A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, BUT HAS NOT YET BECOME EFFECTIVE. THESE SECURITIES MAY NOT BE SOLD NOR OFFERS TO BUY THE SAME BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY.

MEGAWORLD CORPORATION

# MEGAWORLD CORPORATION

(A corporation duly organized and existing under Philippine laws)

Shelf Registration in the Philippines of
Debt Securities in the aggregate principal amount of ₱30,000,000,000
Under the Corporation's Debt Securities Program

Initial Tranche of the Fixed-Rate Bond Series:
Up to ₱8,000,000,000.00 Fixed-Rate Bonds Due 2024
Issue Price: 100% of Face Value
Interest Rate: **[●]%** p.a.
to be listed and traded through
The Philippine Dealing and Exchange Corp.

Issue Manager, Lead Underwriter and Sole Bookrunner

BDO Capital & Investment Corporation

Participating Underwriters
**[●][●]**

**Prospectus dated [●] 2017**

**THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCUCATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.**

**MEGAWORLD CORPORATION**
28th Floor, The World Center
330 Sen. Gil Puyat Avenue
Makati City 1227 Philippines
Telephone No.: +63 2 867-8826 to 40
Website: *www.megaworldcorp.com*

Megaworld Corporation (the “Issuer” or “Megaworld” or the “Company”) is offering Fixed-Rate Bonds and Commercial Papers (each, a “Series”, and collectively, the “Securities”) with an aggregate principal amount of up to ₱30,000,000,000, with each Series to be issued in one or more tranches, under a Debt Securties Program (the “Program”). The first tranche of the Fixed-Rate Bonds Series under the Program, with principal amount of up to ₱8,000,000,000, with an Oversubscription Option of up to ₱4,000,000,000, shall be issued on [●] 2017 (the “Issue Date”), or such other date as may be agreed upon by the Issuer and the Issue Manager and Lead Underwriter. The succeeding Series under the Program are proposed to be issued under a shelf registration within three (3) years from the date hereof.

The Commercial Paper Series, which may be issued in lump sum or in tranches, shall have terms varying from three (3) months to one (1) year from each issue date, with fixed interest rate determined prior to issuance. Interest on the Commercial Paper shall be calculated on a true discount basis.

Each tranche of the Fixed-Rate Bond Series shall have a term and fixed interest rate determined prior to issuance. Interest on the Fixed-Rate Bonds shall be calculated on a 30/360-day count basis and shall be paid semi-annually in arrears.

Subject to the consequences of default as contained in the relevant Trust Indenture Agreement, and unless otherwise redeemed prior to their respective maturity dates, the Securities will be redeemed at par (or 100% of face value) on the relevant maturity date.

The Securities shall constitute the direct, unconditional, and unsecured obligations of Megaworld and shall at all times rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsecured obligations of Megaworld, other than obligations preferred by law. The Securities shall effectively be subordinated to the right of payment to, among others, all of Megaworld’s secured debts to the extent the value of the assets securing such debt and all of its debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines without a waiver of preference or priority.

Each tranche of the Fixed-Rate Bonds and Commercial Papers will be rated by an accredited and reputable credit rating agency. Such ratings are not recommendations to buy, sell, or hold the Securities, and may be subject to revision, suspension, or withdrawal at any time by the rating agency. The Fixed-Rate Bonds shall be offered to the public at face value and the Commercial Papers shall be offered to the public at a discount to face value through the underwriters named for each respective tranche

For the first tranche of the Fixed-Rate Bond Series under the Program, Megaworld is offering 7-Year Fixed-Rate Bonds due 2024 in the aggregate principal amount of ₱8,000,000,000, with an Oversubscription Option of up to ₱4,000,000,000 (the “Series B Bonds” or the “Offer”). Assuming the Oversubscription Option is fully exercised, up to ₱12,000,000,000 in aggregate principal amount of the Series B Bonds will be issued by the Company pursuant to the Offer on the Issue Date and at least ₱18,000,000,000 will be placed under shelf-registration to be offered over a period of three (3) years from the effective date of the registration statement of the Securities. In the event that the Oversubscription Option is not fully exercised, the unexercised portion shall be placed under shelf-registration to be issued within the period prescribed by relevant regulations.

The terms and conditions and use of proceeds of the portion of the Program amounting to at least ₱18,000,000,000 which will be placed under shelf-registration will be subsequently determined in the offer supplement to be issued in relation to the issuance of such portion of the Securities.

The Series B Bonds shall have a term of seven (7) years from the Issue Date, with a fixed interest rate equivalent to [●]% p.a. Interest on the Series B Bonds shall be payable semi-annually in arrears on [●] and [●] of each year for each Interest Payment Date at which the Series B Bonds are outstanding, or the subsequent Business Day without adjustment if such Interest Payment Date is not a Business Day. The Maturity Date of the Series B Bonds shall be on [●] 2024, which will also be the last Interest Payment Date.

The Series B Bonds will be repaid at 100% of Face Value on the Maturity Date, unless otherwise redeemed or purchased prior to the Maturity Date, or as otherwise set out in "Description of the Offer – Redemption and Purchase" and "Description of the Offer – Payment in the Event of Default" sections on pages 11 and 18, respectively, of the Offer Supplement.

The Series B Bonds have been rated PRS Aaa by Philratings.

The Series B Bonds shall be offered to the public at Face Value through the Underwriters named herein with PDTC as the Registrar of the Series B Bonds. It is intended that upon issuance, the Series B Bonds shall be issued in scripless form, with PDTC maintaining the scripless Register of Bondholders, and, as soon as reasonably practicable, listed in PDEx. The Series B Bonds shall be issued in denominations of ₱50,000.00 each, as a minimum, and in multiples of ₱10,000.00 thereafter, and traded in denominations of ₱10,000.00 in the secondary market.

Megaworld expects to raise gross proceeds amounting to at least ₱8,000,000,000.00, up to a maximum of ₱12,000,000,000.00 assuming full exercise of the Oversubscription Option. Without such Oversubscription Option being exercised, the net proceeds are estimated to be at least ₱7.89 billion after deducting fees, commissions and expenses relating to the issuance of the Series B Bonds. Assuming the Oversubscription Option is fully exercised, total net proceeds of the Offer is expected to amount to approximately ₱11.85 billion. Proceeds of the Offer shall be used to fund the capital expenditures of the Company (see "Use of Proceeds"). The Issue Manager and Lead Underwriter shall receive a fee of 0.35% on the total face value of the Series B Bonds issued. The fee is inclusive of the fees to be ceded to any participating underwriters.

Upon issuance, the Series B Bonds shall constitute the direct, unconditional, unsubordinated, and unsecured obligations of Megaworld and shall at all times rank pari passu and rateably without any preference or priority amongst themselves and at least pari passu with all other present and future unsubordinated and unsecured obligations of Megaworld, other than obligations preferred by law. The Series B Bonds shall effectively be subordinated in right of payment to all of Megaworld's secured debts, if any, to the extent of the value of the assets securing such debt and all of its debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines. The Group's total debt as at 30 September 2016, prior to the issuance of the Series B Bonds, is ₱55.7 billion. After the issuance of the Series B Bonds, the Group's total debt shall be ₱63.7 billion, assuming the Oversubscription Option is not exercised (see "Capitalization and Indebtedness" on page 38).

On [●] 2017, Megaworld filed a Registration Statement with the Philippine Securities and Exchange Commission ("SEC") in connection with the offer and sale to the public of the Securities up to an aggregate principal amount of ₱30,000,000,000 under shelf registration inclusive of the Offer. The SEC is expected to issue an order rendering the Registration Statement effective, and a corresponding permit to offer securities for sale covering the Offer.

After the close of the Offer and within three (3) years following the issuance of the first tranche, the Company, may, at its sole discretion, offer any or all of the remaining balance of the aggregate principal amount of Securities covered by such registration statement, in one or more subsequent series under Rule 8.1.2 of the Implementing Rules and Regulations of the Securities Regulation Code. Such shelf registration provides the Company with the ability to take advantage of opportunities in a volatile debt capital market, as these occur.

However, these can be no assurance in respect of: (i) whether Megaworld would issue such Securities at all; (ii) the size or timing of any individual issuance or the total issuance of such Securities; or (iii) the specific terms and conditions of any such issuance. Any decision by Megaworld to offer the Fixed-Rate Bonds and Commercial Papers will depend on a number of factors at the relevant time, many of which are not within Megaworld's control, including, but not limited to: prevailing interest rates, the financing requirements of Megaworld's business and prospects, market liquidity and the state of the domestic capital market, and the Philippine, regional and global economies in general.

The Offer is being conducted exclusively in the Philippines and pursuant to requirements under Philippine laws, rules and regulations that may be different from those of other countries and jurisdictions. No action has been or will be taken by the Issuer or any person on behalf of the Issuer to permit an offering of the Securities in any jurisdiction other than the Philippines, where action for that purpose is required. Accordingly, the Securities may not be offered or sold, directly or indirectly, nor may any offering material relating to the Securities be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable laws, rules and regulations of any such country or jurisdiction.

The Company is allowed under Philippine laws to declare dividends, subject to certain requirements. The Company's Board of Directors is authorized to declare dividends only from its unrestricted retained earnings. Dividends may be payable in cash, shares or property, or a combination of the three, as the Board of Directors shall determine. The declaration of stock dividends is subject to the approval of shareholders holding at least two-thirds of the Company's outstanding capital stock. The Company's Board of Directors may not declare dividends which will impair its capital.

Megaworld confirms that this Prospectus contains all material information relating to the Company, its affiliates and subsidiaries which are in the context of the issue and offering of the Securities (including all material information required by the applicable laws of the Republic of the Philippines). There are no other facts the omission of which would make any statement in this Prospectus misleading in any material respect. Megaworld confirms that it has made all reasonable inquiries in respect of the information, data and analysis provided to it by its advisors and consultants or which is otherwise publicly available for inclusion into this Prospectus. Megaworld, however, has not independently verified any such publicly available information, data or analysis.

The price of securities can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. An investment in the Securities described in this Prospectus involves a certain degree of risk. A prospective purchaser of the Securities should carefully consider several risk factors inherent to the Company (detailed in "Risk Factors" on pages 18 to 28 of this Prospectus), in addition to the other information contained in this Prospectus, in deciding whether to invest in the Securities.

This Prospectus contains certain "forward-looking statements". These forward-looking statements can generally be identified by use of statements that include words or phrases such as Megaworld or its management "believes", "expects", "anticipates", "intends", "plans", "projects", "foresees", and other words or phrases of similar import. Similarly, statements that describe Megaworld's objectives, plans, and goals are also forward-looking statements. All forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those contemplated by the relevant forward-looking statements. Nothing in this Prospectus is or should be relied upon as a promise or representation as to the future. The forward-looking statements included herein are made only as of the date of this Prospectus, and Megaworld undertakes no obligation to update such forward-looking statements publicly to reflect subsequent events or circumstances.

Neither the delivery of this Prospectus nor any sale made pursuant to the Offer shall, under any circumstance, create any implication that the information contained or referred to in this Prospectus is accurate as of any time subsequent to the date hereof. The Underwriters do not make any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Prospectus.

The contents of this Prospectus are not to be considered as definitive legal, business or tax advice. Each prospective purchaser of the Securities receiving a copy of this Prospectus acknowledges that he has not relied on the Underwriters in his investigation of the accuracy of such information or in his investment decision. Prospective purchasers should consult their own counsel, accountants or other advisors as to legal, tax, business, financial and related aspects of the purchase of the Bonds, among others. Investing in the Securities involves certain risks. For a discussion of certain factors to be considered in respect of an investment in the Securities, see the section entitled "Risk Factors".

No dealer, salesman or other person has been authorized by Megaworld and the Underwriters to give any information or to make any representation concerning the Bonds other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorized by Megaworld or the Underwriters.

Megaworld is organized under the laws of the Philippines. Its principal office address is at the 28$^{th}$ floor, The World Centre, 330 Sen. Gil Puyat Avenue, Makati City 1227, Philippines, with telephone number +632 867 8826 and fax number +632 867 8803.

**A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BEEN DECLARED EFFECTIVE. NO OFFER TO BUY THE SECURITIES CAN BE ACCEPTED AND NO PART OF THE PURCHASE PRICE CAN BE ACCEPTED OR RECEIVED UNTIL THE REGISTRATION STATEMENT HAS BECOME EFFECTIVE, AND ANY SUCH OFFER MAY BE WITHDRAWN OR REVOKED, WITHOUT OBLIGATION OR COMMITMENT OF ANY KIND, AT ANY TIME PRIOR TO NOTICE OF ITS ACCEPTANCE GIVEN AFTER THE EFFECTIVE DATE. AN INDICATION OF INTEREST IN RESPONSE HERETO INVOLVES NO OBLIGATION OR COMMITMENT OF ANY KIND. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY.**

**MEGAWORLDCORPORATION**

By:

**ANDREW L. TAN**
*President & Chief Executive Officer*

**SUBSCRIBED AND SWORN** to before me this ____ day of __________ 2017, affiant exhibiting to me his ________________ with No. __________________________ issued on ______________ at ___________________.

Doc. No. ______
Book No. ______
Page No. ______
Series of 2017.

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# DEFINITIONS

*In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.*

| | |
|---|---|
| **AGI** | Alliance Global Group Inc. |
| **Articles of Incorporation** | the Articles of Incorporation of Megaworld as amended to date |
| **BDO Capital** | BDO Capital & Investment Corporation, an investment house and a wholly-owned subsidiary of BDO Unibank, Inc. |
| **BCDA** | Bases Conversion and Development Authority |
| **BIR** | the Bureau of Internal Revenue of the Philippines |
| **Board or Board of Directors** | the Board of Directors of Megaworld |
| **Bondholder** | a person or entity whose name appears, at any time, as a holder of the Series B Bonds in the Register of Bondholders |
| **Bond Agreements** | the Trust Indenture Agreement, the Registry and Paying Agency Agreement, the Issue Management and Underwriting Agreement, the Master Certificate of Indebtedness (inclusive of the Terms and Conditions) or any document, certificate or writing contemplated thereby. |
| **BPO** | Business Process Outsourcing |
| **BSP** | Bangko Sentral ng Pilipinas, the Philippine Central Bank |
| **Business Day** | means a day, other than Saturday, Sunday and public holidays, on which facilities of the Philippine banking system are open and available for clearing and banks are generally open for the transaction of business in the city of Makati |
| **By-laws** | the By-laws of Megaworld as amended to date |
| **Commercial Paper** | refers to the fixed-rate commercial paper in the aggregate principal amount to be determined, which is part of the ₱30,000,000,000.00 Debt Securities Program to be issued by Megaworld on the relevant issue date. |
| **Company, Issuer or Megaworld** | Megaworld Corporation |
| **DAR** | Department of Agrarian Reform |
| **DENR** | Department of Environment and Natural Resources |
| **Directors** | the directors of Megaworld |
| **ECOC** | Eastwood Cyber One Corporation, a subsidiary of Megaworld |
| **Financial Statements** | Megaworld's audited consolidated financial statements and related notes as at 31 December 2013, 2014 and 2015, and for each of the three years in the period ended 31 December 2013, 2014 and 2015; its unaudited consolidated financial statements and related notes as at 30 September 2016, and for the nine-month periods ended 30 September 2015 and 2016. |

| | |
|---|---|
| **GFA** | gross floor area |
| **Government** | the Government of the Philippines |
| **Gross profit margin** | sales minus cost of sales over sales |
| **Group** | Megaworld, its subsidiaries and affiliates |
| **HLURB** | Housing and Land Use Regulatory Board |
| **IAS** | International Accounting Standards |
| **IFRS** | International Financial Reporting Standards |
| **Issue Manager and Lead Underwriter** | BDO Capital & Investment Corporation |
| **IT** | Information Technology |
| **Majority Bondholders** | Bondholders representing not less than 51% of the outstanding Series B Bonds |
| **Master Certificate of Indebtedness** | the certificate to be issued by the Issuer to the Trustee evidencing and covering such amount corresponding to the Fixed-Rate Bonds |
| **Metro Manila** | the metropolitan area comprising the cities of Caloocan, Las Piñas, Makati, Malabon, Mandaluyong, Manila, Marikina, Muntinlupa, Navotas, Parañaque, Pasay, Pasig, Quezon, San Juan, Taguig and Valenzuela and the municipality of Pateros, which together comprise the "National Capital Region" and are commonly referred to as "Metropolitan Manila" |
| **NAIA** | Ninoy Aquino International Airport |
| **Offer** | the offer of the Series B Bonds to the public by the Issuer under the terms and conditions as herein contained |
| **Offer Period** | the period commencing within ten Business Days from the date of the issuance of the SEC Permit to Sell Securities, during which the Series B Bonds shall be offered to the public |
| **PAS** | Philippine Accounting Standards |
| **Paying Agent** | Philippine Depository & Trust Corp., the party which shall receive the funds from the Issuer for payment of principal, interest and other amounts due on the Series B Bonds and remit the same to the Bondholders based on the records shown in the Register of Bondholders |
| **Payment Date** | each of the dates when payment of principal, interest and other amounts due on the Series B Bonds are due and payable to the Bondholders; provided that, in the event any Payment Date falls on a day that is not a Business Day, the Payment Date shall be automatically extended without adjustment to interest accrued to the immediately succeeding Business Day |
| **PDEx** | Philippine Dealing & Exchange Corp. |
| **PDEx Trading System** | The trading system of the PDEx in which the Series B Bonds are planned to be |

| | |
|---|---|
| | listed |
| **PDTC** | the Philippine Depository & Trust Corporation, the central depository and clearing agency of the Philippines which provides the infrastructure for handling the lodgment of the scripless Series B Bonds and the electronic book-entry transfers of the lodged Series B Bonds in accordance with the PDTC Rules, and its successor-in-interest |
| **PDTC Rules** | the SEC-approved rules of the PDTC, including the PDTC Operating Procedures and PDTC Operating Manual, as may be amended, supplemented, or modified from time to time |
| **PEZA** | Philippine Economic Zone Authority |
| **Person** | any individual, firm, corporation, partnership, association, joint venture, tribunal, limited liability company, trust, government or political subdivision or agency or instrumentality thereof, or any other entity or organization |
| **Pesos or PHP or ₱** | the lawful currency of the Philippines |
| **PFRS** | Philippine Financial Reporting Standards which includes statements named PFRS and PAS issued by the Financial Reporting Standards Council and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) |
| **Philippines** | the Republic of the Philippines |
| **PhilRatings** | Philippines Rating Services Corporation |
| **PSE** | The Philippine Stock Exchange, Inc. |
| **R.A. No. 8799 or the SRC** | Republic Act No. 8799, The Securities Regulation Code of the Philippines |
| **Register of Bondholders** | the electronic record of the issuances, sales and transfers of the Series B Bonds to be maintained by the Registrar pursuant to and under the terms of the Registry and Paying Agency Agreement |
| **Registrar** | the Philippine Depository & Trust Corporation, being the registrar appointed by the Issuer to maintain the Register of Bondholders pursuant to the Registry and Paying Agency Agreement |
| **SEC** | the Securities and Exchange Commission of the Philippines |
| **Securities** | refers to the Fixed-Rate Bonds and Commercial Papers in the aggregate principal amount of up to ₱30,000,000,000, to be issued by Megaworld under its Debt Securities Program and which will be registered with the SEC under shelf-registration |
| **Series B Bonds** | refers to the portion of the Fixed-Rate Bonds in the aggregate principal amount of ₱8,000,000,000, and an Oversubscription Option of up to ₱4,000,000,000, to be issued by Megaworld and which will mature on [●] 2024 |
| **Shares** | the common and preferred shares of the Issuer, which have a par value of ₱1 and ₱0.01 per share, respectively |

| | |
|---|---|
| **Subsidiary** | at any particular time, any company or other business entity which is then directly or indirectly controlled, or more than 50%, of whose issued equity share capital (or equivalent) is then beneficially owned, by the Issuer and/or one or more of its Subsidiaries. For a company to be "controlled" by another means that the other (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise) has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of that company or otherwise controls or has a power to control the affairs and policies of that company and control shall be construed accordingly. |
| **Terms and Conditions** | Means the relevant terms and conditions of the issuance of the relevant series of the Fixed-Rate Bonds. |
| **Tax Code** | the amended Philippine National Internal Revenue Code of 1997 and its implementing rules and regulations |
| **Trustee** | BDO Unibank, Inc. – Trust and Investments Group, the entity appointed by the Issuer which shall act as the legal title holder of the Series B Bonds and shall monitor compliance and observance of all covenants of and performance by the Issuer of its obligations under the Series B Bonds and enforce all possible remedies pursuant to such mandate |
| **Underwriters** | the entities appointed as the Underwriters for the Series B Bonds pursuant to the Issue Management and Underwriting Agreement |
| **US Dollar, USD or US$** | United States Dollars, the lawful currency of the United States of America |

# SUMMARY

*The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Prospectus. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Prospectus shall have the same meanings when used in this summary. Prospective investors should therefore read this Prospectus in its entirety.*

**Overview**

The Company is one of the leading property developers in the Philippines and is primarily engaged in the development of large-scale, mixed-use, master planned townships that integrate residential, commercial, and office developments. Townships typically also have educational, medical, and other civic facilities that support the respective market of each development. Founded in 1989, the Company initially established a reputation for building high quality residential condominiums and commercial properties in certified first choice locations in Metro Manila. Beginning 1996, in response to demand for a lifestyle of convenience, the Company began to focus on the development townships beginning with Eastwood City.

The Company's real estate portfolio includes residential condominium units, subdivision lots and townhouses, as well as office projects and retail space. The Company has three primary business segments: (1) real estate sales of residential developments, (2) leasing of office space, primarily to BPO enterprises, and retail space, and (3) management of hotel operations. The table below sets out each business segments' contribution to Megaworld's consolidated revenue for the years ended 31 December 2013, 2014, and 2015 and the nine months ended 30 September 2015 and 2016.

| | **For the years ended 31 December** Audited | | | **For the nine months ended 30 September** Unaudited | |
|---|---|---|---|---|---|
| (*in ₱ million*) | **2013** | **2014** | **2015** | **2015** | **2016** |
| Real Estate Sales | 21,251 | 24,607 | 27,262 | 20,490 | 20,711 |
| Leasing Operations | 6,038 | 7,071 | 8,730 | 6,445 | 7,413 |
| Management of Hotel Operations | 451 | 723 | 796 | 529 | 879 |
| Combined Total | 27,740 | 32,401 | 36,788 | 27,464 | 29,003 |

The Company's consolidated revenues for the year ended December 31, 2015 were ₱45.00 billion compared to ₱53.13 billion for the year ended December 31, 2014. Real estate sales of residential developments accounted for 61% of the Company's consolidated revenues in 2015 and 46% in 2014. Rental income from leasing operations accounted for approximately 19% of the Company's consolidated revenues in 2015 and 13% in 2014. The Company's consolidated net profit for the year ended December 31, 2015 was ₱10.57 billion compared to ₱21.55 billion for the year ended December 31, 2014. For the nine months ended 30 September 2016, the Company's unaudited consolidated revenues was P35.26 billion and consolidated net profit was P9.27 billion.

As at 30 September 2016, Megaworld's consolidated total assets stood at P266.47 billion, consolidated total liabilities were at P125.08 billion, with net debt-to-equity ratio (being the ratio of aggregate consolidated interest-bearing indebtedness net of cash and cash equivalent and investment held for trading over equity) of 29.91%.

Foreign sales contributed approximately 18%, 18% and 17.5% to the Company's consolidated sales and revenues for the years 2015, 2014 and 2013 and 15% for the nine months ended 30 September 2016. The percentage of sales broken down by major markets is as follows:

| Market | As of 30 September 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|
| North America | 40% | 26% | 33% | 32% |
| Europe | 37% | 40% | 46% | 35% |
| Asia | 12% | 19% | 11% | 18% |
| Middle East | 11% | 15% | 10% | 15% |
| Total | 100% | 100% | 100% | 100% |

Megaworld's current portfolio of projects comprises the following:

- **Eastwood City**. Eastwood City is the Company's first township development and is located on approximately 18.5 hectares of land in Quezon City, Metro Manila.

- **Forbes Town Center**. Forbes Town Center is the Company's first township in Fort Bonifacio. It is located on approximately five hectares of land in Bonifacio Global City in Taguig, Metro Manila.

- **McKinley Hill**. McKinley Hill is the Company's largest township in Fort Bonifacio. It is located on approximately 50 hectares of land in Fort Bonifacio in Taguig, Metro Manila.

- **Newport City**. Newport City is a township located on approximately 25 hectares of land that was previously part of the Villamor Air Base in Pasay City, Metro Manila. Resorts World Manila, a 11.2-hectare leisure and entertainment property operated by Travellers International Hotel Group, Inc. ("Travellers"), a related party of the Company, is located within Newport City.

- **McKinley West**. The Company is developing McKinley West, a 34.5-hectare property located across from McKinley Hill in an area owned by the Joint United States Military Advisory Group ("JUSMAG").

- **The Mactan Newtown**. The Company is developing The Mactan Newtown, a 30-hectare mixed-use township development near Shangri-La's Mactan Resort and Spa in Mactan, Cebu. The project is expected on completion to comprise high-tech offices, a retail center, residential villages, leisure facilities and beach resort frontage.

- **Uptown Bonifacio**. In the northern district of Fort Bonifacio, the Company is developing Uptown Bonifacio, a 15.4-hectare property for mixed-use in an area owned by the National Police Commission ("NAPOLCOM") and the BCDA.

- **Boracay Newcoast**. Boracay Newcoast is a 150-hectare township of the Company through its subsidiary Global-Estate Resorts, Inc. The development is home to Fairways & Bluewaters, the only golf course in the island of Boracay. Upon completion, the township will have a mix of residential, commercial, and hotel developments.

- **Twin Lakes.** Twin Lakes is a 1,200-hectare township of the Company through its subsidiary Global-Estate Resorts, Inc. It is a sprawling development that offers a scenic view of Taal, which is in the vicinity of one of the closest choice vacation places nearby south of Metro Manila. It is scheduled to have a mix of residential, commercial, and hotel developments.

- **Iloilo Business Park**. The Company is developing Iloilo Business Park, a township development in a 72-hectare property in Mandurriao, Iloilo, a new growth center in the Visayas. Iloilo Business Park is expected to comprise BPO offices, hotels, a convention center, commercial and retail centers, a skills training center, recreational facilities and a transportation hub.

- **Suntrust Ecotown**. Suntrust Ecotown is an ongoing project under Suntrust Properties, Inc. It will sit on a 350-hectare land in Tanza Cavite and will be the first mixed-use development with an industrial park in the country.

- **Davao Park District**. The Company is developing the Davao Park District, the first township development in Mindanao on an 11-hecatere property along S.P. Dakudao Loop in Lanang, Davao City. The township is envisioned to be Mindanao's new central business district.

- **Southwoods City.** 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 maintains its suburban feel while being conveniently accessible via the South Luzon Expressway.

- **Alabang West**. The 62-hectare Alabang West township was launched in 2015. It will have a mix of residential and commercial components and is strategically located in the heart of Alabang's high-end communities and golf course. It is along Daang Hari and is conveniently accessible through exits along the South Luzon Expressway.

- **Arcovia City**. The Company is developing Arcovia City on a 12.4-hectare property along C-5 in Pasig City. Arcovia City is envisioned as an "environment-friendly" mixed-use development. A main "green" feature of the township is the approximately 1,000 trees that will be planted around the development.

- **The Upper East.** 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

- **Northill Gateway.** Northill Gateway will rise in the northern part of Bacolod, where the famous Sugar Road was built. Sitting on a 53-hectare property along the new Circumferential Road on the boundaries of Talisay City and Bacolod City.

- **Sta. Barbara Heights.** Sta. Barbara Heights is a 173-hectare mixed-use development has 35.6 hectares allocated for residential lots, which offer a backdrop of a nearby natural lake and rolling hills in Sta. Barbara Ilo-ilo.

- **Capital Town Pampanga.** This 35.6-hectare prime property is beside the provincial capitol of the City of San Fernando, Pampanga. It is just 70 kilometers away from Metro Manila and accessible via the North Luzon Expressway and the Jose Abad Santos Avenue, also known as the Olongapo-Gapan Road.

- **Westside City.** The 31-hectare leisure and entertainment township at the booming Entertainment City in Parañaque will also have international hotels, a luxury mall, and residential condominiums. This township will be home to Megaworld's upscale residential condominiums, a luxury mall as well as international hotel brands.

- **Maple Grove.** Maple Grove is a 140-hectare property in General Trias, Cavite. Just 45 minutes away from Makati and other Metro Manila CBDs via Coastal Road and Cavitex, Maple Grove is at the entry point of the booming industrial and residential center of the Cavite-Batangas corridor.

- **Eastland Heights.** Through its subsidiary, Global-Estate Resorts, Inc. (GERI), the company is developing an expansive 640 hectares of land along Marcos Highway with some areas overlooking Metro Manila's panoramic skyline.

**History**

The Company was founded by Andrew Tan and incorporated under Philippine law on August 24, 1989 to engage in the development, leasing and marketing of real estate. The Company initially established a reputation for building high-end 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, the Company began to focus on the development of mixed-use communities, primarily for the middle-income market, by commencing the development of its Eastwood City township. In addition, the Company engages in other property related activities such as project design, construction oversight and property management. In 1999, Eastwood City Cyberpark became the first IT park in the Philippines to be designated a PEZA special economic zone.

Since its incorporation in 1989, the Company and its affiliates have launched approximately 560 residential buildings, office buildings and hotels consisting in aggregate of more than 12 million square meters of floor area.

Megaworld was listed on the PSE on June 15, 1994, and as of January 11, 2017, had a market capitalization of P42,879,124,919, based on a price of P3.95 per common share on such date.

**Awards and Recognition**

The Company was voted among Asia's Best Property Companies by the Euromoney Best Asian Companies Awards for 2003, 2004 and 2005. The Company also received the following awards for excellence from Euromoney: the Philippines' Best in Corporate Governance in 2003; among Asia's Most Improved Companies in 2005; and among Asian Companies with the Most Convincing and Coherent Strategy in 2005. In 2004, the Company received the Agora Awards for Marketing Company of the Year; was voted among Asia's Best Managed Companies and the Philippines' Best in Investor Relations by FinanceAsia Best-managed Asian Companies Awards; and was voted the Philippines' Best in Investor Relations, Best Website and the Philippines' Best in Clearest Corporate Strategy by Asia Money Polls. In addition, the Company was voted among the Philippines' Superbrands in the Superbrands Awards 2004/2005. In each of 2008 to 2012, the Company was awarded Best Managed Philippine Company and Best Investor Relations by FinanceAsia; in 2009, FinanceAsia also recognized the Company with an Asia's Best Managed Company award. In 2012, the Company was awarded Best Mid-Cap Company by FinanceAsia, and was also recognized by Corporate Governance Asia for Best Investor Relations. In 2013, the Company garnered awards for Asia's Best CEO, Best Investor Relations and Best CSR from Corporate Governance Asia's Asian Excellence Awards. It was also recognized as Asia' Icon on Corporate Governance during the 9$^{th}$ Corporate Governance Asia Recognition Awards. The Alpha Southeast Asia also recognized the company as Most Organized Investor Relations, Best Senior Management IR Support and Strong Adherence to Corporate Governance. Similarly, the Company also garnered the gold award for Investor Relations, Corporate Governance and Financial Performance in the 2013 Asset Excellence in Management and Governance Awards. In 2014, the Company was recognized as the Philippines' Best Company for Leadership – Property Management by IAIR. It was also awarded as Asia's Best CEO and Best Investor Relations in the 2014 Corporate Governance Asia's 4$^{th}$ Asian Excellence Awards and again the following year, 2015. Most recently, the company was recognized as Best Developer of the Year in Philippines Property Awards 2016 and three years in a row in BCI Awards. The company also received 16 more awards other than that. In addition, the company was awarded as Best CEO in the Global Good Governance Awards 2016. Business tycoon, Dr. Andrew L. Tan received Global Excellence Award in ceremonies held during the 42nd Philippine Business Conference.

**Competitive Strengths of the Company**

The Company believes that it has the following competitive strengths:

***Established track record as a market innovator***

The Company believes it has anticipated market trends earlier than other companies in the Philippine property development industry. Although the Company initially focused on the high end residential property market, it was among the first in the Philippines to identify the growing demand for community township developments, particularly for middle income buyers, and to introduce flexible design options and payment plans. In 1996, the Company was also the first to develop offices with the infrastructure capable of supporting expanding IT and BPO businesses. As a result, the Company developed the Eastwood City CyberPark and was instrumental in working with the Government to obtain the first PEZA-designated economic zone specifically for technology and BPO-based companies. The Company is currently the largest developer and owner of BPO office buildings in the Philippines. In 1996, the Company was the first Philippine property company to develop an international sales network targeting overseas Filipinos for residential sales. In 2005, the Company introduced development plans for the first major mass transit-oriented residential community in the Philippines, with inter-connections to two main mass transit systems and a land transportation hub. The Company believes that its identification of areas of growth in the property market was instrumental to its continued financial success during the Asian financial crisis when most sectors of the property market contracted. The Company's ability to anticipate market trends and understand the needs of real estate consumers continue to assist it in its efforts to accurately predict trends in market demand, levels of supply and to plan and design its property developments accordingly.

***Strategic landbank***

The Company either owns or has development rights to approximately 3,650 hectares of land located throughout strategic locations in the Philippines. Where the company does not own or lease the land, it has entered into joint development agreements with the landowners to develop their land in exchange for a percentage of the revenue from sales or leases of the completed units. Joint development agreements are a cost effective way for the Company to acquire land development rights in desirable areas of Metro Manila at a fixed cost. Although the Company continues to consider strategic landbanking either through additional joint development agreements or property purchases, the Company believes that its current landbank is capable of sustaining the development of its current portfolio of projects for at least the next 10 years.

***Sound financials with a stable earnings base and low gearing***

The Company believes it is currently in sound financial condition with a debt-to-equity ratio of 0.45x (after minority interest) as of September 30, 2016, and that its financial strength enhances its ability to invest in new projects while continuing to develop existing projects. The Company's property portfolio includes a balance between income from residential sales and recurring income earned from commercial and office developments. The Company's diverse project portfolio is designed to both limit earnings volatility from potential property market fluctuations and to allow it to enjoy growth upside. The Company's community township portfolio includes a stable revenue base of long term leases from major international BPO tenants as well as retail tenants. The Company expects to benefit from existing long-term BPO lease arrangements while attracting new BPO tenants. The proximity of BPO tenants to retail and entertainment properties within the community township allows the Company to benefit from the complementary revenue stream from its retail and commercial leases. As a result of stable earnings from rental investments in the BPO market and residential sales, the Company has been able to keep its debt to equity ratio low, particularly during the Asian financial crisis, when a number of highly leveraged property development companies went bankrupt.

***Well established brand name and reputation***

The Company has completed a number of high quality residential condominium projects, townhouse projects, office projects and leisure and commercial developments throughout Metro Manila. As a result, the Company has developed a strong brand name and reputation as one of the Philippines' leading property developers with the credibility of delivering high quality developments. The Company has been named by Superbrands, an independent organization which identifies and recognizes the most highly acclaimed brands throughout the world, as one of the Philippines' top brands. The Company has also received ISO 9001: 2008 series certification, which covers all aspects of the Company's operations, including its planning, design, project management and customer service operations, for quality control and systems management. As with other property developers in the Philippines, the Company pre-sells its residential units. Since pre-selling is an industry practice, buyers place great importance on the track record and reputation of developers to reduce the completion risk relating to their properties. As a result, the Company believes that its reputation as a reliable property developer is particularly important in the Philippines to both attract and maintain quality buyers, tenants and joint development partners. In fact, the Company completed 13 residential towers even during the Asian financial crisis.

***Strong residential marketing network***

The Company maintains an in-house marketing and sales division staffed by a trained group of property consultants who sell residential properties exclusively for the Company. All property consultants undergo intensive training prior to embarking on any sales activity and the Company provides an on the job skills enhancement program for its marketing and sales professionals to further develop their skills. In 1997, the Company was the first Philippine property company to create an international marketing and sales division specifically targeted at overseas Filipinos, and sales to this group have increased each succeeding year. The Company's international marketing and sales division is comprised of 13 regional offices worldwide. The Company's extensive residential marketing network enhances the Company's brand recognition and its ability to pre-sell residential units.

***Experienced management team that is also focused on complementary businesses that promote synergies***

The Company has an experienced management team with a proven ability to execute the Company's diverse business plans. Its Chairman, Mr. Andrew Tan, has extensive experience in real estate and other businesses. Further, the Company's management has consistently executed complementary business plans among the Company's associates. For example, a number of the Company's developments house restaurants owned and operated by one of its associates. The Company believes that the residential, BPO office, retail and hospitality components within its mixed-use township developments benefit from the market experience and knowledge that its key members of management possess and the business relationships they have developed in the various industries in which they are involved.

**Business Strategy**

To manage the risks associated with the business of the Company, the Company has adopted a business strategy that is based on conservative financial and operational policies and controls, revenue and property diversification, availability of quality land banks and strategic partners, as well as product innovation.

Key elements of the Company's strategy are to:

- Maximize earnings through integrated community township developments by developing alternative, integrated residential, business and retail property communities.

- Capitalize on its strong brand name and reputation.

- Continue to evaluate projects to maximize cost efficiencies, resources and other opportunities to derive synergies across the Megaworld group and the larger AGI group of companies.

- Maintain a strong financial position by controlling costs and maintaining its net cash position.

- Sustain a diversified development portfolio.

- Capitalize on growing opportunities in tourism development.

**Risks of Investing**

Before making an investment decision, investors should carefully consider the risks associated with an investment in the Securities. These risks include:

***Risks Relating to the Company and its Business***

- Substantially all of the Company's business activities are conducted in the Philippines and all of its assets are located in the Philippines, which exposes the Company to risks associated with the Philippines, including the performance of the Philippine economy.
- The Company operates in an intensely competitive industry, which could limit the Company's ability to maintain or increase its market share and maintain profitability.
- The Philippine property market is cyclical.
- The Company is exposed to geographic portfolio concentration risks.

- The Company is subject to significant competition in connection with the acquisition of land for development projects.
- The Company is exposed to risks associated with its in-house financing activities, including the risk of customer default.
- The Company faces certain risks related to the cancellation of sales involving its residential projects and in certain circumstances the Company's revenue may be overstated due to cancelled sales.
- The Company operates in a regulated environment and its businesses are affected by the development and application of regulations in the Philippines.
- Continued compliance with, and any changes in, safety and environmental laws and regulations may adversely affect the Company's results of operations and financial condition.
- The Company may experience difficulty in managing its expected growth.
- Natural or other catastrophes, including severe weather conditions, may materially disrupt the Company's operations and result in losses not covered by its insurance.
- The Company faces risks relating to its real estate development projects, including risks relating to project cost and completion.
- The Company is exposed to risks that it will be unable to lease its properties in a timely manner or collect rent at profitable rates or at all.
- The Company's reputation will be adversely affected if projects are not completed on time or if projects do not meet customers' requirements.
- Dependence on independent contractors and suppliers of construction materials may impact the Company's ability to complete projects on time, within budget and according to certain quality standards.
- The interests of joint development partners for the Company's development projects may differ from the Company's and they may take actions that adversely affect the Company.
- Construction defects and other building-related claims may be asserted against the Company, and the Company may be subject to liability for such claims.
- The Company may be unable to attract and retain skilled professionals, such as architects and engineers.

***Risks Relating to the Philippines***

- Any political instability in the future may have a negative effect on the Company's financial results
- The Company's business may be disrupted by terrorist acts, crime, natural disasters and outbreaks of infectious diseases or fears of such occurrences in Metro Manila or other parts of the Philippines
- Volatility in the value of the Peso against the U.S. dollar and other currencies could adversely affect the Company's business
- Corporate governance and disclosure standards in the Philippines may differ from those in more developed countries

***Risks Relating to the Securities***

- The priority of debt evidenced by a public instrument
- An active trading market for the Securities may not develop
- The Company may be unable to redeem the Securities

Please refer to the section entitled "Risk Factors" on pages 19 to 29 of this Prospectus which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the Securities.

## SUMMARY FINANCIAL INFORMATION

*The following tables set forth the summary consolidated financial information of the Company as at and for the periods indicated. The selected financial information presented below as at 31 December 2013, 2014, 2015 and 30 September 2016, for the years ended 31 December 2013, 2014 and 2015 and for the nine-month periods ended 30 September 2015 and 2016 have been derived from the Company's consolidated financial statements. The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant consolidated financial statements of the Company, including the notes thereto, contained in this Prospectus and the section "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other information included herein.*

*The financial statements for the years ended December 31, 2013, 2014 and 2015 were audited by Punongbayan & Araullo and were prepared in accordance with the Philippine Financial Reporting Standards. The summary financial information set out below does not purport to project the results of operations or financial condition of the Company for any future period or date.*

| | **Years ended December 31** | | | **Nine months ended September 30** | |
|---|---|---|---|---|---|
| **In ₱ millions** | **2015** | **2014** | **2013** | **2016** | **2015** |
| **Income Statement:** | | | | | |
| REVENUES | **44,996** | **53,131** | **36,242** | **35,264** | **33,527** |
| Real estate sales | 27,262 | 24,607 | 21,251 | 20,711 | 20,490 |
| Interest income on real estate sales | 1,678 | 1,671 | 1,537 | 1,391 | 1,371 |
| Realized gross profit on prior years' sales | 3,787 | 3,229 | 3,056 | 3,202 | 3,042 |
| Rental income | 8,730 | 7,071 | 6,038 | 7,413 | 6,445 |
| Hotel operations | 796 | 723 | 451 | 878 | 529 |
| Equity share in net earnings (losses) of associates, interest and other income - net | 2,743 | 15,830 | 3,909 | 1,669 | 1,650 |
| COST AND EXPENSES | **34,421** | **31,507** | **27,213** | **25,991** | **25,175** |
| PROFIT FOR THE YEAR BEFORE PRE-ACQUISITION INCOME | 10,575 | 21,624 | 9,029 | 9,273 | 8,352 |
| PRE-ACQUISITION LOSS (INCOME) OF SUBSIDIARIES | 0 | (69) | 6 | - | 0 |
| NET PROFIT FOR THE YEAR | **10,575** | **21,555** | **9,035** | **9,273** | **8,352** |
| Net profit attributable to: | | | | | |
| Company's shareholders | 10,215 | 21,220 | 8,971 | 8,982 | 8,094 |
| Non-controlling interests | 360 | 335 | 64 | 291 | 258 |

| In ₱ millions, except for earnings per share | Years ended December 31 2015 | 2014 | 2013 | As of September 2016 | As of September 2015 |
|---|---|---|---|---|---|
| **Balance Sheet:** | | | | | |
| Current Assets | 131,175 | 122,091 | 98,458 | 133,083 | 125,602 |
| Non-current Assets | 120,510 | 98,949 | 75,424 | 133,388 | 111,007 |
| Total Assets | 251,685 | 221,040 | 173,882 | 266,471 | 236,609 |
| Current Liabilities | 36,479 | 38,878 | 25,896 | 40,713 | 34,594 |
| Non-current Liabilities | 80,793 | 53,363 | 46,033 | 84,362 | 69,572 |
| Equity | 134,413 | 128,799 | 101,953 | 141,396 | 132,443 |
| **Earnings per Share:** | | | | | |
| Basic | 0.321 | 0.670 | 0.308 | 0.282 | 0.254 |
| Diluted | 0.319 | 0.667 | 0.305 | 0.281 | 0.253 |

| In ₱ millions | Years ended December 31 2015 | 2014 | 2013 | Nine months ended September 30 2016 | 2015 |
|---|---|---|---|---|---|
| **Cash Flow:** | | | | | |
| Cash flow from (used in) operating activities | 1,650 | 1,733 | 1,846 | 2,033 | (1,007) |
| Cash flow from (used in) investing activities | (17,970) | (15,010) | (13,118) | (10,522) | (11,231) |
| Cash flow from (used in) financing activities | 13,941 | 2,170 | 16,081 | (864) | 3,162 |
| **Financial Ratios:** | | | | | |
| Current Ratio [1] | 3.60 | 3.14 | 3.80 | 3.27 | 3.63 |
| Quick Ratio [2] | 0.62 | 0.65 | 1.23 | 0.33 | 0.46 |
| Debt to Equity Ratio [3] | 0.39 | 0.26 | 0.28 | 0.39 | 0.31 |
| Return on Assets [4] (%) | 4.47 | 10.92 | 5.71 | 3.58 | 3.65 |
| Return on Equity [5] (%) | 8.98 | 20.93 | 10.99 | 7.48 | 7.21 |

1. *Current Assets/Current Liabilities*
2. *Cash and Cash Equivalents / Current Liabilities*
3. *Interest Bearing Loans and Borrowings and Bonds Payable / Equity*
4. *Net Income / Average Total Assets*
5. *Net Income / Average Equity (Computed using figures attributable only to parent company shareholders)*

## OVERVIEW OF THE DEBT SECURITIES PROGRAM

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the terms and conditions of any particular tranche of a Series, the applicable terms and conditions.*

Megaworld is offering debt securities under its Debt Securities Program comprised of Fixed-Rate Bonds and Commercial Papers (each, a “Series”, and collectively, the “Securities”) with an aggregate principal amount of Thirty Billion Pesos (₱30,000,000,000.00) to be issued in one or more tranches (the “Program”). The following sections outlines the description of the Program. :

**The Program**

| | |
|---|---|
| **Issuer** | Megaworld Corporation |
| **Facility** | Up to Thirty Billion Pesos (₱30,000,000,000.00) Debt Securities Program |
| **Issue Manager and Lead Underwriter** | BDO Capital & Investment Corporation |
| **Purpose** | Proceeds from the Program will be used for capital expenditures and general corporate requirements |
| **Availability** | The Program will be continuously available until the expiration of the shelf registration and the permit to offer securities for sale to be issued by the SEC for the Program |
| **Maturity** | Commercial Paper: Up to one (1) year<br>Fixed-Rate Bonds: More than five (5) years |
| **Method of Issue** | Each Series of the Securities will be issued on a continuous basis in tranches (each a “Tranche”) on different issue dates. The specific terms of each Tranche (which, save in respect of the issue date, issue price, interest commencement date, and principal amount of the Tranche, will be identical to the terms of the other Tranches of the same Series) will be set forth in the final prospectus. |
| **Form of Securities** | Each Tranche of the Fixed-Rate Bond Series will be represented by a Master Certificate of Indebtedness to be issued and registered in the name of the Trustee for the Security Holders. Legal title to the Securities will be shown on and recorded in the Register of Security Holders maintained by the Registrar. |
| **Denomination of Securities** | Commercial Paper: minimum face value and increments to be determined.<br>Fixed-Rate Bonds: minimum face value and increments to be determined for each Tranche. |
| **Redemption for Taxation Reasons** | If payments under the Securities become subject to additional or increased taxes other than taxes and rates of such taxes prevailing in the relevant Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Securities in whole, but not in part, (having given not more than sixty (60) nor less than thirty (30) days’ prior written notice to the Trustee) at par or 100% face value plus accrued interest. |

| | |
|---|---|
| **Final Redemption** | Except when a call option on the Fixed-Rate Bonds is exercised, the Securities will be redeemed at par or 100% face value on the relevant maturity date. |
| **Status of Securities** | The Securities will constitute direct, unconditional, and unsecured Peso-denominated obligation of the Issuer and will rank pari passu and ratably without any preference or priority among themselves and at least pari passu with all other present and future unsecured obligations of the Issuer, other than obligations mandatorily preferred by law. |
| **Negative Pledge** | The Securities shall have the benefit of a negative pledge on all existing and future assets of the Issuer, subject to certain permitted lines. |
| **Taxation** | Except: (1) tax on a Security Holder's interest income on the Securities which is required to be withheld by the Issuer, and (2) capital gains tax/income tax, documentary stamp tax and other taxes on the transfer of Securities (whether by assignment or donation), if any and as applicable, which are for the account of the Security Holder, all payments of principal and interest will be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of the Republic of the Philippines or any political subdivision, agency or instrumentality thereof, including, but not limited to, issue, registration, or any similar tax or other taxes and duties, including interest and penalties. If such taxes or duties are imposed, the same shall be for the account of the Issuer; provided, however, that the Issuer shall not be liable for, and will not gross up the payments of interest on the principal amount of the Securities so as to cover any final withholding tax applicable on interest earned on the Securities prescribed under the National Internal Revenue Code of 1997, as amended, and its implementing rules and regulations.<br><br>Documentary stamp tax on the original issue of the Securities shall be for the Issuer's account.<br><br>A Security Holder who is exempt from or is not subject to final withholding tax on interest income may such exemption by submitting to the relevant underwriter, together with its Application to Purchase: (i) pertinent documents evidencing its tax-exempt status, duly certified as "true copy" by the relevant office of the BIR; (ii) letter addressed to the Issuer and the Registrar, requesting both the Issuer and the Registrar not to make any withholding on said Security Holder's interest income; and, (iii) an indemnity undertaking wherein the Security Holder shall undertake to indemnify the Issuer for any tax or charge that may later on be assessed against the Issuer on account of the non-withholding of tax on Securities held by such Security Holder.<br><br>The tax treatment of a Security Holder may vary depending upon such person's particular situation and certain Security Holders may be subject to special rules not discussed above. This summary does not purport to address all the aspects that may be important and/or relevant to a Security Holder. Security Holders are advised to consult their own tax advisers on the ownership and disposition of the Securities, including the applicability and effect of any state, local or foreign tax laws. |
| **Governing Law** | Philippine law. |

# SUMMARY OF THE OFFERING

*The Offering relates to the initial tranche of the Fixed-Rate Bond Series with a principal amount of Eight Billion Pesos (₱8,000,000,000.00) with an Oversubscription Option of Four Billion Pesos (₱4,000,000,000.00). The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Prospectus and the Offer Supplement for the Series. The Fixed-Rate Bond Series is part of Megaworld's Debt Securities Program (please see "Overview of the Debt Securities Program),*

| | |
|---|---|
| **Issuer** | Megaworld Corporation |
| **Issue** | The initial tranche of the Fixed-Rate Bond Series constituting the direct, unconditional, unsecured and unsubordinated obligations of Megaworld Corporation (the "Series B Bonds"). |
| **Issue Size of the Series B Bonds** | ₱8,000,000,000.00 |
| **Oversubscription Option** | In the event of oversubscription, the Issue Manager and Lead Underwriter, in consultation with the Company, reserves the right to increase the aggregate Issue Size by up to ₱4,000,000,000.00 |
| **Manner of Offer** | Public offering |
| **Use of Proceeds** | The net proceeds of the Issue shall be used primarily to fund the capital expenditures of the Company. (see "Use of Proceeds") |
| **Issue Price or Offer Price** | 100% of the face value of the Series B Bonds |
| **Form and Denomination of the Series B Bonds** | The Series B Bonds shall be issued in scripless form in minimum denominations of ₱50,000.00, and in multiples of ₱10,000.00 thereafter, and traded in denominations of ₱10,000.00 in the secondary market |
| **Offer Period** | The offer of the Series B Bonds shall commence at 9:00 am on [●] 2017 and end at 12:00 pm on [●] 2017 |
| **Issue Date** | [●] 2017 |
| **Maturity Date** | Seven (7) years from Issue Date |
| **Interest Rate** | [●]% p.a. |
| **Interest Computation & Payment** | Interest on the Series B Bonds shall be calculated on a 30/360 day count basis commencing on [●]. Interest on the Series B Bonds shall be paid semi-annually in arrears on [●] and [●] of each year at which the Bonds are outstanding. If the Interest Payment Date is not a Business Day, interest will be paid on the next succeeding Business Day without adjustment to the amount of interest to be paid. The last Interest Payment Date shall fall on the Maturity Date. |
| **Optional Redemption** | Prior to the Maturity Date of the Series B Bonds, the Issuer shall have a one-time option, but shall not be obligated, to redeem in whole, and not a part only, the outstanding Bonds in accordance with the schedule set forth below. |

| **Optional Redemption Dates** | **Optional** |
|---|---|

| | Redemption Price |
|---|---|
| Fifth ($5^{th}$) anniversary from Issue Date<br>Sixth ($6^{th}$) anniversary from Issue Date | ●%<br>●% |

The Issuer shall give no less than thirty (30) nor more than sixty (60) calendar days' prior written notice of its intention to redeem the Series B Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Series B Bonds at the Interest Payment Dates stated in such notice. The amount payable to the Bondholders in respect of such redemption shall be calculated as the sum of (i) the relevant Optional Redemption Price applied to the principal amount of the outstanding Series B Bonds being redeemed; and (ii) accrued interest on the Series B Bonds as of the relevant Optional Redemption Date.

**Final Redemption**

The Series B Bonds shall be redeemed at 100% of face value on the Maturity Date.

**Trustee**

BDO Unibank, Inc.-Trust and Investments Group

**Registrar & Paying Agent**

Philippine Depository and Trust Corporation

**Taxation**

Interest income derived from the Series B Bonds by Philippine citizens or resident foreign individuals is subject to income tax, which is withheld at source, at the rate of 20%. Interest on the Series B Bonds received by non-resident foreign individuals engaged in trade or business in the Philippines is subject to a 20% final withholding tax while that received by non-resident foreign individuals not engaged in trade or business is subject to a 25% final withholding tax. Interest income received by domestic corporations and resident foreign corporations is taxed at the rate of 20%. Interest income received by non-resident foreign corporations is subject to a 30% final withholding tax. The tax withheld constitutes a final settlement of Philippine income tax liability with respect to such interest.

Series B Bondholders who are exempt from or are not subject to final withholding tax on interest income or are covered by a lower final withholding tax rate by virtue of a tax treaty may claim such exemption or lower rate, as the case may be, by submitting the necessary documents as required by the Bureau of Internal Revenue and the Company.

**Listing**

The Series B Bonds are intended to be listed in the Philippine Dealing and Exchange Corp.

# RISK FACTORS

*Investment in the Securities involves a number of risks. The price of securities can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Past performance is not a guide to future performance. There is an extra risk of losing money when securities are bought from smaller companies. There may be a big difference between the buying price and the selling price of these securities. An investor deals in a range of investments, each of which may carry a different level of risk.*

*Prior to making any investment decision, prospective investors should carefully consider all of the information in this Prospectus, including the risks and uncertainties described below. The business, financial condition or results of operations of Megaworld could be materially adversely affected by any of these risks. Additional considerations and uncertainties not presently known to the Company or which the Company currently deems immaterial, may also have an adverse effect on an investment in the Securities.*

*This risk disclosure does not purport to disclose all the risks and other significant aspects of investing in these securities. An investor should undertake his or her own research and study on the trading of securities before commencing any trading activity. He/she may request information on the securities and issuer thereof from the Commission which are available to the public.*

*An investor should seek professional advice if he or she is uncertain of, or has not understood any aspect of the securities to invest in or the nature of risks involved in trading of securities especially those high risk securities.*

*This section entitled "Risks Factors" does not purport to disclose all of the risks and other significant aspects of investing in these securities.*

*The risks enumerated hereunder are considered to be each of equal importance.*

*The means by which the Company plans to address the risks discussed herein are presented in the sections of this Prospectus entitled "Description of the Issuer – Strengths," "Description of the Issuer – Strategy," and "Management's Discussion and Analysis of Financial Condition and Results of Operations."*

## Risks Relating to the Company

**Substantially all of the Company's business activities are conducted in the Philippines and all of its assets are located in the Philippines, which exposes the Company to risks associated with the Philippines, including the performance of the Philippine economy.**

Historically, the Company has derived substantially all of its revenues and operating profits from sales of its real estate products in the Philippines, and its business is highly dependent on the state of the Philippine economy. Demand for, and prevailing prices of, developed land, house and lot units are directly related to the strength of the Philippine economy (including overall growth levels and interest rates), the overall levels of business activity in the Philippines and the amount of remittances received from overseas Filipino workers ("OFW"). As a result of the Asian financial crisis that began in 1997, the Philippine economy generally, and the Philippine property market specifically, went through a sharp downturn in the late 1990s. This downturn was further exacerbated during 2000 to 2001 by the political crisis resulting from the impeachment proceedings against, and the subsequent resignation of, former President Joseph Estrada. The global financial downturn also resulted in a general slowdown of the global economy in 2008 and 2009 which had a negative effect on the property market as Philippine property sales declined.

There is no assurance that there will not be a recurrence of an economic slowdown in the Philippines.

Factors that may adversely affect the Philippine economy include:

- decreases in business, industrial, manufacturing or financial activity in the Philippines or in the global market;
- scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the Philippines or in the global market;
- exchange rate fluctuations;
- a prolonged period of inflation or increase in interest rates;
- changes in the Government's taxation policies;
- a re-emergence of Severe Acute Respiratory Syndrome, (commonly known as SARS), avian influenza (commonly known as the bird flu) H1N1 influenza (commonly known as swine flu) or the emergence of another similar disease in the Philippines or in other countries in Southeast Asia;
- natural disasters, including typhoons, earthquakes, fires, floods and similar events;
- political instability, terrorism or military conflict in the Philippines, other countries in the region or globally; and
- other regulatory, political or economic developments in or affecting the Philippines.

There is also a degree of uncertainty regarding the economic and political situation in the Philippines. This uncertainty could have adverse effects on the revenues from the Company's businesses. See "- Risks Related to the Philippines."

**The Company operates in an intensely competitive industry, which could limit the Company's ability to maintain or increase its market share and maintain profitability.**

The Company's real estate operations are subject to intense competition, and some competitors may have substantially greater financial and other resources than the Company, 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 the real estate industry could reduce the Company's sales and profit margins. In the real estate development industry, the Company competes against a number of residential and commercial developers and real estate services companies, including Ayala Land, Inc. ("Ayala") for the Company's projects in the Fort Bonifacio area of Metro Manila, and Robinsons Land Corporation, SM Prime Holdings, Inc. and Ayala for the Company's retail and office leasing activities. Megaworld competes for the acquisition of prime land, resources for development and prospective purchasers and tenants. For example, the city governments of Quezon City, Pasay City and Manila are offering land for the development of business districts, particularly to the developers targeting the business process outsourcing ("BPO") industry and that may have projects which compete with the Company's current development projects. Increased competition from other real estate developers and real estate services companies may adversely affect the Company's ability to acquire and sell properties or attract and retain tenants.

**The Philippine property market is cyclical.**

The Company expects to derive a substantial portion of its revenue in the future from its current portfolio of township development projects. Accordingly, it is heavily dependent on the state of the Philippine property market. The Philippine property market has in the past been cyclical and property values have been affected by the supply of and demand for comparable properties, the rate of economic growth in the Philippines and political and social developments.

Since the second half of 2008, the global financial markets have experienced, and may continue to experience, significant dislocations, which originated from the liquidity disruptions in the United States and the European Union credit and sub-prime residential mortgage markets. These disruptions and other events, such as rising government deficits and debt levels, the sovereign credit ratings downgrades and ensuing public deficit and debt reduction measures of the United States and certain member states of the European Union, the risk of a partial collapse of the Eurozone and slower rates of growth in the Chinese economy have had and continue to have a significant adverse effect on the global financial markets.

Demand for new residential projects in the Philippines, in particular, has also fluctuated in the past as a result of prevailing economic conditions in both the Philippines and in other countries, such as the United States (including overall growth levels and interest rates), the strength of overseas markets (as a substantial portion of demand comes from OFWs and expatriate Filipinos), the political and security situation in the Philippines and other related factors. For example, the global financial crisis in 2008 and 2009 resulted in a generally negative effect on real estate property prices globally, including the Philippines. The Company expects this general cyclical trend to continue, which means that the Company's results of operations may fluctuate from period to period in accordance with fluctuations in the Philippine economy, the Philippine property market and the global property market in general. There can be no assurance that such variances will not have a material adverse effect on the business, financial condition or results of operations of the Company.

**The Company is subject to significant competition in connection with the acquisition of land for development projects.**

The Company's future growth and development are dependent, in part, on its ability to acquire or enter into agreements to develop additional tracts of land suitable for development projects. As the Company and its competitors attempt to locate sites for development, the Company may experience difficulty locating parcels of land of suitable size in locations and at prices acceptable to the Company, particularly parcels of land located in areas within or surrounding Metro Manila. The Company may also have difficulty in attracting landowners to enter into joint development agreements. In the event the Company is unable to acquire suitable land at acceptable prices, or at all, or enter into agreements with joint development partners to develop suitable land with reasonable returns, or at all, its growth prospects could be limited and its business and results of operations could be adversely affected.

**The Company faces certain risks related to the cancellation of sales involving its residential projects and in certain circumstances the Company's revenue may be overstated due to cancelled sales.**

As a developer and seller of residential real estate, the Company's business, financial condition and results of operations could be adversely affected in the event a material number of its residential sales are cancelled.

- The Company is subject to Republic Act No. 6552 (the "Maceda Law"), which applies to all transactions or contracts involving the sale or financing of real estate through installment payments, including residential condominium units (but excluding industrial and commercial lots). Under the Maceda Law, buyers who have paid at least two years of installments are granted a grace period of one month for every year of paid installments to cure any payment default. If the contract is cancelled, the buyer is entitled to receive a refund of at least 50% of the total payments made by the buyer, with an additional 5% per annum in cases where at least five years of installments have been paid (but with the total not to exceed 90% of the total payments). Buyers who have paid less than two years of installments and who default on installment payments are given a 60-day grace period to pay all unpaid installments before the sale can be cancelled, but without right of refund. See "Regulatory and Environmental Matters — Real estate sales on installments."

- While the Company historically has not experienced a material number of cancellations to which the Maceda Law has applied, there can be no assurance that it will not experience a material number of cancellations in the future, particularly during slowdowns or downturns in the Philippine economy, periods when interest rates are high or similar situations. In the event the Company does experience a material number of cancellations, it may not have enough funds on hand to pay the necessary cash refunds to buyers or it may have to incur indebtedness in order to pay such cash refunds. In addition, particularly during an economic slowdown or downturn, there can be no assurance that the Company would be able to re-sell the same property or re-sell it at an acceptable price. Any of the foregoing events would have a material adverse effect on the Company's business, financial condition and results of operations.

- There can be no assurance that the Company will not suffer from substantial cancellations and that such cancellations will not have a material adverse effect on its financial condition and results of operations.

**The Company operates in a regulated environment and its businesses are affected by the development and application of regulations in the Philippines.**

The Company operates its businesses in a regulated environment. Presidential Decree No. 957, as amended, ("PD 957") and Republic Act No. 4726 or the Condominium Act ("RA 4726") are the principal statutes which regulate the development and sale of real property as part of a condominium project or subdivision. Presidential Decree No. 957 and RA 4726 cover subdivision projects for residential, commercial, industrial or recreational purposes and condominium projects for residential or commercial purposes. The Housing and Land Use Regulatory Board (''HLURB'') is the administrative agency of the Government of the Philippines which, together with local government units, enforces these statutes and has jurisdiction to regulate the real estate trade and business.

Regulations applicable to the Company's operations include standards regarding the suitability of the site, road access, necessary community facilities, open spaces, water supply, sewage disposal systems, electricity supply, lot sizes, the length of the housing blocks and house construction. All subdivision plans are required to be filed with and approved by the local government unit with jurisdiction over the area where the project is located, while condominium project plans are required to be filed with and approved by the HLURB. Approval of such plans is conditioned on, among other things, completion of the acquisition of the project site and the developer's financial, technical and administrative capabilities. Alterations of approved plans that affect significant areas of the project, such as infrastructure and public facilities, also require the prior approval of the relevant government unit and the HLURB. There can be no assurance that the Company, its subsidiaries or associates or partners will be able to obtain governmental approvals for its projects or that when given, such approvals will not be revoked.

In addition, owners or dealers of real estate projects are required to obtain licenses to sell before making sales or other disposition of lots or real estate projects. Project permits and any license to sell may be suspended, canceled or revoked by the HLURB by itself or upon complaint from an interested party and there can be no assurance that the Company, its subsidiaries, associates or partners will in all circumstances, receive the requisite approvals, permits or licenses or that such permits, approvals or licenses will not be cancelled or suspended.

**Continued compliance with, and any changes in, safety and environmental laws and regulations may adversely affect the Company's results of operations and financial condition.**

The operations of the Company's business are subject to a broad range of safety and environmental laws and regulations. These laws and regulations impose controls on the storage, handling, discharge and disposal of waste, and other aspects of the operations of each of the Company's business. The Company has incurred, and expects to continue to incur, operating costs to comply with such laws and regulations. In addition, the Company has made and expects to continue to make capital expenditures on an ongoing basis to comply with safety, health and environmental laws and regulations. The discharge of hazardous substances or other pollutants into the air, soil or water that do not comply with relevant health regulations may cause the Company to be liable to third parties, the Government or to the local government units with jurisdiction over the areas where the Company's facilities and real estate developments are located. The Company may be required to incur costs to remedy the damage caused by such action or pay fines or other penalties for non-compliance.

Safety, health and environmental laws and regulations in the Philippines have been increasingly stringent and it is possible that these laws and regulations will become significantly more stringent in the future. The adoption of new safety, health and environmental laws and regulations, new interpretations of existing laws, increased governmental enforcement of environmental laws or other developments in the future may require additional capital expenditures or the incurrence of additional operating expenses in order to comply with such laws and to maintain current operations.

Furthermore, if the measures implemented by the Company to comply with these new laws and regulations are not deemed sufficient by the Government, compliance costs may significantly exceed current estimates. If the Company 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 initiated by environmental groups and other individuals, which could result in substantial fines and penalties against the Company, as well as orders that could limit or halt its operations.

The Company cannot predict what safety, health and environmental legislation or regulations will be amended or enacted in the future, how existing or future laws or regulations will be enforced, administered or interpreted, or the amount of future expenditures that may be required to comply with these environmental laws or regulations or to respond to environmental claims. There can be no assurance that the Company will not become involved in future litigation or other proceedings or be held responsible in any such future litigation or proceedings relating to safety, health and environmental matters in the future, the costs of which could be material. The introduction or inconsistent application of, or changes in, laws and regulations applicable to the Company's business could have a material adverse effect on the Company, its financial condition and results of operations.

See "Regulatory and Environmental Matters."

**The Company may experience difficulty in managing its expected growth.**

The Company expects that its operations will continue to grow rapidly as the Philippine real estate market continues to mature. Successful management of this rapid growth in the overall Philippine real estate developments market depends upon, among other things:

- favorable economic conditions and regulatory environment;
- the continued acquisition of land for additional projects of the Company;
- construction and completion of the Company's projects in a timely and cost efficient manner;
- the ability to continue to attract purchasers to; and
- the availability of sufficient levels of cash flow or necessary financing to support the development of new projects.

The Company may not be able to implement an effective growth strategy in the future to keep pace with the continued development it expects in the Philippine real estate market, and the Company may not be able to complete existing or build additional projects. Any failure by the Company to take advantage of the opportunities presented by a growing market may have a material adverse effect on its financial condition and results of operations. In addition, if the Company is unable to successfully manage the potential difficulties associated with growing its operations or developing additional projects, it may not be able to maintain operating efficiencies. If it is not able to continue to capture scale efficiencies, successfully manage personnel and hiring, improve its systems, continue its cost discipline strategies and grow its project portfolio, the Company may not be able to achieve or maintain its growth or profitability goals.

**Natural or other catastrophes, including severe weather conditions, may materially disrupt the Company's operations and result in losses not covered by its insurance.**

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, floods, droughts, volcanic eruptions and earthquakes. There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt the Company's operations. These factors, which are not within the Company's control, could potentially have significant effects on Megaworld's housing and land development projects. In particular, damage to Megaworld structures resulting from such natural catastrophes could also give rise to claims against Megaworld from third parties or from customers for physical injuries or loss of property.

Further, although the Company carries insurance for certain catastrophic events, of types (such as business interruption insurance), in amounts and with deductibles that the Company believes are in line with general industry practices in the Philippines, there are losses for which the Company cannot obtain insurance at a reasonable cost or at all. Should an uninsured loss or a loss in excess of insured limits occur with respect to a particular development project, for instance, the Company could lose all or a portion of the capital invested for such project, as well as the anticipated future turnover, while remaining liable for any project costs or other financial obligations relative to such development. Any material uninsured loss could materially and adversely affect the Company's business, financial condition and results of operations.

**The Company faces risks relating to its real estate development projects, including risks relating to project cost and completion.**

The real estate development business involves significant risks, including the risk of obtaining required Government approvals and permits which may take substantially more time and resources than anticipated.

Construction of projects also may not be completed on schedule and within budget. In addition, the time and costs involved in completing the development and construction of residential projects can be adversely affected by many factors, including shortages of materials, equipment and labor, adverse weather conditions, peso depreciation, natural disasters, labor disputes with contractors and subcontractors, accidents, changes in laws or in Government priorities and other unforeseen problems or circumstances. Where land to be used for a project is occupied by tenants and/or squatters, the Company may have to incur additional costs to remove such occupants and, if required by law, to provide relocation facilities for them. Any of these factors could result in project delays, cost overruns, or the termination or imposition of penalties under certain of the Company's joint development agreements and financing agreements, all of which could negatively affect the Company's operating margins. This could also result in sales and resulting profits from a particular development not being recognized in the year in which it was originally expected to be recognized, which could adversely affect the Company's results of operations for that year.

**The Company is exposed to risks that it will be unable to lease its properties in a timely manner or collect rent at profitable rates or at all.**

The Company is subject to risk incidental to the ownership and operation of office and related retail properties including, among other things, competition for tenants, changes in market rents, inability to renew leases or re-let space as existing leases expire, inability to collect rent from tenants due to bankruptcy or insolvency of tenants or otherwise, increased operating costs and the need to renovate, repair and re-let space periodically and to pay the associated costs. In particular, the Company relies on the growth of the BPO business as a continued source of revenue from its rental properties. If the BPO business does not grow as the Company expects or if the Company is not able to continue to attract BPO-based tenants, it may not be able to lease its office space or as a consequence, its retail space, in a timely manner or otherwise at satisfactory rents, which could have a material adverse effect on the Company's operations and financial condition.

**The Company's reputation will be adversely affected if projects are not completed on time or if projects do not meet customers' requirements.**

The Company has an established reputation and brand name in the real estate development business.

If any of the Company's projects experience construction or infrastructure failures, design flaws, significant project delays, quality control issues, natural calamities such as floods or otherwise, this could have a negative effect on the Company's reputation and make it more difficult to attract new customers to its other housing and land development projects. For example, the Company is currently developing its projects in Mactan, Cebu and Iloilo province, respectively, two areas in which the Company historically did not have any developments. If the Company encounters specific development issues, such as project delays or local government issues with respect to its new projects in these areas, its business reputation may be negatively affected.

Any negative effect on the Company's reputation or its brand could also affect the Company's ability to pre-sell its residential development projects. This would impair the Company's ability to reduce its capital investment requirements. The Company cannot provide any assurance that such events will not occur in a manner that would adversely affect its results of operations or financial condition.

**Dependence on independent contractors and suppliers of construction materials may impact the Company's ability to complete projects on time, within budget and according to certain quality standards.**

The Company relies on independent contractors to provide various services, including land clearing and infrastructure development, various construction projects and building and property fitting-out works. The Company selects independent contractors principally by conducting tenders and taking into consideration factors such as the contractors' experience, its financial and construction resources, any previous relationship with the Company, its reputation for quality and its track record.

There can be no assurance that the Company will be able to find or engage an independent contractor for any particular project or find a contractor that is willing to undertake a particular project within the Company's budget, which could result in cost increases or project delays. Further, although the Company's personnel actively supervise the work of such independent contractors, there can be no assurance that the services rendered by any of its independent contractors will always be satisfactory or meet the Company's requirements for quality. Contractors may also experience financial or other difficulties.

Any of these factors could delay the completion or increase the cost of certain development projects and could have a material adverse effect on the Company's business, financial condition and results of operations.

**The interests of joint development partners for the Company's development projects may differ from the Company's and they may take actions that adversely affect the Company.**

The Company obtains a significant portion of its land bank through joint development agreements with landowners, as part of its overall land acquisition strategy and intends to continue to do so.

Under the terms of its joint development agreements, the Company takes responsibility for project development costs and project sales activities, while its joint venture partner typically supplies the project land. 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 Company's. The development partner may also take actions contrary to the Company's instructions or requests, or in direct opposition to the Company's policies or objectives with respect to the real estate investments, or the development partner may not meet its obligations under the joint development arrangement.

Disputes between the Company and its joint development partners could arise which could have an effect on the Company's investment in the project.

**Construction defects and other building-related claims may be asserted against the Company, and the Company may be subject to liability for such claims.**

Philippine law provides that property developers, such as the Company, warrant the structural integrity of structures that were designed or built by them for a period of 15 years from the date of completion of the structures. The Company may also be held responsible for hidden (that is, latent or non-observable) defects in a structure sold by it when such hidden defects render the structures unfit for the use for which it was intended or when its fitness for such use is diminished to the extent that the buyer would not have acquired it or would have paid a lower price had the buyer been aware of the hidden defect. This warranty may be enforced within six months from the delivery of the house to the buyer. In addition, Republic Act No. 6541, as amended, or the National Building Code of the Philippines (the "Building Code"), which governs, among others, the design and construction of buildings, sets certain requirements and standards that must be complied with by the Company. The Company or its officials may be held liable for administrative fines or criminal penalties in case of any violation of the Building Code.

There can be no assurance that the Company will not be held liable for damages, the cost of repairs, and/or the expense of litigation surrounding possible claims or that claims will not arise out of uninsurable events, such as landslides or earthquakes, or circumstances not covered by the Company's insurance and not subject to effective indemnification agreements with the Company's contractors.

Neither can there be any assurance that the contractors hired by the Company will be able to either correct any such defects or indemnify the Company for costs incurred by the Company to correct such defects. In the event a substantial number of claims arising from structural or construction defects arise, this could have a material adverse effect on the Company's reputation and on its business, financial condition and results of operations.

**The Company may be unable to attract and retain skilled professionals, such as architects and engineers.**

The Company's ability to plan, design and execute current and future projects depends on its ability to attract, train, motivate and retain highly skilled personnel, particularly architects, engineers and project managers. The Company believes that there is significant demand for such personnel not only from its competitors but also from companies outside the Philippines, particularly companies operating in the Middle East. Any inability on the part of Company to hire and, more importantly, retain qualified personnel could impair its ability to undertake project design, planning and execution activities in-house and could require the Company to incur additional costs by having to engage third parties to perform these activities.

## Risks Relating to the Philippines

**Substantially all of the Issuer's operations and assets are based in the Philippines; a slowdown in economic growth in the Philippines could materially adversely affect its businesses.**

Historically, the Group has derived a large majority of its revenue and operating profits from the Philippines and, as such, is highly dependent on the state of the Philippine economy. Demand for retail, commercial and residential real estate are all directly related to the strength of the Philippine economy (including its overall growth and income levels), the overall levels of business activity in the Philippines, as well as the amount of remittances received from OFWs and overseas Filipinos.

Factors that may adversely affect the Philippine economy include:

- decreases in business, industrial, manufacturing or financial activities in the Philippines, the Southeast Asian region or globally;
- scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the Philippines, the Southeast Asian region or globally;
- exchange rate fluctuations;
- inflation or increases in interest rates;
- levels of employment, consumer confidence and income;
- changes in the Government or of the Government's fiscal and regulatory policies;
- diseases that may evolve into regional or global pandemic;
- natural disasters, including but not limited to tsunamis, typhoons, earthquakes, fires, floods and similar events;
- political instability, terrorism or military conflict in the Philippines, other countries in the region or globally; and
- other social, political or economic developments in or affecting the Philippines.

There can be no assurance that the Philippines will achieve strong economic fundamentals in the future. Changes in the conditions of the Philippine economy could materially and adversely affect the Group's business, financial condition and results of operations.

**Any political instability in the future may have a negative effect on the Group's financial results.**

The Philippines has from time to time experienced political, social and economic instability.

On 9 May 2016, the Philippines held its sixteenth national elections for president, vice president, members of the Senate and local government officials. Former mayor of Davao City, Rodrigo Duterte, was sworn into office on June 30, 2016 and succeeded Benigno Aquino III as the President of the Republic of the Philippines. There can be no assurance that President Duterte will continue to implement the economic, development and regulatory policies of President Aquino, including those policies that have a direct effect on the Group's assets and operations.

No assurance can be given that the future political environment in the Philippines will be stable or that current or future Governments will adopt economic policies conducive to sustaining economic growth. Political instability in the Philippines could negatively affect the general economic conditions in the Philippines which could have a material impact on the financial results of the Group. In addition, such adverse factors may affect the Philippine tourism industry, which is the focus of one element of the Group's growth strategy.

Historically, the Group has remained apolitical and cooperates with the country's duly constituted government. The Group supports and contributes to nation-building.

**The Company's businesses may be disrupted by terrorist acts, crime, natural disasters and outbreaks of**

**infectious diseases or fears of such occurrences in Metro Manila or other parts of the Philippines.**

The Philippines has been subject to a number of terrorist attacks in the past several years. The Philippine army has been in conflict with the Abu Sayyaf organization which has been responsible for kidnapping and terrorist activities in the Philippines, and is alleged to have ties to the Al-Qaeda terrorist network. There have also been sporadic bombings and prominent kidnappings and slayings of foreigners in the Philippines, including the hijacking of a tourist bus carrying Hong Kong tourists that resulted in the deaths of several passengers. On September 2, 2016, an explosion rocked a night market in Davao City, leading to the death of at least 14 people and injuries to over 60 people. As a result of the bombing, President Duterte has declared a state of lawlessness in the country indefinitely. The most recent terrorist activity occurred on December 28, 2016 where two explosions occurred during a town fiesta in Hilongos, Leyte, leaving at least 34 people injured.

There can be no assurance that the Philippines will not be subject to further acts of terrorism and violence in the future. Terrorist attacks have, in the past, had a material adverse effect on investment and confidence in, and the performance of, the Philippine economy and, in turn, the Company's business. The Company's current insurance policies do not cover terrorist attacks. Any terrorist attack or violent acts arising from, and leading to, instability and unrest, could cause interruption to parts of the Company's businesses and materially and adversely affect the Company's financial condition, results of operations and prospects.

The Philippines has experienced natural disasters over the years. A number of climate experts believe that climate change is affecting the intensity and severity of these natural calamities. The potential future effects of global climate change may include longer periods of drought in some regions and an increase in the number, duration and intensity of tropical storms in the country. Authorities may not be prepared or equipped to respond to such disasters. On 26 September 2009, Typhoon Ketsana (Ondoy) resulted in 341.3 millimeters of rainfall in six hours, causing massive flooding that submerged several areas of Metro Manila and adjacent provinces. The typhoon caused 464 deaths and approximately ₱86 billion in property damage. On 6 August 2012, a monsoon hit Metro Manila and other nearby provinces which also caused severe flooding and landslides. Other calamities that have affected Metro Manila in recent years include unusually strong earthquakes and outbreaks of infectious diseases such as H1N1 influenza (commonly known as swine flu).

Other regions of the Philippines have also experienced severe natural disasters. In December 2011, Typhoon Washi (Sendong) caused massive flooding in the southern Philippine city of Cagayan de Oro, claiming thousands of lives and displacing tens of thousands of residents. On 3 December 2012, Typhoon Bopha struck the southern island of Mindanao as a category five typhoon, triggering widespread flash flooding and landslides throughout the region. Typhoon Bopha killed over 1,000 people and caused an estimated ₱42 billion in property damage.

In October 2013, an earthquake occurred in Central Visayas, Philippines. The magnitude of the earthquake was recorded at Mw 7.2 at the epicenter which was located six kilometers southwest of Sagbayan town, at a depth of 12 kilometers. The event affected the whole Central Visayas region, particularly Bohol and Cebu. According to recent official reports by the National Disaster Risk Reduction and Management Council, 198 people were reported dead, 11 were missing, and 651 were injured as a result of the earthquake, making it the deadliest earthquake in the Philippines in 23 years. In all, more than 53,000 structures were damaged or destroyed, including commercial buildings, malls, public edifices, hotels and churches.

In addition, the Central Philippines experienced a severe typhoon, Typhoon Haiyan (Yolanda), in November 2013 which caused extensive damage to infrastructure and properties, claimed 6,268 lives and displaced thousands of residents.

It is not possible to predict the extent to which the Group's various businesses will be affected by any future occurrences of natural calamities such as those described above or fears that such occurrences will take place, and there can be no assurance that any disruption to its businesses will not be protracted, that property will not be damaged and that any such damage will be completely covered by insurance or at all. Any such occurrences may disrupt the operations of the Group's businesses and could materially and adversely affect their business, financial condition and results of operations. Further, any such occurrences may also destabilize the Philippine economy and business environment, which could also materially and adversely affect the Group's financial position and results of operations.

**Volatility in the value of the Peso against the US dollar and other currencies could adversely affect the Group's businesses.**

During the last decade, the Philippine economy has from time to time experienced volatility in the value of the Peso and limited availability of foreign exchange. In July 1997, the BSP announced that it would allow market forces to determine the value of the Peso. Since 30 June 1997, the Peso experienced periods of significant depreciation and declined from approximately ₱29.00 = US$1.00 in July 1997 to a low of ₱49.90 = US$1.00 for the month ended (period average) December 2000. In recent years, the Peso has generally appreciated and the exchange rate (period average) was ₱42.47 in 2013, ₱44.40 in 2014 and ₱45.54 in 2015.

The revenues of the Group are predominantly denominated in Pesos, while certain expenses, including fixed debt obligations, are denominated in currencies other than Pesos. Certain of the Group's borrowings are denominated in US dollars and accordingly the Group is exposed to fluctuations in the Peso to US dollar and other foreign currency exchange rates. A depreciation of the Peso against the US dollar and other foreign currencies will increase the amount of Peso revenue required to service foreign currency denominated debt obligations.

There can be no assurance that the Peso will not depreciate further against other currencies and that such depreciation will not have an adverse effect on the Philippine economy and on the Group's businesses.

In addition, changes in currency exchange rates may result in significantly higher domestic interest rates, liquidity shortages and capital or exchange controls. This could result in a reduction of economic activity, economic recession, sovereign or corporate loan defaults, lower deposits and increased cost of funds. The foregoing consequences, if they occur, would have a material adverse effect on the Group's financial condition, liquidity and results of operations.

As a policy, the Group does not engage in foreign currency speculation. Furthermore, the Group minimizes foreign exchange exposure and fully hedges its foreign currency liabilities.

**Corporate governance and disclosure standards in the Philippines may differ from those in more developed countries.**

While a principal objective of the Philippine securities laws, SEC regulations and PSE disclosure rules is to promote full and fair disclosure of material corporate information, there may be less publicly available information about Philippine public companies, such as the Issuer, than is regularly made available by public companies in the United States and other countries. The Philippines securities market is generally subject to less strict regulatory oversight than securities markets in more developed countries. Improper trading activities could affect the value of securities and concerns about inadequate investor protection may limit participation by foreign investors in the Philippine securities market. Furthermore, although the Issuer complies with the requirements of the SEC and PSE with respect to corporate governance standards, these standards may differ from those applicable in other jurisdictions. On November 22, 2016, the SEC issued SEC Memorandum Circular No. 19 on the Code of Corporate Governance for Publicly-Listed Companies raising the number of required independent directors from at least two to at least three independent directors, or such number as to constitute at least one-third of the members of the Board, whichever is higher. The Company currently has three independent directors. Many other jurisdictions require significantly more independent directors.

As a policy, the Group adheres to international standards of corporate governance and disclosure. The Group has received numerous awards for good corporate governance from international publications.

## Risks Relating to the Securities

**The priority of debt evidenced by a public instrument.**

Under Philippine law, in the event of liquidation of a company, unsecured debt of the company (including guarantees of debt) which is evidenced by a public instrument as provided in Article 2244 of the Civil Code of the

Philippines will rank ahead of unsecured debt of the company which is not so evidenced. Under Philippine law, a debt becomes evidenced by a public instrument when it has been acknowledged before a notary or any person authorized to administer oaths in the Philippines. Although the position is not clear under Philippine law, it is possible that a jurat (which is a statement of the circumstances in which an affidavit was made) may be sufficient to constitute a debt evidenced by a public instrument. The Issuer will undertake in the Terms and Conditions of the Series B Bonds and the Trust Indenture Agreement to use its best endeavors not to incur such debt. Any such debt evidenced by a public instrument may, by mandatory provision of law, rank ahead of the Bonds in the event of the liquidation of the Issuer.

As a policy, the Company's borrowings are clean and are not collateralized by its assets, except for debts that are required by law to be secured.

**An active trading market for the Securities may not develop.**

The Securities are a new issue of securities for which there is currently no trading market. Even if the Securities are listed on the PDEx, trading in securities such as the Fixed-Rate Bonds and Commercial Papers may be subject to extreme volatility at times, in response to fluctuating interest rates, developments in local and international capital markets and the overall market for debt securities among other factors. Although the Securities are intended to be listed on PDEx as soon as reasonably practicable, no assurance can be given that an active trading market for the Securities will develop and, if such a market were to develop the Issue Manager and Lead Underwriter is under no obligations to maintain such a market. The liquidity and the market prices for the Securities can be expected to vary with changes in market and economic conditions, the financial position and prospects of the Company and other factors that generally influence the market prices of securities.

The Company has no control over this risk as active trading of the Securities is highly dependent on the bondholders. The Group actively cooperates in efforts aimed at improving the capital markets in the Philippines.

**The Issuer may be unable to redeem the Securities.**

The Group has a very strong business franchise in the Philippines. It has a strong recurring cash flow and maintains a low debt-equity ratio and a high level of liquidity in its balance sheet. The Group believes that it has sufficient resources which will allow it to service the principal and interest of the Bonds.

At maturity, the Issuer will be required to redeem all of the Securities. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Securities in time, or on acceptable terms, or at all. The ability to redeem the Securities may be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Securities by the Issuer would constitute an event of default under the Securities, which may also constitute a default under the terms of the other long-term debts of the Group discussed under Note 15 and16 of the Audited Consolidated Financial Statements for the year ended December 31, 2015.

As discussed under the "Description of the Offer – Events and Consequences of Default" of the Offer Supplement, the Trustee shall, by notice in writing delivered to the Issuer, or upon the written direction of the Majority Bondholders whose written instructions,/consents/letters shall be authenticated and summarized by the Registrar to the Trustee and by notice in writing delivered to the Issuer, or (ii) the Majority Bondholders may, by notice in writing delivered to the Issuer and the Trustee, declare the principal of the Series B Bonds, including all accrued interest and other charges thereon, if any, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable, without presentment, demand, protest, or further notice of all kinds, all of which are hereby expressly waived by the Issuer.

## USE OF PROCEEDS

The net proceeds from the issue of the Series B Bonds, without the Oversubscription Option (after deduction of commissions and expenses) is approximately ₱7.92 billion and is presently intended to be used by the Issuer to fund capital expenditures requirements in relation to its investment properties. Assuming the Oversubscription Option of up to ₱4,000,000,000.00 is fully exercised, the Company expects total net proceeds of approximately ₱11.88 billion after fees, commissions and expenses.

Net proceeds from the Offering are estimated to be at least as follows:

| | | |
|---|---|---|
| **For a ₱8.0 billion Issue Size** | | |
| | | **Total** |
| Estimated proceeds from the sale of Bonds | | ₱8,000,000,000.00 |
| Less: Estimated expenses | | |
| Documentary Stamp Tax | 40,000,000.00 | |
| SEC Registration | | |
| SEC Registration Fee and Legal Research | 3,257,250.00 | |
| SEC Publication Fee | 100,000.00 | |
| Underwriting and Other Professional Fees | | |
| Underwriting and Legal Fee | 32,303,158.00 | |
| Rating Fee | 2,080,000.00 | |
| Listing Application Fee | 112,000.00 | |
| Listing Maintenance Fee | 168,000.00 | |
| Printing Cost | 450,000.00 | |
| Trustee Fees | 130,000.00 | |
| Paying Agency and Registry Fees | 960,000.00 | |
| Miscellaneous fees | 500,000.00 | 80,060,408.00 |
| Estimated net proceeds for ₱8.0 billion Issue | | ₱ 7,919,939,592.00 |
| **For the ₱4.0 billion OverSubscription Option** | | |
| | | Total |
| Estimated proceeds from the sale of Bonds | | ₱4,000,000,000.00 |
| Less: Estimated expenses | | |
| Documentary Stamp Tax | 20,000,000.00 | |
| Underwriting Fees | 15,031,579.00 | 35,031,579.00 |
| Estimated net proceeds for ₱4.0 billion Oversubscription Option | | ₱ 3,964,968,421.00 |

Total Net Proceeds (inclusive of Oversubscription Option of ₱4.0 billion) --- ₱ 11,884,908,013.00

Aside from the foregoing one-time costs, the Company expects the following annual expenses related to the Series B Bonds:

1. The Issuer will be charged the first year Annual Maintenance Fee in advance upon the approval of the Listing;
2. The Issuer will pay a yearly retainer fee to the Trustee amounting to ₱[●] per annum; and
3. After the Issue Date, a Paying Agency fee amounting to ₱[●] is payable every interest payment date. The Registrar will charge a monthly maintenance fee based on the face value of the Series B Bonds and the number of Bondholders.

The net proceeds of the Issue of approximately ₱7,919,939,592.00, assuming an Issue Size of ₱8.0 billion, shall be used primarily to finance capital expenditures requirements of the Company in relation to its investment properties as set out below.

| | **Amount and Schedule of Disbursement** | | | |
|---|---|---|---|---|
| *(Amounts in billion ₱)* | **2017** | **2018** | **2019** | **Total** |
| **Iloilo Business Park** | 0.53 | 0.23 | - | 0.76 |
| **McKinley Hill** | 0.52 | - | - | 0.52 |
| **McKinley West** | 0.98 | 0.29 | 0.08 | 1.35 |
| **Uptown Bonifacio** | 3.09 | 2.32 | 0.76 | 6.17 |
| **Total** | **5.12** | **2.84** | **0.84** | **8.80** |

If the ₱4.0 billion Oversubscription Option is exercised, the additional net proceeds of ₱3,965.0 million from the Oversubscription Option shall be used to finance the following development projects of the Company.

| | **Amount and Schedule of Disbursement** | | | |
|---|---|---|---|---|
| *(Amounts in billion ₱)* | **2017** | **2018** | **2019** | **Total** |
| **Iloilo Business Park** | 0.40 | - | - | 0.40 |
| **McKinley Hill** | 0.97 | 0.47 | 0.17 | 1.61 |
| **McKinley West** | 0.71 | 0.34 | - | 1.05 |
| **Uptown Bonifacio** | 0.56 | 0.31 | 0.16 | 1.03 |
| **Total** | **2.64** | **1.12** | **0.33** | **4.08** |

The net proceeds of the Issue is expected to be disbursed within 3 years. Any shortfall in the net proceeds for the intended uses described above shall be funded by the Company from internal sources.

The Company undertakes that it will not use the net proceeds from the Issue for any purpose, other than as discussed above. However, the Company's plans may change, based on factors including changing macroeconomic and market conditions, or new information regarding the cost or feasibility of these plans. The Company's cost estimates may also change as these plans are developed further, and actual costs may be different from budgeted costs. For these reasons, timing and actual use of the net proceeds may vary from the foregoing discussion and the Company's management may find it necessary or advisable to reallocate the net proceeds within the categories described above, or to alter its plans, including modifying the projects described in the foregoing and/or pursuing different projects. In the event of any substantial deviation/adjustment in the planned uses of proceeds, the Company shall inform the SEC and the stockholders within 30 days prior to its utilization.

# DETERMINATION OF THE OFFER PRICE

The Bonds shall be issued at 100% of principal amount or face value.

# PLAN OF DISTRIBUTION

BDO Capital, pursuant to an Issue Management and Underwriting Agreement with the Company executed on [●] 2017 (the "Underwriting Agreement"), have agreed to act as the Issue Manager and Lead Underwriter for the Offer and as such, distribute and sell the Series B Bonds at the Offer Price, and have also committed to underwrite up to ₱8,000,000,000 on a firm basis, in either case subject to the satisfaction of certain conditions and in consideration for certain fees and expenses, with a ₱4,000,000,000 Oversubscription Option. In the event that the Oversubscription Option is not fully exercised, the unexercised portion shall be placed under shelf registration to be offered and issued over a period of three (3) years from the effective date of the registration statement of the Securities.

The Issue Manager and Lead Underwriter [and Participating Underwriters] have committed to underwrite the Offer on a firm basis up to the amount indicated below:

| Lead Underwriter | Amount |
|---|---|
| BDO Capital & Investment Corporation | ₱8,000,000,000.00 |

| Participating Underwriters | Amount |
|---|---|
| [●] | ₱[●] |
| [●] | ₱[●] |
| [●] | ₱[●] |
| [●] | ₱[●] |
| [●] | ₱[●] |

The Issue Manager and Lead Underwriter shall have exclusive right and priority to exercise the Oversubscription Option of up to ₱4,000,000,000. The unexercised portion of the Oversubscription Option shall be placed under shelf registration to be issued within the period prescribed by relevant regulations.

There is no arrangement for the Underwriters to return to the Issuer any unsold Series B Bonds. The Underwriting Agreement may be terminated in certain circumstances prior to payment of the net proceeds of the Series B Bonds being made to the Issuer. There is no arrangement as well giving the Underwriters the right to designate or nominate any member to the Board of the Issuer.

The Issuer will pay the Issue Manager and Lead Underwriter a fee of 0.35% on the final aggregate nominal principal amount of the Series B Bonds issued, which is inclusive of the fee to be ceded to Participating Underwriters. No fees will be given to Broker-Dealers selling the Series B Bonds.

The Underwriters are duly licensed by the SEC to engage in underwriting and distribution of securities to the public. The Underwriters may, from time to time, engage in transactions with and perform services in the ordinary course of business with Megaworld, or other members of the Megaworld Group.

BDO Capital is the wholly-owned investment banking subsidiary of BDO Unibank, Inc. BDO Capital is a full-service investment house primarily involved in securities underwriting and trading, loan syndication, financial advisory, private placement of debt and equity, project finance, and direct equity investment. Incorporated in December 1998, BDO Capital commenced operations in March 1999.

The Issue Manager and Lead Underwriter and the Participating Underwriters, have no direct relations with Megaworld in terms of ownership. The Underwriters have no right to designate or nominate any member of the Board of Megaworld.

## SALE AND DISTRIBUTION

The distribution and sale of the Series B Bonds shall be undertaken by the Underwriters who shall sell and distribute the Series B Bonds to third party buyers/investors. Nothing herein shall limit the rights of the Underwriters from purchasing the Series B Bonds for their own respective accounts.

There are no persons to whom the Series B Bonds are allocated or designated. The Series B Bonds shall be offered to the public at large and without preference.

The obligations of each of the Underwriters will be several, and not solidary, and nothing in the Underwriting Agreement shall be deemed to create a partnership or joint venture between and among any of the Underwriters. Unless otherwise expressly provided in the Underwriting Agreement, the failure by an Underwriter to carry out its obligations thereunder shall neither relieve the other Underwriters of their obligations under the same Underwriting Agreement, nor shall any Underwriter be responsible for the obligation of another Underwriter.

**OFFER PERIOD**

The Offer Period shall commence at 9:00 am of [●] 2017, and end at 12:00 pm of [●] 2017.

**APPLICATION TO PURCHASE**

Applicants may purchase the Series B Bonds during the Offer Period by submitting to the Underwriters properly completed Applications to Purchase, together with two signature cards, and the full payment of the purchase price of the Series B Bonds in the manner provided in the said Application to Purchase.

Corporate and institutional applicants must also submit, in addition to the foregoing, a copy of their SEC Certificate of Registration, Articles of Incorporation, By-Laws, and the appropriate authorization by their respective boards of directors and/or committees or bodies authorizing the purchase of the Series B Bonds and designating the authorized signatory(ies) thereof.

Individual applicants must also submit, in addition to accomplished Applications to Purchase and its required attachments, a photocopy of any one of the following valid identification cards (ID), subject to verification with the original ID: passport, driver’s license, postal ID, company ID, SSS/GSIS ID and/or Senior Citizen’s ID.

A corporate and institutional investor who is exempt from or is not subject to withholding tax shall be required to submit the following requirements to the Registrar, subject to acceptance by the Issuer as being sufficient in form and substance: (i) certified true copy of the tax exemption certificate, ruling or opinion issued by the Bureau of Internal Revenue; (ii) a duly notarized undertaking, in the prescribed form, declaring and warranting its tax exempt status, undertaking to immediately notify the Issuer of any suspension or revocation of the duly-accepted tax exemption certificates and agreeing to indemnify and hold the Issuer free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding of the required tax; and (iii) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities; provided that, all sums payable by the Issuer to tax exempt entities shall be paid in full without deductions for taxes, duties, assessments or government charges subject to the submission by the Bondholder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar.

Completed Applications to Purchase and corresponding payments must reach the Underwriters prior to the end of the Offer Period, or such earlier date as may be specified by the Underwriters. Acceptance by the Underwriters of the completed Application to Purchase shall be subject to the availability of the Series B Bonds and the acceptance by the Issuer. In the event that any check payment is returned by the drawee bank for any reason whatsoever or the nominated bank account to be debited is invalid, the Application to Purchase shall be automatically canceled and any prior acceptance of the Application to Purchase shall be deemed revoked.

**MINIMUM PURCHASE**

A minimum purchase of Fifty Thousand Pesos (₱50,000.00) of the Series B Bonds shall be considered for acceptance. Purchases of the Series B Bonds in excess of the minimum shall be in multiples of Ten Thousand Pesos (₱10,000.00) for each series.

## ALLOTMENT OF THE SERIES B BONDS

If the Series B Bonds are insufficient to satisfy all Applications to Purchase, the available Series B Bonds shall be allotted in accordance with the chronological order of submission of properly completed and appropriately accomplished Applications to Purchase on a first-come, first-served basis, without prejudice and subject to the Issuer's exercise of its right of rejection.

## ACCEPTANCE OF APPLICATIONS

The Issuer and the Issue Manager and Lead Underwriter reserve the right to accept or reject Applications to Purchase the Series B Bonds, and in case of oversubscription, allocate the Series B Bonds available to the applicants in a manner they deem appropriate.

## REFUNDS

If any application is rejected or accepted in part only, the application money or the appropriate portion thereof shall be returned without interest to such applicant through the relevant Underwriter with whom such application to purchase the Series B Bonds was made.

## PAYMENTS

The Paying Agent shall open and maintain a Payment Account, which shall be operated solely and exclusively by the said Paying Agent in accordance with the Paying Agency and Registry Agreement, provided that beneficial ownership of the Payment Account shall always remain with the Bondholders. The Payment Account shall be used exclusively for the payment of the relevant interest and principal on each Payment Date.

The Paying Agent shall maintain the Payment Account for six (6) months from Maturity Date or date of early redemption. Upon closure of the Payment Account, any balance remaining in such Payment Account shall be returned to the Issuer and shall be held by the Issuer in trust and for the irrevocable benefit of the Bondholders with unclaimed interest and principal payments.

## PURCHASE AND CANCELLATION

The Issuer may purchase the Series B Bonds at any time in the open market or by tender or by contract at market price without any obligation to make pro-rata purchases from all Bondholders. Series B Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

Upon listing of the Series B Bonds on PDEx, the Issuer shall disclose any such transactions in accordance with the applicable PDEx disclosure rules.

## SECONDARY MARKET

The Issuer intends to list the Series B Bonds in the PDEx. The Issuer may purchase the Series B Bonds at any time without any obligation to make pro-rata purchases of Series B Bonds from all Bondholders.

## REGISTRY OF BONDHOLDERS

The Series B Bonds shall be issued in scripless form. A Master Certificate of Indebtedness representing the Series B Bonds sold in the Offer shall be issued to and registered in the name of the Trustee, on behalf of the Bondholders.

Legal title to the Series B Bonds shall be shown in the Register of Bondholders to be maintained by the Registrar. Initial placement of the Series B Bonds and subsequent transfers of interests in the Series B Bonds shall be subject to applicable prevailing Philippine selling restrictions. The names and addresses of the Bondholders and the particulars of the Series B Bonds held by them and of all transfers of Series B Bonds shall be entered into the Register of Bondholders. Transfers of ownership shall be effected through book-entry transfers in the scripless

Register of Bondholders.

# DESCRIPTION OF THE SECURITIES

The detailed terms and conditions of a particular tranche of the Securities shall be set out in the relevant Offer Supplement under "Description of the Offer". However, any such discussion under "Description of the Offer" does not purport to be a complete listing of all the rights, obligations, or privileges of the Securities. Some rights, obligations, or privileges may be further limited or restricted by other documents. Prospective investors are enjoined to carefully review the Articles of Incorporation, By-Laws and resolutions of the Board of Directors of Megaworld, the information contained in this Prospectus, the relevant Offer Supplement and other agreements relevant to the offer of a particular tranche of the Securities and to perform their own independent investigation and analysis of the Issuer and the Securities. Prospective investors must make their own appraisal of the Company and the offer, and must make their own independent verification of the information contained herein and the other aforementioned documents and any other investigation they may deem appropriate for the purpose of determining whether to participate in the offer of the Securities. They must not rely solely on any statement or on the significance, adequacy or accuracy of any information contained herein. The information and data contained herein are not a substitute for the prospective investor's independent evaluation and analysis. Prospective investors are likewise encouraged to consult their legal counsels and accountants in order to be better advised of the circumstances surrounding the Securities being offered.

# INTERESTS OF LEGAL COUNSEL AND INDEPENDENT AUDITORS

## Legal Matters

All legal opinion/matters in connection with the issuance of the Series B Bonds which are subject of this Offer shall be passed upon by Angara Abello Concepcion Regala & Cruz ("ACCRA Law"), for the Issue Manager and Lead Underwriter, and Picazo Buyco Tan Fider & Santos Law Officers for the Company. ACCRA Law has no direct and indirect interest in Megaworld. ACCRA Law may, from time to time, be engaged by Megaworld to advise in its transactions and perform legal services on the same basis that ACCRA Law provides such services to its other clients.

## Independent Auditors

The audited consolidated financial statements of Megaworld as at 31 December 2013, 2014 and 2015 and for the years ended 31 December 2013, 2014 and 2015 have been audited by Punongbayan & Araullo, in accordance with Philippine Standards on Auditing as set forth in their report thereon appearing elsewhere in this Prospectus. The unaudited interim condensed consolidated financial statements as at 30 September 2016 and for the nine-month periods ended 30 September 2015 and 2016 have been reviewed by Punongbayan & Araullo in accordance with Philippine Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. The current Partner in charge of the examination of the Company's financial statements is Renan A. Piamonte. A review is substantially less in scope than an audit conducted in accordance with the Philippine Standards on Auditing. Consequently, it does not enable the independent auditors to obtain assurance that they would become aware of all significant matters that might be identified in an audit. Accordingly, they do not express an audit opinion on the unaudited interim condensed financial statements.

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

Audit fees for each of the last two fiscal years for professional services rendered by the external auditor to the Company were ₱14.15 million and ₱13.08 million for 2015 and 2014, respectively. Services rendered include the audit of the Company and its subsidiaries' annual financial statements and services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements. There were no other professional services rendered by Punongbayan & Araullo during the period.

There is no arrangement that experts shall receive a direct or indirect interest in Megaworld or was a promoter, underwriter, voting trustee, director, officer, or employee of Megaworld.

### CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS

Megaworld has not had any changes in or disagreements with its independent accountants/ auditors on any matter relating to financial or accounting disclosures, or auditing scope or procedure, which, if not resolved to their satisfaction , would have caused the auditors to make reference thereto in their reports on the financial statements of the Company and its subsidiaries.

# CAPITALIZATION AND INDEBTEDNESS

As at 30 September 2016, the authorized capital stock of the Issuer was ₱40.20 billion divided into 40.14 billion common shares with a par value of P1 per share and 6 billion voting, cumulative, non-participating, non-convertible and non-redeemable preferred shares with a par value of ₱0.01 per share, and its issued capital stock was ₱32.43 billion consisting of 32.37 billion common shares of ₱1 par value each and 6 billion preferred shares of ₱0.01 par value each.

The following table sets forth the consolidated capitalization and indebtedness of the Company as at 30 September 2016 and as adjusted to give effect to the issue of the Series B Bonds (assuming the Oversubscription Option is not exercised). This table should be read in conjunction with the Issuer's unaudited condensed consolidated interim financial statements as at and for the nine months ended 30 September 2016 and notes thereto, included in this Prospectus.

| | **As at 30 September 2016** | |
|---|---|---|
| | **Actual** (Unaudited) | **Adjusted** |
| *(in ₱ millions)* | | |
| Cash and cash equivalents | 13,410 | 25,410 |
| Interest-bearing loans and borrowings- current portion | 6,098 | 6,098 |
| **Long-term debt** | | |
| Interest-bearing loans and borrowings | 28,079 | 28,079 |
| Bonds payable | 21,528 | 21,528 |
| Proceeds from the Offer | - | 8,000 |
| Total long-term debt | 49,607 | 57,607 |
| **Equity** | | |
| Capital Stock | 32,431 | 32,431 |
| Additional paid-in capital | 16,658 | 16,658 |
| Treasury Shares | (634) | (634) |
| Net actuarial loss on retirement benefit plan | (29) | (29) |
| Net unrealized gain(loss) on available-for-sale financial assets | (2,808) | (2,808) |
| Share in other comprehensive income of associates | 39 | 39 |
| Accumulated translation adjustment | (400) | (400) |
| Retained earnings | | |
| Appropriated | - | - |
| Unappropriated | 78,176 | 78,176 |
| Minority Interest | 17,962 | 17,962 |
| Total Equity | 141,395 | 141,395 |
| Total capitalization | 191,002 | 199,002 |

Notes:

# DESCRIPTION OF THE ISSUER

## Overview

The Company is one of the leading property developers in the Philippines and is primarily engaged in the development of large-scale, mixed-use, master planned townships that integrate residential, commercial, and office developments. Townships typically also have educational, medical, and other civic facilities that support the respective market of each development.

The Company's real estate portfolio includes residential condominium units, subdivision lots and townhouses, as well as office projects and retail space. The Company has three primary business segments: (1) real estate sales of residential developments, (2) leasing of office space, primarily to BPO enterprises, and retail space, and (3) management of hotel operations. The table below sets out each business segments' contribution to Megaworld's consolidated revenue for the years ended 31 December 2013, 2014, and 2015 and the nine months ended 30 September 2015 and 2016.

| | **For the years ended 31 December** Audited | | | **For the nine months ended 30 September** Unaudited | |
|---|---|---|---|---|---|
| (*in ₱ million*) | **2013** | **2014** | **2015** | **2015** | **2016** |
| Real Estate Sales | 21,251 | 24,607 | 27,262 | 20,490 | 20,711 |
| Leasing Operations | 6,038 | 7,071 | 8,730 | 6,445 | 7,413 |
| Management of Hotel Operations | 451 | 723 | 796 | 529 | 879 |
| Combined Total | 27,740 | 32,401 | 36,788 | 27,464 | 29,003 |

The Company's consolidated revenues for the year ended December 31, 2015 were ₱45.00 billion compared to ₱53.13 billion for the year ended December 31, 2014. Real estate sales of residential developments accounted for 61% of the Company's consolidated revenues in 2015 and 46% in 2014. Rental income from leasing operations accounted for approximately 19% of the Company's consolidated revenues in 2015 and 13% in 2014. The Company's consolidated net profit for the year ended December 31, 2015 was ₱10.57 billion compared to ₱21.55 billion for the year ended December 31, 2014. For the nine months ended 30 September 2016, the Company's unaudited consolidated revenues was P35.26 billion and consolidated net profit was P9.27 billion.

As at 30 September 2016, Megaworld's consolidated total assets stood at P266.47 billion, consolidated total liabilities were at P125.08 billion, with net debt-to-equity ratio (being the ratio of aggregate consolidated interest-bearing indebtedness net of cash and cash equivalent and investment held for trading over equity) of 29.91%.

Foreign sales contributed approximately 18%, 18% and 17.5% to the Company's consolidated sales and revenues for the years 2015, 2014 and 2013 and 15% for the nine months ended 30 September 2016. The percentage of sales broken down by major markets is as follows:

| Market | As of 30 September 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|
| North America | 40% | 26% | 33% | 32% |
| Europe | 37% | 40% | 46% | 35% |
| Asia | 12% | 19% | 11% | 18% |
| Middle East | 11% | 15% | 10% | 15% |

| | | | | |
|---|---|---|---|---|
| Total | 100% | 100% | 100% | 100% |

## Current Property Development Projects

The Company's current property development projects consist of townships located throughout the country including areas such as Metro Manila, Cebu, Iloilo, and Davao. The objective of each of the township is to provide an integrated community with high quality live-work-play amenities within close proximity to each other. Each of the Company's 22 townships is described below.

## Eastwood City

Eastwood City is the first township to showcase Megaworld's signature Live-Work-Play-Learn lifestyle concept. The first of its kind when launched in 1999, it now has become the company's proof of concept and model for townships thereafter, Eastwood City's 18.50-hectare prime 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 the infrastructure such as high-speed telecommunications and 24-hour uninterrupted power supply to support BPO and other technology-driven businesses, and to provide education/training, restaurants, leisure and retail facilities and residences to complement Eastwood City Cyberpark. It is home to more than 25,000 residents and 55,000 workers. It hosts the four-level Eastwood Mall – a shopping and dining destination hailed several times as the "Best Shopping Center" by the Philippine Retailers Association. Eastwood City has three malls and around 500 commercial and retail shops.

## Forbes Town Center

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 Center 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 Forbes Town Center 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. These commercial centers along with each of the condominiums' convenient location and top- notch resort-style amenities form a lifestyle of absolute leisure.

## McKinley Hill

McKinley Hill is a community township located on approximately 50 hectares of land in Fort Bonifacio, Taguig, 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 be comprised 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, which are expected to complement the office and residential areas in the community township. Three international schools, the Chinese International School, the Korean International School and Enderun College, a hotel management institution affiliated with *Les Roches* of Switzerland, initially comprise the "learn" component of the township. McKinley Hill is likewise home to the British Embassy which relocated on a 1.2 hectare property within the development and the Korean Embassy which is located in a 5,822 square meter site within the project.

## Newport City

Newport City is a community township located on 25 hectares of land at the Villamor Air Base, Pasay City, Metro

Manila, across from the NAIA Terminal 3 and adjacent to the Villamor golf course. It will be targeted towards tenants and buyers who consider proximity to the NAIA Terminal 3 an advantage. The residential zone consists of eight to nine-storey medium-rise buildings. The corporate zone comprised of office buildings. The Company expects to establish a PEZA special economic zone cyberpark at Newport City. The leisure and entertainment zone consist of bars, restaurants, retail and tourist oriented shops, which are designed to complement the office and residential buildings in the community township. Newport City is home to Resorts World Manila, which is a leisure and entertainment complex comprising gaming facilities, restaurants, hotels and shopping outlets. The hotel zone comprises the Marriott Hotel, Maxims Hotel, Remington Hotel, Belmont Luxury Hotel and Savoy Hotel.

### McKinley West

The Company is developing McKinley West, an "ultra high-end" township 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 into a mixed-use project is another joint venture undertaking with BCDA. McKinley West will have rows of luxury residential estates with some properties having their own swimming pools, state-of-the-art security features and first-of-its-kind luxury amenities designed by some of the world's leading European architects to have state-of-the-art security features and luxury 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 along Lawton Avenue which connects Fort Bonifacio to Pasay City and Makati City.

### The Mactan Newtown

Megaworld's first township venture outside Luzon, Mactan Newtown is a mixed-use development on a 30-hectare property near Shangri-La's Mactan Resort and Spa in Mactan, Cebu. This has its own beach and combines high-end office towers, luxury condominiums, leisure amenities, retail shops, a school, and upscale hotels. It will also have its own exclusive, world-class beach club at the township's beachfront, and sports facilities at the 11-hectare beachfront property formerly known as Portofino Beach. It is also near the Mactan-Cebu International Airport, making the township ideal for residence, business or leisure. The first phase of the project is expected, on completion, to comprise high-tech BPO offices, and retail centres, luxury condominiums, leisure facilities and beach resort frontage. The Mactan Newtown is approximately 10 minutes away from the Mactan-Cebu International Airport, the Philippines' second largest airport. Soon to rise are 5 hotels, two of which are at the beachfronts. Megaworld is also building its own exclusive, world-class beach club and sports facilities at the 11-hectare beachfront property.

### Uptown Bonifacio

The Company is developing Uptown Bonifacio, an approximately 15.4-hectare property in Fort Bonifacio in Taguig, 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 to 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. First class health care and education will never be far with St. Luke's Medical Center and the institutional zone mere footsteps away. Within the township is a complete community of its own. Live luxuriously in the residences of Uptown Bonifacio; work in the top grade office sites; and play at its very own high-end commercial center, Uptown Place Mall The township is easily accessible via Kalayaan Avenue, C-5 Road and EDSA.

### Boracay Newcoast

Boracay Newcoast is a 150-hectare mixed-use leisure and resort development. It is 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 here 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, all the more making it the most anticipated destination in Boracay.

### Twin Lakes

Twin Lakes is a 1,200-hectare mixed-use leisure and resort community that raises the bar of living in Tagaytay. Within the tourism estate, you'll get the best of Europe at the first residential cluster called The Vineyard Residences, which composed of three-mid-rise condominium towers named after famous grape varieties: Shiraz, Merlot, and Chardonnay. Twin Lakes also has a unique mixed-use community development called The Vineyard, which spans 177-hectare of natural landscape that offers the perfect view of the famous Taal Volcano, along with a view of 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 a very own chateau. The township will also have commercial and retail hubs (The Village and Lakeshore Town Center), a university park, as well a nature park. Other developments in Twin Lakes include retirement community, wellness center, hotel, chateau, and among others. With all these, one can enjoy both the natural and man-made wonders at Twin Lakes.

### Iloilo Business Park

Iloilo Business Park is a mixed-planned community in a 72-hectare property in Mandurriao, Iloilo. When completed, it will be a mixed-use business, tourism, commercial and residential hub with a residential community, BPO office buildings, hotels, a convention center, retail centers and a lifestyle center, all at the heart of Iloilo, a new growth center in the Visayas. The entire Iloilo Business Park development was registered as a special economic zone with the Government, which allows it to benefit from a tax holiday period as well as other incentives for investors. It also features The Street of Festive Walk, a 1.1-kilometer retail strip inspired by outlet shops in America and envisioned to be the longest shop-and-dine street outside of Metro Manila. Iloilo Business Park has launched three residential condominium developments to date – One Madison Place Luxury Residence, Lafayette Park Square and The Palladium, the tallest building in the region at 22 storeys high. With Iloilo Business Park, Megaworld aims to transform Western Visayas into the next central district in the region.

### Suntrust Ecotown

Sitting on a 350-hectare land in Tanza, Cavite, the Suntrust Ecotown 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, the 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.

### Davao Park District

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

### Southwoods City

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 maintains its suburban feel while being conveniently accessible via the South Luzon Expressway. Within Southwoods City is Pahara, a 26-hectare residential village consisting of over 600 lots, each having a spectacular view of the golf course and the Laguna de Bay. Pahara, which is a Bengali term for hills, was named as such 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.

## Alabang West

Alabang west, 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 worldclass amenities, all in a posh neighborhood. 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 center, and an infinity pool.

## Arcovia City

Envisioned as an environment-friendly community, the 12.4-hectare ArcoVia City is located along the C-5 Road in Pasig City. A main "green" feature of the township is the approximately 1,000 trees that will be planted around the development. This greening feature will help provide an outdoor thermal comfort for the future residents, workers, tenants and visitors of the township. Sustainable buildings registered under Leadership in Energy and Environmental Design (LEED) are the standard of office developments in this township, with the first two to rise designed by world-renowned architectural firm Skidmore, Owings & Merrill. Other green features of ArcoVia City are 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.

## The Upper East

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 centers, BPO office towers, tourism and leisure facilities as well as recreational parks and open spaces are integrated to create an exciting LIVE-WORK-PLAY township, which Megaworld pioneered in the Philippines.

## Northill Gateway

Northill Gateway will rise in the northern part of Bacolod, where the famous Sugar Road was built. Sitting on a 53-hectare property along the new Circumferential Road on the boundaries of Talisay City and Bacolod City, it has direct access to the new Bacolod-Silay Airport. It will rise in an area that has a direct link to The Upper East via the Circumferential Road. Northill Gateway is envisioned to be a refreshing lifestyle district that will house upscale residential villages, mixed-use office and retail developments, leisure and recreational amenities as well as institutional facilities. Megaworld is constructing a 'commercial town center' on the Bacolod side of the rising Northill Gateway township occupying around 7.5 hectares, the Northill Town Center 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 center, which will be accessible along the Bacolod-Silay Airport Access Road, will also have a central plaza, an events venue, 'pasalubong' centers featuring local Negrense delicacies, a supermarket, and wellness and sports facilities.

## Sta. Barbara Heights

Sta. Barbara Heights is a 170-hectare mixed-use development has 34 hectares allocated for residential lots, which offer a backdrop of a nearby natural lake and rolling hills in Sta. Barbara Ilo-ilo. The township is adjacent to the historic Santa Barbara Church and Convent and the Iloilo Golf Course and Country Club – the oldest 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 entire 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, known to be Asia's oldest golf course.

## The Capital Town Pampanga

This 35.6-hectare prime property beside the provincial capitol of the City of San Fernando, Pampanga is the fourth township launched by Megaworld in 2015. It is just 70 kilometers away from Metro Manila and accessible via the North Luzon Expressway and the Jose Abad Santos Avenue, also known as the Olongapo-Gapan Road. It is also around 20 kilometers away from Clark International Airport and will have residential, office, commercial, and institutional components integrated within its walls. The township's prime location is strategic to tapping the large pool of skilled BPO talents in Pampanga.

## Westside City

Westside City will be the second site of Resorts World Manila in the Philippines. The 31-hectare leisure and entertainment township at the booming Entertainment City in Parañaque will also have international hotels, a luxury mall, and residential condominiums. The launch of Westside City marked Megaworld's 20th integrated urban township, the most in the country. The township will also be home to Megaworld's 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. Part of the company's vision for Westside City is to become the "Broadway of Asia" as the township highlights facilities for the performing arts. It will be home to the Philippines' first Grand Opera House that has a total capacity of 3,000.

## Maple Grove

Megaworld 21st township, called Maple Grove, is a 140-hectare property in General Trias, Cavite. This vast property will be developed into another world-class mixed-use development, where relaxation and nature perfectly blend with the urban lifestyle. Just 45 minutes away from Makati and other Metro Manila CBDs via Coastal Road and Cavitex, Maple Grove is at the entry point of the booming industrial and residential center of the Cavite-Batangas corridor. The company 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.

## Eastland Heights

Megaworld is building an 'integrated lifestyle community' in Antipolo, Rizal. Through its subsidiary, Global-Estate Resorts, Inc. (GERI), the company is developing an expansive 640 hectares of land along Marcos Highway with some areas overlooking Metro Manila's panoramic skyline. The vast 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. The company 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.

## History

The Company was founded by Andrew Tan and incorporated under Philippine law on August 24, 1989 to engage in the development, leasing and marketing of real estate. The Company initially established a reputation for building high-end 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, the Company began to focus on the development of mixed-use communities, primarily for the middle-income market, by commencing the development of its Eastwood City community township. In addition, the Company engages in other property related activities such as project design, construction oversight and property management. In 1999, Eastwood City Cyberpark became the first IT park in the Philippines to be designated a PEZA special economic zone.

Since its incorporation in 1989, the Company and its affiliates have launched approximately 560 residential buildings, office buildings and hotels consisting in aggregate of more than 12 million square meters of floor area.

Megaworld was listed on the PSE on June 15, 1994 and as at January 11, 2017 had a market capitalization of P42,879,124,919 based on a price of P3.95 per common share on such date.

## Business

The Company derives a substantial portion of its revenues from real estate development and leasing operations. For the nine-months ended September 30, 2016, the development and leasing operations accounted for approximately 79.75% of the Company's total consolidated revenues of P35.26 billion.

The amounts spent on development activities and its percentage to total revenues during each of the last three years and the nine-months ended September 30, 2016 is presented below.

| Amounts in ₱ millions | As of 30 September 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|
| Capital expenditure | 32,256 | 54,513 | 39,781 | 32,052 |
| Revenues | 35,264 | 44,996 | 53,131 | 36,242 |
| % to revenues | 91% | 121% | 75% | 88% |

### Real Estate Development

The Company's real estate development operation derives revenues from the sale of residential condominium units, subdivision lots and townhouses. For the first nine months of 2016, real estate development contributed 72% of consolidated revenues or ₱25.30 billion.

The residential business of the Company is driven mostly by the Megaworld brand. Its major subsidiaries, Global-Estate Resorts Incorporated, Empire East Land Holdings Incorporated, and Suntrust Properties Incorporated also contribute significantly to the whole portfolio of the Company's real estate developments. Having these major brands allows the Company to cover all segments of the market both in terms of price and location.

The Company is mostly involved in sales of high-rise condominium developments, but also in residential land lots in more recently because of its acquisition of Global Estate Resorts Incorporated in 2014. Most of its existing residential developments are located in its mature townships such as Eastwood City, Forbes Town Center, Newport City, and McKinley Hill. Most of its on-going developments are in townships that are less developed such as Uptown Bonifacio, Southwoods City, Alabang West, and such. The Company also has several stand-alone developments in areas such as Makati, Manila, and Quezon City in order to take advantage of the niche markets in such areas.

**Leasing**

This segment of the Company's business operations consists of leasing of office space and retail space. For the first nine months ended September 30, 2016, Megaworld's leasing operations accounted for 21% of the Company's consolidated revenues, or ₱7.41 billion.

The Company's office leasing business relies heavily on the BPO industry, which is identified as one if the key drivers of the Philippine economy. The Company's office developments are located accross the three main regions of the country namely Luzon, Visayas, and Mindanao. Its office portfolio is mostly in Metro Manila, particularly in Eastwood City and McKinley Hill where major BPO players are present and anchored. The next wave of the Company's office build out will be Uptown Bonifacio and McKinley West, both in Taguig City, which is the choice location of traditional and BPO companies alike. The Company also has office developments in Cebu, Iloilo, and Davao, major cities in the Visayas and Mindanao regions where BPO companies have been expanding in more recent times.

The Company's retail leasing business is focused on lifestyle malls that cater to the respective captive markets of each of its townships. Its retail developments are very diversified in term of location, being present even in townships that are in early stages of completion. Such developments are utilized by the Company to promote new townships. More mature townships such as Eastwood City, Forbes Town Center, Newport City, and McKinley Hill have full fledged malls that cater to already established markets. Most of the Company's retail tenants are food and beverage concepts as these benefit heavily from the residential and office components of townships

**Construction Activities**

The Company has its own architectural and engineering teams comprised of approximately 500 personnel and also engages independent groups to carry out the design of its high profile development projects. The Company has a team of project managers who work closely with outside contractors in supervising the construction phase of each project. The Company also has established relationships with a number of architectural firms in the Philippines, such as Recio+Casas Architects and W.V. Coscolluella & Associates, and internationally such as Skidmore, Owings & Merrill in New York and Klages, Carter, Vail in California. The Company's top contractors are EEI Corporation, Datem, Megawide Construction Corporation, A.M Oreta, and New Golden City Builders.

The Company's contracts with its construction companies typically contain warranties for quality and requirements for timely completion of the construction process. In the event of delay or poor quality of work, the relevant contractor or supplier may be required to pay a penalty. In the past, the Company has not had any material disputes with any of its contractors or suppliers. The Company's principal raw materials are steel and cement which are commodities that are readily available in the market from a number of sources. The Company uses a standard form fixed-price contract for both its general and specialty construction contractors. The contracts include a down payment from the contractor and is usually obtained in the form of a performance bond; progressive billing occurs on a monthly basis; and a 10% retention and warranty provision for workmanship is included and is typically covered by a guarantee bond.

**Pre-Sales and Customer Financing**

The Company conducts pre-sales of its property units prior to project completion and often, prior to construction. The Company's pre-selling process provides buyers with a variety of payment schemes, with down-payment plans ranging from 50% to no money down. 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. The Company collects post-dated checks to cover the entire purchase price based on an amortization schedule. The last amortization payment is usually a balloon payment ranging from 45% to 60% of the purchase price which is payable upon completion of the project. Six months prior to project completion, a buyer may choose to replace its post-dated checks with bank financing. Transfer of title to the property occurs only once all payments have been received. The payment structures are designed to appeal to middle-class buyers. Historically, the Company generally has been able to begin construction of its residential buildings within one year from the date pre-selling commenced, though there can be no assurance that this will be the case in the future.

The Company provides a limited amount of in-house financing to qualified buyers. The Company has established processes and procedures designed to screen buyers applying for in-house financing to ensure that they are employed and/or are financially capable of paying their monthly amortizations. Procedures include conducting background and credit checks on prospective buyers using national credit databases and, where feasible, conducting physical verification of a prospective buyer's claims regarding residence and properties owned.

**Marketing and Sales**

The Company maintains an in-house marketing and sales division for each of its projects. The marketing and sales division is staffed by a trained group of property consultants who exclusively market the Company's projects. All property consultants are trained prior to selling and the Company also provides skills enhancement program intended to further develop the sales and marketing staff into high-caliber marketing professionals. Property consultants are required to meet the criteria set by the Company. The Company also works with outside agents who compete directly with the Company's in-house personnel.

The Company also employs a marketing services staff whose job is to provide auxiliary services required by the marketing division for its sales and promotional activities. The group is 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.

In addition, the Company has an international marketing division based in Manila who oversees a global network of sales offices which market the projects of the Company and its affiliates to overseas Filipino professionals and retirees throughout Asia, Europe, North America, the Middle East and Australia. The Company enters into marketing agreements with various brokers based in the different overseas markets, which will then market the Company projects overseas through their respective marketing networks.

**Property Management and After-Sales Services**

The Company remains involved in the properties it develops and sells through its property management group, which provides property management and after-sales services. Services include building maintenance and interior design services. The property management group is a resource for the Company to obtain feedback from its purchasers and rental tenants in order to provide solutions to their property needs, maintain the property and develop long-term relationships with its tenants and purchasers. The property management group contributes to enhancing the Company's brand and reputation in the after-sales market.

**Tenants and Leases**

The Company typically sells all of its residential property developments and maintains ownership of its commercial developments, renting retail and office space to tenants. The Company primarily sells its residential properties directly to end-users and is not dependent on any single purchaser or group of purchasers. Where the Company is not able to sell 100% of its residential units, upon completion of the residential project, it rents these unsold units on a lease-to-own basis or pursuant to a lease with an option to buy.

The Company uses the services of international brokerage firms such as Jones Lang Lasalle, CB Richard Ellis and Colliers International to locate tenants such as IT companies and other multinational companies. The Company also coordinates with government agencies to participate in activities such as trade missions to increase referrals to companies seeking to outsource business to the Philippines. The Company also maintains relationships with its existing tenants and their affiliated companies who may consult the Company when considering expansion options. The Company has an in-house leasing team to assist existing clients who are interested in expanding or relocating to another Megaworld site. The Company also maintains and continually seeks to improve its ongoing media communications campaigns to highlight the competitive advantages of its properties to prospective tenants.

The Company's leases are generally for terms of three to five years and typically require three months of security deposits and three months of advance rent. For land leases and office tenants, which require development of a specific building structure, the Company generally enters into long-term leases of 10 to 15 years.

The lease payments the Company receives from its retail tenants are based on a participation in the turnover of the tenants' businesses. Rents are typically based upon a turnover component of 3% to 5% of revenues, net of taxes and service charges in addition to a minimum rent charge. Kiosk retailers are charged a flat rent fee and theaters are co-owned with the Company. Megaworld's tenants are generally charged a monthly management fee assessed per square meter, which covers building maintenance expenses. Tenants are also required to pay their own utility charges. The Company regularly monitors the performance of the tenants in its retail properties. The Company may elect not to renew the leases of retail tenants whose performance is lagging in order to improve its rental income. The Company's lease agreements typically have no pre-termination options.

The percentage of revenues attributable to the Company's five largest office tenants combined for the years ended December 31, 2013, 2014 and 2015 were 20%, 19%, and 21%, respectively. The Company believes that it has a broad tenant base and is not dependent on a single tenant or group of tenants.

**Competition**

The Company 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. The Company believes it has several competitive advantages in each of these categories due to the prime locations of its properties, innovative projects and a good reputation for high quality designs, affordable pre-sales financing, after-sales service and a consistent track record of completion. Total Assets of the Company and its subsidiaries for the period ended December 31, 2015 is ₱251.68 billion while Net Profit for the same period is ₱10.57 billion.

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

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

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

With respect to high-end and middle income land and condominium sales, ALI claims to compete for buyers primarily on the basis of reputation, reliability, price, quality and location. With respect to its office rental properties, ALI claims to compete for tenants primarily based on the quality and location of the relevant building, reputation of the building's owner, quality of support services provided by the property manager, and rental and other charges. Total Assets of ALI and subsidiaries for the period ended December 31, 2015 is ₱442.34 billion while their Net Income for the same period is ₱20.89 billion[1].

RLC believes that its strength is in its mixed-use, retail, commercial and residential developments. For its commercial center business, RLC claims to compete on the basis of its flexibility in developing malls with different sizes. For its residential business, RLC claims to compete in terms of industry-specific technological know-how, capital, reputation and sales and distribution network. Total Assets of RLC and subsidiaries as of the period ended September 30, 2015 is ₱99.06 billion while their Net Income for the same period is ₱5.70 billion.[2]

SMPHI believes that it has certain significant competitive advantages which include the very good location of its malls, proven successful tenant mix and selection criteria and the presence of SM stores as anchor tenants. Total

[1] PSE disclosure dated February 29, 2016 of ALI
[2] 2016 Preliminary Information Statement of RLC.

Assets of SMPHI and subsidiaries as of the period ended December 31, 2015 is ₱433.82 billion while their Net Income for the same period is ₱28.89 billion.[3]

## Intellectual Property

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.

The Company owns the registered trademark over its name and logo which was renewed in March 2015 and valid until March 2025. However, although the brand is important, the Company does not believe that its operations or its subsidiaries' operations depend on its trademarks or any patent, license franchise, concession or royalty agreement. The Company has also applied to register trademarks over the names of its development projects and some approvals are pending.

## Insurance

The Company maintains business interruption insurance for its properties to cover damages from fires, floods, riots, strikes, malicious damage, typhoons, earthquakes and terrorism for each of the buildings that it owns and leases to tenants. The insurance is provided by reputable companies with customary deductibles and limits. The insurance policy periods are valid for one year terms and renewable annually. For projects being developed, contractors are required to maintain insurance for risks associated with construction work. For completed projects, the condominium association for each development obtains comprehensive general liability, personal accident and machinery breakdown insurance for the premises. It is not customary in the Philippines to maintain, and the Company does not maintain, title insurance with respect to its properties.

## Government Approvals and Permits

As a property developer, Megaworld recognizes the effect of the nature and extent of regulations on the results of its operations. Consequently, in conducting its businesses, Megaworld and each of its subsidiaries, has secured or seeks to secure all relevant and applicable government approvals at both the national and local levels.

Megaworld obtained or will promptly obtain all such necessary and desirable government permits, consents, and authorizations that may be required for the conduct and continuance of its business, except for any failure to possess any license, certificate, permit, or other authorization that would not be expected to have a material adverse effect on (a) the ability of Megaworld to perform or comply with any one or more of its obligations under the Series B Bonds or the Bond Agreements; or (b) the business, operations, assets, liabilities, or financial condition of Megaworld.

These permits and approvals include but are not limited to the environmental compliance certificates or certificates of non-coverage, development permits, and licenses to sell. In addition, the Company and its subsidiaries intend to continue to comply, in all material respects, with applicable regulations and law which govern its various businesses.

## Employees

As of December 31, 2016, the Company has 1,371 employees. The Company intends to hire additional employees if the present workforce becomes inadequate to handle the Company's operations.

The table below shows the breakdown of employees as of December 31, 2016:

| Type | Number |
|---|---|

[3] 2016 Preliminary Information Statement of SMPHI.

| | |
|---|---|
| Senior Management | 31 |
| Middle Management | 277 |
| Staff | 1,063 |
| **Total** | **1,371** |

The Company has no collective bargaining agreements with employees and there are no organized labor organizations in the Company. The Company maintains a tax-qualified, non-contributory retirement plan that is being administered by a trustee covering all regular full-time employees.

The Company upholds professional and personal advancement of its employees through Megaworld Learning Academy. MLA offers a slew of leadership and training workshops that are facilitated by the Company's "Learning Ambassadors", who are all experts in their own fields, or third party consultants. Various programs have been specially designed to enable its employees to upgrade their skills and perform at optimum levels. It endeavours the progress of the Company's workforce by offering training and workshops covering career, management and leadership development.

## Legal Proceedings

As of the date of this Prospectus, neither the Company nor any of its subsidiaries, or any of its or their properties is involved in or the subject of any legal proceedings which would have a material adverse effect on the business or financial position of the Company or any of its subsidiaries, or any of its or their properties.

## Subsidiaries and Associates

The Company's subsidiaries and associates and their ownership in these subsidiaries and associates as of December 31, 2016 are set forth below:

| Name of Subsidiaries or Associates | Date of Incorporation | Percentage Ownership |
|---|---|---|
| <u>Subsidiaries</u> | | |
| Megaworld Land, Inc. | May 26, 1994 | 100% |
| Prestige Hotels & Resorts, Inc. | February 16, 1999 | 100% |
| Mactan Oceanview Properties and Holdings, Inc. | August 16, 1996 | 100% |
| Megaworld Cayman Islands, Inc. | August 14, 1997 | 100% |
| Richmonde Hotel Group International Limited | June 24, 2002 | 100% |
| Eastwood Cyber One Corporation | October 21, 1999 | 100% |
| Megaworld Cebu Properties, Inc. | February 6, 2002 | 100% |
| Megaworld Newport Property Holdings, Inc. | October 6, 2003 | 100% |
| Oceantown Properties, Inc. | August 15, 2006 | 100% |
| Piedmont Property Ventures, Inc. | August 28, 1996 | 100% |
| Stonehaven Land, Inc. | August 21, 1996 | 100% |
| Streamwood Property, Inc. | August 21, 1996 | 100% |
| Suntrust Properties, Inc. | November 14,1997 | 100% |
| Arcovia Properties, Inc.<br>(formerly: Woodside Greentown Properties, Inc.) | March 28, 1985 | 100% |
| Luxury Global Hotels and Leisure, Inc. | July 17, 2013 | 100% |
| Global One Integrated Business Services, Inc. | September 25, 2014 | 100% |
| Luxury Global Malls, Inc. | September 18, 2014 | 100% |
| Davao Park District Holdings, Inc. | April 14, 2014 | 100% |
| Belmont Newport Luxury Hotels, Inc. | March 5, 2015 | 100% |
| Global One Hotel Group, Inc. | May 4, 2015 | 100% |

| | | |
|---|---|---|
| Megaworld Bacolod Properties, Inc. | May 12, 1918 | 91.55% |
| Empire East Land Holdings, Inc. | July 15, 1994 | 81.73% |
| Global-Estate Resorts, Inc. | May 18, 1994 | 82.32% |
| Megaworld Central Properties Inc. | September 15, 2005 | 76.55% |
| La Fuerza, Inc. | January 24, 1958 | 66.67% |
| Megaworld-Daewoo Corporation | November 29, 1996 | 60% |
| Manila Bayshore Property Holdings, Inc. | October 14, 2011 | 50.92% |
| Gilmore Property Marketing Associates, Inc. | September 5, 1996 | 52.14% |
| Megaworld Resort Estates, Inc. | April 30, 2007 | 51% |
| Megaworld-Globus Asia, Inc. | March 17, 1995 | 50% |
| Integrated Town Management Corporation (formerly Philippine International Properties, Inc.) | March 25, 2002 | 50% |
| Associates | | |
| Bonifacio West Development Corporation | November 15, 2001 | 46.11% |
| Suntrust Home Developers, Inc. | January 18, 1956 | 42.48% |
| Palm Tree Holdings & Development Corporation | August 15, 2005 | 40% |

Set out below is a description of each subsidiary or associate and its main activity.

**Empire East Land Holdings, Inc.** is a publicly-listed company that is engaged in the development and marketing of affordable housing projects either in the form of condominium communities or house-and-lot packages, and to a limited extent, commercial and office space and mixed-use complexes.

**Global-Estate Resorts, Inc**. is a publicly listed company which is engaged in diversified portfolio including integrated tourism estates development; horizontal residential subdivision lots and residential/commercial complexes; residential communities integrated with golf, resort and other leisure-related and commercial complexes; residential, office and commercial high rise; business park; and low cost housing.

**Suntrust Home Developers, Inc.** is a publicly-listed company which owns interests in a property management company.

**Megaworld Land, Inc.** provides a leasing service to the Company by locating tenants for rental properties and coordinating relations with brokers primarily in relation to the Eastwood Cyberpark.

**Prestige Hotels & Resorts, Inc.** owns and operates Richmonde Hotel located in Ortigas Center, Pasig City, Eastwood Richmonde Hotel located in Eastwood, Bagumbayan, Quezon City, and Richmonde Hotel Iloilo located in Mandurriao, Iloilo City.

**Mactan Oceanview Properties and Holdings, Inc.** was organized to develop a resort property in Cebu.

**Megaworld Cayman Islands, Inc.** was incorporated in the Cayman Islands to act as a promoter and entrepreneur, carry on the business as a financier, broker, dealer, agent, and importer and to undertake investments, financial, trading and other operations.

**Richmonde Hotel Group International Ltd.** was incorporated in the British Virgin Islands to undertake various investments on behalf of the Company and engage in trading, hotel, restaurant and related businesses.

**Eastwood Cyber One Corporation** was set up as a special purpose entity to own and develop certain BPO rental properties located in the Eastwood City CyberPark.

**Megaworld Cebu Properties, Inc**. was organized primarily to act as a principal agent or broker, on commission basis or otherwise, and to acquire by purchase or lease, construct, manage or sell real estate properties.

**Megaworld Newport Property Holdings, Inc.** provides a sales and marketing service for development of the Newport City projects.

**Oceantown Properties, Inc**. is a company that was incorporated to own land in Mactan, Cebu.

**Piedmont Property Ventures, Inc**. was incorporated on 28 August 1996 and was acquired by the Company in 2008.

**Stonehaven Land, Inc.** was incorporated on 21 August 1996 and was acquired by the Company in 2008.

**Streamwood Property, Inc.** was incorporated on 21 August 1996 and was acquired by the Company in 2008.

**Suntrust Properties, Inc.** which was incorporated on November 14, 1997, is a company that is engaged in the development of affordable real estate projects.

**Arcovia Properties, Inc.** (formerly Woodside Greentown Properties, Inc.) is engaged primarily in real estate activities which include leasing out of real properties.

**Luxury Global Hotels and Leisure, Inc.** was formed to own, lease and manage hotels.

**Global One Integrated Business Services, Inc.** was incorporated on September 25, 2014 and is engaged in business process outsourcing.

**Luxury Global Malls, Inc.** was incorporated on September 18, 2014 and is engaged in business process outsourcing.

**Davao Park District Holdings, Inc**. is engaged in the real estate business and was incorporated on April 14, 2014.

**Belmont Newport Luxury Hotels, Inc.** is engaged in owning, leasing, operation and management of hotels.

**Global One Hotel Group, Inc.** is engaged in owning, leasing, operation and management of hotels.

**Megaworld Bacolod Properties, Inc.** is engaged primarily in real estate activities.

**Megaworld Central Properties Inc.** was formed to provide sales services in respect of residential units in the Manhattan Garden City project.

**La Fuerza, Inc.** is engaged in the real estate business, including leasing of real estate properties.

**Megaworld-Daewoo Corporation** is a joint venture between the Company and Daewoo Corporation which developed three residential condominium towers in Eastwood City.

**Manila Bayshore Property Holdings, Inc.** was organized to engage in real estate development. It started commercial operations on January 1, 2012.

**Gilmore Property Marketing Associates, Inc.** was incorporated on September 5, 1996 primarily to act as a principal agent or owner, on commission basis or otherwise, and to acquire, lease and construct or dispose of buildings and other real estate properties.

**Megaworld Resort Estates, Inc.** is a company that was incorporated to engage in the real estate business.

**Megaworld-Globus Asia, Inc.** was formed to develop and sell “The Salcedo Park”, a twin-tower residential condominium project located in Makati City which has been completed.

**Integrated Town Management Corporation (formerly Philippine International Properties, Inc.)** is a company that was incorporated to own, use, improve, develop, subdivide, sell, exchange, lease, and hold for investment or otherwise, real estate of all kinds, including buildings, houses, apartments and other structures.

**Bonifacio West Development Corporation** is engaged in real estate business and was incorporated on November 15, 2001.

**Palm Tree Holdings & Development Corporation** is a company that was acquired in connection with its landholdings adjacent to the Company's Eastwood City township. It is currently engaged in the real estate business.

## Strengths

***Established track record as a market innovator***

The Company believes it has anticipated market trends earlier than other companies in the Philippine property development industry. Although the Company initially focused on the high end residential property market, it was among the first in the Philippines to identify the growing demand for community township developments, particularly for middle income buyers, and to introduce flexible design options and payment plans. In 1996, the Company was also the first to develop offices with the infrastructure capable of supporting expanding IT and BPO businesses. As a result, the Company developed the Eastwood City CyberPark and was instrumental in working with the Government to obtain the first PEZA-designated economic zone specifically for technology and BPO-based companies. The Company is currently the largest developer and owner of BPO office buildings in the Philippines. In 1996, the Company was the first Philippine property company to develop an international sales network targeting overseas Filipinos for residential sales. In 2005, the Company introduced development plans for the first major mass transit-oriented residential community in the Philippines, with inter-connections to two main mass transit systems and a land transportation hub. The Company believes that its identification of areas of growth in the property market was instrumental to its continued financial success during the Asian financial crisis when most sectors of the property market contracted. The Company's ability to anticipate market trends and understand the needs of real estate consumers continue to assist it in its efforts to accurately predict trends in market demand, levels of supply and to plan and design its property developments accordingly. As of end 2015, the Group has successfully replicated its township concept in 20 developments across strategic locations in the Philippines.

***Strategic landbank***

The Company either owns or has development rights to approximately 3,650 hectares of land located in strategic locations in throughout the country. Where the company does not own or lease the land, it has entered into joint development agreements with the landowners to develop their land in exchange for a percentage of the revenue from sales or leases of the completed units. Joint development agreements are a cost effective way for the Company to acquire land development rights in desirable areas of Metro Manila at a fixed cost. Although the Company continues to consider strategic landbanking either through additional joint development agreements or property purchases, the Company believes that its current landbank is capable of sustaining the development of its current portfolio of projects for at least the next 10 years.

***Sound financials with a stable earnings base and low gearing***

The Company believes it is currently in sound financial condition with a debt-to-equity ratio of 0.45x (after minority interest) as of September 30, 2016, and that its financial strength enhances its ability to invest in new projects while continuing to develop existing projects. The Company's property portfolio includes a balance between income from residential sales and recurring income earned from commercial and office developments. The Company's diverse project portfolio is designed to both limit earnings volatility from potential property market fluctuations and to allow it to enjoy growth upside. The Company's community township portfolio includes a stable revenue base of long term leases from major international BPO tenants as well as retail tenants. The Company expects to benefit from existing long-term BPO lease arrangements while attracting new BPO tenants. The proximity of BPO tenants to retail and entertainment properties within the community township allows the Company to benefit from the complementary revenue stream from its retail and commercial leases. As a result of stable earnings from rental investments in the BPO market and residential sales, the Company has been able to keep its debt to equity ratio low, particularly during the Asian financial crisis, when a number of highly leveraged property development companies went bankrupt.

***Well established brand name and reputation***

The Company has completed a number of high quality residential condominium projects, townhouse projects, office projects and leisure and commercial developments throughout Metro Manila. As a result, the Company has developed a strong brand name and reputation as one of the Philippines' leading property developers with the credibility of delivering high quality developments. The Company has been named by Superbrands, an independent organization which identifies and recognizes the most highly acclaimed brands throughout the world, as one of the Philippines' top brands. The Company has also received ISO 9001: 2008 series certification, which covers all aspects of the Company's operations, including its planning, design, project management and customer service operations, for quality control and systems management. As with other property developers in the Philippines, the Company pre-sells its residential units. Since pre-selling is an industry practice, buyers place great importance on the track record and reputation of developers to reduce the completion risk relating to their properties. As a result, the Company believes that its reputation as a reliable property developer is particularly important in the Philippines to both attract and maintain quality buyers, tenants and joint development partners.

***Strong residential marketing network***

The Company maintains an in-house marketing and sales division staffed by a trained group of property consultants who sell residential properties exclusively for the Company. All property consultants undergo intensive training prior to embarking on any sales activity and the Company provides an on the job skills enhancement program for its marketing and sales professionals to further develop their skills. In 1997, the Company was the first Philippine property company to create an international marketing and sales division specifically targeted at overseas Filipinos, and sales to this group have increased each succeeding year. The Company's international marketing and sales division is comprised of 13 regional offices worldwide. The Company's extensive residential marketing network enhances the Company's brand recognition and its ability to pre-sell residential units.

***Experienced management team that is also focused on complementary businesses that promote synergies***

The Company has an experienced management team with a proven ability to execute the Company's diverse business plans. Its Chairman and President, Mr. Andrew Tan, has extensive experience in real estate and other businesses. Further, the Company's management has consistently executed complementary business plans among the Company's associates. The Company believes that the residential, BPO office, retail and hospitality components within its mixed-use township developments benefit from the market experience and knowledge that its key members of management possess and the business relationships they have developed in the various industries in which they are involved.

## Strategy

To manage the risks associated with the business of the Company, the Company has adopted a business strategy that is based on conservative financial and operational policies and controls, revenue and property diversification, availability of quality land banks and strategic partners, as well as product innovation.

***Maximize earnings through integrated community township developments.***

The Company intends to maximize earnings by developing alternative, integrated residential, business and retail property communities. This allows the Company to capitalize on the live-work-play concept, which has become popular in the Philippines. The Company's position as a leader in crafting and delivering community township developments has strengthened over the years and continues to be its key strategy in bringing new projects to the market. In 2007, the Company acquired properties in Iloilo and Cebu to expand its BPO office developments and townships in the Visayas. In 2009 and 2010, the Company increased its property portfolio through the acquisition of rights to develop the Uptown Bonifacio and McKinley West properties. In 2014, all the real estate interests of Alliance Global, Inc. was consolidated into the Company. The consolidation aggregated the Company's township properties by virtue of Global Estate Resorts, Inc.'s developments in Boracay Newcoast, Southwoods City, Twin Lakes, and Alabang West. During the same year, The Company also launched Arcovia City, Suntrust Ecotown, and Davao Park District. In 2015, the Company launched The Upper East, Northill Gateway, Capital Town Pampanga, Westside City, and Sta. Barbara Heights through Global Estate Resorts, Inc. In 2016, the Company launched two more townships namely Maple Grove and Eastland Heights. The Company continuously seeks opportunities to develop land in prime locations to further enhance its real estate portfolio.

***Capitalize on brand and reputation***.

The Company believes that its strong brand name and reputation are keys to its continued success. Since pre-selling is an industry practice in the Philippines, buyers place great importance on the track record and reputation of developers to reduce the completion risk relating to their properties. The Company intends to continue using its brand name and reputation to attract purchasers, tenants and joint development partners. The Company continues to enhance its reputation by employing and training a dedicated marketing staff and extensive sales network for its residential sales businesses who market the Megaworld brand. In addition, the Company is strategically involved in the aftersales market for the properties it develops by providing building management and other aftersales services such as interior design services.

***Continue to evaluate projects for synergies***.

The Company intends to continue to evaluate potential projects, particularly with respect to opportunities among the Company itself and its various subsidiaries and affiliates, in order to maximize cost efficiencies, resources and other opportunities to derive synergies across the Megaworld group and the larger AGI group of companies.

***Maintain a strong financial position***.

The Company intends to maintain its strong financial position by controlling costs and maintaining its net cash position. The Company is able to control development costs by generating a significant portion of its project financing from pre-sales of residential units. By securing post-dated checks and providing a variety of financing options to buyers, the Company limits its cash outlays prior to obtaining project funds. The Company also controls development costs by entering into joint development agreements with landowners, which is a cost-effective means of obtaining rights to develop land as initial costs are fixed and future payments are a fixed percentage of revenue from sales and leasing activity.

***Sustain a diversified development portfolio.***

An important part of the Company’s long-term business strategy is to continue to maintain a diversified earnings base. Because the Company’s community townships include a mix of BPO offices, retail, middle-income residential, educational/training facilities, leisure and entertainment properties within close proximity to each other, the Company is able to capitalize on the complementary nature of such properties. In addition, the community township developments enable the Company to generate profits from selling residential projects as well as invest in office and retail assets retained by the Company to generate recurring income and long-term capital gains. The Company intends to continue to pursue revenue and property diversification as it develops community townships with the live-work-play-learn concept in various stages throughout Metro Manila. The Company also intends to continue pursuing innovative product lines that may complement its existing developments, while maintaining a well-diversified earnings base.

***Capitalize on growing opportunities in tourism development***.

The Company has further developed and diversified its real estate business to include integrated tourism development through its subsidiary Global-Estate Resorts, Inc. Due to growth in the number of tourist visits to the Philippines and the Company’s real estate development expertise, the Company believes it is well-positioned to capitalize on opportunities in this growing sector. The Company is also actively exploring and evaluating possible joint venture opportunities with an affiliate which focuses on tourism-related property developments.

**Ownership and Corporate Structure**

As at the date of this Prospectus, AGI directly and indirectly holds approximately 67% of the outstanding issued and paid-up share capital of the Issuer.

The chart in the following page sets forth the Company's simplified corporate structure, organized by business segment, including its principal subsidiaries and associates and the direct ownership of each as at 30 September 2016.

[Insert conglomerate map]

The following table sets forth a breakdown on a consolidated basis of the Company's principal businesses in terms of total revenues, total assets and total liabilities for the years ended 31 December 2013, 2014 and 2015 and for the nine months ended 30 September 2015 and 2016 save as stated otherwise:

| *(In millions, except percentages)* | **As at and for the year ended December 31** | | | | | | **As at and for the nine months ended September 30** | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2013** | | **2014** | | **2015** | | **2015** | | **2016** | |
| **Revenues** | | | | | | | | | | |
| Real Estate | 25,844 | 77% | 29,507 | 74% | 32,727 | 76% | 24,902 | 76% | 25,304 | 74% |
| Rental | 6,038 | 18% | 7,071 | 18% | 8,730 | 20% | 6,445 | 20% | 7,413 | 21% |
| Hotel Operations | 451 | 1% | 723 | 2% | 796 | 2% | 529 | 2% | 879 | 3% |
| Others | 1,120 | 4% | 2,242 | 6% | 1,007 | 2% | 757 | 2% | 731 | 2% |
| Total | 33,453 | 100% | 39,543 | 100% | 43,260 | 100% | 32,633 | 100% | 34,327 | 100% |
| **Assets** | | | | | | | | | | |
| Real Estate | 124,344 | 72% | 165,979 | 75% | 187,279 | 74% | 178,285 | 75% | 193,111 | 73% |
| Rental | 29,874 | 17% | 42,366 | 19% | 50,004 | 20% | 44,147 | 19% | 59,406 | 22% |
| Hotel Operations | 261 | 0% | 1,101 | 1% | 2,434 | 1% | 2,261 | 1% | 2,413 | 1% |
| Corporate and Others | 19,403 | 11% | 11,594 | 5% | 11,968 | 5% | 11,916 | 5% | 11,541 | 4% |
| Total | 173,882 | 100% | 221,040 | 100% | 251,685 | 100% | 236,609 | 100% | 266,471 | 100% |
| **Liabilities** | | | | | | | | | | |
| Real Estate | 64,612 | 90% | 81,319 | 88% | 98,703 | 84% | 89,444 | 86% | 105,202 | 84% |
| Rental | 5,373 | 7% | 7,359 | 8% | 15,149 | 13% | 11,714 | 11% | 15,481 | 13% |
| Hotel Operations | 148 | 0% | 302 | 0% | 425 | 0% | 173 | 0% | 414 | 0% |
| Corporate and Others | 1,794 | 3% | 3,261 | 4% | 2,995 | 3% | 2,836 | 3% | 3,978 | 3% |
| Total | 71,927 | 100% | 92,241 | 100% | 117,272 | 100% | 104,167 | 100% | 125,075 | 100% |

## Land Bank

The following table sets forth Megaworld's existing land bank owned for development as at 30 September 2016:

| **Location** | **Gross Area (sq. m.)** |
|---|---|
| Metro Manila | 785,800 |
| Luzon (excluding Metro Manila) | 29,742,000 |

| Location | Gross Area (sq. m.) |
|---|---|
| Visayas | 3,391,600 |
| Mindanao | 2,430,200 |
| **Total** | 36,349,600 |

## Capital Expenditure

The Company incurred capital expenditure of approximately ₱32.05 billion, ₱39.78 billion, ₱54.51 billion, and ₱32.25 billion in 31 December 2013, 2014, 2015, and 30 September 2016, respectively, related to construction and development of residential and office buildings, land banking activities and project development costs.

The Company expects to incur capital expenditures of approximately ₱57.1 billion for 2017.

## Related Party Transactions

The Company and its subsidiaries, in their ordinary course of business, engage in transactions with its affiliates. The Company's policy with respect to related party transactions is to ensure that these transactions are entered into on terms comparable to those available from unrelated third parties.

Transactions with related parties include investments in and advances granted to or obtained from subsidiaries, associates and other related parties. Other related parties include joint venture partners (See Note 10 to the Audited Financial Statements, Advances to Landowners and Joint Ventures) and investees which investments are accounted for at cost and other entities which are owned and managed by investors/owners of the Company (See Note 11 to the Audited Financial Statements, Investments in and Advances to Associates and Other Related Parties). Advances granted to joint venture partners are in the nature of cash advances made to landowners under agreements covering the development of parcels of land, which are to be used for pre-development expenses such as relocation of existing occupants. Repayment of these advances shall be made upon completion of the project development either in the form of the developed lots corresponding to the landowner's share in saleable lots or in the form of cash to be derived from sales of the landowner's share in the saleable lots and residential and condominium units. The commitment for cash advances under the agreements has been fully granted by the Company.

Advances granted to and obtained from subsidiaries, associates and other related parties are for purposes of working capital requirements. For more information, see Note 27 to the Audited Financial Statements.

Other related party transactions include collections from sales of land made in prior years to an associate company on an installment basis. As part of the transaction, the related party entered into a management agreement with the Company, whereby the Company provides overall administration services in relation to the property.

The Company avails of marketing services of Eastwood Property and Holdings, Inc. (EPHI), a wholly owned subsidiary of Empire East Land Holdings, Inc. (EELHI), Megaworld Newport Property Holdings, Inc. and Megaworld Land, Inc. (MLI), which acts as a manager and leasing agent for the commercial properties of the Company. (See Note 27 to the Audited Financial Statements, Related Party Transactions). As consideration for said marketing services, the Company pays commission based on contracted terms. Commission expenses charged by EPHI and MLI are based on prevailing market rates.

Other than those disclosed in the Company's Financial Statements, the Company has not entered into any other related party transactions.

## Material Contracts

As of the date of this Prospectus, the Company is not a party to any material contracts, except for contracts entered into in the ordinary course of business.

## REGULATORY AND ENVIRONMENTAL MATTERS

### REAL ESTATE LAWS AND REGULATIONS

#### General

P.D. 957, R.A. 4726 and B.P. 220 are the principal statutes which regulate the development and sale of real property as part of a condominium or subdivision project. P.D. 957, R.A. 4726 and B.P. 220 cover subdivision projects and all areas included therein for residential, commercial, industrial and recreational purposes, and condominium projects for residential or commercial purposes. The HLURB is the administrative agency of the Government which, together with LGUs, 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 HLURB 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 prior approval of the relevant government body or agency.

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

The issuance of a development permit is dependent on, among others (i) compliance with required project standards and technical requirements which may differ depending on the nature of the project, and (ii) issuance of the barangay clearance, the HLURB locational clearance, DENR permits, and, as applicable, 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 HLURB. Subdivision or condominium units may be sold or offered for sale only after a license to sell has been issued by the HLURB. As a prerequisite for the issuance of a license to sell by the HLURB, developers are required to file with the HLURB any of the following 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:

- a surety bond callable upon demand equivalent to 20.0% of the development cost of the unfinished portion of the approved plan, issued by a duly accredited surety company (whether private or government), and acceptable to the HLURB;

- a real estate mortgage executed by the developer as mortgagor in favor of the Republic of the Philippines as mortgagee, represented by the HLURB, over property other than the land used for the project for which the license to sell is being obtained, free from any liens and encumbrance and the value of such property, computed on the basis of the zonal valuation of the BIR, must be at least 20.0% of the total development cost; or

- other forms of security equivalent to 10.0% of the development cost of the unfinished portion of the approved plan which may be in the form of the following:

  - a cash bond;
  - a fiduciary deposit made with the cashier and/or disbursing officer of the HLURB;
  - a certificate of guaranty deposit issued by any bank or financing institution of good standing in favor of the HLURB for the total development cost;
  - a letter from any bank of recognized standing certifying that so much has been set aside from the bank account of the developer in favor of the HLURB, which amount may be withdrawn by the Chief

Executive Officer of HLURB or his authorized representative, at any time the developer fails or refuses to comply with his duties and obligations under the bond contract; or

- any irrevocable credit line to be utilized in the development of the project from any bank of recognized standing and a refinancing re-structuring program indicating sources of funding from duly accredited funding institutions.

Project permits and licenses to sell may be suspended, cancelled or revoked by the HLURB, on its own initiative or upon a verified complaint from an interested party, for reasons such as insolvency, involvement in fraudulent transactions, misrepresentations concerning 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 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. The certificate of registration will expire on the first day of December of each year.

On June 29, 2009, Republic Act No. 9646 or the Real Estate Service Act of the Philippines ("R.A. 9646") was signed into law. R.A. 9646 strictly regulates the practice of real estate brokers by requiring licensure examinations and attendance in continuing professional education programs.

**Subdivision Projects**

There are essentially two different types of residential subdivision developments, which are distinguished by different development standards issued by the HLURB. The first type of subdivision, aimed at low-cost housing, must comply with B.P. 220, a Philippine statute regulating the development and sale of real property as part of a condominium project or subdivision, which allows for a higher density of building and relaxes some construction standards. Other subdivisions must comply with P.D. 957, which sets out standards for lower density developments. Both types of development must comply with standards regarding the suitability of the site, road access, necessary community facilities, open spaces, water supply, the sewage disposal system, electrical supply, lot sizes, the length of the housing blocks and house construction.

Under P.D. 957, a developer of a subdivision with an area of one hectare or more is required to reserve at least 30% of the gross land area of such subdivision for open space for common uses, which include roads and recreational facilities. In low-density subdivisions (20 family lots and below per gross hectare), a developer is required to reserve at least 3.5% of the gross project area for parks and playgrounds.

HLURB Resolution No. 926, or the "2015 Revised Implementing Rules and Regulations on Time of Completion" ("Resolution 926") was issued on 3 February 2016 and took effect on 14 February 2016. Resolution 926 requires owner or developers of subdivision and condominium projects to construct and provide the facilities, improvements, infrastructures and other forms of development, including water supply and electrical facilities, which are offered and indicated in the approved project plan, within one year from the date of the issuance of the license for the project or such other period of time as may be fixed by the HLURB. Resolution 926 also provided limited grounds upon which developers or owners may be granted additional time to complete a given project.

Republic Act No. 7279 further requires developers of proposed subdivision projects to develop an area for socialized housing equivalent to at least 20% of the total subdivision area or total subdivision project cost, at the option of the developer, within the same city or municipality, whenever feasible, and in accordance with the standards set by the HLURB. Alternatively, the developer may opt to choose any of the following:

- development of new settlement;
- slum upgrading or renewal of areas for priority development either through zonal improvement programs or slum improvement and resettlement programs;
- joint-venture projects with either the LGU or any of the housing agencies; or
- participation in the community mortgage program.

**Condominium Projects**

R.A. 4726 regulates the development and sale of condominium projects. R.A. 4726 requires that an annotation be registered on the master deed or on the certificate of title of the land on which the condominium project shall be located. The annotation should indicate, among other things, the description of the land, buildings, common areas and facilities of the condominium project.

A condominium project may be managed by a condominium corporation, an association, a board of governors or a management agent, depending on what is provided in the declaration of restriction of the condominium project. However, whenever the common areas are held by a condominium corporation, such corporation shall constitute the management body of the project.

**Real Estate Sales and Installments**

The Maceda Law applies to all transactions or contracts involving the sale or financing of real estate through installment payments, including residential condominium units. Under the Maceda Law, buyers who have paid at least two years of installments are granted a grace period of one month for every year of paid installments to cure any payment default. The Maceda Law also requires the sellers of real estate to refund at least 50% of total payments made should the sale contract be cancelled provided that the buyer has paid at least two years of installments, with an additional 5% per annum in cases where at least five years of installment have been paid (but with the total not to exceed 90% of the total payments). Buyers who have paid less than two years of installment and who default on installment payments are given a 60-day grace period to pay all unpaid installments before the sale can be cancelled, but without right of refund. The Maceda Law does not apply when payments are made through bank financing.

**Shopping Malls**

Shopping malls are regulated by the local government unit of the city or municipality where the shopping mall is located. Shopping mall operators must secure a mayor’s permit or municipal license before operating. Shopping mall operators must also comply with the provisions of Republic Act No. 9514 or the Fire Code, and other applicable local ordinances. Shopping malls that have restaurants and other food establishments as tenants must obtain a sanitary permit from the Department of Health. Shopping malls that discharge commercial wastewater must apply for a wastewater discharge permit from the DENR and pay the fee incidental to the permit.

As a tourism-related establishment, shopping malls may obtain accreditation from DOT. A shopping mall can only be accredited upon complying with the minimum physical, staff and service requirements promulgated by the DOT.

**Hotels and Resorts**

Hotels were previously classified by the DOT into the following categories: (a) De Luxe Class, (b) First Class, (c) Standard Class and (d) Economy Class.

Memorandum Circular No. 2012-02 promulgated by the DOT in May 2012 imposes new national accreditation standards for hotels, resorts and apartment hotels, 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). The accreditation process under the Memorandum Circular No. 2012-02 is currently being implemented by the DOT.

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-transferrable.

**Zoning and Land Use**

Under the agrarian reform law currently in effect in the Philippines and the regulations issued thereunder by the DAR, land classified for agricultural purposes as of or after June 15, 1988, cannot be converted to non-agricultural use without the prior approval of DAR.

Land use may be also limited by zoning ordinances enacted by LGUs. Once enacted, land use may be restricted in accordance with a comprehensive land use plan approved by the relevant LGU. Lands may be classified under zoning ordinances as commercial, industrial, residential or agricultural. While a procedure for change of allowed land use is available, this process may be lengthy and cumbersome.

**Special Economic Zone**

Republic Act No. 7916 ("R.A. 7916"), as amended provides for the creation and management of Special Economic Zones ("Ecozones"), which are selected areas with highly developed or which have the potential to be developed into agro-industrial, industrial tourist/recreational, commercial, banking, investment, and financial centers.

PEZA is the government agency that operates, administers and manages designated PEZA Ecozones around the country. These Ecozones are generally established by a proclamation issued by the President of the Philippines, upon recommendation of the PEZA.

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 locating in an Ecozone are generally entitled to fiscal and non-fiscal incentives such as income tax holidays and duty free importation of equipment, machinery and raw materials.

1. IT enterprises offering IT services (such as call centers, and BPO using electronic commerce) are entitled to fiscal and non-fiscal incentives if they are PEZA-registered locators in a PEZA-registered IT Park, IT Building, or Ecozone. An IT Park is an area which has been developed into a complex capable of providing infrastructures and other support facilities required by IT enterprises, as well as amenities required by professionals and workers involved in IT enterprises, or easy access to such amenities. An IT Building is an edifice, a portion or the whole of which, provides such infrastructure, facilities and amenities.

   PEZA requirements for the registration of an IT Park or IT Building differ depending on whether it is located in Metro Manila. Metro Manila is the area that covers the 16 cities of Manila, Caloocan, Las Piñas, Makati, Mandaluyong, Marikina, Muntinlupa, Parañaque, Pasay, Pasig, Quezon, Valenzuela, Malabon, Navotas, San Juan and Taguig and the municipality of Pateros. These PEZA requirements include clearances or certifications issued by the city or municipal legislative council, the DAR, the National Water Resources Board ("NWRB"), and the DENR.

2. Tourism activities involve the establishment and operation of PEZA registered Tourism Ecozones ("PEZA TEZs"). These are areas which have been developed into an integrated resort complex which have tourist facilities and activities. PEZA TEZ developers and locator enterprises are generally entitled to fiscal and non-fiscal incentives. However, on November 13, 2012, PEZA Board Resolution No. 12-610 withdrew particular fiscal incentives from developers and locator enterprises of TEZs in Metro Manila, Cebu City, Mactan Island, and Boracay Island. The same Board Resolution also denied the establishment of new TEZs in the four areas.

   PEZA rules for the registration of a TEZ require, among others, an endorsement from the DOT, conversion or exemption orders from the DAR, and clearances, certifications, and endorsements from Department of Agriculture ("DA"), HLURB, Environmental Management Bureau-DENR ("EMB-DENR"), NWRB, and the concerned LGUs.

3. Retirement activities involve the establishment and operation of areas capable of providing retirement infrastructure and other support facilities such as accommodation facilities, health and wellness facilities, sports, recreation centers, and lifestyle facilities, cultural facilities, theme parks, and other amenities

required by foreign retirees. Retirement Ecozone developers/operators and retirement Ecozone facilities enterprises are entitled to fiscal and non-fiscal incentives.

EO 1037 created the Philippine Retirement Authority ("PRA"), a government owned and controlled corporation under control and supervision of the office of the Board of Investments ("BOI"). It is mandated to attract foreign nationals and former Filipino citizens to invest, reside, and retire in the Philippines to accelerate the socio-economic development of the country and contribute to the foreign currency reserve of the economy.

PEZA rules for registration of retirement Ecozones and facilities enterprises require, among others, the endorsement from the PRA, and clearances and certifications from the DAR, DA, HLURB, EMB-DENR, NWRB, and the concerned LGUs.

Another government agency which is tasked to administer certain Ecozones is the Tourism Infrastructure and Enterprise Zone Authority ("TIEZA"). The TIEZA is an attached agency to the DOT tasked to designate, regulate, and supervise its own TEZs as well as develop, manage and supervise tourism infrastructure projects in the Philippines. Tourism enterprises are facilities, services, and attractions primarily engaged in tourism to attract visitors. TEZ Operators and Tourism Enterprises registered with the TIEZA may be granted fiscal and non-fiscal incentives. Activities eligible for registration with the TIEZA include, among others, accommodation establishments such as hotels, resorts, apartelles, tourist inns, motels, pension houses, and home stay operators, tourist estate management services, restaurants, shops, and department stores.

TIEZA rules for the registration of a TEZ will depend on the nature of the business and the type of business organization of the applicant. TIEZA registration requirements include, among others, certifications and endorsements from the DAR, the National Historical Institute, DENR, and DOH.

**Tax and Other Incentives**

Generally, the fiscal incentives enjoyed by PEZA registered enterprises include an income tax holiday ("ITH") for four to six years, depending on the nature and location of the enterprise; thereafter, the enterprise enjoys a preferential tax rate of 5% on gross income earned (the "5% GIT"), in lieu of all national and local taxes (except for real property tax).

"Tourism Ecozone Developer/Operator" refers to the owner and/or operator of a Tourism Development Zone/Tourism Estate seeking registration with PEZA and the required Presidential Proclamation of the Tourism Development Zone/Tourism Estate as a Tourism Ecozone for the availment of incentives provided under R.A. 7916, as amended. "Tourism Development Zone/Tourism Estate" refers to a tract of land with defined boundaries, suitable for development into an integrated resort complex, with prescribed carrying capacities of tourist facilities and activities, such as, but not limited to, sports and recreation centers, accommodations, convention and cultural facilities, food and beverage outlets, commercial establishments and other special interest and attraction activities/establishments, and provided with roads, water supply facilities, power distribution facilities, drainage and sewage systems and other necessary infrastructure and public utilities. A Tourism Development Zone/Tourism Estate must be under unified and continuous management, and can either be a component of an ecozone or the whole ecozone itself. "Tourism Ecozone" refers to a Tourism Development Zone/Tourism Estate which has been granted special economic zone status, through PEZA registration and issuance of the required Presidential Proclamation, with its metes and bounds delineated by the Proclamation pursuant to R.A. 7916, as amended.

"Retirement Ecozone Developer/Operator" refers to a business entity duly endorsed by the PRA and registered with PEZA to develop, operate and maintain a Retirement Ecozone Park/Center and provide the required infrastructure facilities and as may be required for retirement economic zone. PEZA-registered Retirement Economic Zones shall be located in priority areas endorsed by the PRA and must be at least 4 hectares. Retirement Ecozone refers to an estate which is highly developed or which has the potential to be developed into a Retirement Ecozone Park/Center whose metes and bounds are fixed or delimited by Presidential Proclamation. The retirement economic zone shall be planned and designed in accordance with the accreditation standards of the PRA to have support facilities and services required by the retirement industry.

An “IT Park” or “IT Building” is an area or a building (the whole or a part of which) has been developed to provide infrastructure and other support facilities required by an IT Enterprise.

The PEZA Board, through its Board Resolution No. 12-610 dated November 13, 2012, withdrew (i) the 5% GIT incentive to developers of Tourism Economic Zones in Metro Manila, Cebu City, Mactan Island and Boracay Island; and (ii) the ITH incentive and 5% GIT given to locator enterprises of Tourism Enterprise Zones in the aforesaid 4 areas. Nevertheless, tourism enterprise locators in these areas continue to enjoy tax and duty-free importation and zero-VAT rating on local purchase of capital equipment.

The above policy does not have retroactive effect and therefore, existing PEZA TEZ developers and operators and tourism enterprises located in TEZs in the four aforesaid areas shall not be covered by the new PEZA policy. Existing and future PEZA TEZ developers and tourism enterprise locators outside the four areas shall continue to be entitled to four years ITH, as may be provided in and in accordance with the provisions of the Investment Priorities Plan, and tax and duty-free importation of capital equipment required for the technical viability and operation of the registered activities of the enterprises. Upon expiry of the ITH period, PEZA TEZ locators are entitled to the 5% GIT incentive, provided, however, that they have the option to forego their ITH incentive entitlement and immediately avail of the 5% tax GIT incentive upon start of their commercial operations.

All PEZA-registered Tourism Developers/Operators and Locator Enterprises must conform with the development guidelines and operating standards of the DOT, land use and zoning regulations, as well as the policies and guidelines of other concerned government agencies, provided that in the case of Ecotourism Projects, endorsement from the National Ecotourism Steering Committee shall also be secured prior to PEZA registration.

PEZA-registered Tourism Ecozone Developers/Operators and Locators are entitled to the following non-fiscal incentives: (a) employment of foreign nationals, as provided under R.A. 7916; (b) Special Investor’s Resident Visa, as provided under Executive Order No. 63; and (c) Incentives under the Build-Operate-Transfer Law, as may be applicable, subject to prescribed guidelines.

Retirement Economic Zone Developer/Operator of a proposed or partially developed Retirement Ecozone Park/Center shall be entitled to pay a special 5% tax on gross income, in lieu of all national and local taxes, except real property tax on land and shall be entitled to the following non-fiscal incentives: (a) Employment of foreign national; and (b) Special Investor’s Resident Visa, as provided under Executive Order No. 63.

Pursuant to Board Resolution No. 12-329 dated July 6, 2012, IT Parks and Buildings to be located in Metro Manila and Cebu City shall no longer be entitled to incentives. Developers and owners of new IT Parks and Buildings to be located outside Metro Manila and Cebu City shall continue to enjoy fiscal incentives. Furthermore, in order to be entitled to PEZA incentives, Ecozones such as, but not limited to manufacturing, agro-industrial, and tourism, the Ecozone must have an area of at least 25 hectares except for single locator economic zones which shall be covered by specific guidelines issued by PEZA.

The Company routinely secures the required governmental approvals for its projects during the planning and construction and marketing stages of project development. The Company is not aware of any pending legislation or governmental regulation that is expected to materially affect its business. The Company believes that it has obtained the required government approvals relevant for each project at its current state of development.

**ENVIRONMENTAL LAWS**

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an ECC prior to commencement. The 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. In case of an environmentally critical project within an environmentally critical area, an EIS is required. The construction of major roads and bridges are considered environmentally critical projects for which EISs and ECCs are mandated.

The EIS refers to both the document and the study of a project's environmental impact, including a discussion of scoping agreement identifying critical issues and concerns as validated by the EMB, environmental risk assessment if determined necessary by EMB during the scoping, environmental management program, the direct and indirect consequences to human welfare and ecological as well as environmental integrity. The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas.

While the EIS or an IEE may vary from project to project, as a minimum, it contains all relevant information regarding the projects' environmental effects. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The issuance of an ECC is a Government certification, indicating 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 before or during the operations of the project and in some cases, during the project's abandonment phase. The ECC also provides for other terms and conditions, any violation of which would result in a fine or the cancellation of the ECC.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund ("EGF") when the ECC is issued to projects determined by the DENR to pose a significant public risk to life, health, property and the environment. The EGF is intended to answer for damages caused by such a project as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are mandated to include a commitment to establish an Environmental Monitoring Fund ("EMF") when an ECC is eventually issued. The EMF shall be used to support the activities of a multi-partite monitoring team which will be organized to monitor compliance with the ECC and applicable laws, rules and regulations.

Aside from the EIS and IEE, engineering, geological and geo-hazard assessment are also required for ECC applications covering subdivisions, housing and other development and infrastructure projects.

All development projects, installations and activities that discharge liquid waste into and pose a threat to the environment of the Laguna de Bay Region are also required to obtain a discharge permit from the Laguna Lake Development Authority.

The Company incurs expenses for the purposes of complying with environmental laws that consist primarily of payments for Government regulatory fees. Such fees are standard in the industry and are minimal.

**PROPERTY REGISTRATION**

The Philippines has adopted a Torrens System of land registration which conclusively confirms land ownership which is binding on all persons, including the Government. Once registered, title to registered land becomes indefeasible after one year from the date of entry of the decree of registration except with respect to claims noted on the certificate of title. Title to registered lands cannot be lost through adverse possession or prescription. Presidential Decree No. 1529, as amended, codified the laws relative to land registration and is based on the generally accepted principles underlying the Torrens System.

After proper surveying, application, publication and service of notice and hearing, unregistered land may be brought under the system by virtue of judicial or administrative proceedings. In a judicial proceeding, the Regional Trial Court within whose jurisdiction the land is situated confirms title to the land. Persons opposing the registration may appeal the judgment within 15 days to the Court of Appeals or the Supreme Court. After the lapse of the period of appeal, the Register of Deeds may issue an Original Certificate of Title. The decree of registration may be annulled on the ground of actual fraud within one year from the date of entry of the decree of registration. Similarly, in an administrative proceeding, the land is granted to the applicant by the DENR by issuance of a patent and the patent becomes the basis for issuance of the Original Certificate of Title by the Register of Deeds. All land patents such as homestead, sales and free patents, must be registered with the appropriate registry of deeds since the conveyance of the title to the land covered thereby takes effect only upon such registration.

Any subsequent transfer of encumbrance of the land must be registered in the system in order to bind third persons. Subsequent registration and a new Transfer Certificate of Title in the name of the transferee will be granted upon presentation of certain documents and payment of fees and taxes.

All documents evidencing conveyances of subdivision and condominium units should also be registered with the Register of Deeds. Title to the subdivision or condominium unit must be delivered to the purchaser upon full payment of the purchase price. Any mortgage existing thereon must be released within six months from the delivery of title. To evidence ownership of condominium units, a Condominium Certificate of Title is issued by the Register of Deeds.

**NATIONALITY RESTRICTIONS**

The Philippine Constitution limits ownership of land in the Philippines to Filipino citizens or to corporations the outstanding capital stock of which is at least 60% owned by Philippine Nationals. While the Philippine Constitution prescribes nationality restrictions on land ownership, there is generally no prohibition against foreigners owning building and other permanent structures. However, with respect to condominium developments, the foreign ownership of units in such developments is limited to 40%.

Republic Act No. 7042, as amended, otherwise known as the Foreign Investments Act of 1991, and the Tenth Regular Foreign Investment Negative List, provide that certain activities are nationalized or partly- nationalized, such that the operation and/or ownership thereof are wholly or partially reserved for Filipinos. Under these regulations, and in accordance with the Philippine Constitution, ownership of private lands is partly- nationalized and thus, landholding companies may only have a maximum of 40% foreign equity.

For as long as the Company or any of its Subsidiaries own land in the Philippines , foreign ownership in the Company is limited to a maximum of 40% of the capital stock of the Company which is outstanding and entitled to vote. Accordingly, the Company shall disallow the issuance or the transfer of Shares to persons other than Philippine Nationals and shall not record transfers in its books if such issuance or transfer would result in the Company ceasing to be a Philippine National for purposes of complying with the restrictions on foreign ownership discussed above.

In the Philippine Supreme Court case of *Wilson P. Gamboa v. Finance Secretary Margarito B. Teves, et. al.* dated June 28, 2011 (*G.R. No. 176579*), a case involving a public utility company (which under the Philippine Constitution is also subject to the 60-40 rule on capital ownership), the Philippine Supreme Court ruled that the term "capital", as used in Section 11 of Article XII of the Philippine Constitution, refers only to shares of stocks entitled to vote in the election of directors and not to the total outstanding capital stock. This is because it is the said voting rights which translate to control. Subsequently and acting on the motions for reconsideration filed by various parties, the Supreme Court, sitting *en banc* issued on October 9, 2012 a Resolution (G.R. No. 176579) affirming their earlier ruling and denying such motions for reconsideration.

Pursuant to the above ruling of the Philippine Supreme Court, the SEC, on May 20, 2013, issued Memorandum Circular No. 8 or the *Guidelines on Compliance with the Filipino-Foreign Ownership Requirements Prescribed in the Constitution and/or Existing Laws by Corporations Engaged in Nationalized and Partly Nationalized Activities*. The Circular provides that for purposes of determining compliance therewith, the required percentage of Filipino ownership shall be applied to BOTH (a) the total number of outstanding shares of stock entitled to vote in the election of directors; AND (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors." A petition for certiorari before the Supreme Court was filed sometime in June 2013, questioning the constitutionality of the Rules on Foreign Ownership (Memorandum Circular No. 8, Series of 2013) promulgated by the SEC. On 22 November 2016, the Supreme Court rendered a decision denying the petition

**PROPERTY TAXATION**

Real property taxes are payable annually based on the property's assessed value. The assessed value of property and improvements vary depending on the location, use and the nature of the property. Land is ordinarily assessed at 20%

to 50% of its fair market value; buildings may be assessed at up to 80% of their fair market value; and machinery may be assessed at 40% to 80% of its fair market value. Real property taxes may not exceed 2% of the assessed value in municipalities and cities within Metro Manila or in other chartered cities and 1% in all other areas. An additional special education fund tax of 1% of the assessed value of the property is also levied annually.

## PHILIPPINE COMPETITION ACT

Republic Act No. 10667, or the Philippine Competition Act was signed into law on July 21, 2015 and took effect on August 8, 2015. This is the first antitrust statute in the Philippines and provides the competition framework in the Philippines. The Philippine Competition Act was enacted to provide free and fair competition in trade, industry and all commercial economic activities. To implement its objectives, the Philippine Competition Act provides for the creation of a Philippine Competition Commission (the “Commission”), an independent quasi-judicial agency with five commissioners. The Philippine Competition Act prohibits anti-competitive agreements between or among competitions, and mergers and acquisitions which have the object or effect of substantially preventing, restricting or lessening competition. It also prohibits practices which involve abuse of dominant position, such as selling goods or services below cost to drive out competition, imposing barriers to entry or prevent competitors from growing, and setting prices or terms that discriminate unreasonably between customers or sellers or the same goods, subject to exceptions.

On June 3, 2016 the Commission issued the implementing rules and regulations of the Philippine Competition Act (“IRR”). Under the IRR, as a general rule, parties to a merger or acquisition are required to provide notification when: (a) The aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines of the ultimate parent entity of the acquiring or the acquired entities exceed ₱1 Billion; and (b) the value of the transaction exceeds ₱1 Billion, as determined in the IRR; while parties to a joint venture transaction shall be subject to the notification requirement if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱1 Billion, or (b) the gross revenues generated in the Philippines by assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱1 Billion.

Violations of the Philippine Competition Act and its IRR have severe consequences. Under the law and the IRR, a transaction that meets the thresholds and does not comply with the notification requirements and waiting periods shall be considered void and will subject the parties to an administrative fine of one percent (1%) to five percent (5%) of the value of the transaction. Fines of between ₱50 million and ₱250 million may also be imposed by the courts on entities that enter into these defined anti-competitive agreements between competitors that are either prohibited per se or that have the object of substantially preventing, restricting or lessening competition by setting, limiting or controlling production, markets, technical development or investment or by dividing or sharing the market. Directors and management personnel of such entities, who knowingly and willfully participate in such criminal offenses, may also be sentenced to imprisonment for two to seven years. Treble damages may be imposed by the Commission or the courts, as the case may be, where the violation involves the trade or movement of basic necessities and prime commodities.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*Prospective investors should read the following discussion and analysis of the Company's consolidated financial position and financial performance together with (i) the report of independent auditors, (ii) the audited consolidated financial statements as at and for the years ended of 31 December 2013, 2014 and 2015 and the notes thereto, and (iii) the unaudited interim condensed consolidated financial statements as at 30 September 2016 and for the nine-month periods ended 30 September 2015 and 2016.*

*This Prospectus contains forward-looking statements that are based largely on the Company's current expectations and projections about future events and trends affecting its business and operations. The Company cautions investors that its business and financial performance is subject to substantive risks and uncertainties. The Company's actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including, without limitation, those set out in the section "Risk Factors". In evaluating the Company's business, investors should carefully consider all of the information contained in the "Risk Factors".*

*The following discussions on the Company's results of operations and financial condition are based on financial statements adopted in accordance with Philippine Financial Reporting Standards.*

**Statement of Compliance**

The accompanying consolidated financial statements as at 31 December 2013, 2014 and 2015 and for each of the three years in the period ended 31 December 2013, 2014 and 2015 have been prepared in compliance with the PFRS.

The accompanying unaudited interim consolidated financial statements as at 30 September 2016 and for the nine-month periods ended 30 September 2015 and 2016 have been prepared in accordance with PAS 34, Interim Financial Reporting.

<u>Changes in Accounting Policies</u>

The accounting policies adopted are consistent with the accounting policies adopted in the last annual financial statements for the year ended December 31, 2015, except for the adoption of the following amendments to standards and improvements:

(a) Effective in 2016 that are relevant to the Company

(i) PAS 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative* (effective from January 1, 2016).
(ii) PAS 16 (Amendment), *Property, Plant and Equipment,* and PAS 38 (Amendment), *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (effective from January 1, 2016).
(iii) PAS 16 (Amendment), *Property, Plant and Equipment* and PAS 41 (Amendment) *Agriculture – Bearer Plants* (effective from January 1, 2016).
(iv) PFRS 10 (Amendments), *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other* Entities, and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception* (effective January 1, 2016).
(v) PFRS 11 (Amendment), *Joint Arrangements* (effective from January 1, 2016).
(vi) Annual Improvements to PFRS (2012-2014 Cycle) (effective from January 1, 2016).

- PFRS 5 (Amendment), *Non-current Assets Held for Sale and Discontinued Operations*.
- PFRS 7 (Amendment), *Financial Instruments – Disclosures*.

- PAS 19 (Amendment), *Employee Benefits*.

(b) Effective subsequent to 2016

(i) PAS 7 (Amendments), *Statement of Cash Flows* (effective from January 1, 2017) – Disclosure Initiative
(ii) PAS 12 (Amendments), *Income Taxes* (effective from January 1, 2017) – Recognition of Deferred Tax Assets for Unrealized Losses
(iii) PFRS 2 (Amendments), *Share-based Payment* (effective from January 1, 2018)– Classification and Measurement of Share-based Payment Transactions
(iv) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions).
(v) PFRS 16, *Leases* (effective from January 1, 2019)

**Financial Performance**

**Nine months ended 30 September 2016 vs. nine months ended 30 September 2015**

Megaworld, the Philippines' biggest developer of integrated urban townships and the largest lessor of office spaces achieved a net income of Php9.27 billion during the first nine months of 2016, 11.02% higher than Php8.35 billion during the same period last year.

Consolidated revenues of the Megaworld Group, which includes its subsidiary brands Global-Estate Resorts, Inc., Empire East Land Holdings, Inc. and Suntrust Properties, Inc., amounted to Php35.26 billion for the three quarters of the year, up 5.18% from Php33.53 billion in the same period last year.

***Development.*** Among product portfolios, the bulk of consolidated revenues came from the sale of condominium units and residential lots, comprising 58.73% of total revenues. Real estate sales remained steady with a slight increase of 1.08%, amounting to Php20.71 billion in 2016 versus Php20.49 billion in 2015. The Group's registered sales mostly came from the following projects: One Eastwood Avenue Towers 1 & 2, Two Central, The Florence, St. Moritz Private Estate, Savoy Hotel – Newport City, The Palladium, San Antonio Residences, Three Central, One Uptown Residences, Iloilo Boutique Hotel, 81 Newport Boulevard, The Venice Luxury Residences, Uptown Parksuites Tower 1 & 2, Greenbelt Hamilton Tower 2, Uptown Ritz Residences, and Viceroy East Tower.

***Leasing***. Rental income soared 15.03% in the first three quarters of the year, reaching Php7.41 billion in the first nine months of 2016 from Php6.44 billion during the same period last year. The Group's expanded office space and commercial retail portfolio backed the steady growth of leasing revenues.

***Hotel Operations***. The Group's revenues attributable to hotel operations posted an amount of Php878.51 million during the nine months of 2016 with an increase of 65.99% from Php529.25 million in the same period of 2015.

Total costs and expenses amounted to Php25.99 billion, an increase by 3.24% from Php25.18 billion during the same period last year. Interest and other charges – net amounting to P1.67 billion in 2016, decreased by 17.50% from last year's P2.02 billion, due to higher loss on foreign exchange re-measurement of dollar bonds recognized last year. Tax expense in the third quarter of 2016 amounting to Php2.71 billion resulted to an increase of 4.75% from 2015 reported amount of Php2.59 billion due to higher taxable income.

There were no seasonal aspects that had a material effect on the financial condition or financial performance of the Group. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on net sales or revenues or income from continuing operations. The Group is not aware of events that will cause material change in the relationship between costs and revenues.

There are no significant elements of income or loss that did not arise from the Group's continuing operations.

**Financial Condition**

The Group maintains a prudent financial policy as it engages to a more competitive and challenging environment. The Group's Statement of Financial Position reflects stable financial growth. Total resources as at September 30, 2016 amounted to Php266.47 billion, posting an increase of 5.87% compared to Php251.68 billion as at December 31, 2015.

The Group shows steady liquid position as at September 30, 2016 by having its current assets at Php133.08 billion as against its current obligations at Php40.71 billion. Current assets posted an increase of 1.45% from December 31, 2015 balance of Php131.18 billion. Current obligations reflected an increase of 11.61% from December 31, 2015 balance of Php36.48 billion.

Cash and cash equivalents decreased by 41.09% from Php22.76 billion in 2015 to Php13.41 billion in 2016 mainly due to capital expenditures and operating activities for business expansion. Current and non-current trade and other receivables – net increased by 14.89%, amounting to Php69.00 billion as at September 30, 2016 compared to Php60.06 billion as at December 31, 2015. Residential, condominium units, golf and resort shares for sale increased by 5.82% from Php61.47 billion in 2015 to Php65.04 billion in 2016 mainly due to the additional construction costs attributable to on-going projects. Property development costs increased to Php16.90 billion, 13.75% higher than Php14.86 billion last year. Land for future development decreased by 2.00% from Php18.12 billion in 2015 to Php17.75 billion in 2016. The Group's investments in available-for-sale (AFS) securities decreased by 13.88%, from Php4.70 billion in 2015 to Php4.05 billion in 2016 due to changes in the fair market value of shares. Investment properties – net increased by 19.88% amounting to Php55.47 billion in September 30, 2016 from Php46.27 billion in December 31, 2015 due to completion and additional construction costs of real properties for lease. Property and equipment – net increased to Php3.75 billion, up 22.75% from year-end 2015 balance of Php3.05 billion due to additional costs incurred for hotel buildings.

Trade and other payables amounted to Php13.65 billion and Php12.07 billion as at September 30, 2016 and December 31, 2015, respectively. The increase of 13.09% was mainly due to higher payables to suppliers and contractors. Total current and non-current customers' deposits as at September 30, 2016 amounted to Php6.96 billion compared Php6.94 billion as at December 31, 2015 with 0.30% increase. The combined effect of current and non-current deferred income on real estate sales increased by 6.58% which amounted to Php11.15 billion as at September 30, 2016 compared to Php10.46 billion as at December 31, 2015.

The interest-bearing loans and borrowings current and non-current amounted to Php34.18 and Php31.67 billion for September 30, 2016 and December 31, 2015, respectively, reflecting a 7.91% increase. Bonds payable increased by 2.86% – Php21.53 billion as at September 30, 2016 compared to Php20.93 billion as at December 31, 2015. Total other liabilities amounted to Php6.44 billion from Php5.56 billion as at September 30, 2016 and December 31, 2015, respectively, translating to a 15.81% increase.

Total Equity (including non-controlling interests) increased by 5.19% from Php134.41 billion as at December 31, 2015 to Php141.40 billion as at September 30, 2016 due to the Group's continuous profitability.

The top five (5) key performance indicators of the Group are shown below:

| | September 30, 2016 | December 31, 2015 |
|---|---|---|
| Current Ratio *1 | 3.27:1.00 | 3.60:1.00 |
| Quick Ratio *2 | 0.33:1.00 | 0.62:1.00 |
| Debt to Equity Ratio *3 | 0.39:1.00 | 0.39:1.00 |

| | September 30, 2016 | September 30, 2015 |
|---|---|---|
| Return on Assets *4 | 3.58% | 3.65% |
| Return on Equity *5 | 7.48% | 7.21% |

**1 – Current Assets / Current Liabilities*
**2 – Cash and Cash Equivalents / Current Liabilities*

**3 – Interest Bearing Loans and Borrowings and Bonds Payable / Equity*
**4 – Net Profit / Average Total Assets*
**5 – Net Profit / Average Equity (Computed using figures attributable only to parent company shareholders)*

With its strong financial position, the Group will continue investing in and pursuing expansion activities as it focuses on identifying new markets, maintaining established markets and tapping business opportunities.

**Material Changes in the Year 2016 Financial Statements**

***(Increase/decrease of 5% or more versus December 31, 2015)***

**Statement of Financial Position**

41.09% decrease in cash and cash equivalents
Due to capital expenditures and operating activities for business expansion

14.89% increase in trade receivables – current and non-current
Primarily due to additional sales for the period

5.82% increase in residential, condominium units, golf and resort shares for sale
Due to additional construction costs attributable to on-going projects

13.75% increase in property development costs
Due to costs attributable to the development of various projects

19.96% increase in prepayments and other assets – current and non-current
Due to increase in prepaid expenses

13.88% decrease in investments in AFS securities
Due to changes in the fair market value of shares

13.50% decrease in investments in and advances to associates and other related parties
Resulted from the consolidation of a new subsidiary

19.88% increase in investment properties – net
Due to additional project costs of malls, commercial centers and office buildings

22.75% increase in property and equipment – net
Represents additional costs incurred for hotel buildings

18.13% decrease in deferred tax assets – net
Due to lower deferred tax assets on taxable temporary differences

7.91% increase in interest-bearing loans and borrowings – current and non-current
Due to availment of new loans

13.09% increase in trade and other payables
Due to higher payables to suppliers and contractors

6.58% increase in deferred income on real estate sales – current and non-current
Represents increase in unearned revenue

57.60% decrease in income tax payable
Due to payment of prior year income tax due

15.81% increase in other liabilities – current and non-current
Mainly contributed by additional security deposits and advance rent from new tenants

6.55% increase in deferred tax liabilities – net
Pertains to tax effects of taxable and deductible temporary differences

16.81% increase in advances from associates and other related parties
Due to increase in advances arising from related party transactions

***(Increase/decrease of 5% or more versus September 30, 2015)***

**Statements of Income**

5.25% increase in realized gross profit on prior years' sales
Represents portion of gross profit from real estate sales made in prior years realized for the current period

15.03% increase in rental income
Due to aggressive expansion of the Group's leasing portfolio, escalation of rental rates and high demand for office space from BPO Companies

65.99% increase in hotel operations
Mainly contributed by newly opened hotels last year

69.45% increase in cost of hotel operations
Represents direct costs attributable to hotel operations

17.50% decrease in interest and other charges – net
Primarily due to higher loss on foreign exchange re-measurement of dollar bonds recognized last year

There are no other significant changes in the Group's financial position (5% or more) and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would have impact or change the reported financial information and condition on the Group.

There are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing the Group's liquidity in any material way. The Group does not anticipate having any cash flow or liquidity problems. The Group is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

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

The Group has no unusual nature of transactions or events that affects assets, liabilities, equity, net income or cash flows.

There were no seasonal aspects that had a material effect on the financial condition or results of operations of the Group.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosure required in the financial statements and should be read in conjunction with the Group's consolidated annual financial statements as at and for the year ended December 31, 2015.
The accounting policies and methods of computation adopted in preparation of the Group's unaudited interim consolidated financial statements are the same with the most recent annual financial statements for the year ended December 31, 2015.

There were no known material events subsequent to the end of the interim period that have not been reflected in the Group's Financial Statements as at the third quarter of 2016.

There were no changes in estimates of amount reported in the current financial year or changes in estimates of amounts reported in prior financial years.

There was no contingent liability reflected in the most recent annual financial statements, the same in the current year consolidated financial statements as at the third quarter of 2016. There are commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying interim 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 interim consolidated financial statements.

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

There are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonable expected to have a material impact on the continuing operations of the Group.

**Year ended 31 December 2015 vs. year ended 31 December 2014**

The Company breached the Php10-billion mark in net core income for 2015. The Group's core profit reached Php10.40-billion (net of Php181-million non-recurring gain), up by 10.58% from last year's Php9.40-billion (net of Php12.16-billion non-recurring gain).

Consolidated core revenues composed of real estate sales, rental income, hotel operations and other recurring revenues posted an amount of Php44.81 billion this year, up by Php3.84 million or 9.37% higher from 2014 figures amounting to Php40.97 billion.

***Development.*** Among product portfolios, the bulk of consolidated revenues came from the sale of condominium units and residential lots, comprising 60.59% of total revenues. Real estate sales posted a 10.79% increase, with an aggregate amount of Php27.26 billion in 2015 versus Php24.61 billion last year. The Group's registered sales mostly came from the following projects: Three Central, The Venice Luxury Residences – Fiorenzo, Greenbelt Hamilton Tower 2, St. Moritz Private Estate, McKinley Hill Village, One Eastwood Avenue Tower 2, Uptown Parksuites Towers 1 & 2, One Uptown Residences, Paseo Heights, Viceroy East Tower, The Florence, Salcedo Skysuites, Tuscany Private Estate, Eight Forbestown Road, Lafayette Park Square, One Manchester Place and 81 Newport Boulevard.

***Leasing*****.** Rental income contributed 19.40% to the consolidated revenues and amounted to Php8.73 billion compared to Php7.07 billion reflected last year, a 23.46% increase. Contributing to the growth are the escalation of rental rates and increase in demand for office space from BPO Companies.

***Hotel Operations*****.** The Group's revenues attributable to hotel operations posted an amount of Php796.32 million during the year with an increase of 10.15% from Php722.97 million in 2014.

Total costs and expenses increased by 9.25% from Php31.51 billion in 2014 to Php34.42 billion this year primarily due to increase in real estate sales, operating and administrative expenses. Interest and other charges – net increased by 67.82%, amounting to Php2.73 billion in 2015 from Php1.62 billion last year due to foreign exchange re-measurement of dollar bonds. Tax expense in 2015 amounting to Php3.28 billion resulted to a 5.27% increase from 2014 reported amount of Php3.12 billion due to higher taxable income

There were no seasonal aspects that had a material effect on the financial condition or financial performance of the Group. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on net sales or revenues or income from continuing operations. The Group is not aware of events that will cause material change in the relationship between costs and revenues.

There are no significant elements of income or loss that did not arise from the Group's continuing operations.

**Financial Condition**

The Group maintains a prudent financial policy as it engages to a more competitive and challenging environment. The Group's Statement of Financial Position reflects stable financial growth. Total resources as at December 31, 2015 amounting to Php251.68 billion posted an increase of 13.86% compared to Php221.04 billion as at December 31, 2014.

The Group shows steady liquid position as at December 31, 2015 by having its current assets at Php131.18 billion as against its current obligations at Php36.48 billion. Current assets posted an increase of 7.44% from December 31, 2014 balance of Php122.09 billion. Current obligations reflected a decrease of 6.17% from Php38.88 billion balance last year.

Cash and cash equivalents decreased by 9.47% from Php25.14 billion in 2014 to Php22.76 billion in 2015 due to capital expenditure and operating activities for business expansion. An increase of 14.11% from its current and non-current trade and other receivables – Php60.06 billion as at December 31, 2015 compared to Php52.63 billion as at December 31, 2014, was due to additional sales for the period. Residential, condominium units, golf and resort shares for sale further increased by 8.01% from Php56.91 billion last year to Php61.47 billion in 2015 mainly due to the additional construction costs attributable to on-going projects. Property development costs increased to Php14.86 billion, 19.92% higher than Php12.39 billion last year. The Group's investments in available-for-sale securities decreased by 23.54%, from Php6.15 billion in 2014 to Php4.70 billion in 2015 due to changes in the fair market value of shares. Investment properties increased by 29.39% amounting to Php46.27 billion in December 31, 2015 from Php35.76 billion in December 31, 2014 due to completion of properties for lease.

Trade and other payables amounted to Php12.07 billion and Php10.62 billion as at December 31, 2015 and December 31, 2014, respectively. The increase of 13.65% was due to higher payables to suppliers and contractors. Total current and non-current customers' deposits as at December 31, 2015 amounted to Php6.94 billion compared to Php7.24 billion as at December 31, 2014 with 4.16% decrease, due to sales recognition of pre-sold various projects. The combined effect of current and non-current deferred income on real estate sales increased by 6.12% which amounted to Php10.46 billion as at December 31, 2015 compared to Php9.86 billion as at December 31, 2014.

The interest-bearing loans and borrowings current and non-current amounted to Php31.67 billion resulted in a 261.86% increase from previous year-end's Php8.75 billion mainly due to availment of new loans. Total other liabilities amounted to Php5.56 billion from Php4.09 billion as at December 31, 2015 and December 31, 2014, respectively translating to a 35.97% increase.

Total Equity (including non-controlling interests) increased by 4.36% from Php128.80 billion as at December 31, 2014 to Php134.41 billion as at December 31, 2015 due to the Group's continuous profitability.

The top five (5) key performance indicators of the Group are shown below:

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Current Ratio *1 | 3.60:1.00 | 3.14:1.00 |
| Quick Ratio *2 | 0.62:1.00 | 0.65:1.00 |
| Debt to Equity Ratio *3 | 0.39:1.00 | 0.26:1.00 |

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Return on Assets *4 | 4.47% | 10.92% |
| Return on Equity *5 | 8.98% | 20.93% |

**1s– Current Assets / Current Liabilities*
**2s– Cash and Cash Equivalents / Current Liabilities*
**3s– Interest Bearing Loans and Borrowings and Bonds Payable / Equity*
**4s– Net Income / Average Total Assets*
**5s– Net Income / Average Equity (Computed using figures attributable only to parent company shareholders)*

With its strong financial position, the Group will continue investing in and pursuing expansion activities as it focuses on identifying new markets, maintaining established markets and tapping business opportunities.

**Material Changes in the Year 2015 Financial Statements**

***(Increase/decrease of 5% or more versus December 31, 2014)***

**Statement of Financial Position**

9.47% decrease in cash and cash equivalents
Due to capital expenditure and operating activities for business expansion

14.11% increase in trade and other receivables – current and non-current
Primarily due to additional sales for the period

8.01% increase in residential, condominium units, golf and resort shares for sale
Due to additional construction costs attributable to on-going projects

19.92% increase in property development costs
Costs incurred during the development stage of the projects

18.09% increase in prepayments and other assets – current and non-current
Due to increase in prepaid expenses

34.38% increase in advances to landowners and joint ventures
Due to additional advances made to landowners

37.11% increase in land for future development
Due to additional land acquisitions and contribution of new subsidiary

23.54% decrease in investments in available-for-sale securities
Due to changes in the fair market value of shares

11.33% increase in investments in and advances to associates and other related parties
Mainly due to new investment in associate

29.39% increase in investment properties - net
Due to completion of properties for lease

63.38% increase in property and equipment - net
Mainly contributed by a new hotel building and improvements

13.15% decrease in deferred tax assets – net
Due to lower deferred tax assets on taxable temporary differences

261.86% increase in interest-bearing loans and borrowings – current and non-current
Due to availment of new loans

15.55% decrease in bonds payable – current and non-current
Primarily due to maturity of bonds

13.65% increase in trade and other payables
Due to higher payables to suppliers and contractors

5.36% increase in reserve for property development – current and non-current

Represents estimated cost to complete the development of various projects

6.12% increase in deferred income on real estate sales – current and non-current
Represents increase in unearned revenue

10.71% decrease in income tax payable
Due to payment of prior year income tax due

65.11% increase in advances from associates and other related parties
Due to increase in advances arising from related party transactions

35.97% increase in other liabilities – current and non-current
Mainly due to additional security deposits and advance rent

18.41% increase in deferred tax liabilities
Pertains to tax effects of taxable and deductible temporary differences

14.14% decrease in retirement benefit obligation
Mainly due to lower recognized liabilities on employee benefits

***(Increase/decrease of 5% or more versus December 31, 2014)***

**Statements of Income**

10.79% increase in real estate sales
Due to higher sales for the period

17.27% increase in realized gross profit on prior years' sales
Represents portion of gross profit from real estate sales made in prior years realized for the period

23.46% increase in rental income
Due to escalation of rental rates and increase in demand for office space from BPO companies

10.15% increase in hotel operations
Mainly due to opening of new hotels

57.83% decrease in equity share in net earnings of associates
Due to the reclassification of investment in associates as investment in available-for-sale in 2014

83.20% decrease in interest and other income – net
Primarily due to non-recurring gains from the acquisition and sale of subsidiary and associate in 2014

7.46% increase in cost of real estate sales
Due to increase in real estate sales

27.02% increase in cost of hotel operations
Represents direct costs attributable to hotel operations

6.68% increase in operating expenses
Due to increase in other administrative and corporate overhead expenses

67.82% increase in interest and other charges – net
Primarily due to foreign exchange re-measurement of dollar bonds

5.27% increase in tax expense
Due to higher taxable income and tax effects of deductible temporary differences

There are no other significant changes in the Group's financial position (5% or more) and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would have impact or change the reported financial information and condition on the Group.

There are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing the Group's liquidity in any material way. The Group does not anticipate having any cash flow or liquidity problems. The Group is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

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

The Group has no unusual nature of transactions or events that affects assets, liabilities, equity, net income or cash flows.

There were no seasonal aspects that had a material effect on the financial condition or results of operations of the Group.

There were no known material events subsequent to the end of the period that have not been reflected in the Group's Financial Statements for the year 2015.

There were no changes in estimates of amount reported in the current financial year or changes in estimates of amounts reported in prior financial years.

There was no contingent liability reflected in the most recent annual financial statement, the same in the current year consolidated financial statements as at 2015. There are 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.

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

There are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonable expected to have a material impact on the continuing operations of the Group.

**(Based on Financial Statements adopted in accordance with the Philippine Financial Reporting Standards)**

**Year ended 31 December 2014 vs. year ended 31 December 2013**

The Group posted an increase of 138.57% in consolidated net profit amounting to Php21.55 billion (inclusive of Php12.16 billion non-recurring gains) for the year 2014. Excluding the one-time gains, net income went up by 13.63%, from Php8.27 billion last year to Php9.40 billion this year.

Consolidated revenues composed of real estate sales, rental income, hotel operations and other revenues posted an increase of 46.60% from Php36.24 billion to Php53.13 billion. Core revenues amounted to Php40.97 billion, resulting from strong property sales and sustained growth in leasing and hotel income, 15.49% higher than the Php35.48 billion revenues of the same period.

***Development.*** Among product portfolios, the bulk of consolidated revenues came from the sale of condominium units and residential lots, comprising 46.31% of total revenues. Real estate sales posted a 15.79% increase, with an aggregate amount of Php24.61 billion in 2014 versus Php21.25 billion last year. The Group's registered sales mostly came from the following projects: Three Central, Savoy Hotel – Newport City, The Venice Luxury Residences, Greenbelt Hamilton, Uptown Ritz Residences, McKinley West Village, One Eastwood Avenue Towers 1 & 2, Uptown Parksuites, One Uptown Residences, Paseo Heights, Viceroy Tower 3, The Florence, Iloilo Boutique Hotel, One Central, One Pacific Residence, Lafayette Park Square, Golfhills Garden Square, One Madison Place Towers 2 & 3, Noble Place and Savoy Hotel – Mactan Newtown.

***Leasing*****.** Rental income contributed 13.31% to the consolidated revenues and amounted to Php7.07 billion compared to Php6.04 billion reflected last year, a 17.11% increase. Contributing to the growth are the escalation of rental rates and increase in demand for office space from BPO Companies.

***Hotel Operations*****.** With the consolidation of a new subsidiary, the Group's revenues attributable to hotel operations grew by 60.29% posting an amount of Php.72 billion in 2014 from Php.45 billion in 2013.

In general, the increase in costs and expenses by 15.78% from Php27.21 billion in 2013 to Php31.51 billion in 2014 was mainly due to the increase in recognized real estate sales and increase in other administrative and corporate overhead expenses. Income tax expense in 2014 amounted to Php3.12 billion resulting to a 21.35% increase from 2013 reported amount of Php2.57 billion due to higher taxable income.

There were no seasonal aspects that had a material effect on the financial condition or financial performance of the Group. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on net sales or revenues or income from continuing operations. The Group is not aware of events that will cause material change in the relationship between costs and revenues.

There are no significant elements of income or loss that did not arise from the Group's continuing operations.

**Financial Condition**

The Group maintains a prudent financial policy as it engages to a more competitive and challenging environment. The Group's Statement of Financial Position reflects stable financial growth. Total resources as of December 31, 2014 amounted to Php221.04 billion posted an increase of 27.12% compared to Php173.88 billion as of December 31, 2013.

The Group shows steady liquid position as of December 31, 2014 by having its current assets at Php122.09 billion as against its current obligations at Php38.88 billion. Current assets posted an increase of 24.00% from December 31, 2013 balance of Php98.46 billion. Current obligations reflected an increase of 50.13% from Php25.90 billion balance last year.

Cash and cash equivalents decreased by 20.81% from Php31.75 billion in 2013 to Php25.14 billion in 2014 due to capital expenditure and operating activities for business expansion. An increase of 22.40% from its current and non-current trade and other receivables – Php52.63 billion as of December 31, 2014 compared to Php43.00 billion as of December 31, 2013, was due to additional sales for the period and contribution of a new subsidiary. Residential and condominium units for sale further increased by 62.09% from Php35.11 billion last year to Php56.91 billion in 2014 mainly due to the consolidation of a new subsidiary. Property development costs increased to Php12.39 billion, 27.64% higher than Php9.71 billion last year. The Group's investments in available-for-sale securities increased by 56.44%, from Php3.93 billion in 2013 to Php6.15 billion in 2014 due to reclassification of investment in associate as available-for-sale securities resulting from decrease in ownership. Investment Property increased by 43.35% amounting to Php35.76 billion in December 31, 2014 from Php24.95 billion in December 31, 2013 due to completion of properties for lease and consolidation of newly acquired subsidiaries.

Trade and other payables amounted to Php10.62 billion and Php7.20 billion as of December 31, 2014 and December 31, 2013, respectively. The increase of 47.54% was due to the consolidation of new subsidiaries. Total current and non-current customers' deposits as of December 31, 2014 amounted to Php7.24 billion compared to Php5.12 billion as of December 31, 2013 with 41.63% increase, driven by aggressive marketing, pre-selling and contribution of newly-acquired subsidiaries. The combined effect of current and non-current deferred income on real estate sales increased by 32.01% which amounted to Php9.86 billion as of December 31, 2014 compared to Php7.47 billion as of December 31, 2013.

The interest-bearing loans and borrowings current and non-current amounted to Php8.75 billion resulted in a 130.34% increase from previous year-end's Php3.80 billion mainly due to new loan availed. Total other liabilities amounted to Php4.09 billion from Php3.59 billion as of December 31, 2014 and December 31, 2013, respectively translating to a 14.05% increase.

Total Equity (including non-controlling interest) increased by 26.33% from Php101.95 billion as of December 31, 2013 to Php128.80 billion as of December 31, 2014 due to the Group's continuous profitability including the non-recurring gains from the acquisition and sale of subsidiary and associate.

The top five (5) key performance indicators of the Group are shown below:

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Current Ratio *1 | 3.14:1.00 | 3.80:1.00 |
| Quick Ratio *2 | 0.65:1.00 | 1.23:1.00 |
| Debt to Equity Ratio *3 | 0.26:1.00 | 0.28:1.00 |

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Return on Assets *4 | 10.92% | 5.71% |
| Return on Equity *5 | 20.93% | 10.99% |

**1s– Current Assets / Current Liabilities*
**2s– Cash and Cash Equivalents / Current Liabilities*
**3s– Interest Bearing Loans and Borrowings and Bonds Payable / Equity*
**4s– Net Income / Average Total Assets*
**5s– Net Income / Average Equity (Computed using figures attributable only to parent company shareholders)*

With its strong financial position, the Group will continue investing in and pursuing expansion activities as it focuses on identifying new markets, maintaining established markets and tapping business opportunities.

**Material Changes in the Year 2014 Financial Statements**
***(Increase/decrease of 5% or more versus December 31, 2013)***

**Statement of Financial Position**

20.81% decrease in cash and cash equivalents
Due to capital expenditure and operating activities for business expansion

22.40% increase in trade and other receivables – current and non-current
Primarily due to additional sales booking for the period and contribution of new subsidiaries

12.60% decrease in financial assets at fair value through profit or loss
Due to decrease in fair value of marketable securities

62.09% increase in residential and condominium units for sale
Mainly due to consolidation of a new subsidiary

27.64% increase in property development costs
Due to consolidation of a new subsidiary

100.62% increase in prepayments and other assets – current and non-current
Mainly due to contribution of new subsidiaries and recognition of goodwill

29.08% increase in advances to landowners and joint ventures
Due to consolidation of a new subsidiary

161.67% increase in land for future development

Due to additional land acquisitions and contribution of new subsidiary

56.44% increase in investments in available-for-sale securities
Due to reclassification of investment in associate as available-for-sale securities resulting from decrease in ownership

52.38% decrease in investments in and advances to associates and other related parties
Due to the reclassification of investments from associates to subsidiaries

43.35% increase in investment property - net
Due to completion of properties for lease and consolidation of newly acquired subsidiaries

166.13% increase in property and equipment - net
Due to consolidation of new subsidiaries

77.16% increase in deferred tax assets - net
Higher deferred tax assets on taxable temporary differences

130.34% increase in interest-bearing loans and borrowings – current and non-current
Due to new loan availed

47.54% increase in trade and other payables
Due to consolidation of new subsidiaries

41.63% increase in customers’ deposit – current and non-current
Due to aggressive marketing and pre-selling of various projects and contribution from new subsidiary

25.28% increase in reserve for property development – current and non-current
Represents estimated cost to complete the development of various projects

32.01% increase in deferred income on real estate sales – current and non-current
Mainly due to consolidation of new subsidiary

119.99% increase in income tax payable
Mainly due to higher taxable income

100.00% increase in redeemable preferred shares
Due to consolidation of a new subsidiary

20.88% increase in deferred tax liabilities
Pertains to tax effects of taxable and deductible temporary differences

649.58% increase in advances from associates and other related parties
Due to consolidation of new subsidiaries

43.98% increase in retirement benefit obligation
Additional accrual of retirement plan of employees

14.05% increase in other liabilities
Due to consolidation of new subsidiaries

***(Increase/decrease of 5% or more versus December 31, 2013)***

**Statements of Income**

15.79% increase in real estate sales

Higher sales recognized for the period driven by new projects launched this year

8.72% increase in interest income on real estate sales
Recognition of interest income from prior years' sales

5.68% increase in realized gross profit on prior years' sales
Represents portion of gross profit from real estate sales made in prior years realized for the period

17.11% increase in rental income
Due to escalation of rental rates and increase in demand for office space from BPO companies

60.29% increase in hotel operations
Due to consolidation of a new subsidiary
5.46% increase in equity share in net earnings of associates
Caused by increase in the net income of various associates

330.93% increase in interest and other income-net
Mainly due to non-recurring gains from the acquisition and sale of subsidiary and associate

13.59% increase in cost of real estate sales
Due to increase in real estate sales

7.06% increase in deferred gross profit
Pertains to uncompleted portion of various sales generating projects

57.91% increase in cost of hotel operations
Mainly due to consolidation of newly-acquired subsidiary

32.26% increase in operating expenses
Due to increase in other administrative and corporate overhead expenses and contribution from new subsidiaries

12.65% decrease in interest and other charges – net
Due to principal payments of borrowings

21.35% increase in income tax expense
Due to higher taxable income and tax effects of deductible temporary differences and contributions from newly acquired subsidiaries

There are no other significant changes in the Group's financial position (5% or more) and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would have impact or change the reported financial information and condition on the Group.

There are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing the Group's liquidity in any material way. The Group does not anticipate having any cash flow or liquidity problems. The Group is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

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

The Group has no unusual nature of transactions or events that affects assets, liabilities, equity, net income or cash flows.

There were no seasonal aspects that had a material effect on the financial condition or results of operations of the Group.

There were no known material events subsequent to the end of the period that have not been reflected in the Group's Financial Statements for the year 2014.

There were no changes in estimates of amount reported in the current financial year or changes in estimates of amounts reported in prior financial years.

There was no contingent liability reflected in the most recent annual financial statement, the same in the current year consolidated financial statements as of 2014. There are 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.

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

There are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonable expected to have a material impact on the continuing operations of the Group.

**Year ended 31 December 2013 vs. year ended 31 December 2012**

The Group's consolidated net income for the year ended December 31, 2013 posted an amount of Php9.03 billion (which includes Php763.83 million non-recurring gain on acquisition of subsidiary), or 21.90% higher than the previous year's net income of Php7.41 billion. Consolidated total revenues composed of real estate sales, rental income, hotel income and other revenues posted an increase of 18.42% from Php30.60 billion to Php36.24 billion.

***Development.*** Among product portfolios, the bulk of generated consolidated revenues came from the sale of condominium units amounting to Php21.25 billion in 2013 compared to Php18.17 billion in 2012, an increase of 16.94%. The Group's registered sales mostly came from the following projects: One Uptown Residences; Noble Place Binondo; Belmont Hotel; Savoy Hotel; Uptown Ritz Residences; Greenbelt Hamilton; Three Central; Viceroy Tower 1, 2 & 3; One Eastwood Avenue Tower 1; One Pacific Residence; The Venice Luxury Residence Domenico & Carusso; Eight Newtown; 101 Newport Boulevard; Eight Forbes Town Road and One Madison Place IloIlo.

***Leasing***. Rental income contributed 16.66% to the consolidated revenue and amounted to Php6.04 billion compared to Php4.99 billion reflected last year, a 20.88% increase. Contributing to the growth are the escalation and completion of additional leasing properties and increase in demand for office space from BPO Companies.

***Hotel Operations***. The Group's hotel operations posted an amount of Php451.04 million in 2013, slightly declined by 2.44%, from Php462.31 million in 2012. In general, the increase in costs and expenses from Php23.19 billion in 2012 to Php27.21 billion in 2013, or increase by 17.33% was mainly due to the increase in real estate sales, additional interest on new dollar bonds issued and increase in other administrative and corporate overhead expenses. Income tax expense in 2013 amounting to Php2.57 billion resulted to a 14.15% increase from 2012 reported amount of Php2.25 billion due to higher taxable income.

There were no seasonal aspects that had a material effect on the financial condition or financial performance of the Group. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on net sales or revenues or income from continuing operations. The Group is not aware of events that will cause material change in the relationship between costs and revenues.

There are no significant elements of income or loss that did not arise from the Group's continuing operations.

**Financial Condition**

The Group maintains a prudent financial policy as it engages to a more competitive and challenging environment. The Group's Statement of Financial Position reflects stable financial growth. Total resources as of December 31, 2013 amounted to Php173.88 billion posted an increase of 21.83% compared to Php142.72 billion as of December 31, 2012.

The Group shows liquid position as of December 31, 2013 by having its current assets amounted to Php98.46 billion as against its current obligations of Php25.90 billion. Current assets posted an increase of 20.46% from December 31, 2012 balance of Php81.73 billion. Current obligations reflected an increase of 0.52% from December 31, 2012 balance of Php25.76 billion.

Cash and cash equivalents increased by 18.36% from Php26.83 billion in 2012 to Php31.75 billion in 2013. The increase is due to the proceeds from the issuance of dollar bonds, share subscription by the Parent Company from the increase in authorized capital, exercise of stock warrants and proceeds from sale of an associate. A 9.51% increase from its current and non-current trade and other receivables – Php43.00 billion as of December 31, 2013 compared to Php39.26 billion as of December 31, 2012, was due to higher sales for the period. An increase by 21.53% from Php28.89 billion in 2012 to Php35.11 billion in 2013 in residential and condominium units for sale pertains to additional construction cost attributable to on-going projects. Property development cost increased by 12.64% from last year-end's amount of Php8.62 billion to Php9.71 billion in 2013. The Group's investment in available-for-sale securities increased by 20.63%, from Php3.26 billion in 2012 to Php3.93 billion in 2013 was due to changes in market value of investments. Investment property increased by 49.99%, amounting to Php24.95 billion in 2013 as compared with 2012 balance of Php16.63 billion due to additional property for lease and contribution by newly acquired subsidiary.

Trade and other payables amounted to Php7.20 billion and Php7.90 billion as of December 31, 2013 and 2012, respectively. The decrease of 8.88% was due to payments made to the Group's suppliers and contractors in relation to its real estate developments. Total customers' deposits as of December 31, 2013 amounted to P5.12 billion compared to Php5.94 billion as of December 31, 2012 with a 13.82% decrease.

The combined effect of current and non-current deferred income on real estate sales increased by 16.01% which amounted to Php7.47 billion as of December 31, 2013 compared to Php6.44 billion as of December 31, 2012 due to increase in unearned revenue.

Total Interest-bearing loans and borrowings current and non-current amounted to Php3.80 billion resulted in a 41.52% decrease from previous year Php6.50 billion mainly due to principal payments of loans and early redemption of notes during the period. Bonds payable increased by 83.13%, amounting to Php24.83 billion in 2013 from Php13.56 billion in 2012 due to issuance of dollar bonds during the year. Total other liabilities amounted to Php3.59 billion from Php3.77 billion as of December 31, 2013 and December 31, 2012, respectively translating to a 4.83% decrease.

Total equity (including non-controlling interest) increased by 25.52% from Php81.23 billion as of December 31, 2012 to Php101.95 billion as of December 31, 2013 due to the Group's continuous profitability, issuance of shares amounting to Php2.5 billion to Parent Company and additional issuance of common shares from exercised stock warrants amounting to Php721.81 million in 2013.

The top five (5) key performance indicators of the Group are shown below:

| | Year 2013 | Year 2012 (As restated) |
|---|---|---|
| Current Ratio *1 | 3.80:1 | 3.17:1 |
| Quick Ratio *2 | 1.23:1 | 1.04:1 |
| Debt to Equity Ratio *3 | 0.28:1 | 0.25:1 |
| Return on Assets *4 | 5.71% | 5.46% |
| Return on Equity *5 | 9.76% | 10.23% |

**1 – Current Assets / Current Liabilities*
**2 – Cash and Cash Equivalents / Current Liabilities*

**3 – Interest Bearing Loans and Borrowings and Bonds payable / Stockholders' Equity*
**4 – Net Income / Average total assets*
**5 – Net Income / Equity (Computed using figures attributable only to company's shareholders)*

With its strong financial position, the Group will continue investing in and pursuing expansion activities as it focuses on identifying new markets, maintaining established markets and tapping business opportunities.

**Material Changes in the Year 2013 Financial Statements**
***(Increase/decrease of 5% or more versus December 31, 2012)***

**Statement of Financial Position**
18.36% increase on Cash and cash equivalents
Mainly due to proceeds from issuance of new common stocks; dollar bonds; exercise of stock warrants and sale of an associate

9.51% increase in Trade and other receivables – current and non-current-net
Primarily due to higher sales generated during the year

53.94% increase in Financial assets at fair value through profit or loss
Brought by changes in market value of financial assets

21.53% increase in Residential and condominium units for sale
Pertains to additional construction cost attributable to on-going projects

12.64% increase in Property development costs
Mainly due to the costs attributable to the development of various projects

16.76% increase in Land for future development
Mainly due to acquisition of additional parcels of land for future development of subsidiaries

20.63% increase in Investment in available-for-sale securities
Due to changes in market value of investments

64.15% increase in Investments in and advances to associates and other related parties – net
Due to additional investments in new and existing associates, share in net earnings of associates for the period, and additional advances to other related parties

49.99% increase in Investment property - net
Due to additional properties for lease and contributed by newly acquired subsidiary

17.54% increase in Property and equipment - net
Due to additional acquisition of property and equipment

5.22% increase in Deferred tax assets
Pertains to tax effects of taxable and deductible temporary differences

41.52% decrease in Interest-bearing loans and borrowings – current and non-current
Mainly due to payments of principal amount of loans and early redemption of notes during the period

8.88% decrease in Trade and other payables
Due to payments made to the Group's suppliers and contractors in relation to real estate developments

13.82% decrease in Customers deposit
Due to reclassification of account resulting from recognition of sales from customers deposits
18.78% increase in Reserve for property development - current and non-current
Represents increase in estimated cost to complete the development of various projects

16.01% increase in Deferred income on real estate sales - current and non-current
Represents increase in unearned revenue

429.14% increase in Income tax payable
Mainly due to higher taxable income

83.13% increase in Bonds payable
Mainly due to issuance of dollar bonds during the year

17.23% increase in Deferred tax liabilities - net
Pertains to tax effects of taxable and deductible temporary differences

82.60% decrease in Advances from associates and other related parties
Represents reclassification of account resulting from consolidation of former associate

19.53% increase in Retirement benefit obligation
Primarily due to impact of revised PAS 19- Employee Benefits

***(Increase/decrease of 5% or more versus December 31, 2012)***
**Income Statements**
16.94% increase in Real estate sales
Primarily due to higher sales recognized during the year

15.79% increase in Interest income on real estate sales
Recognition of interest income from prior years' sales

52.25% increase in Realized gross profit on prior years' sales
Represents portion of gross profit from real estate sales made in prior years realized in the current year

20.88% increase in Rental income
Due to escalation and the completion of additional leasing property and increase in demand for office space from BPO Companies

60.76% decrease in Equity share in net earnings of associates
Mainly due to decrease in net income of associates

26.43% increase in Interest and other income – net
There was a non-recurring gain on acquisition of a subsidiary

10.04% increase in Cost of real estate sales
Due to increase in real estate sales

15.65% increase in Operating expenses
Due to increase in other administrative and corporate overhead expenses

32.96% increase in Deferred gross profit
Pertains to the portion of gross profit from current real estate sales to be realized in future periods

64.98% increase in Interest and other charges – net
Due to interest expense recognized and cost incurred related to dollar bond issuance

14.15% increase in Income tax expense
Due to higher taxable income and tax effects of deductible temporary differences

There are no other significant changes in the Group's financial position (5% or more) and condition that will warrant more detailed discussion. Further, there are no material events and uncertainties known to management that would have impact or change reported financial information and condition on the Group.

There are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing the Group's liquidity in any material way. The Group does not anticipate having any cash flow or liquidity problems. The Group is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

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

The Group has no unusual nature of transactions or events that affects assets, liabilities, equity, net income or cash flows.

There were no seasonal aspects that had a material effect on the financial condition or results of operations of the Group.

There were no known material events subsequent to the end of the year that have not been reflected in the Group's Financial Statements for the year ended December 31, 2013.

There were no changes in estimates of amount reported in the current financial year or changes in estimates of amounts reported in prior financial years.

There was no contingent liability reflected in the most recent annual financial statement, the same in the current year consolidated financial statements as of December 31, 2013. There are commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying annual 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 annual consolidated financial statements.

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

There are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonable expected to have a material impact on the continuing operations of the Group.

**Key Performance Indicators**

The following are the major financial ratios of the Issuer for the years ended December 31, 2013, 2014 and 2015 and for the nine months ended September 30, 2016:

| | **Year ended December 31** | | | **Nine months ended September 30** |
|---|---|---|---|---|
| | **2013** | **2014** | **2015** | **2016** |
| Current Ratio | 3.80:1.00 | 3.14:1.00 | 3.60:1.00 | 3.27:1.00 |
| Quick Ratio | 1.23:1.00 | 0.65:1.00 | 0.62:1.00 | 0.33:1.00 |
| Debt-Equity Ratio: | 0.28:1.00 | 0.26:1.00 | 0.39:1.00 | 0.39:1.00 |
| Return on Assets | 5.71% | 10.92% | 4.47% | 3.58% |
| Return on Equity | 10.99% | 20.93% | 8.98% | 7.48% |

The manner by which the Company calculates the foregoing indicators is as follows:

1. Current Ratio : $\frac{\text{Current Assets}}{\text{Current Liabilities}}$

2. Quick Ratio: Cash and Cash Equivalents

Current Liabilities

3. Debt-Equity Ratio: $\dfrac{\text{Interest Bearing Loans and Borrowings and Bonds Payable}}{\text{Equity}}$

4. Return on Assets: $\dfrac{\text{Net Income}}{\text{Average Total Assets}}$

5. Return on Equity: $\dfrac{\text{Net Income}}{\text{Average Equity}}$

(computed using figures attributable only to parent company shareholders.

## DESCRIPTION OF PROPERTIES

The principal properties of the Company as of December 31, 2016 consist of projects under development, condominium units in completed projects, and land for future development, rental properties and hotels, including the following:

| TYPE | LOCATION | Owned/Leased/Limitations on Ownership |
|---|---|---|
| **A. Condominium Units and Subdivision Lots Under Development** | | |
| Noble Place | Binondo, Manila | Joint Venture |
| Eastwood Global Plaza Luxury Residence | Eastwood, Quezon City | Owned |
| One Eastwood Avenue 1 & 2 | Eastwood, Quezon City | Owned |
| Salcedo SkySuites | Gil Puyat Ave., Makati City | Owned |
| Iloilo Business Park | Iloilo Business Park, Iloilo City | Owned |
| Lafayette Park Square | Iloilo Business Park, Iloilo City | Owned |
| One Madison Place 1-3 | Iloilo Business Park, Iloilo City | Owned |
| The Palladium | Iloilo Business Park, Iloilo City | Owned |
| Belmont Hotel Mactan Newtown | Mactan Newtown, Cebu | Owned |
| One Manchester Place | Mactan Newtown, Cebu | Owned |
| One Pacific Residence | Mactan Newtown, Cebu | Owned |
| Savoy Hotel Mactan Newtown | Mactan Newtown, Cebu | Owned |
| Greenbelt Hamilton 1 & 2 | Legaspi Street, Makati City | Owned |
| Paseo Heights | Makati City | Owned |
| San Antonio Residences | Gil Puyat Ave., Makati City | Owned |
| Manhattan Heights Tower B | Manhattan Garden City, Quezon City | Joint Venture |
| Manhattan Heights Tower C | Manhattan Garden City, Quezon City | Joint Venture |
| Manhattan Plaza | Manhattan Garden City, Quezon City | Joint Venture |
| The Florence | McKinley Hill, Fort Bonifacio, Taguig City | Owned |
| The Venice Luxury Residences - Fiorenzo | McKinley Hill, Fort Bonifacio, Taguig City | Owned |
| The Venice Luxury Residences - Giovanni | McKinley Hill, Fort Bonifacio, Taguig City | Owned |
| Viceroy | McKinley Hill, Fort Bonifacio, Taguig City | Owned |
| St. Moritz Private Estate Cluster One & Two | McKinley West, Fort Bonifacio, Taguig City | Joint Venture |
| 101 Newport Boulevard | Newport, Pasay City | Joint Venture |
| 81 Newport Boulevard | Newport, Pasay City | Joint Venture |
| Savoy Hotel | Newport, Pasay City | Joint Venture |
| Forbes Hill | Northill Gateway, Bacolod | Joint Venture |
| GolfHill Gardens | Quezon City | Owned |
| One Uptown Residence | Uptown Bonifacio, Fort Bonifacio, Taguig City | Joint Venture |
| Uptown Parksuites Residence | Uptown Bonifacio, Fort Bonifacio, Taguig City | Joint Venture |
| Uptown Ritz Residence | Uptown Bonifacio, Fort Bonifacio, Taguig City | Joint Venture |
| Three Central | Valero St. Makati City | Owned |
| Bayshore Residential Resort 1 & 2 | Westside City | Joint Venture |
| Iloilo Boutique Hotel | Iloilo Business Park, Iloilo City | Owned |
| The Ellis | Makati City | Owned |
| Saint Honore | Iloilo Business Park, Iloilo City | Owned |
| Kingsford Hotel | Westside City | Joint Venture |

**B. Condominium Units in Completed Projects**

| | | |
|---|---|---|
| Greenbelt Radisson | Aguirre St. Legaspi Village, Makati City | Owned |
| Cityplace Binondo A & B | Binondo, Manila | Owned |
| Eastwood Le Grand 1-3 | Eastwood, Quezon City | Owned |
| Eastwood Parkview 1 & 2 | Eastwood, Quezon City | Owned |
| Grand Eastwood Palazzo | Eastwood, Quezon City | Owned |
| One Central Park | Eastwood, Quezon City | Owned |
| One Orchard Road Tower 1 - 3 | Eastwood, Quezon City | Owned |
| The Eastwood Excelsior | Eastwood, Quezon City | Owned |
| The Eastwood Lafayette 1-3 | Eastwood, Quezon City | Owned |
| 8 Forbestown Road | Forbestown Center, Fort Bonifacio, Taguig City | Joint Venture |
| Forbeswood Heights | Forbestown Center, Fort Bonifacio, Taguig City | Joint Venture |
| Forbeswood Parklane 1 & 2 | Forbestown Center, Fort Bonifacio, Taguig City | Joint Venture |
| The Bellagio 1-3 | Forbestown Center, Fort Bonifacio, Taguig City | Joint Venture |
| One Beverly Place | Greenhills, San Juan | Joint Venture |
| Wack Wack Heights | Lee St., Mandaluyong City | Owned |
| Greenbelt Madisson | Legaspi Village, Makati City | Owned |
| 8 Newtown Boulevard | Mactan Newtown, Cebu City | Owned |
| One Lafayette Square | Makati City | Owned |
| Two Lafayette Square | Makati City | Owned |
| Two Central | Makati City | Owned |
| Manhattan Heights Tower A | Manhattan Garden City, Quezon City | Joint Venture |
| Manhattan Heights Tower D | Manhattan Garden City, Quezon City | Joint Venture |
| Manhattan Parkview 1-3 | Manhattan Garden City, Quezon City | Joint Venture |
| Manhattan Parkview Garden | Manhattan Garden City, Quezon City | Joint Venture |
| Manhattan Parkway 1 - 3 | Manhattan Garden City, Quezon City | Joint Venture |
| 115 Upper McKinley | McKinley Hill, Fort Bonifacio, Taguig City | Joint Venture |
| McKinley Hill Garden Villas | McKinley Hill, Fort Bonifacio, Taguig City | Joint Venture |
| The Woodridge 1 & 2 | McKinley Hill, Fort Bonifacio, Taguig City | Joint Venture |
| Tuscany Private Estate | McKinley Hill, Fort Bonifacio, Taguig City | Joint Venture |
| Morgan Suites Executive Residences | McKinley Hill, Fort Bonifacio, Taguig City | Owned |
| Stamford Executive Residences | McKinley Hill, Fort Bonifacio, Taguig City | Owned |
| The Venice Luxury Residences - Alessandro | McKinley Hill, Fort Bonifacio, Taguig City | Owned |
| The Venice Luxury Residences - Bellini | McKinley Hill, Fort Bonifacio, Taguig City | Owned |
| The Venice Luxury Residences - Carusso | McKinley Hill, Fort Bonifacio, Taguig City | Owned |
| The Venice Luxury Residences - Domenico | McKinley Hill, Fort Bonifacio, Taguig City | Owned |
| The Venice Luxury Residences - Emanuele | McKinley Hill, Fort Bonifacio, Taguig City | Owned |
| Mckinley West Subdivision | Mckinley West, Taguig City | Joint Venture |
| 150 Newport Boulevard | Newport, Pasay City | Joint Venture |
| Belmont Luxury Hotel | Newport, Pasay City | Joint Venture |
| Palm Tree Villas 1 & 2 | Newport, Pasay City | Joint Venture |
| The Parkside Villas | Newport, Pasay City | Joint Venture |
| The Residential Resort at Newport | Newport, Pasay City | Joint Venture |
| Greenbelt Excelsior | Palanca St. Legaspi Village, Makati City | Joint Venture |
| Greenbelt Parkplace Retail | Palanca St. Legaspi Village, Makati City | Owned |

| | | |
|---|---|---|
| Marina Square Suites | Pedro Gil, Manila | Owned |
| Greenhills Heights | Pinaglabanan San Juan | Joint Venture |
| Greenbelt Chancellor | Rada St. Legaspi Village, Makati City | Owned |
| One Central | Sen. Gil Puyat Ave., Makati City | Owned |
| El Jardin Del Presidente 1 & 2 | Sgt. Esguerra Ave., Quezon City | Owned |
| Paseo Parkview Suites 1&2 | Valero St. Salcedo Village, Makati City | Owned |
| 8 Wack Wack Road | Wack Wack Road, Mandaluyong City | Owned |

**C. Rental Properties**

| | | |
|---|---|---|
| 18/20 Upper McKinley | McKinley Hill, Fort Bonifacio, Taguig City | Owned |
| 1800 Eastwood Avenue | Eastwood, Quezon City | Owned |
| 1880 Eastwood Avenue | Eastwood, Quezon City | Owned |
| 8 Campus Place | McKinley Hill, Fort Bonifacio, Taguig City | Ground Lease |
| 8 Newtown Boulevard | Mactan Newtown, Cebu | Joint Venture |
| 8 Park Avenue | McKinley Hill, Fort Bonifacio, Taguig City | Owned |
| 8 Upper McKinley Road | McKinley Hill, Fort Bonifacio, Taguig City | Owned |
| Burgos Circle | Forbestown Center, Fort Bonifacio, Taguig City | Joint Venture |
| California Garden Square Retail | Libertad cor Calbayog, Mandaluyong City | Owned |
| Chinese Intl School | McKinley Hill, Fort Bonifacio, Taguig City | Ground Lease |
| CIP Building | McKinley Hill, Fort Bonifacio, Taguig City | Owned |
| Citibank | Eastwood City | Owned |
| City Place Retail Mall | Binondo, Manila | Owned |
| Commerce and Industry Plaza | McKinley Hill, Fort Bonifacio, Taguig City | Ground Lease |
| Corinthian Hills Retail | Temple Drive, Quezon City | Owned |
| Cyber Mall | Eastwood, Quezon City | Owned |
| Cyber One Units | Eastwood, Quezon City | Owned |
| Eastwood Citywalk | Eastwood, Quezon City | Owned |
| Eastwood Mall | Eastwood, Quezon City | Owned |
| Eastwood Richmonde Hotel | Eastwood, Quezon City | Owned |
| E-Commerce Plaza | Eastwood, Quezon City | Owned |
| Emperador Steel Parking Building | McKinley Hill, Fort Bonifacio, Taguig City | Ground Lease |
| Enderun | McKinley Hill, Fort Bonifacio, Taguig City | Ground Lease |
| Global One | Eastwood, Quezon City | Owned |
| Hotel Lucky Chinatown (Chinatown Belmont) | Binondo, Manila | Owned |
| IBM Plaza | Eastwood, Quezon City | Owned |
| ICITE | Eastwood, Quezon City | Owned |
| Iloilo Richmonde Hotel | Iloilo Business Park, Iloilo City | Owned |
| Lucky Chinatown Mall | Binondo, Manila | Owned |
| Mactan Alfresco | Mactan Newtown, Cebu | Owned |
| McKinley Parking Building | McKinley Hill, Fort Bonifacio, Taguig City | Owned |
| McKinley West Towers A, B & C | McKinley West, Taguig City | Joint Venture |
| One Beverly Place Retail | Greenhills, San Juan | Owned |
| One Campus Place | McKinley Hill, Fort Bonifacio, Taguig City | Ground Lease |
| One Global Center | Iloilo Business Park, Iloilo City | Owned |
| One Techno Place | Iloilo Business Park, Iloilo City | Owned |
| One World Center | Mactan Newtown, Cebu | Owned |
| One World Square | McKinley Hill, Fort Bonifacio, Taguig City | Owned |
| Paseo Center | Paseo Center, Makati City | Owned |
| Richmonde Hotel | Ortigas, Mandaluyong City | Owned |
| Science Hub Towers | McKinley Hill, Fort Bonifacio, Taguig City | Ground Lease |

| | | |
|---|---|---|
| Techno Plaza 1 & 2 | Eastwood, Quezon City | Owned |
| The Richmonde Plaza | Ortigas, Mandaluyong City | Owned |
| The Venice Canal Mall (Phase 2) | McKinley Hill, Fort Bonifacio, Taguig City | Owned |
| The Venice Piazza | McKinley Hill, Fort Bonifacio, Taguig City | Ground Lease |
| The World Centre | Gil Puyat Ave., Makati City | Owned |
| Three World Square | McKinley Hill, Fort Bonifacio, Taguig City | Owned |
| Tuscany Retail | McKinley Hill, Fort Bonifacio, Taguig City | Joint Venture |
| Two Global Center | Iloilo Business Park, Iloilo City | Owned |
| Two World Center | Mactan Newtown, Cebu | Owned |
| Two World Square | McKinley Hill, Fort Bonifacio, Taguig City | Owned |
| Uptown Place Towers | Uptown Bonifacio, Taguig City | Joint Venture |
| Uptown Parade | Uptown Bonifacio, Taguig City | Joint Venture |
| Uptown Place Mall | Uptown Bonifacio, Taguig City | Joint Venture |
| Venice Corporate Center | McKinley Hill, Fort Bonifacio, Taguig City | Owned |
| Venice Grand Canal Mall | McKinley Hill, Fort Bonifacio, Taguig City | Owned |
| Woodridge Residences | McKinley Hill, Fort Bonifacio, Taguig City | Joint Venture |

The Company's principal office is located on the 28th floor of The World Centre at Sen. Gil Puyat Avenue, Makati City.

While the Company 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.

There are no mortgages, liens or encumbrances over any of the properties owned by the Company.

# BOARD OF DIRECTORS AND MANAGEMENT OF THE ISSUER

## Directors and Executive Officers

The following table sets forth the persons who served as a Director and/or executive officer of Megaworld as at the date of this Prospectus:

| Name | Position | Citizenship | Age |
|---|---|---|---|
| Andrew L. Tan | Chairman and President/CEO | Filipino | 67 |
| Katherine L. Tan | Director | Filipino | 65 |
| Kingson U. Sian | Director and Executive Director | Filipino | 55 |
| Enrique Santos L. Sy | Director | Filipino | 67 |
| Jesus V. Varela | Independent Director | Filipino | 60 |
| Gerardo C. Garcia | Independent Director | Filipino | 75 |
| Roberto S. Guevara | Independent Director | Filipino | 65 |
| Lourdes T. Gutierrez-Alfonso | Chief Operating Officer | Filipino | 53 |
| Francisco C. Canuto | Senior Vice President, Treasurer, Compliance Officer and CIO | Filipino | 59 |
| Giovanni C. Ng | Senior Vice President and Finance Director | Filipino | 42 |
| Philipps C. Cando | Senior Vice President for Operations | Filipino | 57 |
| Maria Victoria M. Acosta | Senior Vice President for International Marketing | Filipino | 55 |
| Jericho P. Go | Senior Vice President for Business Development & Leasing | Filipino | 45 |
| Noli D. Hernandez | Senior Vice President for Sales & Marketing | Filipino | 46 |
| Kevin Andrew L. Tan | Senior Vice President for Commercial Division | Filipino | 37 |
| Rafael Antonio S. Perez | Senior Assistant Vice President for Human Resources | Filipino | 48 |
| Kimberly Hazel A. Sta. Maria | Assistant Vice President for Corporate Communications & Advertising | Filipino | 36 |
| Carmen C. Fernando | Managing Director for Hotels | Filipino | 59 |
| Anna Michelle T. Llovido | Corporate Secretary | Filipino | 38 |
| Rolando D. Siatela | Assistant Corporate Secretary | Filipino | 56 |

## Management

### Board of Directors

The Directors of the Issuer are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting and until their respective successors have been appointed or elected and qualified.

The following describes the background and business experience of the Issuer's Directors and Executive Officers during the last five years:

**Andrew L. Tan**
**Chairman of the Board/President**

Mr. Tan is the founder of the Company and has served as its Chairman and President since its incorporation in 1989. He pioneered the live-work-play-learn model in real estate development through the Company's integrated township communities, fueling the growth of the business process outsourcing (BPO) industry. He embarked on the development of integrated tourism estates through publicly-listed Alliance Global Group, Inc. and Global-Estate Resorts, Inc., which he both chairs, while continuing to focus on consumer-friendly food and beverage and quick service restaurants. Mr. Tan serves as Chairman of the Board of Empire East Land Holdings, Inc., a publicly-listed subsidiary of the Company, and Suntrust Properties, Inc., a subsidiary engaged in the development and marketing of affordable housing projects. He also serves in the boards of other Megaworld subsidiaries including Eastwood Cyber One Corporation, Megaworld Land, Inc., Megaworld Central Properties Inc., Townsquare Development, Inc. and Richmonde Hotel Group International Limited. He is also the Chairman of Emperador Inc., a public-listed company which owns Emperador Distillers, Inc., the leading brandy manufacturer and distributor in the Philippines. Mr. Tan is Chairman of Megaworld Foundation, the Company's corporate social responsibility arm, which primarily focuses on the promotion of education through scholarship programs for financially handicapped but deserving students, and supports causes that promote poverty alleviation, people empowerment, social justice, good governance and environmental conservation. He is a director of Travellers International Hotel Group, Inc., a publicly listed company, which owns Resorts World Manila, and the food and beverage companies, Emperador Distillers, Inc. Alliance Global Brands, Inc. and Golden Arches Development Corporation. Mr. Tan is a Director and President and CEO of Twin Lakes Corporation.

**Katherine L. Tan**
**Director**

Ms. Tan, has served as Director of the Company since 1989. She is concurrently a Director and Treasurer of publicly-listed Alliance Global Group, Inc. and Emperador Inc. She has extensive experience in the food and beverage industry and is currently Director and Corporate Secretary of The Bar Beverage, Inc. She is Director and President of Raffles & Company, Inc. and Choice Gourmet Banquet, Inc. She is also a Director and Treasurer of Alliance Global Brands, Inc. and Emperador Distillers, Inc.

**Kingson U. Sian**
**Director and Executive Director**

Mr. Sian has served as Director of the Company since April 13, 2007. He joined the Megaworld Group in September 1995 as Senior Vice President and is currently Executive Director of the Company. He is concurrently Director and President of publicly-listed Alliance Global Group, Inc. and Travellers International Hotel Group, Inc. and a Director of Emperador Inc. He is the Chairman and President of Prestige Hotels & Resorts, Inc. and Luxury Global Hotels and Leisure, Inc. He is the Senior Vice President and Chief Executive Officer of Megaworld Land, Inc. He is also the President of Eastwood Cyber One Corporation and Manila Bayshore Property Holdings, Inc. Mr. Sian was formerly a Vice President of FPB Asia Ltd/First Pacific Bank in Hong Kong from 1990 to 1995. Prior to that, he was connected with Citicorp Real Estate, Inc. in the United States from 1988 to 1990. Mr. Sian graduated from the University of the Philippines with the degree of Bachelor of Science in Business Economics. He obtained his Master's Degree in Business Administration for Finance and Business Policy from the University of Chicago.

**Enrique Santos L. Sy**
**Director**

Mr. Sy has served as Director of the Company since July 2009. He was Vice President for the Corporate Communications & Advertising Division of the Company until his retirement in March 2011. He is concurrently a Director of publicly-listed Empire East Land Holdings, Inc. He is a Director of Eastin Holdings, Inc. and First Oceanic Property Management Inc. He is also a Director and the Corporate Secretary of Asia Finest Cuisine, Inc. and Corporate Secretary of Empire East Communities, Inc. Mr. Sy previously worked as Advertising Manager of Consolidated Distillers of the Far East, Inc., Creative Director of AdCentrum Advertising, Inc., Copy Chief of Admakers, Inc. and Peace Advertising Corporation, and Creative Associate of Adformatix, Inc. Mr. Sy graduated with honors from the Ateneo de Manila University with the degree of Bachelor of Arts in Communication Arts.

**Jesus B. Varela**
**Independent Director/Vice Chairman**

Mr. Jesus B. Varela has served as Director of the Company since June 2016. He is also the Chairman of the Philippine Chamber of Commerce and Industry, GS1 Philippines (Barcode of the Philippine), and New Lights

Technologies, Inc. He is the President and CEO of the Advancement of Workers' Awareness Regarding Employment (AWARE) Foundation, Inc., and President of Philippine Greek Business Council and Philippine Peru Business Council. He is also the Director General of the International Chamber of Commerce Philippines (ICC-Philippine), Trustee of the Home Mutual Development Fund, Receiver of J-Phil Marine Shipping Inc., and Member of the Committee for Accreditation of Cargo Surveying Companies. Mr. Varela has more than twenty years of experience in the fields of marketing, human resources, international labor affairs, agriculture, and commerce, among others. He has done executive work with the Department of Agriculture, National Food Authority Council, Philippine Genetics, Inc., National Irrigation Administration, Philippine Planters Products, National Agri- Business Corporation, Agriculture Anti-Smuggling Task Force, and Nautical Highway Board. He served as Labor Attaché to Kobe, Japan, to the Commonwealth of Northern Marianas Island, and to Athens. Mr. Varela obtained his bachelor's degree in Economics from Ateneo De Manila University. He attended training courses in Labor Administration and Policy Formulation under the International Labor Organization/ARPLA program, the Corporate Planning Course at the Center for Research Communication, Foreign Exchange Training by Metro Bank and Forex Club of the Philippines, Systems Analysis by the Presidential Management Staff, Asian Productivity Seminar and other in-house seminars conducted by the Department of Labor and the Development Academy of the Philippines.

**Gerardo C. Garcia**
**Independent Director**

Mr. Garcia has served in the Company's Board of Directors since 1994. He concurrently serves as independent director in the boards of publicly-listed Empire East Land Holdings, Inc. and Global-Estate Resorts, Inc. He also serves as an independent director of Megaworld Land, Inc. and Suntrust Properties, Inc. From October 1994 to December 1997, Mr. Garcia served as President of Empire East Land Holdings, Inc. Prior to joining Empire East Land Holdings, Inc. Mr. Garcia served as Executive Vice President of UBP Capital Corporation. He holds a bachelor's degree in Chemical Engineering and a Master's Degree in Business Administration from the University of the Philippines.

**Roberto S. Guevara**
**Independent Director**

Mr. Guevara has been a member of the Company's Board of Directors since June 20, 2001. He is Chairman of the Board of Directors of Seed Capital Ventures, Inc. He serves on the board of other companies, such as Honeycomb Builders, G & S Transport Corporation, a licensee of Avis Car Rentals, Guevent Industrial Development Corporation and Radiowealth Finance Corporation, and as independent director of First Centro, Inc. He is also the President of Seed Capital Corporation and RFC (HK) Limited. Mr. Guevara graduated from San Beda College in 1974, and received graduate degree from the Asian Institute of Management and a post graduate course at the Institute for Management Development (IMD), in Lausanne, Switzerland.

Period of Directorship:

| Name | Period Served |
|---|---|
| Andrew L. Tan | 1989 – present |
| Katherine L. Tan | 1989 – present |
| Kingson U. Sian | 2007 – present |
| Enrique Santos L. Sy | 2009 – present |
| Jesus B. Varela | 2016 – present |
| Gerardo C. Garcia | 1994 – present |
| Roberto S. Guevara | 2001 – present |

### Executive Officers

**Lourdes T. Gutierrez-Alfonso**
**Chief Operating Officer**

Ms. Gutierrez joined the Company in 1990. She is the Company's Chief Operating Officer and is a member of the Company's Management Executive Committee. Ms. Gutierrez has extensive experience in real estate and a strong background in finance and marketing. A certified public accountant by profession, she previously held the position of Senior Executive Vice President for Finance and Administration in the Company. Ms. Gutierrez is Chairman of the property management company, First Oceanic Property Management, Inc. She serves as director in numerous affiliate companies including publicly-listed Global-Estate Resorts, Inc. and Suntrust Properties, Inc., Twin Lakes Corporation, Mactan Oceanview Properties and Holdings, Inc., Megaworld Resort Estates, Inc., Oceantown Properties, Inc. and Prestige Hotels & Resorts, Inc. She is also a trustee and a Corporate Secretary of Megaworld Foundation, Inc.

**Francisco C. Canuto**
**Senior Vice President and Treasurer**

Mr. Canuto joined the Company in 1995. He is a Certified Public Accountant and currently holds the rank of Senior Vice President and Treasurer of the Company and is Senior Assistant to the Chairman. He is a member of the Company's Management Executive Committee. He holds a bachelor's degree in Commerce major in Accounting and a Master's Degree in Business Administration. He is concurrently Director of Eastwood Property Holdings, Inc., Director and Corporate Secretary of Megaworld Central Properties, Inc. and Director and Treasurer of Megaworld Cebu Properties, Inc., Twin Lakes Corporation, Oceantown Properties, Inc., Megaworld-Global Estate, Inc., Megaworld Resort Estates, Inc., Megaworld Land, Inc., Megaworld-Daewoo Corporation, Eastwood Cyber One Corporation, Asia's Finest Hotels & Resort, Inc., and Prestige Hotels & Resorts, Inc. He serves as a Director and President of Arcovia Properties, Inc., Megaworld Cayman Islands, Inc., Lucky Chinatown Cinemas, Inc., McKinley Cinemas, Inc., Uptown Cinemas, Inc. and Gilmore Property Marketing Associates, Inc. He is also the President of Megaworld Foundation, Inc. Before joining the Company, he worked as Audit Manager of SGV & Company and Controller of Federal Express Corporation.

**Giovanni C. Ng**
**Senior Vice President and Finance Director**

Mr. Ng, is a Senior Vice President and Finance Director of the Company. He serves as director in Eastwood Property Holdings, Inc., Oceantown Properties, Inc., Empire East Communities, Inc., Gilmore Property Marketing Associates, Inc., First Centro, Inc., Valle Verde Properties, Inc., Lucky Chinatown Cinemas, Inc., McKinley Cinemas, Inc., Uptown Cinemas, Inc., Mactan Oceanview Properties and Holdings, Inc. and New Town Land Partners, Inc. He also serves as Treasurer of publicly-listed Empire East Land Holdings, Inc. and Adams Properties, Inc. and Townsquare Development, Inc. He is also a Director and Corporate Secretary of Megaworld Land, Inc. Previously, he worked as Analyst Associate in Keppel IVI Investments. Mr. Ng obtained his bachelor's degree in Quantitative Economics from the University of Asia and the Pacific, graduating summa cum laude in 1995.

**Philipps C. Cando**
**Senior Vice President for Operations**

Mr. Cando is a licensed civil engineer who has over 28 years of experience in project development and construction management. Mr. Cando joined the Company in 1994 as a construction manager and eventually rose to become head of the Company's project management team. Prior to joining Megaworld, Mr. Cando was employed for over 12 years in construction design and consultancy firms, Arenas-Tugade Associates and Massive Design Group. During his more than 15 years with the Company, Mr. Cando was responsible for the construction management of over thirty-three (33) project developments of the Company including residential and office condominium projects, hotel, mall and retail complexes as well as large scale mixed-use developments such as McKinley Hill and Eastwood City. He now heads the Company's Operations Division and responsible for the construction development of large scale developments to include, Newport City, Forbes Town Center at Global

City, Manhattan Garden City at Araneta Center, Cityplace at Binondo and Bonifacio Uptown. Mr. Cando serves as Director and President of Oceantown Properties, Inc. and Boracay Newcoast Hotel Group, Inc.

**Maria Victoria M. Acosta**
**Senior Vice President for International Marketing**

Ms. Acosta is Senior Vice President for International Marketing. She joined the Company in September 1999. Prior to her appointment, she had twenty years of marketing experience in real estate and consumer products with other companies. Ms. Acosta was Executive Vice President and Chief Operating Officer of Empire East Land Holdings, Inc. from 1997 to 1998 and was Executive Director for Marketing from 1996 to 1997. Earlier, she also served as Senior Vice President and General Manager of Raffles & Co., Inc. She is concurrently Director and Corporate Secretary of Eastwood Property Holdings, Inc. and Corporate Secretary of Gilmore Property Marketing Associates, Inc.

**Jericho P. Go**
**Senior Vice President for Business Development and Leasing**

Mr. Go is the Company's Senior Vice President for Business Development & Leasing since May 2014. Prior to this, he was the First Vice President for Business Development & Leasing. He interfaces with brokers and various stake holders in the real estate industry to assess market trends and the viability of various types of projects. He keeps an eye on possible opportunities for strategic alliances and business partnerships. He also served as Megaworld's Executive Assistant to the Chairman from February 1997 to October 1999. His task is to study, evaluate, and explore areas identified by the Chairman as having strategic value to the company. Mr. Go obtained his Bachelor's degree in Arts major in Development Studies in 1993 from the University of the Philippines. He graduated Magna Cum Laude. He is concurrently Director of Twin Lakes Corporation.

**Noli D. Hernandez**
**Senior Vice President for Sales and Marketing**

Mr. Hernandez joined the Company in February 1994 as a property consultant. He is currently a Senior Vice President for Sales and Marketing. Mr. Hernandez rose from the ranks in the Company, starting out as a property consultant then becoming Sales Manager, Assistant Vice President, Senior Assistant Vice President and Vice President for Marketing. Mr. Hernandez graduated from the University of the Philippines with a degree of Bachelor of Science in Political Science. He serves as Director and President of Megaworld Cebu Properties, Inc.

**Kevin Andrew L. Tan**
**Senior Vice President for Commercial Division**

Mr. Tan heads the Commercial Division of the Company 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, and Lucky Chinatown Mall in Binondo, Manila. He is concurrently a Director of publicly listed companies, Empire East Land Holdings, Inc., Alliance Global Group, Inc. and Global-Estate Resorts, Inc. and of Eastwood Cyber One Corporation, Uptown Cinemas, Inc., Megaworld Central Properties Inc., Twin Lakes Corporation, Megaworld Land, Inc., Townsquare Development, Inc., Empire East Communities, Inc., Emperador Distillers, Inc., Alliance Global Brands, Inc., Anglo Watsons Glass, Inc., Yorkshire Holdings, Inc., The Bar Beverage, Inc., Emperador Brandy, Inc., and New Town Land Partners, Inc. He is also a trustee and a Treasurer of Megaworld Foundation, Inc. He has over 11 years of experience in retail leasing, marketing and operations. Mr. Tan obtained his bachelor's degree in Business Administration major in Management from the University of Asia and the Pacific.

**Rafael Antonio S. Perez**
**Senior Assistant Vice President for Human Resources**

Mr. Perez joined the Company in June 2008. He is the Senior Assistant Vice President for Human Resources. He is concurrently the Managing Director of Global One Integrated Business Services, Inc. and Luxury Global Malls, Inc.

Mr. Perez graduated Cum Laude from the Philippine Normal University with the degree of Bachelor of Arts in Psychology.

**Kimberly Hazel A. Sta. Maria**
**Assistant Vice President for Corporate Communications and Advertising**

Ms. Sta. Maria holds the rank of Assistant Vice President and heads the Corporate Communication and Advertising Division of the Company. She joined the Company in 2002 as Head Writer and is responsible for the creative conceptualization and production of advertising and marketing campaigns and materials for the Company's projects. Ms. Sta. Maria is a *cum laude* graduate of the University of the Philippines Manila and holds a bachelor's degree in Organizational Communication.

**Carmen C. Fernando**
**Managing Director for Hotels**

Ms. Fernando is Managing Director for Hotels and has held the position since July 1999. She joined the Company in 1997 as Director of Finance for Megaworld Land, Inc. and is responsible for pre-operating activities for Richmonde Hotel Ortigas. In January 1999 she became the Financial Controller for Prestige Hotels & Resort, Inc. Prior to joining the Company she was employed with Mandarin Oriental Manila as Financial Controller and with Sycip, Goress, Velayo & Co. as a Staff Auditor III. Ms. Fernando obtained her bachelor's degree in Commerce major in Accounting from the University of Santo Tomas and she obtained her master's degree in Business Administration from the University of the Philippines. Ms. Fernando is a Certified Public Accountant and a member of the Philippine Institute of Certified Public Accountants.

**Anna Michelle T. Llovido**
**Corporate Secretary**

Ms. Llovido is the Corporate Secretary of the Company and has held this position last August 2014. She concurrently serves as Legal Manager of Emperador Distillers, Inc., a position she has held since July 2012. Ms. Llovido is an experienced in-house counsel with core practice in labor and intellectual property law. Prior to her employment in Emperador Distillers, Inc., Ms. Llovido was a Manager at Reeves & Associates International Corporation and was charged with the management of its Philippine representative office. She also served as Legal Counsel to Transnational Diversified Group, Inc. from May 2008 to September 2009 where she serviced the legal requirements of over 30 companies engaged in total logistics, ship management, air and travel services, and information and communications technology. She was an Associate Lawyer at Tantoco Villanueva De Guzman & Llamas law offices from April 2006 to April 2008. Ms. Llovido obtained her bachelor's degrees in Laws in 2004 and Hotel and Restaurant Management in 1999 from the University of Santo Tomas.

**Rolando D. Siatela**
**Assistant Corporate Secretary**

Mr. Siatela serves as Assistant Corporate Secretary of the Company. He is also an Assistant Vice President of the Company. He concurrently serves in publicly-listed Suntrust Home Developers, Inc. as Corporate Secretary and Corporate Information Officer, and in Alliance Global Group, Inc., Emperador Inc., Suntrust Properties, Inc. and Global-Estate Resorts, Inc. as Assistant Corporate Secretary. He is a member of the board of Asia Finest Cuisine, Inc. Prior to joining Megaworld Corporation, he was employed as Administrative and Personnel Officer with Batarasa Consolidated, Inc.

Years served by key officers:

| Name | Years Served |
|---|---|
| Lourdes T. Gutierrez-Alfonso | [26] |
| Francisco C. Canuto | [21] |
| Giovanni C. Ng | 21 |
| Philipps C. Cando | [22] |

| | |
|---|---|
| Maria Victoria M. Acosta | 17 |
| Jericho P. Go | 18 |
| Noli D. Hernandez | 22 |
| Kevin Andrew L. Tan | [15] |
| Rafael Antonio S. Perez | [9] |
| Kimberly Hazel A. Sta. Maria | 14 |
| Carmen C. Fernando | 17 |
| Anna Michelle T. Llovido | 2 |
| Rolando D. Siatela | 26 |

### Involvement in Legal Proceedings

The Company is not aware of any of the following events having occurred during the past five years up to the date of this Prospectus that are material to an evaluation of the ability or integrity of any director, nominee for election as Director, executive officer or controlling person of the Company:

(a) 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;

(b) any conviction by final judgement, including the nature of the offense, 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;

(c) being subject to any order, judgement 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

(d) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC 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 judgement has not been reversed, suspended or vacated.

## Corporate Governance

The Company adopted a **Manual on Corporate Governance** (the “Governance Manual”) in 2002 to institutionalize the principles of good corporate governance in the entire organization. As of 30 September 2016, the Issuer remains substantially in compliance with and has no material deviation from its Governance Manual and no sanctions were imposed on any director, officer or employee on account of non-compliance with the same.

Pursuant to the Company’s Governance Manual, the Board of Directors created each of the following committees and appointed board members thereto.

The **Audit Committee** assists the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process and monitoring of compliance with applicable laws, rules and regulations, provides oversight over financial management functions and over internal and external auditors and the financial statements of the Company. On October 3, 2012, the Board approved the Audit Committee Charter which provides for the purpose, membership, structure, operations, duties and responsibilities of the Audit Committee. The Audit Committee has three members, two of whom are independent directors. An independent director serves as the head of the committee.

The **Compensation and Remuneration Committee** is responsible for establishing a formal and transparent procedure for developing a policy on remuneration of the directors and officers to ensure that their compensation is consistent with the Company's culture, strategy and the business environment in which it operates. The Compensation and Remuneration Committee consists of three members, including at least one independent director.

The **Nomination Committee** reviews and evaluates the qualifications of all persons nominated to the Board and other appointments that require Board approval. The Nomination Committee has three members, including at least one independent director.

In 2016, the directors of the Company were required to take a Corporate Governance Orientation course and are encouraged to undergo further training in corporate governance. Some directors have attended the Professional Directors Program of the Institute of Corporate Governance and participated in Corporate Governance roundtable conferences. The Company complies with its Manual on Corporate Governance requirement that it rotate its external auditor or change the handling partner every five (5) years or earlier. The Company likewise increased the number of independent directors in its Audit Committee, from one independent director to two independent directors, and appointed an independent director to head the Audit Committee, in accordance with SEC Memorandum Circular No. 6.

The Company has designated a Compliance Officer who is tasked with monitoring compliance with the provisions and requirements of its Manual on Corporate Governance. The Compliance Officer has established an evaluation system, patterned after the CG Scorecard of the Institute of Corporate Directors to measure or determine the level of compliance by the Company with its Governance Manual.

Pursuant to SEC Memorandum Circular No. 6, Series of 2009 and as further amended by SEC Memorandum Circular No.9, Series of 2014, the Company has revised its Governance Manual to make the same compliant with the Revised Code of Corporate Governance. The Company is in the process of further amending its Governance Manual to comply with SEC Memorandum Circular No. 19, Series of 2016 issued by the SEC on November 22, 2016.

## Executive Compensation

Aggregate compensation paid to Megaworld's Chief Executive Officer and the four most highly compensated executive officers as a group for the last two fiscal years and the estimate for the ensuing year are as follows:

| Name and Principal Position | Year | Salary | Other Variable Pay | Total Annual Compensation |
|---|---|---|---|---|
| Andrew L Tan<br>President | | | | |
| Lourdes T. Gutierrez<br>Chief Operating Officer | | | | |
| Philipps C. Cando<br>SVP for Operations | | | | |
| Kingson U. Sian<br>SVP, Executive Director | | | | |
| Francisco C. Canuto<br>SVP, Treasurer | | | | |
| President and 4 Most Highly Compensated Officers | 2014 | 50,486,200 | 26,223,456 | 76,709,656 |
| | 2015 | 66,515,245 | 28,694,493 | 95,209,739 |
| | 2016 | 79,818,294 | 32,998,667 | 112,816,962 |
| All Other Officers and | 2014 | 72,605,080 | 27,228,449 | 99,833,529 |

| | | | | |
|---|---|---|---|---|
| Directors as a Group | 2015 | 86,443,030 | 37,828,488 | 124,271,520 |
| | 2016 | 95,087,333 | 42,892,208 | 137,979,542 |

**Compensation of Directors & Other Arrangements**

For the year ended December 31, 2015, the Company paid a total of ₱700 thousand in directors' per diems for attendance in Board meetings. Other than payment of the per diem, there are no arrangements pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly, during the year ended December 31, 2016, for any service provided as a director.

**Employment Contracts and Termination of Employment and Change-in-Control Arrangement**

Executive officers are appointed by the Board to their respective offices. The Company does not enter into employment contracts with its executive officers. Other than benefits available under the Company's retirement plan, there is no compensatory plan or arrangement with respect to an executive officer which results or will result from the resignation, retirement or any other termination of such executive officer's employment with the Company and its subsidiaries, or from a change-in-control of the Company, or a change in an executive officer's responsibilities following a change-in-control of the Company.

**Options Outstanding**

As of the date of this Prospectus, there are executive officers of the Company who were granted options to subscribe to common shares of the Company pursuant to the Company's Employee Stock Option Plan approved by the Board and stockholders of the Company in 2012.

**Significant Employees**

While the Company values its workforce, the business of the Company is not highly dependent on the services of personnel outside of Senior Management.

**Family Relationships**

Chairman and President Andrew L. Tan is married to Director Katherine L. Tan, who is also Director and Treasurer of Emperador Inc. and Alliance Global Group, Inc. Their son, Kevin Andrew L. Tan, is presently a Senior Vice President for Commercial Division of Megaworld and is also a Director and Corporate Secretary of Alliance Global Brands, Inc. and a Director of Empire East Land Holdings, Inc., Emperador Distillers, Inc., Global-Estate Resorts, Inc. and Alliance Global Group, Inc., while another son, Kendrick Andrew L. Tan, is a Director of Emperador Inc. and Corporate Secretary of Emperador Distillers, Inc.

## MARKET PRICE OF AND DIVIDENDS ON THE ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

### Holders of the Issuer's Common Shares

As at 31 December 2016, the following are the top 20 stockholders of the Issuer.

| | Stockholder Name | No. of shares | % to Total |
|---|---|---|---|
| 1 | Alliance Global Group, Inc. (Common) | 14,090,219,058 | 36.8473% |
| | (Preferred) | 6,000,000,000 | 15.6906% |
| | Total: | 20,090,219,058 | 52.5379% |
| 2. | New Town Land Partners, Inc. | 5,668,530,324 | 14.8238% |
| 3. | PCD Nominee Corporation (Non-Filipino) | 5,420,431,977 | 14.8238% |
| 4. | PCD Nominee Corporation (Filipino) | 5,279,137,248 | 13.8055% |
| 5. | First Centro, Inc. | 873,012,500 | 2.2830% |
| 6. | Richmonde Hotel Group International Limited | 420,000,000 | 1.0983% |
| 7. | Megaworld Cebu Properties, Inc. | 143,000,000 | 0.3740% |
| 8. | Andrew L. Tan | 95,000,000 | 0.2484% |
| 9. | The Andresons Group, Inc. | 89,760,000 | 0.2347% |
| 10. | Simon Lee Sui Hee | 8,845,200 | 0.0231% |
| 11. | OCBC Securities Phils., Inc. Fao: Santiago J. Tanchan Jr. | 7,371,000 | 0.0193% |
| 12. | Luisa Co Li | 5,525,697 | 0.0145% |
| 13. | Evageline Abdullah | 5,400,000 | 0.0141% |
| 14. | Jasper Karl Tanchan Ong | 5,370,300 | 0.0140% |
| 15. | Winston Co | 5,180,760 | 0.0135% |
| 16. | Luis U. Ang &/Or Teresa W. Ang | 4,000,000 | 0.0105% |
| 17. | Luis Ang &/Or Lisa Ang | 3,785,532 | 0.0099% |
| 18. | Lucio W. Yan | 3,780,000 | 0.0099% |
| 19. | Alberto Mendozas &/or Jeanie C. Mendoza | 2,587,454 | 0.0068% |
| 20. | Luis U. Ang &/or Teresa W. Ang | 2,529,345 | 0.0066% |

As at 31 December 2016, the Issuer has 2,545 shareholders of its common shares. The foreign ownership level in the Issuer is 14.21%.

### Dividends and Dividend Policy

The payment of dividends, either in the form of cash or stock, will depend upon the Company's earnings, cash flow and financial condition, among other factors. The Company may declare dividends only out of its unrestricted retained earnings. These represent the net accumulated earnings of the Company with its capital unimpaired, which are not appropriated for any other purpose. The Company may pay dividends in cash, by the distribution of property, or by the issue of shares of stock. Dividends paid in cash are subject to the approval by the Board of Directors. Dividends paid in the form of additional shares are subject to approval by both the Board of Directors and at least two-thirds of the outstanding capital stock of the shareholders at a shareholders' meeting called for such purpose.

Cash dividends amounting to ₱1.62 billion, ₱1.94 billion and ₱1.25 billion were declared on the Company's common shares in 2016, 2015 and 2014, respectively. The dividends were paid in July 2016, July 2015 and July 2014 respectively. Cash dividends were declared on the Company's Series "A" Preferred Shares in 2016, 2015 and 2014 in the amount of ₱600,000 for each year. The dividends were paid in July 2016, July 2015, and July 2014.

The Company declares cash dividends to shareholders of record usually in the first half of each year. These dividends are paid from unrestricted retained earnings. The Company intends to maintain an annual cash dividend payment ratio of 20% of its net income from the preceding year, subject to the requirements of applicable laws and regulations and the absence of circumstances that may restrict the payment of such dividends, such as where the Company undertakes major projects and developments. The Company's Board of Directors may, at any time, modify its dividend payout ratio depending upon the results of operations and future projects and plans of the Company.

### Market Price of Issuer's Common Equity

The registrant's common equity is principally traded at the Philippine Stock Exchange. The high and low sales prices for each period are indicated in the table below.

| | 2016 | | 2015 | | 2014 | |
|---|---|---|---|---|---|---|
| (in ₱) | **High** | **Low** | **High** | **Low** | **High** | **Low** |
| 1st Quarter | 4.25 | 4.10 | 5.73 | 4.70 | 4.27 | 3.27 |
| 2nd Quarter | 4.78 | 4.60 | 5.94 | 4.46 | 4.88 | 4.19 |
| 3rd Quarter | 4.84 | 4.72 | 5.05 | 3.76 | 5.30 | 4.13 |
| 4th Quarter | 3.64 | 3.51 | 4.94 | 4.03 | 5.24 | 4.54 |

The total number of stockholders as at 31 December 2016 was 2,545. Market price of the Issuer's Shares as at 29 December 2016 was ₱3.57 per share.

## Recent Sales of Unregistered or Exempt Securities

The following securities were issued as exempt from the registration requirements of the Securities Regulation Code (SRC) and therefore have not been registered with the SEC:

(a) In 2011, the Company issued US$200,000,000 worth of corporate notes due in 2018 with a coupon of 6.75% and a yield of 6.875%. UBS acted as sole global coordinator and bookrunner for the issue. The corporate notes are listed in the Singapore Exchange Securities Trading Limited.

(b) In 2013, the Company issued US$250,000,000 worth of corporate notes due in 2023 with a coupon of 4.25%. UBS acted as sole global coordinator and bookrunner for the issue. The corporate notes are listed in the Singapore Exchange Securities Trading Limited.

## Security Ownership of Certain Beneficial Owners and Management

### Security Ownership of Certain Record and Beneficial Owners

As at 31 December 2016, the following are the owners of the Issuer's common and preferred stock in excess of 5% of total outstanding shares:

| Title of Class | Name & address of record owner & relationship with Issuer | Name of beneficial owner & relationship with record owner | Citizenship | No. of shares held | Percent |
|---|---|---|---|---|---|
| Common Stock<br><br>Preferred | Alliance Global Group, Inc. | Same as the record owner | Filipino | 14,090,219,058<br><br>6,000,000,000<br>20,090,219,058 | 36.8473%<br><br>15.6906%<br>52.5379% |
| Common Stock | New Town Land Partners, Inc. | Same as the record owner | Filipino | 5,668,530,324 | 14.8238% |
| Common Stock | PCD Nominee Corp. (Non-Filipino) | Various clients[1] | Foreign | 5,420,431,977 | 14.1750% |
| Common Stock | PCD Nominee Corp. (Filipino) | Various clients[1] | Filipino | 5,279,137,248 | 13.8055% |
| Common Stock | PCD Nominee Corp. (Non-Filipino) | The Hongkong and Shanghai Banking Corp. | Foreign | 2,413,671,674 | 6.3119% |

(1) The Issuer has no information as to the beneficial owners of the shares of stocks held by PCD Nominee Corp. The clients of PCD Nominee Corp. have the power to decide how their shares are to be voted.

**Security Ownership of Management**

As at December 31, 2016, the following are the number of Shares owned of record by the Issuer's directors and key executive officers:

| Title of Class | Name of Beneficial Owner | Amount and Nature of Beneficial Ownership | Citizenship | Percent of Class |
|---|---|---|---|---|
| Common | Andrew L. Tan | 95,000,000 (direct)<br>1,891,632[4] (indirect)<br>20,090,219,058[5] (indirect)<br>5,668,530,324[6](indirect) | Filipino<br>Filipino<br>Filipino<br>Filipino | .24843%<br>.00495%<br>52.5379%<br>14.8238% |
| Common | Gerardo C. Garcia | 136,136 (direct) | Filipino | .00036% |
| Common | Kingson U. Sian | 612,501 (direct) | Filipino | .00160% |
| Common | Katherine L. Tan | 1,891,632 (direct) | Filipino | .00495% |

4 The shares are beneficially owned by Katherine L. Tan, spouse of Andrew L. Tan.

5 The shares are held by Alliance Global Group, Inc. which normally authorizes Andrew L. Tan, in his capacity as Chairman of the Board, or in his absence the Chairman of the Meeting, to vote AGI's common shares in the Company.

6 The shares are held by NTLPI which normally authorizes the Chairman of the Board of the Company, or in his absence the Chairman of the Meeting to vote NTLPI's shares of stock in the Company.

| | | | | |
|---|---|---|---|---|
| | | 95,000,000[7] (indirect) | Filipino | .24843% |
| Common | Jesus B. Varela | 1 (direct) | Filipino | .00000% |
| Common | Roberto S. Guevara | 1 (direct) | Filipino | .00000% |
| Common | Enrique Santos L. Sy | 80,553 (direct) | Filipino | .00021% |
| Common | Lourdes T. Gutierrez-Alfonso | 974,244 (direct) | Filipino | .00255% |
| Common | Francisco C. Canuto | 369,054 (direct) | Filipino | .00097% |
| Common | Philipps C. Cando | 0 | Filipino | n/a |
| Common | Maria Victoria M. Acosta | 0 | Filipino | n/a |
| Common | Giovanni C. Ng | 0 | Filipino | n/a |
| Common | Jericho P. Go | 18,000(direct) | Filipino | .00005% |
| Common | Noli D. Hernandez | 0 | Filipino | n/a |
| Common | Kevin Andrew L. Tan | 367,205(direct) | Filipino | .00096% |
| Common | Rafael Antonio S. Perez | 0 | Filipino | n/a |
| Common | Kimberly Hazel A. Sta. Maria | 0 | Filipino | n/a |
| Common | Carmen C. Fernando | 0 | Filipino | n/a |
| Common | Anna Michelle T. Llovido | 0 | Filipino | n/a |
| Common | Rolando D. Siatela | 0 | Filipino | n/a |
| All directors and executive officers as a group | | 99,453,748 (direct) | | 0.26008% |

**Voting Trust Holders of 5% or More**

The Company is not aware of the existence of persons holding more than five percent (5%) of the Company's common shares under a voting trust or similar agreement.

**Change in Control**

No change in control in the company has occurred since it was incorporated in 1989.

## Options

As of the date of this Prospectus, there are executive officers of the Company who were granted options to subscribe to common shares of the Company pursuant to the Company's Employee Stock Option Plan approved by the Board and stockholders of the Company in 2012.

[7] The shares are beneficially owned by Andrew L. Tan, spouse of Katherine L. Tan.

# DESCRIPTION OF DEBT

As of 30 September 2016, the Group has ₱55.70 billion of outstanding long-term debt, of which ₱500 million are secured by mortgages over certain investment properties of the Group. As of the same date, ₱34.17 billion of debt is evidenced by public instruments. Debts appearing in public instruments may, by mandatory provision of law, rank ahead of the Bonds in the event of the insolvency or liquidation of the Group.

Details of the Group's long term debt are as follows:

1. ₱34.17 billion represents various loans of the Group obtained from local banks in 2014, 2015 and 2016.
2. ₱9.56 billion represents the balance of seven-year term bonds totaling USD200.0 million issued in April 2011
3. ₱11.96 billion represents the balance of ten-year term bonds totaling USD250.0 million issued in April 2013.

Further details on the Group's long term debt are set forth in the Notes to the Financial Statements of the Group's audited consolidated financial statements for the year 2015 and unaudited consolidated financial statements as of September 30, 2016 found elsewhere in this Prospectus.

**Debt Covenants**

Under its existing loan agreements, Megaworld is required to maintain certain financial ratios which are set out below.

| Ratio | Requirement |
|---|---|
| Current ratio[1] | Not less than 1.0 |
| Debt service coverage ratio[2] | Not less than 1.5 |
| Debt to equity ratio[3] | Not more than 2.0 |
| Fixed charge coverage ratio[4] | Not less than 2.5 |

The Company has complied with these debt covenants.

*Notes:*
*1. Current Assets/ Current Liabilities*
*2. Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)/ Current portion of Interest bearing Loans and Borrowings plus Interest Expense*
*3. Interest-bearing Loans and Borrowings/ Equity*
*4. EBITDA / Consolidated Fixed Charges*

# TAXATION

*The statements herein regarding taxation are based on the laws in force as of the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Securities and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Securities are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Securities.*

## Philippine Taxation

As used in this section, the term "non-resident alien" means an individual whose residence is not within the Philippines and who is not a citizen of the Philippines. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien doing business in the Philippines"; however, a non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year may be considered a "non-resident alien not engaged in trade or business within the Philippines". A "non-resident foreign corporation" is a foreign corporation not engaged in trade or business within the Philippines.

### TAXATION OF INTEREST

The Tax Code provides that interest-bearing obligations of Philippine residents are Philippine sourced income subject to Philippine income tax. Interest income derived by Philippine citizens and alien resident individuals from the Securities is thus subject to income tax, which is withheld at source, at the rate of 20% based on the gross amount of interest. Generally, interest on the Securities received by non-resident aliens engaged in trade or business in the Philippines is subject to a 20% final withholding tax while that received by non-resident aliens not engaged in trade or business is subject to a final withholding tax rate of 25%. Interest income received by domestic corporations and resident foreign corporations from the Securities is subject to a final withholding tax rate of 20%. Interest income received by non-resident foreign corporations from the Securities is subject to a 30% final withholding tax.

The foregoing rates are subject to further reduction by any applicable tax treaties in force between the Philippines and the country of residence of the non-resident owner. Most tax treaties to which the Philippines is a party generally provide for a reduced tax rate of 10% to 15% in cases where the interest which arises in the Philippines is paid to a resident of the other contracting state. However, most tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the interest who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing instrument is effectively connected with such permanent establishment.

### TAX-EXEMPT STATUS OR ENTITLEMENT TO PREFERENTIAL TAX RATE

Bondholders who are exempt from or are not subject to final withholding tax on interest income or entitled to be taxed at a preferential rate may claim such exemption or avail of such preferential rate by submitting the necessary documents. Said Bondholder shall submit the following requirements: (i) certified true copy of the tax exemption certificate, ruling or opinion issued by the BIR, confirming the exemption or preferential rate; (ii) with respect to tax treaty relief, a certified true copy of the ruling issued by the International Tax Affairs Division of the BIR, confirming that the preferential tax treatment sought by the Bondholder is applicable; (iii) a duly notarized undertaking to immediately notify the Issuer, the Registrar and the Paying Agent of any suspension or revocation of the tax exemption certificate, certificate, ruling or opinion issued by the BIR, executed using the prescribed form, with a declaration and warranty of its tax exempt status or entitlement to a preferential tax rate, and an agreement to indemnify and hold the Issuer, the Registrar and the Paying Agent free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding or incorrect withholding of the required tax; and (iv) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities; provided, that the Issuer, the Registrar and the Paying Agent shall have the exclusive discretion to decide whether the documents submitted are sufficient for purposes of applying the exemption or the reduced rate being claimed by the Bondholder on the interest payments to such Bondholder; provided further that, all sums payable by the Issuer to tax-exempt entities shall be paid in full without deductions for taxes, duties, assessments, or government charges, subject to the submission by the Bondholder claiming the benefit of any exemption of the required documents and of additional reasonable evidence of such tax-exempt status to the Registrar.

The foregoing requirements shall be submitted, (i) in respect of an initial issuance of Bonds, to the underwriters or selling agents who shall then forward the same with the Application to Purchase to the Registrar; or (ii) in respect of a transfer from a Bondholder to a purchaser, to the Registrar within three days from settlement date.

**VALUE-ADDED TAX**

Under Section 4.108-3 of Revenue Regulation No. 16-2005, dealers in securities shall be subject to 12% value added tax on the basis of their gross receipts. For dealers in securities, gross receipts refer to the gross selling price less cost of the securities sold.

**GROSS RECEIPTS TAX**

Bank and non-bank financial intermediaries performing quasi-banking functions are subject to gross receipts tax on gross receipts derived from sources within the Philippines in accordance with the following schedule:

On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

| | |
|---|---|
| Maturity period is five years or less | 5% |
| Maturity period is more than five years | 1% |

Non-bank financial intermediaries not performing quasi-banking functions doing business in the Philippines are likewise subject to gross receipts tax. Gross receipts of such entities derived from sources within the Philippines from interests, commissions and discounts from lending activities are taxed in accordance with the following schedule based on the remaining maturities of the instruments from which such receipts are derived:

| | |
|---|---|
| Maturity period is five years or less | 5% |
| Maturity period is more than five years | 1% |

In case the maturity period of the instruments held by banks, non-bank financial intermediaries performing quasi-banking functions and non-bank financial intermediaries not performing quasi-banking functions is shortened through pre-termination, then the maturity period shall be reckoned to end as of the date of pretermination for purposes of classifying the transaction and the correct rate shall be applied accordingly.

Net trading gains realized within the taxable year on the sale or disposition of the Bonds by banks and nonbank financial intermediaries performing quasi-banking functions shall be taxed at 7%.

**DOCUMENTARY STAMP TAX**

A documentary stamp tax is imposed upon the issuance of debt instruments issued by Philippine companies, such as the Securities, at the rate of P1.00 for each P200, or fractional part thereof, of the issue price of such debt instruments; provided that, for debt instruments with terms of less than one year, the documentary stamp tax to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to 365 days.

The documentary stamp tax is collectible wherever the document is made, signed, issued, accepted, or transferred, when the obligation or right arises from Philippine sources, or the property is situated in the Philippines. Any applicable documentary stamp taxes on the original issue shall be paid by the Issuer for its own account.

**TAXATION ON SALE OR OTHER DISPOSITION OF THE SECURITIES**

**Income Tax**

Any gain realized from the sale, exchange or retirement of securities will, as a rule, form part of the gross income of the sellers, for purposes of computing the relevant taxable income subject to the regular rates of 5% to 32%, 25%, or 30%, as the case may be. If the securities are sold by a seller, who is an individual and who is not a dealer in securities, who has held the securities for a period of more than 12 months prior to the sale, only 50% of any capital gain will be recognized and included in the sellers' gross taxable income.

However, under the Tax Code, any gain realized from the sale, exchange or retirement of bonds, debentures and other certificates of indebtedness with an original maturity date of more than five years (as measured from the date of issuance of such bonds, debentures or other certificates of indebtedness) shall not be subject to income tax.

Moreover, any gain arising from such sale, regardless of the original maturity date of the securities, may be exempt from income tax pursuant to various income tax treaties to which the Philippines is a party, and subject to procedures prescribed by the Bureau of Internal Revenue for the availment of tax treaty benefits.

**Estate and Donor's Tax**

The transfer by a deceased person, whether a Philippine resident or a non-Philippine resident, to his heirs of the Securities shall be subject to an estate tax which is levied on the net estate of the deceased at progressive rates ranging from 5% to 20%, if the net estate is over ₱200,000. A Security holder shall be subject to donor's tax based on the net gift on the transfer of the Securities by gift at either (i) 30%, where the donee or beneficiary is a stranger, or (ii) at progressive rates ranging from 2% to 15% if the net gifts made during the calendar year exceed ₱100,000 and where the donee or beneficiary is not a stranger. For this purpose, a stranger is a person who is not a: (a) brother, sister (whether by whole or half-blood), spouse, ancestor or lineal descendant; or (b) relative by consanguinity in the collateral line within the fourth degree of relationship.

The estate or donor's taxes payable in the Philippines may be credited with the amount of any estate or donor's taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor.

The estate tax and the donor's tax, in respect of the Bonds, shall not be collected (a) if the deceased, at the time of death, or the donor, at the time of the donation, was a citizen and resident of a foreign country which, at the time of his death or donation, did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (b) if the laws of the foreign country of which the deceased or donor was a citizen and resident, at the time of his death or donation, allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in the foreign country.

In case the Bonds are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the Bonds exceeded the value of the consideration may be deemed a gift and may be subject to donor's taxes.

**Documentary Stamp Tax**

No documentary stamp tax is imposed on the subsequent sale or disposition of the Securities, trading the Securities in a secondary market or through an exchange. However, if the transfer constitutes a renewal of the Securities, documentary stamp tax is payable anew.

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Consolidated Interim Statements of Income for the nine months ended 30 September 2015 and 2016

Consolidated Interim Statements of Comprehensive Income for the nine months ended 30 September 2015 and 2016

Consolidated Interim Statements of Changes in Equity for the nine months ended 30 September 2015 and 2016

Consolidated Interim Statements of Cash Flows for the nine months ended 30 September 2015 and 2016

Notes to Interim Financial Statements

**Audited Financial Statements as at and for the years ended 31 December 2015, 2014 and 2013 for the Company**

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Consolidated Statement of Financial Position as at 31 December 2015 and 2014

Consolidated Statements of Income for the years ended 31 December 2015, 2014 and 2013

Consolidated Statements of Comprehensive Income for the years ended 31 December 2015, 2014 and 2013

Consolidated Statements of Changes in Equity for the years ended 31 December 2015, 2014 and 2013

Consolidated Statements of Cash Flows for the years ended 31 December 2015, 2014 and 2013

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