code
- 7<sup>th</sup> Floor, 1880 Eastwood Avenue, Eastwood City CyberPark  
188 E. Rodriguez Jr. Avenue, Bagumbayan, 1110 Quezon City**  
Address of principal office
- (632) 87092038 to 41**  
Registrant's telephone number, including area code
- Securities registered pursuant to Sections 8 and 12 of the SRC, or secs. 4 and 8 of the RSA

Title of Each Class      Number of Shares of Common Stock Outstanding  
and Amount of Debt Outstanding  
As of December 31, 2021

Common	10,269,827,979
Treasury shares	798,475,700
Outstanding	9,471,352,279

- Are any or all of these securities listed on Philippine Stock Exchange? **Yes.**
- (a) AGI has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months.  
(b) AGI has been subject to such filing requirements for the past ninety (90) days.
- The aggregate market value of the voting stock held by non-affiliates of AGI as of December 31, 2021, based on the closing price of its common stock of Eleven Pesos and Two Centavos (P12.40) on the Philippine Stock Exchange on April 13, 2022, is P36,275,700,367.

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## PART I - BUSINESS AND GENERAL INFORMATION

## 1. BUSINESS

## a. Organization And Business Development In The Past Three Years

## a.1. The Company

Alliance Global Group, Inc. ("AGI" or "the Company") is one of the leading conglomerates in the Philippines, with interests in property development, food and beverage manufacture and distribution, quick-service restaurants and integrated tourism development businesses. The Company and its subsidiaries, associates and jointly-controlled entities (the "Group") operate a diversified range of businesses that focus on developing 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 5<sup>th</sup> 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.

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The Tan family beneficially owns a majority interest in AGI.

## a.2. Subsidiaries<sup>1</sup>

### 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

<sup>1</sup> 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.

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Laguna on a 24-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 Daramesas 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.

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**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.

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#### *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,

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

RWM is an approximately 11.5-hectare integrated tourism resort that is strategically located across the Ninoy Aquino International Airport Terminal 3 ("**NAIA-3**") in Pasay City, Manila and 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

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

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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.

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'**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.

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'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.

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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).

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

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



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'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.

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'**Woodsmen 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

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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 telecommunications and 24-hour power supply that support BPO and other technology-driven businesses. The township provides education/training, restaurants, leisure and retail facilities and residences. It is currently home to more than 25,000 residents and 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.

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- 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 NAI Terminal 3 and adjacent to the Villamor golf course. It will be targeted towards tenants and buyers who consider proximity to the NAI 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

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- zone with the Government, which allows it to benefit from a tax holiday period as well as other incentives for investors. It also features The Street of Festive Walk, a 1.1-kilometre retail strip inspired by outlet shops in America and envisioned to be one of the longest shop-and-dine streets outside of Metro Manila. Iloilo Business Park has launched five residential condominium developments to date — One Madison Place Luxury Residence, Lafayette Park Square, The Palladium, the tallest building in the region at 22 storeys high, Saint Dominique and Saint Honore. With Iloilo Business Park, Megaworld aims to transform Western Visayas into the next central district in the region.
9. **ArcoVia City** is envisioned as an environment-friendly community on the 12.3-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**, a 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 as a nature park. Other developments in Twin Lakes include a retirement community, wellness centre, hotel and chateau, among others.

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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** 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

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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 envisioned 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

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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.

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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.

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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.

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*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 Tinampayan, 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**

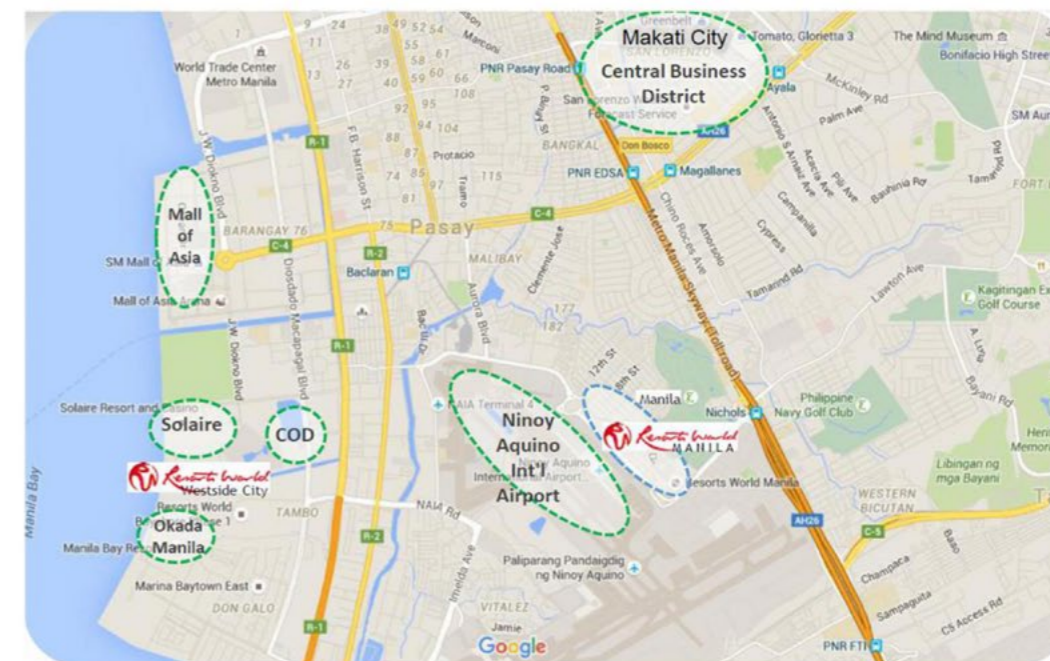
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**Express Manila Newport City** opened in February 2018 (formerly, Remington Hotel in November 2011) and v) the 190-room **Hotel Okura Manila** opened in December 2021. Outside Metro Manila, **Courtyard by Marriott Iloilo** located in Iloilo Business 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.

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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 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.

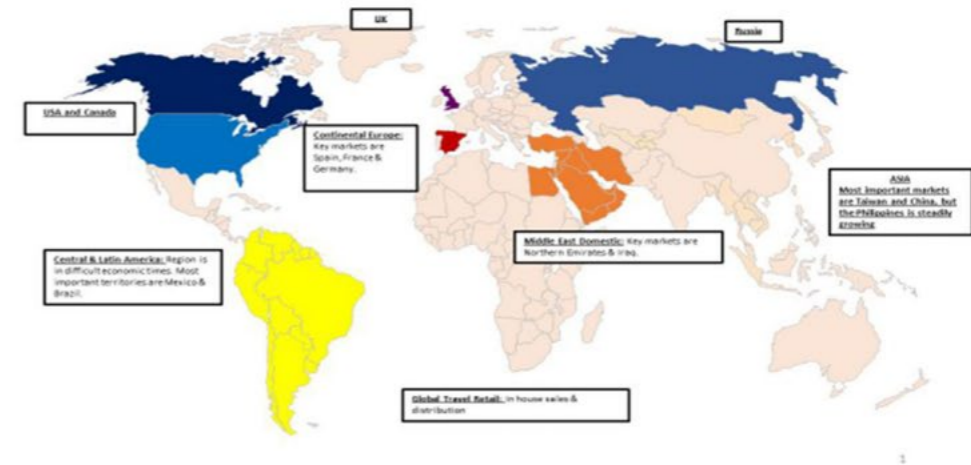
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International markets account for 50%[44% in 2020] of sales revenues. About 48% [51% in 2020] of brand revenues come from UK and other European countries and about 37% [36% in 2020] from Asia and Pacific markets, with the balance coming from Americas, 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:

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**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

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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. 'Emperor' 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 Emperor 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



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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:

- o 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.
- o Indirect sales through junkets – to source high-end players in different regions.
- o 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.
- o 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.

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#### 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 Coasttown, launched in December 2021, is the 28<sup>th</sup> 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.

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**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.

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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.

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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

##### EMP

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.

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#### 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, Gabriel 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.

#### b.7. Customer Dependence

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

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

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

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

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- Receivables from subsidiaries/franchisees. GADC supplies restaurant equipment, food, paper and promotional items to all franchisees, including affiliated restaurants, at normal market prices through a third party service provider.

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

#### b.9. Licenses, Trademarks, Franchises

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

##### EMP

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

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

Whyte and Mackay owns approximately 700 trademarks worldwide, which includes trademarks for its products: 'The Dalmore', 'Isle of Jura', 'Whyte & Mackay', 'Shackleton', 'Tamnavulin', 'Vladivar', 'Glayva', 'Claymore', 'John Barr' and 'Cluny' brands.

On January 19, 2017, GES acquired trademarks of well-known brands 'San Patricio', a dry Fino Sherry, and 'Espléndido' brandy. In 2017, DBLC acquired trademarks in two main geographies, Mexico and Spain. Registered in Mexico are trademarks for brandies 'Presidente', 'Don Pedro' and 'Azteca de Oro', wines and canes in Mexico and brandies in USA; and in Spain are trademarks for brandies 'Brandy Domecq' and 'Don Pedro' in Brazil and Colombia and sherry wine in Benelux. At present, GES owns 9 registered trademarks in Spain and BFSL around 850 registered trademarks, not only in Spain and Europe, but also in numerous countries worldwide.

##### MEG

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

##### Travellers

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

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

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and included WCRWI as a co-licensee and co-holder of the Provisional License and other relevant agreements.

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

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

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

It has registered trademarks over "Passion," "Gamezoo," "Remington Hotel Newport City," "Remington Hotel Manila," "Remington Inn," "Remington Hotel Manila with Chinese Characters," "Newport Performing Arts Theater," "Grand Opera House," "Grand Opera House Manila," "Fun Fiesta Jackpot," "Manila Millions Poker," "Noodle Works," "igrab everything I want," "igrab," "Impressions," "Café Maxims," "Mercado," "Remington Bar Lounge," "Bar 360," "Ginzadon," "Newport Performing Arts Theater Bar," "The Terrace," "Laff Laugh Fun," "Kami Naman ang Taya," "Kami Naman ang Taya Beautiful Concert for Typhoon Yolanda Victims," "Musikat Records," "Oak Tree Inn," "Regal Inn," "Hotel Gran Palacio," "El Castillo de Manila," "Castillo Manila," "The Grand Theatre of Manila," "Grand Theater Manila and Device," "Chill," "Grand Fiesta Manila," "R88," "Manila Bayshore Heritage Foundation, Inc.," "The World of Luck," "Franks Craft Beers Manila," "Westford Inn," "Full House Theater Company," "Victoria Harbour Cafe," "Bayshore City Resorts World," "Westside City," "Westside Theatre," "Herald Theatre," "Fortissimo Theatre," "Galaxy Theatre," "Excelsior Theatre," "Diamond Theatre," "Apollo Theatre," "Bohemia Theatre," "OPPA Original Pilipino Performing Arts," "H House Manila," "Silogue All Day Pinoy Comfort Food," "The Grand Bar and Lounge," "El Calle," "El Calle Food and Music Hall," "Newport Garden Wing," "Newport Grand Wing," "Newport Resorts Manila," "Silk Road Southeast Asian Cuisine," "Children of Newport Resorts Manila Foundation," "Resorts World Philippines Cultural Heritage Foundation," "Brain Boost Coffee Energy In A Cup," "Port Bar," "Kusina Sea Kitchens," "Freestyle Pool Bar," "Vega Pool Club," "I.C.E. Indoor Cold Experience," "Limitless," "BOLAHAN," "Eats-a-wrap," "Its-a-wrap," "Eats-Sarap," "Horizon Center," "Hua Yuan Brasserie Chinoise," "Madison Lounge & Bar," "Casa Buenas," "Buenas," "Make Each Moment Count," "Steeg," "Steeg Records," "Top Note Records," "Matsuri: Experience Japan," "Delishvery," "Delishes," "The Live On-Request Virtual Entertainment Project," "The L.O.V.E. Project," "The L.O.V.E. Stream," "Staycations 2.0," "Malling 2.0," "Staycay 2.0," "Hotels 2.0," "Gaming 2.0," "Events 2.0," "Shopping 2.0," "Thrills 2.0," "Conventions 2.0," "Casino 2.0," "Buffet 2.0," "Concerts 2.0," "Theater 2.0," "Dining 2.0," "Meetings 2.0," "Garden Wing Café," "The Exclusive Store," "Bad Ass Delicious," "Newport Beats," "Vubble," "Ktalk," "Ktalks," "Sidekick," "Unabakuna," "Jardin Garden Club," "Newport Parklet," "Good Jab," "ILOVEarth," and their related devices which will expire on various dates in 2020-2031, and are renewable thereafter.

##### GADC

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

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

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

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

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

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

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

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

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

Bodegas Fundador has a firm commitment to guarantee the transformation and care of our planet based on respect for a sustainable economy, a lasting environment and a fair society. It is aware that its raw materials come from nature and its processes can result in environmental impacts on soil, water and air. Its activities would not be feasible without the support of the environment in which it operates and therefore consider it necessary to preserve the environment for its business to be viable long term. By that, it is its main interest to take care and respect the environment as one of the pillars of its business culture.

Bodegas Fundador builds this business culture in systems of management that constitute the unifying axis from which it articulates a process of continuous improvement in key business aspects: the safety and health of employees, with the standard ISO 45001, quality of products with the standard ISO9001, and the environment with the standard ISO14001, corporate social responsibility with IQnet SR10, food safety with three of the most demanding standards in the industry, FSSC 22000, IFS and BRC food safety management systems, providing consumers assurance that our products are made under the strictest of quality controls that guarantee safety, accumulating more than 20 years of experience in these standards.

Bodegas Fundador implements its own Lean Management program, a model of management born in Japanese automation industry, whose results have been such that the model has finished transcending the barriers of this industry to other sectors of activity with equally successful outcome. Through the implementation of Lean program, it gets continuous and sustainable improvement in (among others)

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aspects such as safety and health, quality, the environment, the commitment of employees, team work or the efficiency of the processes, which synergize with other management systems mentioned above.

**MEG**

Various government approvals need to be secured as part of the normal course of business, such as Environmental Compliance Certificate, development permits, license to sell, among others.

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

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

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

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

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

**Travellers**

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

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

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

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The operation of hotels during the Community Quarantine imposed by the government is sanctioned and monitored by the Department of Tourism. RWM's hotels, Marriott Hotel Manila, Holiday Inn Express Manila Newport City, Sheraton Manila Hotel, Hilton Manila and Hotel Okura Manila, have each been granted a Certificate of Authority to Operate by the Department of Tourism.

**GADC**

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

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

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

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

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

- Reduction in income tax rate to 25% (from 30%) effective July 1, 2020 for domestic and foreign-resident corporations;
- Reduction in income tax rate to 20% for corporations with net taxable income not exceeding P5million and with total assets not exceeding P100million, excluding land where business office, plant and equipment are situated;
- Reduction in minimum corporate income tax to 1% (from 2%) from July 1, 2020 until June 30, 2023;
- Reduction in interest expense pairing to 20% (from 33%) of interest income subjected to final tax;
- Tax exemption of dividends received from foreign corporation provided that such funds are reinvested in business operations (working capital, capital expenditures, dividend payments, investment in domestic subsidiaries, infrastructure project) of the domestic corporation in the Philippines within the next taxable year, provided further that the domestic corporation directly holds at least 20% of outstanding shares of the foreign corporation for a minimum of two years at time of dividend distribution.
- The amendments to VAT-exempt sales of real properties under Section 109(1)(P) of the NIRC was vetoed by the President of the Philippines. As such, the changes to said provision from Republic Act No. 10963 or the "Tax Reform for Acceleration and Inclusion (TRAIN)" remained. Beginning January 1, 2021, the VAT exemption shall only apply to sale of real properties not primarily held for sale to customers or held for lease in the ordinary course of trade or business; sale of real property utilized for socialized housing as defined by Republic Act No. 7279, and sale of house and lot, and other residential dwellings with selling price, per Rev. Regs. No. 8-2021 issued on June 11, 2021, of not more than Php3,199,200.

**EMP**

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

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

**RA No. 10351, known as the Sin Tax Reform**

**Act of 2012**, imposed on distilled spirits a 15% ad valorem tax based on net retail price per proof plus P20.00 per proof liter for the years 2013-2014, with the ad valorem tax rate increasing to 20% thereafter while the P20.00 specific tax by 4% every year from beginning of 2016. A new law was enacted to increase excise taxes on alcohol and e-cigarettes in 2020.

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

## 1. Effective on January 1, 2020:

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

## 2. Effective on January 1, 2021:

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

## 3. Effective January 1, 2022:

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

## 4. Effective January 1, 2023

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

## 5. Effective January 1, 2024

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

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

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

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

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

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the Bureau of Internal Revenue (BIR) through a price survey. The net retail price shall be determined by the BIR through a biannual price survey under oath.

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

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

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

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

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

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

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

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

#### **Brandy de Jerez Regulations**

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

The following EU Regulations amending Regulation (EU) 2019/787 have been adopted in 2021:

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COMMISSION DELEGATED REGULATION (EU) 2021/1334 of May 27, 2021 amending Regulation (EU) 2019/787 of the European Parliament and of the Council as regards allusions to legal names of spirit drinks or geographical indications for spirit drinks in the description, presentation and labelling of other spirit drinks

COMMISSION DELEGATED REGULATION (EU) 2021/1335 of May 27, 2021 amending Regulation (EU) 2019/787 of the European Parliament and of the Council as regards the labelling of spirit drinks resulting from the combination of a spirit drink with one or more foodstuffs.

COMMISSION DELEGATED REGULATION (EU) 2021/1465 of July 6, 2021 amending Regulation (EU) 2019/787 of the European Parliament and of the Council as regards the definition of allusions to legal names of spirit drinks or geographical indications for spirit drinks and their use in the description, presentation and labelling of spirit drinks other than the spirit drinks to which allusion is made

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

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

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

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

#### **Sherry Regulations**

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

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

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

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

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**Spanish excise duty**

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

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

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

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

Finally, Royal Decree 399/2021, of June 8 amends in its First Final Provision the Regulation on Excise Duties, approved by Royal Decree 1165/1995, of July 7. The first paragraph of letter a) of section 2 and section 11 are amended, and section 12 and the last paragraph of section 13 of article 26 of the Regulation of Excise Duties, approved by Royal Decree 1165/1995 are repealed: Placement of the seals in any visible place on the container in such a way that they cannot be reused and allowing the reading of the electronic security code that they incorporate, as well as the request for the electronic cancellation of the security codes for the deactivation of tax marks.

**Amendment of the Food Chain Law**

In 2020 the Spanish Food Chain Law has been amended, in order to include the provisions of an EU Directive on unfair commercial practices in relations between companies in the agricultural and food supply chain. Among others, it requires from now onwards that the agreed price of the sale of products always covers production costs, to sign written contracts with regard to commercial transactions of more than 2,500 euros, broadens the catalog of prohibited unfair commercial practices and reinforces the sanctioning procedure.

**Scotch Whisky Regulations 2009**

In UK, the *Scotch Whisky Regulations 2009* ("SWR") came into force on November 23, 2009, replacing the Scotch Whisky Act 1988 and the Scotch Whisky Order 1990. Whereas the previous legislation had only governed the way in which Scotch Whisky must be produced, the SWR also set out rules on how Scotch Whiskies must be labelled, packaged and advertised, as well as requiring Single Malt Scotch Whisky to be bottled in Scotland, labelled for retail sale, from November 23, 2012. The SWR made clear that Scotch Whisky must be wholly matured in Scotland (i.e., it may not be matured in any country other than Scotland). They also require that all maturation must take place in an excise warehouse or in another permitted place regulated by Her Majesty's Revenue and Customs ("HMRC"). HMRC is appointed by the SWR as the competent authority for verification of Scotch Whisky.

Permitted place is defined in Regulation 4 of the SWR and includes any place to which spirits in an excise warehouse are moved for:

- Re-warehousing in another excise warehouse;
- Such temporary purposes and periods as HMRC allow;
- Scientific research and testing;
- Storage at other premises where under the Customs and Excise Acts goods of the same class or description may be kept without payment of excise duty; and

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- Such other purpose as HMRC may permit.

It is only if all maturation of Scotch Whisky takes place under some form of HMRC control that they will be able to certify that the spirit is Scotch Whisky and, if any age is claimed, that the Scotch Whisky has been matured in the permitted size of oak casks for the period claimed.

The SWR also provide that the only type of whisky that may be manufactured in Scotland is Scotch Whisky. This is to prevent the existence of two "grades" of whisky in Scotland - one "Scotch Whisky" and the other "Whisky – product of Scotland". This is to ensure protection of "Scotch Whisky" as a distinctive product.

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

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

Regulation 8 of the SWR makes it compulsory for every Scotch Whisky to bear on the front of the bottle and on any individual packaging the category to which the Scotch Whisky belongs. The category must appear as prominently as other description of the Scotch Whisky.

It an offence to promote a Scotch Whisky as belonging to a category to which it does not belong. Regulation 6 of the SWR makes it illegal to label, package, sell or advertise any drink as "Scotch Whisky" or "Scotch" in such a way to suggest indirectly that the drink is Scotch Whisky when it does not qualify as such.

Regulation 7 of the SWR also makes it illegal to export any type of Scotch Whisky in an oak or other wooden cask. It is permitted to continue to export Scotch Whisky in bulk using inert containers such as appropriate plastic drums or steel containers.

However Regulation 7 of the SWR also makes it illegal for Single Malt Scotch Whisky to be exported from Scotland other than in a bottle labelled for retail sale.

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

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

There are a range of enforcement measures available for breach of the SWR from warning notices to criminal prosecutions. Provisions are also included for civil enforcement by interested parties.



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**UK excise duty**

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

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

**USA Tariffs**

On October 18, 2019, the US began to impose additional tariffs on certain products imported from the European Union (including Spain and UK). In particular, alcoholic beverages (according to the applicable Spanish legislation in force > 1,2° and <15°) and spirits (> or equal to 15°) imported into the US had to pay an import tariff in addition to the existing ones of 25% ad valorem, that is, 25% of the value of the product declared in customs. It affected exports of the Group's products from Spain and UK.

With regard to wines, an import tariff in the US was imposed to wines with a graduation not over 14° - additional to the existing ones-of 25% ad valorem, that is, equivalent to 25% of the value of the product declared in customs. Fortified wines, such as Jerez wines, were not affected, since they all have a graduation of more than 14°.

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

The US suspended tariffs on UK goods, including Scotch whisky, for four months starting March 4, 2021. In June 2021, a UK-U.S. deal on future aerospace subsidies was agreed which suspended the 25% tariff on single malt Scotch Whisky for a further five years. If the 25% tariff were re-imposed, we expect that its impact on our financial results would be limited and we would work with our importers and distributors to minimize disruption to our business.

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

The EU and the UK signed a commercial and cooperation agreement on December 24, 2020 (the "Commercial and Cooperation Agreement"), in force on January 1, 2021, in order to regulate their relationships due to the Brexit, with regard to trade of goods and services, digital trade, intellectual property, public procurement, aviation and road transport, energy, fishing, coordination of social security, judicial cooperation and police in criminal matters, thematic cooperation and participation in European Union programs.

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

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

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

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**MEG**

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

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

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

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

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

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

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

Further, **RA No. 7279 ("Urban Development Housing Act")**, as amended by **RA No. 10884 ("Balanced Housing Development Program Amendments")**, requires developers of proposed subdivision projects to develop an area for socialized housing equivalent to at least 15% of the total subdivision area or total subdivision project cost and at least five (5%) of condominium area or project cost, at the option of the developer; within the same or adjacent regions, whenever feasible, and in accordance with the standards set by the HLURB (now DHSUD). Alternatively, the developer may opt to buy socialized housing bonds issued by various accredited government agencies or enter into joint venture arrangements with either the LGU or any of the housing agencies in socialized housing development.

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

Pursuant to the **Anti-Money Laundering Act of 2001 ("AMLA")**, as recently amended by **Republic Act No. 11521**, which took effect on January 30, 2021, real estate developers ("REDS") are now covered

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institutions. Thus, REDs are now required to report covered and suspicious transactions to the AMLC within the period prescribed by the law and its implementing rules and regulations. For REDs, a covered transaction involves a single cash transaction involving an amount in excess of Php7,500,000.00 or its equivalent in any other currency. Suspicious transactions are as defined under the AMLA and under Republic Act No. 10168 or the Terrorism Financing Prevention and Suppression Act of 2012, and their respective implementing rules and regulations. REDs are required to file with the AMLC a Covered Transaction Report ("CTR") within five (5) working days from occurrence thereof, and a Suspicious Transaction Report ("STR") within the next working day from occurrence thereof.

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

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

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

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

#### Travellers

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

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Casinos. Casinos are likewise required to conduct customer due diligence (CDD) in accordance with **PAGCOR's CDD Guidelines for Land-Based Casinos** effective November 2018.

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

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

#### GADC

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

#### Others

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

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

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

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

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

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

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

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

#### b.12. Research And Development

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

#### b.13. Compliance With Environmental Laws

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

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

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

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

#### b.14. Number Of Employees

As of December 31, 2021, the Group has a total workforce of 38,954 personnel categorized by business segment as follows:

	End-2021	Anticipated Hiring in 2022
GADC	24,871	9,405
Travellers	5,296	524
Megaworld -including Global One	3,763	
GERI	825	
Empire East	602	65
Suntrust	487	41
Emperador	3,098	
Emperador UK	568	
Emperador Spain	204	
Domecq Mexico	112	
Others	12	
<b>Total</b>	<b>38,954</b>	<b>10,035</b>

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

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

AWG has a renewed five-year collective bargaining agreement with its production employees covering the period up to January 15, 2025, while Progreen entered into a five-year collective bargaining agreement with its rank-and-file employees assigned in the Balayan production plant covering the period up to October 31, 2025. The employees also agree to follow certain grievance procedures and to refrain from strikes during the term of the agreement. WML has recognition agreements with both UNITE and GMB trade unions generally for a 3-year period. The most recent 3-year deal took effect on January 1, 2021. Bodegas Fundador together with the rest of Jerez region companies has a Collective Wage Agreement with the trade union and employees board members last November 2016 which was in force until the end of 2020. In early 2021, negotiations have begun for another agreement that will be effective for the next 4 years which is expected to be agreed in 2022.

Megaworld, EDI and WML maintain each a funded, tax-qualified, non-contributory retirement plan that is being administered by a trustee bank covering all regular full-time employees. GADC has a funded,

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defined benefit contribution retirement plan covering all regular full-time employees wherein employees are allowed to make voluntary contribution. GERI has an unfunded, non-contributory defined benefit plan covering all regular employees. Travellers is in the process of registering its non-contributory retirement plan with the Bureau of Internal Revenue. The rest in the Group have no established corporate retirement plans. (See Note 28.2 to the Consolidated Financial Statements)

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

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

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

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

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

The major risks that the present business faces include:

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

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

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

In 2017, casino operators have been included in the coverage of the Anti-Money Laundering Act ("AMLA"). Any violation of the AMLA, as amended, which designated casinos as covered persons or the Casino Implementing Rules and Regulations may result to the imposition of penalties and could have an adverse effect on Travellers' reputation. In 2021, real estate developers became covered institutions under the AMLA. They are required to report covered and suspicious transactions to the AMLC within the period prescribed by the law and its implementing rules and regulations. A 'covered' transaction involves a single cash transaction involving an amount in excess of P7.5 million or its equivalent in any other currency. 'Suspicious' transactions are as defined under the AMLA and under Republic Act No. 10168 or the Terrorism Financing Prevention and Suppression Act of 2012, and their respective implementing rules and regulations.

Travellers and the Megaworld group have taken appropriate steps to fully comply with the law. Internal control policies and procedures, employee training, and compliance programs are also continuously being implemented

4. *Supply of raw materials and packaging materials.* Materials used in production demand high quality and specialty. The raw materials that GADC and EMP Group use, such as distilled neutral spirit, brandy distillates, chicken, beef and paper, are largely commodities and are subject to price volatility caused by changes in supply and demand, weather conditions, fuel costs for transportation and production, agricultural uncertainty and government controls. Megaworld, GERI and Travellers source construction materials such as lumber, steel and cement for its ongoing projects, and may also experience shortages or increases in prices. Rising price changes will result in unexpected increases in production or construction costs and decreases in gross margins if such increased costs cannot be passed on to consumers or buyers. If these costs are passed on, any increase in prices could materially affect demand for and the relative affordability of such products. Purchasing, therefore, keeps posted about supply sufficiency in the market and always looks out for new potential sources.
5. *Consumer tastes, trends and preferences.* Consumer preferences may shift due to a variety of factors, including changes in demographic and social trends, leisure activity patterns and a downturn in economic conditions, which may reduce customers' willingness to purchase premium branded products or properties. In addition, concerns about health effects due to negative publicity regarding alcohol or fast food consumption, negative dietary effects, project location, regulatory action or any litigation or customer complaint against companies in the industry may have an adverse effect on results of operations. Any significant changes in consumer preferences and failure to anticipate and react to such changes could result in reduced demand for consumer products or projects and erosion of its competitive and financial position. Likewise, the launch and ongoing success of new products is uncertain as is their appeal to customers. Product innovation and responsiveness to changing consumer tastes and trends, therefore, have been important aspects of the Group's ability to sell their products.
6. *Competition.* Each of the Company's primary business operations is subject to intense competition. Some competitors may have substantially greater financial and other resources than EMP, MEG, GERI, Travellers or GADC, which may allow them to undertake more aggressive marketing and to react more quickly and effectively to changes in the markets and in consumer preferences. In addition, the entry of new competitors into any of the Company's primary business segments may reduce the Company's sales and profit margins. Product innovation and premiumization have been the Group's key response to competition.
7. *Interests of joint development partners.* Megaworld and GERI obtain a significant portion of its land bank through joint development agreements with landowners, as part of its overall land acquisition

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strategy and intends to continue to do so. A joint venture involves special risks where the venture partner may have economic or business interests or goals inconsistent with or different from those of the Group.

8. *Global economic, political, and social environment.* Portion of the Group's revenue comes primarily from foreign countries. Any global economic disruption or contractions could impact the number of foreign customers who visit our property or the amount of which they may be willing to spend. Changes brought about by fears of war and future acts of terrorism may severely disrupt international travel, reduce demand for luxury amenities and leisure activities and may have significant impact in our operational results. Demand for hotel, trade shows, conventions, and other entertainment activities that the Group offers are sensitive to swings in the global economy, which impacts discretionary spending

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

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

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

**2. PRINCIPAL PROPERTIES**

The following are the principal properties owned or leased by the Group, including those reserved for future developments as of December 31, 2021:

Description	Location	Owned/Limitations on Ownership
<b>Lots &amp; Facilities</b>		
Brandy manufacturing facility	Santa Rosa, Laguna	Owned
Brandy manufacturing facility-Annex	Biñan, Laguna	Owned
Land	Biñan, Laguna	Owned
Land	Centro Baybay, Legazpi	Owned
Land	Davao City	Owned
Land	Tanza, Cavite	Owned
Land	Mandaue, Cebu	Owned
Land	Mandurriao, Iloilo City	Owned
Alcohol distillery plants	Nasugbu and Balayan, Batangas	Owned
Glass manufacturing plant	Canlubang Industrial Estate, Calamba, Laguna	Owned
Warehouse Town – a warehouse complex	Caloocan City	Owned
Vineyard estates	Spain	Owned
Bottling centers, wineries, Complex, distillery, warehouses	Spain	Owned
Industrial facilities	Spain	Owned by Joint venture
Real estate properties	Spain	Owned
Malt distilleries (4), grain distillery (1)	Scotland, UK	Owned

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Description	Location	Owned/Limitations on Ownership
Bottling facility	Scotland, UK	Leased
Warehouses	Scotland, UK	Owned; leased
Winery	Mexico	Owned
Several parcels for McDonald's use	Various locations	Owned
Lot – Citiwood Heights	EDSA, Quezon City	Owned
<b>Condominium Units and Subdivision Lots Under Development – Megaworld</b>		
Uptown Parksuites Residence	Fort Bonifacio, Taguig City	Joint Venture
The Albany Luxury Residences- Kingsley	McKinley West, Fort Bonifacio	Joint Venture
One Eastwood Avenue 2	Eastwood City, Quezon City	Owned
Lafayette Park Square	Iloilo City	Owned
The Palladium	Iloilo City	Owned
The Ellis	Makati City	Owned
Eastwood Global Plaza Luxury Residence	Eastwood, Quezon City	Owned
San Antonio Residences East and West	Gil Puyat Ave., Makati City	Owned
Forbes Hill	Northhill Gateway, Bacolod	Joint Venture
Saint Dominique	Iloilo City	Owned
Saint Honore	Iloilo City	Owned
Maple Grove Commercial District	General Trias, Cavite	Joint Venture
Vion Tower	Pasong Tamo, Makati City	Joint Venture
La Victoria Global Residences	Mactan Newtown, Cebu	Owned
One Regis	The Upper East, Bacolod City	Owned
Park McKinley West	McKinley West, Fort Bonifacio	Joint Venture
Uptown Arts	Uptown Bonifacio, Taguig	Joint Venture
18 Avenue de Triomphe	Arcovia City, Pasig City	Owned
The Verdin at Maple Grove	General Trias, Cavite	Owned
Two Regis	The Upper East, Bacolod City	Owned
Manhattan Plaza Tower 2	Quezon City	Joint Venture
St. Mark Residences	McKinley Hill	Owned
The Albany Luxury Residences- Yorkshire	McKinley Hill	Joint Venture
Arcovia Palazzo-Altea	Arcovia City, Pasig City	Owned
Arcovia Palazzo-Benissa	Arcovia City, Pasig City	Owned
Arcovia Palazzo- Cantabria	Arcovia City, Pasig City	Owned
Arden Botanical Village	Trece Martires City	Joint Venture
Kingsquare Residence	Sta. Cruz, Manila	Owned
La Cassia Residences	General Trias, Cavite	Owned
The Pinnacle	Iloilo City	Owned
The Pearl Global Residences	Mactan Newtown, Cebu	Owned
One Manhattan	The Upper East, Bacolod City	Owned
<b>Condominium Units in Completed Projects– Megaworld</b>		
	Makati City	Owned
	Makati City	Owned
One Central	Makati City	Owned
Greenbelt Madison	Makati City	Owned
Greenbelt Chancellor	Makati City	Joint Venture
Greenbelt Radisson	Makati City	Owned
Greenbelt Excelsior	Makati City	Owned
Greenbelt Hamilton 1 & 2	Makati City	Owned
Paseo Parkview Suites 1,2	Makati City	Owned
Two Central	Makati City	Owned
Paseo Heights	Makati City	Joint Venture
Three Central	McKinley Hill	Owned
The Manhattan Square	McKinley Hill	Joint Venture
Viceroy 1-4	McKinley Hill	Joint Venture
115 Upper McKinley	McKinley Hill	Joint Venture
McKinley Hill Garden Villas	McKinley Hill	Owned
Tuscany Private Estate	McKinley Hill	Owned
Stamford Executive Residences		
Morgan Suites Executive Residences	McKinley Hill	Owned
The Venice Luxury Residences - Alessandro	McKinley Hill	Owned
The Venice Luxury Residences – Bellini	McKinley Hill	Owned

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Description	Location	Owned/Limitations on Ownership
The Venice Luxury Residences – Carusso	McKinley Hill	Owned
The Venice Luxury Residences – Domenico	Fort Bonifacio	Joint Venture
The Venice Luxury Residences – Emanuele	Fort Bonifacio	Joint Venture
The Bellagio 1,2,3	Fort Bonifacio	Joint Venture
Forbeswood Heights	Mactan Newtown, Cebu City	Owned
Forbeswood Parklane 1 & 2	Mactan Newtown, Cebu City	Owned
8 Forbestown Road	Newport City	Joint Venture
One Uptown Residence	Newport City	Joint Venture
8 Newtown Boulevard	Newport City	Joint Venture
One Pacific Residence	Newport City	Joint Venture
150 Newport Boulevard	Eastwood City	Owned
The Parkside Villas	Eastwood City	Owned
The Residential Resort at Newport	Newport, Pasay City	Joint Venture
Palm Tree Villas -1 & 2	Newport, Pasay City	Joint Venture
Eastwood Le Grand 1 - 3	Eastwood City, Quezon City	Owned
Eastwood Parkview 1 & 2	Eastwood City	Owned
81 Newport Boulevard	Eastwood City	Owned
101 Newport Boulevard	Eastwood City	Owned
One Eastwood Avenue 1	Eastwood City	Owned
Grand Eastwood Palazzo	Eastwood City	Owned
One Central Park	Makati City	Owned
One Orchard Road 1 - 3	Makati City	Owned
The Eastwood Excelsior	Manila City	Owned
The Eastwood Lafayette 1,2,3	San Juan City	Joint Venture
One Lafayette Square	Quezon City	Owned
Two Lafayette Square	Quezon City	Joint Venture
Marina Square Suites	Quezon City	Joint Venture
Greenhills Heights	Quezon City	Joint Venture
Golfhill Gardens	Quezon City	Joint Venture
Manhattan Parkway 1-3	Old Balara, Quezon City	Joint Venture
Manhattan Heights Tower A - D	Cubao, Quezon City	Owned
Manhattan Parkview 1-3	Cubao, Quezon City	Owned
Manhattan Parkview Garden	McKinley West, Taguig City	Joint Venture
Golf Hills Terraces	Mactan Newtown, Cebu City	Owned
Kentwood Heights		
Narra Heights		
McKinley West Subdivision		
Savoy Hotel Mactan Newtown		
El Jardin Del Presidente 1,2	Quezon City	Owned
8 Wack Wack Road	Mandaluyong City	Owned
Wack Wack Heights	Mandaluyong City	Owned
Cityplace Binondo A&B	Manila City	Owned
One Beverly Place	San Juan	Joint Venture
Iloilo Boutique Hotel	Iloilo City	Owned
One Madison Place 1-3	Iloilo City	Owned
The Venice Luxury Residences - Fiorenzo	Fort Bonifacio	Owned
Greenbelt Parkplace	Makati City	Owned
Belmont Luxury Hotel	Newport, Pasay City	Joint Venture
Savoy Hotel	Newport, Pasay City	Joint Venture
Brentwood Heights	Parañaque City	Owned
Sherwood Heights	Parañaque City	Owned
Uptown Ritz Residence	Fort Bonifacio, Taguig City	Joint Venture
St. Moritz Private Estate 1 & 2	McKinley West, Fort Bonifacio	Joint Venture
Manhattan Plaza Tower 1	Quezon City	Joint Venture
One Macheser Place 1 & 2	Mactan Newtown, Cebu	Owned
Salcedo SkySuites	Makati City	Owned
Noble Place	Binondo, Manila City	Joint Venture
The Florence 1-3	McKinley Hill	Owned
Rental Properties - Megaworld <sup>(1)</sup>		
Paseo Center	Makati City	Owned

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Description	Location	Owned/Limitations on Ownership
The World Centre	Makati City	Owned
California Garden Square Retail	Mandaluyong City	Owned
City Place Retail Mall	Manila City	Owned
Lucky Chinatown Mall	Manila City	Owned
One Beverly Place Retail	San Juan	Owned
Corinthian Hills Retail	Quezon City	Owned
Global One	Eastwood City	Owned
Techno Plaza 1	Eastwood City	Owned
Techno Plaza 2 Units	Eastwood City	Joint Venture
1800 Eastwood Avenue	Eastwood City	Owned
1880 Eastwood Avenue	Eastwood City	Owned
Cyber One Units	Eastwood City	Owned
IBM Plaza	Eastwood City	Owned
ICITE	Eastwood City	Owned
Eastwood Citywalk	Eastwood City	Owned
Eastwood Mall	Eastwood City	Owned
Cyber Mall	Eastwood City	Owned
E-Commerce Plaza	Eastwood City	Owned
Eastwood Global Plaza Corporate Center	Eastwood City	Owned
Commerce and Industry Plaza	McKinley Hill	Ground Lease
One Campus Place	McKinley Hill	Ground Lease
8 Campus Place	McKinley Hill	Ground Lease
8 Upper McKinley	McKinley Hill	Owned
Science Hub Towers	McKinley Hill	Ground Lease
The Venice Piazza	McKinley Hill	Ground Lease
Three World Square	McKinley Hill	Owned
Two World Square	McKinley Hill	Owned
One World Square	McKinley Hill	Owned
McKinley Parking building	McKinley Hill	Owned
Venice Corporate Center	McKinley Hill	Ground Lease
The Venice Canal Mall	McKinley Hill	Ground Lease
Woodridge Residences	McKinley Hill	Joint Venture
Tuscany Retail	McKinley Hill	Joint Venture
Southeast Asian Campus	McKinley Hill	Ground Lease
Burgos Circle	Fort Bonifacio, Taguig City	Joint Venture
Uptown Parade	Uptown Bonifacio, Taguig City	Joint Venture
Uptown Place Mall	Uptown Bonifacio, Taguig City	Joint Venture
One World Center	Mactan Newtown, Cebu	Owned
Two World Center	Mactan Newtown, Cebu	Owned
Richmond Tower	Iloilo Business Park, Iloilo City	Owned
One Global Center	Iloilo Business Park, Iloilo City	Owned
Emperador Steel Parking Building	Fort Bonifacio, Taguig City	Ground Lease
Uptown Place Towers	Uptown Bonifacio, Taguig City	Joint Venture
8 Newtown Boulevard	Mactan Newtown, Cebu	Owned
One Techno Place	Iloilo Business Park, Iloilo City	Owned
Two Global Center	Iloilo Business Park, Iloilo City	Owned
Festive Walk Mall Annex	Iloilo Business Park, Iloilo City	Owned
Festive Walk Office Tower	Iloilo Business Park, Iloilo City	Owned
Festive Walk Mall	Iloilo Business Park, Iloilo City	Owned
Festive Walk Parade 2B	Iloilo Business Park, Iloilo City	Owned
Mactan Alfresco	Mactan Newtown, Cebu	Owned
Tower One Plaza Magellan	Mactan Newtown, Cebu	Owned
McKinley Hill (Phase 3) Lots	McKinley Hill	Ground Lease
One West Campus	McKinley West, Taguig City	Joint Venture
Two West Campus	McKinley West, Taguig City	Joint Venture
Three West Campus	McKinley West, Taguig City	Joint Venture
Five West Campus	McKinley West, Taguig City	Joint Venture
Six West Campus	McKinley West, Taguig City	Joint Venture
Eight West Campus	McKinley West, Taguig City	Joint Venture
Ten West Campus	McKinley West, Taguig City	Joint Venture
McKinley West Steel Deck Parking	McKinley West, Taguig City	Joint Venture
331 Building	Makati City	Owned
Three Techno Place	Iloilo Business Park, Iloilo City	Owned
81 Newport Square	Newport City, Pasay City	Joint Venture
Davao Finance Center	Davao Park District, Davao City	Owned
Arcovia Parade Retail 1 & 2	Arcovia City, Pasig City	Owned

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Description	Location	Owned/Limitations on Ownership
Two Techno Place	Iloilo Business Park, Iloilo City	Owned
Pacific World Tower	Mactan Newtown, Cebu	Owned
The Newtown School of Excellence	Mactan Newtown, Cebu	Owned
World Commerce Place 1-3	Uptown Bonifacio, Taguig City	Joint Venture
One Fintech Place	Iloilo City	Owned
Two Fintech Place	Iloilo City	Owned
One Le Grand Tower	McKinley West, Taguig City	Joint Venture
<b>Hotels</b>		
The Richmond Hotel <sup>(2)</sup>	Mandaluyong City	Owned
Eastwood Richmode Hotel <sup>(2)</sup>	Quezon City	Owned
Belmont Luxury Hotel	Newport City, Pasay City	Joint Venture
Richmode Hotel Iloilo	Iloilo Business Park, Iloilo City	Owned
Hotel Lucky Chinatown	Manila City	Owned
<b>Condotels under development</b>		
Belmont Hotel Mactan Newtown	Mactan Newtown, Cebu	Owned
Belmont Hotel Iloilo	Iloilo Business Park, Iloilo City	Owned
<b>Completed Projects – Empire East</b>		
Little Baguio Gardens	San Juan, Metro Manila	Owned
Laguna BelAir 1 and 2	Don Jose, Sta. Rosa, Laguna	Joint Venture
Governors Place	Mandaluyong City	Joint Venture
Gilmore Heights	Gilmore Ave. cor N.Domingo, Quezon City	Joint Venture
Kingswood Tower	Makati City	Joint Venture
San Francisco Gardens	Mandaluyong City	Joint Venture
Greenhills Garden Square	Santolan Road, Quezon City	Owned
Central Business Park	Manggahan, Pasig City	Owned
Xavier Hills	Quezon City	Joint Venture
California Garden Square	DM Guevarra Mandaluyong City	Owned
Laguna BelAir 3	Biñan, Laguna	Owned
Laguna BelAir 4	Sta. Rosa Ciy	Owned
San Lorenzo Place	Makati City	Joint Venture
The Sonoma	Sta. Rosa City	Joint Venture
The Cambridge Village	Cainta, Rizal	Owned
Little Baguio Terraces	San Juan, Metro Manila	Joint Venture
<b>Ongoing Projects- Empire East</b>		
Pioneer Woodlands	Mandaluyong City	Joint Venture
The Paddington Place	Mandaluyong City	Owned
The Rochester	Pasig City	Owned
Covent Gardens	Sta. Mesa, Manila	Owned
Kasara Urban Resort Residences	Eagle St., Pasig City	Owned
Southpoint Science Park	Gimalas, Balayan, Batangas	Owned
Mango Tree Residences	San Juan City	Owned
<b>Subdivisions, condominiums, condotels, townhouses and leisure development projects - GERI:</b>		
8 Sto. Domingo Place	Quezon City	Joint Venture
Caliraya Springs	Cavinti, Laguna	Joint Venture
Cathedral Heights	Quezon City	Joint Venture
Capitol Plaza	Quezon City	Co-development
Fairways & Bluewater	Boracay, Aklan	Owned
Eastland Heights (Forest Hills)	Antipolo City	Joint Venture
Goldridge Estate	Guiguinto, Bulacan	Joint Venture
Holiday Homes	Gen. Trias, Cavite	Joint Venture
Lakefront Esplanade	Cavinti, Laguna	Joint Venture
Magnificat Executive Village	Lipa, Batangas	Joint Venture
Mango Orchard Plantation	Naic, Cavite	Joint Venture
Manila Southwoods	Carmona & GMA Cavite	Joint Venture
Monte Cielo De Naga	Naga City	Joint Venture
Monte Cielo De Peñafrancia	Naga City	Joint Venture
Mountain Meadows	Cagayan De Oro	Joint Venture

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Description	Location	Owned/Limitations on Ownership
Newcoast Village	Malay, Aklan	Owned
Newcoast Shophouse District	Malay, Aklan	Joint Venture
Newcoast Boutique Hotel	Malay, Aklan	Joint Venture
Newport Hills	Lian, Batangas	Joint Venture
Nasugbu Harbour Town	Nasugbu, Batangas	Joint Venture
Northpointe	Baguio City	Joint Venture
Pahara at Southwoods	GMA, Cavite	Joint Venture
Palacio Real	Calamba, Laguna	Joint Venture
Palmeridge Point	Talisay, Batangas	Joint Venture
Parco Bello	Muntinlupa City	Joint Venture
Alabang West	Las Piñas City	Joint Venture
Plaridel Heights	Plaridel, Bulacan	Joint Venture
Puerto Del Mar	Lucena City	Joint Venture
Residencia Lipa	Lipa, Batangas	Joint Venture
Riverina	San Pablo City	Joint Venture
Savoy Hotel Boracay	Malay, Aklan	Owned
Sta. Barbara Heights Residential Estate	Sta. Barbara, Iloilo	Joint Venture
Sta. Barbara Heights Shophouse District	Sta. Barbara, Iloilo	Joint Venture
Domaine Le Jardin	Laurel, Batangas	Owned
Tierra Vista	Lipa, Batangas	Joint Venture
Windsor Heights	Tagaytay	Joint Venture
Vineyard Residences	Laurel, Batangas	Owned
Villa Maria*	Fairways&Bluewater,Boracay	Owned
Villa Margarita*	Fairways&Bluewater,Boracay	Owned
Villa Michaela*	Fairways&Bluewater,Boracay	Owned
Villa Lucia*	Fairways&Bluewater,Boracay	Owned
Villa Catalina*	Fairways&Bluewater,Boracay	Owned
Villa Vittoria*	Fairways&Bluewater,Boracay	Owned
Villa Muligan*	Fairways&Bluewater,Boracay	Owned
Holland Park	Biñan, Laguna	Joint Venture
Tulip Gardens	Biñan, Laguna	Joint Venture
Oceanway Residences	Malay, Aklan	Owned
Belmont Hotel Boracay*	Malay, Aklan	Owned
Chancellor Hotel Boracay*	Malay, Aklan	Owned
Ocean Garden Villas	Malay, Aklan	Owned
Lucerne at Domaine Le Jardin	Laurel, Batangas	Owned
The Belvedere	Laurel, Batangas	Owned
Vineyard Manor	Laurel, Batangas	Owned
Twin Lakes Hotel*	Laurel, Batangas	Owned
The Hamptons Village	Cavinti, Laguna	Joint Venture
The Fifth	Pasig City	Joint Venture
The Lindgren at Arden Botanical Estate	Trece Martires City, Cavite	Joint Venture
The Upland Estates	GMA, Cavite	Joint Venture
Buena Vista Hills Ph2, 2A, 3	Tagaytay	Joint Venture
Puerto Real de Iloilo Ph2&3	La Paz, Iloilo	Joint Venture
<b>Rental Properties- GERI</b>		
Southwoods Mall	Biñan, Laguna	Owned
Southwoods Office Towers	Biñan, Laguna	Owned
Twin Lakes Shopping Village	Laurel, Batangas	Owned
Renaissance 1000 (Office Tower)	Pasig City	Owned
Alabang West Parade	Las Piñas City	Owned
<b>Hotels under Travellers</b>		
Marriott Hotel Manila	Newport City	Owned
Former Maxims Hotel, currently closed	Newport City	Owned
Holiday Inn Express Manila Newport City	Newport City	Owned
Hilton Manila	Newport City	Owned
Sheraton Manila Hotel	Newport City	Owned
Hotel Okura Manila	Newport City	Owned
Courtyard by Marriott Iloilo	Iloilo City	Owned

Notes:  
<sup>(1)</sup> Lease terms and rental rates vary depending on the property and the lessee.

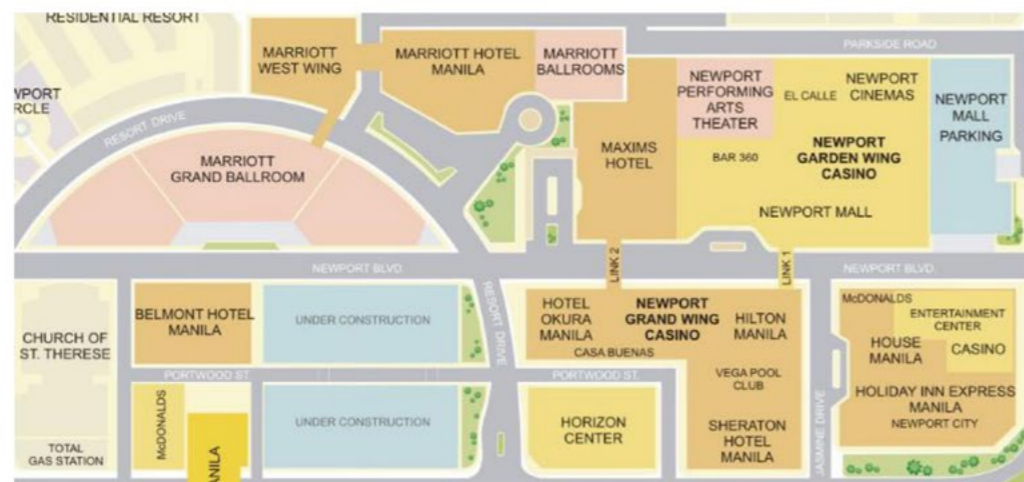
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(2) The Richmond Hotel and Eastwood Richmond Hotel are operated by a subsidiary of Megaworld.  
\* Hotel operations under GERI.

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

The following site map details the principal properties owned or leased by Travellers, including those reserved for future developments as of December 31, 2021.



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

### 3. LEGAL PROCEEDINGS

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

### 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

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

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## PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

#### a. Market Information

The Company's common shares are traded on the Philippine Stock Exchange under the symbol of AGI. The closing price of the said shares on March 31, 2022 is P12.5200. 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	11.5	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: PSE Research Dept.)

#### b. Shareholders

As of March 31, 2022, the Company has 1,201 stockholders, including nominees, holding 9,465,964,879 common shares and the Top Twenty Stockholders were as follows:

Rank	Stockholder	No. of Shares Held	Per Cent to Total
1	The Andresons Group, Incorporated	4,693,783,694	49.586
2	PCD Nominee Corporation (Non-Filipino) <sup>1</sup>	1,544,581,253	16.317
3	PCD Nominee Corporation (Filipino)	1,519,593,312	16.053
4	Altavision Resources, Inc.	887,678,334	9.378
5	Yorkshire Holdings, Inc.	255,773,508	2.702
6	Asiagroup Holdings, Inc.	220,004,000	2.324
7	California Orchard Growers Investments, Inc.	120,000,000	1.268
8	Eastwood Property Holdings, Inc.	112,600,000	1.190
9	Andrew L. Tan	63,684,350	0.673
10	Andresons Global, Inc.	30,088,596	0.318
11	Megaworld Cebu Properties, Inc.	10,000,000	0.106
12	Kingson Uy Siok Sian	5,001,100	0.053
13	Lucio W. Yan &/or Clara Y. Yan	1,000,000	0.011
14	First Centro, Inc.	364,200	0.004
15	Jianhua Su	202,500	0.002
16	American Wire & Cable Co., Inc.	200,000	0.002
17	Ramon Garcia	100,000	0.001
18	Rupesh S. Narvekar	100,000	0.001
19	Sang Won Lee	52,500	0.001
20	Pacifico B. Tacub	46,000	0.000

Please refer to Item 11 on page 91 for stockholders holding 5% or more.

<sup>1</sup>PCD Nominee Corporations (Non-Filipino and Filipino) is comprised of several nominees and the participants with 5% or more are indicated in Security Ownership on page 91.

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

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



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

On December 1, 2020, the Company declared cash dividends of Php0.05 per share payable on January 6, 2021 to all stockholders of record as of December 15, 2020. On December 1, 2021, the Company declared cash dividends of Php0.07 per share payable on January 12, 2022 to all stockholders of record as of December 17, 2021.

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

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

## 6. MANAGEMENT'S DISCUSSION AND ANALYSIS

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
<b>REVENUES</b>	<b>152,793</b>	<b>128,790</b>	<b>179,989</b>	<b>156,775</b>	<b>18.6%</b>	<b>(28.4%)</b>	<b>14.8%</b>
<b>NET PROFIT ["NP"]</b>	<b>23,789</b>	<b>10,260</b>	<b>27,100</b>	<b>23,665</b>	<b>131.9%</b>	<b>(62.1%)</b>	<b>14.5%</b>
<b>NET PROFIT TO OWNERS ["NPO"]</b>	<b>16,944</b>	<b>8,829</b>	<b>17,722</b>	<b>15,114</b>	<b>91.9%</b>	<b>(50.2%)</b>	<b>17.3%</b>
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%
<b>Current ratio</b>	<b>2.04x</b>	<b>2.03x</b>	<b>2.30x</b>	<b>2.95x</b>			
<b>Quick ratio</b>	<b>0.98x</b>	<b>0.94x</b>	<b>1.05x</b>	<b>1.28x</b>			
	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%
<b>Interest coverage rate</b>	<b>4.88</b>	<b>3.18</b>	<b>6.70</b>	<b>8.78</b>			

- 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 Operations

##### 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

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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.

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

In Million Pesos	2021	2020	2019	2018	YoY % 2021	YoY % 2020	YoY % 2019
<b>REVENUES AND INCOME</b>							
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%
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%
<b>TOTAL</b>	<b>152,793</b>	<b>128,790</b>	<b>179,989</b>	<b>156,775</b>	<b>18.6%</b>	<b>(28.4%)</b>	<b>14.8%</b>
<b>COST AND EXPENSES</b>							
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%
<b>TOTAL</b>	<b>124,717</b>	<b>113,884</b>	<b>144,119</b>	<b>125,002</b>	<b>9.5%</b>	<b>(21.0%)</b>	<b>15.3%</b>
<b>TAX EXPENSE</b>	<b>4,287</b>	<b>4,646</b>	<b>8,770</b>	<b>8,108</b>	<b>(7.7%)</b>	<b>(47.0%)</b>	<b>8.2%</b>
<b>NET PROFIT</b>	<b>23,789</b>	<b>10,260</b>	<b>27,100</b>	<b>23,665</b>	<b>131.9%</b>	<b>(62.1%)</b>	<b>14.5%</b>
<b>NET PROFIT TO OWNERS</b>	<b>16,944</b>	<b>8,829</b>	<b>17,722</b>	<b>15,114</b>	<b>91.9%</b>	<b>(50.2%)</b>	<b>17.3%</b>

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

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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 Coasttown. 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 5<sup>th</sup> largest producer of Scotch whisky in the world by capacity (Source: Scotch Whisky Industry Review, 2020), performed better in 2021 amidst a still volatile environment<sup>3</sup>, 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

<sup>3</sup> 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.

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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.

**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.

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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 easing 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, 2020, 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")<sup>4</sup> 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

<sup>4</sup> 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.

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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, 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 5<sup>th</sup> 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

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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 'Tarnavulin' 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

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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 28times 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.

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**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 5<sup>th</sup> largest producer of Scotch whisky in the world by capacity (*Source: Scotch Whisky Industry Review, 2020*), 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.

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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

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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

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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

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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'

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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.

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#### 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 5 times 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.



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**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.

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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
<b>Total Available</b>	<b>96,212</b>	<b>79,883</b>	<b>63,732</b>
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
<b>Total Debt</b>	<b>215,395</b>	<b>217,644</b>	<b>209,057</b>
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.

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

## 7. FINANCIAL STATEMENTS

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

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

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

## 8. INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATERS

### a. External Audit Fees And Services

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

Punongbayan & Araullo ("P&A") has been appointed as the principal auditors since 2003. In compliance with 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 2017-2021 is Mr. Romualdo V. Murcia III.

The fees, excluding out-of-pocket expenses and vat, for each of the last two fiscal years totaled P2.85 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.

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

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

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

All the above services have been approved by the Audit Committee through the internal policies and procedures of approval. The Audit Committee is composed of 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.

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

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

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## PART III - CONTROL AND COMPENSATION INFORMATION

### 9. DIRECTORS AND EXECUTIVE OFFICERS

#### a. Directors And Executive Officers

Directors are elected annually by the stockholders to serve until the election and qualification of their successors. All of the directors, including two independent directors, Messrs. Sergio Ortiz-Luis, Jr. and Jesli A. Lapus, were elected in the last annual stockholders' meeting on June 17, 2021.

The table below sets forth each member of the Company's Board as of March 31, 2022:

Name	Age	Citizenship	Position
Andrew L. Tan	72	Filipino	Chairman
Kevin Andrew L. Tan	42	Filipino	Vice-Chairman
Kingson U. Sian	60	Filipino	Director
Katherine L. Tan	70	Filipino	Director
Winston S. Co	64	Filipino	Director
Sergio R. Ortiz-Luis, Jr.	78	Filipino	Independent Director
Jesli A. Lapus	72	Filipino	Independent Director

The table below sets forth the Company's executive officers as of March 31, 2022.

Name	Age	Citizenship	Position
Kevin Andrew L. Tan	42	Filipino	Chief Executive Officer
Katherine L. Tan	70	Filipino	Treasurer
Kingson U. Sian	60	Filipino	President
Dina D.R. Inting	62	Filipino	Chief Financial Officer
Alan B. Quintana	53	Filipino	Corporate Secretary
Neilleen S. Baxa	43	Filipino	Assistant Corporate Secretary

#### Andrew L. Tan Chairman of the Board

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

Listed Company	Position	Date First Elected	Date Last Elected	No. of Term/ Years
Emperador Inc.	Chairman	Aug 2013	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., Richmond 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,

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

Listed Company	Position	Date First Elected	Date Last Elected	No. of Term/
Emperador Inc.	Director	Oct 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	Nov 2018	June 2021	3
MREIT, Inc.	President and CEO	Oct 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 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

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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 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
	Treasurer	Aug 1989	June 1995	6
MREIT, Inc.	Director	May 2021	May 2021	

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

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

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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 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 Tiyana 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.

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**Dina D.R. Inting**  
**Chief Financial Officer**

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

Listed Company	Position	Date First Elected	Date Last Elected	No. of Terms/ Years
Emperador Inc.	Chief Financial Officer, Compliance Officer and Corporate Information Officer	Aug 2013	May 2021	8

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

**Alan B. Quintana**  
**Corporate Secretary**

Mr. Quintana has served as the Corporate Secretary since April 16, 2019. He is currently First Vice President for Legal – Landbank Management and Titling Department of Global-Estate Resorts, Inc. ("GERI") since May 2018 and has been with GERI since 2011. He is 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. He is the Corporate Secretary of Boracay Newcoast Resorts, Inc., and Infracorp Development, Inc. Prior to GERI, he worked as Corporate Legal Counsel of Fil-Estate Properties, Inc. from 1995-2011. He has a degree in Bachelor of Science in Commerce Major in Accounting from the University of San Carlos and obtained his Bachelor of Laws degree from the San Beda College of Law.

**Nelileen S. Baxa**  
**Assistant Corporate Secretary**

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

Listed Company	Position	Date First Elected	Date Last Elected	No. of Terms/
Suntrust Home Developers, Inc.	Corporate Secretary and Corporate Information Officer	Oct 2020	Oct 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. and Oceanic Realty Group International, Inc. Ms. Baxa obtained her Bachelor's Degree in Accountancy from the University of Santo Tomas.

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**b. Significant Employees**

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

**c. Family Relationships**

1. Chairman Andrew L. Tan is married to Treasurer/Director Katherine L. Tan;
2. Kevin Andrew L. Tan, their son, is the CEO and Vice Chairman of the Company. He is also the EVP and Chief Strategy Officer of MEG 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.

**d. Involvement in Legal Proceedings**

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

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

**10. EXECUTIVE COMPENSATION****a. Executive Compensation***Name and Principal Position*

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

The officers receive fixed salary on a monthly basis from the respective subsidiaries or businesses they principally handle. Hence, for years 2021, 2020, and 2019, 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.

**b. Compensation of Directors**

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

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

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

**d. Warrants and Options**

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

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

On April 22, 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.

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**11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT****(1) Security Ownership of Record and Beneficial Owners owning more than 5% of the Company's outstanding common stock as of March 31, 2022:**

(2)

Title of Class	Name and Address of Record Owner & Relationship w/ Issuer	Name of Beneficial Owner & Relationship w/ Record Owner	Citizenship	No. of Shares	Percent Owned
Common	THE ANDRESONS GROUP, INCORPORATED 7/F 1880 Eastwood Avenue, Eastwood City Bagumbayan, Quezon City. <sup>6</sup>	THE ANDRESONS GROUP, INCORPORATED (TAGI)	Filipino	4,693,783,694	49.586
Common	YORKSHIRE HOLDINGS, INC. 18 <sup>th</sup> Floor Alliance Global Tower 26 <sup>th</sup> Street cor. 11 <sup>th</sup> Avenue, Uptown Bonifacio, Taguig City <sup>7</sup>	YORKSHIRE HOLDINGS, INC. (YHI)	Filipino	1,363,455,842	14.404
Common	PCD NOMINEE CORPORATION (NON-FILIPINO) 29th Floor, BDO Equitable Tower 8751 Paseo de Roxas, Makati City 1226	THE HONGKONG AND SHANGHAI CORP. LTD. – CLIENTS' ACCT. (Non-Filipino)	Non-Filipino	816,063,251	8.621
Common	PCD NOMINEE CORPORATION (NON-FILIPINO) 29th Floor, BDO Equitable Tower 8751 Paseo de Roxas, Makati City 1226	STANDARD CHARTERED BANK	Non-Filipino	573,875,016	6.063
Common	PCD NOMINEE CORPORATION (FILIPINO) 29th Floor, BDO Equitable Tower 8751 Paseo de Roxas, Makati City 1226	CITIBANK N.A.	Filipino	543,820,801	5.745

**(2) Security Ownership of Management as of March 31, 2022:**

Title	Name of Beneficial Owner	Citizenship	Amount	Percent
Common	Andrew L. Tan (Chairman of the Board)	Filipino	63,684,350	0.673%
Common	Sergio R. Ortiz-Luis, Jr. (Director)	Filipino	1	0.000%
Common	Winston S. Co (Director)	Filipino	2,728	0.000%
Common	Kingson U. Sian (Director)	Filipino	5,001,100	0.053%
Common	Katherine L. Tan (Director)	Filipino	1	0.000%
Common	Jesli A. Lapus (Director)	Filipino	1	0.000%
Common	Kevin Andrew L. Tan (Director)	Filipino	1	0.000%
Common	Dina D.R. Inting (CFO)	Filipino	2,758	0.000%
Directors and Executive Officers as a Group			68,690,940	0.726%

<sup>6</sup>Mr. Andrew L. Tan is the Chairman of the Board of TAGI, is authorized to appoint proxy to vote for the shares.<sup>7</sup> Mr. Andrew L. Tan, Chairman of YHI is authorized to appoint proxy to vote for the shares which includes direct and indirect beneficial ownership through Altavision Resources, Inc., and Asiagroup Holdings, Inc.AGI 2021  
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**12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

Except for the material related party transactions described in the Notes to the Consolidated Financial Statements of the Company and subsidiaries for the years 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.

**PART IV - EXHIBITS AND SCHEDULES****13. EXHIBITS AND REPORTS ON SEC FORM 17-C****(b) Reports on SEC Form 17-C Filed During the Last Six Months of The Report Period (June 1 to December 31, 2021)**

Date	Disclosures
June 01, 02, 03, 04, 2021	Share buy-back transaction
June 07, 08, 09, 2021	Share buy-back transaction
June 17, 2021	Press Release: "AGI's performance boosted by international operations"
June 17, 2021	Results of Annual Stockholders' Meeting
June 17, 2021	Results of Organizational Board Meeting
July 15, 2021	Share buy-back transaction
July 21, 2021	Share buy-back transaction
August 05, 2021	Notice of Analysts' Briefing
August 12, 2021	Press Release: "AGI triples H1 net profit to P12.8-B"
August 16, 2021	Share buy-back transaction
August 17, 2021	Change in Corporate Contact Details
October 08, 2021	Approval of new share buy-back program
October 08, 2021	Share buy-back transaction
October 11, 12, 13, 14, 15, 2021	Share buy-back transaction
October 18, 19, 20, 21, 22, 2021	Share buy-back transaction
October 25, 26, 27, 28, 29, 2021	Share buy-back transaction
November 02, 2021	Notice of Analysts' Briefing
November 02, 03, 04, 05, 2021	Share buy-back transaction
November 08, 09, 10, 11, 2021	Share buy-back transaction
November 15, 2021	Press Release: "AGI 9M profit jumps 173% to P17.3-B"
November 18, 19, 2021	Share buy-back transaction
November 22, 23, 24, 25, 26, 2021	Share buy-back transaction
November 29, 2021	Share buy-back transaction
December 01, 2021	Declaration of cash dividends
December 01, 02, 03, 2021	Share buy-back transaction
December 06, 07, 2021	Share buy-back transaction
December 09, 10, 2021	Share buy-back transaction
December 13, 14, 15, 16, 17, 2021	Share buy-back transaction
December 20, 21, 22, 23, 24, 2021	Share buy-back transaction
December 27, 28, 29, 31, 2021	Share buy-back transaction

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**SIGNATURES**


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


**Alliance Global Group, Inc.**  
*Issuer*

By:

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

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

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

  
**ALAN B. QUINTANA**  
*Corporate Secretary*


SUBSCRIBED AND SWORN to before me this MAY 12 2022 **MAKATI CITY**, 2022 affiants exhibiting to me their Passports/SSS No., as follows:

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

Notary Public

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**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  
PTR No. 8851839 01/03/2022, Makati City  
MCLE Compliance No. VII-0011480 valid until April 14, 2025

Alliance Global Group, Inc.  
7<sup>th</sup> 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 & Arantlo*, 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 **MAKATI CITY**, 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		

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**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

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### The Board of Directors and the Stockholders

#### Alliance Global Group, Inc. and Subsidiaries

7<sup>th</sup> 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.





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### 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.



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### 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.



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**(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;



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- 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;



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- 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;



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- 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.



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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;



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- 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;



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- 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.



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#### **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.



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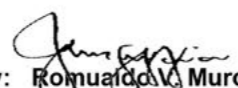
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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
<b>A S S E T S</b>			
<b>CURRENT ASSETS</b>			
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
Total Current Assets		351,417,797,267	316,396,947,852
<b>NON-CURRENT ASSETS</b>			
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
Total Non-current Assets		351,580,407,657	347,104,216,922
<b>NON-CURRENT ASSETS HELD FOR SALE</b>	16	961,740,550	4,991,620,393
<b>TOTAL ASSETS</b>		P 703,959,945,474	P 668,492,785,167

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	Notes	2021	2020
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
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
<b>NON-CURRENT LIABILITIES</b>			
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
<b>EQUITY</b>			
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
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>P 703,959,945,474</b>	<b>P 668,492,785,167</b>

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
<b>REVENUES AND INCOME</b>				
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
		152,792,516,273	128,789,801,855	179,989,011,069
<b>COSTS AND EXPENSES</b>				
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
		124,716,574,047	113,884,481,465	144,119,096,598
<b>PROFIT BEFORE TAX</b>		<b>28,075,942,226</b>	<b>14,905,320,390</b>	<b>35,869,914,471</b>
<b>TAX EXPENSE</b>	29	<b>4,286,957,389</b>	<b>4,645,709,637</b>	<b>8,769,844,365</b>
<b>NET PROFIT</b>		<b>23,788,984,837</b>	<b>10,259,610,753</b>	<b>27,100,070,106</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<b>Items that will not be reclassified subsequently to profit or loss</b>				
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
		1,112,683,094	( 623,022,083 )	( 310,744,446 )
<b>Items that will be reclassified subsequently to profit or loss</b>				
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
		2,785,787,385	( 2,034,366,343 )	( 902,380,790 )
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>P 27,687,455,316</b>	<b>P 7,602,222,327</b>	<b>P 25,886,944,870</b>
<b>Net profit attributable to:</b>				
Owners of the parent company		P 16,944,095,592	P 8,829,293,379	P 17,721,519,071
Non-controlling interest		6,844,889,245	1,430,317,374	9,378,551,035
		P 23,788,984,837	P 10,259,610,753	P 27,100,070,106
<b>Total comprehensive income attributable to:</b>				
Owners of the parent company		P 19,529,875,614	P 6,751,980,148	P 17,038,982,431
Non-controlling interest		8,157,579,702	850,242,179	8,847,962,439
		P 27,687,455,316	P 7,602,222,327	P 25,886,944,870
<b>Earnings Per Share for the Net Profit Attributable to Owners of the Parent Company:</b>				
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.





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Notes	2021	2020	2019
<i>Balance brought forward</i>	<b>P 29,320,794,923</b>	<b>P 37,817,626,118</b>	<b>P 43,834,108,201</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
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 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
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 )
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>12,580,434,418</b>	<b>18,427,107,481</b>	<b>6,491,569,418</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>69,697,688,432</b>	<b>51,270,580,951</b>	<b>44,779,011,533</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>P 82,278,122,850</b>	<b>P 69,697,688,432</b>	<b>P 51,270,580,951</b>

**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
<b>Subsidiaries</b>					
<b>Megaworld and subsidiaries</b>					
Megaworld Corporation	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%

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Subsidiaries/Associates/ Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI		
			2021	2020	2019
<b>Subsidiaries</b>					
<b>Megaworld and subsidiaries</b>					
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.	SPI		69%	69%	67%
Governor's Hills Science School, Inc.			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%
Stalend, Inc.	STLI	(g)	68%	66%	65%
<b>Global-Estate Resorts, Inc.</b>	GERI	(h)	57%	56%	55%
Southwoods Mall Inc.			63%	62%	61%
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 Compañia De Sta. Barbara, Inc.			57%	56%	55%
MCX Corporation			57%	56%	55%
Pioneer I-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%

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Subsidiaries/Associates/ Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI		
			2021	2020	2019
<b>Subsidiaries</b>					
<b>Megaworld and Subsidiaries</b>					
Elite Communities Property Services, Inc.	ECPSI		57%	56%	55%
Oceanfront Properties, Inc.	OFPI		28%	28%	28%
<b>Empire East Land Holdings, Inc.</b>	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%
<b>Emperador and subsidiaries</b>					
<b>Emperador Inc.</b>	EMP or Emperador	(l)	86%	84%	85%
<b>Emperador Distillers, Inc.</b>	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%
<b>Emperador International Ltd.</b>	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%
<b>GADC and subsidiaries</b>					
<b>Golden Arches Development Corporation</b>	GADC		49%	49%	49%
Advance Food Concepts Manufacturing, Inc.			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%

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Subsidiaries/Associates/ Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI		
			2021	2020	2019
<b>Subsidiaries</b>					
<b>Travellers and subsidiaries</b>					
<b>Travellers International Hotel Group, Inc.</b>	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%
<b>Corporate and Others</b>					
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%

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Subsidiaries/Associates/ Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI		
			2021	2020	2019
<b>Corporate and Others</b>					
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%
<b>Associates</b>					
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%
<b>Joint Ventures</b>					
Bodegas Las Copas, S.L.	BLC	(x), 12.3	43%	42%	42%
Front Row Theatre Management, Inc.	FRIMI	(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.

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- (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 FHIC.

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 7<sup>th</sup> 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.

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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.

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### 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.

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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)

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

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.

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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.

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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.

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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.

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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.

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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)

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- (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.



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(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.

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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.

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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.

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(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.

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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).

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(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.

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### 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).

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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).

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## 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.

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## 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.

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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)].

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## 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 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.

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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.

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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 pertain 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).

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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.

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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.



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- (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)].

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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).

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### 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.

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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.

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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.

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### 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.

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*(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.

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*(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.

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### 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).

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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.

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### 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).

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## 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.

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*(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.

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*(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.

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*(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.

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

*(h) Distinguishing Investments in Financial Instruments and Golf and Resort Shares Inventories*

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

*(i) Classifying Perpetual Debt Securities*

The Group exercises judgment in classifying its perpetual debt securities as financial liabilities or equity instruments. In making its judgment, the Group considers the terms of the securities including any restrictions on the Group's ability to defer interest payments. As of December 31, 2020, 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.



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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)].

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(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.

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*(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.

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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.

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*(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.

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*(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).

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*(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).

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*(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).

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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.

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#### 4.4 Analysis of Segment Information

Segment information can be analyzed as follows for the years ended December 31, 2021, 2020 and 2019:

	2021				
	Megaworld	Travellers	GADC	Emperador	Total
<b>REVENUES</b>					
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	2,430,598,039	5,869,561,754	540,662,873	543,129,154	9,383,951,820
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	( 27,357,969,647 )	( 13,926,615,339 )	( 20,192,198,403 )	( 40,193,894,605 )	( 101,670,677,994 )
Depreciation and amortization	23,258,888,783	5,125,520,254	5,382,967,212	15,229,963,944	48,997,340,193
Finance cost and other charges	( 3,467,925,032 )	( 3,438,789,892 )	( 2,699,707,554 )	( 1,547,143,708 )	( 11,153,566,186 )
Profit before tax	4,958,100,463	1,852,218,880	1,007,891,042	656,306,587	8,474,516,972
Tax expense	( 14,832,863,288 )	( 165,488,518 )	( 1,675,368,616 )	( 13,026,513,649 )	( 29,369,257,035 )
	( 564,917,329 )	( 33,572,786 )	( 839,581,930 )	( 2,746,817,808 )	( 4,184,889,853 )
<b>SEGMENT PROFIT (LOSS)</b>	<b>P 14,267,945,959</b>	<b>( P 199,061,304 )</b>	<b>P 835,786,686</b>	<b>P 10,279,695,841</b>	<b>P 25,184,367,182</b>
<b>SEGMENT ASSETS AND LIABILITIES</b>					
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
<b>OTHER SEGMENT INFORMATION</b>					
Share in net profit (loss) of associates and joint ventures	( 176,548,383 )	( 19,847 )	-	161,824,100	( 14,744,130 )
Interest income	1,940,725,166	19,958,194	43,191,682	85,581,808	2,089,456,850
Interest expense	1,915,870,863	1,884,329,596	1,010,566,223	764,622,658	5,575,389,340
Impairment reversal (losses) – net Investment property and PPE acquisition	-	( 1,970,737,642 )	182,933,013	-	( 1,787,804,629 )
	7,578,086,399	6,403,291,716	1,228,412,180	2,340,741,404	17,550,531,699

	2020				Total
	Megaworld	Travellers	GADC	Emperador	
<b>REVENUES</b>					
Sales to external customers	P 40,359,723,561	P 12,167,008,299	P 19,872,519,690	P 51,393,295,032	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	2,731,878,167	(176,954,741)	781,791,127	1,324,441,878	4,661,156,431
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	(23,499,228,103)	(12,030,590,679)	(17,267,508,300)	(40,791,074,691)	(93,588,401,773)
Depreciation and amortization	19,971,770,077	261,576,950	3,447,697,077	11,949,597,828	35,630,641,932
Finance cost and other charges	(3,104,661,233)	(3,415,318,051)	(2,871,924,719)	(1,567,325,817)	(10,959,229,820)
Profit before tax	2,902,210,084	2,122,927,402	(1,203,893,047)	(513,380,443)	(6,742,410,976)
Tax expense	(13,964,898,760)	(5,276,668,503)	(628,120,689)	(9,868,891,568)	(17,929,001,136)
	(3,347,906,258)	(26,305,278)	(145,292,878)	(1,399,085,656)	(4,628,004,314)
<b>SEGMENT PROFIT (LOSS)</b>	<b>P 10,616,992,502</b>	<b>(P 5,302,973,781)</b>	<b>(P 482,827,811)</b>	<b>P 8,469,805,912</b>	<b>P 13,300,996,822</b>
<b>SEGMENT ASSETS AND LIABILITIES</b>					
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
<b>OTHER SEGMENT INFORMATION</b>					
Share in net profit (loss) of associates and joint ventures	(69,879,672)	(42,607)	-	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	-	(132,628,909)	90,993,216	-	(41,635,693)
Investment property and PPE acquisition	7,162,324,039	8,896,976,635	742,674,846	818,549,748	17,620,525,268

	2019				Total
	Megaworld	Travellers	GADC	Emperador	
<b>REVENUES</b>					
Sales to external customers	P 63,342,918,434	P 28,267,765,663	P 32,008,231,692	P 50,287,604,713	P 173,906,520,502
Intersegment sales	492,157,146	624,157,769	-	39,622,750	1,155,937,665
Finance and other income	3,477,664,373	(170,650,370)	246,811,141	(1,219,630,451)	5,114,756,335
Segment revenues	67,312,739,933	29,062,573,802	32,255,042,833	51,546,857,914	180,177,214,502
Cost of sales and expenses excluding depreciation and amortization	(35,954,821,728)	(22,873,552,664)	(26,126,976,615)	(40,133,921,654)	(125,089,272,661)
Depreciation and amortization	31,357,918,225	6,189,021,138	6,128,066,218	11,412,936,260	55,087,941,841
Finance cost and other charges	(2,718,633,788)	(3,170,381,239)	(2,400,921,516)	(1,545,659,310)	(9,835,595,853)
Profit before tax	3,232,333,913	(1,763,599,201)	(818,097,750)	(752,870,374)	(6,566,901,238)
Tax expense	(25,406,950,524)	(1,255,040,698)	(2,909,046,932)	(9,114,406,576)	(38,685,444,750)
	(6,081,657,290)	(90,504,543)	(910,956,200)	(1,647,434,352)	(8,730,552,385)
<b>SEGMENT PROFIT</b>	<b>P 19,325,293,234</b>	<b>P 1,164,536,155</b>	<b>P 1,998,090,752</b>	<b>P 7,466,972,224</b>	<b>P 29,954,892,365</b>
<b>SEGMENT ASSETS AND LIABILITIES</b>					
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
<b>OTHER SEGMENT INFORMATION</b>					
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

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#### 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.

	2021	2020	2019
<b>Revenues</b>			
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>
<b>Profit or loss</b>			
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>
<b>Assets</b>			
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>
<b>Liabilities</b>			
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:

	2021	2020
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.

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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	2021	2020
<b>Current:</b>			
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		<u>5,480,806,320</u>	<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>
<b>Non-current:</b>			
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		<u>1,044,211,411</u>	<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)].

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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.

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	Notes	2021	2020
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:

	2021	2020
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).



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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	2021	2020
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		2,973,987,068	2,951,286,629
		<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		4,228,753,586	3,460,631,092
		<u>37,541,279,228</u>	<u>34,243,721,779</u>
Allowance for inventory write-down	2.6	( 525,557,828 )	( 364,805,879 )
		<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.

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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.

	Notes	2021	2020
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	-	( 21,920,825 )
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.

	Notes	2021	2020
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		533,191,931	438,604,966
Balance carried forward		<u>P 18,149,365,608</u>	<u>P 16,302,863,173</u>

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	Notes	2021	2020
<i>Balance brought forward</i>		<b>P 18,149,365,608</b>	P 16,302,863,173
Non-current:			
Advances for future investment	31.2(a)	<b>2,126,513,059</b>	1,538,277,765
Deferred commission	24.3	<b>2,022,525,348</b>	1,554,862,853
Refundable deposits		<b>1,740,902,199</b>	2,004,150,671
Property mortgage receivable		<b>646,636,072</b>	613,935,936
Deferred input VAT		<b>69,900,392</b>	102,716,712
Advance payments for assets acquisition		<b>66,462,757</b>	246,254,633
Claims for tax refund		<b>49,954,694</b>	49,954,694
Deposit for cancellation of perpetual securities		-	1,200,900,000
Others		<b>585,996,081</b>	558,316,098
		<b>7,308,890,602</b>	7,869,369,362
		<b>P 25,458,256,210</b>	P 24,172,232,535

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).

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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:

	2021	2020
Total commitment for construction expenditures	<b>P 43,260,563,281</b>	P 34,237,388,185
Total expenditures incurred	<b>( 28,723,107,507)</b>	( 24,563,557,032)
Net commitment	<b>P 14,537,455,774</b>	P 9,673,831,153

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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.

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## 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:

	Note	2021	2020
Quoted		P 54,700,815	P 58,847,908
Unquoted		366,169,674	338,066,525
	34.2	P 420,870,489	P 396,914,433

The reconciliation of the carrying amounts of these financial assets are as follows:

	Notes	2021	2020
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	-	( 1,960,000)
Balance at end of year		P 420,870,489	P 396,914,433

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).

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## 12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

## 12.1 Breakdown of Carrying Values

The details of investments in associates and interest in joint ventures, which are carried at equity method, are presented below and in the succeeding pages.

	Notes	2021	2020
<b>Investments of Megaworld in Associates:</b>			
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		64,665,000	64,665,000
		<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		( 176,548,383)	( 69,879,672)
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		20,926,197	1,474,538
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>
<b>Investment of EMP in BLC,</b>			
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		161,824,100	185,108,059
Balance at end of year		<u>610,319,466</u>	<u>363,308,737</u>
Translation gain		26,958,086	85,186,629
		<u>3,482,644,617</u>	<u>3,293,862,431</u>
Balance carried forward		<u>P 6,770,119,133</u>	<u>P 6,736,959,133</u>

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	2021	2020
Balance brought forward	<u>P 6,770,119,133</u>	<u>P 6,736,959,133</u>
<b>Investment of Travellers in FRTMI,</b> 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	( 19,847)	( 42,607)
Balance at end of year	<u>( 888,685)</u>	<u>( 868,838)</u>
	<u>9,111,315</u>	<u>9,131,162</u>
<b>Investment of FCI in FPARI,</b> 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.

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#### 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):

	Current Assets	Non-current Assets	Current Liabilities	Non-current Liabilities	Revenues	Net Profit (Loss)	Other Comprehensive Income (Loss)
<b>2021:</b>							
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	1,134,959	146	1,010,048	-	1	( 258)	-
	<b>P 9,161,091</b>	<b>P 30,926,837</b>	<b>P 10,669,251</b>	<b>P 15,368,360</b>	<b>P 76,236</b>	<b>(P 515,517)</b>	<b>P 61,548</b>
<b>2020:</b>							
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	1,134,948	277	1,009,910	-	5	( 705)	-
	<b>P 8,069,691</b>	<b>P 23,849,456</b>	<b>P 3,551,541</b>	<b>P 13,857,818</b>	<b>P 81,789</b>	<b>(P 207,202)</b>	<b>P 4,337</b>
<b>2019:</b>							
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	1,134,934	828	1,009,742	-	13	( 462)	-
	<b>P 3,432,004</b>	<b>P 7,412,763</b>	<b>P 3,228,011</b>	<b>P 69,418</b>	<b>P 748,474</b>	<b>(P 211,104)</b>	<b>(P 9,232)</b>

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:

	SHDI	NPI	BWDC	PTHDC
<b>December 31, 2021</b>				
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	34%	14%	46%	40%
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	177,268,629	( 3,070,632)	( 54,402,987)	17,231,232
Carrying amount of investment	<b>P1,767,916,158</b>	<b>P 728,369,880</b>	<b>P 723,934,448</b>	<b>P 67,254,030</b>

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	SHDI	NPI	BWDC	PTHDC
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)	-	-	-
	5,121,698,865	4,354,530,488	1,702,875,266	125,315,140
Proportion of ownership interest by the Group	34%	14%	46%	40%
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	177,270,895	( 3,777,810)	( 54,601,597)	17,231,232
Carrying amount of investment	<b>P1,918,648,509</b>	<b>P 728,369,880</b>	<b>P 728,721,025</b>	<b>P 67,357,288</b>

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):

	2021	2020
Cash and cash equivalents	<b>P 461,439</b>	P 46,095
Trade and other receivables	<b>1,287,888</b>	985,946
Financial assets	<b>P 1,749,327</b>	P 1,032,041
Current assets	<b>P 2,378,824</b>	P 1,674,212
Non-current assets	<b>1,997,584</b>	2,364,174
Total assets	<b>P 4,376,408</b>	P 4,038,386
Current liabilities	<b>P 743,236</b>	P 430,529
Non-current liabilities	<b>3,072</b>	2,345
Total liabilities	<b>P 746,308</b>	P 432,874
Current financial liabilities (excluding trade and other payables and provisions)	<b>P 427,987</b>	P 195,399
Non-current financial liabilities	<b>3,072</b>	2,345
Total financial liabilities	<b>P 431,059</b>	P 197,744
Revenues	<b>P 2,772,067</b>	P 5,798,133
Depreciation and amortization	<b>P 78,583</b>	P 78,671
Net profit for the year	<b>P 323,648</b>	P 370,216

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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	<b>P 3,630,100</b>	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	<b>1,815,050</b>	1,802,756
Fair value and translation adjustments	<u>1,667,595</u>	<u>1,491,106</u>
Carrying amount of investment	<b>P 3,482,645</b>	P 3,293,862

### 13. PROPERTY, PLANT AND EQUIPMENT

The carrying amount of this account is composed of the following:

	Notes	<u>2021</u>	<u>2020</u>
Property, plant and equipment	13.1	<b>P 128,705,231,303</b>	P 126,599,135,738
Right-of-use assets	13.2	<u>13,198,798,235</u>	<u>13,557,391,905</u>
		<b>P 141,904,029,538</b>	P 140,156,527,643

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#### 13.1 Carrying Values of Property, Plant and Equipment

The gross carrying amounts and accumulated depreciation, amortization and impairment of property, plant and equipment at the beginning and end of the reporting periods are shown below [see Notes 2.9, 3.1(g) and 3.2(h)(i)].

	Land and Land Improvements	Buildings and Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Condominium Units, Fixtures and Other Equipment	Construction in Progress	Total
<b>December 31, 2021</b>							
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	<b>P 13,782,990,178</b>	<b>P 54,368,894,319</b>	<b>P 13,835,449,941</b>	<b>P 285,537,158</b>	<b>P 8,220,320,768</b>	<b>P 38,212,038,939</b>	<b>P 128,705,231,303</b>
<b>December 31, 2020</b>							
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	<b>P 13,077,088,851</b>	<b>P 53,884,982,873</b>	<b>P 14,768,053,559</b>	<b>P 420,525,898</b>	<b>P 8,749,251,123</b>	<b>P 35,699,233,434</b>	<b>P 126,599,135,738</b>
<b>January 1, 2020</b>							
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	<b>P 13,864,127,919</b>	<b>P 54,556,635,615</b>	<b>P 16,265,180,306</b>	<b>P 599,358,098</b>	<b>P 9,051,867,490</b>	<b>P 29,335,143,553</b>	<b>P 123,672,312,981</b>

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

	Buildings and Leasehold Improvements					Machinery and Equipment		Transportation Equipment		Condominium Units, Fixtures and Other Equipment		Construction in Progress		Total
	Land and Land Improvements	Buildings and Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Condominium Units, Fixtures and Other Equipment	Construction in Progress	Total							
Balance at January 1, 2021, net of accumulated depreciation, amortization and impairment	P 13,077,088,851 400,470	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 126,599,135,738 400,470							
Transfer from investment property														
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	( 51,329,433 )	( 3,017,066,756 )	( 2,220,735,943 )	( 156,804,192 )	( 1,489,110,573 )	( 155,520 )	( 6,935,202,417 )							
Balance at December 31, 2021, net of accumulated depreciation, amortization and impairment	<b>P 13,782,990,178</b>	<b>P 54,368,894,319</b>	<b>P 13,835,449,941</b>	<b>P 285,537,158</b>	<b>P 8,220,320,768</b>	<b>P 38,212,038,939</b>	<b>P 128,705,231,303</b>							

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	Buildings and Leasehold Improvements					Machinery and Equipment		Transportation Equipment		Condominium Units, Fixtures and Other Equipment		Construction in Progress		Total
	Land and Land Improvements	Buildings and Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Condominium Units, Fixtures and Other Equipment	Construction in Progress	Total							
Balance at January 1, 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														
Additions	107,808,533	745,080,350	958,244,449	48,079,766	169,332,500	8,075,319,836	169,332,500							
Disposals – net	-	( 94,951,243 )	( 129,061,453 )	( 23,377,041 )	( 16,946,473 )	( 33,083,287 )	( 297,419,497 )							
Transfer to non-current asset as held for sale (see Note 16)	( 848,888,010 )	( 112,852,585 )	-	-	-	-	( 961,740,595 )							
Reclassifications – net	-	1,575,261,731	64,202,409	-	( 7,031,438 )	( 1,678,146,668 )	( 45,713,966 )							
Impairment reversal (loss)	-	163,413,461	( 78,925,153 )	-	-	-	84,488,308							
Depreciation and amortization charges for the year	( 45,959,591 )	( 2,947,604,456 )	( 2,311,586,929 )	( 203,534,925 )	( 1,396,065,833 )	-	( 6,904,751,804 )							
Balance at December 31, 2020, net of accumulated depreciation, amortization and impairment	<b>P 13,077,088,851</b>	<b>P 53,884,982,873</b>	<b>P 14,768,053,559</b>	<b>P 420,525,898</b>	<b>P 8,749,251,123</b>	<b>P 35,699,233,434</b>	<b>P 126,599,135,738</b>							
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	( 45,185,921 )	( 2,552,026,656 )	( 2,422,697,747 )	( 213,355,661 )	( 1,202,983,405 )	-	( 6,437,149,390 )							
Balance at December 31, 2019, net of accumulated depreciation, amortization and impairment	<b>P 13,864,127,919</b>	<b>P 54,556,635,615</b>	<b>P 16,265,180,306</b>	<b>P 599,358,098</b>	<b>P 9,051,867,490</b>	<b>P 29,335,143,553</b>	<b>P 123,672,312,981</b>							

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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).

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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(wv)].

### 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
<b>December 31, 2021</b>					
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	-	-
<b>December 31, 2020</b>					
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	-	-



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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	<b>P 864,303,254</b>	<b>P12,151,648,085</b>	<b>P 131,392,684</b>	<b>P -</b>	<b>P 51,454,212</b>	<b>P13,198,798,235</b>
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	<b>P 913,443,490</b>	<b>P12,369,807,607</b>	<b>P 163,680,198</b>	<b>P 52,088,845</b>	<b>P 58,371,765</b>	<b>P13,557,391,905</b>
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	<b>P 962,583,724</b>	<b>P11,226,356,917</b>	<b>P 259,882,975</b>	<b>P 77,091,490</b>	<b>P 64,318,160</b>	<b>P12,590,233,266</b>

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.

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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:

	2021	2020
Current	<b>P 1,309,447,535</b>	P 1,427,669,658
Non-current	<b>15,336,726,680</b>	15,864,238,579
	<b>P 16,646,174,215</b>	<b>P 17,291,908,237</b>

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:

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More Than 5 years	Total
<b>December 31, 2021</b>							
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)	( 823,171,931)	( 815,161,222)	( 805,469,971)	( 3,143,565,261)	( 7,267,250,236)
Net present values	<b>P1,309,447,535</b>	<b>P 2,178,224,023</b>	<b>P 2,133,211,426</b>	<b>P 2,203,859,454</b>	<b>P 2,100,265,513</b>	<b>P 6,721,166,264</b>	<b>P 16,646,174,215</b>
<b>December 31, 2020</b>							
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 13,144,416,394	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	<b>P1,427,669,658</b>	<b>P 1,197,186,867</b>	<b>P 1,150,876,726</b>	<b>P 1,203,482,082</b>	<b>P 1,094,607,842</b>	<b>P 11,218,085,862</b>	<b>P 17,291,908,237</b>

The movements in the lease liabilities recognized in the consolidated statements of financial position are as follows:

	Notes	2021	2020
Balance at beginning of year		<b>P 17,291,908,237</b>	P 15,920,464,431
Repayments of lease liabilities		( <b>1,819,030,854</b> )	( 1,880,935,151)
Additions during the year		<b>961,862,054</b>	2,926,260,202
Accretion of interest	27	<b>860,333,192</b>	926,438,279
Gain on COVID-19-related rent concessions	2.3(a)	( <b>509,232,978</b> )	( 413,426,144)
Derecognition		( <b>147,235,562</b> )	( 129,021,193)
Foreign exchange losses (gains)		<b>7,570,126</b>	( 11,457,816)
Offset against finance lease receivable		-	( 93,931,898)
Lease modifications		-	( 32,482,473)
Balance at end of year		<b>P 16,646,174,215</b>	<b>P 17,291,908,237</b>

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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>
<b>December 31, 2021</b>			
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	<b><u>P 27,731,512,563</u></b>	<b><u>P 92,808,221,767</u></b>	<b><u>P 120,539,734,330</u></b>
<b>December 31, 2020</b>			
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	<b><u>P 27,143,977,662</u></b>	<b><u>P 89,220,230,770</u></b>	<b><u>P 116,364,208,432</u></b>
<b>January 1, 2020</b>			
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	<b><u>P 26,982,515,398</u></b>	<b><u>P 85,355,672,166</u></b>	<b><u>P 112,338,187,564</u></b>

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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	<b><u>P 27,731,512,563</u></b>	<b><u>P 92,808,221,767</u></b>	<b><u>P 120,539,734,330</u></b>
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	<b><u>P 27,143,977,662</u></b>	<b><u>P 89,220,230,770</u></b>	<b><u>P 116,364,208,432</u></b>
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	<b><u>P 26,982,515,398</u></b>	<b><u>P 85,355,672,166</u></b>	<b><u>P 112,338,187,564</u></b>

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).

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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).

	Goodwill	Trademarks	Leasehold Rights	Computer Software	Franchise Fee	Total
<b>December 31, 2021</b>						
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	<b>P 20,213,960,101</b>	<b>P 20,032,266,992</b>	<b>P 93,909,883</b>	<b>P 18,423,231</b>	<b>P 124,806,358</b>	<b>P 40,483,366,565</b>
<b>December 31, 2020</b>						
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	<b>P 19,797,100,274</b>	<b>P 19,376,353,810</b>	<b>P 101,575,786</b>	<b>P -</b>	<b>P 124,605,614</b>	<b>P 39,399,635,484</b>
<b>January 1, 2020</b>						
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	<b>P 20,044,019,140</b>	<b>P 19,658,821,438</b>	<b>P 108,804,339</b>	<b>P 4,474,208</b>	<b>P 127,251,978</b>	<b>P 39,943,371,103</b>

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

	Goodwill	Trademarks	Leasehold Rights	Computer Software	Franchise Fee	Total
<b>Balance at January 1, 2021, net of accumulated amortization</b>						
Additions	P 19,797,100,274	P 19,376,353,810	P 101,575,786	P -	P 124,605,614	P 39,399,635,484
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)
<b>Balance at December 31, 2021, net of accumulated amortization</b>						
	<b>P 20,213,960,101</b>	<b>P 20,032,266,992</b>	<b>P 93,909,883</b>	<b>P 18,423,231</b>	<b>P 124,806,358</b>	<b>P 40,483,366,565</b>
<b>Balance at January 1, 2020, net of accumulated amortization</b>						
Additions	P 20,044,019,140	P 19,658,821,438	P 108,804,339	P 4,474,208	P 127,251,978	P 39,943,371,103
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)
<b>Balance at December 31, 2020, net of accumulated amortization</b>						
	<b>P 19,797,100,274</b>	<b>P 19,376,353,810</b>	<b>P 101,575,786</b>	<b>P -</b>	<b>P 124,605,614</b>	<b>P 39,399,635,484</b>
<b>Balance at January 1, 2019, net of accumulated amortization</b>						
Additions	P 20,296,474,629	P 20,741,189,001	P 117,122,787	P 10,983,485	P 104,369,603	P 41,270,139,505
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)	( 23,904,019)
<b>Balance at December 31, 2019, net of accumulated amortization</b>						
	<b>P 20,044,019,140</b>	<b>P 19,658,821,438</b>	<b>P 108,804,339</b>	<b>P 4,474,208</b>	<b>P 127,251,978</b>	<b>P 39,943,371,103</b>

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 sherries and liquors brands. These trademarks have indefinite useful lives; hence, are not subject to amortization.

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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
<b>Goodwill:</b>								
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%
<b>Trademarks with indefinite lives:</b>								
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.

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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:

	2021	2020
Land and land improvements	P 848,888,000	P 1,162,602,736
Buildings	112,852,550	112,852,585
Construction in progress	-	3,716,165,072
	<b>P 961,740,550</b>	<b>P 4,991,620,393</b>

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.

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**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		1,938,479,953	2,342,337,677
		<b>P 64,572,635,732</b>	<b>P 72,161,288,500</b>

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).

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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.

	2021	2020
Current:		
Philippine Pesos	P 39,841,780,389	P 45,078,795,464
Foreign currencies	40,462,169,350	4,466,729,178
	<b>80,303,949,739</b>	<b>49,545,524,642</b>
Non-current:		
Philippine Pesos	69,562,138,334	65,693,853,000
Foreign currencies	23,546,603,888	58,677,563,317
	<b>93,108,742,222</b>	<b>124,371,416,317</b>
	<b>P 173,412,691,961</b>	<b>P 173,916,940,959</b>

The summarized terms and conditions of each availed loan as at December 31, 2021 and 2020 are as follows:

Outstanding Principal Balance	Explanatory Notes	Interest Rate	Security	Maturity Date	
					2021
<b>Megaworld</b>					
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 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
-	500,000,000	(o)	Fixed at 5.2632%	Unsecured	2021
<b>P 33,490,137,470</b>	<b>P 34,422,961,201</b>				

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Outstanding Principal Balance		Explanatory Notes	Interest Rate	Security	Maturity Date
2021	2020				
<b>EELHI</b>					
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>				
<b>SPI</b>					
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>				
<b>GERI</b>					
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>				
<b>TLC</b>					
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>				
<b>MRETT</b>					
P 7,195,789,259	P -	(kk)	Fixed at 3.64% subject to repricing in 2024	Unsecured	2031
<b>EIL</b>					
<u>P 20,126,000,000</u>	<u>P 23,490,000,729</u>	(ll)	1.05% plus EURIBOR	Unsecured	2024

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Outstanding Principal Balance		Explanatory Notes	Interest Rate	Security	Maturity Date
2021	2020				
<b>EDI</b>					
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>				
<b>WMG</b>					
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>				
<b>DBLC</b>					
P 1,681,597,050	P 2,151,664,921	(pp)	Fixed at 1.6%	Unsecured	2027
<b>PAI</b>					
P 400,000,000	P 400,000,000	(qq)	Fixed at 5.0% initial; Fixed at 4% latest	Unsecured	2022
<b>GADC</b>					
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>				
<b>Travellers</b>					
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

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Outstanding Principal Balance		Explanatory Notes	Interest Rate	Security	Maturity Date
2021	2020				
<b>Travellers</b>					
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
<b>P</b>	<b>55,757,615,606</b>				<b>P</b> 57,334,024,911
<b>AGI</b>					
<b>P</b>	<b>4,575,663,794</b>				<b>P</b> 4,966,862,180
		(ddd)	Fixed at 4.5%; subject to repricing at the end of fifth year	Unsecured	2027
<b>AG Cayman</b>					
<b>P</b>	<b>24,993,359,598</b>				<b>P</b> 23,993,272,553
	<b>4,997,782,244</b>	(eee)	Fixed at 4.1456%	Unsecured	2022
	<b>4,995,613,737</b>	(eee)	Fixed at 3.9%	Unsecured	2022
	<b>4,995,613,737</b>	(eee)	Fixed at 3.8330%	Unsecured	2022
<b>P</b>	<b>34,986,755,579</b>				<b>P</b> 33,585,614,557
<b>P</b>	<b>173,412,691,961</b>				<b>P</b> 173,916,940,959

## Explanatory Notes:

- 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.
- 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.
- 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.
- 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.
- 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.
- 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).

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- 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.
- 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).
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.

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- (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.

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- (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 9<sup>th</sup> 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.



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- (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.

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- (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.

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- (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:

	2021	2020
U.S. Dollar	<b>P 30,000,109,334</b>	P 28,308,952,890
Philippine peso	<b>11,981,932,912</b>	11,973,903,096
	<b>P 41,982,042,246</b>	P 40,282,855,986

The significant terms of the bonds are discussed below.

Face Amount	Outstanding Principal Balance		Explanatory Notes	Interest Rate	Nature	Maturity
	2021	2020				
\$250.0 million	<b>P 12.5 billion</b>	P 12.0 billion	(a)	Fixed at 4.25%	Unsecured	2023
P 12.0 billion	<b>12.0 billion</b>	12.0 billion	(b)	Fixed at 5.3535%	Unsecured	2024
\$350.0 million	<b>17.5 billion</b>	16.3 billion	(c)	Fixed at 4.125%	Unsecured	2027
	<b>P 42.0 billion</b>	P 40.3 billion				

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- (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.

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**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	<b>P 251,597,580</b>	P 251,597,580
Non-current:			
GADC	20.1	<b>1,365,641,108</b>	1,213,061,959
TLC	20.2	-	251,597,580
		<b>1,365,641,108</b>	1,464,659,539
		<b>P 1,617,238,688</b>	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 19<sup>th</sup> 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.

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**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	<b>P 251,597,580</b>	P 251,597,580
Non-current:			
GADC	20.1	<b>1,365,641,108</b>	1,213,061,959
TLC	20.2	-	251,597,580
		<b>1,365,641,108</b>	1,464,659,539
		<b>P 1,617,238,688</b>	P 1,716,257,119

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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 19<sup>th</sup> 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.

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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 10<sup>th</sup> 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.

	Notes	2021	2020
<b>Current:</b>			
Customers' deposits	2.16	<b>P 10,609,013,192</b>	P 11,458,223,060
Deferred rental income		<b>2,928,397,465</b>	3,668,867,976
Commission payable		<b>2,632,525,561</b>	3,164,723,364
Advances from customers		<b>1,558,113,579</b>	1,993,994,411
Subscription payable	12.2	<b>1,114,665,008</b>	1,114,665,008
Derivative liability	2.5, 2.13	<b>151,807,136</b>	849,006,544
Equity-linked debt securities	3.2(m)	-	3,443,750,000
Others		<b>10,601,280</b>	107,124,075
<i>Balance carried forward</i>		<b>P 19,005,123,221</b>	P 25,800,354,438

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	Notes	2021	2020
<i>Balance brought forward</i>		<b>P 19,005,123,221</b>	P 25,800,354,438
<b>Non-current:</b>			
Long-term deposits from patrons		<b>10,048,277,856</b>	-
Deferred rental income		<b>3,959,090,806</b>	4,005,898,409
Retention payable		<b>3,289,211,913</b>	3,255,790,866
Customers' deposit	2.16	<b>1,281,160,572</b>	2,968,470,263
Guaranty deposits		<b>546,288,536</b>	495,325,739
Provision for dilapidations	3.2(n)	<b>375,358,504</b>	157,351,424
Asset retirement obligation	2.9, 2.18, 13.2	<b>98,511,914</b>	93,634,802
Provision for onerous lease	3.2(o), 13.3	<b>29,061,092</b>	65,648,128
Accrued rent		<b>10,039,717</b>	11,538,105
Others	20.2	<b>742,288,986</b>	382,714,790
		<b>20,379,289,896</b>	11,436,372,526
		<b>P 39,384,413,117</b>	P 37,236,726,964

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)].

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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(tr)]. 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.

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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>34,518,916,022</u>	<u>34,518,916,022</u>	<u>34,518,916,022</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.

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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).

	<u>Consolidation</u> <u>Reserves</u>	<u>Legal</u> <u>Reserves</u>	<u>Total</u>
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>

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	<u>Consolidation</u> <u>Reserves</u>	<u>Legal</u> <u>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	-	( 5,369,530 )	( 5,369,530 )
	<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 44,165,771</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	-	33,743,102	33,743,102
	<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.

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## 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.

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### (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 60<sup>th</sup> 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.

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*(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 date of GERI's shares over a period of time consistent with the option life.

*(d) Of EMP*

On November 7, 2014, EMP's BOD approved an ESOP for qualified employees of EMP Group and adopted by the shareholders on December 15, 2014. On August 17, 2021 EMP's BOD approved certain amendments to the plan.

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The options shall generally vest on the 60<sup>th</sup> 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.



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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].

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### 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	P 83,940,265
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
Emperador	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			
	Megaworld	Travellers	GADC	Emperador
Current assets	P 227,834,770	P 18,774,333	P 16,615,717	P 64,945,196
Non-current assets	170,142,481	98,999,830	21,153,272	63,571,181
Total assets	<b>P 397,977,251</b>	<b>P 117,774,163</b>	<b>P 37,768,989</b>	<b>P 128,516,377</b>
Current liabilities	P 61,908,026	P 41,344,617	P 11,463,479	P 23,523,398
Non-current liabilities	106,365,234	43,263,835	18,087,267	26,274,744
Total liabilities	<b>P 168,273,260</b>	<b>P 84,608,452</b>	<b>P 29,550,746</b>	<b>P 49,798,141</b>
Revenues	<b>P 50,754,291</b>	<b>P 13,182,574</b>	<b>P 24,937,193</b>	<b>P 55,936,272</b>
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	943,926	287,946	( 26,947)	177,294
Profit (loss) for the year	14,378,393	( 280,838)	842,244	10,148,359
Other comprehensive income (loss) attributable to:				
Owners of Parent	1,841,957	150,220	( 65,488)	3,704,272
NCI	23,590	-	-	44,363
Other comprehensive income (loss) for the year	1,865,547	150,220	( 65,488)	3,748,635
Total comprehensive income (loss) for the year	<b>P 16,243,940</b>	<b>(P 130,617)</b>	<b>P 776,756</b>	<b>P 13,896,995</b>
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)

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	December 31, 2020			
	Megaworld	Travellers	GADC	Emperador
Current assets	P 210,673,607	P 18,708,341	P 14,853,146	P 61,961,498
Non-current assets	<u>165,016,813</u>	<u>102,035,670</u>	<u>22,378,388</u>	<u>60,490,654</u>
Total assets	<u>P 375,690,420</u>	<u>P 120,744,011</u>	<u>P 37,231,534</u>	<u>P 122,452,152</u>
Current liabilities	P 72,720,150	P 46,992,201	P 11,378,313	P 25,808,376
Non-current liabilities	<u>90,439,790</u>	<u>40,455,481</u>	<u>18,411,734</u>	<u>29,279,460</u>
Total liabilities	<u>P 163,159,140</u>	<u>P 87,447,682</u>	<u>P 29,790,047</u>	<u>P 55,087,836</u>
Revenues	P 43,470,998	P 12,181,142	P 19,809,394	P 52,834,305
Profit (loss) for the year attributable to:				
Owners of Parent	9,885,989	(P 5,499,895)	(P 580,096)	P 7,967,262
NCI	<u>702,576</u>	<u>(4,461)</u>	<u>(16,116)</u>	<u>69,378</u>
Profit (loss) for the year	<u>10,588,565</u>	<u>(5,504,356)</u>	<u>(596,212)</u>	<u>8,036,640</u>
Other comprehensive income (loss) attributable to:				
Owners of Parent	( 201,271)	( 150,207)	137,359	( 3,211,809)
NCI	<u>(27,755)</u>	<u>-</u>	<u>-</u>	<u>(180,399)</u>
Other comprehensive income (loss) for the year	<u>(229,026)</u>	<u>(150,207)</u>	<u>137,359</u>	<u>(3,392,208)</u>
Total comprehensive income (loss) for the year	<u>P 10,359,539</u>	<u>(P 5,654,563)</u>	<u>(P 458,853)</u>	<u>P 4,644,432</u>
Net cash from (used in):				
Operating activities	P 19,099,531	(P 1,424,806)	P 2,618,085	P 7,552,125
Investing activities	( 6,333,457)	( 3,230,337)	( 823,304)	( 732,972)
Financing activities	4,295,806	2,142,372	23,954	( 6,998,589)
	December 31, 2019			
	Megaworld	Travellers	GADC	Emperador
Current assets	P 190,506,161	P 19,913,249	P 12,592,969	P 63,844,792
Non-current assets	<u>159,126,914</u>	<u>99,114,697</u>	<u>21,559,785</u>	<u>62,141,205</u>
Total assets	<u>P 349,633,075</u>	<u>P 119,027,946</u>	<u>P 34,152,754</u>	<u>P 125,985,997</u>
Current liabilities	P 57,544,518	P 33,823,338	P 10,665,877	P 28,445,063
Non-current liabilities	<u>87,223,034</u>	<u>46,253,716</u>	<u>15,584,963</u>	<u>32,824,177</u>
Total liabilities	<u>P 144,767,552</u>	<u>P 80,077,054</u>	<u>P 26,250,840</u>	<u>P 61,269,240</u>
Revenues	P 67,312,740	P 28,278,952	P 31,964,333	P 51,565,480
Profit for the year attributable to:				
Owners of Parent	P 17,931,417	P 945,208	P 1,889,304	P 6,725,536
NCI	<u>1,364,612</u>	<u>(4,096)</u>	<u>4,533</u>	<u>107,000</u>
Profit for the year	<u>19,296,029</u>	<u>941,112</u>	<u>1,893,837</u>	<u>6,832,536</u>
Balance carried forward	P 19,296,029	P 941,112	P 1,893,837	P 6,832,536

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	December 31, 2019			
	Megaworld	Travellers	GADC	Emperador
Balance brought forward	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	<u>(20,671)</u>	<u>-</u>	<u>-</u>	<u>(100,442)</u>
Other comprehensive loss for the year	<u>(529,242)</u>	<u>(191,745)</u>	<u>(585)</u>	<u>(1,161,902)</u>
Total comprehensive income for the year	<u>P 18,766,787</u>	<u>P 749,367</u>	<u>P 1,893,252</u>	<u>P 5,670,634</u>
Net cash from (used in):				
Operating activities	P 23,381,900	P 7,485,747	P 4,670,359	P 7,444,213
Investing activities	( 11,315,856)	( 9,020,458)	( 2,237,919)	( 1,276,010)
Financing activities	( 6,504,264)	3,111,040	( 2,594,927)	( 4,655,827)

## 23. EARNINGS PER SHARE

Earnings per share is computed as follows:

	2021	2020	2019
Basic:			
Net profit attributable to owners of the parent company	<b>P 16,944,095,592</b>	P 8,829,293,379	P 17,721,519,071
Divided by the weighted average number of outstanding common shares	<u><b>9,313,118,279</b></u>	<u>9,583,570,579</u>	<u>9,700,363,779</u>
	<b>P 1.8194</b>	P 0.9213	P 1.8269
Diluted:			
Net profit attributable to owners of the parent company	<b>P 16,944,095,592</b>	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><b>9,313,118,279</b></u>	<u>9,583,570,579</u>	<u>9,702,914,942</u>
	<b>P 1.8194</b>	P 0.9213	P 1.8264

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.

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## 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
<b>Sale of Goods:</b>				
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)	<u>31,129,417,724</u>	<u>24,858,537,303</u>	<u>42,603,984,572</u>
		<b>P 88,035,908,845</b>	<b>P 77,014,663,718</b>	<b>P 93,520,269,375</b>
<b>Rendering of Services:</b>				
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	<b>13,781,184,993</b>	13,170,220,536	17,326,063,085
Net gaming revenues	2.16	<b>10,330,110,235</b>	9,398,336,935	21,545,613,743
Hotel operations	2.16(d, e)	<b>4,245,502,111</b>	3,581,296,104	7,545,578,746
Franchise revenues	2.16(g), 31.5	<b>2,192,109,300</b>	1,764,272,777	3,195,054,315
Others	2.16(h)	<u>1,616,239,176</u>	<u>1,581,467,111</u>	<u>2,661,270,958</u>
		<b>P 54,910,229,642</b>	<b>P 47,540,714,247</b>	<b>P 81,042,859,297</b>

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 -	P 54,845,254,471	P 2,061,236,650	P 88,035,908,845
Rendering of services	<u>16,723,156,919</u>	<u>13,178,792,085</u>	<u>24,981,223,562</u>	<u>14,613,920</u>	<u>12,443,156</u>	<u>54,910,229,642</u>
	<b>P 47,852,574,643</b>	<b>P 13,178,792,085</b>	<b>P 24,981,223,562</b>	<b>P 54,859,868,391</b>	<b>P 2,073,679,806</b>	<b>P 142,946,138,487</b>

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	2020					
	Megaworld	Travellers	GADC	Emperador	Unallocated	Total
Sale of goods	P 24,858,537,303	P -	P -	P 51,395,295,032	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>47,540,714,247</u>
	<b>P 40,359,723,561</b>	<b>P 12,167,008,299</b>	<b>P 19,872,519,690</b>	<b>P 51,395,295,032</b>	<b>P 760,831,383</b>	<b>P 124,555,377,965</b>
	2019					
	Megaworld	Travellers	GADC	Emperador	Unallocated	Total
Sale of goods	P 42,603,984,572	P -	P -	P 50,259,676,633	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>81,042,859,297</u>
	<b>P 63,342,918,434</b>	<b>P 28,267,765,663</b>	<b>P 32,008,231,692</b>	<b>P 50,287,604,713</b>	<b>P 656,608,170</b>	<b>P 174,563,128,672</b>

## 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	<b>P19,380,726,313</b>	<b>P5,843,629,303</b>	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	<b>6,873,366,232</b>	-	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	-	<b>3,264,215,781</b>	-	<u>1,825,684,132</u>
Balance at end of year	<b>P19,922,247,362</b>	<b>P7,403,695,808</b>	<b>P19,380,726,313</b>	<b>P 5,843,629,303</b>

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	<b>P 11,970,852,843</b>	P 13,265,242,603
Non-current	<b>7,951,394,519</b>	<u>6,115,483,710</u>
	<b>P 19,922,247,362</b>	<b>P 19,380,726,313</b>

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	<b>P 2,447,089,883</b>	P 2,647,780,045
Non-current	<b>4,956,605,925</b>	<u>3,195,849,258</u>
	<b>P 7,403,695,808</b>	<b>P 5,843,629,303</b>

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).

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### 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	<b>P 3,360,073,323</b>	P 2,113,414,716
Additional capitalized costs	<b>1,049,897,401</b>	1,898,751,533
Reversals due to back-out	<b>( 14,187,040)</b>	( 12,545,654)
Amortization for the year	<b>( 820,861,943)</b>	( 639,547,272)
Balance at end of year	<b><u>P 3,574,921,741</u></b>	<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	<b>P 1,552,396,393</b>	P 1,805,210,470
Non-current	<b><u>2,022,525,348</u></b>	<u>1,554,862,853</u>
	<b><u>P 3,574,921,741</u></b>	<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	<b>P 21,139,283,515</b>	P 17,112,265,610
More than one year to three years	<b>19,761,215,172</b>	19,283,075,464
More than three years to five years	<b><u>6,225,643,643</u></b>	<u>5,426,500,143</u>
	<b><u>P 47,126,142,330</u></b>	<u>P 41,821,841,217</u>

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### 25. COST OF GOODS SOLD AND SERVICES

The components of cost of goods sold and services are as follows:

	Notes	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Cost of Goods Sold:</b>	2.16			
Cost of consumer goods sold:				
Direct materials used		<b>P 30,423,454,664</b>	P 20,559,491,616	P 27,045,305,943
Salaries and employee benefits	28.1	<b>1,498,786,389</b>	1,404,287,077	1,495,018,481
Depreciation and amortization	13	<b>1,178,508,887</b>	1,188,004,363	902,861,094
Change in work in process and finished goods		<b>617,875,112</b>	10,746,888,171	2,201,004,997
Utilities		<b>359,775,061</b>	269,051,436	240,089,684
Indirect materials and other consumables		<b>352,562,619</b>	279,932,536	333,823,318
Repairs and maintenance		<b>325,965,699</b>	255,517,659	285,073,846
Outside services	30.1	<b>266,880,588</b>	240,130,937	234,555,623
Supplies		<b>161,066,562</b>	73,696,771	243,509,236
Taxes and licenses		<b>129,182,495</b>	191,844,422	169,487,067
Other direct and overhead costs	8	<b><u>999,179,638</u></b>	<u>668,338,522</u>	<u>554,348,157</u>
		<b><u>36,313,237,714</u></b>	<u>35,877,183,510</u>	<u>33,705,077,446</u>
Cost of real estate sales:				
Contracted services		<b>13,921,991,148</b>	9,505,319,098	17,531,181,959
Land costs		<b>1,870,060,652</b>	3,598,926,919	4,927,689,375
Borrowing costs		<b>792,405,811</b>	462,338,695	549,543,413
Other costs		<b><u>289,825,668</u></b>	<u>223,941,120</u>	<u>371,404,253</u>
	2.7	<b><u>16,874,283,279</u></b>	<u>13,790,525,832</u>	<u>23,379,819,000</u>
		<b><u>P 53,187,520,993</u></b>	<u>P 49,667,709,342</u>	<u>P 57,084,896,446</u>
<b>Cost of Services:</b>	2.16			
Food, supplies and other consumables		<b>P 10,198,881,316</b>	P 8,364,214,634	P 13,759,782,530
Salaries and employee benefits	28.1	<b>4,933,089,160</b>	5,465,068,304	8,419,165,899
Depreciation and amortization	13, 14	<b>4,925,177,592</b>	5,020,689,064	4,413,068,746
Gaming license fees	29.3	<b>3,147,619,690</b>	2,636,024,717	5,908,762,626
Rental	13.4	<b>1,770,757,012</b>	1,417,386,202	3,196,427,509
Outside services		<b>1,081,226,866</b>	1,245,013,053	810,865,489
Hotel operations		<b>814,552,675</b>	668,681,337	1,381,156,765
Casino operating expenses		<b>471,180,190</b>	318,685,528	1,056,185,565
Entertainment, amusement and recreation		<b>28,957,341</b>	31,548,612	88,024,085
Flight operations		<b>-</b>	19,138,932	45,164,491
Other direct and overhead costs		<b><u>2,648,327,741</u></b>	<u>2,102,844,938</u>	<u>2,181,871,398</u>
		<b><u>P 30,019,769,583</u></b>	<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.

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**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	10,462,488,504	10,055,591,411	16,166,985,799
	<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
<b>Finance and other income:</b>				
Gain on co-development agreement	16, 31.8(i)	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	913,338,697	589,288,599	538,278,002
		<u>P 9,846,377,786</u>	<u>P 4,119,238,110</u>	<u>P 5,245,562,371</u>

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	Notes	2021	2020	2019
<b>Finance costs and other charges:</b>				
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	45,673,579
		<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.

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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	<b>P18,570,053,950</b>	P18,527,265,539
Fair value of plan assets	<b>( 17,588,309,672)</b>	( 16,094,952,613)
	<b>981,744,278</b>	2,432,312,926
Unrecognized asset due to the effect of the asset ceiling	<b>307,852</b>	-
	<b><u>P 982,052,130</u></b>	<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	<b>P 18,527,265,539</b>	P 17,334,655,874
Effects of foreign currency adjustment	<b>924,176,000</b>	( 410,525,122)
Current service and interest costs	<b>830,559,014</b>	881,210,464
Past service cost	-	2,476,491
Remeasurements –		
Actuarial losses (gains) arising from changes in:		
Financial assumptions	<b>( 558,350,712)</b>	1,205,855,326
Demographic assumptions	<b>( 151,408,891)</b>	278,476,360
Experience adjustments	<b>( 241,412,419)</b>	127,875,106
Benefits paid	<b>( 760,774,581)</b>	( 892,758,960)
Balance at end of year	<b><u>P 18,570,053,950</u></b>	<u>P 18,527,265,539</u>

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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	<b>P 16,094,952,613</b>	P 15,143,284,766
Effects of foreign exchange adjustment	<b>924,032,000</b>	( 412,026,001)
Return on plan assets (excluding amounts included in net interest)	<b>415,944,842</b>	1,215,280,925
Benefits paid	<b>( 597,376,778)</b>	( 734,424,352)
Contributions paid into the plan	<b>450,972,940</b>	551,215,465
Interest income	<b>299,784,055</b>	331,621,810
Balance at end of year	<b><u>P 17,588,309,672</u></b>	<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	<b>65.07%</b>	63.42%
Debt instruments	<b>25.54%</b>	26.15%
Unit investment trust fund	<b>2.54%</b>	2.29%
Cash and cash equivalents	<b>2.42%</b>	3.71%
Property	<b>4.43%</b>	4.41%
Loans and receivables	<b>0.01%</b>	0.02%
	<b><u>100.00%</u></b>	<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>
Reported in consolidated profit or loss –			
Current service cost	<b>P 334,441,221</b>	P 279,267,174	P 365,960,970
Past service cost	-	2,476,491	-
	<b><u>P 334,441,221</u></b>	<u>P 281,743,665</u>	<u>P 365,960,970</u>

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	2021	2020	2019
<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
	<b>P 1,088,727,038</b>	<b>(P 605,347,150)</b>	<b>(P 376,286,938)</b>

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:

	2021	2020
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.

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Currently, the plans have placed majority of its plan assets in investments in equity and debt securities. Due to the long-term nature of the plan obligation, a level of continuing equity and debt investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

(ii) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(iii) *Inflation Risk*

A significant portion of the defined benefit obligation is linked to inflation. The increase in inflation will increase the Group's liability.

(d) *Other Information*

(i) *Sensitivity Analysis*

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below.

	Change in Assumption	Impact on Post-employment Obligation	
		Increase in Assumption	Decrease in Assumption
<b>December 31, 2021</b>			
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)
<b>December 31, 2020</b>			
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.

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*(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).

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**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.



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The tax expense reported in the consolidated statements of comprehensive income for the years ended December 31 are presented below (see Note 37.1).

	2021	2020	2019
<i>Reported in consolidated profit or loss:</i>			
Current tax expense:			
RCIT at 30%, 25%, 19% and 10% MCIT at 1% in 2021 and 2% in 2020 and 2019	P 3,029,364,593	P 4,190,172,616	P 5,847,290,957
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	<u>2,307,573,325</u>	<u>223,043,409</u>	<u>2,533,168,879</u>
	<u>1,465,874,151</u>	<u>223,043,409</u>	<u>2,533,168,879</u>
	<b>P 4,286,957,389</b>	<b>P 4,645,709,637</b>	<b>P 8,769,844,365</b>
<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	<u>323,953,231</u>	<u>203,940,044</u>	<u>( 29,947,808)</u>
	<b>P 290,053,726</b>	<b>P 203,940,044</b>	<b>(P 29,947,808)</b>

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.

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The reconciliation of tax on consolidated pretax income computed at the applicable statutory rates to consolidated tax expense is as follows:

	2021	2020	2019
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	124,002,602	( 86,318,781)
Tax expense reported in consolidated profit or loss	<b>P 4,286,957,389</b>	<b>P 4,645,709,637</b>	<b>P 8,769,844,365</b>

The deferred tax assets and liabilities as at December 31 presented in the consolidated statements of financial position relate to the following:

	2021	2020	2019
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	67,577,647	200,008,661
	<b>P 4,970,539,083</b>	<b>P 6,351,607,385</b>	<b>P 5,477,329,211</b>
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	1,173,253,118
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	575,792,787	439,636,491
	<b>P 18,167,163,730</b>	<b>P 17,792,304,155</b>	<b>P 16,374,273,704</b>

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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	( 249,186,159)	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>P 1,465,874,151</u>	<u>P 223,043,409</u>	<u>P 2,533,168,879</u>	<u>P 290,053,726</u>	<u>P 203,940,044</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>P 12,006,998,398</u>	<u>(P 308,428,708)</u>	<u>(P 235,615,787)</u>	<u>P 11,462,953,903</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>	

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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	<u>P 11,241,860,980</u>	<u>P 2,810,465,245</u>	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>P 14,219,829,915</u>	<u>P 3,637,492,848</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)].

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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
<b>Parent Company and subsidiaries’ stockholders:</b>						
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	-	-	-
<b>Related party under common ownership:</b>						
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)
<b>Associates:</b>						
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)
<b>Others:</b>						
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.

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#### 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].

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	2021	2020
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>
	<b>P 3,634,327,162</b>	<b>P 3,309,913,472</b>

The movements in the advances to associates and other related parties are as follows:

	2021	2020
<b>Advances to associates</b>		
Balance at beginning of year	P 1,099,313,294	P 1,097,060,500
Collections	( 89,575,462)	-
Cash advances granted	-	<u>2,252,794</u>
Balance at end of year	<b>P 1,009,737,832</b>	<b>P 1,099,313,294</b>
<b>Advances to other related parties</b>		
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>( 35,608,643)</u>
Balance at end of year	<b>P 2,624,589,330</b>	<b>P 2,210,600,178</b>

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:

	2021	2020
<b>Due from Related Parties</b>		
Officers and employees	P 400,085,062	P 346,821,504
Other related parties	<u>451,345,560</u>	<u>407,252,953</u>
	<b>P 851,430,622</b>	<b>P 754,074,457</b>
<b>Due to Related Parties</b>		
Stockholders	P 315,040,576	P 347,670,510
Other related parties	<u>45,208,430</u>	<u>65,208,430</u>
	<b>P 360,249,006</b>	<b>P 412,878,940</b>

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The details of the due from/to related parties are as follows:

	2021	2020
<b>Due from officers and employees</b>		
Balance at beginning of year	P 346,821,504	P 185,600,211
Additions	88,154,871	163,016,996
Collections	<u>( 34,891,313)</u>	<u>( 1,795,703)</u>
Balance at end of year	<b>P 400,085,062</b>	<b>P 346,821,504</b>
<b>Due from other related parties</b>		
Balance at beginning of year	P 407,252,953	P 423,358,441
Additions	60,447,369	23,894,512
Collections	<u>( 16,354,762)</u>	<u>( 40,000,000)</u>
Balance at end of year	<b>P 451,345,560</b>	<b>P 407,252,953</b>
<b>Due to stockholders</b>		
Balance at beginning of year	P 347,670,510	P 347,670,510
Repayments	<u>( 32,629,934)</u>	<u>-</u>
Balance at end of year	<b>P 315,040,576</b>	<b>P 347,670,510</b>
<b>Due to other related parties</b>		
Balance at beginning of year	P 65,208,430	P 65,208,430
Repayments	<u>( 20,000,000)</u>	<u>-</u>
Balance at end of year	<b>P 45,208,430</b>	<b>P 65,208,430</b>

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:

	2021	2020
Balance at beginning of year	P2,181,442,496	P2,244,180,653
Advances availed	336,874,510	24,157,233
Advances paid	<u>( 48,783,694)</u>	<u>( 86,895,390)</u>
Balance at end of year	<b>P2,469,533,312</b>	<b>P2,181,442,496</b>

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### 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>
	<b>P 872,915,770</b>	<b>P 799,560,705</b>	<b>P1,164,572,343</b>

### 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.

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## 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>
	<b>P129,546,350,004</b>	<b>P132,401,835,733</b>	<b>P128,459,833,524</b>

### 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.

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*(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.

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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).

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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.

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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.

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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.

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### 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.



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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).

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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.

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### 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 )
	<b>P 31,051,185,584</b>	<b>P 1,265,410,105</b>	<b>P 22,103,692,912</b>	<b>P 1,773,111,372</b>

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.

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#### (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	<b>P 82,278,122,850</b>	P 69,697,688,432
Trade and other receivables	6	<b>59,279,230,664</b>	55,880,547,328
Contract assets	24.2	<b>19,922,247,362</b>	19,380,726,313
Due from related parties	6	<b>4,485,757,784</b>	4,063,987,929
Restricted short-term placements and time deposits	9	<b>3,086,649,157</b>	3,077,607,181
Property mortgage receivable	9	<b>646,636,072</b>	613,935,936
Refundable and other deposits	9	<b>1,925,728,464</b>	2,084,369,921
		<b>P 171,624,372,353</b>	<b>P 154,798,863,040</b>

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.

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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.

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The estimated fair value of collateral and other security enhancements held against trade receivables are as follows:

	<b>Gross Maximum Exposure</b>	<b>Fair Value of Collaterals</b>	<b>Net Exposure</b>
<b>2021</b>			
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>
	<b><u>P51,054,653,488</u></b>	<b><u>P93,480,535,646</u></b>	<b><u>P -</u></b>
<b>2020</b>			
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>
	<b><u>P48,954,724,485</u></b>	<b><u>P94,941,477,306</u></b>	<b><u>P -</u></b>

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

	<b>2021</b>	<b>2020</b>
Not more than 30 days	<b>P 3,008,898,748</b>	P 1,900,321,575
31 to 60 days	<b>960,552,139</b>	1,702,476,239
Over 60 days	<u><b>4,604,130,704</b></u>	<u>4,499,027,092</u>
	<b><u>P 8,573,581,591</u></b>	<b><u>P 8,101,824,906</u></b>

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.

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### 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
<b>December 31, 2021:</b>				
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	-
	<b>P 109,744,316,175</b>	<b>P 44,013,833,074</b>	<b>P 133,198,700,273</b>	<b>P 28,228,856,237</b>
<b>December 31, 2020:</b>				
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	1,574,139,348
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	-
	<b>P 74,348,676,262</b>	<b>P 52,747,651,059</b>	<b>P 162,535,601,872</b>	<b>P 21,037,235,868</b>

\*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.

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### 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
<b>Financial assets</b>				
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
		<b>P 156,130,535,098</b>	<b>P 153,776,989,585</b>	<b>P 135,418,136,727</b>
				<b>P 135,449,637,395</b>

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Notes	2021		2020	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial assets at FVTPL:				
Marketable debt and equity securities	7	P 13,512,733,032	P 13,512,733,032	P 9,788,321,208
Financial assets at FVOCI – Equity securities	11	P 420,870,489	P 420,870,489	P 396,914,433
<b>Financial liabilities</b>				
Financial liabilities at FVTPL – Derivative liabilities*	17, 21	P 736,958,819	P 736,958,819	P 1,108,228,040
Financial liabilities at amortized cost:				
Current:				
Trade and other payables	17	P 62,415,511,836	P 62,415,511,836	P 60,529,715,231
Interest-bearing loans	18	80,303,949,739	79,406,537,853	49,545,524,642
Lease liabilities	13	1,309,447,535	1,309,447,535	1,427,669,658
Subscription payable	21	1,114,665,008	1,114,665,008	1,114,665,008
Redeemable preferred shares	20	251,597,580	251,597,580	251,597,580
Advances from related parties	30	2,469,533,312	2,469,533,312	2,181,442,496
ELS	21	-	-	3,443,750,000
Commission payable	21	2,632,525,561	2,632,525,561	3,164,723,364
		P 150,497,230,571	P 149,599,818,685	P 121,659,087,979
Non-current:				
Bonds payable	19	P 41,982,042,246	P 42,567,948,736	P 40,282,855,986
Interest-bearing loans	18	93,108,742,222	88,973,326,321	124,371,416,317
Lease liabilities	13	15,336,726,680	15,336,726,680	15,864,238,579
Redeemable preferred shares	20	1,365,641,108	1,637,560,105	1,464,659,539
Retention payable	21	3,289,211,913	3,289,211,913	3,255,790,866
Security deposits	21	809,239,196	854,594,866	759,328,648
Accrued rent	21	10,039,717	10,039,717	11,538,105
		P 155,901,643,082	P 152,669,408,338	P 186,009,828,040
				P 185,909,518,598

\*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.

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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.

	2021			Total
	Level 1	Level 2	Level 3	
<b>Financial assets:</b>				
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
	<b>P 13,567,433,847</b>	<b>P 149,600,000</b>	<b>P 216,569,674</b>	<b>P 13,933,603,521</b>
<b>Financial liabilities:</b>				
Financial liability at FVTPL – Derivative liabilities	P -	P 736,958,819	P -	P 736,958,819

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	2020			
	Level 1	Level 2	Level 3	Total
<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	58,847,908	127,200,000	210,866,525	396,914,433
	<u>P 9,847,169,116</u>	<u>P 127,200,000</u>	<u>P 210,866,525</u>	<u>P 10,185,235,641</u>
<i>Financial liabilities:</i>				
Financial liability at FVTPL – Derivative liabilities	P -	P 1,108,228,040	P -	P 1,108,228,040

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.

	2021	2020
Balance at beginning of year	P 210,866,525	P 215,583,274
Fair value gains (losses)	5,703,149	( 2,756,749)
Disposal	-	1,960,000
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.

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(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
<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	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>
<i>Financial liabilities:</i>				
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>
<i>2020</i>				
	Level 1	Level 2	Level 3	Total
<i>Financial assets:</i>				
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>

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	2020			
	Level 1	Level 2	Level 3	Total
<i>Financial liabilities:</i>				
<i>Current:</i>				
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
<i>Non-current:</i>				
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.

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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.

	2021	2020
Total liabilities	<u>P 368,737,306,684</u>	<u>P 372,673,324,966</u>
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)	EIS (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	<b>P 173,412,691,961</b>	<b>P 41,982,042,246</b>	<b>P 151,807,137</b>	<b>P -</b>	<b>P 1,617,238,688</b>	<b>P 217,163,780,032</b>

\*Excluding lease liabilities (see Note 13.3)

	Interest-bearing Loans (see Note 18)	Bonds Payable (see Note 19)	Derivative Liabilities (see Note 21)	EIS (see Note 21)	Redeemable Preferred Shares (see Note 20)	Total*
Balance as of January 1, 2020	P 179,153,113,712	P 24,623,883,690	P 242,417,137	P 5,280,000,000	P 1,832,512,909	P 211,131,927,448
Cash flows from financing activities:						
Borrowings availed	23,111,920,680	16,692,935,192	-	-	-	39,804,855,872
Payment of borrowings	( 26,034,969,977)	-	-	-	-	( 26,034,969,977)
Redemption of preferred shares	-	-	-	-	( 251,597,580)	( 251,597,580)
Non-cash activities:						
Foreign currency adjustment	( 2,352,752,914)	( 1,077,137,260)	-	-	-	( 3,429,890,174)
Conversion of EIS	-	-	-	( 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	<b>P 173,916,940,959</b>	<b>P 40,282,855,986</b>	<b>P 849,006,544</b>	<b>P 3,443,750,000</b>	<b>P 1,716,257,119</b>	<b>P 220,208,810,608</b>

\*Excluding lease liabilities (see Note 13.3)



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	Interest-bearing Loans (see Note 18)	Bonds Payable (see Note 19)	Derivative Liabilities (see Note 21)	ELS (see Note 21)	Redeemable Preferred Shares (see Note 20)	Total*
Balance as of January 1, 2019	P 167,401,953,304	P 25,102,042,365	P -	P 5,258,801,592	P 1,963,861,825	P 199,726,659,086
Cash flows from financing activities:						
Borrowings availed	30,677,150,000	-	-	-	-	30,677,150,000
Payment of borrowings	( 16,580,133,659)	-	-	-	-	( 16,580,133,659)
Redemption of preferred shares	-	-	-	-	( 251,597,580)	( 251,597,580)
Non-cash activities:						
Foreign currency adjustment	( 2,450,405,725)	( 493,907,863)	-	-	-	( 2,944,313,588)
Amortization of transaction costs	104,549,792	15,749,188	-	21,198,408	-	141,497,388
Unrealized loss on cash flow hedges	-	-	242,417,137	-	-	242,417,137
Accretion of redeemable preferred shares	-	-	-	-	120,248,664	120,248,664
Balance at December 31, 2019	P 179,153,113,712	P 24,623,883,690	P 242,417,137	P 5,280,000,000	P 1,852,512,909	P 211,131,927,448

\*Excluding lease liabilities (see Note 13.3)

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## 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.

Declaration date	Payment date	Dividend rate	Impact on NCI (in millions)
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.

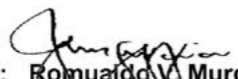


**Report of Independent Auditors  
to Accompany Supplementary  
Information Required by the  
Securities and Exchange  
Commission Filed Separately  
from the Basic Consolidated  
Financial Statements**

**The Board of Directors and the Stockholders  
Alliance Global Group, Inc. and Subsidiaries**  
7<sup>th</sup> 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

Certified Public Accountants  
Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd.

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Offices in Cavite, Cebu, Davao  
BOA/PRC Cert of Reg. No. 0002  
SEC Accreditation No. 0002

**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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B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	2
C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements	3
D. Long-term Debt	4
E. Indebtedness to Related Parties (Long-term Loans from Related Companies)	9
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G. Capital Stock	11

**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
<b>Financial Assets at Fair Value Through Profit or Loss</b>		
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>
<b>Financial Assets at Fair Value Through Other Comprehensive Income</b>		
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>
<b>Total Financial Assets</b>	<b>P 13,933,603,521</b>	<b>P 2,666,568,902</b>

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)  
December 31, 2021

Name and Designation of Debtor	Balance at the Beginning of Period	Additions	Deductions		Ending Balance		Balance at the End of Period
			Amounts Collected	Impairment	Current	Non-current	
<b>Advances to Officers and Employees:</b>							
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
- Other related parties	317,323,788	55,215,385	-	-	372,539,143	-	372,539,143
	<u>P 754,074,457</u>	<u>P 148,602,240</u>	<u>P 51,246,075</u>	<u>P -</u>	<u>P 851,430,622</u>	<u>P -</u>	<u>P 851,430,622</u>

**Legend:**  
Megaworld - Megaworld Corporation  
Travellers - Travellers International Hotel Group, Inc.  
Emperador - Emperador Inc.  
GADC - Golden Archies 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

Name and Designation of Debtor	Balance at Beginning of Period		Additions	Deductions		Ending Balance		Balance at End of Period
	P	P		Amounts Collected	Amounts Written off	Current	Not current	
<i>Due from Related Parties</i>								
New Town Land Partners, Inc.	2,894,403,740	P	-	48,086,000	P	-	2,846,317,740	P
Venezia Universal, Ltd.	2,369,002,159	P	1,253,573,028	-	-	-	3,623,475,187	P
GreenSpring Investment Holdings Properties Ltd.	2,923,551,534	P	-	1,206,207,321	-	-	1,717,344,213	P
Alliance Global Brands, Inc.	403,555,608	P	-	403,555,608	-	-	-	-
Alliance Global Group Cayman Islands, Inc.	286,360,186	P	105,990,711	-	-	-	392,368,897	P
McKester Pk. Int'l International Limited	16,314,735,270	P	662,096,437	-	-	-	16,976,831,707	P
Empire East Land Holdings Inc.	376,184,174	P	-	19,455,643	-	-	356,728,531	P
Travellers International Hotel Group, Inc.	2,664,416,063,000	P	-	108,281,759	-	-	2,556,134,304	P

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
<b>Loans:</b>			
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	-
		80,303,949,739	93,108,742,222
		80,303,949,739	93,108,742,222
<b>Bonds Payable:</b>			
<b>Issuer:</b>			
Megaworld	P 11,981,932,912	-	11,981,932,912
Megaworld	\$ 600,000,000	-	30,000,109,334
		-	41,982,042,246
		<b>P 80,303,949,739</b>	<b>P 135,090,784,468</b>

- a Interest-bearing loans include loans obtained by Megaworld pertaining to the following:
- 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.
  - 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 availability. 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.
  - 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.
  - Five-year loan obtained by Megaworld from a local bank in December 2018. The principal repayment is quarterly after two years from availability. Interest is payable quarterly.
  - 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.
  - 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.
  - 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.
  - 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.
  - Five-year loan obtained by Megaworld in August 2016 from a local bank with a grace period of two years from availability. The principal repayment commenced in November 2018 and interest is paid quarterly. In 2021, Megaworld has paid in full its outstanding loan balance.
  - 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 availability. 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 availability. 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 availability. 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 availability. 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 STLL. Principal repayment is payable on a monthly basis after a grace period of three years from the date of availability.
- 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 availability. 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 availability. 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 availability.

- 5 -

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 availability.
- 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 availability 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 availability. 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 availability. 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 availability. 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 availability. 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, PAI obtained short-term loans totaling P400 million from a local bank for working capital purposes renewable and re-priced every 6 months.

- 6 -

Alliance Global Group, Inc. and Subsidiaries  
Schedule D - Long-Term Debt (continuation)  
December 31, 2021

- l** Interest-bearing loans obtained by GADC include the following:
- 1.) Loans obtained by GADC from local banks in 2014 payable in 21 quarterly principal payments commencing in September 2016.
  - 2.) 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.
  - 3.) Five-year US dollar loan obtained by GADC from a local bank in March 2020. The loan is payable quarterly and bears a fixed interest rate.
  - 4.) 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.
  - 5.) 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.
  - 6.) Loan obtained by GADC 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 utilized 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.

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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 - Empendot International Ltd.  
EDI - Emperador Distillers, Inc.  
WVG - Whyte and Mackay Group Limited  
DBLC - Donecq 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.  
SILI - Stateland, Inc.

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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

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under the related balance sheet caption	Number of shares held by			2,925,459,707
			Number of shares reserved for options, warrants, conversion and other rights	Related parties	Directors, officers and employees	
Common shares - P1 par value	12,950,000,000	9,471,352,279	59,100,000	6,477,201,632	68,690,940	

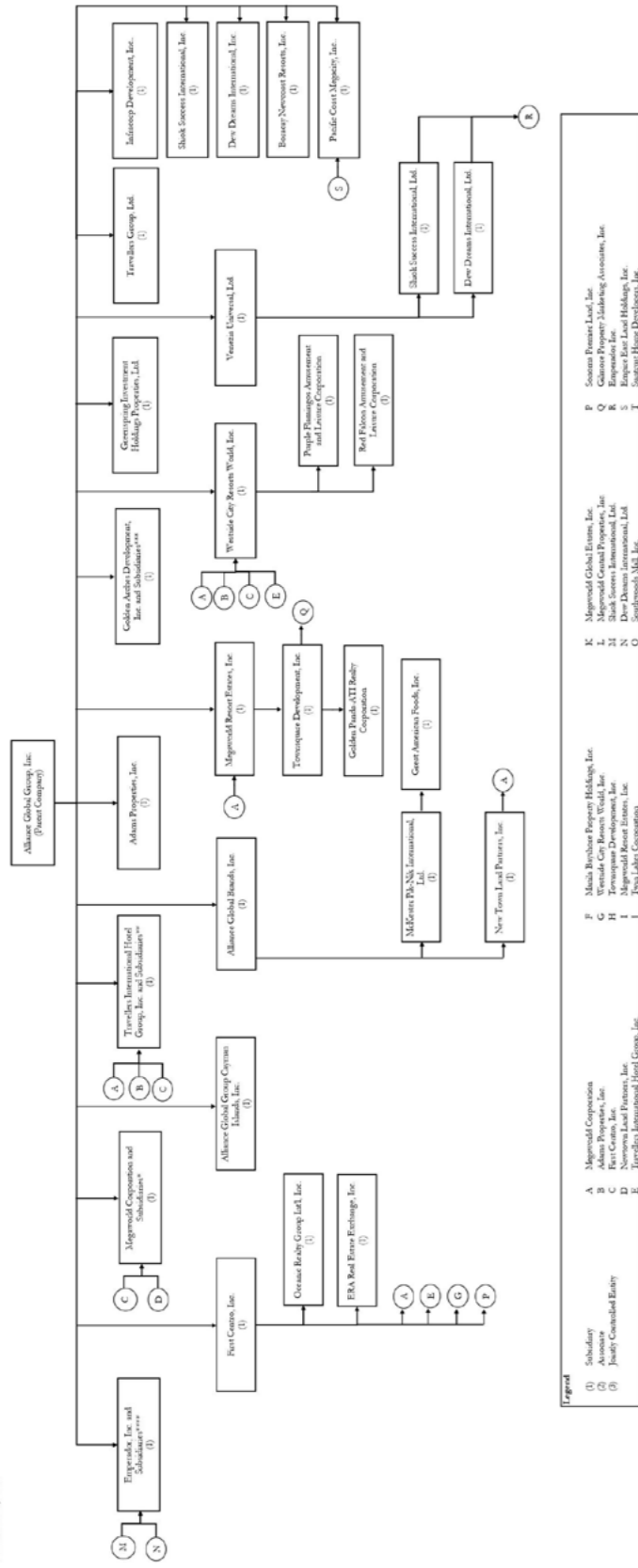
Alliance Global Group, Inc.  
7<sup>th</sup> Floor, 1880 Eastwood Avenue, Eastwood City CyberPark  
188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City  
**Reconciliation of Retained Earnings Available for Dividend Declaration**  
Annex 68-D  
As of December 31, 2021

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
<b>Other Transaction During the Year</b>		
Acquisition of treasury shares*	(P	2,681,318,755)
Dividends declared	(	<u>672,035,797</u> )
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	<b>P</b>	<b><u>18,656,461,226</u></b>

\* 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.

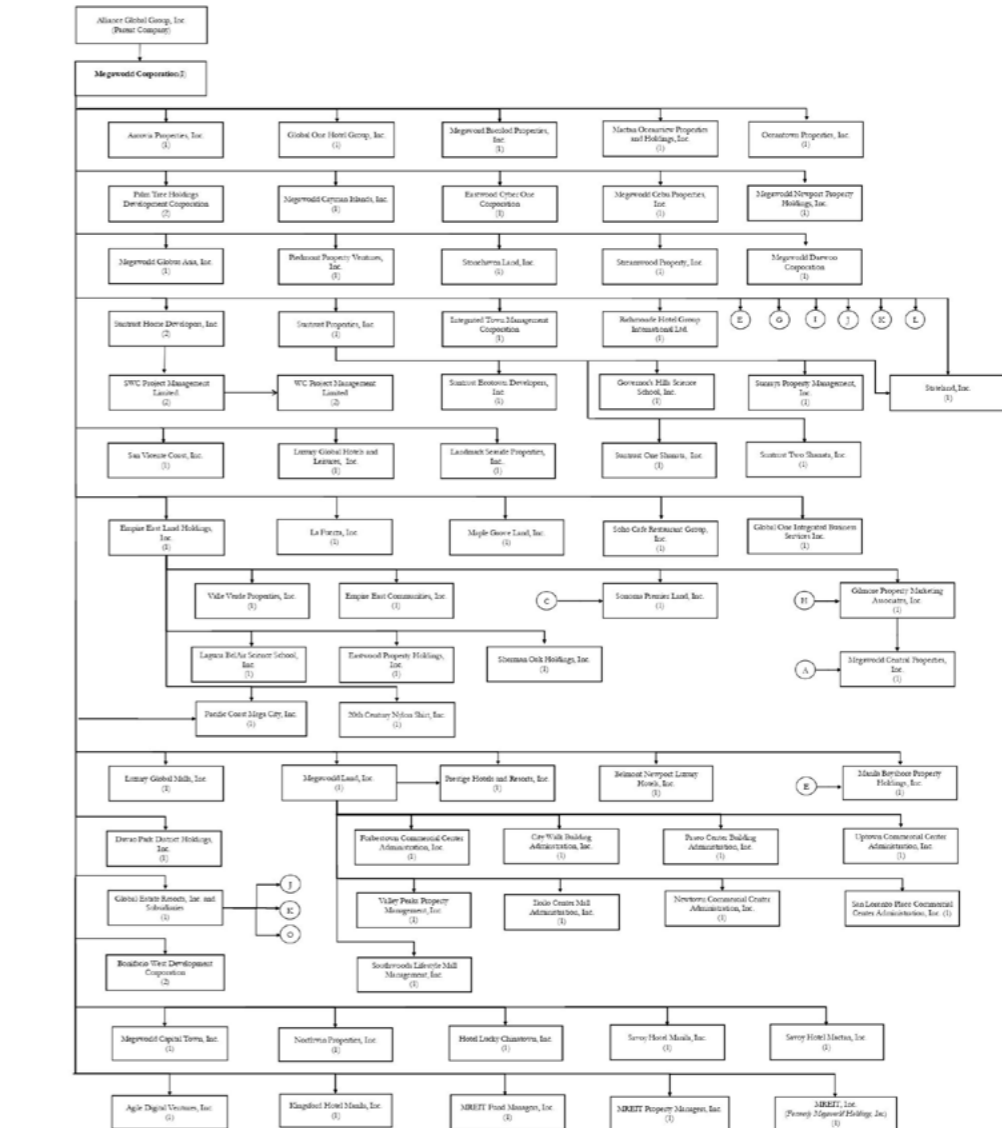


**ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES**  
Map Showing the Relationship Between Alliance Global Group, Inc. and its Related Parties  
December 31, 2021



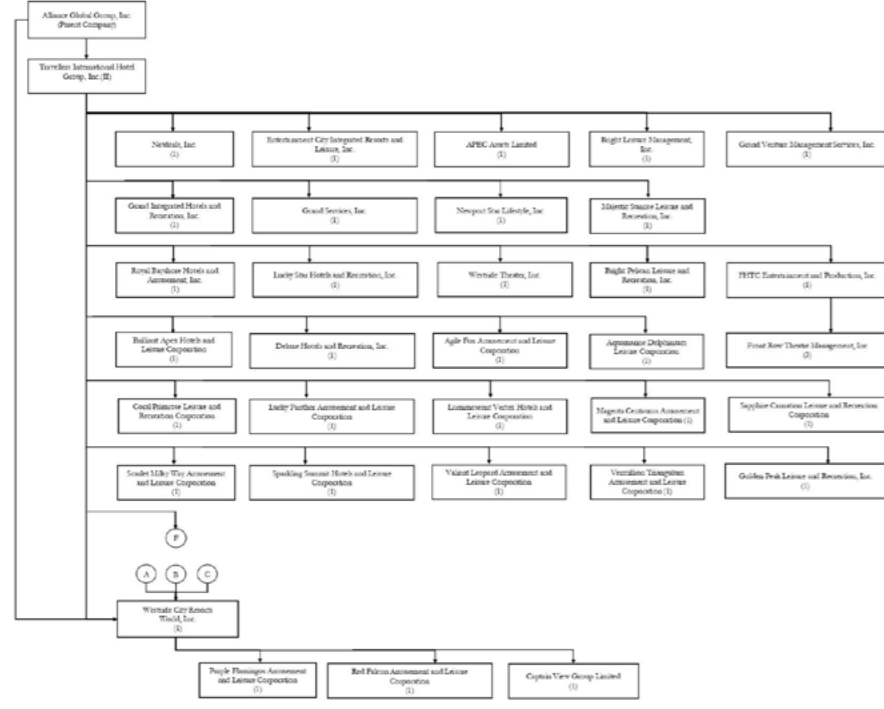
**ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES**

Map Showing the Relationship Between Alliance Global Group, Inc. and Megawold Corporation Group  
December 31, 2021



- Legend**
- (1) Subsidiary
  - (2) Associate
  - (3) Jointly Controlled Entity
  - (4) Subsidiary
  - (5) Associate
  - (6) Jointly Controlled Entity
- |                              |  |                                     |                                   |  |
|------------------------------|--|-------------------------------------|-----------------------------------|--|
| A Megawold Corporation       | E Trans-Gro Commercial Hotel Group, Inc. | I Megawold Real Estate, Inc.        | N Sank Sankas International, Ltd. | Q Olofin Property Holding Associates, Inc. |
| B Alliance Properties, Inc.  | F Mada Bayshore Property Holdings, Inc.  | J Trans-Liber Corporation           | O Deer Downs International, Ltd.  | R Transglobe, Inc.                         |
| C First Cities, Inc.         | G Winstar City Resort World, Inc.        | K Megawold Global Entry, Inc.       | P Southwoods 360, Inc.            | S Enclave East Land Holdings, Inc.         |
| D Newmas Land Partners, Inc. | H Transglobe Developer, Inc.             | L Megawold Control Properties, Inc. | T Soanara Premier Land, Inc.      | T Soanara Premier Land, Inc.               |

**ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES**  
Map Showing the Relationship Between Alliance Global Group, Inc. and Tropicana Group  
December 31, 2021



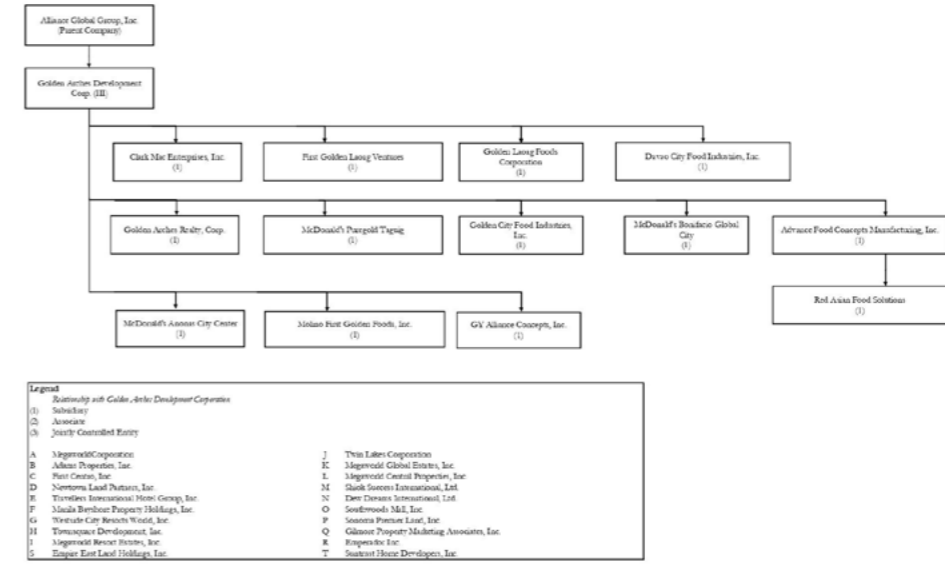
**Legend**

Relationship with Tropicana International Hotel Group, Inc.

(1) Subsidiary  
(2) Associate  
(3) Jointly Controlled Entity

A	Aggressive Corporation	J	Twin Lakes Corporation
B	Adress Properties, Inc.	K	Magwood Global Entities, Inc.
C	Fast Cruise, Inc.	L	Magwood Central Properties, Inc.
D	Northern Lead Partners, Inc.	M	Shah Success International, Ltd.
E	Tropicana International Hotel Group, Inc.	N	Dew Demans International, Ltd.
F	Shah Success Property Holdings, Inc.	O	Southern Sky, Ltd.
G	Wentzle City Resorts, Inc.	P	Southern Palace Lead, Ltd.
H	Tropicana Development, Inc.	Q	Golden Property Holdings, Inc.
I	Magwood Beach Entities, Inc.	R	Empire, Inc.
L	Empire East Lead Holdings, Inc.	T	Seaside House Developments, 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



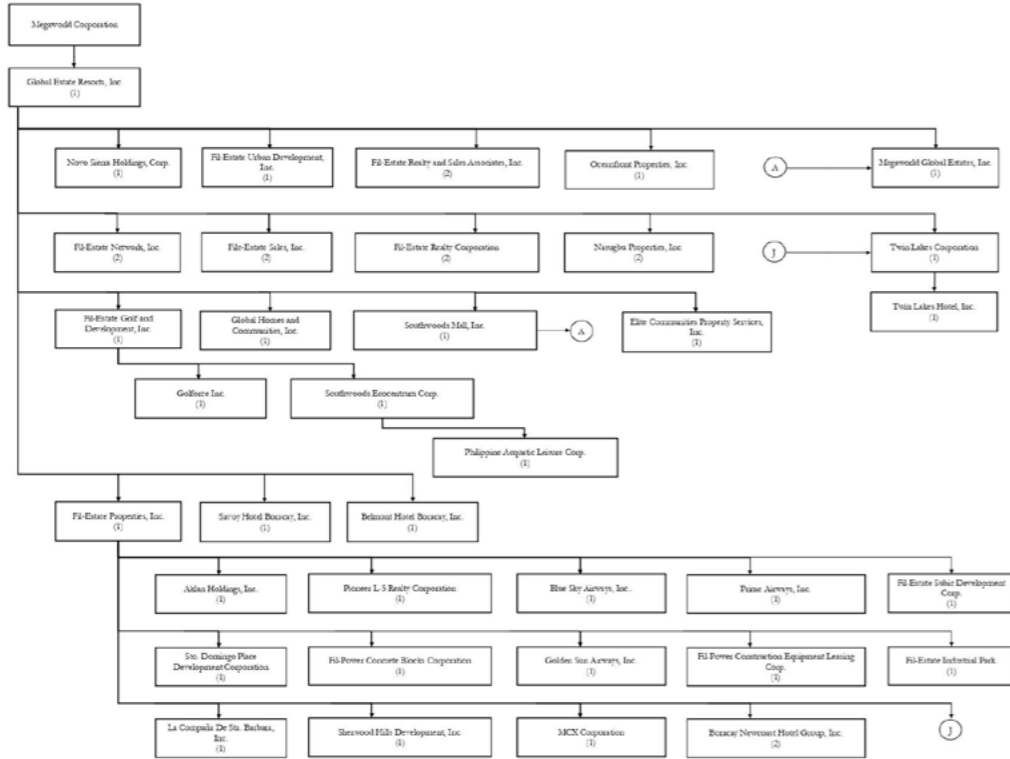
**Legend**

Relationship with Golden Arches Development Corporation

(1) Subsidiary  
(2) Associate  
(3) Jointly Controlled Entity

A	Aggressive Corporation	J	Twin Lakes Corporation
B	Adress Properties, Inc.	K	Magwood Global Entities, Inc.
C	Fast Cruise, Inc.	L	Magwood Central Properties, Inc.
D	Northern Lead Partners, Inc.	M	Shah Success International, Ltd.
E	Tropicana International Hotel Group, Inc.	N	Dew Demans International, Ltd.
F	Shah Success Property Holdings, Inc.	O	Southern Sky, Ltd.
G	Wentzle City Resorts, Inc.	P	Southern Palace Lead, Ltd.
H	Tropicana Development, Inc.	Q	Golden Property Holdings, Inc.
I	Magwood Beach Entities, Inc.	R	Empire, Inc.
L	Empire East Lead Holdings, Inc.	T	Seaside House Developments, Inc.

**ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES**  
Map Showing the Relationship Between and Among Megawold and Global Estate Resorts Inc. Group  
December 31, 2021



**Legend**

(S) Subsidiary	(J) Twin Lakes Corporation
(A) Associate	(K) Megawold Global Estates, Inc.
(B) Jointly Controlled Entity	(L) Megawold Occasional Properties, Inc.
(C) FI-Entity Properties, Inc.	(M) Shik Systems International, Ltd.
(D) Nova Seas Holdings, Corp.	(N) Nova Seas Properties, Inc.
(E) Occasional Properties, Inc.	(O) Southwoods Mall, Inc.
(F) FI Estate Network, Inc.	(P) Seasons Premier Lease, Inc.
(G) Global Estate Resorts, Inc.	(Q) Global Property Marketing Associates, Inc.
(H) Twin Lakes Hotel, Inc.	(R) Empirex Inc.
(I) Empirex East Land Holdings, Inc.	(T) Southwood House Developments, Inc.

**ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES**  
Map Showing the Relationship Between Alliance Global Group, Inc. and Empirex Group  
December 31, 2021



**Legend**

(E) Relationship with Empirex Inc.
(1) Subsidiary (100%)
(2) Subsidiary (50%)
(3) Subsidiary (51%)
(4) Jointly Controlled Entity



## Report of Independent Auditors on Components of Financial Soundness Indicators

**The Board of Directors and the Stockholders**  
**Alliance Global Group, Inc. and Subsidiaries**  
7<sup>th</sup> 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.

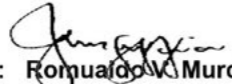
Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are 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

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### 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

Certified Public Accountants  
Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd.

grantthornton.com.ph

Offices in Cavite, Cebu, Davao  
BOA/PRC Cert of Reg. No. 0002  
SEC Accreditation No. 0002

Alliance Global Group, Inc. and Subsidiaries  
7<sup>th</sup> 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



# ALLIANCE GLOBAL

## FY2021 ESG REPORT



### Annex A: Reporting Template

(For additional guidance on how to answer the Topics, organizations may refer to Annex B: Topic Guide)

#### Contextual Information

Company Details	
Name of Organization	Alliance Global Group, Inc.
Location of Headquarters	7/F 1880 Eastwood Avenue, Eastwood City CyberPark, Bagumbayan, Quezon City
Location of Operations	Megaworld Corporation (MEG), Travellers International Hotel Group, Inc. (TIHGI), Golden Arches Development Corporation (GADC) and Infracorp Development, Inc. operate in the Philippines while Emperador Inc. (EMP) operates an integrated business of manufacturing, bottling and distributing distilled spirits and other alcoholic beverages from the Philippines, United Kingdom, Spain, and Mexico, through its subsidiaries
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Megaworld Corporation Travellers International Hotel Group, Inc. (TIHGI), Emperador Inc., and Golden Arches Development Corporation (GADC).
Business Model, including Primary Activities, Brands, Products, and Services	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.
Reporting Period	January - December, 2021
Highest Ranking Person responsible for this report	Kevin Andrew L. Tan

*\*If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

**Materiality Process**

<p><b>Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.<sup>1</sup></b></p> <p>To identify AGI’s material topics, common material topics were reviewed across all AGI subsidiaries, which include: Megaworld Corporation, Travellers International Hotel Group, Inc. (TIHGI), Emperador Inc. and Golden Arches Development Corp (GADC). The materiality process of the subsidiaries followed the GRI-G4 Guidelines, wherein a list of select disclosures from GRI Standards, Sustainability Accounting Standards Board (SASB), along with other international reporting frameworks, were translated into an online survey. The results of each subsidiary’s survey were then analyzed to provide an initial list of material topics, which were presented to the board of directors/sustainability team for assessment and approval. Furthermore, the material topics from AGI’s previous annual report aligned with the UN SDGs were also reviewed and cross-checked with this reporting year’s subsidiaries’ common topics.</p> <p>Identified material topics were then aligned with the UN SDGs and clustered into five themes—Employee Experience, Diversity and Inclusion (PEOPLE), Waste and Resource Efficiency (EFFICIENCY), Sustainable Business and Innovation (SUSTAINABILITY), Economic Growth (GROWTH), and Business Ethics, Values, and Corporate Governance (GOVERNANCE). These five themes represent the core areas that are important to the Company and its stakeholders for the year. The same topics guide this 2021 report.</p>
--

**AGI’s Material Topics for 2021**

PEOPLE	EFFICIENCY	SUSTAINABILITY	GROWTH	GOVERNANCE
Employee Experience, Diversity and Inclusion	Waste and Resource Efficiency	Sustainable Business and Innovation	Economic Growth	Business Ethics, Values, and Corporate Governance
<p><b>SDG 3 Good Health and Well-being</b></p> <p><b>SDG 8 Decent Work and Economic Growth</b></p>	<p><b>SDG 12 Responsible Consumption and Production</b></p>	<p><b>SDG 13 Climate Action</b></p> <p><b>SDG 12 Responsible Consumption and Production</b></p> <p><b>SDG 7 Affordable and Clean Energy</b></p>	<p><b>SDG 8 Decent Work and Economic Growth</b></p>	<p><b>SDG 16 Peace, Justice, and Strong Institutions</b></p>
<ul style="list-style-type: none"> <li>• Labor rights</li> <li>• Employee diversity, equal opportunity and non-discrimination</li> <li>• Employee training and development</li> <li>• Occupational Health and Safety</li> </ul>	<ul style="list-style-type: none"> <li>• Waste Management</li> <li>• Energy Use and Efficiency</li> <li>• Water and Wastewater Management</li> <li>• GHG Emissions</li> <li>• Materials Sourcing, Efficiency, and Management</li> </ul>	<ul style="list-style-type: none"> <li>• Business model and product innovation</li> <li>• Product quality and safety</li> <li>• Climate action</li> </ul>	<ul style="list-style-type: none"> <li>• Economic Performance</li> <li>• Market Presence</li> </ul>	<ul style="list-style-type: none"> <li>• Business Ethics and Integrity</li> <li>• Community relations</li> <li>• Customer Health and Safety</li> </ul>

<sup>1</sup> See [GRI 102-46](#) (2016) for more guidance.

## ECONOMIC

### Economic Performance

#### Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	152,792,516,273	PhP
Direct economic value distributed:		
a. Operating costs	76,775,415,027	PhP
b. Employee wages and benefits	12,424,538,666	PhP
c. Payments to suppliers, other operating costs	24,124,902,962	PhP
d. Dividends given to stockholders and interest payments to loan providers	7,899,654,336	PhP
e. Taxes given to government	6,060,120,714	PhP
f. Investments to community (e.g. donations, CSR)	152,638,570	PhP

AGI, through its different businesses spanning real estate, spirits, integrated tourism, quick-service restaurants, and infrastructures, have been an active economic partner in national development. Through its diverse operations services and products, the Company was able to generate PhP 152.8 billion of revenue and was able to provide direct economic benefits to its employees, suppliers, stockholders, and the government through wages and benefits, payments to services incurred, dividends, and taxes, respectively.

The Company also invests in projects which uplifts the community through its subsidiaries either through donations or CSR activities: Megaworld continued its partnerships with different schools and organizations for education and scholarship programs; Golden Arches or McDonald's rolled out Kindness Kitchen and served over 500,000 meals. Travellers had its Virtual Run to Give partnering once again with Save the Children Philippines to help support the Education, Health & Nutrition and Child Rights and Protection. Additionally Travellers started a local Disaster relief fund to help our own associates in need, given the compounding effects of COVID-19 on the livelihood and well-being of Hospitality Associates.

## ENVIRONMENT

### Resource Management

#### Energy consumption within the organization:

#### Total energy consumption per AGI subsidiary

Subsidiary	Total energy consumption (GJ)
Megaworld	1,492,412
Travellers	409,926*
Emperador	19,653,374
Golden Arches	566,161
Total	22,121,873

\*This is an estimated total energy consumption of the 6 hotels - TIHGI, Sheraton, Marriott, Hilton, HIEx, and Hotel Okura.

#### MEG

Disclosure	Quantity	Units
Energy consumption (renewable sources - biodiesel)	90	GJ
Energy consumption (gasoline)	13,202	GJ
Energy consumption (LPG)	0	GJ
Energy consumption (diesel)	37,152	GJ
Energy consumption (electricity)	1,443,336	GJ
Total energy consumption	1,492,412	GJ

#### TIHGI

Disclosure	Quantity	Units
Energy consumption (gasoline)	N/A	GJ
Energy consumption (LPG)	275	GJ
Energy consumption (diesel)	8,868*	GJ

Energy consumption (electricity)	111,328,503	kWh
Total energy consumption	409,926	GJ

\*This is an estimated total energy consumption of the 6 hotels - TIHGI, Sheraton, Marriott, Hilton, HIEx, and Hotel Okura.

**EMP**

Disclosure	Quantity	Units
Energy consumption (renewable sources)	1,505,060	GJ
Energy consumption (gasoline)	101,014	GJ
Energy consumption (LPG)	242,008	GJ
Energy consumption (diesel)	8,051,961	GJ
Energy consumption (fuel oil)	535,490	GJ
Energy consumption (coal)	7,341,558	GJ
Energy consumption (gas oil)	26,572	GJ
Energy consumption (petrol)	4.4	GJ
Energy consumption (natural gas)	399,585	GJ
Energy consumption (electricity)	889,866	kWh
Energy consumption (heating)	612,547	GJ
Energy consumption (steam)	48,621	GJ
Total energy consumption	19,653,374	GJ

**GADC**

Disclosure	Quantity	Units
Energy consumption (renewable sources)	0	GJ
Energy consumption (diesel)	4,971	GJ
Energy consumption (LPG)	143,099	GJ
Energy consumption (electricity)	116,136,203	kWh
Total energy consumption	566,161	GJ

Reduction of energy consumption

Subsidiary	
Megaworld	<p><b>Energy reduction (electricity) - 411,173.89 kWh</b>  <b>Energy reduction (fuel - diesel and gasoline) - 198 GJ</b></p> <p>The organization has recorded a reduction in electricity consumption as a result of existing factors such as: Chiller Optimization Savings, and operation optimization and proper maintenance of facilities and equipment. Aside from this, the reduction is also attributed to Empire East's two major changes during the pandemic: (1) focus on "work from home" arrangements, and (2) the shift to multiple smaller offices.</p> <p>Moreover, the organization was able to cut their fuel consumption by 198 GJ in 2021.</p>
Travellers*	<p><b>Energy reduction (electricity) - 5,697,849 kWh</b></p> <p>In 2021, Sheraton and Marriott reduced their electricity consumption by a combined amount of 5,697,849 kWh.</p>
Emperador	<p><b>Energy reduction (electricity) - 2,120,181 kWh</b>  <b>Energy reduction (fuel oil) - 66,777 GJ</b></p> <p>Bodegas Fundador, through the use of biogas, has reduced their energy consumption by 1,987,443 kWh in 2021. Progreen's Balayan plant was able to reduce their energy consumption due to the efficient use of biogas and bagasse as well. On the other hand, Emperador's Nasugbu plant was able to reduce their use of bunker fuel by 1653 MT due to conservation efforts. In addition, Casa Domecq and Anglo Watsons Glass, Inc (AWGI) uses renewable energy in the form of solar photovoltaic energy. AWGI also continually recycles cullet as a raw material to lessen the amount of energy required to produce glass.</p>
Golden Arches	<p><b>Energy reduction (electricity) - 8,986,518 kWh</b></p> <p>The organization's reduction in energy consumption is the result of their use of solar LED lamp posts, LED lights, and Variable Refrigerant Flow (VRF) air-conditioning system.</p>

\*Sheraton and Marriott only



**AGI'S Management Approach for Energy**

Alliance Global Group, Inc. (AGI) needs energy in the form of electricity, gas, diesel, natural gas, biogas, and solar power for its diverse businesses— property development, food, and beverage manufacturing and distribution, quick-service restaurants, integrated tourism development, and infrastructure development. It uses gasoline and natural gas for furnaces, boilers, turbines, refrigeration processes, diesel for generators, owned transportation, and biogas from sugarcane bagasse. It also purchases its electricity from the grid for its day-to-day operations.

Energy efficiency abates greenhouse gas emissions, and AGI aims to power activities while consuming less energy through renewable fuel consumption, green real estate development, sustainable manufacturing practices, as well as capitalizing on other energy-efficient opportunities.

Megaworld, as an example, has invested in a Chiller Optimization system in Uptown Mall, which aims to save energy by 52,710 kWh monthly. Bodegas Fundador, through the use of biogas, has reduced its energy consumption by 1,987,443 kWh in 2021. Additionally, Pedro Domecq and Anglo Watsons Glass, Inc. (AWGI) uses renewable energy in the form of solar photovoltaic energy, while Golden Arches invests in LED lighting/solar PV perimeter lighting.

Other subsidiaries continue to monitor, analyze their energy consumption and overall environmental impact annually to track trends, understand outcomes and provide guidance to meet the targets of the UN Sustainable Development Goals and the Paris Agreement, which aims to avoid threats of climate change by limiting the global rise in temperature to 2°C above pre-industrial levels while pursuing efforts to limit it to 1.5°C.

Water consumption within the organization

As hotels under Travellers did not provide complete data, AGI's total water withdrawal, total water discharge, and total water consumption figures are approximations only.

Subsidiary	Water withdrawal (Cubic meters)	Water consumption (Cubic meters)	Water discharge (Cubic meters)	Water recycled and reused (Cubic meters)
Megaworld	5,030,769	13,373,279	7,890,351.15 <sup>a</sup>	151,200
Travellers	54,623 <sup>b</sup>	220,489,098 <sup>c</sup>	9,120 <sup>d</sup>	45,750 <sup>e</sup>
Emperador	8,097,967	6,306,795	4,132,253	47,316
Golden Arches <sup>f</sup>	3,663,000	224,000	3,419,000	-

Toal	16,846,359	240,393,172.00	15,450,724.15	244,266
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- a Megaworld's water discharge data includes Megaworld and Empire East only.
- b Data of TIHGI, HIEx, Sheraton, and Marriott only
- c Data of TIHGI, Hilton, Hotel Okura, and Marriott only
- d Data of TIHGI and Marriott only
- e Data of Marriott only
- f Data presented are estimation for 669 McDonald's stores for 365 days

**AGI'S Management Approach for Water and Effluents**

Water and effluents are important aspects in resource management: water is an important resource that should be conserved, while effluents on the other hand, affect the environment and biodiversity as well as human health when improperly discharged.

AGI subsidiaries withdraw water from third-party sources as well as from groundwater for its projects, construction, daily operations, and water supply for its communities. AGI and its subsidiaries are responsible for the water discharges, water storage of facilities and performance of annual activities in cleaning and disinfection of water holding tanks to ensure that water being supplied to customers, employees, and communities is clean and within standard potability level.

Companies within the AGI group keep track of their water usage to better understand their water consumption patterns, identify inefficiencies in management, and take steps to help with water conservation.

- Megaworld commits 100% compliance to DENR/LLDA Parameter & Standards to train technical personnel to be a Pollution Control Officer for monitoring and complying with the Standards.
  - Travellers adopt water conservation programs and practices which are managed by the Facilities and Project Management (FPM). These practices are the combination of Engineering Controls and Information campaigns all throughout the organization and its stakeholders.
  - Emperador conducts an annual calibration of flow meters, close monitoring of leaks, and its timely correction to ensure the strict implementation of the plant-wide water conservation program. It also conducts quarterly effluent analysis and water consumption and wastewater discharge monitoring. Effluent parameters are monitored to ensure that these are in compliance with the National Effluent Quality Standard of DENR.
  - Golden Arches conducts several measures in water conservation and usage in compliance with RA9275 and PNSDW. McDonald's Stores has significantly reduced its water-related pollution by installing wastewater treatment facilities to reduce water pollution to allowable water quality.
- Stores also increase their water conservation campaign through the installation of rainwater harvesting for several stores. McDonald's Philippines is fully committed to environmental

regulations such as Clean Water Act and Philippine National Standards for Drinking Water by partnering with several suppliers to install water and wastewater treatment facilities.

#### Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		
<b>Renewable materials used</b>		
Supplied Water	512,684.16	cubic meters
Water Abstracted	163,654.19	cubic meters
Carpet-area rug	2,615.63	kg
Carpet tiles	36.98	kg
Tiles	57,554.75	kg
Outdoor furniture	362.29	kg
Polycarbonate divider	110.41	kg
Pendant lights	226	kg
Reupholstery and fabric	36.08	kg
Roller shades	179.18	kg
Groundwater	2,421,027.00	Metric tonnes
Process water	1,715,500.00	Metric tonnes
Soft water	1,049,010.00	Metric tonnes
Dem mineralized water	593,125.00	Metric tonnes
Molasses	300,000.00	Metric tonnes
Sugarcane	201,925.33	Metric tonnes
Bottles	137,283.00	Metric tonnes
Cullet	55,509.01	Metric tonnes
Bagasse	24,088.81	Metric tonnes
Glass bottles	16,834.87	Metric tonnes
Carton	6,027.00	Metric tonnes
Cardboard/paper	1,959.00	Metric tonnes

Caps	1,750.00	Metric tonnes
Cardboard cases	1,114.58	Metric tonnes
Pallets	944.19	Metric tonnes
Labels	917	Metric tonnes
Corrugated	300.67	Metric tonnes
Metals such as aluminum	239	Metric tonnes
Other chemicals	210	Metric tonnes
Anti-skid sheets, separators	37.82	Metric tonnes
Semi-manufactured goods/consumables	26	Metric tonnes
Plastic/Plastic packaging	3434	Metric tonnes
Paper stickers	16.01	Metric tonnes
Chemicals for cleaning and sanitation	11	Metric tonnes
Lubricant	8	Metric tonnes
Cork	2.33	Metric tonnes
Recycled fiber	1290	Metric tonnes
Certified sustainably sourced fiber	9500	Metric tonnes
<b>Non-renewable materials used:</b>		
Diesel	2,400,817.92	liters
Gasoline	41,077.45	liters
Cement	40,233,053.60	kg
Ceramic tiles	332,454.22	pcs
Paint	38,231.74	sqm
Gypsum board	5,302.10	sqm
PVC pipes	34,023.00	m
Reinforcing steel bars	3,333,094.99	kg
Wood (doors and cabinets)	83,525.00	kg
Glass	12,104,350.00	kg
Wires	1,225.00	m

Steel pipes	19,551.00	m
Coal	28,769.22	Metric tonnes
Silica	15,059.67	Metric tonnes
Laminates	8,554.00	Metric tonnes
Soda ash	4,656.54	Metric tonnes
Limestone	4,062.04	Metric tonnes
Feldspar	1,392.58	Metric tonnes
Closures (plastic, aluminum)	295.51	Metric tonnes
Metallic covers	177.57	Metric tonnes
Crystal	144	Metric tonnes
Sodium sulfate	94.15	Metric tonnes
Paper and plastic	40.88	Metric tonnes
Sleeves	32.21	Metric tonnes
Charcoal/activated carbon	15.85	Metric tonnes
Plastic stickers	10.14	Metric tonnes
Strapping and netting	9.83	Metric tonnes
Plastic covers	8.85	Metric tonnes
Gift boxes	4.99	Metric tonnes
Plastic capsule	0.55	Metric tonnes
Selenium	0.4	Metric tonnes
LPG	3,025,351	L

#### AGI'S Management Approach for Materials

For its diverse and large-scale operations, AGI subsidiaries use both non-renewable and renewable materials. Megaworld, and Travellers use various types of construction materials for their numerous and wide-scale property development projects ranging from residential, commercial, office developments, educational/training components, multi-cluster condominium projects, multi-phase subdivision, privately-operated gaming facilities with hotel, retail, dining, entertainment and other leisure amenities.

Emperador uses distilled neutral spirit, brandy distillates, grain and malt whiskies, and water, as well as glass bottles and packaging materials, while Golden Arches needs food and packaging supplies for its McDonald's restaurants nationwide.

The building sector, which includes the aforementioned companies, has significant environmental impact due to resource and energy use, as well as production of wastes. AGI recognizes the importance of economic handling of limited resources and adopting the circular economy approach. To fulfill this, it requires reuse of materials and wastes for as long as possible, as well as designing and developing reusable long-lasting products.

Emperador's AWGI, for example, uses a 70% cullet ratio to manufacture glass bottles which allows them to reduce their need for raw materials. Megaworld's Empire East works with contractors which implements proper solid waste disposal through accredited haulers on a regular basis. Other construction and office wastes are sold to third-party buyers for recycling and processing such as excess metals, PVC pipes. Their purchasing department also contracts third party services to sell or dispose of scrap metals. Golden Arches' McDonald's guest paper packaging—clamshell container, paper cups, etc., is made from fiber sourced from 100% certified renewable sources. Additionally, 12% of McDonald's packaging materials are sourced from recycled materials (plastic and/or paper), but not on a closed loop. This is based on the total raw material requirement required for converting finished items into primary packaging.

All subsidiaries continue improving the efficiency of their operations to support long-term business resilience and move towards a circular economy through monthly progress reporting, defining baselines and setting targets to understand the environmental implications of their own operations and value chain.

#### Environmental impact management

##### Air Emissions

##### GHG

Subsidiary	Direct (Scope 1) GHG Emission (in tCO2e)	Indirect (Scope 2) GHG Emission (in tCO2e)
Megaworld	4,236	261,519
Travellers*	988.60	79,288.16
Emperador**	91,448	166,986
Golden Arches	9,407	82,712
<b>TOTAL</b>	<b>106,080</b>	<b>590,505</b>

\*This is estimated GHG Direct (Scope 1) emissions of the 6 hotels - TIHGI, Sheraton, Marriott, Hilton, HIEx, and Hotel Okura.

\*\*Progreen Nasugbu Plant and Boozy have no available data on Direct (Scope 1) emissions

Air pollutants

Among the AGI subsidiaries, Emperador is the only subsidiary that has available data on air pollutants.

Disclosure	EMP
NO <sub>x</sub> (kg/Ncm)	0.000835*
SO <sub>x</sub> (kg/Ncm)	0.001382*
Particulate matter (kg/Ncm)	0.000025**

\*Data only includes EMP's AWGI and Progreen

\*\*Data only includes EMP's EDI and AWGI

Disclosure not applicable for Boozy, Casa Domecq, and WML

**AGI'S Management Approach for Emissions**

The company's direct (scope 1) emissions are derived from the use of propane, diesel, natural gas, biogas for boilers, furnaces, gas turbines, diesel generators, owned transportation, and refrigeration processes. The consumption of purchased electricity from the grid is the source of its indirect (scope 2) emissions.

AGI aims to implement strategies to reduce emissions in its operations and supply chains and achieve carbon neutrality by 2035.

In line with this goal, Emperador Group continues to recycle cullet as a raw material in glass bottle production. This process requires less energy to melt compared to the usage of virgin raw materials to manufacture a new glass bottle. Aside from this, its Balayan and Nasugbu distillery plants reduce GHG emissions into the atmosphere by capturing raw CO<sub>2</sub> gas and processing it into liquidized CO<sub>2</sub>. They invested in an Anaerobic Digester, which reduces wastewater while generating a useful byproduct, biogas. The biogas produced through this process is used by the plant as a source of renewable energy.

Additionally, Emperador's energy efficiency programs are anchored on the use of natural lighting, natural ventilation, renewable energy, as well as the use of light-emitting diode (LED) bulbs. This is an ongoing process as it incorporates these in the design of the existing and upcoming facilities globally, all of which reduce carbon emissions and lower energy consumption.

Other subsidiaries continue to analyze their GHG emissions and establish annual targets to lower them in order to reduce the impact of AGI's business activities on the environment and worsening global temperature rise. AGI is committed to implementing strategies to reduce emissions in its own operations and supply chains to acquire competitive advantages over time.

Solid and Hazardous Wastes

Subsidiary	Total solid waste generated (kg)	Total hazardous waste generated (kg)
Megaworld	26,157,524	90,594
Travellers	1,132,132.92*	12,594**
Emperador	191,370,220	161,562
Golden Arches***	429,765,600	415,114,500
<b>Total</b>	<b>648,425,477</b>	<b>415,379,250</b>

\*Total solid waste generated is an estimation of TIHGI, Hilton, Sheraton, and Marriott hotels data only.

\*\*Data of TIHGI, Sheraton, and Marriott only

\*\*\*Estimation for 669 McDonald's stores for 365 days

**AGI'S Management Approach for Waste**

On managing waste, AGI's recycling programs are focused on responsible plastic use and the strategic recycling of materials. The Group predominantly uses recyclable and reusable materials for its products, such as glass bottles, fiber boxes, and paper labels.

EDI implements both Solid and Hazardous Waste Management Programs to reduce waste disposed to sanitary landfills by around 3-5%. Empire East also works with contractors which implements proper solid waste disposal through accredited haulers on a regular basis. They sell construction wastes such as scrap metals and office wastes to third-party buyers for processing and recycling.

Megaworld collaborated with Plastic Credit Exchange as well, a non-profit organization that promotes plastic aggregation and collects all types of plastic for reallocation to partner plastic recyclers for plastic credit certificates. The company's use of licensed Transport Haulers and the recycling of PET Bottles guarantees that solid waste has as little impact on the environment as possible.

AGI Subsidiaries continue to understand their waste footprint in their own operations and supply chain through improved inventory management. They collaborate with contractors who use accredited haulers

to properly dispose of solid and hazardous waste on a regular basis to ensure proper handling and disposal, protecting the environment and communities where we operate.

Travellers International’s day-to-day operations generate regular and hazardous waste that must be managed properly. Risks include spills, accumulation of waste, and improper disposal, among others. Opportunities involve recycling and reusing materials and reducing waste generation to save costs. The Safety, Environment, and Pollution Control Office manages this.

Measures conducted to minimize waste generation includes (1) prohibition on the use of the single-use plastic bag, (2) reduction in the use of plastic bottled in hotel operations (halted during the pandemic), (3) practice of segregation of waste, (4) conduct of regular recycling drives. Regular wastes are collected by a private third-party service provider while hazardous wastes are collected, transported and treated by DENR-accredited hazardous waste transporters and treaters.

Golden Arches generates solid and hazardous wastes that can possibly cause harmful environmental and health impacts; these can be controlled through the sustainability efforts of the company, collaboration with the local government units and guidance of the laws and regulations of the jurisdictions within the store. Additionally, through the Zeroing plastic usage-global roadmap of Mcdonald’s, Golden Arches is slowly removing/reducing the use of its plastic footprint.

**Environmental compliance**

Non-compliance with Environmental Laws and Regulations

Subsidiary	
<b>Megaworld</b>	The Group has incurred monetary fines for non-compliance with environmental laws and/or regulations and <b>1 case</b> resolved through dispute resolution mechanism in 2021.
<b>Travellers</b>	There are <b>no monetary and non-monetary sanctions</b> for non-compliance with environmental laws and/or regulations and <b>no cases resolved through dispute resolution mechanisms</b> in 2021.
<b>Emperador</b>	There are <b>no monetary and non-monetary sanctions</b> for non-compliance with environmental laws and/or regulations. Furthermore, for 2021, the organization had 0 cases of dispute.
<b>Golden Arches</b>	Golden Arches has incurred monetary fines for non-compliance with environmental laws and/or regulations but was able to resolve 8 cases through dispute resolution mechanisms in 2021  3 cases appealed with no penalty – Lagro, Visayas Ave and Pontevia 5 cases appealed with cost reduction BSU Malolos, Tikay, Guiguinto, Malolos Bayan and San Joaquin

**AGI’S Management Approach for Environmental Compliance**

AGI subsidiaries strive to maintain strict compliance to environmental laws and regulations to ensure that the Group’s operations and supply chains have the least possible impact on the environment and the communities where they operate. Additionally, the subsidiaries must conform and maintain efficiency in resource management in order to support economic growth and build corporate competitiveness in the long run.

**SOCIAL**

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees <sup>18</sup>	38,246	#
a. Number of female employees	17,472	#
b. Number of male employees	20,774	#
Attrition rate <sup>19</sup>	-0.23	rate

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	11.34%	12.40%
PhilHealth	Y	1.32%	1.89%
Pag-ibig	Y	4.72%	5.65%
Parental leaves	Y	0.72%	0.80%
Vacation leaves	Y	69.61%	64.33%
Sick leaves	Y	41.69%	54.10%

Medical benefits (aside from PhilHealth))	Y	0.52%	1.96%
Housing assistance (aside from Pag-ibig)	Y	0.07%	0.07%
Retirement fund (aside from SSS)	Y	0.07%	0.38%
Further education support	Y	0.26%	0.76%
Company stock options	N	0.00%	0.00%
Telecommuting	Y	38.78%	28.01%
Flexible-working Hours	Y	0.76%	0.76%
Others (Working from home)	Y	11.75%	0.00%
Others (Disability and invalidity coverage)	Y	0	0.01%

Data presented are based on estimation.

**AGI'S Management Approach for Employee Management**

Supporting people and society means providing opportunities for growth, learning, and development within the Company and the society. As the country battled the pandemic in 2021, this also means supporting physical and mental health, providing avenues for getting vaccinated against COVID-19, and ensuring all sites and offices are safe and follow health requirements.

**Employee Wellness and Growth**

Human Resources or the Company's talents is one of its assets. AGI, through its subsidiaries, employs responsible employment practices through implementing programs for employee safety, and physical and

mental well-being. With the continuing challenge of the pandemic, these measures were crucial for the different businesses to continue and operate, and protect the employees at the same time.

AGI implemented the AGImmUNITY or the responsible immunization for stakeholders and employees to contribute to herd immunity and complement government's action in the promotion of a national vaccination program. AGImmUNITY program was cascaded down to the subsidiaries as a way to champion a united action against Covid-19 virus. At present 98% of Megaworld Corporation employees, 99% of Emperor Inc, 95% Travellers, and 99% of Golden Arches employees in the head office are already vaccinated.

As the pandemic continued with the introduction of more concerning Covid-19 variants, AGI adapted through digitization of systems that can protect its employees through contactless transactions. Work from home schemes were continued where applicable, as well as strict sanitation measures in sites and offices where employees need to be physically present.

AGI and its subsidiaries also continue to provide opportunities for employment in different arenas of the business, locally and internationally. AGI's sustainability commitment for development is to generate at least five million direct and indirect jobs by 2035. Megaworld aims to help shape the Philippines 30 years and beyond and commits to creating 3 million direct and indirect jobs in its various developments across the country within 15 years. Through Emperor, local opportunities in areas of operations are created including in Europe and South America where the business also operates.

Golden Arches Development Corporation (which operates McDonald's Philippines) 657 stores nationwide and its growing services of drive-thrus, delivery hubs, and NXTGEN stores provides local employment nationwide as well as opportunities for working students and out-of-school youth. Travellers' renowned chain of hotels and gaming and entertainment hubs makes for a flourishing leisure industry, benefitting employees and localities.

AGI also provides several government mandated and voluntary benefits to its employees such as leaves, salary loans, saving benefits, several loan options, medical benefits, flexible working hours, among other benefits.

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees	1,499,405	hours
Average training hours provided to employees	39.21	hours/employee

**AGI'S Management Approach for Training and Development**

Capacity building, training, and education of employees continues to be an important part of AGI and its thrust to drive innovation in its diverse set of businesses, and the delivery of a wide array of services powered by its different subsidiaries. The group conducted various trainings in 2021 dedicated to continuing education and skills updating, shifting mostly from face-to-face interaction to digital learning to adapt to the pandemic. Additionally, performance reviews are scheduled bi-annually to support in career development, promotion and merit enhancement.

Among notable training initiatives is the aSPire University (SPI is the acronym of Suntrust Properties Inc) of Megaworld. aSPire University, through Suntrust Training Hub, was formed to encourage continuous learning among the company’s employees. Despite the limitations and hurdles during the Covid-19 pandemic, the company was able to conduct training programs through the available online platforms.

Moreover, Megaworld has the Megaworld Learning Academy, HR Business Partners, Organizational Development, and other Training Groups for some divisions/units that work hand in hand to promote and manage the learning and development needs. A minimum of 8 hours of regular training is always required for employees as a policy and is an embedded requirement in the Company’s Performance Management system.

Golden Arches also launched the Restaurant Support Center (RSC) Open University and the RSC Learning & Development Resources Site which is an online gateway to all the courses, resources, and tools that facilitate learning and growth. It is the repository for all training related documents, Virtual Classes, Open Online Courses, Webinars, RSC Live! Videos, and Leadership Resources for self-directed learning for leaders and staff.

Emperador’s Casa Domecq has an e-learning platform that provides a large number of training sessions for employees. Additionally, they are also beginning to provide superior educational programs to senior leaders of the company. For specific situations, Casa Domecq provides an unemployment program that includes resume building, specific training, and job boards placement. For the continuous training process, the GBKnowit platform is mainly used and the company evaluates the success of the management approach by measuring the established KPIs.

Wellness is also part of taking care of the employees. For this, there is the “You Matter” Program of Golden Arches which centered on programs and activities on physical wellness, mental, social, and emotional well-being through webinars on overall Employee Wellbeing Activities, a monthly wellness week, and awareness on Self Love. “You Matter” increases employee engagement through participation in webinars and workshops; employees can also direct access to avail of services for counseling.

Travellers has “Elevating Marriott Culture Plan” wherein an array of activities were executed virtually or limited face to face that supports Marriott's culture around taking care of its associates. Activities include fitness activities, resilience-building programs, health and wellbeing lectures, financial wellness talks and information dissemination in different communication platforms.

Diversity and Equal Opportunity

Disclosure	Quantity	Units
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% of female workers in the workforce	45.7%	%
% of male workers in the workforce	54.3%	%
Number of employees from indigenous communities and/or vulnerable sector*	0	#

*\*Vulnerable sectors include, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

**AGI’S Management Approach for Diversity and Equal Opportunity**

AGI is committed to building a diverse, gender-equal, and inclusive environment for all of its employees. Regardless of race, color, gender, sexual orientation, age, religion, or other factors, the Group ensures equal chances for compensation and benefits, safe workspaces, training, and professional development.

This commitment is an essential company’s efficiency and competitiveness. AGI intends to track the progress toward diversity and inclusion moving forward, assisting in the creation of a more equitable, inclusive society and world. This commitment is also embodied by AGI’s subsidiaries:

**Megaworld**

Megaworld believes that diversity and equal opportunity in the workplace facilitates sharing of ideas and obtaining unique feedback and advice. Additionally, a diverse workforce is more likely to understand a client’s needs and come up with ideas to fulfill them. This will also increase employee morale and instill a desire to be more effective and work more efficiently that may lead to increase of productivity in the workplace.

Achieving diversity and inclusion starts in hiring. Megaworld practices objectivity as well as focus on the candidate’s qualification regardless of age, race, gender and religion. The Company also believes in empowering its people to grow, learn and make a name for themselves. Megaworld supports its employees through training, special tasks assignments and opening new opportunities within the organization.

An equal or almost equal opportunity for all genders in the workplace results in employee retention, and increased employee engagement.

Empire East Land Holdings Inc, (under Megaworld Corp), adheres to law policies that aim to promote women’s health and safety, equal compensation, maternity leave, and health insurance. The company also protects women from any discrimination or harassment. A grievance committee will prosecute any complaints, and violators may be subject to sanctions from the law.

The company does not discriminate against task assignments and remains open to working with people based on knowledge, experience, personal goals, potential value, and skills. There have been no complaints about gender inequality in the past year.

#### Golden Arches

The company promotes equal opportunity in hiring regardless of gender and age. This is also applicable to the benefit and remuneration wherein employees are being paid according to their job function and performance.

#### Travellers

Discriminatory dynamics are not ingrained in the culture of Travellers. In the Company everybody is treated in a fair and respectable manner be it employees, suppliers or customers.

#### Marriott Hotel

The organization operates with a diversified staffing model suitable to its varying needs to effectively manage its business regardless of age, gender and background. It is an equal opportunity employer committed to hiring a diverse workforce and sustaining an inclusive culture. It does not discriminate on the basis of disability, veteran status or any other basis protected under federal, state or local law. All associates, management and non-management, are required to meet the standards of performance and conduct which have been established for their position.

The organization has internal policies to promote equal employment opportunity and the right work environment. Management is responsible for communicating Company policies, practices to associates and ensuring those rules are administered fairly and consistently.

#### Emperador

Embracing diversity and equal opportunity goes a long way in developing the EDI's culture. All campaigns including job hiring, promotion, and training are all anchored by equality, with no age and gender preference. What is important to the company is the capacity, qualifications, and performance of the individual. EDI's Talent Management systems provide equal opportunity to all, regardless of gender, age, and preferences. They have current roles and job functions that cater to both genders. For EDI, they are successful in managing this topic when they are able to develop future leaders coming from different generations and gender and young leaders who assume a more senior role.

#### AWGI

Diversity and equal opportunity are important to AWGI as it impacts on sustaining the good of employees from different levels of the company. AWGI contributes to this topic by its programs towards the realization of goals. As far as supply/value chain is concerned, diversity and equal opportunity particularly occurs with direct hires. Any violation may incur penalty or non-monetary sanctions that will definitely impact the business. There are policies that the company formulated to protect diversity and equal opportunity among its applicants and employees. The mere existence of industrial peace and family

culture within the company consisting of people of mixed gender, from different provinces, various age levels, and socioeconomic status, is a solid measure of success in managing this topic.

#### Boozy

For Boozy, they do not hire based on gender but based on the work experience and skills requirement of the position.

#### Progreen

Embracing diversity and providing equality goes a long way in promoting a work culture that values talent beyond stereotypes and helps Progreen employees reach their full potential by contributing their best beyond any prejudice. Diversity can have a positive effect on the company but its risk is that diversity and differences within a team can lead to poor communication, reduced teamwork, conflict, exclusion, and people leaving the company. Progreen strives to create a culture of fairness and inclusion by offering all employees appropriate diversity and inclusion training and raising awareness of indirect discrimination. The company evaluates their success in managing this topic through retention and feedback from employees.

#### GES

#### Bodegas Fundador

Bodegas Fundador developed an Equality Plan in 2021 which offers equal opportunities to people regardless of their gender and provides measures on how to ensure diversity and equality within the workplace. Having a diverse workforce in terms of gender provides different points of views which contributes and helps the company to identify more appropriate solutions for all groups. The Equality Plan is supervised by a committee made up of members from the management team and employees. Bodegas Fundador evaluates their success in managing this topic by conducting a survey among employees and setting KPIs.

#### Casa Domecq

Gender equity and salary equity is highly important to Casa Domecq as they are building strategies to minimize differences and to improve the current situation. The company manages diversity and equal opportunity by analyzing salaries every year and proposing the necessary adjustments. It also takes into consideration the performance of each individual. Indicators for a successful management approach for this topic include an improved composition of the Casa Domecq workforce in relation to diversity and the provision of more equal opportunities compared to previous years.

#### WML

An inclusive workforce is good for business as it brings diversity of thought, innovation, a positive culture, and improved customer relationships. Equality and inclusion are also increasingly important to all stakeholder groups of WML. They have an E&I Charter published internally which openly states their commitment. In 2021, the company launched the charter and appointed an internal steering group to assist the Executives in raising awareness and reviewing their current practices and policies. The Executives are responsible for E&I, with the HR Director leading the initiative. WML also has a



whistleblowing policy and an internal grievance procedure for managing any concerns. To evaluate whether they are successful in managing this topic, the Steering Group will conduct an audit annually and monitor disputes raised on this subject.

**Workplace Conditions, Labor Standards, and Human Rights**

**Occupational Health and Safety**

Disclosure	Quantity	Units
Safe Man-Hours	26,829,362	Man-hours
No. of work-related injuries	69	#
No. of work-related fatalities	2	#
No. of work related ill-health	1065	#
No. of safety drills	87	#

**AGI'S Management Approach for Workplace Conditions**

**Covid Response**

As the pandemic continued with the introduction of more concerning Covid-19 variants, AGI adapted through digitization of systems that can protect its employees through contactless transactions. Work from home schemes were continued where applicable, as well as strict sanitation measures in sites and offices where employees need to be physically present.

AGI also implemented the AGImmUNITY or the responsible immunization for stakeholders and employees to contribute to herd immunity and complement government's action in the promotion of a national vaccination program. AGImmUNITY program was cascaded down to the subsidiaries as a way to champion a united action against Covid-19 virus. At present 98% of Megaworld Corporation employees, 99% of Emperador Inc, 95% Travellers, and 99% of Golden Arches employees in the head office are already vaccinated.

AGI and its subsidiaries also promote workplace safety and health through implementation of occupational safety and health regulations in all sites.

**Workplace Safety and Health**

**Megaworld**

Employee well-being is vital in reaching the organization's vision of uplifting lives and mission statement of delivering long-term value to its employees. The organization's OHS focus is maintaining a safe and healthy work environment which impacts across the supply chain. The organization is in the low-risk category relative to OSHA risk category. Risks include decrease in productivity and healthcare financing for accidents and illness.

The company has a drafted OSH (Occupational Safety and Health Policy) under review of the legal department. An internal task force was organized to manage the COVID-19 cases and concerns of the company since the pandemic. Safety Protocol Officers were assigned for each significant department and location to raise grievances, and remind guidelines related to health and safety. and Protecting the employee's health through inoculation was spearheaded by its own Vaccination efforts.

Continuous review of OSH audits, monitoring and reporting incidents of illness and accidents in the workplace.

**Megaworld passed the Safety Seal Certification Program** which is an undertaking between the DILG, Department of Tourism, Department of Labor and Employment, Department of Trade and Industry, and Department of Health under DOLE- DOH-DILG-DOT-DTI Joint Memorandum Circular No. 21-01. It aims to ensure that establishments are safe and follow the minimum public health standards by providing qualified establishments with a Safety Seal as a physical manifestation of compliance of an establishment to health standards.

**Megaworld also launched the HDDS (Health Declaration & Disclosure Statement)** which are daily updates of employees that are closely monitored by nurses. Management also formed an internal IATF group to ensure compliance, monitoring and policy/processes development to hasten the spread of virus in the company and combat the challenges of the pandemic. In relation to mental health, webinars were conducted and offered as well as counseling service for active Covid-19 cases.

Megaworld's subsidiary- **Global-Estate Resorts, Inc. (GERI)** has reached a milestone of **9 Million Safe man-hours** without lost time injury among its employees. Since GERI is committed to strengthen the environmental health and safety by establishing the EHS Group of the company.

**Travellers**

The Company has an OSHE (Occupational Safety, Health, and Environment) Policy which serves as its guide in the implementation of the OSH Program and commitments. Internal policies which are in accordance with government-mandated standards and protocols are in place, e.g., policies on Workplace Prevention and Control of COVID 19, Workplace Safety Management, TB Prevention and Control, Smoke-Free workplace, Annual Medical Examination, among others.

TIHGI has a pool of DOLE-Accredited OSH Consultant and Practitioners as well as trained Safety Officers who are responsible in managing the OSH implementation under the guidance of the Management. The Company has allocated a budget for the OSH programs like trainings, signages, and fire and life safety equipment. Employees who may have safety-related concerns can report directly to the SEPCU or through their immediate leaders.

The Management also tackles critical OSH concerns during the weekly OpsCom meeting. On the other hand, safety concerns among contractors are discussed during the weekly contractors meeting and in the group chats.

**Resort's World receives Safety Seal Certification**

The coveted Safety Seal Certification (SSC) was given to the entire Resorts World Manila (RWM) complex in July 2021 by the DOT and the Local Government Unit of Pasay City. The Company was granted an additional 10% operating capacity through the SSC.

Receiving the Safety Seal shows Resorts World's thrust in elevating safety in time of a pandemic, building consumer trust and confidence during a troubled time.

**Emperador**

EDI is committed to conduct its business activities responsibly and conforms to the Occupational Health and Safety Policy of the Philippines. They consider the health and safety of their employees to be as important as the business success. EDI shall lead the business on the continuous improvement of safety and health. To achieve their goal, they will:

- Respect the Occupational Health and Safety and well being of their employees, neighbors, and visitors
- Create mitigation plans to potential safety risks
- Comply to all local and applicable Health and Safety legislation.

Occupational health and safety standards at EDI shall apply to all places of employment. Non-compliance can revoke certain permits which can affect the company. EDI always aims to zero accidents by establishing written programs and guidelines that are aligned with DOLE OHS Standards. For risk of infection from COVID-19, the company has established workplace prevention and control of the virus. It's scope includes employees' mental and physical welfare in times of the pandemic. EDI also implements the mitigation and management of workplace infection and is committed to workplace safety and health programs aligned with the existing standards and guidelines issued by Philippine Regulatory Agencies. The company evaluates their KPIs monthly against goals and targets including key successes and obstacles. In 2021, the company did not receive any regulatory violation and accidents and incidents were maintained on a low count and degree of severity.

**COVID-19 Control at Sta. Rosa Plant**

Emperador's Sta. Rosa Plant created the Workplace Prevention and Control of COVID-19 which includes creation of COVID-19 Task Force who implements all necessary workplace safety and health programs aligned with the existing minimum public health standards and guidelines issued by IATF, DOLE, DILG and DOH; increase physical and mental resilience through involvement of every employee on everyday actions to stay healthy; and transmission reduction by creating safety and health protocols and guidelines. Complementing these actions is giving a supply of multivitamins, disposable face mask, face shield, hand soap, alcohol, disinfectant, etc. to employees, as well as campaigns on notification and reporting of possible COVID-19 cases especially those employees who are on sick leave

Emperador's Sta. Rosa Plant also created the MFG-EHS-G-001 Cleaning and Disinfection as an Infection Prevention and Control Measure Against COVID-19. Moreover, management of incoming contractors, visitors and truckers including health assessment done prior entry was also implemented.



**Golden Arches**

The company has an established McDonald's Workplace Safety and Health Policy which supports the overall implementation of the Workplace Safety and Health Management System. The Company has been implementing an Occupational Health and Management System, which is aligned with the McDonald's Global Safety Standards as well as the DOLE Occupational Safety and Health Standards. This was further strengthened in adherence to the DOLE DO No 198-18, the Implementing Rules and Regulations of Republic Act 11058 or An Act Strengthening Compliance with Occupational Safety and Health Standards and Providing Penalties for Violations Thereof. Further, Management has signed a commitment statement to ensure everyone's safety and health and provide all necessary resources.

The company's Safety Officer 2 is in charge of the safety and health program implementation. For this year, 2022, the focus will be on strengthening the safety and health organization in every restaurant and on the roles of its Safety Officer 2.

**Safety through the MSafe campaign**

Golden Arches continues the MSafe campaign, which is a McDonald's program to ensure the health and safety of its people and its customers through the development and adoption of mandated protocols, employee vaccination programs, and vaccination education campaigns for those employees unsure of the vaccine's safety.

In addition, Golden Arches also held virtual first aid classes, Occupational Safety and Health, and Basic Occupational Health and Safety classes for restaurant managers to strengthen safety provisions at work. For employee mental health, a pilot test tie-up with Infniticare for mental health was initiated, as well as regular *kamustahan* sessions with leadership.

Labor Laws and Human Rights

AGI and its subsidiaries have **no legal actions or employee grievances** involving forced or child labor for 2021.

Subsidiary	Do you have policies that explicitly disallow violations of labor laws and human rights (e.g. harassment, bullying) in the workplace? Y/N	If Yes, cite reference in the company policy
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<b>Megaworld</b>	Forced Labor - Y Child Labor - y Human Rights - Y	Forced Labor and Child Labor:  The organization conducts an auditing process that requires applicants to provide supporting documents that ensure that they are not underage for the job.
		Human Rights:  Sexual Harassment Policy for Supporting Breastfeeding Employees Magna Carta Family Welfare Special Leave Benefits For Women Employees Workplace policy and program on Hepatitis B HIV/Aids Workplace Policy
<b>Travellers</b>	Forced Labor - N Child Labor - N Human Rights - Y	Human Rights:  LSOP No. HR/09/004 Sexual Harrassment & Unprofessional Conduct (June 2016) Chapter 9.7 of Associate Handbook - Harassment Free Workplace Guarantee of Fair Treatment Business Conduct Guide Harassment Prevention in the Global Workplace for Non-Managers/Managers Sexual harrassment Policy & Anti - Harrassment Policy Hotel Code of Conduct and Code of Discipline
<b>Emperador</b>		
<b>EDI</b>	Forced Labor - Y Child Labor - N Human Rights - N	EDI is compliant with Philippine Laws that cover human rights, child labor, and forced labor; hence, the company is not obligated to operationalize the law into company policies to avoid redundancy.
<b>Bodegas Fundador</b>	Forced Labor - Y Child Labor - Y Human Rights - Y	Policies on Forced Labor, Child Labor, Human Rights are all cited in Code of Conduct
<b>Casa Domecq</b>	Forced Labor - Y Child Labor - Y Human Rights - Y	Forced Labor: Under the Labor Federal Law in Mexico, it is established that every person has the right to be compensated accurately and in line with the activity they are performing  Child Labor:

		Under the Labor Federal Law in Mexico, it is established that the minimum age to employ a person is 15 years old. However, the company does not employ people under 18 years old and they take it from their code of business conduct  Human Rights: Code of business conduct
<b>WML</b>	Forced Labor - Y Child Labor - N Human Rights - Y	Forced Labor:  WML commits to developing and adopting a proactive approach to tackling hidden labor exploitation. This Policy (which shall work in conjunction with the company's Modern Slavery and Human Trafficking Statement and Whistleblowing Policy) shall be implemented for the purposes of assisting the company in identifying and preventing any hidden labour exploitation within its workforce.  Human Rights: It is unlawful under the Equality Act 2010 to harass a person because of their age, disability, gender reassignment, marital or civil partner status, pregnancy or maternity, race, colour, nationality, ethnic or national origin, religion or belief, sex or sexual orientation. This also includes conduct of a sexual nature (sexual harassment). It is equally unacceptable for an employee to harass a colleague because they associate with someone of a particular race, religion, sexual orientation, age, etc.
<b>GADC</b>	Forced Labor - Y Child Labor - N Human Rights - N	Forced Labor:  Prevention of Violence in the Workplace Policy

**AGI'S Management Approach for Labor Laws and Human Rights**

Megaworld

The company stays true to its goal to adhere to the Labor Laws of the Philippines and to strengthen SDG 8. Megaworld's consultation practices are given priority under all circumstances. Therefore, it is crucial to establish and foster a professional protocol when grievances arise. An employee is free to approach the HR department to communicate any problem that pertains to working conditions. A grievance committee is then selected to hear the cases filed and provide the right necessary solutions as quickly as possible. Because the company adheres to the labor law and standards, it strives to provide solutions during this process. The HR department has efficiently developed a policy on grievances where it keeps internal conversations rolling about how to effectively improve and serve the needs of both employers and employees.

Effective labor-management relations help in achieving the Company goals and objectives. This provides a competitive advantage to the organization if issues arising out of labor disputes are appropriately handled.

**Emperador**

EDI is committed to generating decent jobs that provide a living wage for workers and employment opportunities in the nearby town of the manufacturing plant. It is also committed to promoting a fair and consistent implementation of labor law standards. In 2021, no pending labor case was noted and labor turnover was being managed by Human Resources.

**Golden Arches**

Labor Management relation sets the formal or informal ground rules/ policies and procedures for the organization. This helps maintain peace and order, and provides clarity on standards and expectations in case of conflict or grievances. Non-compliance on Labor laws and poor implementation of company policies may result in disputes and grievances, thus affecting the business and brand reputation.

Golden Arches has an RSC Manager leading the policy creation/ update, legal counsel and committee being consulted before we implement any new / revised policy. The Organization also has a consulting group who guides and checks policy implementation on the ground. Moreover, Golden Arches has various communication avenues such as Employee Satisfaction Survey, Open Door, One on One and likes to air employees' concerns and issues.

**Travellers**

The target is to close levels 1 to 3 administrative cases within 15 days and Level 4 cases within 30 days. This concern is managed by the Human Resources Department and the Legal and Corporate Affairs Department. Employees may reach out to the Organizational Department unit of the Human Resources Department to air grievances.

There is no collective bargaining agreement because there is no union within Travellers.

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
<b>Megaworld</b>					
Township Development	Philippines	Children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)	Does not directly impact indigenous people as most projects are in developed area	As the pioneer of township developments, it has always been Megaworld's pursuit to create game-changing property innovations that will improve livelihood and positively impact the nation.  By spurring stronger economic activity through its townships, Megaworld will be able to promote reverse migration and persuade those who have left their localities to come back and build a career in their hometowns. This way, the Company also helps keep Filipino families intact.	As the company expands into more locations, it is able to provide more employment and business opportunities for all sectors of society.
Real Estate Development	Philippines	N/A	Does not directly impact indigenous	As Megaworld crafts a legacy of bringing value to people's lives through	As the company expands into more locations, it is able to

			people as most projects are in developed area	its real estate offerings, the Company is also pursuing opportunities that will allow it to become more transformative and impactful as a developer.  Through its wholly-owned subsidiary, Suntrust Properties, Inc. (SPI), Megaworld acquired Stateland Inc., a 42-year-old real estate company known for building affordable quality homes and communities in South Luzon and several parts of Metro Manila. This has allowed the Company to participate in the government's shelter programs, pioneering in areas with potential growth and conducive to economic development.	provide more employment and business opportunities for all sectors of society.
Office Development and Leasing	Philippines	N/A	Does not directly impact indigenous people as most projects are in developed area	Megaworld designs its buildings to adhere to Green building standards. This promotes employee well-being, which increases productivity in the workplace. Green developments also help reduce the carbon footprint of these buildings, thus, minimizing any unfavorable impact on the environment.  These types of developments attract multinational corporations to locate their offices in the	As the company expands into more locations, it is able to provide more employment and business opportunities for all sectors of society.

				country and contribute over the long term to the government's efforts to provide more job opportunities in the country.	
Other operations with significant impact to local communities:  Business operations during the pandemic in 2021 to ensure customers' safety	Philippines	N/A	No	The organization ensure customers' safety from COVID-19 through implementation of the following programs/projects:  (1) Cashless digital payment (2) Non- contact parking ticket (3) Mall as vaccination site of LGU (4) Management of COVID-19 infections	The company procured and deployed thermal cameras and manual thermal scanners, tied up with cashless payment facilities like Gcash, Paymaya, and other means of cashless payment methods, acquired a parking system and equipment with a reputable parking contractor, tied up with well-known payment facilities, worked with LGU for various malls as vaccination venues, and coordinated with the homeowners and the LGUs for management of COVID-19 infections.
Safety Seal (undertaken between the DILG, Department of Tourism, Department of Labor and Employment, Department of Trade and	Philippines	N/A	No	The organization ensures customers' safety from the COVID-19 virus.	The company ensures that establishments are safe and follow the minimum public health standards by providing qualified establishments with a Safety Seal as a physical manifestation of compliance of an establishment to

Industry, and Department of Health under DOLE- DOH- DILG-DOT-DTI Joint Memorandum Circular No. 21-01.)					health standards by the DILG.
Urban Community Development	Philippines	N/A	No	Urban community development addresses the community's residents, tenants, employees, and rights to a better environmental quality.	CAI and BAI through FOPM partnered with MEG and Department of Agriculture to convert existing landscapes to a sustainable area for residents, tenants and employees.
Integrated FOPM Automated Experience (iFAE)	Philippines	N/A	No	Automated platform that provides secured account management, online bills payment, request forms, notifications, and community announcements.	The company guarantees compliance with health and safety requirements, and reduced usage of paper.
Renewable energy contract for nine (9) Megaworld Commercial Properties  Solar Rooftop Project for Iloilo Festive Walk Mall and Parade	Philippines	N/A	No	Non-renewable energy is the biggest source of greenhouse gas emissions, which contributes to global warming and poses risks such as rising sea levels, extreme weather conditions, biodiversity loss, species extinction and more, as well as threats to human health, housing, water, and food.	Contribute globally on the reduction of carbon footprints and dependence on fossil fuels. Renewable energy promotes economic development and creates more jobs in the manufacturing, installation, maintenance, and more.
Plastic (PET) bottles collection drive in	Philippines	N/A	No	The Plastic (PET) bottles collection drive aims to help in curbing the	The plastic collected will be properly reused and recycled on a

partnership with PCX				worsening plastic pollution.	designated plant (cement plant).
Community market across malls	Philippines	N/A	No	The community market across malls addresses the loss of employment and business of MSMEs.	Provided space for community markets in malls featuring MSMEs and farmers. This can augment their businesses and supply goods for mall goers.
Provided Philsys national ID, Comelec, Bureau of Quarantine registration across malls	Philippines	N/A	No	The initiative helps people comply with Government requirements.	The initiative provides an easy access for government transactions.
Internship Programs	Philippines	N/A	No	Internship programs support the community as well as provide opportunities to find future talent for the organization.	The company partners with schools within or near the townships in order to get applicants.
Spearheaded Megaworld International Revolutionizing the Future of Real Estate Philippine Property Expo 2021	Philippines	N/A	No	The company recognizes the right "to participate in, contribute to, and enjoy economic, social, cultural, and political development" as stated in the Declaration on the Right to Development by the UN Human Rights Office of the High Commissioner.  This event will initiate Philippine economic recovery and real estate development, supports SDGs 8, providing possibilities for economic	Attracting investors to the Philippines through real estate investments that can help boost the country's economy amid lockdowns and limitations brought by the COVID-19 pandemic.

				growth, full employment, and decent work for all.	
<b>Travellers</b>					
Operates leisure and resort properties - gaming facilities with hotel, retail, dining, entertainment and other leisure amenities	Philippines	N/A	No	The company generates tourism which boosts the economy and creates employment opportunities.	Travellers operates integrated leisure and gaming facilities to an international standard with the goal of enhancing tourism in the Philippines.  In relation to excessive use of resources, the company has programs on waste management and sustainability.
Other operations with significant impact to local communities:  Bantay Langis Project	Philippines	N/A	No	Bantay Langis Project ensures proper collection, treatment, and disposal of hazardous wastes. It complies to RA 6969 "An Act to Control Toxic Substances and Hazardous and Nuclear Wastes, Providing Penalties For Violations Thereof, and for other Purposes."	The project benefits the locals, environment, provides livelihood, and environmental sustainability in promoting zero-waste. It also provides savings to the company and promotes green initiatives.
Sustainable Seafood Program	Philippines	N/A	No	In collaboration with the government, seafood industry actors, hotels and restaurants, culinary schools, and NGOs, the program aims to support local fisheries and aquaculture.	The program aims to improve the health of our oceans by pursuing responsible business practices in the sourcing of seafood products from more sustainable fisheries and aquaculture.

Implementing a Solid Waste Diversion System	Philippines	N/A	No	The organization recognizes the importance of proper waste disposal as well as recycling wastes in overall environment protection—reducing pollution and greenhouse gas emissions, improving air and water quality, and more.	Waste recycling program of hotels in the Resorts World complex: left-over food, food scraps, fruit and vegetable peelings, tissues, and other biodegradable waste are directly sent to JM Santos Hauling Services.
<b>GADC</b>					
Engaged in operations and franchising of quick-service restaurant business under the McDonald's brand	Philippines	Children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)	Does not directly impact indigenous people as restaurants are in located in developed areas	669 McDonald's stores nationwide produce huge amounts of wastes each month which could result in negative environmental impacts like land and water pollution, infectious diseases, and loss of biodiversity if not managed properly and efficiently.	To reduce waste generation, 12% of McDonald's packaging materials are sourced from recycled materials (plastic and/or paper).
Other operations with significant impact to local communities:  M Safe Program	Philippines	N/A	No	The organization ensures customers' safety from the COVID-19 virus.	GADC is responsible for the development and/or adoption of mandated protocols, employee vaccination program, and all its communication across stakeholders.
Food Safety Leadership	Philippines	N/A	No	Food Safety Leadership gives access to safe foods and a clean restaurant environment.	Food Safety Leadership ensures Food Safety Certifications by 3rd Party, ensuring consistency of Food Quality and Safety of

					Customers, and reduction of Food Safety and Quality related complaints.
Green & Good Program	Philippines	N/A	No	Green & Good Program aims to create a safer community with less impact to the environment through the development of green buildings and utility-efficient restaurant solutions.	The program ensures the environmental footprint is low in locations where McDonald's operate.  The second McDonald's Green & Good restaurant was opened in Shaw Blvd. Wack Wack.
Bike & Dine	Philippines	N/A	No	Bike & Dine promotes mobility, healthy lifestyle, and safer eating spaces outdoors.	The initiative provides a comfortable and convenient dining experience to customers while assuring their bikes are safe and secure.
<b>EMP</b>					
Manufacturing, bottling and distributing distilled spirits and other alcoholic beverages	Philippines, United Kingdom, Spain, and Mexico,	Children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)	N/A	Distillery operations generate a large amount of GHG emissions. Additionally, it also results to strong and high organic load of wastewater which causes river and coastal pollution.	Emperador Group continues to recycle cullet as a raw material in glass bottle production. This process requires less energy, thus, less greenhouse gas (GHG) emissions.  Aside from this, its Balayan and Nasugbu distillery plants reduce GHG emissions into the atmosphere by capturing raw CO <sub>2</sub> gas and processing it into liquidized CO <sub>2</sub> . They also invested in an

					Anaerobic Digester, which reduces wastewater while generating a useful byproduct, biogas. The biogas produced through this process is used by the plant as a source of renewable energy.  Moreover, the Balayan plants utilizes distillery liquid waste as organic liquid fertilizer to sugarcane fields. They also implement Adopt-A-River Program and engage in tree planting activities.
Other operations with significant impact to local communities:  Water Conservation Program	Philippines	N/A	No	Reduced consumption of water could minimize the effects of drought and water shortages, and preserve our environment.	The organization installed water sub-meters on different areas of the plant to determine which parts have excessive consumption.
Waste Avoidance Program	Philippines	N/A	No	The program reduced the amount of waste that was disposed in landfills, lowering greenhouse gas emissions. Hauling costs were also avoided.	Retrieval of fine cullet from AWGI cullet recycling operations and donated to nearby communities as filling material.
Waste Segregation Program	Philippines	N/A	No	The program reduced the amount of waste that was disposed in landfills, lowering greenhouse gas emissions. Hauling costs were also avoided.	Improvement of Material Recovery Facility (MRF) and provided additional color-coded trash bins around plant premises.
Air Emission Program	Philippines	N/A	No	Greenhouse gases are responsible for the	The program consists of routine preventive



				worsening global warming. The Air Emission Program strives to keep air quality within standards in distillery operations in order to reduce emissions.	maintenance of all pollution source equipment, email blast on air pollution prevention, and annual stack emission test and ambient air monitoring.
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*\*Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

**AGI'S Management Approach for Local Communities**

**Community Impact**

AGI's Corporate Social Responsibility projects continued in 2021 through the group's different foundations headed by its subsidiaries.

Megaworld Foundation, the socio-civic arm of Megaworld Corporation, has been offering scholarships since 1999 and has programs on environmental care, charitable causes, and local cultural promotions.

**Education**

The Foundation continues its scholarship programs which support deserving but financially-handicapped students in elementary, high school, and college in partnership with public and private schools. To address safety concerns of the year, Megaworld Foundation also assisted the transition from physical classes to online learning.

Scholars were also equipped with tutorials and seminars for a more holistic learning experience, setting them up for success and leadership. Career opportunities are made available as well once the scholars graduate.

Additionally, the education of vulnerable groups was implemented, including abused girls in Cebu (with C.U.R.E Foundation), one (1) deaf student (with a partnership with DLSU-College of St. Benilde SDEAS). Partnering with Polytechnic University of the Philippines, the Foundation helped marginalized students gain access to quality education with the help of PUP Pamantasang Bayan - Education on Wheels.

There was also a donation of six (6) printers for module preparation to four (4) schools; through the partnership with Yellow Boat of Hope Foundation, the renovation of the floating classroom in Sitio Tehemen Basilan for Badjao students was initiated. Megaworld Foundation also supported the education of 400 public school students in Marinduque and 125 pre-school children in Camarines Sur through five learning labs.

**Community Health**

The Foundation had activities focusing on health and the management of Covid-19 infections wherein, through a partnership with LGUs, they provided vaccination to nearby communities and offered malls for COVAX. This program was also extended to frontline medical workers through the donation of bicycles in 5 hospitals in Manila; the donation of 3,225 KN95 masks and 1390 N95 masks to Philippine General Hospital; and the Eat Out & Help Out campaign, wherein a donation for every P1,000 dine-in spend at participating restaurants is allocated for frontliners struggling due to lack financial means.

**Livelihood Programs**

Livelihood programs include the **Stitches to Riches Livelihood Project**, wherein sewing training was provided, as well as equipment to residents of GK-Megaworld Village. A partnership with Virlaine Foundation resulted in a 6-month Livelihood program for street families who lost their jobs. The Foundation also partnered with **Tinalak Weavers Livelihood Assistance Project** for Indigenous People weavers.

**Environment**

Waste disposal and improvement of Solid waste management program together with PCEx, sustainable food source project with Cottolengo Filipino orphans with needs, planing 500 saplings in Haribon sites as well as 100+ fruit-bearing trees for the Tree of Hope Program, make for the Foundation's 2021 environmental projects. Additionally, they also partnered with Kabang Kalikasan ng Pilipinas Foundation for the Plastic Smart Cities Campaign and provided livelihood for 15 families in Sorsogon.

**Charitable Causes**

Megaworld's causes span wide, reaching children, Indigenous Aeta families, orphans, the elderly, youth, and families affected by the pandemic. Their programs include donating fluorescent bulbs to local barangays, donating slippers to 1,110 children, giving 1,000 Mcdonald's Happy Meals to 1,000 kids, and feeding programs for street children and malnourished kids.

**Golden Arches**

**Ronald McDonald House Charities**

McDonald's Kindness Kitchen (MKK) has served over 500,000 meals bringing from the initial plan of serving just 50,000 meals. MKK has also served a total of 729 hospitals and quarantine centers, 517 communities, 265 government offices, 57 Non-government organizations, and 23 (and still counting) vaccination centers.

Monetary support was provided by Metrobank Foundation Inc. (MBFI), GT Foundation Inc., Philam Foundation Inc., and Pfizer Philippines Foundation, Inc. to serve more marginalized communities across the country. Manila Water Foundation, Inc. (MWF), through the Agapay Program, sponsored bottled waters.

In partnership with ABS-CBN Lingkod Kapamilya Foundation in support of ABS-CBN's Pantawid ng Pag-ibig, coordination and monitoring for the identified beneficiaries were maximized.

The project also emerged to be one of the founding members of Pilipinas Kontra Gutom – a movement behind Task Force Zero Hunger by the Philippine government in addressing hunger in the country with other corporations including Coca-Cola, Dole Philippines, Johnson and Johnson, McDonald’s, Metrobank and San Miguel and NGOs such as Rise Against Hunger, Kabisig ng Kalahi, and Gawad Kalinga.

**Virtual Run to Give**

In the 2nd year of COVID-19, Travellers International once again hosted an inspirational event to drive funding for our community partners and hard-hit associates. We partnered once again with Save the Children Philippines to help support the Education, Health & Nutrition, and Child Rights and Protection. Additionally a local Disaster relief fund to help associates in need, given the compounding effects of COVID-19 on the livelihood and well-being of Hospitality Associates.

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	In 2021, Travellers recorded 62 reports of complaints on products or services related to Safety and Emergency Medical Assistance (Health). These are also addressed. Other AGI subsidiaries have no data available or received 0 complaints.	#
No. of complaints addressed		#

\*Substantiated complaints include complaints from customers that went through the organization’s formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

**AGI’S Management Approach for Customer Health and Safety**

**AGImmUNITY**

Health and Safety for customers are priorities to AGI and its subsidiaries, especially this 2021 because of the threat of Covid-19. To ensure safety, AGI prioritized immunization of its employees to protect customers. Compliance with health measures and provisions, as mandated by the government, was also followed at all sites. Where applicable, transactions and payments with customers were digitized to further reduce contact.

**Food safety leadership**

In the quick-service restaurant business which is under Golden Arches, food safety leadership, and food safety culture must be adhered to in all establishments. Food safety is upheld through regular third-party safety audits and food safety alignment with operations and certifying bodies.

For employees, food safety training is a regular part of the operations, as well as food safety week to uphold a food safety culture. Golden Arches food safety culture even extends to suppliers who should also be aligned with the business standards on food. All of these result in consistent safe and quality products for customers.

**Providing safe and clean accommodations**

Travellers address customers’ safety concerns through ensuring the provision of a clean, sanitized, and comfortable environment. Travellers took tremendous care in ensuring the best air quality, especially in indoor spaces. High-powered UV lamps were installed to sanitize the air from viruses and other air-borne contaminants. For the high touchpoint areas, a coating solution that works as an anti-virus and anti-bacterial is applied to ensure safe surfaces.

**UN SUSTAINABLE DEVELOPMENT GOALS**

**Product or Service Contribution to UN SDGs**

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
<b>Megaworld:</b> Real estate, Office rentals, Mall rentals, Hotel operations, Consumer industry, Retail & commerce, leisure & entertainment	<p><b>SDG 5: Gender Equality</b> Equal opportunities in employment, skills training, and career advancement</p> <p><b>SDG 6: Clean Water and Sanitation</b> Proper handling of wastewater and effluents through STPs in Megaworld properties prior to being discharged.</p> <p><b>SDG 7: Affordable and Clean Energy</b> Adapting DOE’s Energy Efficiency Program</p> <p><b>SDG 11: Sustainable Cities and Communities</b> Supported the Plastic Smart</p>	Substantial amounts of resources and energy are consumed to construct residential projects, as well as Economical and Social impacts to the local community.	The organization assesses the potential negative impact of its core products and services by looking at actual energy output consumption and relating it to allocated budgets for power, lighting, and fuel. Regular inspections and maintenance checks are also carried out at regular intervals.

	<p>Cities Campaign. Livelihood (upcycle) for community in Dosol, Sorsogon</p> <p><b>SDG 12: Responsible Consumption and Production</b> Reallocation of excess materials from previous projects, use of natural materials.</p> <p><b>SDG 13: Climate Action</b> -Adopt-a-Forest program -Tree planting at La Mesa Watershed</p>		
<p><b>Megaworld:</b> Corporate Social Responsibility</p>	<p><b>SDG 1: No Poverty</b> -Stitches to Riches Livelihood Program for families in Megaworld-GK Village in Mandaluyong -Livelihood for street families and for those who lost their jobs living in Makati &amp; Manila</p> <p><b>SDG 2: Zero Hunger</b> Hapag Saya sa Kapaskuhan Project Rice Together Campaign: Megaworld Community Pantry</p> <p><b>SDG 4: Quality Education</b> Supported the renovation of the floating classroom and sponsored an e-learning hub in partnership with Yellow Boat of Hope Foundation to benefit 981 Badjao students in Basilan. Scholarship Programs</p>	<p>These are not expected to generate negative impacts as they are aligned and implemented to directly address sustainability goals.</p>	<p>These programs are implemented to manage risks and negative socio-environmental impacts of other areas of the business.</p>
<p><b>Empire East</b> Residential Developments</p>	<p><b>SDG 11: Sustainable Cities and Communities</b> <b>SDG 8: Decent work and economic growth</b></p>	<p>Substantial amounts of resources and energy are consumed to</p>	<p>Empire East keeps track of its energy and GHG emissions. However, no evaluation parameter for</p>

	<p>The Company develops many of its residential projects in locations near public transportation hubs. In doing so, homeowners are given convenient routes to work and reduced time spent commuting.</p> <p>This also encourages homeowners to use public transportation rather than private vehicles, thereby reducing emissions and fuel consumption.</p> <p>Moreover, Empire East's residential developments also support SDG 11 and SDG 8. Residential developments provide housing and are essential to achieving inclusive, safe, resilient and sustainable cities. (SDG 11) It also contributes to economic growth through construction-related jobs, as well as, an increase in demand for construction materials and services.</p>	<p>construct residential projects, as well as Economical and Social impacts to the local community.</p>	<p>energy and GHG emissions management throughout the stages of construction projects exists at this time.</p>
<p><b>Empire East:</b> Commercial Spaces in Residential Developments</p>	<p>Commercial stores integrated into the company's residential developments provide homeowners access to goods and services within walking distance, as well as provide entrepreneurs an avenue to access a key demographic market.</p>	<p>Substantial amounts of resources and energy are consumed to construct these projects, as well as Economical and Social impacts to the local community.</p>	<p>Empire East keeps track of its energy and GHG emissions. However, no evaluation parameter for energy and GHG emissions management throughout the stages of construction projects exists at this time.</p>

	These developments also help stimulate economic activity of the local community, bringing in more potential customers for local businesses and generating employment opportunities.		
<b>Empire East:</b> Primary and Secondary Education	<p><b><u>SDG 4: Quality Education</u></b></p> <p>Accredited as a science school, Laguna BelAir Science School (LBASS) provides quality and balanced education in the Community, contributing to SDG Goal 4 - Quality Education. It contributes to the goal of building and upgrading education facilities that are child, disability and gender sensitive and providing safe, non-violent, inclusive and effective learning environments for all.</p> <p>Additionally, LBASS' focus on sustainability allows its students to understand environmental responsibility.</p>	Apart from the resource used by the institution in its day-to-day operation, no negative impacts have been identified for this service.	No material negative impacts identified.
<b>Empire East:</b> CSR and Sustainability Programs	<p><b><u>SDG 1: No Poverty</u></b></p> <p><b><u>SDG 2: Zero Hunger</u></b></p> <p>Partnership with Tayo Tayo (Stand Together) - a group of friends in a local barangay that launched 'Community Pantry sa New Manila' - one of the longest-sustained pantries that helped feed about 300 families per day</p>	These are not expected to generate negative impacts as they are aligned and implemented to directly address sustainability goals.	These programs are implemented to manage risks and negative socio-environmental impacts of other areas of the business.

	of operation in response to the COVID-19 pandemic.		
<b>Travellers:</b> CSR and Sustainability Programs:	<p><b><u>SDG 6: Clean water and sanitation</u></b></p> <p>Bantay Langis Project is a CSR program of Travellers in partnership with ABS-CBN Foundation, Inc - Bantay Kalikasan. This is an advocacy and media campaign to inform the public of the dangers of improper handling and disposal of used kitchen and industrial oil. It contributes to SDG 6: Target 6.3 which aims to improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally by 2030.</p> <p><b><u>SDG 14: Life below water</u></b></p> <p>Sustainable Seafood Program contributes to SDG 14: Life below water, supporting local fisheries and aquaculture. It aims to improve the health of our oceans by pursuing responsible business practices in the sourcing of seafood products from more</p>	These are not expected to generate negative impacts as they are aligned and implemented to directly address sustainability goals.	These programs are implemented to manage risks and negative socio-environmental impacts of other areas of the business.

	<p>sustainable fisheries and aquaculture</p> <p><b>SDG 12: Responsible consumption and production</b> Implementing a Solid Waste Diversion System</p> <p>Waste Recycling program of hotels in the Resorts World complex.</p> <p>Proper disposal of left-over food, food scraps, fruit and vegetable peelings, tissue, other biodegradable waste.</p>		
<p><b>GERI:</b> Sustainability programs</p>	<p><b>SDG 15 - Life on Land</b></p> <p>Paperless</p> <p>In an effort to lessen the Company's usage of papers in its operations, paperless transactions have been implemented by the Company's Planning and Design Department.</p> <p>This initiative has also become beneficial to the organization as it is easier for them to fast-track their transactions through the internet.</p>	<p>While this initiative may be beneficial to the organization, the manufacturing of computers and use of the internet adds to greenhouse gas (GHG) emissions.</p> <p>Computers and/or laptops also contain toxins that could end up in landfills after they are discarded. If these are not properly disposed or recycled, these toxins could affect the area surrounding the landfill.</p>	<p>If defective computers have parts that are still usable, these are recycled and reformatted. Meanwhile, broken computer parts are stored in a warehouse and earmarked for disposal.</p> <p>GERI follows the general labor standards on working hours. Employees only need to render overtime when their immediate supervisor deems it necessary. Hence, the number of hours of computer usage is limited.</p>

<p><b>Emperador:</b> Brandy and whisky manufacturing</p>	<p><b>SDG 3 (Good Health &amp; Well-being):</b> Emperador and its subsidiaries promote not just physical, but also mental well-being through seminars, health programs, and vaccination programs for COVID-19.</p> <p><b>SDG 8 (Decent Work &amp; Economic Growth):</b> Emperador and its subsidiaries provide fair compensation and benefits to its employees while giving livelihood opportunities to its neighboring communities, such as the local farming communities that grow our raw materials.</p> <p><b>SDG 12 (Responsible Consumption &amp; Production):</b> Emperador and its subsidiaries explore ways to utilize renewable energy through energy-efficient technology such as solar lamps, plants, and electric vehicles. The company also adopts water conservation and management programs across its plants.</p>	<p>Their manufacturing process partially relies on the use of fossil fuels as an energy source which produces greenhouse gas emissions.</p> <p>Their manufacturing process utilizes water, which if unregulated, can contribute to excessive water consumption.</p> <p>Their packaging, if sourced by unsustainable means, can negatively impact the environment and can contribute to landfill-bound waste</p>	<p>Emperador and its subsidiaries have systems in place for managing our energy and water consumption. They are also exploring the use of renewable energy sources for our distilleries in Europe. WML has a Green Print strategy that aligns the company with the goal of zero carbon emissions in the future, with several programs in place to meet said goal.</p> <p>Emperador's glass manufacturer recycles a large percentage of its glass, which in turn reduces its energy consumption. All subsidiaries manage and aim to mitigate their landfill-bound waste through their respective waste management programs.</p>
<p><b>Emperador:</b> CSR and Sustainability Programs</p>	<p><b>SDG 4: Quality Education</b> Bodegas Fundador and Emperador Distillers, Inc. promote the accessibility of quality education through their respective scholarship programs for students.</p> <p><b>SDG 13: Climate Action, SDG 14: Life Below Water, SDG 15: Life On Land</b> Apart from responsibly managing the environmental</p>	<p>These are not expected to generate negative impacts as they are aligned and implemented to directly address sustainability goals.</p>	<p>These programs are implemented to manage risks and negative socio-environmental impacts of other areas of the business such as manufacturing.</p>

	<p>impacts of our supply chain, Emperador and its subsidiaries also fund and participate in programs for biodiversity conservation and greening.</p> <p><b>SDG 17: Partnerships for the Goal</b> Bodegas Fundador partners with government agencies and other civil organizations to carry out programs aligned with the UN SDGs. They have been awarded by the Confederation of Cadiz Entrepreneurs for their commitments to the UN SDGs.</p>		
<p><b>GADC:</b> CSR and Sustainability Programs</p>	<p><b>SDG 7: Affordable and clean energy</b></p> <p>Green &amp; Good Program -Ensures environmental footprint is low in locations where McDonald's operate. -Opened 2nd Green &amp; Good restaurant: McDonald's Shaw Blvd. Wack Wack</p> <p>Use of LED lights, solar lamp posts, and VRF air-conditioning system to reduce energy consumption and GHG emissions</p>	<p>These are not expected to generate negative impacts as they are aligned and implemented to directly address sustainability goals.</p>	<p>These programs are implemented to manage risks and negative socio-environmental impacts of other areas of the business.</p>

\* None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.

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