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
with an Oversubscription Option of up to ₱4,000,000,000
Issue Price: 100% of Face Value
Interest Rate: 5.3535% p.a.
to be listed and traded through
The Philippine Dealing and Exchange Corp.

Prospectus dated 10 March 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 Securities 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 28 March 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 5.3535% p.a. Interest on the Series B Bonds shall be payable semi-annually in arrears on 28 September and 28 March 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 28 March 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 13 and 21, respectively, of the Offer Supplement.

The Series B Bonds have been rated PRS Aaa by Philratings. The factors considered by Philratings in assigning this rating are Megaworld's ample liquidity, sound capitalization and high-quality management, as well as expectations that Megaworld's growth strategy will significantly benefit from the continued positive performance of the country's economic growth drivers.

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 ₱7.92 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 ₱11.88 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 39).

On 19 January 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 29 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 28th 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.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN IS TRUE AND CURRENT.

MEGAWORLDCORPORATION

By:

LOURDES T. GUTIERREZ-ALFONSO
Chief Operating Officer

SUBSCRIBED AND SWORN to before me this 10 MAR 2017 day of March 2017, affiant exhibiting to me her Professional Regulation Commission Identification Card with No. 0063739 issued on 28 July 2016 Manila City, Metro Manila.

Doc. No. 97
Book No. 21
Page No. 1V
Series of 2017.

ARIANE MAE V. VALLADA
Appointment No. M-176
Notary Public for Makati City
Until December 31, 2017
Penthouse, Liberty Center
104 H.V. dela Costa Street, Makati City
Roll of Attorneys No. 64605
PTR No. 5913730 / Makati City / 01-07-2017
IBP No. 1055791 / Quezon City / 01-04-2017

TABLE OF CONTENTS

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 28 March 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 31 December 2015 were ₱45.00 billion compared to ₱53.13 billion for the year ended 31 December 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 31 December 2014. For the nine months ended 30 September 2016, the Company's unaudited consolidated revenues was ₱35.26 billion and consolidated net profit was P9.27 billion.

As at 30 September 2016, Megaworld's consolidated total assets stood at ₱266.47 billion, consolidated total liabilities were at ₱125.08 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. ("GERI"). 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 GERI. 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 15 June 1994, and as of 11 January 2017, had a market capitalization of ₱42,879,124,919, based on a price of ₱3.95 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 9th 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 4th 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's business could be adversely affected by a domestic asset price bubble.
- 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 18 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 31 December 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 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. 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 liens.
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. Documentary stamp tax on the original issue of the Securities shall be for the Issuer's account. 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. 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 of the Series B Bonds	The net proceeds of the Issue shall be used primarily to fund the capital expenditure requirements in relation to investment properties 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 15 March 2017 and end at 12:00 pm on 21 March 2017
Issue Date	28 March 201
Maturity Date	Seven (7) years from Issue Date
Interest Rate	5.3535% p.a.
Interest Computation & Payment	Interest on the Series B Bonds shall be calculated on a 30/360 day count basis commencing on 28 September. Interest on the Series B Bonds shall be paid semi-annually in arrears on 28 September and 28 March 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 (5th) anniversary from Issue Date	101%
Sixth (6th) anniversary from Issue Date	100.5%

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. ("ALI") for the Company's projects in the Fort Bonifacio area of Metro Manila, and Robinsons Land Corporation, SM Prime Holdings, Inc. and ALI 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 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.

A domestic asset price bubble could adversely affect the Company's business.

One of the risks inherent in any real estate property market is the possibility of an asset price bubble. An asset price bubble occurs when there is a gross imbalance between the supply and demand in the property market, causing an unusual increase in asset prices. The rapid upsurge in asset prices might result into an eventual decline in prices as markets recalibrate. In the Philippines, the growth of the real estate sector is mainly driven by low interest rates, robust remittances from OFWs, and the fast growing BPO sector which is vulnerable to global economic changes.

The Company believes that the Philippine property sector is adequately protected against a domestic asset price bubble burst. The country has a very young demographic profile benefitting from rising disposable income. It likewise has one of the fastest growing emerging economies, registering Gross Domestic Product growth rates of 6.1% in 2014, 5.8% in 2015 and 6.8% in 2016 and the growth in the property sector is largely supported by infrastructure investments from both the public and private sectors and strong macroeconomic fundamentals.

There can be no assurance however, 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 Company's business, financial condition and results of operations.

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 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. See "- Risks Related to the Philippines."

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 30 June 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 2 September 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 28 December 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.

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 22 November 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 Notes 15 and 16 of the Audited Consolidated Financial Statements for the year ended 31 December 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 monthly retainer fee to the Trustee amounting to ₱20,000.00 or ₱240,000.00 per annum; and
3. After the Issue Date, a Paying Agency fee amounting to 0.05% of the amount to be paid but in no case less than ₱10,000.00 but not exceeding ₱100,000.00 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				**Launch Date**	**Target Completion Date**	**Percentage Completion[1]**
(Amounts in billion ₱)	**2017**	**2018**	**2019**	**Total**			
Iloilo Business Park	0.53	0.23	-	0.76	2014	2019	53%
McKinley Hill	0.52	-	-	0.52	2015	2017	60%
McKinley West	0.98	0.29	0.08	1.35	2015	2020	3%
Uptown Bonifacio	3.09	2.32	0.76	6.17	2014	2020	8%
Total	**5.12**	**2.84**	**0.84**	**8.80**			

Note 1: Percentage completion as of 30 September 2016.

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				**Launch Date**	**Target Completion Date**	**Percentage Completion[1]**
(Amounts in billion ₱)	**2017**	**2018**	**2019**	**Total**			
Iloilo Business Park	0.40	-	-	0.40	2014	2019	53%
McKinley Hill	0.97	0.47	0.17	1.61	2015	2017	60%
McKinley West	0.71	0.34	-	1.05	2015	2020	3%
Uptown Bonifacio	0.56	0.31	0.16	1.03	2014	2020	8%
Total	**2.64**	**1.12**	**0.33**	**4.09**			

Note 1: Percentage completion as of 30 September 2016.

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, PDEx 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 Underwriting Agreement with the Company executed on 10 March 2017 (the "Underwriting Agreement"), has agreed to act as the Issue Manager and Lead Underwriter for the Offer and as such, shall distribute and sell the Series B Bonds at the Offer Price, and has 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.

China Bank Capital, pursuant to the Underwriting Agreement, has agreed to act as a Participating Underwriter for the Offer.

The Issue Manager and Lead Underwriter and the Participating Underwriter (together, the "Underwriters") have committed to underwrite the Offer on a firm basis up to the amount indicated below:

Lead Underwriter	Amount
BDO Capital & Investment Corporation	₱7,500,000,000.00

Participating Underwriters	Amount
China Bank Capital Corporation	₱500,000,000.00

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.

China Bank Capital, a subsidiary of China Banking Corporation, provides a wide range of investment banking services to clients across different sectors and industries. Its primary business is to help enterprises raise capital by arranging or underwriting debt and equity transactions, such as project financing, loan syndications, bonds and notes issuances, securitizations, initial and follow-on public offerings, and private equity placements. China Bank Capital also advises clients on structuring, valuation, and execution of corporate transactions, including mergers, acquisitions, divestitures, and joint ventures. It was established and licensed as an investment house in 2015 as the spin-off of China Bank's investment banking group, which was organized in 2012.

The Issue Manager and Lead Underwriter and the Participating Underwriter, 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 15 March 2017, and end at 12:00 pm of 21 March 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, in accordance with PDEX rules, 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 ₱18.66 million and ₱14.15 million for 2016 and 2015, 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

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%

The contribution of each of the Company's subsidiaries and affiliates to its total consolidated revenues for the years ended 31 December 2013, 2014 and 2015 is set out below.

Name of Subsidiaries or Associates	2013 Revenue	2013 % to Total	2014 Revenue	2014 % to Total	2015 Revenue	2015 % to Total
Subsidiaries						
Megaworld Corporation	(1) 27,639,102,935	*76.26%*	(2) 37,948,201,740	*71.42%*	27,391,467,888	*60.88%*
Global-Estate Resorts, Inc.	-	*0.00%*	(3) 3,361,314,644	*6.33%*	(4) 5,409,626,853	*12.02%*
Empire East Land Holdings, Inc.	2,841,085,519	*7.84%*	4,552,282,973	*8.57%*	5,038,612,730	*11.20%*
Suntrust Properties, Inc.	2,973,492,995	*8.20%*	3,417,951,429	*6.43%*	3,405,538,845	*7.57%*
Manila Bayshore Property Holdings, Inc.	359,774,820	*0.99%*	413,588,911	*0.78%*	1,440,433,117	*3.20%*
Eastwood Cyber One Corporation	956,349,611	*2.64%*	828,499,183	*1.56%*	811,102,796	*1.80%*
Megaworld Land, Inc.	461,155,830	*1.27%*	685,700,552	*1.29%*	715,320,640	*1.59%*
La Fuerza, Inc.	-	*0.00%*	382,246,289	*0.72%*	184,300,667	*0.41%*
Eastwood Cinema 2000, Inc.	159,690,890	*0.44%*	148,140,008	*0.28%*	178,766,670	*0.40%*
Lucky Chinatown Cinemas. Inc.	66,918,273	*0.18%*	72,633,472	*0.14%*	80,296,943	*0.18%*
Megaworld Resort Estates, Inc.	81,270,672	*0.22%*	65,370,616	*0.12%*	60,435,712	*0.13%*
Megaworld-Daewoo Corporation	55,824,583	*0.15%*	85,225,463	*0.16%*	48,978,485	*0.11%*
Belmont Newport Luxury Hotels, Inc.	-	*0.00%*	-	*0.00%*	40,624,270	*0.09%*
Megaworld Cebu Properties, Inc.	94,303,391	*0.26%*	3,914,125	*0.01%*	17,457,412	*0.04%*
Richmonde Hotel Group International Limited	210,166,806	*0.58%*	803,689,143	*1.51%*	15,861,043	*0.04%*
Global One Hotel Group, Inc.	-	*0.00%*	-	*0.00%*	7,060,580	*0.02%*
Arcovia Properties, Inc.	7,142,418	*0.02%*	6,891,968	*0.01%*	4,203,223	*0.01%*
Gilmore Property Marketing Associates, Inc.	3,443,488	*0.01%*	5,243,171	*0.01%*	3,349,927	*0.01%*
Megaworld-Globus Asia, Inc.	6,351,556	*0.02%*	20,012,362	*0.04%*	2,483,021	*0.01%*
Mactan Oceanview Properties and Holdings, Inc.	688,108	*0.00%*	670,805	*0.00%*	677,468	*0.00%*
Megaworld Newport Property Holdings, Inc.	1,421	*0.00%*	361,086	*0.00%*	251,011	*0.00%*
Global One Integrated Business Services, Inc.	-	*0.00%*	1,668	*0.00%*	98,847	*0.00%*
Megaworld Central Properties Inc.	13,038,924	*0.04%*	70,265	*0.00%*	41,467	*0.00%*
Oceantown Properties, Inc.	59,680	*0.00%*	28,122	*0.00%*	37,406	*0.00%*
Integrated Town Management Corporation	20,827	*0.00%*	11,448	*0.00%*	13,641	*0.00%*
Luxury Global Malls, Inc.	-	*0.00%*	758	*0.00%*	2,409	*0.00%*
Mckinley Cinemas, Inc.	-	*0.00%*	-	*0.00%*	1,073	*0.00%*
Uptown Cinemas, Inc.	-	*0.00%*	-	*0.00%*	1,066	*0.00%*
Luxury Global Hotels and Leisure, Inc.	-	*0.00%*	-	*0.00%*	938	*0.00%*
Davao Park District Holdings, Inc.	-	*0.00%*	-	*0.00%*	1	*0.00%*
Streamwood Property, Inc.	-	*0.00%*	2	*0.00%*	-	*0.00%*
Megaworld Cayman Islands, Inc.	-	*0.00%*	-	*0.00%*	-	*0.00%*
	35,929,882,747	***99.14%***	**52,802,050,203**	***99.38%***	**44,857,046,149**	***99.69%***
Associates						
Bonifacio West Development Corporation	-	*0.00%*	73,909,989	*0.14%*	119,453,876	*0.27%*
Suntrust Home Developers, Inc.	6,584,396	*0.02%*	11,257,299	*0.02%*	22,748,330	*0.05%*
Palm Tree Holdings and Development Corporatio	(180,429)	*0.00%*	(222,681)	*0.00%*	(476,093)	*0.00%*
Pacific Coast Mega City, Inc.	-	*0.00%*	-	*0.00%*	(1,846,812)	*0.00%*
Travellers International Hotel Group, Inc.	275,310,094	*0.76%*	247,864,034	*0.47%*	-	*0.00%*
Resorts World Bayshore City, Inc.	86,728	*0.00%*	(3,266,830)	*-0.01%*	-	*0.00%*
Global-Estate Resorts, Inc.	46,638,749	*0.13%*	-	*0.00%*	-	*0.00%*
Alliance Global Properties, Limited	4,530,374	*0.01%*	-	*0.00%*	-	*0.00%*
La Fuerza, Inc.	4,449,918	*0.01%*	-	*0.00%*	-	*0.00%*
Magaworld Global Estate, Inc.	70,649	*0.00%*	-	*0.00%*	-	*0.00%*
Twin Lakes Corporation	(25,808,724)	*-0.07%*	-	*0.00%*	-	*0.00%*
GERI's Associates	-	*0.00%*	(834,051)	*0.00%*	(1,265,081)	*0.00%*
	311,681,755	***0.86%***	**328,707,760**	***0.62%***	**138,614,220**	***0.31%***
TOTAL	**36,241,564,502**	***100.00%***	**53,130,757,963**	***########***	**44,995,660,369**	***########***

(1) includes gain on acquisition of subsidiary of P763.83-M
(2) includes gain on sale of investments in an associate of P9.38-B, FV gain on remeasurement of investment of P2.25-B and gain on acquisition of subsidiaries of P142.70-M
(3) includes gain on deconsolidation of P377.47-M
(4) includes gain on sale of investments in an associate of P181.35-M

The contribution of each of the Company's subsidiaries and affiliates to its total consolidated net income for the years ended 31 December 2013, 2014 and 2015 is set out below.

Name of Subsidiaries or Associates		2013 Net Income	2013 % to Total		2014 Net Income	2014 % to Total		2015 Net Income	2015 % to Total
Subsidiaries									
Megaworld Corporation	(1)	7,244,941,750	*80.19%*	(2)	18,257,394,984	*84.70%*		8,042,175,726	*76.05%*
Global-Estate Resorts, Inc.		-	*0.00%*	(3)	780,483,779	*3.62%*	(4)	878,877,052	*8.31%*
Empire East Land Holdings, Inc.		330,348,492	*3.66%*		477,155,703	*2.21%*		562,826,889	*5.32%*
Eastwood Cyber One Corporation		620,719,503	*6.87%*		506,808,058	*2.35%*		495,961,871	*4.69%*
Suntrust Properties, Inc.		300,165,659	*3.32%*		299,914,886	*1.39%*		312,332,952	*2.95%*
Megaworld Land, Inc.		12,664,108	*0.14%*		59,246,148	*0.27%*		72,196,593	*0.68%*
La Fuerza, Inc.		-	*0.00%*		50,942,606	*0.24%*		56,697,768	*0.54%*
Megaworld-Daewoo Corporation		41,718,186	*0.46%*		44,029,657	*0.20%*		30,868,976	*0.29%*
Megaworld Resort Estates, Inc.		44,090,924	*0.49%*		39,648,852	*0.18%*		20,258,349	*0.19%*
Megaworld Cebu Properties, Inc.		94,444,618	*1.05%*		(28,432,170)	*-0.13%*		16,781,897	*0.16%*
Eastwood Cinema 2000, Inc.		(1,486,285)	*-0.02%*		111,451	*0.00%*		3,314,196	*0.03%*
Global One Integrated Business Services, Inc.		-	*0.00%*		32,182	*0.00%*		1,503,036	*0.01%*
Megaworld Newport Property Holdings, Inc.		240,530	*0.00%*		847,303	*0.00%*		670,089	*0.01%*
Oceantown Properties, Inc.		149,623	*0.00%*		1,047,987	*0.00%*		573,545	*0.01%*
Mactan Oceanview Properties and Holdings, Inc.		399,016	*0.00%*		390,268	*0.00%*		390,439	*0.00%*
Luxury Global Malls, Inc.		-	*0.00%*		49,797	*0.00%*		148,502	*0.00%*
Lucky Chinatown Cinemas. Inc.		(3,717,191)	*-0.04%*		172,687	*0.00%*		139,842	*0.00%*
Integrated Town Management Corporation		24,290	*0.00%*		31,801	*0.00%*		21,726	*0.00%*
Global One Hotel Group, Inc.		-	*0.00%*		-	*0.00%*		10,021	*0.00%*
Luxury Global Hotels and Leisure, Inc.		(886,544)	*-0.01%*		(759,004)	*0.00%*		(17,363)	*0.00%*
Piedmont Property Ventures, Inc.		(33,126)	*0.00%*		(32,706)	*0.00%*		(30,252)	*0.00%*
Stonehaven Land, Inc.		(33,125)	*0.00%*		(32,706)	*0.00%*		(30,252)	*0.00%*
Megaworld Bacolod Properties, Inc.		-	*0.00%*		-	*0.00%*		(153,117)	*0.00%*
Davao Park District Holdings, Inc.		-	*0.00%*		(13,333)	*0.00%*		(174,547)	*0.00%*
Megaworld Cayman Islands, Inc.		(94,365)	*0.00%*		(211,190)	*0.00%*		(215,183)	*0.00%*
Belmont Newport Luxury Hotels, Inc.		-	*0.00%*		-	*0.00%*		(256,947)	*0.00%*
Uptown Cinemas, Inc.		-	*0.00%*		-	*0.00%*		(289,366)	*0.00%*
Streamwood Property, Inc.		(33,102)	*0.00%*		(169,779)	*0.00%*		(303,984)	*0.00%*
Mckinley Cinemas, Inc.		-	*0.00%*		-	*0.00%*		(319,344)	*0.00%*
Richmonde Hotel Group International Limited		133,920,237	*1.48%*		788,084,539	*3.66%*		(1,640,599)	*-0.02%*
Gilmore Property Marketing Associates, Inc.		(9,972,300)	*-0.11%*		(83,613)	*0.00%*		(3,161,721)	*-0.03%*
Arcovia Properties, Inc.		(15,174,632)	*-0.17%*		(2,278,145)	*-0.01%*		(4,937,522)	*-0.05%*
Megaworld-Globus Asia, Inc .		(7,914,842)	*-0.09%*		9,321,735	*0.04%*		(7,799,236)	*-0.07%*
Megaworld Central Properties Inc.		16,127,804	*0.18%*		(509,925)	*0.00%*		(14,611,368)	*-0.14%*
Manila Bayshore Property Holdings, Inc.		(77,307,245)	*-0.86%*		(57,184,098)	*-0.27%*		(25,621,045)	*-0.24%*
		8,723,301,983	***96.55%***		**21,226,007,754**	***98.48%***		**10,436,187,623**	***98.69%***
Associates									
Bonifacio West Development Corporation		-	*0.00%*		73,909,989	*0.34%*		119,453,876	*1.13%*
Suntrust Home Developers, Inc.		6,584,396	*0.07%*		11,257,299	*0.05%*		22,748,330	*0.22%*
Palm Tree Holdings and Development Corporation		(180,429)	*0.00%*		(222,681)	*0.00%*		(476,093)	*0.00%*
Pacific Coast Mega City, Inc.		-	*0.00%*		-	*0.00%*		(1,846,812)	*-0.02%*
Travellers International Hotel Group, Inc.		275,310,094	*3.05%*		247,864,034	*1.15%*		-	*0.00%*
Resorts World Bayshore City, Inc.		86,728	*0.00%*		(3,266,830)	*-0.02%*		-	*0.00%*
Global-Estate Resorts, Inc.		46,638,749	*0.52%*		-	*0.00%*		-	*0.00%*
Alliance Global Properties, Limited		4,530,374	*0.05%*		-	*0.00%*		-	*0.00%*
La Fuerza, Inc.		4,449,918	*0.05%*		-	*0.00%*		-	*0.00%*
Magaworld Global Estate, Inc.		70,649	*0.00%*		-	*0.00%*		-	*0.00%*
Twin Lakes Corporation		(25,808,724)	*-0.29%*		-	*0.00%*		-	*0.00%*
GERI's Associates		-	*0.00%*		(834,051)	*0.00%*		(1,265,081)	*-0.01%*
		311,681,755	***3.45%***		**328,707,760**	***1.52%***		**138,614,220**	***1.31%***
TOTAL		**9,034,983,738**	***100.00%***		**21,554,715,514**	***100.00%***		**10,574,801,843**	***100.00%***

(1) *includes gain on acquisition of subsidiary of P763.83-M*
(2) *includes gain on sale of investments in an associate of P9.38-B, FV gain on remeasurement of investment of P2.25-B and gain on acquisition of subsidiaries of P142.70-M*
(3) *includes gain on deconsolidation of P377.47-M*
(4) *includes gain on sale of investments in an associate of P181.35-M*

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 ₱10-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, 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 ₱5-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 15 June 1994 and as at 11 January 2017 had a market capitalization of ₱127,345,811,194 based on a price of ₱3.95 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 30 September 2016, the development and leasing operations accounted for approximately 79.75% of the Company's total consolidated revenues of ₱35.26 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 30 September 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 31 December 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 31 December 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 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 31 December 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,

[1] PSE disclosure dated 29 February 2016 of ALI.

capital, reputation and sales and distribution network. Total Assets of RLC and subsidiaries as of the period ended 30 September 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 Assets of SMPHI and subsidiaries as of the period ended 31 December 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.

---

[2] 2016 Preliminary Information Statement of RLC.
[3] 2016 Preliminary Information Statement of SMPHI.

Employees

As of 31 December 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 31 December 2016:

Type	Number
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"). 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 31 December 2016 are set forth below:

Name of Subsidiaries or Associates	Date of Incorporation	Percentage Ownership
Subsidiaries		
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.		

(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 14 November 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 25 September 2014 and is engaged in BPO business.

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

Davao Park District Holdings, Inc. is engaged in the real estate business and was incorporated on 14 April 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 1 January 2012.

Gilmore Property Marketing Associates, Inc. was incorporated on 5 September 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 15 November 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 30 September 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 GERI. 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. The amounts are determined based on working capital needs of the related parties and there are no ongoing contractual and other commitments resulting from such advances. 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. Management fee is based on prevailing market rates for similar services. There are no ongoing contractual or other commitments resulting from the agreement.

The Company avails of marketing services of its subsidiaries namely Eastwood Property and Holdings, Inc. (EPHI), a 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. Aside from the agreed commission fees, there are no other contractual and other commitments related to the agreement.

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 29 June 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 the Department of Tourism (“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 15 June 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 13 November 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 6 July 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 Environmental Compliance Certificate (“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 28 June 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 9 October 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 20 May 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 21 July 2015 and took effect on 8 August 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 3 June 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 31 December 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 15, Revenue from Contracts with customers (effective from Janaury 1, 2018)
(vi) PFRS 16, *Leases* (effective from January 1, 2019)
(vii) PFRS 10 and 28 (Amendments), Consolidated Financial Statements and Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date deferred indefinitely).

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 ₱9.27 billion during the first nine months of 2016, 11.02% higher than ₱8.35 billion during the same period last year.

Consolidated revenues of the Megaworld Group, which includes its subsidiary brands GERI, EELHI and Suntrust Properties, Inc., amounted to ₱35.26 billion for the three quarters of the year, up 5.18% from ₱33.53 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 ₱20.71 billion in 2016 versus ₱20.49 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 ₱7.41 billion in the first nine months of 2016 from ₱6.44 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 ₱878.51 million during the nine months of 2016 with an increase of 65.99% from ₱529.25 million in the same period of 2015.

Total costs and expenses amounted to ₱25.99 billion, an increase by 3.24% from ₱25.18 billion during the same period last year. Interest and other charges – net amounting to ₱1.67 billion in 2016, decreased by 17.50% from last year's ₱2.02 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 ₱2.71 billion resulted to an increase of 4.75% from 2015 reported amount of ₱2.59 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 30 September 2016 amounted to ₱266.47 billion, posting an increase of 5.87% compared to ₱251.68 billion as at 31 December 2015.

The Group shows steady liquid position as at 30 September 2016 by having its current assets at ₱133.08 billion as against its current obligations at ₱40.71 billion. Current assets posted an increase of 1.45% from 31 December 2015 balance of ₱131.18 billion. Current obligations reflected an increase of 11.61% from 31 December 2015 balance of ₱36.48 billion.

Cash and cash equivalents decreased by 41.09% from ₱22.76 billion in 2015 to ₱13.41 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 ₱69.00 billion as at 30 September 2016 compared to ₱60.06 billion as at 31 December 2015. Residential, condominium units, golf and resort shares for sale increased by 5.82% from ₱61.47 billion in 2015 to ₱65.04 billion in 2016 mainly due to the additional construction costs attributable to on-going projects. Property development costs increased to ₱16.90 billion, 13.75% higher than ₱14.86 billion last year. Land for future development decreased by 2.00% from ₱18.12 billion in 2015 to ₱17.75 billion in 2016. The Group's investments in available-for-sale (AFS) securities decreased by 13.88%, from ₱4.70 billion in 2015 to ₱4.05 billion in 2016 due to changes in the fair market value of shares. Investment properties – net increased by 19.88% amounting to ₱55.47 billion in 30 September 2016 from ₱46.27 billion in 31 December 2015 due to completion and additional construction costs of real properties for lease. Property and equipment – net increased to ₱3.75 billion, up 22.75% from year-end 2015 balance of ₱3.05 billion due to additional costs incurred for hotel buildings.

Trade and other payables amounted to ₱13.65 billion and ₱12.07 billion as at 30 September 2016 and 31 December 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 30 September 2016 amounted to ₱6.96 billion compared ₱6.94 billion as at 31 December 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 ₱11.15 billion as at 30 September 2016 compared to ₱10.46 billion as at 31 December 2015.

The interest-bearing loans and borrowings current and non-current amounted to ₱34.18 and ₱31.67 billion for 30 September 2016 and 31 December 2015, respectively, reflecting a 7.91% increase. Bonds payable increased by 2.86% – ₱21.53 billion as at 30 September 2016 compared to ₱20.93 billion as at 31 December 2015. Total other liabilities amounted to ₱6.44 billion from ₱5.56 billion as at 30 September 2016 and 31 December 2015, respectively, translating to a 15.81% increase.

Total Equity (including non-controlling interests) increased by 5.19% from ₱134.41 billion as at 31 December 2015 to ₱141.40 billion as at 30 September 2016 due to the Group's continuous profitability.

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

	30 September 2016	31 December 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

	30 September 2016	30 September 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 31 December 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 30 September 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 31 December 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 31 December 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 ₱10-billion mark in net core income for 2015. The Group's core profit reached ₱10.40-billion (net of ₱181-million non-recurring gain), up by 10.58% from last year's ₱9.40-billion (net of ₱12.16-billion non-recurring gain).

Consolidated core revenues composed of real estate sales, rental income, hotel operations and other recurring revenues posted an amount of ₱44.81 billion this year, up by ₱3.84 million or 9.37% higher from 2014 figures amounting to ₱40.97 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 ₱27.26 billion in 2015 versus ₱24.61 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 ₱8.73 billion compared to ₱7.07 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 ₱796.32 million during the year with an increase of 10.15% from ₱722.97 million in 2014.

Total costs and expenses increased by 9.25% from ₱31.51 billion in 2014 to ₱34.42 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 ₱2.73 billion in 2015 from ₱1.62 billion last year due to foreign exchange re-measurement of dollar bonds. Tax expense in 2015 amounting to ₱3.28 billion resulted to a 5.27% increase from 2014 reported amount of ₱3.12 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 ₱251.68 billion posted an increase of 13.86% compared to ₱221.04 billion as at December 31, 2014.

The Group shows steady liquid position as at December 31, 2015 by having its current assets at ₱131.18 billion as against its current obligations at ₱36.48 billion. Current assets posted an increase of 7.44% from December 31, 2014 balance of ₱122.09 billion. Current obligations reflected a decrease of 6.17% from ₱38.88 billion balance last year.

Cash and cash equivalents decreased by 9.47% from ₱25.14 billion in 2014 to ₱22.76 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 – ₱60.06 billion as at December 31, 2015 compared to ₱52.63 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 ₱56.91 billion last year to ₱61.47 billion in 2015 mainly due to the additional construction costs attributable to on-going projects. Property development costs increased to ₱14.86 billion, 19.92% higher than ₱12.39 billion last year. The Group's investments in available-for-sale securities decreased by 23.54%, from ₱6.15 billion in 2014 to ₱4.70 billion in 2015 due to changes in the fair market value of shares. Investment properties increased by 29.39% amounting to ₱46.27 billion in December 31, 2015 from ₱35.76 billion in December 31, 2014 due to completion of properties for lease.

Trade and other payables amounted to ₱12.07 billion and ₱10.62 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 ₱6.94 billion compared to ₱7.24 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 ₱10.46 billion as at December 31, 2015 compared to ₱9.86 billion as at December 31, 2014.

The interest-bearing loans and borrowings current and non-current amounted to ₱31.67 billion resulted in a 261.86% increase from previous year-end's ₱8.75 billion mainly due to availment of new loans. Total other liabilities amounted to ₱5.56 billion from ₱4.09 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 ₱128.80 billion as at December 31, 2014 to ₱134.41 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 ₱21.55 billion (inclusive of ₱12.16 billion non-recurring gains) for the year 2014. Excluding the one-time gains, net income went up by 13.63%, from ₱8.27 billion last year to ₱9.40 billion this year.

Consolidated revenues composed of real estate sales, rental income, hotel operations and other revenues posted an increase of 46.60% from ₱36.24 billion to ₱53.13 billion. Core revenues amounted to ₱40.97 billion, resulting from strong property sales and sustained growth in leasing and hotel income, 15.49% higher than the ₱35.48 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 ₱24.61 billion in 2014 versus ₱21.25 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 ₱7.07 billion compared to ₱6.04 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 ₱.72 billion in 2014 from ₱.45 billion in 2013.

In general, the increase in costs and expenses by 15.78% from ₱27.21 billion in 2013 to ₱31.51 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 ₱3.12 billion resulting to a 21.35% increase from 2013 reported amount of ₱2.57 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 31 December 2014 amounted to ₱221.04 billion posted an increase of 27.12% compared to ₱173.88 billion as of 31 December 2013.

The Group shows steady liquid position as of 31 December 2014 by having its current assets at ₱122.09 billion as against its current obligations at ₱38.88 billion. Current assets posted an increase of 24.00% from 31 December 2013 balance of ₱98.46 billion. Current obligations reflected an increase of 50.13% from ₱25.90 billion balance last year.

Cash and cash equivalents decreased by 20.81% from ₱31.75 billion in 2013 to ₱25.14 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 – ₱52.63 billion as of 31 December 2014 compared to ₱43.00 billion as of 31 December 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 ₱35.11 billion last year to ₱56.91 billion in 2014 mainly due to the consolidation of a new subsidiary. Property development costs increased to ₱12.39 billion, 27.64% higher than ₱9.71 billion last year. The Group's investments in available-for-sale securities increased by 56.44%, from ₱3.93 billion in 2013 to ₱6.15 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 ₱35.76 billion in 31 December 2014 from ₱24.95 billion in 31 December 2013 due to completion of properties for lease and consolidation of newly acquired subsidiaries.

Trade and other payables amounted to ₱10.62 billion and ₱7.20 billion as of 31 December 2014 and 31 December 2013, respectively. The increase of 47.54% was due to the consolidation of new subsidiaries. Total current and non-current customers' deposits as of 31 December 2014 amounted to ₱7.24 billion compared to ₱5.12 billion as of 31 December 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 ₱9.86 billion as of 31 December 2014 compared to ₱7.47 billion as of 31 December 2013.

The interest-bearing loans and borrowings current and non-current amounted to ₱8.75 billion resulted in a 130.34% increase from previous year-end's ₱3.80 billion mainly due to new loan availed. Total other liabilities amounted to

₱4.09 billion from ₱3.59 billion as of 31 December 2014 and 31 December 2013, respectively translating to a 14.05% increase.

Total Equity (including non-controlling interest) increased by 26.33% from ₱101.95 billion as of 31 December 2013 to ₱128.80 billion as of 31 December 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:

	31 December 2014	31 December 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

	31 December 2014	31 December 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 31 December 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 31 December 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 31 December 2013 posted an amount of ₱9.03 billion (which includes ₱763.83 million non-recurring gain on acquisition of subsidiary), or 21.90% higher than the previous year's net income of ₱7.41 billion. Consolidated total revenues composed of real estate sales, rental income, hotel income and other revenues posted an increase of 18.42% from ₱30.60 billion to ₱36.24 billion.

Development. Among product portfolios, the bulk of generated consolidated revenues came from the sale of condominium units amounting to ₱21.25 billion in 2013 compared to ₱18.17 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 ₱6.04 billion compared to ₱4.99 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 ₱451.04 million in 2013, slightly declined by 2.44%, from ₱462.31 million in 2012. In general, the increase in costs and expenses from ₱23.19 billion in 2012 to ₱27.21 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 ₱2.57 billion resulted to a 14.15% increase from 2012 reported amount of ₱2.25 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 31 December 2013 amounted to ₱173.88 billion posted an increase of 21.83% compared to ₱142.72 billion as of 31 December 2012.

The Group shows liquid position as of 31 December 2013 by having its current assets amounted to ₱98.46 billion as against its current obligations of ₱25.90 billion. Current assets posted an increase of 20.46% from 31 December 2012 balance of ₱81.73 billion. Current obligations reflected an increase of 0.52% from December 31, 2012 balance of ₱25.76 billion.

Cash and cash equivalents increased by 18.36% from ₱26.83 billion in 2012 to ₱31.75 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 – ₱43.00 billion as of December 31, 2013 compared to ₱39.26 billion as of 31 December 2012, was due to higher sales for the period. An increase by 21.53% from ₱28.89 billion in 2012 to ₱35.11 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 ₱8.62 billion to ₱9.71 billion in 2013. The Group's investment in available-for-sale securities increased by 20.63%, from ₱3.26 billion in 2012 to ₱3.93 billion in 2013 was due to changes in market value of investments. Investment property increased by 49.99%, amounting to ₱24.95 billion in 2013 as compared with 2012 balance of ₱16.63 billion due to additional property for lease and contribution by newly acquired subsidiary.

Trade and other payables amounted to ₱7.20 billion and ₱7.90 billion as of 31 December 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 31 December 2013 amounted to ₱5.12 billion compared to ₱5.94 billion as of 31 December 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 ₱7.47 billion as of 31 December 2013 compared to ₱6.44 billion as of 31 December 2012 due to increase in unearned revenue.

Total Interest-bearing loans and borrowings current and non-current amounted to ₱3.80 billion resulted in a 41.52% decrease from previous year ₱6.50 billion mainly due to principal payments of loans and early redemption of notes during the period. Bonds payable increased by 83.13%, amounting to ₱24.83 billion in 2013 from ₱13.56 billion in 2012 due to issuance of dollar bonds during the year. Total other liabilities amounted to ₱3.59 billion from ₱3.77 billion as of 31 December 2013 and 31 December 2012, respectively translating to a 4.83% decrease.

Total equity (including non-controlling interest) increased by 25.52% from ₱81.23 billion as of 31 December 2012 to ₱101.95 billion as of 31 December 2013 due to the Group's continuous profitability, issuance of shares amounting to ₱2.5 billion to Parent Company and additional issuance of common shares from exercised stock warrants amounting to ₱721.81 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 31 December 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 31 December 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 31 December 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 31 December 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 31 December 2013, 2014 and 2015 and for the nine months ended 30 September 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 : $\dfrac{\text{Current Assets}}{\text{Current Liabilities}}$

2. Quick Ratio: $\dfrac{\text{Cash and Cash Equivalents}}{\text{Current Liabilities}}$

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 30 September 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	% of Completion
A. Condominium Units and Subdivision Lots Under Development			
101 Newport Boulevard	Newport, Pasay City	Joint Venture	82%
81 Newport Boulevard	Newport, Pasay City	Joint Venture	95%
Bayshore Residential Resort 1 & 2	Westside City	Joint Venture	23%
Belmont Hotel Mactan Newtown	Mactan Newtown, Cebu	Owned	5%
Eastwood Global Plaza Luxury Residence	Eastwood, Quezon City	Owned	7%
Forbes Hill	Northill Gateway, Bacolod	Joint Venture	28%
GolfHill Gardens	Quezon City	Owned	81%
Greenbelt Hamilton 1 & 2	Legaspi Street, Makati City	Owned	63%
Iloilo Boutique Hotel	Iloilo Business Park, Iloilo City	Owned	95%
Kingsford Hotel	Westside City	Joint Venture	5%
Lafayette Park Square	Iloilo Business Park, Iloilo City	Owned	34%
Manhattan Heights Tower B	Manhattan Garden City, Quezon City	Joint Venture	85%
Manhattan Heights Tower C	Manhattan Garden City, Quezon City	Joint Venture	81%
Manhattan Plaza	Manhattan Garden City, Quezon City	Joint Venture	42%
Noble Place	Binondo, Manila	Joint Venture	61%
One Eastwood Avenue 1 & 2	Eastwood, Quezon City	Owned	68%
One Madison Place 1-3	Iloilo Business Park, Iloilo City	Owned	46%
One Manchester Place	Mactan Newtown, Cebu	Owned	48%
One Pacific Residence	Mactan Newtown, Cebu	Owned	84%
One Uptown Residence	Uptown Bonifacio, Fort Bonifacio, Taguig City	Joint Venture	81%
Paseo Heights	Makati City	Owned	86%
Saint Honore	Iloilo Business Park, Iloilo City	Owned	0%
Salcedo SkySuites	Gil Puyat Ave., Makati City	Owned	39%
San Antonio Residences	Gil Puyat Ave., Makati City	Owned	0%
Savoy Hotel	Newport, Pasay City	Joint Venture	80%
Savoy Hotel Mactan Newtown	Mactan Newtown, Cebu	Owned	34%
St. Moritz Private Estate Cluster One & Two	McKinley West, Fort Bonifacio, Taguig City	Joint Venture	28%
The Ellis	Makati City	Owned	0%
The Florence	McKinley Hill, Fort Bonifacio, Taguig City	Owned	50%
The Palladium	Iloilo Business Park, Iloilo City	Owned	26%
The Venice Luxury Residences - Fiorenzo	McKinley Hill, Fort Bonifacio, Taguig City	Owned	83%
The Venice Luxury Residences - Giovanni	McKinley Hill, Fort Bonifacio, Taguig City	Owned	15%

Three Central	Valero St. Makati City	Owned	90%
Uptown Parksuites Residence	Uptown Bonifacio, Fort Bonifacio, Taguig City	Joint Venture	31%
Uptown Ritz Residence	Uptown Bonifacio, Fort Bonifacio, Taguig City	Joint Venture	68%
Viceroy	McKinley Hill, Fort Bonifacio, Taguig City	Owned	74%

TYPE	LOCATION	Owned/Leased/Limitations on Ownership	% of Sold
B. Condominium Units in Completed Projects			
115 Upper McKinley	McKinley Hill, Fort Bonifacio, Taguig City	Joint Venture	60%
150 Newport Boulevard	Newport, Pasay City	Joint Venture	95%
8 Forbestown Road	Forbestown Center, Fort Bonifacio, Taguig City	Joint Venture	100%
8 Newtown Boulevard	Mactan Newtown, Cebu City	Owned	87%
8 Wack Wack Road	Wack Wack Road, Mandaluyong City	Owned	100%
Belmont Luxury Hotel	Newport, Pasay City	Joint Venture	100%
Cityplace Binondo A & B	Binondo, Manila	Owned	100%
Eastwood Le Grand 1-3	Eastwood, Quezon City	Owned	92%
Eastwood Parkview 1 & 2	Eastwood, Quezon City	Owned	97%
El Jardin Del Presidente 1 & 2	Sgt. Esguerra Ave., Quezon City	Owned	100%
Forbeswood Heights	Forbestown Center, Fort Bonifacio, Taguig City	Joint Venture	100%
Forbeswood Parklane 1 & 2	Forbestown Center, Fort Bonifacio, Taguig City	Joint Venture	100%
Grand Eastwood Palazzo	Eastwood, Quezon City	Owned	97%
Greenbelt Chancellor	Rada St. Legaspi Village, Makati City	Owned	100%
Greenbelt Excelsior	Palanca St. Legaspi Village, Makati City	Joint Venture	100%
Greenbelt Madisson	Legaspi Village, Makati City	Owned	86%
Greenbelt Radisson	Aguirre St. Legaspi Village, Makati City	Owned	100%
Greenhills Heights	Pinaglabanan San Juan	Joint Venture	88%
Manhattan Heights Tower A	Manhattan Garden City, Quezon City	Joint Venture	87%
Manhattan Heights Tower D	Manhattan Garden City, Quezon City	Joint Venture	61%
Manhattan Parkview 1-3	Manhattan Garden City, Quezon City	Joint Venture	93%
Manhattan Parkview Garden	Manhattan Garden City, Quezon City	Joint Venture	61%
Manhattan Parkway 1 - 3	Manhattan Garden City, Quezon City	Joint Venture	100%
Marina Square Suites	Pedro Gil, Manila	Owned	97%
McKinley Hill Garden Villas	McKinley Hill, Fort Bonifacio, Taguig City	Joint Venture	100%
Mckinley West Subdivision	Mckinley West, Taguig City	Joint Venture	100%
Morgan Suites Executive	McKinley Hill, Fort Bonifacio,	Owned	100%

Residences	Taguig City		
One Beverly Place	Greenhills, San Juan	Joint Venture	100%
One Central	Sen. Gil Puyat Ave., Makati City	Owned	94%
One Central Park	Eastwood, Quezon City	Owned	90%
One Lafayette Square	Makati City	Owned	100%
One Orchard Road Tower 1 - 3	Eastwood, Quezon City	Owned	95%
Palm Tree Villas 1 & 2	Newport, Pasay City	Joint Venture	98%
Paseo Parkview Suites 1&2	Valero St. Salcedo Village, Makati City	Owned	100%
Stamford Executive Residences	McKinley Hill, Fort Bonifacio, Taguig City	Owned	100%
The Bellagio 1-3	Forbestown Center, Fort Bonifacio, Taguig City	Joint Venture	100%
The Eastwood Lafayette 1-3	Eastwood, Quezon City	Owned	100%
The Parkside Villas	Newport, Pasay City	Joint Venture	97%
The Residential Resort at Newport	Newport, Pasay City	Joint Venture	99%
The Venice Luxury Residences - Alessandro	McKinley Hill, Fort Bonifacio, Taguig City	Owned	98%
The Venice Luxury Residences - Bellini	McKinley Hill, Fort Bonifacio, Taguig City	Owned	94%
The Venice Luxury Residences - Carusso	McKinley Hill, Fort Bonifacio, Taguig City	Owned	83%
The Venice Luxury Residences - Domenico	McKinley Hill, Fort Bonifacio, Taguig City	Owned	75%
The Venice Luxury Residences - Emanuele	McKinley Hill, Fort Bonifacio, Taguig City	Owned	61%
The Woodridge 1 & 2	McKinley Hill, Fort Bonifacio, Taguig City	Joint Venture	100%
The Eastwood Excelsior	Eastwood, Quezon City	Owned	100%
Tuscany Private Estate	McKinley Hill, Fort Bonifacio, Taguig City	Joint Venture	88%
Two Central	Makati City	Owned	100%
Two Lafayette Square	Makati City	Owned	100%
Wack Wack Heights	Lee St., Mandaluyong City	Owned	100%

TYPE	**LOCATION**	**Owned/Leased/Limitations on Ownership**	**% of Occupancy**
C. Rental Properties			
18/20 Upper McKinley	McKinley Hill, Fort Bonifacio, Taguig City	Owned	91%
1800 Eastwood Avenue	Eastwood, Quezon City	Owned	100%
1880 Eastwood Avenue	Eastwood, Quezon City	Owned	97%
8 Campus Place	McKinley Hill, Fort Bonifacio, Taguig City	Ground Lease	100%
8 Newtown Boulevard	Mactan Newtown, Cebu	Joint Venture	30%
8 Upper McKinley Road	McKinley Hill, Fort Bonifacio, Taguig City	Owned	90%
Burgos Circle	Forbestown Center, Fort Bonifacio, Taguig City	Joint Venture	100%
California Garden Square Retail	Libertad cor Calbayog, Mandaluyong City	Owned	109%
Chinese Intl School	McKinley Hill, Fort Bonifacio, Taguig City	Ground Lease	100%

CIP Building	McKinley Hill, Fort Bonifacio, Taguig City	Owned	50%
Citibank	Eastwood City	Owned	50%
City Place Retail Mall	Binondo, Manila	Owned	99%
Corinthian Hills Retail	Temple Drive, Quezon City	Owned	96%
Cyber Mall	Eastwood, Quezon City	Owned	59%
Cyber One Units	Eastwood, Quezon City	Owned	98%
Eastwood Citywalk	Eastwood, Quezon City	Owned	97%
Eastwood Mall	Eastwood, Quezon City	Owned	100%
Eastwood Richmonde Hotel	Eastwood, Quezon City	Owned	100%
E-Commerce Plaza	Eastwood, Quezon City	Owned	100%
Emperador Steel Parking Building	McKinley Hill, Fort Bonifacio, Taguig City	Ground Lease	100%
Enderun	McKinley Hill, Fort Bonifacio, Taguig City	Ground Lease	100%
Global One	Eastwood, Quezon City	Owned	100%
IBM Plaza	Eastwood, Quezon City	Owned	95%
ICITE	Eastwood, Quezon City	Owned	60%
Iloilo Richmonde Hotel	Iloilo Business Park, Iloilo City	Owned	100%
Lucky Chinatown Mall	Binondo, Manila	Owned	91%
McKinley Parking Building	McKinley Hill, Fort Bonifacio, Taguig City	Owned	100%
McKinley West Towers A, B & C	McKinley West, Taguig City	Joint Venture	85%
One Beverly Place Retail	Greenhills, San Juan	Owned	64%
One Campus Place	McKinley Hill, Fort Bonifacio, Taguig City	Ground Lease	100%
One Global Center	Iloilo Business Park, Iloilo City	Owned	100%
One Techno Place	Iloilo Business Park, Iloilo City	Owned	65%
One World Center	Mactan Newtown, Cebu	Owned	100%
One World Square	McKinley Hill, Fort Bonifacio, Taguig City	Owned	98%
Paseo Center	Paseo Center, Makati City	Owned	130%
Richmonde Hotel	Ortigas, Mandaluyong City	Owned	100%
Science Hub Towers	McKinley Hill, Fort Bonifacio, Taguig City	Ground Lease	95%
Techno Plaza 1 & 2	Eastwood, Quezon City	Owned	100%
The Richmonde Plaza	Ortigas, Mandaluyong City	Owned	100%
The Venice Piazza	McKinley Hill, Fort Bonifacio, Taguig City	Ground Lease	85%
The World Centre	Gil Puyat Ave., Makati City	Owned	100%
Three World Square	McKinley Hill, Fort Bonifacio, Taguig City	Owned	93%
Tuscany Retail	McKinley Hill, Fort Bonifacio, Taguig City	Joint Venture	38%
Two Global Center	Iloilo Business Park, Iloilo City	Owned	99%
Two World Center	Mactan Newtown, Cebu	Owned	108%
Two World Square	McKinley Hill, Fort Bonifacio, Taguig City	Owned	93%
Uptown Place Towers	Uptown Bonifacio, Taguig City	Joint Venture	65%
Uptown Parade	Uptown Bonifacio, Taguig City	Joint Venture	65%
Uptown Place Mall	Uptown Bonifacio, Taguig City	Joint Venture	85%
Venice Corporate Center	McKinley Hill, Fort Bonifacio, Taguig City	Owned	80%

Venice Grand Canal Mall	McKinley Hill, Fort Bonifacio, Taguig City	Owned	50%
Woodridge Residences	McKinley Hill, Fort Bonifacio, Taguig City	Joint Venture	106%

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 BPO industry. He embarked on the development of integrated tourism estates through publicly-listed Alliance Global Group, Inc. and GERI, 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 EELHI, 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 EELHI 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 EELHI and GERI. 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 EELHI. Prior to joining EELHI. 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 EELHI 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 EELHI 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

Name	Years Served
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 President				
Lourdes T. Gutierrez Chief Operating Officer				
Philipps C. Cando SVP for Operations				
Kingson U. Sian SVP, Executive Director				
Francisco C. Canuto SVP, Treasurer				
President and 4 Most Highly Compensated Officers	Actual 2015	₱ 66.5 Million	₱ 28.7 Million	₱ 95.2 Million
	Actual 2016	₱ 79.8 Million	₱ 33.0 Million	₱ 112.8 Million
	Projected 2017	₱ 95.8 Million	₱ 37.9 Million	₱ 133.7 Million
All Other Officers and Directors as a Group	Actual 2015	₱ 86,4 Million	₱ 37,8 Million	₱ 124,3 Million
	Actual 2016	₱ 95,1 Million	₱ 42,9 Million	₱ 138.0 Million
	Projected 2017	₱ 104.6 Million	₱ 48.6 Million	₱ 153.2 Million

Compensation of Directors & Other Arrangements

For the year ended 31 December 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 31 December 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.

Name	No of Outstanding Options	No of Options Exercised	Date of Grant	Exercise Price	Market Price at Date of Grant
President and 4 Most Highly Compensated Officers	60,000,000	0	Various Dates	₱ 1.773054*	₱ 2.54*
All Other Officers and Directors as a Group	40,000,000	0	Various Dates	₱ 2.288494*	₱ 3.244*

*Average prices

The Company's Employee Stock Option Plan is intended to (i) enable qualified employee who are largely responsible for the further growth and development of the Company to participate in the growth of the Company; (ii) encourage the long-term commitment of such employees; and (iii) motivate such employees to continue their efforts in contributing to the long-term financial success of the Company.

The Company has not adjusted the exercise price of the option since the last grant and issuance on 11 June 2014.

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.

The Company's subsidiaries and affilaites, as of the date of this prospectus, have no defined dividend policy.

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	Alliance Global Group, Inc.	Same as the record owner	Filipino	14,090,219,058	36.8473%
Preferred				6,000,000,000	15.6906%
				20,090,219,058	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 31 December 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)	Filipino	.24843%
		1,891,632[4] (indirect)	Filipino	.00495%
		20,090,219,058[5] (indirect)	Filipino	52.5379%
		5,668,530,324[6] (indirect)	Filipino	14.8238%

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.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
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) 95,000,000[7] (indirect)	Filipino Filipino	.00495% .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.

[7] The shares are beneficially owned by Andrew L. Tan, spouse of Katherine L. Tan.

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.

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 US$200.0 million issued in April 2011
3. ₱11.96 billion represents the balance of ten-year term bonds totaling US$250.0 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.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY

MEGAWORLD CORPORATION
28/F The World Centre, 330 Sen. Gil Puyat Avenue, Makati City 1200, Philippines
Tels: (632) 867-8826 to 40
www.megaworldcorp.com • E-mail: infodesk@megaworldcorp.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Megaworld Corporation and Subsidiaries**, is responsible for the preparation and fair presentation of the interim condensed consolidated financial statements, which comprise the interim condensed consolidated statement of financial position as of September 30, 2016, and the related interim condensed consolidated statements of income, interim condensed consolidated statements of comprehensive income, interim condensed consolidated statements of changes in equity and interim condensed consolidated statements of cash flows for the nine months ended September 30, 2016 and 2015, and explanatory information, in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*.

Management's responsibility on the interim condensed consolidated financial statements includes designing and implementing internal controls relevant to the preparation and fair presentation of the interim condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the interim condensed consolidated financial statements submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has reviewed the interim condensed consolidated financial statements of Megaworld Corporation and Subsidiaries in accordance with Philippine Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, and in its report to the stockholders, has concluded that based on their review, nothing has come to their attention that causes them to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with PAS 34.

ANDREW L. TAN
Chairman of the Board

ANDREW L. TAN
Chief Executive Officer

FRANCISCO C. CANUTO
SVP and Treasurer
(Chief Financial Officer)

Signed this 11th day of January 2017.

JAN 1 8 2017 MAKATI CITY

SUBSCRIBED AND SWORN to before me on this ____ day of ______ at ____________, Philippines affiants exhibiting to me their Tax Identification Nos. as follows:

Andrew L. Tan	125-960-003-000
Francisco C. Canuto	102-956-483-000

Doc. No. 136;
Page No. 29;
Book No. 439;
Series of 2017

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-88
UNTIL DEC. 31, 2018
[illegible] NO. 45548
MC[illegible] NO. [illegible]-4/10/13
MB.P.O.N[illegible] MEMBER JAN. 29, 2007
[illegible] JAN. 3, 2017
EXECUTIVE BLDG. CENTER
MAKATI AVE. COR. JUPITER ST. MAKATI CITY

P&A
Grant Thornton

An instinct for growth™

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

T +63 2 988 2288
F +63 2 886 5506
grantthornton.com.ph

Report on Review of Interim Condensed Consolidated Financial Statements

The Board of Directors and the Stockholders
Megaworld Corporation and Subsidiaries
(A Subsidiary of Alliance Global Group, Inc.)
28th Floor, The World Centre Building
Sen. Gil Puyat Avenue, Makati City

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Megaworld Corporation and subsidiaries as of September 30, 2016, and the related interim condensed consolidated statements of income, interim condensed consolidated statements of comprehensive income, interim condensed consolidated statements of changes in equity and interim condensed consolidated statements of cash flows for the nine months ended September 30, 2016 and 2015, and explanatory information.

Management's Responsibility for the Interim Condensed Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of interim condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with Philippine Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Philippine Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements do not present fairly, in all material respects, the interim condensed consolidated financial position of Megaworld Corporation and subsidiaries as of September 30, 2016, and their interim condensed consolidated financial performance and their cash flows for the nine months ended September 30, 2016 and 2015 in accordance PAS 34, *Interim Financial Reporting*.

Other Matter

We have previously audited the consolidated financial statements of Megaworld Corporation and subsidiaries as of December 31, 2015, including the consolidated statement of financial position, which is presented herein for comparative purposes, on which we have rendered our report thereon dated March 18, 2016.

PUNONGBAYAN & ARAULLO

By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 5908630, January 3, 2017, Makati City
SEC Group A Accreditation
Partner - No. 1363-A (until Apr. 30, 2017)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-37-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

January 11, 2017

MEGAWORLD CORPORATION AND SUBSIDIARIES

(A Subsidiary of Alliance Global Group, Inc.)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2016

(With Comparative Figures as of December 31, 2015)

(Amounts in Philippine Pesos)

	Notes	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents		**P 13,409,887,569**	P 22,763,063,173
Trade and other receivables - net		**31,635,626,198**	27,362,783,828
Residential, condominium units, golf and resort shares for sale		**65,043,463,093**	61,466,864,765
Property development costs		**16,900,469,069**	14,858,143,294
Prepayments and other current assets - net		**6,093,525,820**	4,724,510,295
Total Current Assets		**133,082,971,749**	131,175,365,355
NON-CURRENT ASSETS			
Trade and other receivables - net		**37,361,978,135**	32,694,770,838
Advances to landowners and joint ventures		**6,697,879,949**	6,481,862,730
Land for future development		**17,752,464,656**	18,115,516,349
Investments in available-for-sale securities		**4,047,343,859**	4,699,583,654
Investments in and advances to associates and other related parties	7	**5,857,645,478**	6,772,193,903
Investment properties - net	5	**55,471,153,702**	46,272,070,191
Property and equipment - net	6	**3,745,046,071**	3,050,852,191
Deferred tax assets - net		**54,942,466**	67,107,874
Other non-current assets		**2,399,421,074**	2,355,440,617
Total Non-current Assets		**133,387,875,390**	120,509,398,347
TOTAL ASSETS		**P 266,470,847,139**	P 251,684,763,702

	Note	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings		**P 6,097,974,718**	P 4,244,935,177
Trade and other payables		**13,649,501,146**	12,069,419,857
Customers' deposits		**5,879,154,314**	5,880,223,576
Reserve for property development		**7,144,478,430**	6,437,971,861
Deferred income on real estate sales		**6,047,563,223**	5,653,790,826
Income tax payable		**55,359,864**	130,563,095
Other current liabilities		**1,839,366,483**	2,061,912,229
Total Current Liabilities		**40,713,398,178**	36,478,816,621
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings		**28,078,806,582**	27,427,696,485
Bonds payable		**21,527,556,018**	20,929,920,130
Customers' deposits		**1,084,560,573**	1,062,317,494
Redeemable preferred shares		**1,257,987,900**	1,257,987,900
Reserve for property development		**9,750,729,307**	9,751,642,232
Deferred income on real estate sales		**5,102,238,587**	4,808,072,809
Deferred tax liabilities - net		**10,268,737,251**	9,637,196,264
Advances from associates and other related parties	7	**1,741,897,851**	1,491,160,829
Retirement benefit obligation		**945,842,356**	925,195,114
Other non-current liabilities		**4,603,375,932**	3,501,403,181
Total Non-current Liabilities		**84,361,732,357**	80,792,592,438
Total Liabilities		**125,075,130,535**	117,271,409,059
EQUITY			
Total equity attributable to the company's shareholders		**123,433,320,108**	116,688,480,613
Non-controlling interests		**17,962,396,496**	17,724,874,030
Total Equity		**141,395,716,604**	134,413,354,643
TOTAL LIABILITIES AND EQUITY		**P 266,470,847,139**	P 251,684,763,702

See Selected Explanatory Notes to Interim Condensed Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2016 AND 2015
(Amounts in Philippine Pesos)
(UNAUDITED)

	Notes		2016		2015
REVENUES AND INCOME					
Real estate sales		**P**	**20,710,766,884**	P	20,489,755,358
Interest income on real estate sales			**1,391,065,443**		1,370,623,979
Realized gross profit on prior years' sales			**3,201,693,236**		3,042,005,358
Rental income			**7,413,366,937**		6,444,774,145
Hotel operations			**878,511,153**		529,250,447
Equity in net earnings of associates			**132,861,483**		130,488,878
Interest and other income - net			**1,535,990,293**		1,520,146,261
			35,264,255,429		33,527,044,426
COSTS AND EXPENSES					
Real estate sales			**11,661,845,441**		11,138,248,304
Deferred gross profit			**3,890,477,428**		3,790,416,545
Hotel operations			**512,465,204**		302,421,938
Operating expenses	5, 6, 8		**5,544,772,495**		5,331,323,375
Interest and other charges - net			**1,668,221,209**		2,022,002,396
Tax expense			**2,713,656,087**		2,590,680,654
			25,991,437,864		25,175,093,212
PROFIT FOR THE PERIOD BEFORE PREACQUISITION LOSS			**9,272,817,565**		8,351,951,214
PREACQUISITION LOSS OF A SUBSIDIARY			**-**		291,847
NET PROFIT FOR THE PERIOD		**P**	**9,272,817,565**	P	8,352,243,061
Net profit attributable to:					
Company's shareholders		**P**	**8,982,077,924**	P	8,093,785,215
Non-controlling interests			**290,739,641**		258,457,846
		P	**9,272,817,565**	P	8,352,243,061
Earnings Per Share:	10				
Basic		**P**	**0.282**	P	0.254
Diluted		**P**	**0.281**	P	0.253

See Selected Explanatory Notes to Interim Condensed Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2016 AND 2015
(Amounts in Philippine Pesos)
(UNAUDITED)

	2016	2015
NET PROFIT FOR THE PERIOD	**P 9,272,817,565**	P 8,352,243,061
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will not be reclassified subsequently to profit or loss –		
Actuarial gains on retirement benefit obligations	**-**	237,460,168
Tax expense	**-**	(71,238,050)
	-	166,222,118
Share in other comprehensive income of associates	**-**	29,058,108
	-	195,280,226
Items that will be reclassified subsequently to profit or loss:		
Fair valuation of available-for-sale securities – Fair value losses during the period	**(664,460,465)**	(3,367,906,350)
Exchange difference on translating foreign operations	**19,960,620**	64,336,443
Tax expense on exchange difference	**(5,988,186)**	(19,300,933)
	(650,488,031)	(3,322,870,840)
Total Other Comprehensive Loss	**(650,488,031)**	(3,127,590,614)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**P 8,622,329,534**	P 5,224,652,447
Total comprehensive income attributable to:		
Company's shareholders	**P 8,331,589,893**	P 4,957,683,765
Non-controlling interests	**290,739,641**	266,968,682
	P 8,622,329,534	P 5,224,652,447

See Selected Explanatory Notes to Interim Condensed Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2016 AND 2015
(Amounts in Philippine Pesos)
(UNAUDITED)

	Note	2016	2015
CAPITAL STOCK	8		
Balance at beginning of period		P 32,430,865,872	P 32,422,877,948
Additional issuances during the period		-	7,987,924
Balance at end of period		32,430,865,872	32,430,865,872
ADDITIONAL PAID-IN CAPITAL		16,657,990,413	16,657,990,413
TREASURY SHARES - At Cost		(633,721,630)	(633,721,630)
NET ACTUARIAL LOSSES ON RETIREMENT BENEFIT PLAN			
Balance at beginning of period		(28,765,084)	(239,046,794)
Other comprehensive income for the period, net of tax		-	157,711,282
Balance at end of period		(28,765,084)	(81,335,512)
NET UNREALIZED LOSSES ON AVAILABLE-FOR-SALE SECURITIES			
Balance at beginning of period		(2,143,358,379)	587,157,642
Other comprehensive loss for the period		(664,460,465)	(3,367,906,350)
Balance at end of period		(2,807,818,844)	(2,780,748,708)
Balance carried forward		P 45,618,550,727	P 45,593,050,435

	Note	2016	2015
Balance brought forward		**P 45,618,550,727**	P 45,593,050,435
SHARE IN OTHER COMPREHENSIVE INCOME OF ASSOCIATES			
Balance at beginning of year		**38,744,144**	-
Other comprehensive income for the year		**-**	29,058,108
Balance at end of period		**38,744,144**	29,058,108
ACCUMULATED TRANSLATION ADJUSTMENTS			
Balance at beginning of period		**(413,553,328)**	(462,462,319)
Other comprehensive income for the period, net of tax		**13,972,434**	45,035,510
Balance at end of period		**(399,580,894)**	(417,426,809)
RETAINED EARNINGS			
Balance at beginning of period		**70,780,278,605**	62,470,152,903
Net profit attributable to the Company's shareholders		**8,982,077,924**	8,093,785,215
Share-based compensation		**21,849,754**	40,172,871
Cash dividends	9	**(1,608,600,152)**	(1,936,160,028)
Balance at end of period		**78,175,606,131**	68,667,950,961
Total Equity Attributable to the Company's Shareholders		**123,433,320,109**	113,872,632,695
NON-CONTROLLING INTERESTS			
Balance at beginning of period		**17,724,874,030**	17,995,845,058
Additions (deductions)		**(53,217,175)**	502,493,701
Total comprehensive income attributable to non-controlling interests, net of tax		**290,739,641**	266,968,682
Balance at end of period		**17,962,396,496**	18,765,307,441
TOTAL EQUITY		**P 141,395,716,604**	P 132,637,940,136

See Selected Explanatory Notes to Interim Condensed Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2016 AND 2015
(Amounts in Philippine Pesos)
(UNAUDITED)

	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P 11,986,473,652	P 10,942,923,715
Adjustments for:			
Interest expense		1,129,368,414	1,027,173,402
Depreciation and amortization	5, 6	955,159,324	838,468,954
Interest income		(728,446,798)	(676,367,135)
Unrealized foreign currency losses - net		390,148,231	846,676,769
Equity in net earnings of associates		(132,861,483)	(130,488,878)
Dividend income		(68,845,396)	(86,751,174)
Employee share options		34,857,082	40,172,871
Gain on sale of available-for-sale securities		-	(1,956,320)
Operating profit before working capital changes		13,565,853,026	12,799,852,203
Increase in trade and other receivables		(8,834,824,051)	(7,910,947,162)
Increase in residential, condominium, golf and resort shares for sale		(959,033,468)	(2,177,073,338)
Increase in property development costs		(2,205,794,121)	(3,376,684,748)
Increase in prepayments and other current assets		(1,376,522,678)	(2,090,181,300)
Increase in advances to landowners and joint ventures		(216,017,219)	(465,079,613)
Increase in trade and other payables		1,244,375,376	2,585,881,163
Increase (decrease) in customers' deposits		21,173,817	(139,644,550)
Increase (decrease) in reserve for property development		705,593,645	(105,295,723)
Increase in deferred income on real estate sales		687,938,176	773,463,378
Increase in retirement benefit obligation		9,235,240	61,955,978
Increase in other liabilities		1,073,340,649	702,494,910
Cash generated from operations		3,715,318,392	658,741,199
Cash paid for income taxes		(1,681,994,987)	(1,665,386,457)
Net Cash From (Used in) Operating Activities		2,033,323,405	(1,006,645,258)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Investment properties	5	(9,890,839,611)	(7,293,367,464)
Property and equipment	6	(943,304,736)	(675,744,378)
Land for future development		(39,691,618)	(513,982,959)
Interest received		429,307,538	551,836,849
Decrease (increase) in other non-current assets		(295,317,136)	818,020,497
Advances from associates and other related parties:			
Obtained		250,737,021	15,890,157
Paid		(102,063,001)	(3,278,677,468)
Dividends received		68,845,396	86,751,174
Proceeds from sale of available-for-sale securities		-	124,596,462
Additions to available-for-sale securities		-	(1,065,981,935)
Net Cash Used in Investing Activities		(10,522,326,147)	(11,230,659,065)
Balance carried forward		(P 8,489,002,742)	(P 12,237,304,323)

	Notes	2016	2015
Balance brought forward		**(P 8,489,002,742)**	(P 12,237,304,323)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availments of long and short-term liabilities		**4,820,000,000**	14,642,435,925
Repayments of long and short-term liabilities		**(2,315,850,362)**	(3,278,734,283)
Cash dividends declared and paid	9	**(1,608,600,152)**	(1,936,160,028)
Interest paid		**(1,759,722,348)**	(1,273,510,424)
Repayments of bonds payable		**-**	(5,000,000,000)
Proceeds from exercise of share warrants	8	**-**	7,987,924
Net Cash From (Used in) Financing Activities		**(864,172,862)**	3,162,019,114
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(9,353,175,604)**	(9,075,285,209)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		**22,763,063,173**	25,142,949,887
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**P 13,409,887,569**	P 16,067,664,678

Supplemental Information on Non-cash Investing and Financing Activities:

In the normal course of business, the Group enters into non-cash transactions such as exchanges or purchases on account of real estate and other assets. Other non-cash transactions include transfers of property from Land for Future Development to Property Development Costs or Investment Properties as the property goes through its various stages of development. These non-cash activities are not reflected in the consolidated statements of cash flows.

See Selected Explanatory Notes to Interim Condensed Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
SELECTED EXPLANATORY NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(Amounts in Philippine Pesos)
(UNAUDITED)

1. CORPORATE INFORMATION

Megaworld Corporation (the Company) was incorporated in the Philippines on August 24, 1989, primarily to engage in the development of large scale, mixed-use planned communities or townships that integrate residential, commercial, leisure and entertainment components. The Company is presently engaged in property-related activities such as project design, construction and property management. The Company's real estate portfolio includes residential condominium units, subdivision lots and townhouses, condominium-hotel projects, as well as office projects and retail spaces.

All of the Company's common shares are listed at the Philippine Stock Exchange (PSE).

The registered office of the Company, which is also its principal place of business, is located at the 28th Floor, The World Centre Building, Sen. Gil Puyat Avenue, Makati City.

Alliance Global Group, Inc. (AGI or the Parent Company), also a publicly listed company in the Philippines, is the ultimate parent company of Megaworld Corporation and its subsidiaries (the Group). AGI is a holding company and is presently engaged in the food and beverage business, real estate, quick service restaurant, tourism-oriented and gaming businesses. AGI's registered office, which is also its primary place of business, is located at the 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City.

The Company holds ownership interests in the following subsidiaries and associates:

	Effective Percentage of Ownership	
Subsidiaries/Associates	**September 2016**	December 2015
Subsidiaries:		
Prestige Hotels and Resorts, Inc. (PHRI)	**100%**	100%
Mactan Oceanview Properties and Holdings, Inc. (MOPHI)	**100%**	100%
Megaworld Cayman Islands, Inc. (MCII)	**100%**	100%
Richmonde Hotel Group International Ltd. (RHGI)	**100%**	100%
Eastwood Cyber One Corporation (ECOC)	**100%**	100%

Subsidiaries/Associates	Explanatory Notes	Effective Percentage of Ownership September 2016	December 2015
Subsidiaries:			
Megaworld Cebu Properties, Inc. (MCP)		**100%**	100%
Megaworld Newport Property Holdings, Inc. (MNPHI)		**100%**	100%
Oceantown Properties, Inc. (OPI)		**100%**	100%
Lucky Chinatown Cinemas, Inc. (LCCI)		**100%**	100%
Luxury Global Hotels and Leisure, Inc. (LGHLI)		**100%**	100%
Arcovia Properties, Inc. (API, formerly Woodside Greentown Properties, Inc.)		**100%**	100%
Piedmont Property Ventures, Inc. (PPVI)	(a)	**100%**	100%
Stonehaven Land, Inc. (SLI)	(a)	**100%**	100%
Streamwood Property, Inc. (SP)	(a)	**100%**	100%
Global One Integrated Business Services, Inc. (GOIBSI)		**100%**	100%
Luxury Global Malls, Inc. (LGMI)		**100%**	100%
Davao Park District Holdings, Inc. (DPDHI)		**100%**	100%
Belmont Newport Luxury Hotels, Inc. (BNLHI)	(b)	**100%**	100%
Global One Hotel Group, Inc. (GOHGI)	(b)	**100%**	100%
McKinley Cinemas, Inc. (MCI)	(b)	**100%**	100%
Uptown Cinemas, Inc. (UCI)	(b)	**100%**	100%
Megaworld Bacolod Properties, Inc. (MBPI, formerly Bacolod-Murcia Milling Co., Inc.)	(c)	**91.55%**	91.55%
Megaworld Central Properties, Inc. (MCPI)	(d)	**76.55%**	76.55%
La Fuerza, Inc. (LFI)		**66.67%**	66.67%
Megaworld-Daewoo Corporation (MDC)		**60%**	60%
Eastwood Cinema 2000, Inc. (EC2000)		**55%**	55%
Gilmore Property Marketing Associates, Inc. (GPMAI)	(e)	**52.14%**	52.14%
Manila Bayshore Property Holdings, Inc. (MBPHI)	(f)	**50.92%**	50.92%
Megaworld Globus Asia, Inc. (MGAI)		**50%**	50%
Integrated Town Management Corporation (ITMC, formerly Philippine International Properties, Inc.)		**50%**	50%
Megaworld Land, Inc. (MLI)		**100%**	100%
City Walk Building Administration, Inc. (CBAI)	(g)	**100%**	100%
Forbestown Commercial Center Administration, Inc. (FCCAI)	(g)	**100%**	100%
Paseo Center Building Administration, Inc. (PCBAI)	(g)	**100%**	100%
Uptown Commercial Center Administration, Inc. (UCCAI)	(g)	**100%**	100%
Iloilo Center Mall Administration, Inc. (ICMAI)	(g)	**100%**	100%
Newtown Commercial Center Administration, Inc. (NCCAI)	(g)	**100%**	100%
Valley Peaks Property Management, Inc. (VPPMI)	(g)	**100%**	100%

Subsidiaries/Associates	Explanatory Notes	Effective Percentage of Ownership September 2016	December 2015
Subsidiaries:			
Suntrust Properties, Inc. (SPI)		**100%**	100%
Suntrust Ecotown Developers, Inc. (SEDI)		**100%**	100%
Governor's Hills Science School, Inc. (GHSSI)		**100%**	100%
Sunrays Property Management, Inc. (SPMI)		**100%**	100%
Suntrust One Shanata, Inc. (SOSI, formerly Greengate Holdings Corporation)		**100%**	100%
Suntrust Two Shanata, Inc. (STSI, formerly Regalia Properties Corporation)		**100%**	100%
Global-Estate Resorts, Inc. and Subsidiaries (GERI)	(h)	**82.32%**	82.26%
Southwoods Mall, Inc. (SMI)	(i)	**91.16%**	91.13%
Megaworld Global-Estate, Inc. (MGEI)	(j)	**89.39%**	89.36%
Twin Lakes Corporation (TLC)	(k)	**83.37%**	83.34%
Fil-Estate Urban Development Corp. (FEUDC)	(l)	**82.32%**	82.26%
Novo Sierra Holdings Corp. (NSHC)	(l)	**82.32%**	82.26%
Global Homes and Communities, Inc. (GHCI)	(l)	**82.32%**	82.26%
Fil-Estate Properties, Inc. (FEPI)	(l)	**82.32%**	82.26%
Aklan Holdings, Inc. (AHI)	(l)	**82.32%**	82.26%
Blu Sky Airways, Inc. (BSAI)	(l)	**82.32%**	82.26%
Fil-Estate Subic Development Corp. (FESDC)	(l)	**82.32%**	82.26%
Fil-Power Construction Equipment Leasing Corp. (FPCELC)	(l)	**82.32%**	82.26%
Golden Sun Airways, Inc. (GSAI)	(l)	**82.32%**	82.26%
La Compaña De Sta. Barbara, Inc. (LCSBI)	(l)	**82.32%**	82.26%
MCX Corporation (MCX)	(l)	**82.32%**	82.26%
Pioneer L-5 Realty Corp. (PLRC)	(l)	**82.32%**	82.26%
Prime Airways, Inc. (PAI)	(l)	**82.32%**	82.26%
Sto. Domingo Place Development Corp. (SDPDC)	(l)	**82.32%**	82.26%
Fil-Power Concrete Blocks Corp. (FPCBC)	(l)	**82.32%**	82.26%
Fil-Estate Industrial Park, Inc. (FEIPI)	(l)	**65.04%**	64.99%
Sherwood Hills Development, Inc. (SHD)	(l)	**45.28%**	45.24%
Fil-Estate Golf and Development, Inc. (FEGDI)	(l)	**82.32%**	82.26%
Golforce, Inc. (Golforce)	(l)	**82.32%**	82.26%
Southwoods Ecocentrum Corp (SWEC, formerly Fil-Estate Ecocentrum Corp.)	(l)	**46.10%**	46.07%
Philippine Aquatic Leisure Corp. (PALC)	(l)	**46.10%**	46.07%
Oceanfront Properties, Inc. (OFPI)	(l)	**41.16%**	41.13%
Empire East Land Holdings, Inc. and Subsidiaries (EELHI)	(m)	**81.73%**	81.73%
Eastwood Property Holdings, Inc. (EPHI)	(n)	**81.73%**	81.73%
Valle Verde Properties, Inc. (VVPI)	(n)	**81.73%**	81.73%
Sherman Oak Holdings, Inc. (SOHI)	(n)	**81.73%**	81.73%
Empire East Communities, Inc. (EECI)	(n)	**81.73%**	81.73%
20th Century Nylon Shirt, Inc. (CNSI)	(n)	**81.73%**	81.73%
Laguna BelAir School, Inc. (LBASI)	(n)	**59.25%**	59.67%
Sonoma Premier Land, Inc. (SPLI)	(n)	**49.04%**	49.04%

Subsidiaries/Associates	Explanatory Notes	Effective Percentage of Ownership September 2016	December 2015
Subsidiaries:			
Megaworld Resort Estates, Inc. (MREI)		**51%**	51%
Townsquare Development, Inc. (TDI)		**30.60%**	30.60%
Golden Panda-ATI Realty Corporation (GPARC)		**30.60%**	30.60%
Associates:			
Bonifacio West Development Corporation (BWDC)	(o)	**46.11%**	46.11%
Palm Tree Holdings and Development Corporation (PTHDC)		**40%**	40%
Suntrust Home Developers, Inc. and Subsidiaries (SHDI)		**42.48%**	42.48%
First Oceanic Property Management, Inc. (FOPMI)	(p)	**42.48%**	42.48%
Citylink Coach Services, Inc. (CCSI)	(p)	**42.48%**	42.48%
GERI	(h)	**-**	-
Boracay Newcoast Hotel Group, Inc. (BNHGI)	(q)	**37.05%**	37.01%
Fil-Estate Network, Inc. (FENI)	(r)	**16.46%**	16.45%
Fil-Estate Sales, Inc. (FESI)	(r)	**16.46%**	16.45%
Fil-Estate Realty and Sales Associates, Inc.(FERSAI)	(r)	**16.46%**	16.45%
Fil-Estate Realty Corp. (FERC)	(r)	**16.46%**	16.45%
Nasugbu Properties, Inc. (NPI)	(r)	**11.53%**	11.52%
EELHI	(m)	**-**	-
Pacific Coast Mega City, Inc. (PCMCI)	(s)	**16.35%**	16.35%

Explanatory Notes:

(a) These were acquired subsidiaries in 2008 but have not yet started commercial operations as at September 30, 2016.

(b) These subsidiaries are newly incorporated in 2015. BNLHI is engaged in condominium-hotel operations while GOHGI provides management services to the former. MCI and UCI are engaged in cinema operations.

(c) In 2015, the Company acquired 91.55% ownership interest in MBPI, which is engaged in the same line of business as the Company.

(d) As at September 30, 2016, the Company owns 76.55% of MCPI consisting of 51% direct ownership, 18.97% indirect ownership through EELHI and 6.58% indirect ownership through MREI.

(e) As at September 30, 2016, the Company's ownership in GPMAI is at 52.14%, which consists of 38.72% and 13.42% indirect ownership from EELHI and MREI, respectively. All members of the Board of Directors (BOD) of GPMAI are also members of the Company's BOD; hence, GPMAI is considered a subsidiary.

(f) In 2015 and 2014, the Company and Travellers International Hotel Group, Inc. (TIHGI) equally subscribed to additional shares of MBPHI amounting to P0.5 billion and P0.8 billion each, respectively. The additional subscriptions on MBPHI do not affect the ownership interest of both TIHGI and the Company.

(g) These were incorporated to engage in operation, maintenance, and administration of various malls and commercial centers. These companies became subsidiaries of the Company through MLI, their immediate parent company.

(h) In 2016 and 2015, the Company acquired additional shares of GERI from PSE increasing its ownership interest to 82.32% and 82.26% respectively.

(i) SMI is a subsidiary of GERI acquired in 2014 which is engaged in real estate business. In 2015, the Company acquired 50% ownership in SMI. As at December 31, 2015, effective ownership interest over SMI totaled to 91.13%, consisting of 50% direct ownership and 41.13% indirect ownership through GERI. In 2016, due to additional share acquisitions over GERI, the Company increased its effective ownership interest to 91.16%.

(j) In 2016 and 2015, due to additional share acquisitions over GERI, the Company increased its effective ownership interest to 89.39% and 89.36%, respectively.

(k) In 2016 and 2015, the Company, due to various share acquisitions over GERI and direct share acquisitions, increased its effective ownership interest to 83.37% and 83.34% respectively.

(l) These are subsidiaries of GERI. As a result of the additional investments in GERI in 2016 and 2015, the Company's indirect ownership interest over these subsidiaries increased in proportion to the increase in effective interest over GERI.

(m) In 2015, the Company acquired outstanding shares of EELHI from PSE resulting in the increase in ownership interest to 81.73%.

(n) In 2015, as a result of the various acquisitions of shares of EELHI, the Company's ownership interest increased to 81.73%; hence, indirect ownership over the subsidiaries of EELHI also increased proportionately. CNSI is a newly acquired subsidiary in 2015.

(o) BWDC is considered as an associate of the Company in 2016 and 2015, due to the presence of significant influence over its financial and operating policies since the Company has 5 out of 11 BOD representations.

(p) Subsidiaries of SHDI. FOPMI is engaged in property management while CCSI is engaged in overland transport.

(q) In 2015, FEPI sold 15% ownership interest in BNHGI to a third party, decreasing the Company's ownership to 37.01%. As at September 30, 2016, the effective ownership interest over BNHGI is 37.05%.

(r) Associates of GERI. As a result of the additional investments in GERI in 2016 and 2015, the Company's indirect ownership interest over these associates increased in proportion to the increase in effective interest over GERI.

(s) PCMCI was incorporated in 2012. In 2015, EELHI acquired 20% ownership interest over PCMCI; consequently, the Company has indirect ownership of 16.35%.

Except for MCII and RHGI, all the subsidiaries and associates were incorporated and have their principal places of business in the Philippines. MCII was incorporated and has principal place of business in the Cayman Islands while RHGI was incorporated and has principal place of business in the British Virgin Islands.

The Company and its subsidiaries, except for entities which have not yet started commercial operations as at September 30, 2016, are presently engaged in the real estate business, hotel, cinema, business process outsourcing, educational, facilities provider and property management operations and marketing services.

EELHI, GERI, and SHDI are publicly listed companies in the Philippines.

There were no discontinued operations among the Group's operating subsidiaries and associates for the nine months ended September 30, 2016 and 2015.

The interim condensed consolidated financial statements (unaudited) of the Group as of and for the nine months ended September 30, 2016 (including the comparative financial information as of December 31, 2015 and for the nine months ended September 30, 2015) were authorized for issue by the Company's Board of Directors on January 11, 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements for the nine months ended September 30, 2016 and 2015 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. They do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended December 31, 2015.

The preparation of interim condensed consolidated financial statements in accordance with Philippine Financial Reporting Standards (PFRS) requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

These interim condensed consolidated financial statements are presented in Philippine peso, the functional and presentation currency of the Group, and all values represent absolute amounts except when otherwise indicated.

2.2 Adoption of New and Amended PFRS

A number of new or amended standards became applicable for the current reporting period. However, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

In preparing the interim condensed consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. The judgments, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual financial statements as of and for the year ended December 31, 2015.

The Group performed its annual impairment test of goodwill and other intangible assets with indefinite useful life at year end and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill arising from business combination and other intangible assets is based on value-in-use calculations. The Group considers the relationship between the market capitalization of the subsidiaries and its net book value, among other factors, when reviewing for indicators of impairment. The Group's management assessed that for the nine months ended September 30, 2016 and as of December 31, 2015, goodwill arising from business combination and other intangible assets with indefinite useful life are not impaired.

4. SEGMENT INFORMATION

The Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products or services and serves different markets. The Group is engaged in the development of residential and office units including urban centers integrating office, residential and commercial components. The Real Estate segment pertains to the development and sale of residential and office developments. The Rental segment includes leasing of office and commercial spaces. The Hotel Operations segment relates to the management of hotel business operations. The Corporate and Others segment includes business process outsourcing, educational, facilities provider, maintenance services, marketing services, general and corporate income and expense items. The Group generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

As of September 30, 2016, there have been no change from prior periods in the measurement methods used to determine operating segments and reported segment revenues, expenses and performance.

The following tables present revenue and profit information regarding industry segments for the nine months ended September 30, 2016 and 2015 and certain asset and liability information regarding segments as at September 30, 2016 and December 31, 2015.

September 30, 2016 (Unaudited)

	Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
TOTAL REVENUES						
Sales to external customers	P 25,303,525,564	P 7,413,366,937	P 878,511,153	P 731,190,948	P -	P 34,326,594,602
Intersegment sales	-	219,338,669	-	654,325,492	(873,664,161)	-
Total revenues	P 25,303,525,564	P 7,632,705,606	P 878,511,153	P 1,385,516,440	(P 873,664,161)	P 34,326,594,602
RESULTS						
Segment results	P 6,662,416,101	P 5,695,487,605	P 177,160,103	P 67,296,030	(P 57,423,559)	P 12,544,936,280
Interest and other income						804,799,345
Interest and other charges						(1,496,123,456)
Equity in net earnings of associates						132,861,483
Tax expense						(2,713,656,087)
Net profit						**P 9,272,817,565**
ASSETS AND LIABILITIES						
Segment assets	P 193,111,184,442	P 59,406,322,726	P 2,412,971,550	P 5,682,722,943	P -	P 260,613,201,661
Investments in and advances to associates and other related parties - net	-	-	-	5,857,645,478	-	5,857,645,478
Total assets	P 193,111,184,442	P 59,406,322,726	P 2,412,971,550	P11,540,368,421	P -	**P 266,470,847,139**
Segment liabilities	P 105,202,224,823	P 15,481,265,120	P 413,975,585	P 3,977,665,007	P -	**P 125,075,130,535**

September 30, 2015 (Unaudited)

	Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
TOTAL REVENUES						
Sales to external customers	P 24,902,384,695	P 6,444,774,145	P 529,250,447	P 757,027,952	P -	P 32,633,437,239
Intersegment sales	-	199,110,372	-	550,651,388	(749,761,760)	-
Total revenues	P 24,902,384,695	P 6,643,884,517	P 529,250,447	P 1,307,679,340	(P 749,761,760)	P 32,633,437,239
RESULTS						
Segment results	P 6,744,974,037	P 4,980,867,085	P 107,071,048	P 214,697,451	(P 73,188,261)	P 11,974,421,360
Interest and other income						763,118,309
Interest and other charges						(1,925,396,679)
Equity in net earnings of associates						130,488,878
Tax expense						(2,590,680,654)
Preacquisition loss of a subsidiary						291,847
Net profit						P 8,352,243,061

December 31, 2015 (Audited)

	Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
ASSETS AND LIABILITIES						
Segment assets	P 187,279,330,964	P 50,003,842,390	P 2,433,682,285	P 5,195,714,160	P -	P 244,912,569,799
Investments in and advances to associates and other related parties - net	-	-	-	6,772,193,903	-	6,772,193,903
Total assets	P 187,279,330,964	P50,003,842,390	P 2,433,682,285	P11,967,908,063	P -	P 251,684,763,702
Segment liabilities	P 98,703,363,884	P15,149,080,026	P 424,651,426	P 2,994,313,723	P -	P 117,271,409,059

5. INVESTMENT PROPERTIES

The reconciliation of the carrying amounts of investment properties is shown below.

	Note	September 30, 2016 (Unaudited)	September 30, 2015 (Unaudited)	December 31, 2015 (Audited)
Balance at beginning of period		**P 46,272,070,191**	P 35,762,629,818	P 35,762,629,818
Additions		**9,890,839,611**	7,293,367,464	12,896,131,534
Transfer to property and equipment	6	**-**	(703,582,929)	(1,175,058,950)
Disposals – net		**-**	-	(33,846,200)
Depreciation and amortization		**(691,756,100)**	(652,174,669)	(1,177,786,011)
Balance at end of the period		**P 55,471,153,702**	P 41,700,239,684	P 46,272,070,191

6. PROPERTY AND EQUIPMENT

The reconciliation of the carrying amounts of property and equipment is shown below.

	Note	September 30, 2016 (Unaudited)	September 30, 2015 (Unaudited)	December 31, 2015 (Audited)
Balance at beginning of period		**P 3,050,852,191**	P 1,867,373,139	P 1,867,373,139
Additions		**943,304,736**	675,744,378	208,882,344
Transfer from investment properties	5	**-**	703,582,929	1,175,058,950
Disposals – net		**-**	-	(36,461,706)
Depreciation and amortization		**(249,110,856)**	(180,330,394)	(164,000,536)
Balance at end of the period		**P 3,745,046,071**	P 3,066,370,052	P 3,050,852,191

7. RELATED PARTY TRANSACTIONS

The Group's related parties include the Parent Company, associates, the Group's key management and other related parties under common ownership.

The summary of the Group's transactions with its related parties for the periods ended September 30, 2016 and 2015 and the related outstanding balances as of September 30, 2016 and December 31, 2015 is presented in the succeeding page.

Related Party Category	Amount of Transaction September 30, 2016 (Unaudited)	September 30, 2015 (Unaudited)	Outstanding Balance September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Parent Company:				
Dividends paid	**(P 712,651,193)**	(P 857,700,557)	**P -**	P -
Dividend income	**38,006,000**	38,006,000	**-**	-
Investments in AFS securities	**(24,520,000)**	(814,098,000)	**1,949,340,000**	1,973,860,000
Associates:				
Cash advances	**(310,395,872)**	(262,826,092)	**732,495,913**	1,042,891,785
Rendering of services	**-**	2,250,584	**-**	4,409,086
Related Parties Under Common Ownership:				
Cash advances	**(706,284,804)**	199,363,487	**437,685,118**	1,425,105,182
Investment in AFS securities	**(534,016,554)**	(1,251,469,503)	**1,582,758,709**	1,340,695,800
Collection on sale of land and rendering of services	**-**	60,583,931	**-**	56,912,802

The Group's outstanding receivables from and payables to related parties arising from the above transactions are unsecured and noninterest-bearing.

None of the companies under the Group is a joint venture. The Company is not subject to joint control and none of its related parties exercise significant influence over it.

In 2016, the Company acquired 100% ownership interest over LSPI Landmark Seaside Properties, Inc. (LSPI), a former related party under common ownership. The acquisition was accounted for as an acquisition of assets since LSPI does not have business activities and was acquired solely to increase the Group's land bank. The acquisition contributed an increase of P1.1 billion in land for future development.

8. CAPITAL STOCK

8.1 Common and Preferred Shares

Share issued and authorized are summarized below.

	For the nine months ended September 30, 2016	2015	For the year ended December 31, 2015
Preferred shares Series "A" – P0.01 par value			
Authorized	**6,000,000,000**	6,000,000,000	6,000,000,000
Issued and outstanding	**6,000,000,000**	6,000,000,000	6,000,000,000
Common shares – P1 par value			
Authorized	**40,140,000,000**	40,140,000,000	40,140,000,000
Issued and outstanding:			
Balance at beginning of the period	**32,370,865,872**	32,362,877,948	32,362,877,948
Issuances during the period	**-**	7,987,924	7,987,924
Balance at end of the period	**32,370,865,872**	32,370,865,872	32,370,865,872

8.2 Share Warrants

In 2009, the Company issued 4,102,045,364 share warrants which are exercisable beginning on the second year until the fifth year from issue date.

During the nine month ended September 30, 2015, 7,987,924 share warrants were exercised at P1 per share.

As at December 31, 2015, a total of 4,101,662,246 share warrants were exercised while the remaining 383,118 warrants expired.

8.3 Employee Stock Options

There were neither employee stock options granted nor vested for the nine months ended September 30, 2016 and 2015. A total of P34.9 million and P40.2 million share-based compensation was recognized for the nine months ended September 30, 2016 and 2015, respectively, as part of Salaries and employee benefits under Operating Expenses in the interim condensed consolidated statements of income.

9. CASH DIVIDENDS

The details of the Company's cash dividend declarations, both for preferred and common shares, are as follows:

	2016	2015
Declaration date/date of approval by BOD	**June 15, 2016**	June 17, 2015
Date of record	**June 29 2016**	July 1, 2015
Date of payment	**July 22, 2016**	July 27, 2015
Amount declared and paid	**P1,608,600,152**	P1,936,160,028

Of the total amount of dividends declared and paid, P600,000 was paid to preferred shares both in 2016 and 2015.

10. EARNINGS PER SHARE

Both the basic and diluted earnings per share have been calculated using the net profit attributable to the Parent Company's shareholders as the numerator after considering the dividends on cumulative preferred shares series "A" amounting to P448,767 for the nine months ended September 30, 2016 and 2015, and P600,000 for the year ended December 31, 2015.

The weighted average number of shares for the purposes of the calculation of diluted earnings per share (DEPS) can be reconciled to the weighted average number of common shares used in the calculation of basic earnings per share (BEPS) as follows:

	For the nine months ended September 30, 2016	For the nine months ended September 30, 2015	For the year ended December 31, 2015
Weighted average number of shares used in BEPS	**31,819,445,872**	31,815,063,273	31,816,158,923
Shares deemed issued and subsequently reacquired in respect of employee stock options	**141,923,706**	164,185,904	161,304,022
Weighted average number of shares used in DEPS	**31,961,369,578**	31,979,249,177	31,977,462,945

11. COMMITMENTS AND CONTINGENCIES

In the normal course operations, the Group is committed to complete its real estate development. By doing so, it earmarks an annual capital expenditure budget for projects under construction. The net commitment for construction expenditures amounts to:

	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Total commitment for construction expenditures	**P25,334,941,573**	P24,076,339,196
Total expenditures incurred	**(18,182,073,289)**	(16,403,084,016)
Net commitment	**P 7,152,868,284**	P 7,673,255,180

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 condensed consolidated financial statements. Management of the Group is of the opinion, that losses, if any, from these items will not have any material effect on its interim condensed consolidated financial statements.

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

12. EVENTS AFTER THE REPORTING PERIOD

There are no material events that occurred subsequent to the interim period that is required to be recorded or disclosed in these interim condensed consolidated financial statements.

13. SEASONAL FLUCTUATIONS

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

14. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

14.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and liabilities presented in the interim condensed consolidated statements of financial position are shown below.

	September 30, 2016 (Unaudited)		December 31, 2015 (Audited)	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**P 13,409,887,569**	**P 13,409,887,569**	P 22,763,063,173	P 22,763,063,173
Trade and other receivables - net	**63,700,094,345**	**63,700,094,345**	55,148,505,013	55,148,505,013
Advances to associates and other related parties	**2,912,110,132**	**2,912,110,132**	3,959,157,797	3,959,157,797
Guarantee and other deposits	**932,129,388**	**932,129,388**	822,930,111	822,930,111
	P 80,954,221,434	**P 80,954,221,434**	P 82,693,656,094	P 82,693,656,094
AFS securities				
Equity securities	**P 3,978,114,623**	**P 3,978,114,623**	P 4,634,249,299	P 4,634,249,299
Debt securities	**69,229,236**	**69,229,236**	65,334,355	65,334,355
	P 4,047,343,859	**P 4,047,343,859**	P 4,699,583,654	P 4,699,583,654
Financial Liabilities				
Financial liabilities at amortized cost:				
Interest-bearing loans and borrowings	**P 34,176,781,300**	**P 34,176,781,300**	P 31,672,631,662	P 31,672,631,662
Bonds payable	**21,527,556,018**	**21,527,556,018**	20,929,920,130	20,929,920,130
Redeemable preferred shares	**1,257,987,900**	**1,257,987,900**	1,257,987,900	1,257,987,900
Trade and other payables	**11,049,464,933**	**11,049,464,933**	9,407,713,404	9,407,713,404
Advances from associates and other related parties	**1,741,897,851**	**1,741,897,851**	1,491,160,829	1,491,160,829
	P 69,753,688,002	**P 69,753,688,002**	P 64,759,413,925	P 64,759,413,925

14.2 Fair Value Hierarchy

The Group uses the following hierarchy level in determining the fair values that will be disclosed for its financial instruments.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. Except for P27.45 million AFS equity securities categorized in Level 3, all other AFS equity securities are categorized in Level 1.

For assets and liabilities that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

14.3 Valuation Methods and Assumptions

The fair value of the financial assets and liabilities is the amount at which the asset could be sold or the liability transferred in a current transaction between market participants, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

a) Fair value of the quoted bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, as well as other non-current financial liabilities is estimated using rates currently available for debt on similar terms, credit risk and remaining maturities. The valuation requires management to use unobservable inputs in the model. Management regularly assesses a range of reasonably possible alternatives for the significant unobservable inputs and determines their impact on the total fair value.

b) Fair value of the unquoted common shares has been estimated using a discounted cash flows model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

c) Fair value of remaining available-for-sale financial assets is derived from quoted market prices in active markets.

P&A Grant Thornton

An instinct for growth™

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Interim Condensed Consolidated Financial Statements

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

T +63 2 988 2288
F +63 2 886 5506
grantthornton.com.ph

The Board of Directors and Stockholders
Megaworld Corporation and Subsidiaries
(A Subsidiary of Alliance Global Group, Inc.)
28th Floor, The World Centre Building
Sen. Gil Puyat Avenue, Makati City

We have reviewed, in accordance with Philippine Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, the interim condensed consolidated financial statements of Megaworld Corporation and Subsidiaries (the Group) as of and for the nine months ended September 30, 2016 on which we have rendered our report dated January 11, 2017. Our review was made for the purpose of expressing a conclusion on the interim condensed consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, and is not a required part of the interim condensed consolidated financial statements. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the procedures applied in the review of the interim condensed consolidated financial statements and, based on our review, nothing has come to our attention that causes us to believe that the information has not been prepared, in all material respects, in relation to the interim condensed consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: **Renan A. Piamonte**
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 5908630, January 3, 2017, Makati City
SEC Group A Accreditation
Partner - No. 1363-A (until Apr. 30, 2017)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-37-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

January 11, 2017

Megaworld Corporation and Subsidiaries
List of Supplementary Information
September 30, 2016

Megaworld Corporation and Subsidiaries
Schedule A - Financial Assets
Available-for-sale Securities
September 30, 2016

Name of issuing entity and association of each issue	*Number of shares or principal amount of bonds or notes*		*Amount shown on the balance sheet*		*Valued based on the market quotation at balance sheet date*		*Income received and accrued*
Alliance Global Group, Inc.	122,600,000	P	1,949,340,000	P	1,949,340,000	P	38,006,000
Travellers International Hotel Group, Inc.	290,587,162		956,031,763		956,031,763		14,529,358
Emperador, Inc.	56,000,000		404,049,107		404,049,107		6,616,960
Various quoted equity securities	190,665,866		641,243,854		641,243,854		9,693,078
Various unquoted equity securities	29,501,000		27,449,898		27,449,898		-
Various unquoted debt securities	1,250,000		69,229,237		69,229,237		2,683,629
	690,604,028	P	4,047,343,859	P	4,047,343,859	P	71,529,025

Megaworld Corporation and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
September 30, 2016

Name and designation of debtor	*Balance at beginning of period*	*Additions*	*Deductions*		*Ending Balance*		*Balance at end of period*
			Amounts collected	*Amounts written off*	*Current*	*Not current*	
Advances to Officers and Employees:							
Philipps C. Cando	P -	P -	P -	P -	P -	P -	P -
Senior VP - Operations							
Garry V. de Guzman	361,910	-	(361,910)	-	(0)	-	(0)
Senior VP and Head of Corporate Advisory and Compliance Division							
Maria Marivic M. Acosta	1,292,379	-	(360,000)	-	932,379	-	932,379
Senior VP for International Marketing							
Monica Salomon	332,505	-	(76,732)	-	255,773	-	255,773
First VP - Corporate Management							
Rolando D. Siatela	136,231	-	(81,743)	-	54,488	-	54,488
Assistant Corporate Secretary							
	P 2,123,025	P -	(P 880,385)	P -	P 1,242,640	P -	P 1,242,640
Loans to Directors:	P -	P -	P -	P -	P -	P -	P -

MEGAWORLD CORPORATION AND SUBSIDIARIES

SCHEDULE C- Amounts Receivable/Payable from/to Related Parties which are Eliminated During the Consolidation of Financial Statements

September 30, 2016

Name and designation of debtor	Balance at the beginning of period	Additions	Deductions		Current	Non current	Balance at the end of the period
			Amounts collected	Amounts written off			
Due from Related Parties:							
Suntrust Properties, Inc. (SPI)	P 2,235,174,633	P 169,474,200	P -	P -	P -	P 2,404,648,834	P 2,404,648,834
Empire East Land Holdings, Inc.(EELHI)	1,883,501,611	100,029,889	-	-	-	1,983,531,500	1,983,531,500
Megaworld Cebu Properties, Inc. (MCP)	1,540,129,557	-	9,685,203	-	-	1,530,444,354	1,530,444,354
Landmark Seaside Properties, Inc(LSPI)	-	1,100,388,326	-	-	-	1,100,388,326	1,100,388,326
Townsquare Development Inc.(TDI)	-	238,109,769	-	-	-	238,109,769	238,109,769
Megaworld Land, Inc.(MLI)	177,393,885	-	61,912,300	-	-	115,481,585	115,481,585
Arcovia Properties, Inc.(API)	114,662,816	-	2,265,746	-	-	112,397,070	112,397,070
Global Estate Resorts, Inc.(GERI)	75,304,089	25,550,128	-	-	-	100,854,217	100,854,217
Megaworld Newport Property Holdings, Inc.(MNPHI)	92,126,213	-	3,548,944	-	-	88,577,269	88,577,269
Eastwood Property Holdings, Inc.(EPHI)	45,893,431	6,880,559	-	-	-	52,773,990	52,773,990
Oceantown Properties, Inc.(OPI)	58,354,995	-	19,885,555	-	-	38,469,440	38,469,440
Lucky Chinatown Cinemas, Inc.(LCCI)	24,343,180	25,350	-	-	-	24,368,530	24,368,530
Megaworld Bacolod Properties Inc. (MBPI)	24,001,020	41,672	-	-	-	24,042,692	24,042,692
Uptown Cinemas Inc(UCI)	-	21,341,466	-	-	-	21,341,466	21,341,466
Mckinley Cinemas, Inc.(MCI)	-	17,163,135	-	-	-	17,163,135	17,163,135
Belmont Newport Luxury Hotels Inc (BNLHI)	26,869,495	-	9,760,199	-	-	17,109,297	17,109,297
Eastwood Cinema 2000, Inc.(EC2000)	13,750,000	-	-	-	-	13,750,000	13,750,000
Global One Hotel Group Inc (GOHGI)	5,627,367	-	1,841,121	-	-	3,786,245	3,786,245
Luxury Global Hotels and Leisure, Inc.(LGHLI)	1,645,743	-	-	-	-	1,645,743	1,645,743
Streamwood Property, Inc.(SP)	1,344,666	27,081	-	-	-	1,371,748	1,371,748
Various Subsidiaries	1,027,704	1,355,040	401,494	-	-	1,981,250	1,981,250
Due to Related Parties:							
Richmonde Hotel Group International, Ltd.(RHGI)	P 3,850,795,111	P 316,720,230	P -	P -	P -	P 4,167,515,340	P 4,167,515,340
Megaworld Globus Asia, Inc.(MGAI)	210,979,082	-	-	-	-	210,979,082	210,979,082
Eastwood Cyber One Corporation(ECOC)	-	178,620,881	-	-	-	178,620,881	178,620,881
Megaworld Central Properties, Inc.(MCPI)	156,350,553	6,914,531	-	-	-	163,265,085	163,265,085
Prestige Hotels and Resorts, Inc.(PHRI)	69,506,432	24,842,360	-	-	-	94,348,791	94,348,791
Davao Park District Holdings, Inc(DPDHI)	-	74,770,706	-	-	-	74,770,706	74,770,706
Megaworld-Daewoo Corporation(MDC)	119,927,543	-	62,106,169	-	-	57,821,374	57,821,374
Integrated Town Management Corporation(ITMC)	4,365,587	-	676,618	-	-	3,688,968	3,688,968
Townsquare Development, Inc.(TDI)	62,252,966	-	62,252,966	-	-	-	-

Megaworld Corporation and Subsidiaries
Schedule D - Intangible Assets - Other Assets
September 30, 2016

			Deduction			
Description	***Beginning balance***	***Additions at cost***	***Charged to cost and expenses***	***Charged to other accounts***	***Other changes additions (deductions)***	***Ending balance***
Goodwill	P 1,290,232,360	P -	P -	P -	P -	P 1,290,232,360
Leasehold Rights	132,339,119	-	5,223,913	-	-	127,115,207
	P 1,422,571,479	P -	P 5,223,913	P -	P -	P 1,417,347,567

Megaworld Corporation and Subsidiaries
Schedule E - Long-Term Debt
September 30, 2016

Title of issue and type of obligation		*Amount authorized by indenture*		*Amount shown under caption "Current portion of long-term debt" in related balance sheet*		*Amount shown under caption "Long-Term Debt" in related balance sheet*
Long -term loan	P	36,839,275,427	P	6,033,062,180	P	28,078,806,582
Foreign borrowings	$	451,345,142		64,912,538		21,527,556,018
			P	6,097,974,718	P	49,606,362,600

Megaworld Corporation and Subsidiaries
Schedule H - Capital Stock
September 30, 2016

				Number of shares held by		
Title of Issue	***Number of shares authorized***	***Number of shares issued and outstanding as shown under the related balance sheet caption***	***Number of shares reserved for options, warrants, conversion and other rights***	***Related parties***	***Directors, officers and employees***	***Others***
Common shares - P1 par value	40,140,000,000	32,239,445,872	275,000,000	21,284,521,882	99,449,327	10,855,474,663
Preferred shares - P.01 par value	6,000,000,000	6,000,000,000		6,000,000,000		

MEGAWORLD CORPORATION AND SUBSIDIARIES
SCHEDULE L - FINANCIAL SOUNDNESS INDICATORS
SEPTEMBER 30, 2016 AND DECEMBER 31, 2015

	SEPTEMBER 30, 2016	DECEMBER 31, 2015
Current ratio	3.27 :1.00	3.60 :1.00
Quick ratio	0.33 :1.00	0.62 :1.00
Debt-to-equity ratio	0.39 :1.00	0.39 :1.00
Interest-bearing debt to total capitalization ratio	0.31 :1.00	0.31 :1.00
Asset-to-equity ratio	1.88 :1.00	1.87 :1.00
		SEPTEMBER 30, 2015
Interest rate coverage ratio	624.27%	817.22%
Net profit margin	26.30%	24.91%
Return on assets	3.58%	3.65%
Return on equity/investment of owners	7.48%	7.21%

LIQUIDITY RATIOS measure the business' ability to pay short-term debt.
Current ratio – computed as current assets divided by current liabilities
Quick ratio – computed as cash and cash equivalents divided by current liabilities

SOLVENCY RATIOS measure the business' ability to pay all debts, particularly long-term debt.
Debt to equity ratio – computed as interest bearing loans and borrowings and bonds payable divided by total stockholders' equity.
Interest-bearing debt to total capitalization ratio – computed as interest-bearing debt divided by interest-bearing debt+stockholders' equity attributable to the company's shareholders.

ASSET-TO-EQUITY RATIOS measure financial leverage and long-term solvency. It shows how much of the assets are owned by the company. It is computed as total assets divided by total stockholders' equity.

INTEREST RATE COVERAGE RATIOS measure the business' ability to meet its interest payments. It is computed as Earnings before income tax and interest expense (EBIT) divided by interest payments.

PROFITABILITY RATIOS
Net profit margin – computed as net profit divided by revenues
Return on assets – net profit divided by average total assets
Return on investment of owners – net profit attributable to the company's shareholders divided by equity attributable to the company's shareholders.

MEGAWORLD CORPORATION
(A Subsidiary of Alliance Global Group Inc.)
28th Floor, The World Centre Building
Sen. Gil Puyat Avenue, Makati City

Reconciliation of Retained Earnings Available for Dividend Declaration
For the Nine Months Ended September 30, 2016

Unappropriated Retained Earnings at Beginning of Period		P 57,509,822,684
Prior' Years Outstanding Reconciling Items		
Deferred tax income	(882,155,481)	
Stock options credited to retained earnings	(91,627,355)	
Unrealized interest income from trade receivables	527,547,206	
Day-one gain on initial measurement of security deposits at amortized cost	(452,825,153)	(899,060,784)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Period, as Adjusted		56,610,761,900
Net Profit Realized during the period		
Net profit per unaudited financial statements		7,346,125,062
Non-actual/unrealized income		
Amortization of interest from trade receivables	(937,964,296)	
Day-one gain on initial measurement of security deposits at amortized cost	(192,776,110)	
Rental income from straight-line amortization in excess of rental collections	(123,011,746)	
Amortization of day-one gain from security deposits at amortized cost	157,646,110	
Deferred tax income	(48,985,131)	(1,145,091,174)
		6,201,033,888
Dividends declared during the period		(1,629,824,911)
Retained Earnings Restricted for Treasury Shares		(118,555,453)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Period		**P 61,063,415,424**

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)

Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of September 30, 2016

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendments to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✓		
	Amendments to PFRS 1: Government Loans	✓		
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions* *(effective January 1, 2018)*	✓		
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, *Financial Instruments* , with PFRS 4, *Insurance Contracts* * *(effective January 1, 2018)*			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures* *(effective when PFRS 9 is first applied)*			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments (2014)* *(effective January 1, 2018)*			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance	✓		
	Amendments to PFRS 10: Investment Entities	✓		
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Transition Guidance	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities	✓		
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers* *(effective January 1, 2018)*			✓
PFRS 16	Leases* *(effective January 1, 2019)*			✓
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative* *(effective January 1, 2017)*			✓
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events After the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses* *(effective January 1, 2017)*			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Bearer Plants	✓		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendments: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
	Investments in Associates and Joint Ventures	✓		

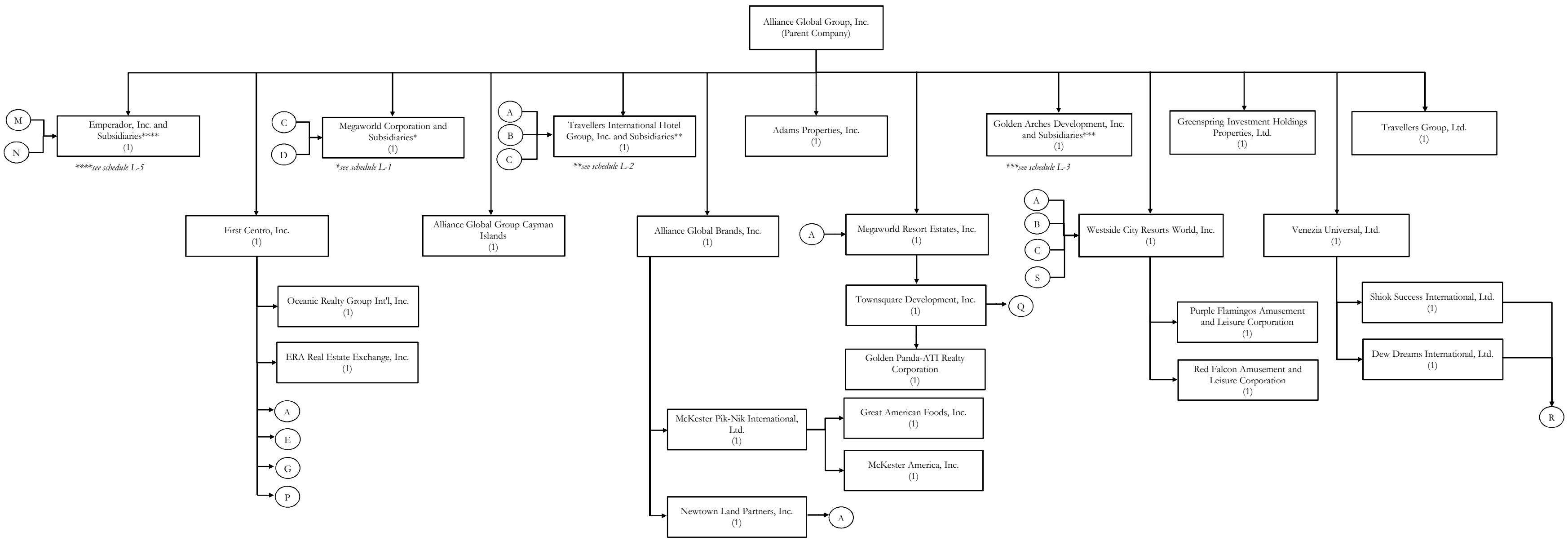
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 28 (Revised)	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*			✓
	Amendments to PAS 28: Investment Entities - Applying the Consolidation Exception	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings Per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets**	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions**	✓		
	Amendments to PAS 39: The Fair Value Option**	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts**	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets**	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition**	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives**	✓		
	Amendments to PAS 39: Eligible Hedged Items**	✓		
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting**	✓		
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities**	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**	✓		
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction**	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 18	Transfers of Assets from Customers**	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services**	✓		
SIC-32	Intangible Assets - Web Site Costs			✓

* These standards will be effective for periods subsequent to 2016 and are not early adopted by the Company.

** These standards have been adopted in the preparation of financial statements but the Company has no significant transactions covered in both years presented.

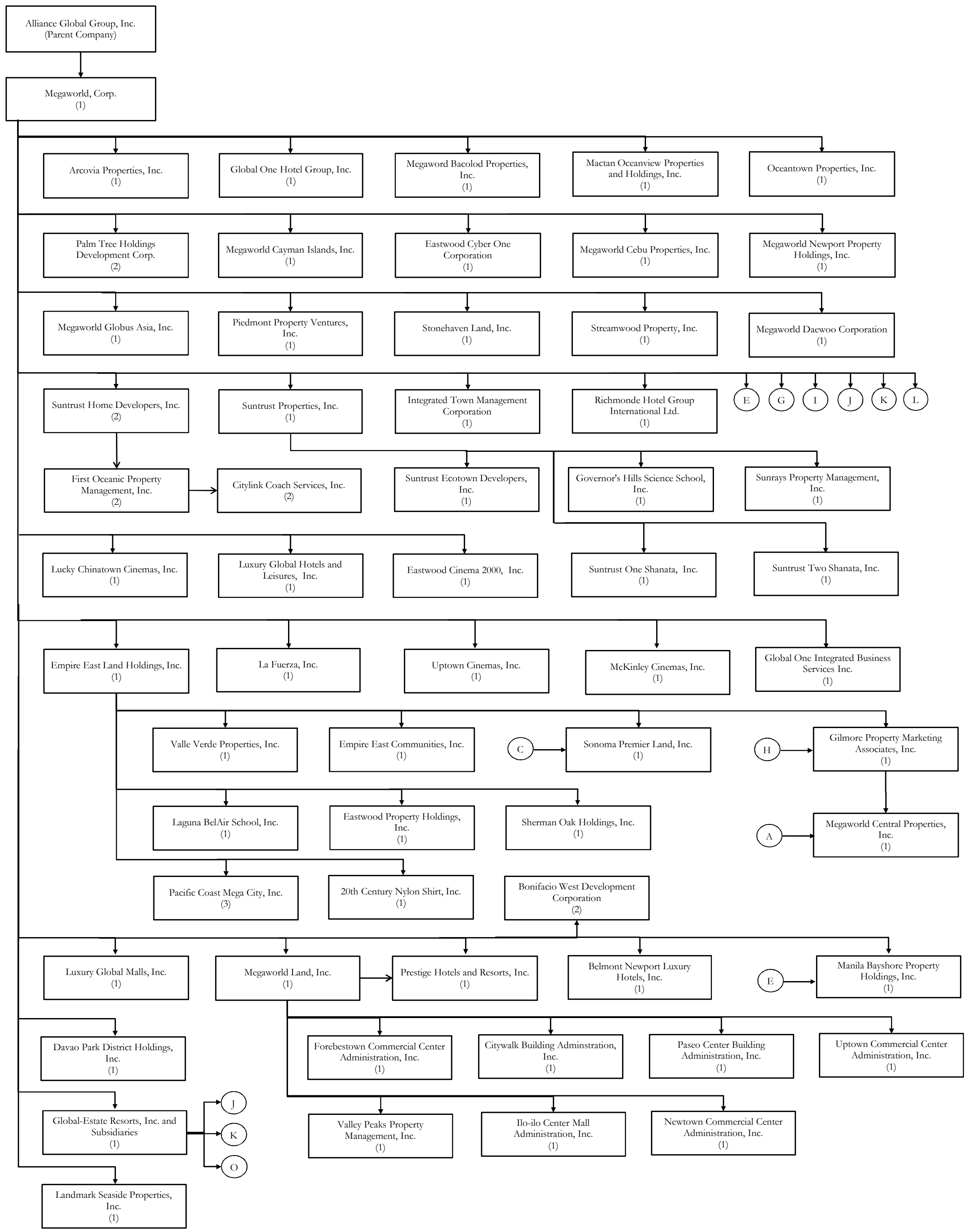
ALLIANCE GLOBAL GROUP, INC.
Map Showing the Relationship Between and
Among the Company and Its Related Parties
September 30, 2016



Legend

(1)	Subsidiary	A	Megaworld, Corp.	F	Manila Bayshore Property Holdings, Inc.	K	Megaworld Global Estates, Inc.	P	Sonoma Premier Land, Inc.
(2)	Associate	B	Adams Properties, Inc.	G	Westside City Resorts World, Inc.	L	Megaworld Central Properties, Inc.	Q	Gilmore Property Marketing Associates, Inc.
(3)	Jointly Controlled Entity	C	First Centro, Inc.	H	Townsquare Development, Inc.	M	Shiok Success International, Ltd.	R	Emperador Inc.
		D	Newtown Land Partners, Inc.	I	Megaworld Resort Estates, Inc.	N	Dew Dreams International, Ltd.		
		E	Travellers International Hotel Group, Inc.	J	Twin Lakes, Corp.	O	File-Estate Properties, Inc.		

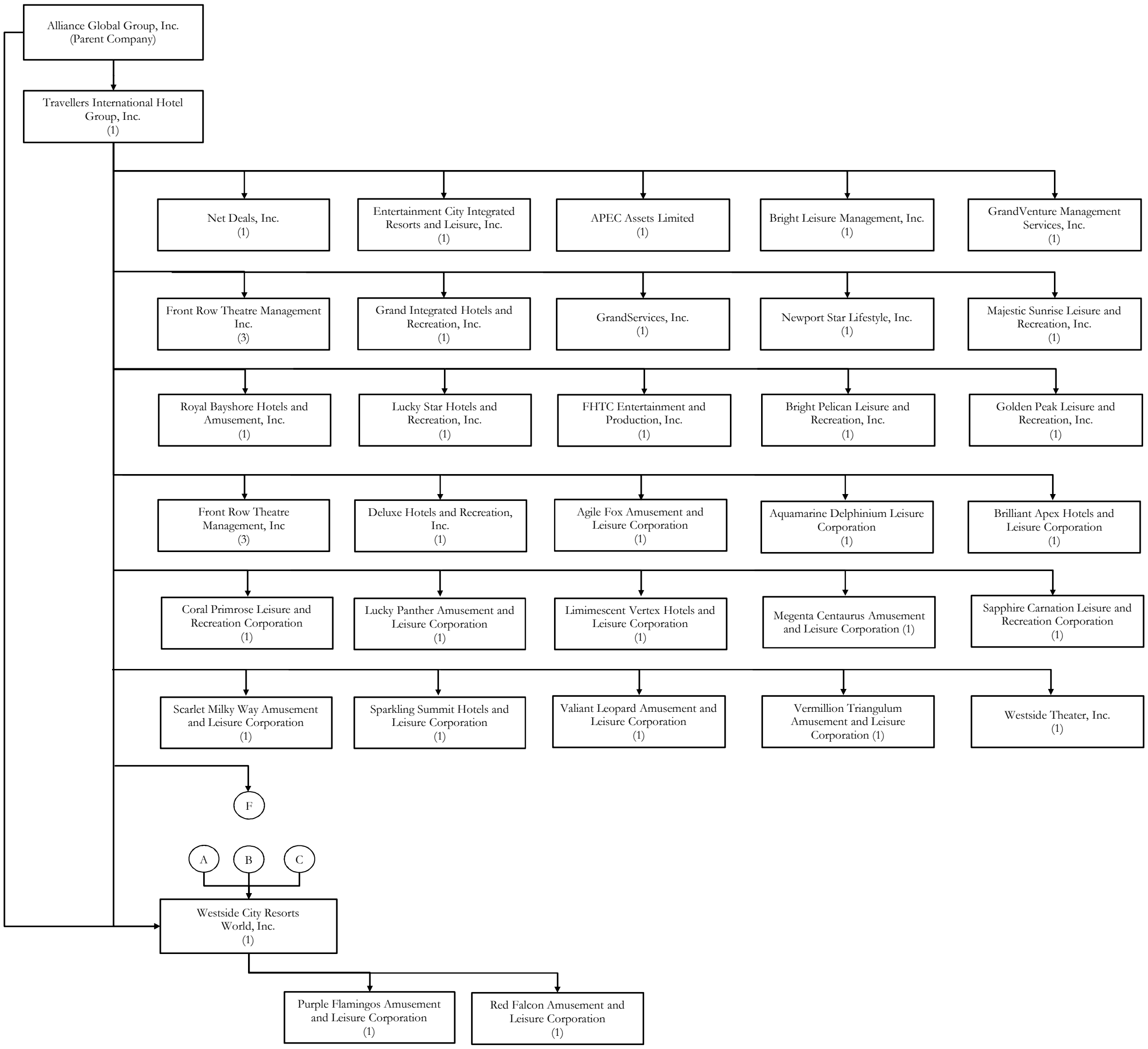
ALLIANCE GLOBAL GROUP, INC.
Map Showing the Relationship Between and
Among the Company and Megaworld Corporation Group
September 30, 2016



Legend

(1)	Subsidiary		
(2)	Associate		
(3)	Jointly Controlled Entity		
A	Megaworld, Corp.	K	Megaworld Global Estates, Inc.
B	Adams Properties, Inc.	L	Megaworld Central Properties, Inc.
C	First Centro, Inc.	M	Shiok Success International, Ltd.
D	Newtown Land Partners, Inc.	N	Dew Dreams International, Ltd.
E	Travellers International Hotel Group, Inc.	O	File-Estate Properties, Inc.
F	Manila Bayshore Property Holdings, Inc.	P	Sonoma Premier Land, Inc.
G	Westside City Resorts World, Inc.	Q	Gilmore Property Marketing Associates, Inc.
H	Townsquare Development, Inc.	R	Emperador Inc.
I	Megaworld Resort Estates, Inc.	S	Megaworld Land Inc's Subsidiaries
J	Twin Lakes, Corp.		

ALLIANCE GLOBAL GROUP, INC.
Map Showing the Relationship Between and
Among the Company and Travellers Group
September 30, 2016

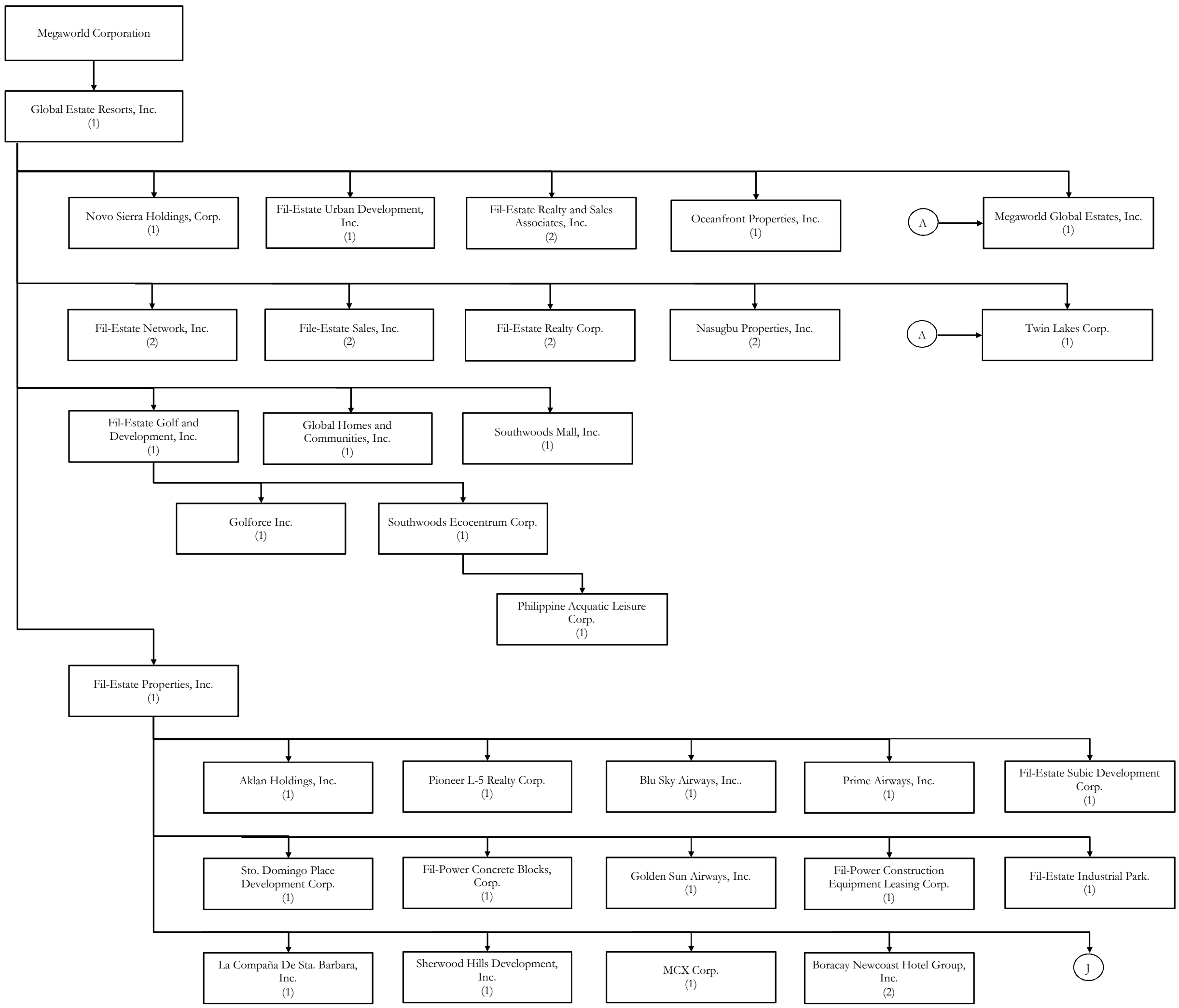


Legend

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A Megaworld, Corp.
B Adams Properties, Inc.
C First Centro, Inc.
D Newtown Land Partners, Inc.
E Travellers International Hotel Group, Inc.
F Manila Bayshore Property Holdings, Inc.
G Westside City Resorts World, Inc.
H Townsquare Development, Inc.
I Megaworld Resort Estates, Inc.
J Twin Lakes, Corp.
K Megaworld Global Estates, Inc.
L Megaworld Central Properties, Inc.
M Shiok Success International, Ltd.
N Dew Dreams International, Ltd.
O File-Estate Properties, Inc.
P Sonoma Premier Land, Inc.
Q Gilmore Property Marketing Associates, Inc.
R Emperador Inc.

ALLIANCE GLOBAL GROUP, INC.
Map Showing the Relationship Between and
Among Megaworld and Global Estate Resorts Inc. Group
September 30, 2016

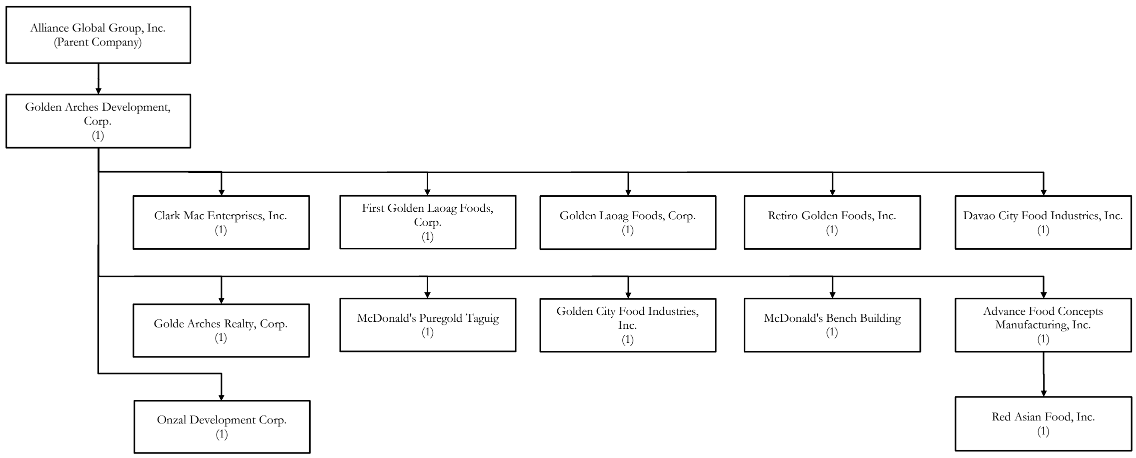


Legend

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	Megaworld, Corp.	J	Twin Lakes, Corp.
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	File-Estate Properties, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.

ALLIANCE GLOBAL GROUP, INC.
Map Showing the Relationship Between and
Among the Company and Golden Arches Development Corporation Group
September 30, 2016

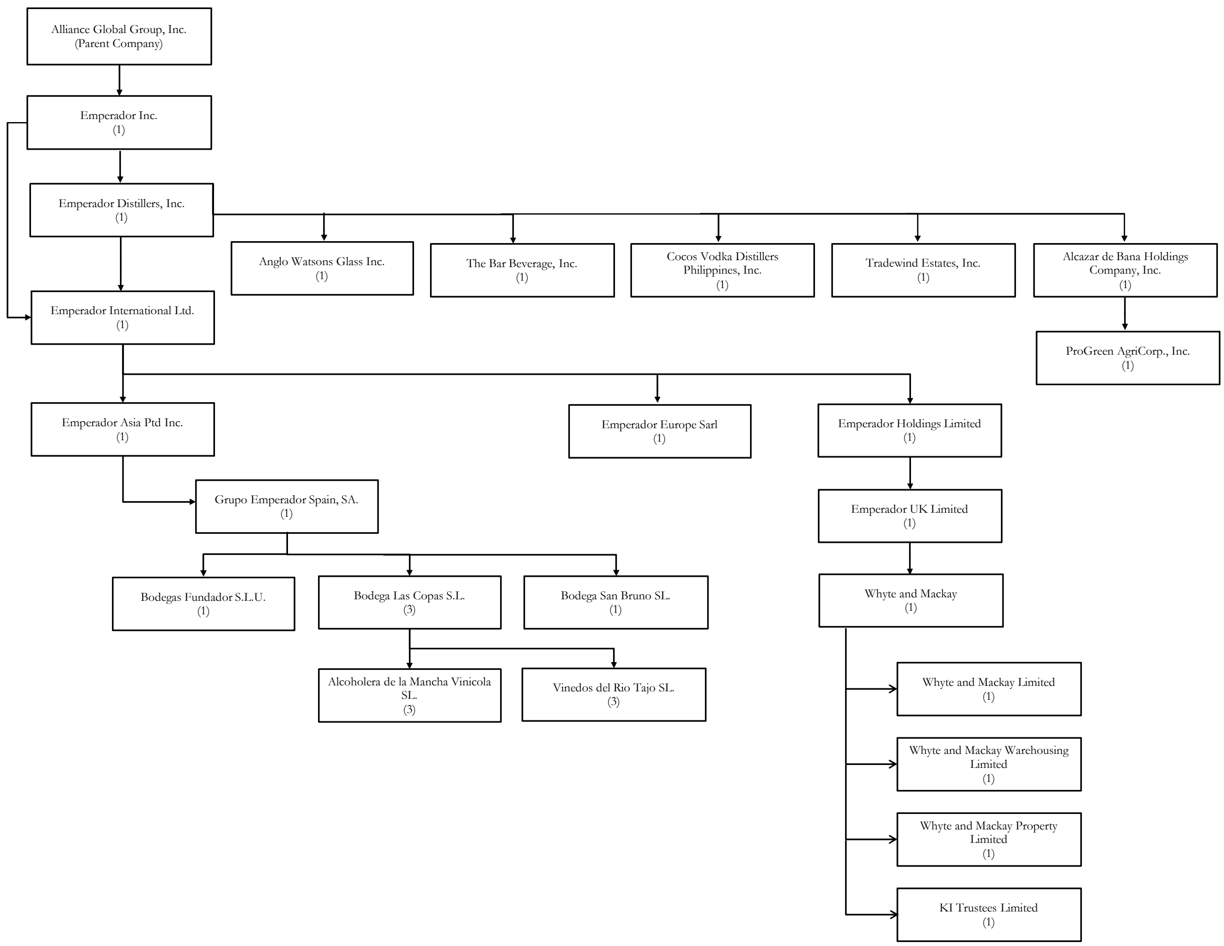


Legend

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	Megaworld, Corp.	J	Twin Lakes, Corp.
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	File-Estate Properties, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.

ALLIANCE GLOBAL GROUP, INC.
Map Showing the Relationship Between and
Among the Company and Emperador Inc.
September 30, 2016



Legend

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	Megaworld, Corp.	J	Twin Lakes, Corp.
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	File-Estate Properties, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.

MEGAWORLD CORPORATION

28/F The World Centre, 330 Sen. Gil Puyat Avenue, Makati City 1200, Philippines
Tel: (632) 867-8826 to 40
www.megaworldcorp.com • E-mail: infodesk@megaworldcorp.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Megaworld Corporation and Subsidiaries**, is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2015 and 2014, in accordance with Philippine Financial Reporting Standards (PFRS), including the following additional supplemental information filed separately from the basic financial statements:

a. Supplementary Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68
b. Reconciliation of Retained Earnings Available for Dividend Declaration
c. Schedule of PFRS Effective as of December 31, 2015
d. Schedule of Financial Indicators for December 31, 2015 and 2014
e. Map Showing the Relationship Between and Among the Company and its Related Entities

Management's responsibility on the consolidated financial statements includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements, and the additional supplementary information, and submits the same to the stockholders.

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

ANDREW L. TAN
Chairman of the Board

ANDREW L. TAN
Chief Executive Officer

FRANCISCO C. CANUTO
SVP and Treasurer
(Chief Financial Officer)

Signed this 18th Day of March 2016

CERTIFICATION INTERNATIONAL
ISO 9001:2008
CIP/2652/99/11/168

MAR 21 2016

SUBSCRIBED AND SWORN to before me on this ____ day of ______ at MAKATI CITY, Philippines affiants exhibiting to me their Community Tax Certificate Nos. as follows:

Andrew L. Tan	00217371	January 4, 2016	Quezon City
Francisco C. Canuto	05073540	January 6, 2016	Makati City

Doc. No. 96;
Page No. 21;
Book No. 102;
Series of 2016

ATTY. HOBERT B. LUZ
NOTARY PUBLIC
Until December 31, 2017
Appt. No. M-20, Makati City
IBP #1009529, Sept. 24, 2015-RSM
PTR #5021594, Jan. 04, 2016-Makati
S.C. Roll No. 59597
MCLE Compliance No. IV-0011330
Unit 301 3rd Flr. Campos Rueda Bldg.
101 Urban Ave.
Makati City

P&A Grant Thornton
An instinct for growth™

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

T +63 2 988 2288
F +63 2 886 5506
grantthornton.com.ph

Report of Independent Auditors

The Board of Directors and Stockholders
Megaworld Corporation and Subsidiaries
(A Subsidiary of Alliance Global Group, Inc.)
28th Floor, The World Centre Building
Sen. Gil Puyat Avenue, Makati City

We have audited the accompanying consolidated financial statements of Megaworld Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Megaworld Corporation and Subsidiaries as at December 31, 2015 and 2014, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2015, in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO

By: **Nelson J. Dinio**
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 5321727, January 4, 2016, Makati City
SEC Group A Accreditation
Partner - No. 1036-AR-1 (until Aug. 21, 2016)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-32-2013 (until Nov. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

March 18, 2016

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014
(Amounts in Philippine Pesos)

	Notes	2015	2014
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	**P 22,763,063,173**	P 25,142,949,887
Trade and other receivables - net	6	**27,362,783,828**	23,718,900,311
Residential, condominium units, golf and resort shares for sale	7	**61,466,864,765**	56,908,140,889
Property development costs	3	**14,858,143,294**	12,390,474,097
Prepayments and other current assets - net	8	**4,724,510,295**	3,930,038,987
Total Current Assets		**131,175,365,355**	122,090,504,171
NON-CURRENT ASSETS			
Trade and other receivables - net	6	**32,694,770,838**	28,911,089,037
Advances to landowners and joint ventures	10	**6,481,862,730**	4,823,705,981
Land for future development	3	**18,115,516,349**	13,212,623,684
Investments in available-for-sale securities	9	**4,699,583,654**	6,146,267,429
Investments in and advances to associates and other related parties	11	**6,772,193,903**	6,083,083,483
Investment properties - net	12	**46,272,070,191**	35,762,629,818
Property and equipment - net	13	**3,050,852,191**	1,867,373,139
Deferred tax assets - net	26	**67,107,874**	77,267,099
Other non-current assets -net	14	**2,355,440,617**	2,065,297,752
Total Non-current Assets		**120,509,398,347**	98,949,337,422
TOTAL ASSETS		**P 251,684,763,702**	P 221,039,841,593

	Notes	2015	2014
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	15	**P 4,244,935,177**	P 2,625,737,935
Trade and other payables	17	**12,069,419,857**	10,620,187,419
Customers' deposits	2	**5,880,223,576**	5,847,731,277
Reserve for property development	2	**6,437,971,861**	7,063,089,278
Deferred income on real estate sales	2	**5,653,790,826**	5,340,188,412
Income tax payable		**130,563,095**	146,218,656
Bonds payable	16	-	5,000,000,000
Other current liabilities	19	**2,061,912,229**	2,234,881,908
Total Current Liabilities		**36,478,816,621**	38,878,034,885
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	15	**27,427,696,485**	6,126,996,683
Bonds payable	16	**20,929,920,130**	19,784,913,748
Customers' deposits	2	**1,062,317,494**	1,396,448,740
Redeemable preferred shares	18	**1,257,987,900**	1,257,987,900
Reserve for property development	2	**9,751,642,232**	8,302,500,433
Deferred income on real estate sales	2	**4,808,072,809**	4,518,013,829
Deferred tax liabilities - net	26	**9,637,196,264**	8,138,764,944
Advances from associates and other related parties	27	**1,491,160,829**	903,152,243
Retirement benefit obligation	25	**925,195,114**	1,077,540,365
Other non-current liabilities	19	**3,501,403,181**	1,856,694,602
Total Non-current Liabilities		**80,792,592,438**	53,363,013,487
Total Liabilities		**117,271,409,059**	92,241,048,372
EQUITY	28		
Total equity attributable to the company's shareholders		**116,688,480,613**	110,802,948,163
Non-controlling interests		**17,724,874,030**	17,995,845,058
Total Equity		**134,413,354,643**	128,798,793,221
TOTAL LIABILITIES AND EQUITY		**P 251,684,763,702**	P 221,039,841,593

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

	Notes	2015	2014	2013
REVENUES AND INCOME				
Real estate sales	20	**P 27,262,297,450**	P 24,606,554,437	P 21,250,984,220
Interest income on real estate sales	6	**1,677,596,838**	1,671,138,097	1,537,113,091
Realized gross profit on prior years' sales	20	**3,786,994,581**	3,229,266,841	3,055,810,351
Rental income	12	**8,729,655,235**	7,070,911,439	6,037,779,873
Hotel operations	2	**796,322,364**	722,971,143	451,040,792
Equity in net earnings of associates	11	**138,614,220**	328,707,760	311,681,755
Interest and other income - net	23	**2,604,179,681**	15,501,208,246	3,597,154,420
		44,995,660,369	53,130,757,963	36,241,564,502
COSTS AND EXPENSES				
Real estate sales	21	**15,434,942,352**	14,363,869,187	12,644,982,372
Deferred gross profit	2	**4,515,385,332**	4,538,218,791	4,239,120,916
Hotel operations	2	**467,982,367**	368,443,782	233,322,382
Operating expenses	22	**7,991,895,011**	7,491,693,766	5,664,364,910
Interest and other charges - net	24	**2,726,266,816**	1,624,478,535	1,859,653,882
Tax expense	26	**3,284,678,495**	3,120,330,226	2,571,452,012
		34,421,150,373	31,507,034,287	27,212,896,474
PROFIT FOR THE YEAR BEFORE PRE-ACQUISITION INCOME		**10,574,509,996**	21,623,723,676	9,028,668,028
PRE-ACQUISITION LOSS (INCOME) OF SUBSIDIARIES	1	**291,847**	(69,008,162)	6,315,710
NET PROFIT FOR THE YEAR		**P 10,574,801,843**	P 21,554,715,514	P 9,034,983,738
Net profit attributable to:				
Company's shareholders		**P 10,215,095,444**	P 21,219,577,584	P 8,970,664,010
Non-controlling interests		**359,706,399**	335,137,930	64,319,728
		P 10,574,801,843	P 21,554,715,514	P 9,034,983,738
Earnings Per Share:	29			
Basic		**P 0.321**	P 0.670	P 0.308
Diluted		**P 0.319**	P 0.667	P 0.305

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

	Notes	2015	2014	2013
NET PROFIT FOR THE YEAR		**P 10,574,801,843**	P 21,554,715,514	P 9,034,983,738
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss -				
Actuarial gains (losses) on retirement benefit obligations	25	**316,613,558**	(165,532,030)	26,996,797
Tax income (expense)	25, 26	**(94,984,067)**	49,659,609	(8,099,039)
		221,629,491	(115,872,421)	18,897,758
Share in other comprehensive income of associates	11	**38,744,144**	-	4,714,128
		260,373,635	(115,872,421)	23,611,886
Items that will be reclassified subsequently to profit or loss:				
Fair valuation of available-for-sale securities:				
Fair value gains (losses) during the year	9	**(2,741,305,680)**	(416,644,686)	1,202,548,494
Fair value gains on disposal reclassified to profit or loss	23	**(3,728,897)**	(796,867,188)	(115,258,400)
		(2,745,034,577)	(1,213,511,874)	1,087,290,094
Exchange difference on translating foreign operations	2	**69,869,987**	(102,295,326)	50,906,173
Tax income (expense)	26	**(20,960,996)**	30,688,598	(15,271,852)
		48,908,991	(71,606,728)	35,634,321
		(2,696,125,586)	(1,285,118,602)	1,122,924,415
Total Other Comprehensive Income (Loss)		**(2,435,751,951)**	(1,285,118,602)	1,127,638,543
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**P 8,139,049,892**	P 20,153,724,491	P 10,181,520,039
Total comprehensive income attributable to:				
Company's shareholders		**P 7,782,514,268**	P 19,826,358,307	P 10,129,718,148
Non-controlling interests		**356,535,624**	327,366,184	51,801,891
		P 8,139,049,892	P 20,153,724,491	P 10,181,520,039

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

		Attributable to Company's Shareholders								
	Notes	Capital Stock	Additional Paid-in Capital	Treasury Shares - At Cost	Translation Reserves	Revaluation Reserves	Retained Earnings	Total	Non-controlling Interest	Total Equity
Balance at January 1, 2015		P 32,422,877,948	P 16,657,990,413	(P 633,721,630)	(P 462,462,319)	P 348,110,848	P 62,470,152,903	P 110,802,948,163	P 17,995,845,058	P 128,798,793,221
Transactions with owners:										
Issuance of shares of stock	28	7,987,924	-	-	-	-	-	7,987,924	-	7,987,924
Share-based employee compensation	25	-	-	-	-	-	31,190,286	31,190,286	-	31,190,286
Cash dividends	28	-	-	-	-	-	(1,936,160,028)	(1,936,160,028)	-	(1,936,160,028)
Cash dividends attributable to non-controlling interest		-	-	-	-	-	-	-	(80,000,000)	(80,000,000)
Share-based employee compensation issued by a subsidiary	25	-	-	-	-	-	-	-	115,081,847	115,081,847
Acquisition of a new subsidiary with non-controlling interest	1	-	-	-	-	-	-	-	254,687,970	254,687,970
Changes in ownership interest in subsidiaries that do not result in a loss of control		-	-	-	-	-	-	-	(917,276,469)	(917,276,469)
		7,987,924	-	-	-	-	(1,904,969,742)	(1,896,981,818)	(627,506,652)	(2,524,488,470)
Total comprehensive income for the year:										
Net profit		-	-	-	-	-	10,215,095,444	10,215,095,444	359,706,399	10,574,801,843
Actuarial gain retirement benefit obligation, net of tax	25, 26	-	-	-	-	210,281,710	-	210,281,710	11,347,781	221,629,491
Fair value losses on available-for-sale securities	9, 23	-	-	-	-	(2,730,516,021)		(2,730,516,021)	(14,518,556)	(2,745,034,577)
Share in other comprehensive income of associates	11	-	-	-	-	38,744,144	-	38,744,144	-	38,744,144
Exchange difference on translating foreign operations, net of tax	2, 26	-	-	-	48,908,991	-	-	48,908,991	-	48,908,991
		-	-	-	48,908,991	(2,481,490,167)	10,215,095,444	7,782,514,268	356,535,624	8,139,049,892
Balance at December 31, 2015		**P 32,430,865,872**	**P 16,657,990,413**	**(P 633,721,630)**	**(P 413,553,328)**	**(P 2,133,379,319)**	**P 70,780,278,605**	**P 116,688,480,613**	**P 17,724,874,030**	**P 134,413,354,643**

	Notes	Capital Stock	Additional Paid-in Capital	Treasury Shares - At Cost	Translation Reserves	Revaluation Reserves	Retained Earnings	Total	Non-controlling Interest	Total Equity
		Attributable to Company's Shareholders								
Balance at January 1, 2014		P 32,160,675,105	P 16,657,990,413	(P 633,721,630)	(P 390,855,591)	P 1,675,882,695	P 42,457,420,384	P 91,927,391,376	P 10,025,630,449	P 101,953,021,825
Transactions with owners:										
Issuance of shares of stock	28	262,202,843	-	-	-	-	-	262,202,843	-	262,202,843
Share-based employee compensation	25	-	-	-	-	-	40,096,554	40,096,554	-	40,096,554
Cash dividends	28	-	-	-	-	-	(1,246,941,619)	(1,246,941,619)	-	(1,246,941,619)
Derecognition of other comprehensive income of associates		-	-	-	-	(6,159,298)	-	(6,159,298)	-	(6,159,298)
Cash dividends attributable to non-controlling interest		-	-	-	-	-	-	-	(178,468,817)	(178,468,817)
Acquisition of new subsidiaries with non-controlling interest	1	-	-	-	-	-	-	-	5,199,701,059	5,199,701,059
Changes in ownership interest in subsidiaries that do not result in a loss of control		-	-	-	-	-	-	-	2,621,616,183	2,621,616,183
		262,202,843	-	-	-	(6,159,298)	(1,206,845,065)	(950,801,520)	7,642,848,425	6,692,046,905
Total comprehensive income for the year:										
Net profit		-	-	-	-	-	21,219,577,584	21,219,577,584	335,137,930	21,554,715,514
Actuarial loss on retirement benefit obligation, net of tax	25, 26	-	-	-	-	(108,100,675)	-	(108,100,675)	(7,771,746)	(115,872,421)
Fair value losses on available-for-sale securities	9,23	-	-	-		(1,213,511,874)	-	(1,213,511,874)	-	(1,213,511,874)
Exchange difference on translating foreign operations, net of tax	2, 26	-	-	-	(71,606,728)	-	-	(71,606,728)	-	(71,606,728)
		-	-	-	(71,606,728)	(1,321,612,549)	21,219,577,584	19,826,358,307	327,366,184	20,153,724,491
Balance at December 31, 2014		P 32,422,877,948	P 16,657,990,413	(P 633,721,630)	(P 462,462,319)	P 348,110,848	P 62,470,152,903	P 110,802,948,163	P 17,995,845,058	P 128,798,793,221
Balance at January 1, 2013		P 28,938,862,985	P 8,432,990,413	(P 633,721,630)	(P 426,489,912)	P 552,462,878	P 34,486,457,893	P 71,350,562,627	P 9,875,363,979	P 81,225,926,606
Transactions with owners:										
Issuance of shares of stocks	28	3,221,812,120	8,225,000,000	-	-	-	-	11,446,812,120	-	11,446,812,120
Share-based employee compensation	25	-	-	-	-	-	30,382,120	30,382,120	-	30,382,120
Cash dividends	28	-	-	-	-	-	(1,030,083,639)	(1,030,083,639)	-	(1,030,083,639)
Acquisition of a new subsidiary with non-controlling interest	1	-	-	-	-	-	-	-	4,500,000	4,500,000
Changes in ownership interest in subsidiaries that do not result in a loss of control		-	-	-	-	-	-	-	93,964,579	93,964,579
		3,221,812,120	8,225,000,000	-	-	-	(999,701,519)	10,447,110,601	98,464,579	10,545,575,180
Total comprehensive income for the year:										
Net profit		-	-	-	-	-	8,970,664,010	8,970,664,010	64,319,728	9,034,983,738
Actuarial gains (losses) on retirement benefit obligation, net of tax	25, 26	-	-	-	-	31,415,595	-	31,415,595	(12,517,837)	18,897,758
Fair value gain on available-for-sale securities	9, 23	-	-	-	-	1,087,290,094	-	1,087,290,094	-	1,087,290,094
Share in other comprehensive income of associates	11	-	-	-	-	4,714,128	-	4,714,128	-	4,714,128
Exchange difference on translating foreign operations, net of tax	2, 26	-	-	-	35,634,321	-	-	35,634,321	-	35,634,321
		-	-	-	35,634,321	1,123,419,817	8,970,664,010	10,129,718,148	51,801,891	10,181,520,039
Balance at December 31, 2013		P 32,160,675,105	P 16,657,990,413	(P 633,721,630)	(P 390,855,591)	P 1,675,882,695	P 42,457,420,384	P 91,927,391,376	P 10,025,630,449	P 101,953,021,825

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

	Notes	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 13,859,480,338	P 24,675,045,740	P 11,606,435,750
Adjustments for:				
Interest expense	24	1,486,628,541	1,416,888,598	1,317,523,303
Depreciation and amortization	12, 13, 14	1,348,751,764	1,300,385,226	956,774,624
Interest income	23	(1,337,049,326)	(1,056,924,854)	(1,566,850,939)
Unrealized foreign currency losses - net	24	1,148,545,867	105,046,866	491,259,799
Gain on sale of investments in an associate	23	(181,347,731)	(9,384,719,202)	-
Employee share options	25	146,272,133	40,096,554	30,382,120
Equity in net earnings of associates	11	(138,614,220)	(328,707,760)	(311,681,755)
Dividend income	23, 27	(78,239,149)	(46,595,425)	(55,359,121)
Fair value gains on disposal of available-for-sale securities reclassified to profit or loss	23	(3,597,409)	(796,867,188)	(115,258,400)
Fair value gains on remeasurement of investments	23	-	(2,251,067,460)	-
Gain on deconsolidation of a subsidiary	23	-	(377,473,088)	-
Gain on acquisition of subsidiaries	23	-	(142,695,054)	(763,834,597)
Gain on sale of land	23	-	(98,461,571)	-
Loss on disposal of property and equipment		-	6,549,810	-
Gain on sale of available-for-sale securities	23	-	-	(32,993,081)
Operating profit before working capital changes		16,250,830,808	13,060,501,192	11,556,397,703
Increase in trade and other receivables		(7,431,104,803)	(1,090,405,548)	(3,494,261,992)
Increase in residential, condominium, golf and resort shares for sale		(4,827,860,992)	(12,263,125,597)	(4,848,741,291)
Increase in property development costs		(2,467,669,197)	(1,950,203,880)	(1,201,786,932)
Increase in prepayments and other current assets		(744,699,012)	(510,957,376)	(189,254,598)
Decrease (increase) in advances to landowners and joint ventures		(1,658,156,749)	(36,293,127)	45,729,027
Increase (decrease) in trade and other payables		1,780,422,124	1,216,809,513	(691,719,974)
Increase (decrease) in customers' deposits		(301,638,947)	659,947,347	(820,197,797)
Increase in reserve for property development		824,024,382	2,328,050,242	1,939,375,575
Increase in deferred income on real estate sales		603,661,394	1,490,855,451	1,030,441,263
Increase in other liabilities		1,529,675,359	571,084,034	95,447,544
Cash generated from operations		3,557,484,367	3,476,262,251	3,421,428,528
Cash paid for income taxes		(1,907,688,663)	(1,743,573,374)	(1,575,900,684)
Net Cash From Operating Activities		1,649,795,704	1,732,688,877	1,845,527,844
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Investment properties	12	(12,896,131,534)	(8,727,663,262)	(3,494,295,658)
Land for future development		(4,358,367,202)	(4,097,181,884)	(1,762,592,832)
Property and equipment	13	(208,882,344)	(191,245,753)	(206,947,857)
Additions to available-for-sale securities	9	(1,461,811,671)	(1,351,199,338)	-
Interest received		1,058,915,769	980,473,281	1,326,107,392
Acquisition of shares of stock of subsidiaries and associates		(877,776,746)	(13,107,646,794)	(8,309,882,171)
Advances from associates and other related parties:	27			
Obtained		693,250,959	288,167,471	18,194,551
Paid		(105,242,373)	(20,315,115)	(590,311,272)
Advances to associates and other related parties:	27			
Collected		507,860,575	86,788,697	345,303,830
Granted		(382,744,323)	(433,938,450)	(1,259,535,008)
Increase in other non-current assets		(565,531,212)	(1,348,512,492)	(207,331,955)
Proceeds from sale of investments in an associate	23	422,256,169	10,431,650,000	-
Proceeds from sale of available-for-sale securities		125,516,555	1,850,390,166	350,735,590
Dividends received		78,239,149	176,516,425	669,429,121
Proceeds from sale of investment property		-	446,428,572	-
Proceeds from sale of property and equipment		-	7,334,460	3,167,769
Net Cash Used in Investing Activities		(17,970,448,229)	(15,009,954,016)	(13,117,958,500)
Balance carried forward		(P 16,320,652,525)	(P 13,277,265,139)	(P 11,272,430,656)

	Notes	2015	2014	2013
Balance brought forward		(P 16,320,652,525)	(P 13,277,265,139)	(P 11,272,430,656)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from availments of long and short-term liabilities	15, 16	26,462,435,925	6,453,950,594	10,259,227,640
Repayments of bonds payable	16	(5,000,000,000)	-	-
Cash dividends declared and paid	28	(1,936,160,028)	(1,246,941,619)	(1,030,083,639)
Interest paid		(2,050,959,128)	(1,664,874,571)	(1,896,694,645)
Repayments of long and short-term liabilities		(3,542,538,882)	(1,634,629,882)	(2,698,258,616)
Proceeds from exercise of share warrants	28	7,987,924	262,202,843	721,812,120
Proceeds from additional issuance of shares	28	-	-	10,725,000,000
Net Cash From Financing Activities		13,940,765,811	2,169,707,365	16,081,002,860
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(2,379,886,714)	(11,107,557,774)	4,808,572,204
BEGINNING BALANCE OF CASH AND CASH EQUIVALENTS OF ACQUIRED SUBSIDIARIES		-	4,682,627,857	117,016,208
PRE-ACQUISITION CHANGES IN CASH AND CASH EQUIVALENTS OF ACQUIRED SUBSIDIARIES		-	(184,025,841)	(398,206)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		25,142,949,887	31,751,905,645	26,826,715,439
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 22,763,063,173	P 25,142,949,887	P 31,751,905,645

Supplemental Information on Non-cash Investing and Financing Activities:

In the normal course of business, the Group enters into non-cash transactions such as exchanges or purchases on account of real estate and other assets. Other non-cash transactions include transfers of property from Land for Future Development to Property Development Costs or Investment Properties as the property goes through its various stages of development. These non-cash activities are not reflected in the consolidated statements of cash flows (see Notes 10 and 12).

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

Megaworld Corporation (the Company) was incorporated in the Philippines on August 24, 1989, primarily to engage in the development of large scale, mixed-use planned communities or townships that integrate residential, commercial, leisure and entertainment components. The Company is presently engaged in property-related activities such as project design, construction and property management. The Company's real estate portfolio includes residential condominium units, subdivision lots and townhouses, condominium-hotel projects as well as office projects and retail spaces.

All of the Company's common shares are listed at the Philippine Stock Exchange (PSE).

The registered office of the Company, which is also its principal place of business, is located at the 28th Floor, The World Centre Building, Sen. Gil Puyat Avenue, Makati City.

Alliance Global Group, Inc. (AGI or the Parent Company), also a publicly listed company in the Philippines, is the ultimate parent company of Megaworld Corporation and its subsidiaries (the Group). AGI is a holding company and is presently engaged in the food and beverage business, real estate, quick service restaurant, tourism-oriented and gaming businesses. AGI's registered office, which is also its primary place of business, is located at the 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City.

1.1 Composition of the Group

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

Subsidiaries/Associates	Explanatory Notes	Effective Percentage of Ownership 2015	2014	2013
Subsidiaries:				
Prestige Hotels and Resorts, Inc. (PHRI)		**100%**	100%	100%
Mactan Oceanview Properties and Holdings, Inc. (MOPHI)		**100%**	100%	100%
Megaworld Cayman Islands, Inc. (MCII)		**100%**	100%	100%
Richmonde Hotel Group International Ltd. (RHGI)		**100%**	100%	100%
Eastwood Cyber One Corporation (ECOC)		**100%**	100%	100%
Megaworld Cebu Properties, Inc. (MCP)		**100%**	100%	100%
Megaworld Newport Property Holdings, Inc. (MNPHI)		**100%**	100%	100%
Oceantown Properties, Inc. (OPI)		**100%**	100%	100%
Piedmont Property Ventures, Inc. (PPVI)	(a)	**100%**	100%	100%
Stonehaven Land, Inc. (SLI)	(a)	**100%**	100%	100%
Streamwood Property, Inc. (SP)	(a)	**100%**	100%	100%
Lucky Chinatown Cinemas, Inc. (LCCI)	(b)	**100%**	100%	100%
Luxury Global Hotels and Leisure, Inc. (LGHLI)	(b)	**100%**	100%	100%

Subsidiaries/Associates	Explanatory Notes	Effective Percentage of Ownership 2015	2014	2013
Subsidiaries:				
Arcovia Properties, Inc. (API,				
formerly Woodside Greentown Properties, Inc.)	(b)	**100%**	100%	100%
Global One Integrated Business Services, Inc. (GOIBSI)	(c)	**100%**	100%	-
Luxury Global Malls, Inc. (LGMI)	(c)	**100%**	100%	-
Davao Park District Holdings, Inc. (DPDHI)	(c)	**100%**	100%	-
Belmont Newport Luxury Hotels, Inc. (BNLHI)	(d)	**100%**	-	-
Global One Hotel Group, Inc. (GOHGI)	(d)	**100%**	-	-
McKinley Cinemas, Inc. (MCI)	(d)	**100%**	-	-
Uptown Cinemas, Inc. (UCI)	(d)	**100%**	-	-
Megaworld Bacolod Properties, Inc. (MBPI,				
formerly Bacolod-Murcia Milling Co., Inc.)	(e)	**91.55%**	-	-
Megaworld Central Properties, Inc. (MCPI)	(f)	**76.55%**	76.54%	76.50%
La Fuerza, Inc. (LFI)	(g)	**66.67%**	66.67%	-
Megaworld-Daewoo Corporation (MDC)		**60%**	60%	60%
Eastwood Cinema 2000, Inc. (EC2000)	(b)	**55%**	55%	55%
Gilmore Property Marketing Associates, Inc. (GPMAI)	(h)	**52.14%**	52.13%	52.04%
Manila Bayshore Property Holdings, Inc. (MBPHI)	(i)	**50.92%**	50.92%	54.50%
Megaworld Globus Asia, Inc. (MGAI)		**50%**	50%	50%
Philippine International Properties, Inc. (PIPI)	(j)	**50%**	50%	50%
Megaworld Land, Inc. (MLI)		**100%**	100%	100%
City Walk Building Administration, Inc. (CBAI)	(k)	**100%**	100%	-
Forbestown Commercial Center				
Administration, Inc. (FCCAI)	(k)	**100%**	100%	-
Paseo Center Building				
Administration, Inc. (PCBAI)	(k)	**100%**	100%	-
Uptown Commercial Center				
Administration, Inc. (UCCAI)	(k)	**100%**	100%	-
Iloilo Center Mall Administration, Inc. (ICMAI)	(k)	**100%**	-	-
Newtown Commercial Center				
Administration, Inc. (NCCAI)	(k)	**100%**	-	-
Valley Peaks Property Management, Inc. (VPPMI)	(k)	**100%**	-	-
Suntrust Properties, Inc. (SPI)	(l)	**100%**	100%	100%
Suntrust Ecotown Developers, Inc. (SEDI)	(b)	**100%**	100%	100%
Governor's Hills Science School, Inc. (GHSSI)	(m)	**100%**	100%	-
Sunrays Property Management, Inc. (SPMI)	(m)	**100%**	100%	-
Suntrust One Shanata, Inc. (SOSI,				
formerly Greengate Holdings Corporation)	(m)	**100%**	100%	-
Suntrust Two Shanata, Inc. (STSI,				
formerly Regalia Properties Corporation)	(m)	**100%**	100%	-
Global-Estate Resorts, Inc. and Subsidiaries (GERI)	(n)	**82.26%**	80.41%	-
Southwoods Mall, Inc. (SMI)	(o)	**91.13%**	40.21%	-
Fil-Estate Properties, Inc. (FEPI)	(p)	**82.26%**	80.41%	-
Aklan Holdings, Inc. (AHI)	(p)	**82.26%**	80.41%	-
Blu Sky Airways, Inc. (BSAI)	(p)	**82.26%**	80.41%	-
Fil-Estate Subic Development Corp. (FESDC)	(p)	**82.26%**	80.41%	-
Fil-Power Construction Equipment				
Leasing Corp. (FPCELC)	(p)	**82.26%**	80.41%	-
Golden Sun Airways, Inc. (GSAI)	(p)	**82.26%**	80.41%	-
La Compaña De Sta. Barbara, Inc. (LCSBI)	(p)	**82.26%**	80.41%	-
MCX Corporation (MCX)	(p)	**82.26%**	80.41%	-
Pioneer L-5 Realty Corp. (PLRC)	(p)	**82.26%**	80.41%	-
Prime Airways, Inc. (PAI)	(p)	**82.26%**	80.41%	-

Subsidiaries/Associates	Explanatory Notes	Effective Percentage of Ownership 2015	2014	2013
Subsidiaries:				
Sto. Domingo Place Development Corp. (SDPDC)	(p)	**82.26%**	80.41%	-
Fil-Power Concrete Blocks Corp. (FPCBC)	(p)	**82.26%**	80.41%	-
Fil-Estate Industrial Park, Inc. (FEIPI)	(p)	**64.99%**	63.52%	-
Sherwood Hills Development, Inc. (SHD)	(p)	**45.24%**	44.22%	-
Fil-Estate Golf and Development, Inc. (FEGDI)	(p)	**82.26%**	80.41%	-
Golforce, Inc. (Golforce)	(p)	**82.26%**	80.41%	-
Southwoods Ecocentrum Corp. (SWEC, formerly Fil-Estate Ecocentrum Corp.)	(p)	**46.07%**	45.03%	-
Philippine Aquatic Leisure Corp. (PALC)	(p)	**46.07%**	45.03%	-
Fil-Estate Urban Development Corp. (FEUDC)	(p)	**82.26%**	80.41%	-
Novo Sierra Holdings Corp. (NSHC)	(p)	**82.26%**	80.41%	-
Global Homes and Communities, Inc. (GHCI)	(p)	**82.26%**	80.41%	-
Megaworld Global-Estate, Inc. (MGEI)	(q)	**89.36%**	88.25%	-
Twin Lakes Corporation (TLC)	(r)	**83.34%**	67.18%	-
Oceanfront Properties, Inc. (OFPI)	(p)	**41.13%**	40.20%	-
Empire East Land Holdings, Inc. and Subsidiaries (EELHI)	(s)	**81.73%**	81.72%	81.53%
Eastwood Property Holdings, Inc. (EPHI)	(t)	**81.73%**	81.72%	81.53%
Valle Verde Properties, Inc. (VVPI)	(t)	**81.73%**	81.72%	81.53%
Sherman Oak Holdings, Inc. (SOHI)	(t)	**81.73%**	81.72%	81.53%
Empire East Communities, Inc. (EECI)	(t)	**81.73%**	81.72%	81.53%
20th Century Nylon Shirt, Inc. (CNSI)	(t)	**81.73%**	-	-
Laguna BelAir School, Inc. (LBASI)	(t)	**59.67%**	59.66%	59.51%
Sonoma Premier Land, Inc. (SPLI)	(t)	**49.04%**	49.03%	48.92%
Megaworld Resort Estates, Inc. (MREI)	(u)	**51%**	51%	51%
Townsquare Development, Inc. (TDI)	(u)	**30.60%**	30.60%	30.60%
Golden Panda-ATI Realty Corporation (GPARC)	(v)	**30.60%**	30.60%	-
Associates:				
Bonifacio West Development Corporation (BWDC)	(x)	**46.11%**	46.11%	-
Palm Tree Holdings and Development Corporation (PTHDC)		**40%**	40%	40%
LFI	(g)	**-**	-	50%
Westside City Resorts World, Inc. (WCRWI, formerly Resorts World Bayshore City, Inc.)	(z)	**-**	-	10%
Travellers International Hotel Group, Inc. (TIHGI)	(aa)	**-**	-	9%
Suntrust Home Developers, Inc. and Subsidiaries (SHDI)		**42.48%**	42.48%	42.48%
First Oceanic Property Management, Inc. (FOPMI)	(y)	**42.48%**	42.48%	42.48%
Citylink Coach Services, Inc. (CCSI)	(y)	**42.48%**	42.48%	42.48%
GERI	(p)	-	-	24.70%
Boracay Newcoast Hotel Group, Inc. (BNHGI)	(w)	**37.01%**	48.25%	-
Fil-Estate Network, Inc. (FENI)	(bb)	**16.45%**	16.08%	-
Fil-Estate Sales, Inc. (FESI)	(bb)	**16.45%**	16.08%	-
Fil-Estate Realty and Sales Associates, Inc. (FERSAI)	(bb)	**16.45%**	16.08%	-
Fil-Estate Realty Corp. (FERC)	(bb)	**16.45%**	16.08%	-
Nasugbu Properties, Inc. (NPI)	(bb)	**11.52%**	11.23%	-

Subsidiaries/Associates	Explanatory Notes	Effective Percentage of Ownership 2015	2014	2013
Associates:				
GERI				
MGEI	(q)	**-**	-	54.82%
TLC	(r)	**-**	-	31.35%
EELHI				
Pacific Coast Mega City, Inc. (PCMCI)	(cc)	**16.35%**	-	-

Explanatory Notes:

(a) These were acquired subsidiaries in 2008 but have not yet started commercial operations as at December 31, 2015.

(b) In 2013, the Company acquired 100% ownership interest on these entities, except EC2000 (at 55%). API and SEDI are engaged in the same line of business as the Company while LCCI and EC2000 are engaged in cinema operations. LGHLI is a newly incorporated subsidiary in 2013 and engaged in hotel operations. SEDI became a subsidiary of the Company through SPI, its immediate parent company. The acquisition of API resulted in a gain on acquisition (negative goodwill) of P763.8 million in 2013 (see Note 23). Also, pre-acquisition loss of P6.3 million was recognized in the 2013 consolidated statement of income.

(c) These subsidiaries are newly incorporated in 2014. GOIBSI and LGMI are engaged in business process outsourcing. DPDHI, which is engaged in the same line of business as the Company was acquired from a third party in 2014. The acquisition of DPDHI resulted in a gain on acquisition (negative goodwill) of P65.1 million (see Note 23). Also a pre-acquisition loss of P3.5 million was reported in the 2014 consolidated statement of income.

(d) These subsidiaries are newly incorporated in 2015. BNLHI is engaged in condominium-hotel operations while GOHGI provides management services to the former. MCI and UCI are engaged in cinema operations.

(e) In 2015, the Company acquired 91.55% ownership interest in MBPI, which is engaged in the same line of business as the Company. The acquisition was accounted for as an asset acquisition, hence, no goodwill or gain on acquisition was recognized. Pre-acquisition loss amounting to P0.3 million was recognized and presented in the 2015 consolidated statement of income. Non-controlling interest arising from consolidation amounted to P0.25 billion.

(f) As at December 31, 2015, the Company owns 76.55% of MCPI consisting of 51% direct ownership, 18.97% indirect ownership through EELHI and 6.58% indirect ownership through MREI.

(g) On November 4, 2013, the Company acquired 50% ownership interest over LFI which is engaged in leasing of real estate properties. As at December 31, 2013, the Company has not established control over LFI; hence, the latter was only classified as an associate. On January 21, 2014, the Company acquired additional 16.67% interest resulting in the increase in ownership to 66.67% gaining the power to govern the financial and operating policies over LFI. Accordingly, gain on acquisition (negative goodwill) of P77.6 million was realized from the business combination and is presented as part of Interest and Other Income – Net in the 2014 consolidated statement of income (see Note 23). Non-controlling interest arising from consolidation amounted to P1.2 billion. The pre-acquisition income of P2.6 million arising from the transaction was also recognized in the 2014 consolidated statement of income.

(h) In 2013, as a result of the Company's increase in ownership interest in EELHI, the Company's ownership interest in GPMAI also increased to 52.04%, since all members of the Board of Directors (BOD) of GPMAI are also members of the BOD of the Company; hence, GPMAI became a subsidiary. In 2015 and 2014, due to additional ownership acquired in EELHI, the Company's ownership in GPMAI has increased to 52.14% as at December 31, 2015, which consists of 38.72% and 13.42% indirect ownership from EELHI and MREI, respectively.

(i) In 2013, the Company's ownership in MBPHI was reduced to 54.50% resulting from the dilution of the Company's ownership in TIHGI. In 2014, as a result of the Company's sale of majority of its TIHGI shares to AGI, the Company's effective ownership interest simultaneously decreased to 50.92%. In 2015 and 2014, the Company and TIHGI equally subscribed to additional shares of MBPHI amounting to P0.5 billion and P0.8 billion each, respectively. The additional subscriptions on MBPHI do not affect the ownership interest of both TIHGI and the Company.

(j) PIPI was incorporated in 2002 and acquired by the Company in 2006 but has not yet started commercial operations as at December 31, 2015.

(k) These were incorporated to engage in operation, maintenance, and administration of various malls and commercial centers. These companies became subsidiaries of the Company through MLI, their immediate parent company.

(l) In 2013, the Company purchased the shares held by EELHI and SHDI representing 32.96% and 8.24% ownership interest in SPI, respectively, thereby increasing the Company's direct ownership in SPI to 100%.

(m) In 2014, the Company through SPI, acquired these subsidiaries. GHSSI is an educational institution; SPMI is a facilities provider while SOSI and STSI are engaged in the same line of business as the Company.

(n) In 2013, the Company acquired 24.70% ownership interest in GERI. GERI is considered as an associate of the Company as at December 31, 2013. In 2014, as a result of the various share acquisitions, the Company's ownership interest increased to 80.41%; hence, GERI became a subsidiary. Goodwill amounting to P947.1 million was recognized from the business combination (see Note 14) and a pre-acquisition income of P78.1 million was reflected in the 2014 consolidated statement of income. Non-controlling interest arising from the consolidation amounted to P4.0 billion. In 2015, the Company acquired additional shares of GERI through the PSE increasing its ownership interest to 82.26%.

(o) SMI is a subsidiary of GERI acquired in 2014 which is engaged in real estate business. In 2015, the Company acquired 50% ownership in SMI. As at December 31, 2015, effective ownership interest over SMI totaled to 91.13%, consisting of 50% direct ownership and 41.13% indirect ownership through GERI.

(p) These are subsidiaries of GERI. As a result of the additional investments in GERI in 2015 and 2014, the Company's indirect ownership interest over these subsidiaries and associates increased in proportion to the increase in effective interest over GERI.

(q) MGEI started commercial operations in January 2014. In 2013, MGEI is classified as an associate through the Company's 40% direct ownership and 14.82% indirect ownership through GERI, an associate during the same year. In 2014, as a result of various share acquisitions and subsequent consolidation of GERI, the Company's indirect ownership interest increased to 48.25% and MGEI became a subsidiary. As at December 31, 2015, due to additional share acquisitions over GERI, the Company increased its effective ownership interest to 89.36%.

(r) As at December 31, 2013, the Company's interest in TLC is 31.35% consisting of 19% direct ownership and 12.35% indirect ownership through GERI. In 2014, due to additional shares purchase from an existing stockholder of TLC and increased ownership in GERI, the Company's effective ownership over TLC increased to 67.18%. As at December 31, 2015, the Company, due to various share acquisitions over GERI and direct share acquisitions, increased its effective ownership interest to 83.34%.

(s) In 2015, 2014 and 2013, the Company acquired outstanding shares of EELHI through the PSE resulting in the increase in ownership interest to 81.73%, 81.72% and 81.53%, respectively.

(t) In 2015 and 2014, as a result of the various acquisitions of shares of EELHI, the Company's ownership interest increased to 81.73% and 81.72%, respectively; hence, indirect ownership over the subsidiaries of EELHI also increased proportionately. CNSI is a newly acquired subsidiary in 2015. The acquisition was accounted for as an asset acquisition, hence, no goodwill or gain on acquisition was recognized.

(u) MREI was incorporated in 2007 while TDI was incorporated in 2006. MREI owns 60% of TDI resulting in the Company's indirect ownership interest of 30.60% in TDI.

(v) In 2014, TDI acquired GPARC, which is engaged in real estate business. The excess of the acquisition cost over the fair value of net assets of GPARC was attributable to an identifiable leasehold right amounting to P139.3 million (see Note 14). Accordingly, a pre-acquisition loss of P8.2 million was recognized in the 2014 consolidated statement of income.

(w) In 2014, FEPI, a subsidiary of GERI, disposed 40.00% of its ownership interest in BNHGI. As at December 31, 2014, due to the disposal of ownership interest, FEPI lost its control over BNHGI; thereby, BNHGI was reclassified as an associate of the Group. Gain on deconsolidation of P377.4 million was recognized from this transaction and is presented as part of Miscellaneous – net under Interest and Other Income in the 2013 consolidated statement of income (see Note 23).

(x) BWDC is considered as an associate of the Company in 2015 and 2014, due to the presence of significant influence over its financial and operating policies since the Company has 5 out of 11 BOD representations.

(y) Subsidiaries of SHDI. FOPMI is engaged in property management while CCSI is engaged in overland transport.

(z) On September 23, 2014, TIHGI subscribed to 95% of WCRWI outstanding shares; hence, this resulted in the dilution of the Company's interest in WCRWI from 10% to 0.50%. Due to the loss of the Company's significant influence in WCRWI, the shares were reclassified to investment in available-for-sale (AFS) securities.

(aa) On June 20, 2014, the Company sold majority of its shares held in TIHGI to AGI; thereby, reducing the Company's ownership from 9% to 1.84%. As a result, the remaining shares held in TIHGI were reclassified to AFS securities due to the loss of the Company's significant influence over TIHGI.

(bb) Associates of GERI.

(cc) PCMCI was incorporated in 2012. In 2015, EELHI acquired 20% ownership interest over PCMCI; consequently, the Company has indirect ownership of 16.35%.

Except for MCII and RHGI, all the subsidiaries and associates were incorporated and have its principal place of business in the Philippines. MCII was incorporated and has principal place of business in the Cayman Islands while RHGI was incorporated and has principal place of business in the British Virgin Islands.

The Company and its subsidiaries, except for entities which have not yet started commercial operations as at December 31, 2015, are presently engaged in the real estate business, hotel, condominium-hotel operations, cinema, business process outsourcing, educational, facilities provider, maintenance and property management operations and marketing services.

EELHI, GERI, and SHDI are publicly listed companies in the Philippines.

1.2 Subsidiaries with Material Non-controlling Interest

The subsidiaries with material non-controlling interest (NCI) are GERI and EELHI, which represent ownership interest of 17.74% and 18.27%, respectively, and with accumulated NCI of P4.9 billion and P9.1 billion, respectively, as at December 31, 2015. Total net profit allocated to the material NCI amounted to P231.6 million and P74.4 in 2015 and 2014, respectively. No dividends were paid by both entities to the NCI in 2015 and 2014.

The summarized financial information of GERI and EELHI, before intragroup eliminations, is shown below.

	Assets	Liabilities	Equity	Revenues	Net Profit	Other Comprehensive Loss
December 31, 2015						
GERI	**P 39,691,598,386**	**P 13,865,087,090**	**P 25,826,511,296**	**P 5,410,488,882**	**P 878,474,000**	**(P 5,929,070)**
EELHI	**P 37,270,099,336**	**P 12,586,231,863**	**P 24,683,867,473**	**P 5,058,604660**	**P 550,374,188**	**(P 734,308,742)**
December 31, 2014						
GERI	P 33,621,688,809	P 9,139,363,571	P 24,494,159,456	P 3,361,328,461	P 856,580,692	(P 7,632,374)
EELHI	P 35,296,731,408	P 10,454,791,717	P 24,841,939,691	P 4,575,697,311	P 484,520,380	(P 432,534,612)

1.3 Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as at and for the year ended December 31, 2015 (including the comparative financial statements as at December 31, 2014 and for the years ended December 31, 2014 and 2013) were authorized for issue by the Company's BOD on March 18, 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) Presentation of Consolidated Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents a consolidated statement of comprehensive income separate from the consolidated statement of income.

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

(c) Functional and Presentation Currency

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

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

2.2 Adoption of New and Amended PFRS

(a) Effective in 2015 that are Relevant to the Group

The Group adopted for the first time the following amendment and annual improvements to PFRS, which are mandatorily effective for consolidated financial statements beginning on or after July 1, 2014, for its annual reporting period beginning January 1, 2015:

PAS 19 (Amendment)	:	Employee Benefits – Defined Benefit Plans – Employee Contributions
Annual Improvements	:	Annual Improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle)

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

(i) PAS 19 (Amendment), *Employee Benefits – Defined Benefit Plans – Employee Contributions*. The amendment clarifies that if the amount of the contributions to defined benefit plans from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit. The amendment did not have a significant impact on the Group's consolidated financial statements since the Group's defined benefit plan does not require employees or third parties to contribute to the benefit plan.

(ii) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) made minor amendments to a number of PFRS. Among those improvements, the following amendments are relevant to the Group but had no material impact on the Group's consolidated financial statements as these amendments merely clarify the existing requirements:

Annual Improvements to PFRS (2010-2012 Cycle)

- PAS 16 (Amendment), *Property, Plant and Equipment,* and PAS 38 (Amendment), *Intangible Assets*. The amendments clarify that when an item of property, plant and equipment and intangible assets is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.

- PAS 24 (Amendment), *Related Party Disclosures*. The amendment clarifies that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also clarifies that the information required to be disclosed in the financial statements are the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity and not the amounts of compensation paid or payable by the management entity to its employees or directors.

- PFRS 2 (Amendment), *Share-based Payment – Definition of Vesting Condition.* The amendment clarifies the definitions of "vesting condition" and "market condition" and defines a "performance condition" and a "service condition."

- PFRS 3 (Amendment), *Business Combinations*. This amendment clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity in accordance with PAS 32, *Financial Instruments – Presentation*. It also clarifies that all non-equity contingent consideration should be measured at fair value at the end of each reporting period, with changes in fair value recognized in profit or loss.

- PFRS 8 (Amendment), *Operating Segments*. This amendment requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. It further clarifies the requirement to disclose for the reconciliations of segment assets to the entity's assets if that amount is regularly provided to the chief operating decision maker.

Annual Improvements to PFRS (2011-2013 Cycle)

- PAS 40 (Amendment), *Investment Property*. The amendment clarifies the interrelationship of PFRS 3, *Business Combinations*, and PAS 40 in determining the classification of property as an investment property or owner-occupied property, and explicitly requires an entity to use judgment in determining whether the acquisition of an investment property is an acquisition of an asset or a group of asset in accordance with PAS 40 or a business combination in accordance with PFRS 3.

- PFRS 3 (Amendment), *Business Combinations*. It clarifies that PFRS 3 does not apply to the accounting for the formation of any joint arrangement under PFRS 11, *Joint Arrangement*, in the financial statements of the joint arrangement itself.

- PFRS 13 (Amendment), *Fair Value Measurement*. The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of and accounted for in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, or PFRS 9, *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32.

(b) Effective Subsequent to 2015 but not Adopted Early

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2015 which are issued by the FRSC. Management will adopt the relevant pronouncements in the succeeding pages in accordance with their transitional provisions, and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements.

(i) PAS 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative* (effective from January 1, 2016). The amendment encourages entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendment clarifies that an entity's share of other comprehensive income of associates and joint ventures accounted for using equity method should be presented based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. It further clarifies that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

(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). The amendment in PAS 16 clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. In addition, amendment to PAS 38 introduces a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is not appropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of an intangible asset are highly correlated. The amendment also provides guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.

(iii) PAS 16 (Amendment), *Property, Plant and Equipment* and PAS 41 (Amendment) *Agriculture – Bearer Plants* (effective from January 1, 2016). The amendment defines a bearer plant as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce. On this basis, bearer plant is now included within the scope of PAS 16 rather than PAS 41, allowing such assets to be accounted for as property, plant and equipment and to be measured after initial recognition at cost or revaluation basis in accordance with PAS 16. The amendment further clarifies that produce growing on bearer plants remains within the scope of PAS 41.

(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). This amendment addresses the concerns that have arisen in the context of applying the consolidation exception for investment entities. It clarifies which subsidiaries of an investment entity are consolidated in accordance with paragraph 32 of PFRS 10 and clarifies whether the exemption to present consolidated financial statements, set out in paragraph 4 of PFRS 10, is available to a parent entity that is a subsidiary of an investment entity. This amendment also permits a non-investment entity investor, when applying the equity method of accounting for an associate or joint venture that is an investment entity, to retain the fair value measurement applied by that investment entity associate or joint venture to its interests in subsidiaries.

(v) PFRS 11 (Amendment), *Joint Arrangements* (effective from January 1, 2016). This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business as defined in PFRS 3 to apply all accounting principles and disclosure requirements on business combinations under PFRS 3 and other PFRSs, except for those principles that conflict with the guidance in PFRS 11.

(vi) 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). This standard contains, among others, the following:

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

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

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

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

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

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

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

Management is currently assessing the impact of PFRS 9 (2014) on the consolidated financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(vii) PFRS 10 (Amendments), *Consolidated Financial Statements,* and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendment to PFRS 10 requires full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3 between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendment has been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction. In December 2015, the IASB deferred the mandatory effective date of these amendments (i.e., from January 1, 2016) indefinitely.

(viii) Annual Improvements to PFRS (2012-2014 Cycle) (effective from January 1, 2016). Among the improvements, the following amendments are relevant to the Group but management does not expect these to have material impact on the Company's financial statements:

- PFRS 5 (Amendment), *Non-current Assets Held for Sale and Discontinued Operations.* The amendment clarifies that when an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution (or vice-versa), the accounting guidance in paragraphs 27-29 of PFRS 5 does not apply. It also states that when an entity determines that the asset (or disposal group) is no longer available for immediate distribution or that the distribution is no longer highly probable, it should cease held-for-distribution accounting and apply the guidance in paragraphs 27-29 of PFRS 5.

- PFRS 7 (Amendment), *Financial Instruments – Disclosures.* The amendment provides additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

- PAS 19 (Amendment), *Employee Benefits.* The amendment clarifies that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Company, and its subsidiaries as enumerated in Note 1, after the elimination of material intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. In addition, the shares of the Company held by the subsidiaries are recognized as treasury shares and these are presented as deduction in the consolidated statement of changes in equity. Any changes in the market values of such shares as recognized separately by the subsidiaries are likewise eliminated in full.

The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting principles. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Company accounts for its investments in subsidiaries, associates, interests in jointly controlled operations and non-controlling interests as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Company has control. The Company controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Company obtains control.

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

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of the identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 2.12).

(b) *Investments in Associates*

Associates are those entities over which the Company is able to exert significant influence but not control and which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for in the consolidated financial statements using the equity method.

Acquired investment in associate is subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Company's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Company's share in the associate is included in the amount recognized as investment in an associate.

All subsequent changes to the ownership interest in the equity of the associates are recognized in the Company's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged against the Equity in Net Earnings of Associates account in the consolidated statement of income.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered (see Note 2.17).

Changes resulting from other comprehensive income of the associates or items recognized directly in the associates' equity are recognized in other comprehensive income or equity of the Company, as applicable. However, when the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profit, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) *Interests in Jointly Controlled Operations*

For interests in jointly controlled operations, the Group recognizes in its consolidated financial statements the assets that it controls, the liabilities and the expenses that it incurs and its share in the income from the sale of goods or services by the joint venture. The amounts of these related accounts are presented as part of the regular asset and liability accounts and income and expense accounts of the Group.

No adjustment or other consolidation procedures are required for the assets, liabilities, income and expenses of the joint venture that are recognized in the separate financial statements of the venturers.

(d) Transactions with Non-controlling Interests

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

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

The Company holds interests in various subsidiaries and associates as presented in Notes 1.1 and 11.

2.4 Foreign Currency Transactions and Translation

(a) Transactions and Balances

Except for MCII and RHGI which use the U.S. dollar as their functional currency, the accounting records of the Company and its subsidiaries are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized under Interest and Other Income – Net account in the consolidated statement of income.

(b) Translation of Financial Statements of Foreign Subsidiaries

The operating results and financial position of MCII and RHGI, which are measured using the U.S. dollar, their functional currency, are translated to Philippine pesos, the Company's functional currency, as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end reporting period;

(ii) Income and expenses for each profit or loss account are translated at the annual average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and,

(iii) All resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in MCII and RHGI are recognized under Exchange Difference on Translating Foreign Operations in the consolidated statement of comprehensive income. As these entities are wholly owned subsidiaries, the translation adjustments are fully allocated to the Company's shareholders. When a foreign operation is partially disposed of or sold, such exchange differences are recognized in the consolidated statement of comprehensive income as part of gains or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The translation of the consolidated financial statements into Philippine pesos should not be construed as a representation that the U.S. dollar amounts could be converted into Philippine peso amounts at the translation rates or at any other rates of exchange.

2.5 Financial Assets

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

(a) Classification and Measurement of Financial Assets

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

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

(i) Loans and Receivables

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

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents and Trade and Other Receivables (excluding Advances to contractors and suppliers), Guarantee and other deposits (presented as part of Other Non-current Assets), and Advances to associates and other related parties (presented as part of Investments in and Advances to Associates and Other Related Parties) in the consolidated statement of financial position. Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any.

(ii) AFS Securities

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are presented as Investments in Available-for-Sale Securities under non-current assets section in the consolidated statement of financial position unless management intends to dispose of the investment within 12 months from the end of the reporting period. The Group's AFS securities include quoted and unquoted equity securities and quoted dollar-denominated corporate bonds.

All financial assets within this category are subsequently measured at fair value, except for unquoted equity securities which is measured at cost, less impairment, as its fair value cannot be currently be estimated reliably. Gains and losses from changes in fair value are recognized in other comprehensive income, net of any income tax effects, and are reported as part of Revaluation Reserves in equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets which are recognized in profit or loss.

When the financial asset is disposed of or is determined to be impaired that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

(b) Impairment of Financial Assets

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

(i) Carried at Amortized Cost – Loans and Receivables

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

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

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

(ii) Carried at Cost – AFS Securities

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

(iii) Carried at Fair Value – AFS Securities

When a decline in the fair value of an AFS securities has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss – measured as the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

Reversal of impairment losses is recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

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

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Interest and Other Income – Net and Interest and Other Charges – Net accounts in the consolidated statement of income.

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

(d) Derecognition of Financial Assets

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

2.6 Real Estate Transactions

Acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of title of the property to the Group, are charged to Land for Future Development account. These costs are reclassified to Property Development Costs account when the development of the property starts. Related property development costs are then accumulated in this account. Borrowing costs on certain loans incurred during the development of the real estate properties are also capitalized by the Group as part of the property development costs (see Note 2.20). Once a revenue transaction occurred, on a per project basis, up to the stage the unit is sold, the related property development costs are reclassified to Residential, Condominium Units and Golf and Resort Shares for Sale account. The cost of real estate property sold before completion of the development is determined based on the actual costs incurred to date plus estimated costs to complete the development of the property. The estimated expenditures for the development of sold real estate property, as determined by the project engineers, are charged to the Cost of Real Estate Sales presented in the consolidated statement of income with a corresponding credit to a liability account, Reserve for Property Development.

Costs of properties and projects accounted for as Land for Future Development, Property Development Costs and Residential, Condominium Units, Golf and Resort Shares for Sale are assigned using specific identification of their individual costs. These properties and projects are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete and the estimated costs necessary to make the sale.

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

2.7 Other Assets

Prepayments and other assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

2.8 Investment Properties

Properties held for lease under operating lease agreements, which comprise mainly of land, buildings and condominium units, are classified as Investment Properties, and carried at cost, net of accumulated depreciation and any impairment in value, except for land which is not subjected to depreciation. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Depreciation of investment properties, excluding land, is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 25 years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount (see Note 2.17).

The residual values, estimated useful lives and method of depreciation of investment properties, except for land, are reviewed and adjusted, if appropriate, at the end of each reporting period.

Transfers to, or from, investment properties shall be made when and only when there is a change in use or purpose for such property.

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of investment properties are recognized in the consolidated statement of income in the year of retirement or disposal.

2.9 Property and Equipment

Property and equipment are carried at acquisition or construction cost less subsequent depreciation, amortization and any impairment losses. As no finite useful life for land can be determined, related carrying amount are not depreciated.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expenses as incurred.

Depreciation and amortization are computed on the straight-line basis over the estimated useful lives of the assets. Amortization of office and land improvements is recognized over the estimated useful lives of improvements or the term of the lease, whichever is shorter.

The depreciation and amortization periods for property and equipment, based on the above policies, are as follows:

Buildings	50 years
Condominium units	10-25 years
Office and land improvements	5-20 years
Transportation equipment	5 years
Office furniture, fixtures and equipment	3-5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.17).

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

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

2.10 Financial Liabilities

Financial liabilities of the Group include Interest-bearing Loans and Borrowings, Bonds Payable, Trade and Other Payables (except tax-related liabilities), Redeemable Preferred Shares and Advances from Associates and Other Related Parties.

Financial liabilities are recognized when the Group becomes a party to the contractual terms of the instrument. All interest related charges are recognized as expense in profit or loss under the caption Interest and Other Charges – Net account in the consolidated statement of income.

Interest-bearing Loans and Borrowings, Bonds Payable and Redeemable Preferred Shares are raised for support of long-term funding of operations. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss, except for capitalized borrowing cost, on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Preferred shares, which carry a mandatory coupon or are redeemable on specific date or at the option of the shareholder, are classified as financial liabilities and presented as a separate line item in the consolidated statement of financial position as Redeemable Preferred Shares. These shares are also issued for support of long-term funding.

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

Dividend distributions to shareholders, if any, are recognized as financial liabilities when the dividends are approved by the BOD. The dividends on the redeemable preferred shares are recognized in the consolidated statement of income as interest expense on an amortized cost basis using the effective interest method.

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

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in consolidated profit or loss.

2.11 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when the Group currently has legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.12 Business Combination

Business acquisitions are accounted for using the acquisition method of accounting.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.17).

Negative goodwill, which is the excess of the Company's interest in the net fair value of net identifiable assets acquired over acquisition cost, is charged directly to profit or loss.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the consolidated profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.13 Segment Reporting

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

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 4, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these products and service lines requires different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8 are the same as those used in its consolidated financial statements, except that the following are not included in arriving at the operating profit of the operating segments:

- interest cost from post-employment benefit obligation;
- revenue, costs and fair value gains from investment properties;
- interest income, equity in net earnings of associates, fair value gains, dividend income and foreign currency gains/losses; and,
- finance costs.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

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

2.14 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, probable inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.15 Revenue and Expense Recognition

Revenue comprises revenue from the sale of goods and the rendering of services measured by reference to the fair value of consideration received or receivable by the Group for goods sold and services rendered, excluding value added taxes (VAT) and trade discounts.

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that future economic benefits will flow to the Group; and the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) *Sale of residential and condominium units* – For financial reporting purposes, revenues from transactions covering sales of residential and condominium units are recognized under the percentage-of-completion method. Under this method, realization of gross profit is recognized by reference to the stage of development of the properties, i.e., revenue is recognized in the period in which the work is performed. The unrealized gross profit on a year's sales is presented as Deferred Gross Profit in the consolidated statement of income; the cumulative unrealized gross profit as of the end of the year is shown as Deferred Income on Real Estate Sales (under current and non-current liabilities section) in the consolidated statement of financial position.

    The sale is recognized when a certain percentage of the total contract price has already been collected. The amount of real estate sales recognized in the consolidated statement of income is equal to the total contract price, net of day-one loss related to the discounting of noninterest-bearing receivables. If the transaction does not yet qualify as sale, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of sale, payments received from buyers are presented under the Customers' Deposits account in the liabilities section of the consolidated statements of financial position. Revenues and costs relative to forfeited or back out sales are reversed in the current year as they occur.

    For tax reporting purposes, a modified basis of computing the taxable income for the year based on collections from sales is used by the Company, GERI, EELHI, SPI, ECOC MBPHI, SEDI, LFI, API, and MGAI.

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

(c) *Rendering of services* – Revenue is recognized when the performance of contractually agreed tasks has been substantially rendered. Revenue from rendering of services includes rental income, hotel operations, property management and income from cinema operations and others.

(d) *Rental income* – Revenue is recognized on a straight-line basis over the lease term. Advance rentals received are recorded as deferred rental income. Unearned revenues pertain to advanced collections from real estate customers. For tax purposes, rental income is recognized based on the contractual terms of the lease.

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

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

(g) *Dividends* – Revenue is recorded when the shareholders' right to receive the payment is established.

Costs of residential and condominium units sold before completion of the projects include the acquisition cost of the land, development costs incurred to date, applicable borrowing costs (see Note 2.20) and estimated costs to complete the project, determined based on estimates made by the project engineers (see also Note 2.6).

Operating expenses and other costs (other than costs of real estate and golf and resort shares sold) are recognized in consolidated profit or loss upon utilization of goods or services or at the date they are incurred.

2.16 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

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

(b) *Group as Lessor*

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

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

2.17 Impairment of Non-financial Assets

The Group's Investments in Associates, Goodwill and Leasehold Rights (included as part of Other Non-current Assets), Investment Properties, Property and Equipment and other non-financial assets are subject to impairment testing. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of its fair value less costs-to-sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.18 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan, defined benefit contribution plans, and other employee benefits which are recognized as follows:

(a) *Post-employment Defined Benefit Plan*

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

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

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

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

(b) Post-employment Defined Contribution Plans

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

(c) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

(d) Compensated Absences

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

2.19 Share-based Employee Remuneration

The Group grants share options to qualified employees of the Group eligible under a share option plan. The services received in exchange for the grant, and the corresponding share options, are valued by reference to the fair value of the equity instruments granted at grant date. This fair value excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions), if any. The share-based remuneration is recognized as an expense in the consolidated profit or loss with a corresponding credit to retained earnings.

The expense is recognized during the vesting period based on the best available estimate of the number of share options expected to vest. The estimate is subsequently revised, if necessary, such that it equals the number that ultimately vests on vesting date. No subsequent adjustment is made to expense after vesting date, even if share options are ultimately not exercised.

Share options issued by a subsidiary is accounted for by the Company as non-controlling interests at fair value at the date of grant. However, during the period the option is outstanding, the non-controlling interest related to the option holder should not be attributed any profit or loss of the subsidiary until the option is exercised. Meanwhile, the related share option expense is recognized in full in profit or loss.

Upon exercise of share option, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to capital stock with any excess being recorded as additional paid in capital (APIC).

2.20 Borrowing Costs

For financial reporting purposes, borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

For income tax purposes, interest and other borrowing costs are charged to expense when incurred.

2.21 Income Taxes

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

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

Deferred tax is accounted for using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred income tax asset can be utilized.

Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

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

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

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

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in consolidated profit or loss, except to the extent that it relates to items recognized in consolidated other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

2.22 Related Party Relationships and Transactions

Related party transactions are transfers of resources, services or obligations between the entities in the Group and their related parties, regardless whether a price is charged.

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

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.23 Equity

Capital stock is determined using the nominal value of shares that have been issued.

APIC includes any premiums received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from APIC, net of any related income tax benefits.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. This also includes shares of the Company held by certain subsidiaries (see Note 2.3).

Revaluation reserves consist of:

(a) Accumulated actuarial gains and losses arising from remeasurements of retirement benefit obligation, net of tax.

(b) Net fair value gains or losses recognized due to changes in fair values of AFS securities.

(c) Cumulative share in other comprehensive income of associates attributable to the Group.

Translation reserves represent the translation adjustments resulting from the translation of foreign-currency denominated financial statements of certain foreign subsidiaries into the Group's functional and presentation currency.

Retained earnings represent all current and prior period results of operations and share-based employee remuneration as reported in the consolidated statement of income, reduced by the amounts of dividends declared.

2.24 Earnings Per Share

Basic earnings per share (EPS) is computed by dividing consolidated net profit attributable to equity holders of the Company by the weighted average number of shares issued and outstanding, adjusted retroactively for any share dividend, share split and reverse share split during the current year, if any.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of potential dilutive common shares (see Note 29).

2.25 Events After the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) *Impairment of Investments in AFS Securities*

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

Based on the recent evaluation of information and circumstances affecting the Group's investments in AFS securities, management concluded that the assets are not impaired as at December 31, 2015 and 2014. Future changes in such information and circumstance might significantly affect the carrying amount of the assets.

(b) *Distinction Among Investment properties, Owner-occupied Properties and Land for Future Development*

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generates cash flows that are attributable not only to property but also to other assets used in the production or supply process while Land for Future Development are properties intended solely for future development.

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

(c) *Distinction Between Residential and Condominium Units for Sale and Investment Properties*

Residential and condominium units comprises properties that are held for sale in the ordinary course of business. Meanwhile, investment properties comprises of land and buildings which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. The Company considers management's intention over these assets in making its judgment.

(d) *Distinction Between AFS Securities and Golf and Resort Shares*

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

(e) Distinction Between Asset Acquisition and Business Combinations

The Group acquires subsidiaries that own real estate properties. At the time of acquisition, the Group considers whether the acquisition represents the acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made with regard to the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the Group (e.g., maintenance, cleaning, security, bookkeeping, hotel services, etc.). The significance of any process is judged with reference to the guidance in PAS 40 on ancillary services.

(f) Distinction Between Land Held for Sale and Land for Future Development

The Group determines whether a land will be classified as part of Residential and Condominium Units for Sale or Land Held for Future Development. In making this judgment, the Group considers whether the property will be sold in the normal operating cycle or whether it will be retained as part of the Group's strategic land banking activities for future development.

(g) Distinction Between Operating and Finance Leases

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

(h) Consolidation of Entities in which the Group Holds 50% or Less

Management considers that the Group has de facto control over investees even though it holds less than 50% of the ordinary shares and voting rights in those companies.

(i) Significant Influence on Investees even if the Group Holds less than 20% of Voting Rights

The Group considers that it has significant influence over investees when it has board representation which allows them to participate in the financial and operating policy decisions but has no control or joint control of those policies (see Notes 1 and 11).

(j) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Accounting policies on recognition and disclosure of provision are discussed in Note 2.14 and disclosures on relevant provisions and contingencies are presented in Note 30.

3.2 Key Sources of Estimation Uncertainty

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

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

The Group uses the percentage-of-completion method in accounting for its realized gross profit on real estate sales. The use of the percentage-of-completion method requires the Group to estimate the portion completed using relevant information such as costs incurred to date as a proportion of the total budgeted cost of the project and estimates by engineers and other experts. Should the proportion of the percentage of completed projects differ by 5% from management's estimates, the amount of revenue recognized in 2015 would have increased by P398.3 million or would have decreased by P420.4 million if the proportion performed decreased. There were no changes in the assumptions or basis for estimation during the year.

(b) Determination of Net Realizable Value of Residential, Condominium Units, Golf and Resort Shares for Sale, Property Development Costs and Land for Future Development

In determining the net realizable value of residential, condominium units, golf and resort shares for sale, property development costs and land for future development, management takes into account the most reliable evidence available at the times the estimates are made. The future realization of the carrying amounts of real estate for sale and property development costs is affected by price changes in the different market segments as well as the trends in the real estate industry. These are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's Residential, Condominium Units, Golf and Resort Shares for Sale, Property Development Costs and Land for Future Development within the next reporting period.

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

The carrying values of the Group's Residential, Condominium Units, Golf and Resort Shares for Sale, Property Development Costs, and Land for Future Development amounted to P61.5 billion, P14.9 billion and P18.1 billion, respectively, as at December 31, 2015 and P56.9 billion, P12.4 billion and P13.2 billion, respectively, as at December 31, 2014.

(c) Fair Value of Share Options

The Group estimates the fair value of the share option by applying an option valuation model, taking into account the terms and conditions on which the share option were granted. The estimates and assumptions used are presented in Note 28.6 which include, among other things, the option's time of expiration, applicable risk-free interest rate, expected dividend yield, volatility of the Company's share price and fair value of the Company's common shares. Changes in these factors can affect the fair value of share options at grant date.

The fair value of the share option recognized as part of Salaries and employee benefits shown under Operating Expenses in the 2015 and 2014 consolidated statements of income amounted to P146.3 million, P40.1 million and P30.4 million in 2015, 2014 and 2013, respectively. A corresponding credit to Retained Earnings amounting to P101.7 million, P70.5 million and P30.4 million representing the Company's cumulative amount of share options recognized as at December 31, 2015, 2014 and 2013, respectively, is presented in the equity portion of the consolidated statements of financial position (see Notes 25.2 and 28.6).

(d) Fair Value Measurement of Investment Properties

Investment properties are measured using the cost model. The fair value disclosed in Note 12 to the consolidated financial statements is determined by the Group using the discounted cash flows valuation technique since the information on current or recent prices of investment property is not available. The Group uses assumptions that are mainly based on market conditions existing at each reporting period, such as: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

Portion of the investment properties is also determined by an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant areas. For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair values of those properties.

A significant change in these elements may affect prices and the value of the assets. The fair value of investment properties is disclosed in Notes 12 and 33.4.

(e) Estimation of Useful Lives of Property and Equipment and Investment Properties

The Group estimates the useful lives of property and equipment and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and investment properties are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment and investment properties are based on collective assessment of industry practice, internal technical evaluation and experience with similar assets.

The carrying amounts of investment properties and property and equipment are disclosed in Notes 12 and 13, respectively. Based on management's assessment as at December 31, 2015 and 2014, there is no change in the estimated useful lives of these assets during those years. Actual results, however may vary due to changes in estimates brought by changes in factors mentioned above.

(f) Impairment of Trade and Other Receivables

Adequate amount of allowance is provided for specific and groups of accounts, where an objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances affecting the collectability of the accounts, including, but not limited to, the length of the Group's relationship with the counterparties, the counterparties' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

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

(g) Valuation of Financial Assets Other than Trade and Other Receivables

The Group carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument. The amount of changes in fair value would differ had the Group utilized different valuation methods and assumptions. Any change in fair value of these financial assets would affect consolidated profit and loss and equity.

The carrying amounts of cash and cash equivalents and investments in AFS Securities and the amounts of fair value changes recognized during the years on those assets are disclosed in Notes 5 and 9, respectively.

(h) Determination of Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the balance of deferred tax assets recognized as at December 31, 2015 and 2014 will be utilized in the succeeding years.

The carrying amount of the net deferred tax assets as at December 31, 2015 and 2014 is disclosed in Note 26.

(i) Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainties relates to assumptions about future operating results and the determination of suitable discount rate. Also, the Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.17. Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

There were no impairment losses on the Group's non-financial assets required to be recognized in 2015, 2014 and 2013 based on management's assessment.

(j) Valuation of Post-employment Defined Benefit

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by independent actuaries in calculating such amounts. Those assumptions include, among others, discount rates, salary rate increase, and employee turnover rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 25.3.

(k) Business Combinations

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

4. SEGMENT INFORMATION

4.1 Business Segments

The Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group is engaged in the development of residential and office units including urban centers integrating office, residential and commercial components. The Real Estate segment pertains to the development and sale of residential and office developments. The Rental segment includes leasing of office and commercial spaces. The Hotel Operations segment relates to the management of hotel business operations. The Corporate and Others segment includes cinema, business process outsourcing, educational, facilities provider, maintenance and property management operations, marketing services, general and corporate income and expense items. Segment accounting policies are the same as the policies described in Note 2.13. The Group generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

4.2 Segment Assets and Liabilities

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash and cash equivalents, receivables, real estate inventories, property and equipment, and investment properties, net of allowances and provisions. Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all operating liabilities and consist principally of accounts, wages, taxes currently payable and accrued liabilities. Segment assets and segment liabilities do not include deferred taxes.

4.3 Intersegment Transactions

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

4.4 Analysis of Segment Information

The following tables present revenue and profit information regarding industry segments for the years ended December 31, 2015, 2014 and 2013 and certain asset and liability information regarding segments at December 31, 2015, 2014 and 2013.

2015

	Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
TOTAL REVENUES						
Sales to external customers	P 32,726,888,869	P 8,729,655,235	P 796,322,364	P 1,007,543,475	P -	P 43,260,409,943
Intersegment sales	-	227,908,084	-	649,654,556	(877,562,640)	-
Total revenues	P 32,726,888,869	P 8,957,563,319	P 796,322,364	P 1,657,198,031	(P 877,562,640)	P 43,260,409,943
RESULTS						
Cost and operating expense	(24,722,587,613)	(2,314,999,416)	(632,775,137)	(1,610,514,873)	779,579,569	(28,501,297,470)
Segment results	P 8,004,301,256	P 6,642,563,903	P 163,547,227	P 46,683,158	(P 97,983,071)	P 14,759,112,473
Interest and other income - net						1,596,636,206
Interest and other charges - net						(2,635,174,408)
Equity in net earnings of associates						138,614,220
Tax expense						(3,284,678,495)
Preacquisition loss of a subsidiary						291,847
Net profit						P 10,574,801,843
ASSETS AND LIABILITIES						
Segment assets	P 187,279,330,964	P 50,003,842,390	P 2,433,682,285	P 5,195,714,160	P -	P 244,912,569,799
Investments in and advances to associates and other related parties - net	-	-	-	6,772,193,903	-	6,772,193,903
Total assets	P 187,279,330,964	P50,003,842,390	P 2,433,682,285	P 11,967,908,063	P -	P 251,684,763,702
Segment liabilities	P 98,703,363,884	P15,149,080,026	P 424,651,426	P 2,994,313,723	P -	P 117,271,409,059
OTHER SEGMENT INFORMATION						
Project and capital expenditures						P 54,513,276,245

2014

	Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
TOTAL REVENUES						
Sales to external customers	P 29,506,959,375	P 7,070,911,439	P 722,971,143	P 2,241,733,163	P -	P 39,542,575,120
Intersegment sales	-	203,861,206	-	784,885,706	(988,746,912)	-
Total revenues	P 29,506,959,375	P 7,274,772,645	P 722,971,143	P 3,026,618,869	(P 988,746,912)	P 39,542,575,120
RESULTS						
Cost and operating expense	(22,280,129,613)	(2,043,972,081)	(535,056,858)	(2,869,610,730)	896,500,685	(26,832,268,597)
Segment results	P 7,226,829,762	P 5,230,800,564	P 187,914,285	P 157,008,139	(P 92,246,227)	P 12,710,306,523
Interest and other income - net						13,259,475,083
Interest and other charges - net						(1,554,435,464)
Equity in net earnings of associates						328,707,760
Tax expense						(3,120,330,226)
Preacquisition income of subsidiaries - net						(69,008,162)
Net profit						P 21,554,715,514
ASSETS AND LIABILITIES						
Segment assets	P 165,979,243,776	P42,366,078,019	P 1,100,579,967	P 5,510,856,348	P -	P 214,956,758,110
Investments in and advances to associates and other related parties - net	-	-	-	6,083,083,483	-	6,083,083,483
Total assets	P 165,979,243,776	P42,366,078,019	P 1,100,579,967	P 11,593,939,831	P -	P 221,039,841,593
Segment liabilities	P 81,319,354,609	P 7,359,037,541	P 302,003,465	P 3,260,652,757	P -	P 92,241,048,372
OTHER SEGMENT INFORMATION						
Project and capital expenditures						P 39,780,970,914

2013

	Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
TOTAL REVENUES						
Sales to external customers	P 25,843,907,662	P 6,037,779,873	P 451,040,792	P 1,120,709,762	P -	P 33,453,438,089
Intersegment sales	-	158,223,538	-	475,685,657	(633,909,195)	-
Total revenues	P 25,843,907,662	P 6,196,003,411	P 451,040,792	P 1,596,395,419	(P 633,909,195)	P 33,453,438,089
RESULTS						
Cost and operating expense	(19,748,364,002)	(1,819,308,917)	(364,991,395)	(1,592,560,158)	575,255,277	(22,832,661,359)
Segment results	P 6,095,543,660	P 4,376,694,494	P 86,049,397	P 3,835,261	(P 58,653,918)	P 10,620,776,730
Gain on acquisition of a subsidiary						763,834,597
Interest and other income - net						1,712,610,060
Interest and other charges - net						(1,808,783,102)
Equity in net earnings of associates						311,681,755
Tax expense						(2,571,452,012)
Preacquisition loss of a subsidiary						6,315,710
Net profit						P 9,034,983,738
ASSETS AND LIABILITIES						
Segment assets	P 124,344,277,458	P29,874,431,168	P 260,740,026	P 6,628,157,158	P -	P 161,107,605,810
Investments in and advances to associates and other related parties - net	-	-	-	12,774,499,537	-	12,774,499,537
Total assets	P 124,344,277,458	P29,874,431,168	P 260,740,026	P 19,402,656,695	P -	P 173,882,105,347
Segment liabilities	P 64,613,351,366	P 5,373,189,923	P 148,045,509	P 1,794,496,724	P -	P 71,929,083,522
OTHER SEGMENT INFORMATION						
Project and capital expenditures						P 32,051,912,203

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as of December 31:

	2015	2014
Cash on hand and in banks	**P 4,790,154,317**	P 4,179,080,113
Short-term placements	**17,972,908,856**	20,963,869,774
	P22,763,063,173	P 25,142,949,887

Cash in banks generally earn interest based on daily bank deposit rates. Short-term placements are made for varying periods between 22 to 90 days and earn effective interest ranging from 1.25% to 2.50% in 2015, 1.10% to 4.00% in 2014 and 0.80% to 3.00% in 2013.

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Note	2015	2014
Current:			
Trade	27.1	**P22,318,593,069**	P 20,568,484,213
Allowance for impairment		**(517,091,448)**	(517,091,448)
		21,801,501,621	20,051,392,765
Advances to contractors and suppliers		**4,909,049,653**	3,023,954,443
Others		**652,232,554**	643,553,103
		27,362,783,828	23,718,900,311
Non-current:			
Trade	27.1	**32,691,658,240**	28,917,742,741
Allowance for impairment		**(12,224,936)**	(12,224,936)
		32,679,433,304	28,905,517,805
Others		**15,337,534**	5,571,232
		32,694,770,838	28,911,089,037
		P60,057,554,666	P 52,629,989,348

Trade receivables mainly pertains to real estate and rental transactions.

A reconciliation of the allowance for impairment at the beginning and end of 2015 and 2014 is shown below.

	2015	2014
Balance at beginning of year	**P 529,316,384**	P 30,850,041
Allowance for impairment of receivables of newly-acquired subsidiary	**-**	550,522,607
Write-off of trade receivables previously provided with allowance	**-**	(52,056,264)
Balance at end of year	**P 529,316,384**	P 529,316,384

The installment period of sales contracts averages one to five years. Trade receivables are noninterest-bearing and are remeasured at amortized cost using the effective interest rate of 10%. Interest income recognized amounted to P1.7 billion in both 2015 and 2014 and P1.5 in 2013. These amounts are presented as Interest Income on Real Estate Sales account in the consolidated statements of income.

Certain receivables with carrying values of P1.5 billion and P136.5 million as at December 31, 2015 and 2014, respectively, were discounted, on a with recourse basis with certain local banks (see Note 15.2). In addition, the Group also has outstanding receivables assigned to the local banks as at December 31, 2015 and 2014 amounting to P997.4 million and P1,034.7 million, respectively (see Note 15.4).

All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regard to trade and other receivables as the amounts recognized consist of a large number of receivables from various customers. Most receivables from trade customers are covered by postdated checks. Certain past due accounts are not provided with allowance for impairment to the extent of the expected market value of the property sold to the customer. The titles to the real estate properties remain with the Group until the receivables are fully collected. (see Note 31.3).

7. RESIDENTIAL, CONDOMINIUM UNITS, GOLF AND RESORT SHARES FOR SALE

The composition of this account as at December 31 is shown below.

	2015	2014
Residential and condominium units	**P 59,067,903,490**	P54,689,792,447
Golf and resort shares	**2,487,372,777**	2,306,759,944
	61,555,276,267	56,996,552,391
Allowance for impairment	**(88,411,502)**	(88,411,502)
	P 61,466,864,765	P56,908,140,889

Residential and condominium units for sale mainly pertain to the accumulated costs incurred in developing the Group's horizontal and condominium projects and certain integrated-tourism projects.

Golf and resort shares for sale pertain to proprietary or membership shares (landowner shares and founders shares) that are of various types and costs. The cost of the landowner resort shares is based on the acquisition and development costs of the land and the project. The cost of the founders shares is based on the par value of the resort shares which is P100 per share.

The details of cost of real estate sales are shown in Note 21.

8. PREPAYMENTS AND OTHER CURRENT ASSETS

The composition of this account is shown below.

	2015	2014
Input VAT	**P 3,165,125,754**	P 2,116,386,138
Prepaid rent and other prepayments	**611,769,191**	914,252,550
Creditable withholding taxes	**443,201,769**	422,687,259
Deposits	**355,857,083**	309,568,563
Others	**148,556,498**	167,144,477
	P4,724,510,295	P 3,930,038,987

Others include supplies, gift certificates inventories and food and beverage inventories.

9. INVESTMENTS IN AVAILABLE-FOR-SALE SECURITIES

Investments in AFS securities comprise the following as at December 31:

	Note	**2015**	2014
Equity securities	27.4	**P 4,634,249,299**	P 6,037,664,828
Debt securities		**65,334,355**	108,602,601
		P 4,699,583,654	P 6,146,267,429

The reconciliation of the carrying amounts of investment in AFS securities are as follows:

	Note	2015	2014
Balance at the beginning of year		**P 6,146,267,429**	P 3,928,755,091
Fair value losses – net		**(2,745,034,577)**	(416,644,686)
Additions		**1,461,811,671**	1,351,199,338
Disposals		**(183,848,265)**	(1,073,522,978)
Foreign currency gains (losses) – net		**20,387,396**	(7,418,826)
Reclassifications – net	11(e), 11(f)	**-**	2,353,897,368
AFS securities from newly-acquired subsidiary		**-**	10,002,122
Balance at end of year		**P 4,699,583,654**	P 6,146,267,429

Equity securities significantly pertain to investments in publicly-listed holding and service companies with fair values determined directly by reference to published prices in the PSE while debt securities consist of euro-denominated corporate bonds quoted in a foreign active market which will mature in 2017. Management has determined that fair value losses are not permanent, therefore, these investments are considered not impaired.

Prior to 2014, the Company held investments in AFS equity securities amounting to P189.2 million. These AFS equity securities have no quoted market price; hence, are carried at cost. In 2014, significant portion of these unquoted AFS equity securities amounting to P186.1 million, which pertains to BWDC shares, were reclassified to investments in associates resulting from the Group's ability to exercise significant influence over BWDC's financial and operating policies (see Notes 1 and 11).

Also, in 2014, as a result of the Company's dilution of equity ownership interest and loss of significant influence, the remaining shares held in TIHGI amounting to P2.7 billion were reclassified to AFS securities. Non-recurring gains amounting to P11.8 billion were recognized as a result of the loss of significant influence over TIHGI (see Notes 1, 11 and 23).

In 2015, the Group received cash dividend from TIHGI amounting to P20.6 million. The amount of dividend received is presented as part of Dividend income under Interest and Other Income – Net in the 2015 consolidated statement of income (see Note 23).

On the other hand, as a result of the change in capital structure of WCRWI, the Company's equity ownership interest in WCRWI was diluted in 2014 and consequently lost significant influence over WCRWI; hence, investments in shares of WCRWI was reclassified to AFS securities (see Notes 1 and 11).

The aggregate carrying value of AFS securities as at December 31, 2015 and 2014 amounted to P4.7 billion and P6.1 billion, respectively. The fair value gains or losses arising from these financial assets which comprised the movements in the carrying amounts and disposals of AFS, are reported as Revaluation Reserves account under the equity section of the consolidated statements of financial position.

The resulting gain from sale of investments is presented as Gain on sale of AFS securities under Interest and Other Income – Net in the consolidated statements of income (see Note 23).

The AFS securities are owned by the Company, EELHI, LFI, MCPI and RHGI. Hence, the movements in the AFS Securities arising from fair value gains or losses are allocated to the Company's shareholders.

10. ADVANCES TO/FROM LANDOWNERS AND JOINT VENTURES

10.1 Advances to Landowners and Joint Ventures

The Group enters into numerous joint venture agreements for the joint development of various projects. These are treated as jointly controlled operations; there were no separate entities created under these joint venture agreements. The joint venture agreements stipulate that the Group's joint venturer shall contribute parcels of land and the Group shall be responsible for the planning, conceptualization, design, demolition of existing improvements, construction, financing and marketing of residential and condominium units to be constructed on the properties. Costs incurred by the Group for these projects are recorded under the Residential, Condominium Units, Golf and Resort Shares for Sale and Property Development Costs accounts in the consolidated statements of financial position (see Note 2.6). The amounts of other related accounts are presented as part of the regular asset and liability accounts and income and expense accounts of the Group (see Note 2.3).

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

Repayment of these advances shall be made upon completion of the project development either in the form of the developed lots corresponding to the owner's share in saleable lots or in the form of cash to be derived from the sales of the landowner's share in the saleable lots and residential and condominium units.

Total amount of advances made by the Group less repayments, is presented as part of the Advances to Landowners and Joint Ventures account in the consolidated statements of financial position.

As at December 31, 2015 and 2014, there has been no outstanding commitment for cash advances under the joint venture agreements.

The net commitment for construction expenditures amounts to:

	2015	2014
Total commitment for construction expenditures	**P24,076,339,196**	P21,523,901,115
Total expenditures incurred	**(16,403,084,016)**	(15,356,899,341)
Net commitment	**P 7,673,255,180**	P 6,167,001,774

The Group's interests in jointly-controlled operations and projects range from 50% to 95% in both 2015 and 2014. The listing of the Group's jointly controlled projects are as follows:

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

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

SPI:
- Adriatico Gardens
- Capitol Plaza
- Governor's Hills
- Mandara
- Sta. Rosa Heights
- Sta. Rosa Hills
- Sentosa
- Asmara
- Gibraltar
- One Lakeshore
- Riva Bella
- Solana
- Gentri Heights
- Fountain Grove
- Palm City

GERI
- Alabang West
- Caliraya Spring
- Forest Hills
- Kingsborough
- Monte Cielo de Peñafrancia
- Mountain Meadows
- Newport Hills
- Pahara at Soutwoods
- Sta. Barbara Heights Phase 2 & 3
- Holland Park

The aggregate amounts of the current assets, long-term assets, current liabilities, long-term liabilities, income and expenses as at December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015 related to the Group's interests in joint ventures are not presented or disclosed in the consolidated financial statements as the joint ventures in which the Group is involved are not jointly-controlled entities (see Note 2.3).

As at December 31, 2015 and 2014, the Group either has no other contingent liabilities with regard to these joint ventures or has assessed that the probability of loss that may arise from contingent liabilities is remote.

10.2 Advances from Joint Ventures

This account represents the share of joint venture partners in the proceeds from the sale of certain projects in accordance with various joint venture agreements entered into by the Group.

The advances from golf share partners and lot owners recognized in 2015 and 2014 amounts to P336.6 million and P253.7 million, net of deferred interest expense amounting to P51.0 million and P70.1 million, respectively, and is presented as part of Advances from Associates and Other Related Parties account in the consolidated statements of financial position (see Note 27.3).

As of December 31, 2015 the Group's management has assessed that the advances from joint ventures is fully recoverable. Accordingly, no impairment loss was recognized.

The amortization of deferred interest amounting to P19.8 million in both 2015 and 2014 is presented as part of Interest expense under the Interest and Other Charges account – Net in the consolidated statements of income (see Note 24).

11. INVESTMENTS IN AND ADVANCES TO ASSOCIATES AND OTHER RELATED PARTIES

11.1 Breakdown of Carrying Values

The details of investments in and advances to associates and other related parties which are carried at equity, are as follows:

	2015	2014
Acquisition costs:		
PCMCI	**P 877,776,746**	P -
SHDI	**875,445,000**	875,445,000
NPI	**734,396,528**	734,396,528
BNHGI	**534,510,859**	775,419,297
BWDC	**199,212,026**	199,212,026
PTHDC	**64,665,000**	64,665,000
FERC	**28,000,000**	28,000,000
FENI	**10,000,003**	10,000,003
FESI	**7,808,360**	7,808,360
FERSAI	**4,000,000**	4,000,000
Balance carried forward	**P 3,335,814,522**	P 2,698,946,214

	2015	2014
Balance brought forward	**P 3,335,814,522**	P 2,698,946,214
Accumulated equity in net earnings (losses):		
Balance at beginning of year	**(700,136,780)**	222,795,761
Equity share in net earnings of associates for the year	**138,614,220**	328,707,760
Accumulated equity in net loss of newly-acquired associates	**-**	(44,081,651)
Reversals resulting from consolidation, disposal and dilution of ownership interest	**-**	(1,207,558,650)
Balance at end of year	**(561,522,560)**	(700,136,780)
	P 2,774,291,962	P 1,998,809,434
Accumulated equity in other comprehensive income:		
Balance at beginning of year	**-**	6,159,298
Share in other comprehensive income of associate	**38,744,144**	-
Derecognition of other comprehensive income of associate	**-**	(6,159,298)
Balance at end of year	**38,744,144**	-
	2,813,036,106	1,998,809,434
Advances to associates and other related parties (see Note 27.2)	**3,959,157,797**	4,084,274,049
	P 6,772,193,903	P 6,083,083,483

The shares of stock of SHDI are listed in the PSE. The total quoted or market value of SHDI amounted to P0.8 billion and P1.1 billion as at December 31, 2015 and 2014, respectively. The fair values of all other investments in associates are not available as at December 31, 2015 and 2014. The related book values of the Group's holdings in all of the associates either exceed or approximate their carrying values; hence, management deemed that the recognition of impairment loss is not necessary.

a. Investment in GERI

In 2013, the Company subscribed to 24.70% ownership interest in GERI making it an associate of the Company. In 2014, as a result of the various additional cash acquisitions of shares held by the Parent Company and minority stockholders, the Company acquired additional 55.71% ownership interest in GERI, increasing its total ownership interest to 80.41% thereby obtaining control. In 2015, the Company acquired outstanding shares of GERI from PSE amounting to P250.0 million increasing its total ownership interest to 82.26% as at December 31, 2015 (see Note 1).

b. Investment in LFI

In the latter part of 2013, the Company acquired 50.00% ownership interest in LFI through direct purchase from the shareholders of the latter at an acquisition price of P1.4 billion. As at December 31, 2013, LFI is only assessed as associate despite of the 50.00% ownership interest since the Company has not yet established control over LFI. On January 21, 2014, the Company acquired additional 16.67% ownership interest for P536.8 million in LFI increasing the Company's total ownership interest to 66.67%; thereby, obtaining control. LFI is presently engaged in leasing of real properties.

c. Investment in MGEI and TLC

In 2013, the Company has only established significant influence, but not control, over MGEI and TLC. Through indirect ownership interest from GERI, the Company has increased its ownership interest in MGEI and TLC; thus, these entities became subsidiaries of the Company in 2014. In 2015, the Company has also purchased additional shares of TLC from a third party stockholder, thereby, increasing the Company's direct ownership.

d. Investment in BWDC

In 2014, the Company reclassified its ownership interest in BWDC from investment in AFS securities to investment in an associate after gaining significant influence over the operating and financial policies through 5 out of 11 BOD representations (see Note 9).

e. Investment in TIHGI

In 2013, TIHGI declared cash dividends of P744.0 million. The amount of dividends received was considered a return of investment and was presented as deduction from the Accumulated equity in net earnings (losses). There is an outstanding receivable of P129.9 million as at December 31, 2013 (nil as at December 31, 2014) arising from TIHGI's dividend declaration. On November 5, 2013, TIHGI had its initial public offering. Despite the 9.00% ownership interest in 2013, the Company considered TIHGI as an associate as it was able to exert significant influence over TIHGI through the two out of the five directors of TIHGI who are also members of the Company's BOD as of December 31, 2013.

In 2014, the Company sold for cash significant portion of its ownership interest in TIHGI to the Parent Company for P10.4 billion, thereby, reducing the Company's ownership interest. TIHGI ceased to be an associate of the Company as a result of the Company's loss of significant influence over the financial and operating policies of TIHGI. The remaining shares held in TIHGI were therefore reclassified to Investments in AFS securities (see Note 9). Transactions involving the investment of the Company in TIHGI resulted in the recognition of non-recurring gain totaling to P11.8 billion, which is composed of gain on sale of investment in an associate of P9.4 billion and fair value gain on remeasurement of investment of P2.4 billion on the remaining shares, and are presented as part of Interest and Other Income – Net in the 2014 consolidated statement of income (see Note 23). Also, portion of the equity share in net earnings of TIHGI previously recognized in other comprehensive income amounting to P6.2 million was reclassified to profit or loss in the same year.

f. Investment in WCRWI

In 2013, the Company subscribed to 10% ownership interest in WCRWI which was incorporated during that year. Despite the 10% ownership interest, the Company considers WCRWI as an associate as it is able to exert significant influence over WCRWI through two out of five BOD representations. In 2014, as a result of the change in capital structure of WCRWI, the Company's ownership in WCRWI was diluted; hence, the Company lost its significant influence over WCRWI. The outstanding shares held by the Company over WCRWI were, therefore, reclassified as Investments in AFS securities (see Note 9).

g. Investment in BNHGI

In 2014, FEPI sold 40% of its ownership interest in BNHGI to a third party. The decrease in FEPI's ownership interest in BNHGI caused the deconsolidation of BNHGI from the Group as the remaining ownership interest only gives FEPI the ability to exert significant influence over BNHGI. In 2015, FEPI sold another 15% ownership interest, reducing the Group's effective ownership to 37.01% over BNHGI. Gain on sale of investment in associate amounting to P181.3 million was recognized under Interest and Other Income – Net in the 2014 consolidated statement of income (see Note 23).

h. Investment in PCMCI

In 2015, EELHI acquired 750,000,000 PCMCI shares amounting to P877.8 million representing 30% ownership interest. Through this acquisition, the Group acquired an ability to exert significant influence over PCMCI.

The balance of the Accumulated equity in net losses of P561.9 million and P700.1 million as at December 31, 2015 and 2014, respectively, which is mainly lodged in the Group's Retained Earnings as of those dates, is not available for dividend declaration.

11.2 Summarized Financial Information

The aggregated amounts of assets, liabilities, revenues and net profit (loss) of the associates are as follows:

	Assets	Liabilities	Revenues	Net Profit (Loss)
2015:				
PCMCI	P 2,458,015,617	P 8,172,960	P -	(P 9,234,061)
SHDI	585,451,486	346,423,705	365,068,765	53,726,211
BNHGI	1,799,798,866	196,246,769	-	(2,019,930)
NPI	5,675,538,713	1,317,006,156	21,150	(18,348)
BWDC	3,327,984,093	2,637,530,014	384,744,535	259,062,480
PTHDC	1,136,403,775	1,006,803,799	5,900	(1,190,233)
FERC	277,874,990	209,508,750	-	-
FENI	98,510,739	931,113,013	-	-
FESI	64,232,266	18,248,112	1,818,862	(1,767,717)
FERSAI	157,909,404	173,014,080	-	-
	P 15,581,719,949	**P 6,844,067,358**	**P 751,659,212**	**P 298,558,402**

	Assets	Liabilities	Revenues	Net Profit (Loss)
2014:				
SHDI	P 484,173,307	P 335,452,498	P 307,264,089	P 30,982,549
BNHGI	1,799,729,964	194,219,520	-	(212,272)
NPI	5,675,694,636	1,317,007,155	-	-
BWDC	3,701,915,777	3,108,438,200	316,442,867	160,290,585
PTHDC	1,136,371,429	1,005,581,220	4,776	(556,703)
FERC	277,874,990	209,508,750	1,493,263	(1,567,845)
FENI	98,510,739	931,113,013	-	-
FESI	126,676,399	31,355,964	20,219,153	(1,295,777)
FERSAI	157,909,404	173,014,080	5,702,987	(2,938,597)
	P 13,458,856,645	P 7,305,690,400	P 651,127,135	P 184,701,940

12. INVESTMENT PROPERTIES

The gross carrying amounts and accumulated depreciation of investment properties at the beginning and end of 2015 and 2014 are shown below.

	Land	**Buildings**	**Total**
December 31, 2015			
Cost	P 9,530,417,733	P 42,464,672,890	P 51,995,090,623
Accumulated depreciation	-	(5,723,020,432)	(5,723,020,432)
Net carrying amount	**P 9,530,417,733**	**P 36,741,652,458**	**P 46,272,070,191**
December 31, 2014			
Cost	P 9,017,340,569	P 31,290,523,670	P 40,307,864,239
Accumulated depreciation	-	(4,545,234,421)	(4,545,234,421)
Net carrying amount	P 9,017,340,569	P 26,745,289,249	P 35,762,629,818
January 1, 2014			
Cost	P 6,433,222,583	P 21,899,120,429	P 28,332,343,012
Accumulated depreciation	-	(3,385,403,893)	(3,385,403,893)
Net carrying amount	P 6,433,222,583	P 18,513,716,536	P 24,946,939,119

A reconciliation of the carrying amounts at the beginning and end of 2015, 2014 and 2013 of investment properties is shown below.

	Land	Buildings	Total
Balance at January 1, 2015, net of accumulated depreciation	P 9,017,340,569	P 26,745,289,249	P 35,762,629,818
Additions	513,077,164	12,383,054,370	12,896,131,534
Transfer to property and equipment	-	(1,175,058,950)	(1,175,058,950)
Disposals	-	(33,846,200)	(33,846,200)
Depreciation charges for the year	-	(1,177,786,011)	(1,177,786,011)
Balance at December 31, 2015, net of accumulated depreciation	**P 9,530,417,733**	**P 36,741,652,458**	**P 46,272,070,191**
Balance at January 1, 2014, net of accumulated depreciation	P 6,433,222,583	P 18,513,716,536	P 24,946,939,119
Investment properties of newly-acquired subsidiaries	2,932,084,986	663,739,979	3,595,824,965
Disposals	(347,967,000)	-	(347,967,000)
Additions	-	8,727,663,262	8,727,663,262
Depreciation charges for the year	-	(1,159,830,528)	(1,159,830,528)
Balance at December 31, 2014, net of accumulated depreciation	P 9,017,340,569	P 26,745,289,249	P 35,762,629,818
Balance at January 1, 2013, net of accumulated depreciation	P 1,412,634,527	P 15,219,401,136	P 16,632,035,663
Investment properties of newly-acquired subsidiaries	5,020,588,056	-	5,020,588,056
Additions	-	3,494,295,658	3,494,295,658
Transfers from property development cost	-	594,722,232	594,722,232
Depreciation charges for the year	-	(794,702,490)	(794,702,490)
Balance at December 31, 2013, net of accumulated depreciation	P 6,433,222,583	P 18,513,716,536	P 24,946,939,119

Investment properties with carrying values of P40.4 million as at December 31, 2013 were used as collaterals by the Group for its various loans obtained from local banks (see Note 15.1). The collaterals on these investment properties were released as at December 31, 2014.

Rental income earned from these properties amounted to P8.7 billion, P7.1 billion and P6.0 billion in 2015, 2014 and 2013, respectively, and is shown as Rental Income in the consolidated statements of income. The direct operating costs, exclusive of depreciation incurred by the Group relating to these investment properties amounted to P459.2 million in 2015, P458.5 million in 2014 and P360.9 million in 2013. The operating lease commitments of the Group as a lessor are fully disclosed in Note 30.1.

Depreciation of investment properties is presented as part of Operating Expenses account (see Note 22).

The fair market values of these properties are P190.8 billion and P156.8 billion as at December 31, 2015 and 2014, respectively. These are determined by calculating the present value of the cash inflows anticipated until the end of the useful lives of the investment properties using a discount rate of 8% in 2015 and 2014 (see Note 33.4).

Other information about the fair value measurement and disclosures related to the investment properties are presented in Note 33.4.

13. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2015 and 2014 are shown below.

	Condominium Units	Office Furniture, Fixtures and Equipment	Office and Land Improvements	Transportation Equipment	Land	Total
December 31, 2015						
Cost	P3,046,239,743	P 732,964,892	P 191,035,835	P 228,464,730	P 248,009,320	P 4,446,714,520
Accumulated depreciation and amortization	(647,851,020)	(464,215,769)	(150,520,322)	(133,275,218)	-	(1,395,862,329)
Net carrying amount	**P2,398,388,723**	**P 268,749,123**	**P 40,515,513**	**P 95,189,512**	**P 248,009,320**	**P 3,050,852,191**
December 31, 2014						
Cost	P1,845,594,330	P 632,467,113	P 180,642,048	P 192,522,121	P 248,009,320	P 3,099,234,932
Accumulated depreciation and amortization	(619,589,270)	(383,686,979)	(118,870,760)	(109,714,784)	-	(1,231,861,793)
Net carrying amount	P1,226,005,060	P 248,780,134	P 61,771,288	P 82,807,337	P 248,009,320	P 1,867,373,139
January 1, 2014						
Cost	P 862,412,652	P 528,919,165	P 174,411,940	P 146,142,080	P 81,095,000	P 1,792,980,837
Accumulated depreciation and amortization	(578,989,364)	(308,066,539)	(111,797,739)	(92,453,453)	-	(1,091,307,095)
Net carrying amount	P 283,423,288	P 220,852,626	P 62,614,201	P 53,688,627	P 81,095,000	P 701,673,742

A reconciliation of the carrying amounts at the beginning and end of 2015, 2014 and 2013, of property and equipment is shown below.

	Condominium Units	Office Furniture, Fixtures and Equipment	Office and Land Improvements	Transportation Equipment	Land	Total
Balance at January 1, 2015, net of accumulated depreciation and amortization	P1,226,005,060	P 248,780,134	P 61,771,288	P 82,807,337	P 248,009,320	P 1,867,373,139
Transfer from investment properties	1,175,058,950	-	-	-	-	1,175,058,950
Additions	27,522,735	110,578,304	18,789,212	51,992,093	-	208,882,344
Disposals	(1,936,272)	(10,080,525)	(8,395,425)	(16,049,484)	-	(36,461,706)
Depreciation and amortization charges for the year	(28,261,750)	(80,528,790)	(31,649,562)	(23,560,434)	-	(164,000,536)
Balance at December 31, 2015, net of accumulated depreciation and amortization	**P2,398,388,723**	**P 268,749,123**	**P 40,515,513**	**P 95,189,512**	**P 248,009,320**	**P 3,050,852,191**
Balance at January 1, 2014, net of accumulated depreciation and amortization	P 283,423,288	P 220,852,626	P 62,614,201	P 53,688,627	P 81,095,000	P 701,673,742
Additions	88,867,593	62,378,378	6,230,108	33,769,674	-	191,245,753
Property and equipment of newly-acquired subsidiaries	894,314,085	49,919,639	-	17,744,568	166,914,320	1,128,892,612
Disposals	-	(8,750,069)	-	(5,134,201)	-	(13,884,270)
Depreciation and amortization charges for the year	(40,599,906)	(75,620,440)	(7,073,021)	(17,261,331)	-	(140,554,698)
Balance at December 31, 2014, net of accumulated depreciation and amortization	P1,226,005,060	P 248,780,134	P 61,771,288	P 82,807,337	P 248,009,320	P1,867,373,139
Balance at January 1, 2013, net of accumulated depreciation and amortization	P 264,174,062	P 141,952,952	P 64,042,810	P 45,700,854	P 81,095,000	P 596,965,678
Additions	76,045,937	101,599,189	13,305,678	15,997,052	-	206,947,857
Property and equipment of newly-acquired subsidiaries	-	63,000,110	-	-	-	63,000,110
Disposals	-	-	-	(3,167,769)	-	(3,167,769)
Depreciation and amortization charges for the year	(56,796,711)	(85,699,625)	(14,734,287)	(4,841,510)	-	(162,072,134)
Balance at December 31, 2013, net of accumulated depreciation and amortization	P 283,423,288	P 220,852,626	P 62,614,201	P 53,688,627	P 81,095,000	P 701,673,742

Depreciation and amortization is presented as part of Operating Expenses account (see Note 22).

The Group's fully depreciated assets that are still being used in operations had original costs of P442.7 million and P411.3 million and the corresponding accumulated depreciation for the same amounts as at December 31, 2015 and 2014, respectively.

None of the Group's property and equipment are used as collateral for its interest-bearing loans and borrowings.

14. OTHER NON-CURRENT ASSETS

This account consists of:

	2015	2014
Goodwill	**P 1,290,232,360**	P1,290,232,360
Guarantee and other deposits	**822,930,111**	541,591,807
Leasehold rights - net	**132,339,119**	139,304,336
Miscellaneous	**109,939,027**	94,169,249
	P 2,355,440,617	P2,065,297,752

In 2014, as a result of various acquisitions of shares from the Parent Company and minority stockholders, the Company acquired additional 55.71% ownership interest in GERI, increasing its total ownership interest to 80.41%, thereby, obtaining control. The acquisition was made to reorganize AGI's subsidiaries to capitalize on real estate opportunities and enhance the Group's land banking position. The fair value of the net identifiable assets acquired and consideration paid amounted to P16.2 billion and P17.2 billion, respectively. Goodwill amounting to P947.1 million was recognized representing the excess of the acquisition costs over the fair values of the net identifiable assets at the date of acquisition (see Note 1). The remaining portion of goodwill came from acquisitions made by the Group in prior years.

On December 3, 2014, the Group, through TDI acquired 100% ownership interest in GPARC, thereby, obtaining control. The underlying substance of the transaction is the use of leasehold rights owned by GPARC. Hence, the excess of the acquisition costs of P104.3 million over the fair value of GPARC's net liability position of P35.0 million was attributable to the identifiable leasehold rights amounting to P139.3 million. The leasehold rights pertains to the right to use certain parcel of land for the remaining period of 20 years and renewable for another 25 years. In 2015, leasehold rights amortization amounted to P7.0 million (nil in 2014) is presented as part of Depreciation and amortization under Operating Expenses in the 2015 consolidated statement of income (see Note 22).

The goodwill and leasehold rights are subject to annual impairment testing and whenever there is an indication of impairment. No impairment losses were recognized in 2015 and 2014 as the recoverable amounts of the intangible assets determined by management are higher than their carrying values.

Guarantee deposits mainly pertain to payments made for compliance with construction requirements in relation to the Group's real estate projects.

15. INTEREST-BEARING LOANS AND BORROWINGS

Interest-bearing Loans and Borrowings account represents the following loans of the Group as at December 31:

	2015	2014
Current:		
Company	**P 2,871,346,152**	P1,197,234,432
SPI	**1,115,773,089**	1,100,661,267
EELHI	**119,927,915**	58,691,642
GERI	**72,916,667**	200,000,000
RHGI	**64,971,354**	69,150,594
	4,244,935,177	2,625,737,935
Non-current:		
Company	**22,211,538,461**	5,082,884,613
GERI	**1,927,083,333**	-
SPI	**1,400,000,000**	966,282,157
EELHI	**1,389,074,691**	77,829,913
LFI	**500,000,000**	-
	27,427,696,485	6,126,966,683
	P 31,672,631,662	P8,752,734,618

15.1 Company

Philippine Peso, 7-year loan due 2015

In 2008, the Company signed a financing deal with local bank in which the Company may avail of a P5.0 billion unsecured loan, divided into Tranche A (P3.5 billion) and Tranche B (P1.5 billion). The Company had availed of P4.5 billion out of the P5.0 billion facility in 2008 while the remaining P500.0 million was availed of in 2009. The proceeds of the loan were used to fund the development of the Company's various real estate projects. The loan is payable in seven years with a grace period of two years, divided into 21 consecutive equal quarterly payments. Interest is payable every quarter based on the Philippine Dealing System Treasury Fixing rate (PDSTF-R) plus a certain spread.

The outstanding balance pertaining to this loan amounted to P0.7 billion as at December 31, 2014. In 2015, the loan was fully settled.

Philippine Peso, 7-year corporate notes due 2016

In February 2009, the Company issued unsecured corporate notes to several financial institutions in the aggregate principal amount of P1.4 billion which will mature in seven years from the issue date. The principal repayments on this loan commenced in February 2010 and interest is paid semi-annually based on a fixed 9.0% annual interest rate. In 2013, the Company had early redeemed these outstanding corporate notes. As a result of the early redemption of these notes, the Company incurred and paid P41.1 million penalty charges which is presented as part of the Miscellaneous – net under Interest and Other Charges – Net account in 2013 consolidated statement of income (see Note 24).

Philippine Peso, 7-year loan due 2016
In May 2009, the Company obtained an unsecured long-term loan from a local bank amounting to P500.0 million. The loan is payable for a term of seven years and interest is payable semi-annually based on a floating six-month PDSTF-R plus a certain spread, subject to semi-annual reprising. The outstanding balance pertaining to this loan amounted to P467.5 million and P472.5 million as at December 31, 2015 and 2014, respectively.

The Company also obtained an additional loan with original amount of P387.0 million in 2005 and P403.0 million in 2006 from the same local bank subject to the same terms and conditions. The outstanding balance pertaining to these loans amounted to P93.3 million as at December 31, 2014. In December 2015, the loans were fully settled. Collateral for the loans consisted of a mortgage over certain investment properties of the Company with carrying value of P40.4 million. This collateral over investment properties was released as at December 31, 2014 (see Note 12).

Philippine Peso, 7-year loan due 2021
In 2014, the Company obtained an unsecured long-term loan from a local bank amounting to P5.0 billion. The loan is payable for a term of seven years. The principal repayments on this loan commenced in August 2015 and interest is paid semi-annually based on a fixed 5.125% annual interest rate. The outstanding balance pertaining to this loan amounted to P4.6 billion and P5.0 billion as at December 31, 2015 and 2014, respectively.

Philippine Peso, 7-year loan due 2022
In March 2015, the Company signed a financing deal with a local bank in which the Company may avail of a P10.0 billion unsecured loan, divided equally into two tranches. The Company had availed both tranches in May and June. The proceeds of the loan were used to fund the development of the Company's various real estate projects and retire currently maturing obligations. The loan is payable for a term of seven years. The principal repayments on this loan will commence in June 2016 and interest is paid quarterly based on a fixed 5.4% annual interest rate. The outstanding balance pertaining to this loan amounted to P10.0 billion as at December 31, 2015.

Philippine Peso, 7-year loan due 2022
In November 2015, the Company obtained an unsecured long-term loan from a local bank amounting to P5.0 billion. The loan is payable for a term of seven years. The principal repayments on this loan will commence in November 2016 and interest is paid semi-annually based on a fixed 5.05% annual interest rate. The outstanding balance pertaining to this loan amounted to P5.0 billion as at December 31, 2015.

Philippine Peso, 5-year loan due 2020
In December 2015, the Company obtained an unsecured long-term loan from a local bank amounting to P5.0 billion. The loan is payable for a term of five years with a grace period of one year upon availment. The principal repayment on the loan will commence in March 2017 and interest is paid quarterly based on a fixed 5.035% annual interest rate. The outstanding balance pertaining to this loan amounted to P5.0 billion as at December 31, 2015.

15.2 EELHI

Philippine Peso, various secured short-term and long-term bank loans
EELHI's short-term and long-term interest bearing loans and borrowings consist only of bank loans amounting to P1.5 billion and P136.5 million as at December 31, 2015 and 2014, respectively. These loans bear annual interest rates ranging from 3.15% (subject to repricing every 30-180 days) to 9.08% in 2015, 7.8 to 9.5% in 2014, and 7.8% to 10.5% in 2013. As at December 31, 2015, the loan with floating interest rate was repriced at 5.40% Bank loans also include proceeds received from certain trade receivables that were discounted on a with recourse basis (see Note 6). EELHI's interest-bearing loans and borrowings are secured by trade receivables and certain properties presented as part of Trade and Other Receivables and Residential and Condominium Units for Sale with total estimated carrying value of P312.1 million and P497.8 million as of December 31, 2015 and 2014, respectively.

15.3 LFI

Philippine Peso, 5-year loan due 2020
In December 2015, the LFI obtained an unsecured and interest-bearing loan from a local commercial bank amounting to P500.0 million for the funding requirements of the construction of a building. The loan bears an annual interest of 5.0%, subject to quarterly repricing. Quarterly installments beginning in March 2017 are due until the loan is fully-settled in 2020, or 5 years from the issue date of the loan (see Notes 6 and 7).

15.4 SPI

Philippine peso, various long-term bank loans, due in 2016 and 2020
In 2012, SPI obtained long-term loans from a local bank amounting to P330.0 million. These unsecured loans, which will mature in 2016 bear an annual interest of 5.50%, was pre-terminated 2015.

In 2015, SPI obtained a long-term from the same local bank amounting to P1.5 billion, of which P1.4 billion has been drawn. The loan bears a 3.15% floating interest, subject to repricing every 30-180 days, and will mature in 2020. Repayment for this loan, which is on a quarterly basis, will start in 2017.

Philippine peso, various short-term bank loans, due in 2015 and 2016
In 2014, SPI obtained short-term loans from local banks amounting to P1,184.8 million. These unsecured loans bear interest ranging from 3.00% to 5.75%. In 2015 and 2014, SPI paid P886.4 million and P298.4 million of the principal amount, respectively.

In 2015, SPI obtained short-term loans from local banks amounting to P1,060.0 million and paid P944.1 million of the principal amount in the same year. The loans, which will all mature in 2016, are unsecured and bear annual interest rate ranging from 5.50% to 5.75%, respectively.

Assigned trade receivables
SPI partially manages its cash flows for use in operations through assignment of its trade receivables on a with-recourse basis with certain local banks. The outstanding loans to the banks arising from receivable assignment as at December 31, 2015 and 2014 amounted to P997.4 million and P1,034.7 million, respectively (see Note 6).

All of SPI's loans are used to finance existing and future real estate development projects.

15.5 GERI

Philippine peso, 5-year loan due 2020
In 2015, GERI obtained a long-term Philippine peso-denominated bank loan from a local bank, which was granted on clean basis with negative pledge on assets. The proceeds of the loan are being used to finance capital expenditure requirement of the Company's various real estate development projects and for other general corporate requirements. The loan has a term of 5 years from the date of initial drawdown, inclusive of a grace period on principal repayment of 2 years. The loan shall be paid in twelve equal quarterly amortization commencing on the 9th quarter from date of initial drawdown. The loan bears a fixed interest rate computed at 5-year PDST-R2 plus a spread of 130 basis points subject to a floor rate of 5.0% per annum. The interest is payable quarterly in arrears. As of December 31, 2015, the outstanding loan payable amounted to P1.5 billion.

In 2015 and 2014, OFPI, a subsidiary of GERI, availed of a short-term loan from a local bank amounting to P500.0 million and 200.0 million which bears a fixed interest of 5.035% and 3.15%, respectively. As at December 31, 2015, the outstanding loan payable amounted to P500.0 million, of which P72.9 million is due within one year.

15.6 RHGI

Euro-denominated, short-term loan due 2016
On December 2014, RHGI availed of a Euro-denominated short-term loan from a foreign commercial bank amounting to €1.3 million (equivalent to P69.2 million) which bears an annual interest rate of 0.76% and matured in 2015. In June 2015, RHGI renewed the said short-term loan and will mature in June 2016 at a revised annual interest of 0.82%. The outstanding balance in relation this loan amounted to P65.0 million and P69.2 million as at December 31, 2015 and 2014, respectively.

The Group has complied with loan covenants including maintaining certain financial ratios at the end of the reporting periods.

Finance costs arising from the preceding loans and borrowings that are mainly and directly attributable to construction of the Group's projects are capitalized as part of Residential, Condominium Units, Golf and Resort Shares for Sale and Property Development Costs accounts. The remaining interest costs are expensed outright.

Total finance costs attributable to all the loans of the Group amounted to P763.9 million, P308.8 million and P402.7 million in 2015, 2014 and 2013, respectively. Of these amounts, portion expensed is presented as part of Interest expense under Interest and Other Charges - Net in the consolidated statements of income (see Note 24). Interest capitalized in 2015, 2014 and 2013 amounted to P481.3 million, P43.0 million and P73.6 million, respectively. Capitalization rate used in determining the amount of interest charges qualified for capitalization is 5.53%, 6.19% and 5.06% in 2015, 2014 and 2013, respectively.

16. BONDS PAYABLE

Philippine Peso, 5-year bonds due 2015
On November 18, 2009, the Group issued P5.0 billion fixed rate unsecured bonds with a term of five years and six months and which bear an interest of 8.46% per annum. The bonds were issued at par and will be redeemed at 100% of the face value on maturity date. The proceeds received are being used by the Group to finance its capital expenditures from 2009 up to 2013 mainly for the development of its real estate projects. In May 2015, these bonds were fully redeemed at face value. As at December 31, 2014, the outstanding bonds payable balance amounted P5.0 billion. The bonds were fully settled in 2015.

U.S. Dollar, 7- year due 2018
On April 15, 2011, the Group issued seven-year term bonds totaling US $200 million. The bonds bear interest at 6.75% per annum payable semi-annually in arrears every April 15 and October 15 each year starting October 15, 2011. The bonds will mature on April 15, 2018. As at December 31, 2015 and 2014, the outstanding bonds payable balance amounted to P9.4 billion and P8.8 billion, respectively.

U.S. Dollar, 10- year due 2023
On April 17, 2013, the Group issued 10-year term bonds totaling US $250 million. The bond carries a coupon rate of 4.25% per annum and interest is payable semi-annually starting October 17, 2013. The bond will mature in 2023. The proceeds of the bond issuance is being used by the Company for general corporate purposes. As at December 31, 2015 and 2014, the outstanding bonds payable balance amounted to P11.7 billion and P11.1 billion, respectively.

The Group has complied with bond covenants including maintaining certain financial ratios at the end of the reporting periods.

Total interest incurred on these bonds amounted to P1,270.1 million in 2015, P1,508.8 million in 2014 and P1,284.7 million in 2013, of which portions capitalized amounted to P161.0 million in 2015 and, P423.0 million in both 2014 and 2013. The remaining amounts are expensed and presented as part of Interest expense under Interest and Other Charges – Net in the consolidated statements of income (see Note 24). Capitalization rate used in determining the amount of interest charges qualified for capitalization is 8.46% in 2015, 2014 and 2013. The outstanding interest payable as of December 31, 2015 and 2014 is presented as Accrued interest payable under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

17. TRADE AND OTHER PAYABLES

This account consists of:

	Note	**2015**	2014
Trade payables		**P 8,664,025,590**	P 7,467,336,544
Retention payable		**2,495,578,562**	2,464,294,537
Accrued interest	16	**378,240,423**	395,769,620
Accrued construction cost		**4,999,106**	5,816,242
Miscellaneous		**526,576,176**	286,970,476
		P12,069,419,857	P10,620,187,419

Trade payables mainly represent obligations to subcontractors and suppliers of construction materials for the Group's projects.

Retention payable pertains to amounts withheld from payments made to contractors to ensure compliance and completion of contracted projects equivalent to 10% of every billing made by the contractor. Upon completion of the contracted projects, the amounts are returned to the contractors.

Miscellaneous payable consists primarily of withholding taxes payable and accrual of salaries and wages and utilities.

18. REDEEMABLE PREFERRED SHARES

On September 4, 2012, the BOD of TLC, a newly-acquired subsidiary of the Group through the acquisition of GERI, approved the additional subscriptions of 1.3 billion preferred shares out of TLC's authorized capital stock as partial payment for certain parcels of land with total fair value of P1.3 billion. The SEC approved the issuance through exchange of certain parcels of land on April 17, 2013.

Generally non-voting, these preferred shares earn dividends at a fixed annual rate of 2.50% subject to the existence of TLC's unrestricted retained earnings. The accrued dividends on these preferred shares amounting to P89.1 million and P60.2 million as at December 31, 2015 and 2014, respectively, is presented as part of Other payables under Other Non-current Liabilities account in the consolidated statements of financial position (see Note 19). The related interest expense, which represents dividends, recognized for the years ended December 31, 2015 and 2014 amounted to P28.9 million in both years is presented as part of Interest expense under the Interest Expense and Other Charges – Net account in the consolidated statements of income (see Note 24).

The preferred shares shall have a maturity of 10 years and shall be redeemed on every anniversary date beginning on the sixth anniversary date until expiration of the 10-year period. Only 1/5 of the aggregate face value of preferred shares may be redeemed per year during such redemption period, with all remaining shares to be redeemed on the 10th anniversary date.

The preferred shares are considered as financial liabilities. Accordingly, the redeemable preferred shares are recognized at fair value on the date of issuance and are classified as a non-current liability in the consolidated statements of financial position. The fair values of the redeemable preferred shares on the date of issuance approximate their carrying values.

19. OTHER LIABILITIES

This account consists of:

	Note	2015	2014
Current:			
Unearned revenues		**P 1,639,368,747**	P1,831,092,740
Deferred rental income		**355,831,050**	391,139,056
Other payables		**66,712,432**	12,650,112
		2,061,912,229	2,234,881,908
Non-current:			
Deferred rental income		**3,346,201,751**	1,762,530,579
Other payables	18	**155,201,430**	94,164,023
		3,501,403,181	1,856,694,602
		P 5,563,315,410	P4,091,576,510

Deferred rental income refers to the rental payments advanced by the lessee at the inception of the lease which will be applied to the remaining payments at the end of the lease term.

20. REAL ESTATE SALES

This account consists of sales for the following:

	2015	2014	2013
Residential and condominium units	**P 27,260,722,450**	P 24,605,116,509	P 21,250,984,220
Golf and resort shares	**1,575,000**	1,437,928	-
	P 27,262,297,450	P 24,606,554,437	P 21,250,984,220

Realized gross profit on prior years amounted to P3.8 billion, P3.2 billion and P3.1 billion in 2015, 2014 and 2013, respectively.

21. COSTS OF REAL ESTATE SALES

The total cost of real estate sales for the years ended December 31, 2015, 2014 and 2013 are as follows:

	2015	2014	2013
Actual costs	**P 9,520,350,982**	P 7,762,486,949	P 6,822,583,408
Estimated costs	**5,914,591,370**	6,601,382,238	5,822,398,964
	P15,434,942,352	P 14,363,869,187	P 12,644,982,372

The breakdown of the cost of real estate sales are further broken down as follows:

	2015	2014	2013
Contracted services	**P 12,851,666,636**	P 12,120,803,695	P 10,922,746,175
Land cost	**2,058,899,931**	1,770,144,307	1,313,461,683
Borrowing cost	**331,643,102**	273,887,171	202,846,340
Other costs	**192,732,683**	199,034,014	205,928,174
	P15,434,942,352	P 14,363,869,187	P12,644,982,372

22. OPERATING EXPENSES

Presented below are the details of this account.

	Notes	2015	2014	2013
Salaries and employee benefits	25	**P 2,059,096,838**	P 1,714,889,017	P 1,206,397,043
Depreciation and amortization	12, 13, 14	**1,348,751,764**	1,300,385,226	956,774,624
Commission		**1,062,732,165**	961,366,846	905,847,959
Advertising and promotions		**686,408,553**	676,949,982	589,935,280
Taxes and licenses		**664,757,350**	757,575,717	446,823,406
Rent		**539,873,942**	521,819,487	398,718,708
Utilities and supplies		**480,113,476**	460,767,752	287,743,734
Professional fees and outside services		**288,358,171**	278,527,420	201,182,692
Association dues		**273,733,153**	263,961,219	169,925,605
Transportation		**226,691,959**	223,885,030	218,930,485
Miscellaneous		**361,377,640**	331,566,070	282,085,374
		P 7,991,895,011	P 7,491,693,766	P 5,664,364,910

Miscellaneous operating expenses include repairs and maintenance, training and development and insurance.

23. INTEREST AND OTHER INCOME

Presented below are the details of this account.

	Notes	2015	2014	2013
Interest income	5	**P 1,337,049,326**	P 1,056,924,854	P 1,566,850,939
Property management, cinema operations, commission and construction income		**875,835,168**	745,378,539	345,096,276
Gain on sale of investments in an associate	9, 11	**181,347,731**	9,384,719,202	-
Dividend income	9	**78,239,149**	46,595,425	55,359,121
Fair value gains on disposal of AFS securities reclassified to profit or loss	9	**3,597,409**	796,867,188	148,251,481
Fair value gains on remeasurement of investments - net	9, 11, 27.5	**-**	2,251,067,460	-
Gain on acquisitions and deconsolidation of subsidiaries	1	**-**	520,168,142	763,834,597
Miscellaneous – net	6, 9, 27.4	**128,110,898**	699,487,436	717,762,006
		P 2,604,179,681	P 15,501,208,246	P 3,597,154,420

The gain on sale of investment in an associate represents the difference between the proceeds from sale of 1.1 billion common shares of TIHGI amounting to P10.4 billion and the related carrying amount of investment amounting to P1.1 billion. The fair value gains on remeasurement of investments pertain mainly to the excess of fair value of the retained interests in TIHGI over its carrying amount at the time of reclassification of such investment to AFS securities (see Notes 9 and 11).

In 2014, FEPI, a wholly-owned subsidiary of GERI, sold 40% of its ownership interest in BNHGI. The deconsolidation of BNHGI resulted in the recognition of gain on deconsolidation amounting to P377.4 million. Also in 2015, FEPI sold a portion of its investments in BNGHI resulting to a gain amounting to P181.3 million. The sale did not affect the significant influence of the Group over BNHGI (see Notes 1 and 11).

On January 21, 2014, the Company acquired additional 16.67% ownership in LFI, increasing the Company's total ownership interest to 66.67%, thereby, obtaining control. The fair value of the identifiable net assets of P3.7 billion exceeded the acquisition cost of P3.6 billion; hence, a gain on acquisition (negative goodwill) of P77.6 million was recognized from the acquisition (see Note 1).

By the end of December 2014, the Company acquired 100% ownership in DPDHI to increase its landbank position in Davao City. The transaction was settled in cash amounting to P495.4 million. Gain on acquisition of P65.1 million was recognized since the fair value of net assets of P560.5 million exceeded the acquisition cost (see Note 1).

In August 2013, the Company acquired 100% ownership interest in API, thereby, obtaining control. The transaction was settled in cash amounting to P3.3 billion. The fair value of the net identifiable assets acquired amounted to P4.1 billion. Gain on acquisition amounting to P763.8 million was recognized since the fair value of the identifiable net assets of API exceeded the acquisition cost (see Note 1).

Gain on sale of investments in AFS securities consists of realized fair value gains reclassified subsequently to profit or loss and gains on sale of these investments in AFS securities.

Miscellaneous income refers to gain on sale of land, marketing fees and other.

24. INTEREST AND OTHER CHARGES

Presented below are the details of this account.

	Notes	2015	2014	2013
Interest expense arising from:				
Bank loans, borrowings and bonds payable	15, 16	**P 1,391,749,555**	P 1,319,465,995	P 1,280,554,678
Redeemable preferred shares	18	**28,933,722**	28,933,722	-
Post-employment defined benefit obligation	25	**46,097,256**	48,640,873	36,968,625
Amortization of deferred interest	10.2	**19,848,008**	19,848,008	-
Foreign currency losses – net		**1,148,545,867**	105,046,866	491,259,799
Miscellaneous – net	6, 15	**91,092,408**	102,543,071	50,870,780
		P 2,726,266,816	P 1,624,478,535	P 1,859,653,882

Miscellaneous pertains to amortization of discounts on security deposits, bank charges, impairment loss on receivables and other related fees.

25. EMPLOYEE BENEFITS

25.1 Salaries and Employee Benefits

Expenses recognized for salaries and employee benefits are presented below.

	Notes	2015	2014	2013
Short-term benefits		**P 1,768,663,918**	P 1,548,795,060	P 1,048,509,131
Employee share options	25.2, 28.6	**146,272,133**	40,096,554	30,382,120
Post-employment benefits	25.3	**144,160,787**	125,997,403	127,505,792
	22	**P 2,059,096,838**	P 1,714,889,017	P 1,206,397,043

25.2 Employee Share Option Plan (ESOP)

The Group's share option benefit expense includes the amounts recognized by the Company and GERI over the vesting period granted by them. As at December 31, 2015 and 2014, about 200.0 million and 46.0 million shares of GERI's options have vested, respectively, but none of these have been exercised by any of the option holder. None of the Company's share options has vested in 2015 and 2014.

Share option benefits expense, included as part of Salaries and employee benefits under Operating Expenses in the consolidated statements of income, amounted to P146.3 million, P40.1 million and P30.4 million in 2015, 2014 and 2013, respectively, (see Note 25.1).

25.3 Post-employment Defined Benefit Plan

(a) Characteristics of Defined Benefit Plan

The Group maintains a funded, tax-qualified, non-contributory post-employment benefit plan that is being administered by trustee banks. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of 5 years of credited service. The post-employment defined benefit plan provides for retirement ranging from 60% to 200% of plan salary for every year of credited service, but shall not be less than the regulatory benefit under Republic Act 7641, *The Retirement Pay Law,* or the applicable retirement law at the time of the member's retirement.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation reports obtained from independent actuaries in 2015 and 2014.

The amounts of retirement benefit obligation, presented as non-current liability in the consolidated statements of financial position, are determined as follows:

	2015	2014
Present value of the obligation	**P 1,065,773,374**	P1,191,591,023
Fair value of plan assets	**(140,578,260)**	(114,050,658)
Net defined benefit liability	**P 925,195,114**	P1,077,540,365

The movements in the present value of the retirement benefit obligation recognized in the books are as follows:

	2015	2014
Balance at beginning of year	**P 1,191,591,023**	P 851,805,596
Current service costs	**144,160,787**	125,997,403
Interest costs	**51,547,448**	53,826,929
Remeasurements –		
Actuarial losses (gains)		
arising from changes in:		
Experience adjustments	**(65,694,538)**	52,928,254
Financial assumptions	**(248,958,147)**	114,089,539
Demographic assumptions	**(3,955,741)**	-
Benefits paid	**(2,917,458)**	(7,056,698)
Balance at end of year	**P 1,065,773,374**	P1,191,591,023

The movements in the fair value of plan assets are presented below.

	2015	2014
Balance at beginning of year	**P 114,050,658**	P 103,407,063
Contributions paid	**22,000,000**	14,000,000
Benefits paid	**(2,917,458)**	(7,056,698)
Interest income	**5,450,192**	5,186,056
Return on plan assets (excluding amount included in net interest cost)	**1,994,868**	(1,485,763)
Balance at end of year	**P 140,578,260**	P 114,050,658

The plan assets are composed of cash and cash equivalents and investment in debts and equity securities. Debt securities pertains to corporate and government securities while equity securities consists of investments in private corporation. The contributions to the retirement plan are made annually by the Group. The amount of contributions to the retirement plan is determined based on the expected benefit payments that the Group will incur within five years.

Actual return on plan assets were P7.4 million, P3.7 million and P4.2 million in 2015, 2014 and 2013, respectively.

The plan assets do not include any of the Company's and other related parties' own financial instruments or any of its assets occupied and/or used in its operations.

The components of amounts recognized in consolidated income and in consolidated other comprehensive income in respect of the defined benefit post-employment plan are as follows:

	Notes	2015	2014	2013
Reported in consolidated statements of income:				
Post-employment defined benefit:				
Current service costs		**P144,160,787**	P125,997,403	P 116,785,988
Past service cost		**-**	-	10,719,804
	25.1	**144,160,787**	125,997,403	127,505,792
Net interest costs	24	**46,097,256**	48,640,873	36,968,625
		P190,258,043	P174,638,276	P 164,474,417
Reported in consolidated statements of comprehensive income:				
Actuarial gains (losses) arising from changes in:				
Financial assumptions		**P248,958,147**	P 114,089,539	P 26,746,027
Demographic assumptions		**3,955,741**	-	-
Experience adjustments		**65,694,538**	52,928,254	1,066,279
Return on plan assets (excluding amounts included in net interest expense)		**(1,994,868)**	(1,485,763)	(815,509)
		316,613,558	165,532,030	26,996,797
Tax income (expense)	26	**(94,984,067)**	(49,659,609)	(8,099,039)
		P 221,629,491	P 115,872,421	P 18,897,758

Current service costs is allocated and presented as part of Operating Expenses in the consolidated statements of income. The net interest cost is included in Interest expense under Interest and Other Charges - Net account in the consolidated statements of income (see Note 24).

Amounts recognized in consolidated other comprehensive income were included within items that will not be reclassified subsequently to consolidated profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	2015	2014	2013
Discount rates	**4.89% - 5.40%**	4.49% - 7.81%	4.68% - 5.65%
Expected rate of salary increases	**5.00% - 10.00%**	6.00% - 10.00%	6.00% - 10.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 22 years for both males and females. These assumptions were developed by management with the assistance of independent actuaries. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Rate Risks

The present value of the DBO is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively balanced investment in cash and cash equivalents and debt securities. Due to the long-term nature of the plan obligation, a level of continuing debt investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

(ii) Longevity and Salary Risks

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

(d) Other Information

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

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the DBO as at December 31, 2015 and 2014:

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2015			
Discount rate	0.50%	**(P 110,145,014)**	**P 63,048,969**
Salary increase rate	1.00%	**166,787,414**	**(21,338,142)**
December 31, 2014			
Discount rate	0.50%	(P 38,566,269)	P 38,566,269
Salary increase rate	1.00%	59,369,478	(59,369,478)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the DBO as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the DBO has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the DBO recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) Asset-liability Matching Strategies

The Group, through its BOD, envisions that the investment positions shall be managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This aims to match the plan assets to the retirement obligations by investing in debt securities and maintaining cash and cash equivalents that match the benefit payments as they fall due and in the appropriate currency.

There has been no change in the Group's strategies to manage its risks from previous periods.

(iii) Funding Arrangements and Expected Contributions

As at December 31, 2015, the plan is currently underfunded by P0.9 billion based on the Group's latest actuarial valuation. While there are no minimum funding requirements in the country, the size of the underfunding may pose a cash flow risk in about 22 years' time when a significant number of employees is expected to retire.

The Group expects to make contributions of P12.0 million to the plan during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan follows:

	2015	2014
Within one year	**P 9,270,690**	P 7,871,889
More than one year to 5 years	**50,525,978**	62,345,512
More than 5 years to 10 years	**453,305,787**	431,819,516
More than 10 years to 15 years	**392,676,385**	495,701,944
More than 15 years to 20 years	**664,392,058**	708,618,147
More than 20 years	**8,020,780,539**	13,126,936,421
	P 9,590,951,437	P14,833,293,429

The weighted average duration of the DBO at the end of the reporting period is 22 years.

26. TAXES

The components of tax expense (income) as reported in the consolidated statements of income and consolidated statements of comprehensive income are as follows:

	2015	2014	2013
Reported in consolidated statements of income:			
Current tax expense:			
Regular corporate income tax (RCIT) at 30% and 10%	**P 1,836,798,661**	P 1,529,076,945	P 1,449,871,581
Final tax at 20% and 7.5%	**50,655,309**	69,385,362	115,764,691
Preferential tax at 5%	**2,817,063**	40,955,848	23,604,978
Minimum corporate income tax (MCIT) at 2%	**1,761,980**	1,760,348	1,717,051
Capital gains tax at 5%	**-**	26,785,714	16,294,686
	1,892,033,013	1,667,964,217	1,607,252,987
Deferred tax expense relating to origination and reversal of temporary differences	**1,392,645,482**	1,452,366,009	964,199,025
	P3,284,678,495	P 3,120,330,226	P 2,571,452,012
Reported in consolidated statements of comprehensive income –			
Deferred tax expense (income) relating to origination and reversal of temporary differences	**P 115,945,063**	(P 80,348,207)	P 23,370,891

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the consolidated statements of income is as follows:

	2015	2014	2013
Tax on pretax profit at 30%	**P 4,157,844,101**	P 7,402,513,722	P 3,481,930,725
Adjustment for income subjected to lower income tax rates	**(59,524,349)**	(705,832,346)	(612,457,778)
Tax effects of:			
Non-taxable income	**(1,212,893,361)**	(4,074,676,381)	(723,679,133)
Non-deductible expenses	**361,286,164**	405,000,251	358,275,556
Unrecognized deferred tax assets on temporary differences	**35,830,382**	96,763,874	60,734,553
Miscellaneous	**2,135,558**	(3,438,894)	6,648,089
	P 3,284,678,495	P 3,120,330,226	P 2,571,452,012

The deferred tax assets and liabilities relate to the following as of December 31:

	2015	2014
Deferred tax assets - net:		
Retirement benefit obligation	**P 12,488,746**	P 25,332,934
NOLCO	**11,187,800**	1,326,790
Allowance for impairment of receivables	**9,087,303**	9,087,303
MCIT	**5,448,915**	165,772
Allowance for property development cost	**-**	9,227,732
Accrued rental expense	**-**	8,945,996
Others	**28,895,110**	23,180,572
	P 67,107,874	P 77,267,099
Deferred tax liabilities - net:		
Uncollected gross profit	**P8,884,257,510**	P7,617,315,708
Capitalized interest	**1,431,498,138**	998,345,338
Unrealized foreign currency losses – net	**(663,877,612)**	(323,783,911)
Difference between the tax reporting base and financial reporting base of investment properties	**258,790,669**	234,176,793
Retirement benefit obligation	**(245,597,333)**	(303,220,582)
Translation adjustments	**(96,732,669)**	(117,693,665)
Share options	**(27,488,206)**	(12,028,966)
Bond issuance cost	**23,511,908**	28,923,105
Uncollected rental income	**7,882,177**	16,731,124
Others	**64,951,682**	-
	P 9,637,196,264	P 8,138,764,944

The components of deferred tax expense (income) are as follows:

	Consolidated Statements of Income			Consolidated Statements of Comprehensive Income		
	2015	2014	2013	**2015**	2014	2013
Changes in deferred tax assets:						
Accrued rental expense	**P 8,945,996**	(P 9,954,299)	P 8,723,634	**P -**	P -	P -
Retirement benefit obligation	**12,844,188**	(2,226,432)	(16,324,502)	**-**	-	-
NOLCO	**(9,861,010)**	1,332,859	(2,659,649)	**-**	-	-
Allowance for property development cost	**9,227,732**	(9,227,732)	-	**-**	-	-
MCIT	**(5,283,143)**	608,046	(122,605)	**-**	-	-
Allowance for impairment of receivables	**-**	-	89,669	**-**	-	-
Others	**(5,714,538)**	(14,184,203)	8,128,048	**-**	-	-
Changes in deferred tax liabilities:						
Uncollected gross profit	**1,266,941,802**	1,694,029,381	1,178,147,317	**-**	-	-
Capitalized interest	**433,152,800**	(111,644,539)	142,511,478	**-**	-	-
Unrealized foreign currency losses	**(340,093,701)**	(28,828,585)	(294,955,326)	**-**	-	-
Difference between tax reporting base and financial reporting base of:						
Investment properties	**24,613,876**	16,365,670	(1,605,411)	**-**	-	-
Property and equipment	**-**	18,998,485	251,430	**-**	-	-
Retirement benefit obligation	**(37,360,818)**	(34,785,062)	(38,743,082)	**94,984,067**	(49,659,609)	8,099,039
Translation adjustments	**-**	-	-	**20,960,996**	(30,688,598)	15,271,852
Share options	**(15,459,240)**	(2,914,330)	(9,114,636)	**-**	-	-
Bond issuance cost	**(5,411,197)**	(5,086,967)	13,255,384	**-**	-	-
Uncollected rental income	**(8,848,947)**	(67,180,852)	(43,066,222)	**-**	-	-
Others	**64,951,682**	7,064,569	19,683,498	**-**	-	-
Deferred Tax Expense (Income)	**P 1,392,645,482**	P 1,452,366,009	P 964,199,025	**P 115,945,063**	(P 80,348,207)	P 23,370,891

No deferred tax liability has been recognized on the accumulated equity in net earnings of associates. The Group has no liability for tax should the amounts be declared as dividends since dividend income received from domestic corporation is not subject to income tax.

Some of the entities within the Group are subject to the MCIT which is computed at 2% of gross income, net of allowable deductions as defined under the tax regulations. The details of MCIT paid by certain subsidiaries, which can be applied as deduction from their respective future RCIT payable within three years from the year the MCIT was incurred, are shown below.

Subsidiaries	Year incurred	Amount	Valid Until
MLI	2015	P 116,720	2018
	2014	120,319	2017
	2013	242,098	2016
API	2015	69,690	2018
	2014	123,051	2017
	2013	112,883	2016
PIPI	2013	2,744	2016
GPMAI	2015	5,884	2018
	2014	37,063	2017
	2013	40,728	2016

Subsidiaries	Year incurred	Amount	Valid Until
MCPI	2015	P 385,058	2018
	2014	1,194,150	2017
	2013	1,403,798	2016
OPI	2015	338,261	2018
	2013	86,208	2016
MNPHI	2015	187,680	2018
MCP	2015	4,847	2018

The details of NOLCO incurred by certain subsidiaries, which can be claimed as deduction from their respective future taxable income within three years from the year the loss was incurred, are shown below.

Subsidiaries	Year incurred	Amount	Valid Until
API	2015	P 4,869,362	2018
	2014	2,165,572	2017
	2013	21,382,586	2016
GPMAI	2015	2,771,046	2018
	2014	404,617	2017
	2013	1,670,920	2016
MCP	2015	64,022	2018
DPDHI	2014	3,520,503	2017
LCCI	2013	9,870	2016
LGHLI	2013	886,544	2016

Certain subsidiaries within the Group did not recognize the deferred tax assets on their MCIT and NOLCO as realization of such amounts is uncertain.

The aggregated amounts of assets, retained earnings (deficit), revenues and net profit (loss) of the subsidiaries which incurred NOLCO are as follows:

	Assets	**Retained Earnings (Deficit)**	**Revenues**	**Net Loss**
2015				
API	P 85,825,255	(P 60,115,923)	P 4,201,321	(P 4,935,628)
GPMAI	598,975,336	271,557,116	3,349,927	(7,955,481)
MCP	1,007,011,146	71,986,041	17,055,876	(68,488,236)
	P 1,691,811,737	**P 283,427,234**	**P 24,607,124**	**(P 81,379,345)**

	Assets	Retained Earnings (Deficit)	Revenues	Net Profit (Loss)
2014				
API	P 93,106,475	(P 55,178,198)	P 6,891,980	(P 2,278,133)
GPMAI	606,947,764	279,512,597	5,404,122	77,338
LGHLI	625,000	(1,645,548)	-	(759,004)
LCCI	51,860,316	(3,544,504)	72,633,474	172,689
DPDHI	560,514,338	(3,520,503)	-	(3,520,503)
	P 1,313,053,893	P 215,623,844	P 84,929,576	(P 6,307,613)

Except for certain subsidiaries, management has assessed that the net losses incurred, as well as the related NOLCO, can be recovered through future operations and are not significant to the overall financial condition and financial performance of the Group.

In 2015, 2014 and 2013, the Group opted to continue claiming itemized deductions, except for MDC which opted to use OSD in those years, in computing for their income tax dues.

ECOC and SEDI are registered with Philippine Economic Zone Authority (PEZA) pursuant to Presidential Proclamation No. 191 dated October 6, 1999. As PEZA-registered entities, ECOC and SEDI are entitled to a preferential tax rate of 5% on gross income earned from registered activities, in lieu of all local and national taxes, and to other tax privileges.

In November 2011 and May 2014, the Board of Investments approved SPI's application for registration on Suntrust Adtriatico Gardens and Suntrust Sentosa projects, respectively. SPI shall be entitled to income tax holiday for three years from November 2011 and May 2014, respectively, or actual start of commercial operations/selling, whichever is earlier but in no case earlier than the date of registration, with certain terms. In 2015, ITH for Suntrust Adriatico Gardens has expired.

27. RELATED PARTY TRANSACTIONS

The Group's related parties include the Parent Company, associates, the Group's key management and other related parties under common ownership as described below. Transactions with related parties are also discussed in the succeeding pages.

The summary of the Group's transactions with its related parties as of and for the years ended December 31, 2015 and 2014 are as follows:

Related Party Category	Notes	2015 Amount of Transaction	2015 Outstanding Balance	2014 Amount of Transaction	2014 Outstanding Balance
Parent Company:					
Dividends paid	27.6	**(P 857,700,557)**	**P -**	(P 456,070,226)	P -
Investments in AFS securities	27.4	**(565,270,000)**	**1,973,860,000**	(1,200,383,754)	2,539,130,000
Dividend income	27.4	**38,006,000**	**-**	46,595,425	-
Sale of investment	27.5	**-**	**-**	10,431,650,000	-
Purchase of investment	11	**-**	**-**	(10,431,650,000)	-
Associates:					
Cash advances	27.2, 27.3	**(277,684,848)**	**1,042,891,786**	(156,075,758)	1,320,576,634
Rendering of services	27.1	**3,000,778**	**4,409,086**	2,412,448	-
Related Parties Under Common Ownership:					
Cash advances	27.2, 27.3	**(435,439,990)**	**1,425,105,182**	2,002,646,085	1,860,545,172
Collection on sale of land and rendering of services	27.1	**86,466,075**	**56,912,802**	(528,944,699)	17,062,500
Investment in AFS securities	27.4	**(1,517,602,124)**	**1,340,695,800**	2,669,056,587	2,858,297,924

None of the companies under the Group is a joint venture. The Company is not subject to joint control and none of its related parties exercise significant influence over it.

27.1 Sale (Collection of Sale) of Land and Rendering of Services to Related Parties

	Amount of Transactions 2015	2014	2013
Associates	**P 3,000,778**	P 2,412,448	P 33,623,683
Other related parties under common ownership	**86,466,075**	(528,944,699)	9,223,864
	P 89,466,853	(P 526,532,251)	P 42,847,547

Sale of land and rendering of services to related parties are usually on a cost-plus basis, allowing a certain margin agreed upon by the parties.

The Group leases some of its investment properties to certain related parties with rental payments mutually agreed before commencement of the lease. The leases have terms ranging from 1 to 25 years, with renewal options, and include annual escalation rates of 3% to 10%. The revenues earned from these related parties are included as part of Rental Income in the consolidated statements of income (see Note 12). The related outstanding receivables from these transactions are presented as part of Trade under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

In 2012, the Company sold to a former associate, now a related party under common ownership, parcels of land with a total contract price of P2.2 billion collectible in installments. Outstanding balance related to these transactions amounted to P17.1 million as at December 31, 2014 and was fully collected in 2015. These are presented as part of Trade under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

The same former associate is a party in a Management Agreement with the Company, which will provide management services for the overall administration of the other related party's leasing operations for a fee, which is based on certain rates of collection plus commission.

The Group's outstanding receivables from related parties arising from the above transactions are unsecured, noninterest-bearing, and payable in cash or through offsetting arrangement.

There were no impairment losses recognized on the trade and other receivables from related parties.

27.2 Advances to Associates and Other Related Parties

Associates and other related parties under common ownership are granted noninterest-bearing and unsecured advances by the Company and other entities in the Group with no repayment terms for working capital purposes. These are generally collectible in cash or through offsetting arrangements with the related parties.

The outstanding balances of Advances to associates and other related parties shown as part of Investments in and Advances to Associates and Other Related Parties in consolidated statements of financial position (see Note 11) are as follows:

	2015	2014
Advances to associates	**P1,325,503,852**	P1,277,781,909
Advances to other related parties	**2,633,653,945**	2,806,492,140
	P3,959,157,797	P4,084,274,049

The movements in advances to associates and other related parties are as follows:

	2015	2014
Balance at beginning of year	**P4,084,274,049**	P2,808,216,620
Repayments	**(507,860,575)**	(86,788,697)
Additions	**382,744,323**	433,938,450
Advances granted by newly-acquired subsidiaries	**-**	928,907,676
Balance at end of year	**P3,959,157,797**	P 4,084,274,049

Advances to other related parties pertain to advances granted to entities under common ownership of the parent company. No impairment losses on the advances to associates and other related parties were recognized in 2015, 2014 and 2013 based on management's assessment.

27.3 Advances from Associates and Other Related Parties

Certain expenses of the entities within the Group are paid by other related parties on behalf of the former. The advances are noninterest-bearing, unsecured and with no repayment terms and are generally payable in cash or through offsetting arrangements with the related parties. The outstanding balances from these transactions are presented as Advances from Other Related Parties account in the consolidated statements of financial position and are broken down as follows:

	2015	2014
Advances from associates	**P 282,612,066**	P 1,331,560
Advances from other related parties	**1,208,548,763**	901,820,683
	P 1,491,160,829	P 903,152,243

The movements in advances from other related parties are as follows:

	2015	2014
Balance at beginning of year	**P 903,152,243**	P 120,487,829
Additions	**693,250,959**	288,167,471
Repayments	**(105,242,373)**	(20,315,115)
Advances granted to newly-acquired subsidiaries	**-**	514,812,058
Balance at end of year	**P 1,491,160,829**	P 903,152,243

27.4 Investments in Equity Securities

The Group's equity securities mainly consist of investment in shares of the Parent Company and related parties under common ownership. The fair value of these securities has been determined directly by reference to published prices in active market. Movements and the related fair value gains or losses on these investments are shown and discussed in Note 9. Also, the Group received dividend income from these shares and is presented as part of Miscellaneous – net under Interest and Other Income – Net in the consolidated statement of income (see Note 23). No outstanding receivable arises from the transaction.

27.5 Sale of Investments in an Associate

In 2014, the Company sold significant portion of its ownership interest in TIHGI to the Parent Company for P10.4 billion. The resulting fair value gain on the remeasurement of investment and gain on sale of shares were recognized in Interest and Other Income – net account in the 2014 consolidated statement of income (see Note 23). Accordingly, the remaining TIHGI shares amounting to P2.7 billion were reclassified to AFS securities at the time of sale (see Note 9).

27.6 Others

The Company declared dividend to the Parent Company amounting to P0.9 billion and P0.5 billion in 2015 and 2014, respectively. There is no outstanding liability arising from this transaction on both years (see Note 28.4).

27.7 Key Management Personnel Compensation

The Group's key management personnel compensation includes the following:

	2015	2014	2013
Short-term benefits	**P 144,906,631**	P 168,632,604	P 130,245,735
Post-employment benefit	**31,398,166**	28,779,904	18,949,576
Share-based expense	**146,272,133**	40,096,554	30,382,120
	P 322,576,930	P 237,509,062	P 179,577,431

27.8 Post-employment Plan

The Group has a formal retirement plan established separately for the Company and each of the significant subsidiaries, particularly GERI, EELHI, and PHRI. The Group's retirement fund for its defined benefit post-employment plan is administered and managed by trustee banks. The fair value and the composition of the plan assets as of December 31, 2015 and 2014 are presented in Note 25.3.

The Company's transactions with the fund mainly pertain to contribution, benefit payments and interest income.

The retirement fund neither provides any guarantee or surety for any obligation of the Company nor its investments covered by any restrictions or liens.

The details of the contributions of the Group to the plan are also presented in Note 25.3.

28. EQUITY

Capital stock consists of:

	Shares			**Amount**		
	2015	2014	2013	**2015**	2014	2013
Preferred shares Series "A"-						
P0.01 par value						
Authorized	**6,000,000,000**	6,000,000,000	6,000,000,000	**P 60,000,000**	P 60,000,000	P 60,000,000
Issued and outstanding	**6,000,000,000**	6,000,000,000	6,000,000,000	**P 60,000,000**	P 60,000,000	P 60,000,000
Common shares – P1 par value						
Authorized	**40,140,000,000**	40,140,000,000	40,140,000,000	**P 40,140,000,000**	P 40,140,000,000	P 40,140,000,000
Issued and outstanding:						
Balance at beginning of year	**32,362,877,948**	32,100,675,105	28,878,862,985	**P32,362,877,948**	P 32,100,675,105	P 28,878,862,985
Issuances during the year	**7,987,924**	262,202,843	3,221,812,120	**7,987,924**	262,202,843	3,221,812,120
Balance at end of year	**32,370,865,872**	32,362,877,948	32,100,675,105	**P32,370,865,872**	P 32,362,877,948	P 32,100,675,105
Total Capital Stock				**P 32,430,865,872**	P 32,422,877,948	P 32,160,675,105

On June 15, 1994, the SEC approved the listing of the Company's common shares totaling 140,333,333. The shares were initially issued at an offer price of P4.8 per common share. As of December 31, 2015, there are 2,582 holders of the listed shares, which closed at P4.25 per share as of that date.

The following also illustrates the additional listings made by the Company: May 23, 1996 – 1.6 billion; January 8, 1997 – 2.1 billion; November 23, 1998 – 2.0 billion; August 19, 1999 – 3.0 billion; October 12, 2005 – 7.0 billion; November 21, 2006 – 10.0 billion and July 17, 2007 – 3.9 billion; 2012 – 3.1 billion shares. The Company also listed 700.0 million shares in 2013, 300.0 million shares in 2014 and 8.0 million shares in 2015.

28.1 Preferred Shares Series "A"

The preferred shares are voting, cumulative, non-participating, non-convertible and non-redeemable with a par value of P0.01 per share. The shares earn dividends at 1% of par value per annum cumulative from date of issue. Dividends paid on cumulative preferred shares amounted to P0.6 million in 2015 and 2014.

28.2 Common Shares

On various dates in 2014, the Company's BOD approved the additional issuance of share options to qualified employees of the Company.

On May 23, 2013, the Company's BOD approved a P10.0 billion increase in authorized capital stock (ACS) consisting of 10 billion shares with par value of P1.0 per share. On November 20, 2013 the SEC approved the P10.0 billion increase in ACS, of which 2.5 billion shares were subscribed and paid by AGI at the price of P4.29 per share for a total subscription price of P10.7 billion.

On April 28, 2009, the Company offered 5,127,556,725 common shares, by way of pre-emptive share rights offering, to eligible existing common shareholders at the rate of one right for every four common shares held as at May 4, 2009 at an exercise price of P1 per share. Moreover, shareholders were given four additional share warrants for every five share rights subscribed. For every share warrant, shareholders can avail of one common share at P1 per share.

As a result of the share rights offering, 5,127,556,725 common shares were subscribed and issued on June 1, 2009. Of the total exercise price, 50% was paid as at May 31, 2009 and the remaining 50% was paid by the subscribers in 2010. Relative to the share subscription, 4,102,045,364 share warrants were issued and these will be exercisable beginning on the second year until the fifth year from issue date.

Out of the Company's 4,102,045,364 share warrants, 7,987,924, 262,202,843, and 721,812,120 warrants were exercised at P1 per share in 2015, 2014, and 2013, respectively. Prior to 2013, there were 3,109,659,359 share warrants also exercised at P1. As at December 31, 2015, a total of 383,118 warrants have expired.

28.3 Additional Paid-in Capital

The APIC pertains to the excess of the total proceeds received from the Company's shareholders over the total par value of the common shares. In 2013, P8.2 billion was recognized arising from the subscription of AGI (see Note 28.2). There were no movements in the Company's APIC account in 2015 and 2014.

28.4 Cash Dividends

The details of the Group's cash dividend declarations, both for preferred and common shares, are as follows:

	2015	2014	2013
Declaration date/date of approval by BOD	**June 17, 2015**	June 16, 2014	July 3, 2013
Date of record	**July 1, 2015**	June 30, 2014	July 17, 2013
Date paid	**July 27, 2015**	July 24, 2014	August 12, 2013
Amounts declared and paid	**P 1,936,160,028**	P 1,246,941,619	P 1,030,083,639
Common dividends per share	**P 0.06**	P 0.04	P 0.04

28.5 Treasury Shares

This account also includes the Company's common shares held and acquired by RHGI. The number of treasury common shares aggregated to 551.4 million as at December 31, 2015. The changes in market values of these shares, recognized as fair value gains or losses by the subsidiaries, were eliminated in full and not recognized in the consolidated financial statements.

A portion of the Company's retained earnings is restricted for dividend declaration up to the cost of treasury shares as of the end of the reporting period.

28.6 ESOP

a. Company

On April 26, 2012, the Company's BOD approved an ESOP for the Company's key executive officers, and on June 15, 2012, the shareholders adopted it.

The options shall generally vest on the 60th birthday of the option holder and may be exercised until the date of his/her retirement from the Company. The exercise price shall be at a 15% discount from the volume weighted average closing price of the Company's shares for nine months immediately preceding the date of grant.

Pursuant to this ESOP, on November 6, 2012, the Company granted share options to certain key executives to subscribe to 245.0 million common shares of the Company, at an exercise price of P1.77 per share.

In 2014, additional share options were granted to certain key executives to subscribe 35.0 million common shares of the Company at an exercise price of P2.92 per share. There were no additional share options granted in 2015.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP. The following principal assumptions were used in the valuation:

Average option life	15.29 years
Average share price at grant date	P 2.92
Average exercise price at grant date	P 2.06
Average fair value at grant date	P 1.38
Average standard deviation of share price returns	9.42%
Average dividend yield	0.59%
Average risk-free investment rate	3.65%

The underlying expected volatility was determined by reference to historical date of the Company's shares over a period of time consistent with the option life.

b. GERI

On September 23, 2011, the BOD of GERI approved an ESOP for its key executive officers. This was approved on November 8, 2011 by stockholders holding at least 2/3 of the outstanding capital stock. The purpose of the ESOP is to enable the key executives and senior officers of GERI, who are largely responsible for its further growth and development, to obtain an ownership interest in GERI, thereby encouraging long-term commitment to GERI. The ESOP is being administered by the Executive Compensation Committee of the BOD of GERI.

Under the ESOP, GERI shall initially reserve for exercise of share options up to 500.0 million common shares of the GERI's outstanding shares to be issued, in whole or in part, out of the authorized but unissued shares. Share options may be granted within 10 years from the adoption of the ESOP and may be exercised within seven years from date of grant. The exercise price shall be at a 15% discount from the volume weighted average closing price of the GERI's shares for twelve months immediately preceding the date of grant. The options shall vest within three years from date of grant and the holder of an option may exercise only a third of the option at the end of each year of the three-year period. GERI shall receive cash for the share options.

Pursuant to this ESOP, on February 16, 2012, GERI granted the option to its key company executives to subscribe to 100.0 million shares of GERI, at an exercise price of P1.93. An option holder may exercise in whole or in part his vested option provided, that, an option exercisable but not actually exercised within a given year shall accrue and may be exercised at any time thereafter but prior to the expiration of said option's life cycle. As at December 31, 2015 and 2014, a total of 200.0 million and 100.0 million options have vested but none of these have been exercised yet by any of the option holders as at the end of both reporting periods.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP. The following principal assumptions were used in the valuation:

Average option life	7 years
Average share price at grant date	P 2.10
Average exercise price at grant date	P 1.93
Average fair value at grant date	P 2.27
Average standard deviation of share price returns	57.10%
Average risk-free investment rate	2.46%

The underlying expected volatility was determined by reference to historical date of the GERI's shares over a period of time consistent with the option life.

A total of P146.3 million, P40.1 million and 30.4 million share option benefits expense in 2015, 2014 and 2013, respectively, is recognized and presented as part of Salaries and employee benefits under Operating Expenses in the consolidated statements of income (see Note 25.2).

29. EARNINGS PER SHARE

EPS amounts were computed as follows:

	2015	2014	2013
Net profit attributable to Company's shareholders	**P 10,215,095,444**	P 21,219,577,584	P 8,970,664,010
Dividends on cumulative preferred shares Series "A"	**(600,000)**	(600,000)	(600,000)
Profit available to Company's common shareholders	**P10,214,495,444**	P 21,218,977,584	P 8,970,064,010
Divided by weighted average number of outstanding common shares	**31,816,158,923**	31,678,808,588	29,131,044,450
Basic EPS	**P 0.321**	P 0.670	P 0.308
Divided by weighted average number of outstanding common shares and potential dilutive shares	**31,977,462,945**	31,834,293,509	29,440,788,285
Diluted EPS	**P 0.319**	P 0.667	P 0.305

The potential dilutive common shares relating to the unexercised share warrants were considered in the computation of diluted EPS totaling 8,037,811 in 2014 (see Note 28.2). In 2015, unexercised share warrants expired; hence, were no longer included in the computation. In addition, as of end of 2015 and 2014, the potentially dilutive outstanding share options totaling 280,000,000 were also considered in the computations (see Note 28.6).

30. COMMITMENTS AND CONTINGENCIES

30.1 Operating Lease Commitments – Group as Lessor

The Group is a lessor under several non-cancellable operating leases covering real estate properties for commercial use (see Note 12). The leases have terms ranging from 3 to 20 years, with renewal options, and include annual escalation rates of 5% to 10%. The average annual rental covering these agreements amounts to about P10.8 billion for the consolidated balances. Future minimum lease payments receivable under these agreements are as follows:

	2015	2014	2013
Within one year	**P 7,687,114,102**	P 6,757,739,227	P 5,709,494,083
After one year but not more than five years	**43,476,147,159**	35,491,931,862	29,646,014,378
More than five years	**13,795,188,452**	11,199,502,286	9,365,860,586
	P 64,958,449,713	P 53,449,173,375	P 44,721,369,047

30.2 Operating Lease Commitments – Group as Lessee

The Group is a lessee under several non-cancellable operating leases covering condominium units for administrative use. The leases have terms ranging from 1 to 11 years, with renewal options, and include a 5% to 10% annual escalation rate. The average annual rental covering these agreements amounts to about P34.7 million for the consolidated balances. The future minimum rental payables under these non-cancelable leases as at December 31 are as follows:

	2015	2014	2013
Within one year	**P 55,832,292**	P 48,658,023	P 61,865,533
After one year but not more than five years	**62,907,791**	49,101,909	99,110,534
More than five years	**56,662,793**	60,505,793	3,697,674
	P 175,402,876	P 158,265,725	P 164,673,741

30.3 Others

As at December 31, 2015 and 2014, the Group has unused lines of credit as follows:

	2015	2014
SPI	**P 2,100,000,000**	P -
EELHI	**1,023,000,000**	670,000,000
	P 3,123,000,000	P 670,000,000

There are other commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the consolidated financial statements. The management of the Group is of the opinion that losses, if any, from these items will not have any material effect on its consolidated financial statements.

31. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has various financial instruments such as cash and cash equivalents, investment in AFS securities, interest-bearing loans and borrowings, bonds payable, trade receivables and payables which arise directly from the Group's business operations. The financial liabilities were issued to raise funds for the Group's capital expenditures.

The Group does not actively engage in the trading of financial assets for speculative purposes.

31.1 Foreign Currency Sensitivity

Most of the Group's transactions are carried out in Philippine peso, its functional currency. Exposures to currency exchange rates arise mainly from the Group's U.S. dollar-denominated cash and cash equivalents and bonds payable which have been used to fund new projects and to refinance certain indebtedness for general corporate purposes.

Foreign currency-denominated financial assets and financial liabilities, translated into Philippine pesos at the closing rate are as follows:

	2015		2014	
	U.S. Dollars	Pesos	U.S. Dollars	Pesos
Financial assets	$ 169,321,563	P 7,986,220,825	$ 204,748,076	P 9,135,244,930
Financial liabilities	(514,971,354)	(24,289,138,883)	(450,019,200)	(20,078,506,664)
	($ 345,649,791)	(P16,302,918,058)	($ 245,271,124)	(P 10,943,261,734)

The following table illustrates the sensitivity of the Group's consolidated net results for the year with respect to changes in Philippine Peso against U.S. dollar exchange rate. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months at a 68% confidence level.

	2015			2014		
	Reasonably possible change in rate	Effect in profit before tax	Effect in equity	Reasonably possible change in rate	Effect in profit before tax	Effect in equity
PhP - USD	+/-3.67%	(P 598,965,597)	(P 419,275,918)	+/-3.94%	(P 430,635,868)	(P 301,445,108)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions and mainly affect consolidated profit or loss of the Group. There are no material exposures on foreign exchange rate that affect the Group's consolidated other comprehensive income (loss). Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

31.2 Interest Rate Sensitivity

The Group interest risk management policy is to minimize interest rate cash flow risk exposures to changes in interest rates. The Group maintains a debt portfolio unit of both fixed and floating interest rates. These long-term borrowings and other financial assets and liabilities are subject to variable interest rates.

The Group's ratio of fixed to floating rate debt stood at 25.74:1.00, 51.63:1.00, and 33.46:1.00 as of December 31, 2015, 2014 and 2013, respectively.

The following table illustrates the sensitivity of the consolidated net result for the year and consolidated equity to a reasonably possible change in floating interest rates of +1% and –1% in 2015 and 2014. The calculations are based on the Group's financial instruments held at each reporting date. All other variables are held constant.

	2015		2014	
	+1%	**-1%**	+1%	-1%
Consolidated net results for the year	(P19,675,000)	P 19,675,000	(P 7,479,953)	P 7,479,953
Consolidated equity	(13,772,500)	13,772,500	(5,235,967)	5,235,967

31.3 Credit Risk

The Group's credit risk is attributable to trade receivables, rental receivables and other financial assets. The Group maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position (or in the detailed analysis provided in the notes to consolidated financial statements), as summarized below.

	Notes	**2015**	2014
Cash and cash equivalents	5	**P 22,763,063,173**	P 25,142,949,887
Trade and other receivables	6	**55,148,505,013**	49,606,034,905
Advances to associates and other related parties	11, 27.2	**3,959,157,797**	4,084,274,049
AFS debt securities	9	**65,334,355**	108,602,601
Guarantee and other deposits	14	**822,930,111**	541,591,807
		P 82,758,990,449	P 79,483,453,249

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents as described below.

(a) Cash and Cash Equivalents

The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) Trade and Other Receivables

All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regard to Trade and Other Receivables as the amounts recognized resemble a large number of receivables from various customers. Certain receivables from trade customers are covered by post-dated checks. Certain past due accounts are not provided with allowance for impairment to the extent of the expected market value of the property sold to the customer. The title to the real estate properties remains with the Group until the receivables are fully collected.

Some of the unimpaired trade receivables are past due as at the end of the reporting period. The trade receivables that are past due but not impaired are as follows:

	2015	2014
Not more than 3 months	**P 1,152,518,898**	P1,028,989,404
More than 3 months but not more than 6 months	**445,589,200**	429,474,456
More than 6 months but not more than one year	**267,533,633**	209,339,801
More than one year	**104,813,390**	141,958,783
	P 1,970,455,121	P1,809,762,444

31.4 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week, as well as on the basis of a rolling 30-day projection. Long-term needs for a six-month and one-year period are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at December 31, 2015 and 2014 the Group's financial liabilities have contractual maturities which are presented below.

	2015			
	Current		**Non-current**	
	Within 6 Months	**6 to 12 Months**	**1 to 5 Years**	**Later 5 Years**
Interest-bearing loans and borrowings	P 1,344,170,072	P 2,900,765,105	P 26,241,799,050	P 1,185,897,435
Trade and other payables	7,186,027,320	4,883,392,537	-	-
Bonds payable	-	-	9,372,920,546	11,556,999,583
Redeemable Preferred Shares	-	-	-	1,257,987,900
Advances from associates and other related parties	-	-	1,491,160,829	-
	P 8,530,197,392	**P 7,784,157,642**	**P 37,105,880,425**	**P 14,000,884,918**

	2014			
	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later 5 Years
Interest-bearing loans and borrowings	P 1,760,559,349	P 865,178,586	P 5,357,765,914	P 769,230,769
Trade and other payables	5,944,104,226	4,676,083,193	-	-
Bonds payable	5,000,000,000	-	8,843,936,590	10,940,977,158
Redeemable Preferred Shares	-	-	-	1,257,987,900
Advances from associates and other related parties	-	-	903,152,243	-
	P12,704,663,575	P 5,541,261,779	P 15,104,854,747	P 12,968,195,827

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the reporting dates.

31.5 Other Price Risk Sensitivity

The Group's market price risk arises from its investments in AFS securities carried at fair value . It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

For equity securities listed in the Philippines, the observed volatility rates of the fair values of the Group's investments held at fair value is determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months, estimated at 99% level of confidence. Their impact on the Group's consolidated net profit and consolidated equity as at December 31, 2015 and 2014 are summarized as follows:

	Observed Volatility Rates		Impact of Increase		Impact on Decrease	
	Increase	Decrease	Net Profit	Equity	Net Profit	Equity
2015						
Investment in equity securities in a holding company	**+7.49%**	**-7.49%**	**P -**	**P 147,789,372**	**P -**	**(P 147,789,372)**
Investments in equity securities in tourism and leisure	**+31.47%**	**-31.47%**	**P -**	**P 264,181,970**	**P -**	**(P 264,181,970)**
Investments in equity securities in a manufacturing company	**+6.82%**	**-6.82%**	**P -**	**P 34,165,835**	**P -**	**(P 34,165,835)**
2014						
Investment in equity securities in a holding company	+21.49%	-21.49%	P 48,226,538	P 591,257,329	(P 48,226,538)	(P 591,257,538)
Investments in equity securities in tourism and leisure	+23.44%	-23.44%	P -	P 665,625,935	P -	(P 665,625,935)

The investments in listed equity securities are considered long-term strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilized in the Group's favor.

32. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

32.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

		2015		2014	
	Notes	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	5	**P22,763,063,173**	**P 22,763,063,173**	P 25,142,949,887	P 25,142,949,887
Trade and other receivables - net	6	**55,148,505,013**	**55,148,505,013**	49,606,034,905	49,606,034,905
Advances to associates and other related parties	11, 27.2	**3,959,157,797**	**3,959,157,797**	4,084,274,049	4,084,274,049
Guarantee and other deposits	14	**822,930,111**	**822,930,111**	541,591,807	541,591,807
		P 82,693,656,094	**P 82,693,656,094**	P 79,374,850,648	P 79,374,850,648
AFS securities:	9				
Equity securities		**P 4,634,249,299**	**P 4,634,249,299**	P 6,037,664,828	P 6,037,664,828
Debt securities		**65,334,355**	**65,334,355**	108,602,601	108,602,601
		P 4,699,583,654	**P 4,699,583,654**	P 6,146,267,429	P 6,146,267,429
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	15	**P31,672,631,662**	**P31,672,631,662**	P 8,752,734,618	P 8,752,734,618
Bonds payable	16	**20,929,920,130**	**20,929,920,130**	24,784,913,748	24,784,913,748
Redeemable preferred shares	18	**1,257,987,900**	**1,257,987,900**	1,257,987,900	1,257,987,900
Trade and other payables	17	**9,407,713,404**	**9,407,713,404**	8,562,703,728	8,562,703,728
Advances from associates and other related parties	27.3	**1,491,160,829**	**1,491,160,829**	903,152,243	903,152,243
		P64,759,413,925	**P64,759,413,925**	P 44,261,492,237	P 44,261,492,237

See Notes 2.5 and 2.10 for a description of the accounting policies for each category of financial instrument. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 31.

32.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set-off financial instruments in 2015 and 2014 and does not have relevant offsetting arrangements, except as disclosed in Notes 27.2 and 27.3. Currently, all other financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties' BOD and shareholders. As such, the Group's outstanding receivables from and payables to the same related parties can be potentially offset to the extent of their corresponding outstanding balances. Further, certain trade receivables that were assigned on a with-recourse basis may be offset against the related outstanding borrowings from local banks (see Note 15.2).

33. FAIR VALUE MEASUREMENT AND DISCLOSURES

33.1 Fair Value Hierarchy

In accordance with PFRS 13, the fair value of financial assets and liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

33.2 Financial Instruments Measurement at Fair Value

The table below shows the fair value hierarchy of the Group's investments in AFS Securities measured at fair value in the statements of financial position on a recurring basis as at December 31, 2015 and 2014 (see Note 9).

	Level 1	Level 2	Level 3	Total
2015				
Equity securities	P4,606,799,401	P -	P 27,449,898	P 4,634,249,299
Debt securities	65,334,355	-	-	65,334,355
2014				
Equity securities	P6,010,214,930	P -	P 27,449,898	P 6,037,664,828
Debt securities	108,602,601	-	-	108,602,601

The Company has no financial liabilities measured at fair value as at December 31, 2015 and 2014.

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years.

Described below are the information about how the fair values of the Company's classes of financial assets are determined.

a) *Equity Securities*

As at December 31, 2015 and 2014, instruments included in Level 1 comprise equity securities classified as AFS securities. These securities were valued based on their market prices quoted in the Philippines Stock Exchange at the end of each reporting period.

Moreover, equity security held in certain investee companies are included in Level 3 since its market value is not quoted in an active market, hence, measured by reference to the fair value of a comparable instrument adjusted for inputs internally developed by management to consider the differences in corporate profile and historical performance of the entity.

b) *Debt Securities*

The fair value of the Company's debt securities which consist of corporate bonds is estimated by reference to quoted bid price in active market (i.e., Frankfurt Exchange) at the end of the reporting period and is categorized within Level 1.

33.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The Company's financial assets which are not measured at fair value in the statements of financial position but for which fair value is disclosed include cash and cash equivalents, which are categorized as Level 1, and trade and other receivables, advances to associates and other related parties and guarantee and other deposits which are categorized as Level 3. Financial liabilities which are not measured at fair value but for which fair value is disclosed pertain to interest-bearing loans and borrowings, bonds payable, trade and other payables and advances from associates and other related parties which are categorized under Level 3.

For financial assets with fair values included in Level 1, management considers that the carrying amounts of these financial instruments approximate their fair values due to their short-term duration.

The fair values of the financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability based on the instrument where the significant inputs required to determine the fair value of such instruments are not based on observable market data.

33.4 Fair Value Investment Properties Measured at Cost for which Fair Value is Disclosed

The fair value of the Group's investment properties except for investment properties of API and LFI (see Note 12) was determined by calculating the present value of the cash inflows anticipated until the life of the Investment properties using a discount rate of 8%. On the other hand, the fair value of API and LFI was determined by an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's investment properties is their current use.

As at December 31, 2015 and 2014, the fair value of the Group's investment properties is classified within Level 3 of the fair value hierarchy. The Level 3 fair value of the investment properties was determined using the income approach which is performed with values derived using a discounted cash flow model. The income approach uses future free cash flow projections and discounts them to arrive at a present value. The discount rate is based on the level of risk of the business opportunity and costs of capital. The most significant inputs into this valuation approach are the estimated annual cash inflow and outgoing expenses, anticipated increase in market rental, discount rate and terminal capitalization rate.

Also, there were no transfers into or out of Level 3 fair value hierarchy in 2015 and 2014.

34. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objective is to ensure its ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using the debt-to-equity ratio.

	2015	2014
Interest-bearing loans and borrowings	**P 31,672,631,662**	P 8,752,734,618
Bonds payable	**20,929,920,130**	24,784,913,748
	P 52,602,551,792	P 33,537,648,366
Total equity	**P 134,413,354,643**	P128,798,793,221
Debt-to-equity ratio	**0.39 : 1.00**	0.26 : 1.00

The Group has complied with its covenant obligations, including maintaining the required debt-to-equity ratio for the years presented above.

35. OTHER MATTER

International Organization for Standardization (ISO) Certification

The Company was awarded a Certificate of Registration ISO 9001:1994 effective November 26, 1999 by Certification International Philippines, Inc. Effective November 21, 2002, the Company has upgraded its Certification to ISO 9001:2000 series. The scope of the certification covers all areas of the Company's operations, which include planning, design, project management and customer service for its real estate business. Among others, the Company is required to undergo surveillance audits every six months.

P&A
Grant Thornton
An instinct for growth™

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

T +63 2 988 2288
F +63 2 886 5506
grantthornton.com.ph

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Consolidated Financial Statements

The Board of Directors and Stockholders
Megaworld Corporation and Subsidiaries
(A Subsidiary of Alliance Global Group, Inc.)
28th Floor, The World Centre Building
Sen. Gil Puyat Avenue, Makati City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Megaworld Corporation and Subsidiaries (the Group) for the year ended December 31, 2015, on which we have rendered our report dated March 18, 2016. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Nelson J. Dinio
Partner

CPA Reg. No. 0097048
TIN 201-771-632
PTR No. 5321727, January 4, 2016, Makati City
SEC Group A Accreditation
Partner - No. 1036-AR-1 (until Aug. 21, 2016)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-32-2013 (until Nov. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

March 18, 2016

Megaworld Corporation and Subsidiaries
List of Supplementary Information
December 31, 2015

Megaworld Corporation and Subsidiaries
Schedule A - Financial Assets
December 31, 2015

Name of issuing entity and association of each issue	*Number of shares or principal amount of bonds or notes*	*Amount shown on the balance sheet*	*Valued based on the market quotation at balance sheet date*	*Income received and accrued*
Alliance Global Group, Inc.	122,600,000	P 1,973,860,000	P 1,973,860,000	P 38,006,000
Travellers International Hotel Group, Inc.	290,587,162	1,278,586,769	1,278,586,769	20,631,452
Emperador, Inc.	56,000,000	502,435,687	502,435,687	5,880,000
Various quoted equity securities	190,665,866	851,916,945	851,916,945	13,703,755
Various unquoted equity securities	29,501,000	27,449,898	27,449,898	-
Various unquoted debt securities	1,250,000	65,334,355	65,334,355	1,521,803
		P 4,699,583,654	P 4,699,583,654	P 79,743,010

Megaworld Corporation and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2015

Name and designation of debtor	Balance at beginning of period	Additions	Deductions: Amounts collected	Deductions: Amounts written off	Ending Balance: Current	Ending Balance: Not current	Balance at end of period
Advances to Officers and Employees:							
Philipps C. Cando *Senior VP - Operations*	P 79,168	P -	(P 79,168)	P -	P -	P -	P -
Garry V. de Guzman *First VP and Head of Corporate Advisory and Compliance Division*	497,626	-	(135,716)	-	361,910	-	361,910
Maria Marivic M. Acosta *Senior VP for International Marketing*	-	1,722,349	(430,000)	-	1,292,379	-	1,292,379
Monica T. Salomon *First VP - Corporate Management*	434,814	-	(102,309)	-	332,505	-	332,505
Rolando D. Siatela *Assistant Corporate Secretary*	248,212	-	(111,981)	-	136,231	-	136,231
	P 1,259,820	P 1,722,379	(P 859,174)	P -	P 2,123,025	P -	P 2,123,025
Loans to Directors:	P -	P -	P -	P -	P -	P -	P -

MEGAWORLD CORPORATION AND SUBSIDIARIES
SCHEDULE C- Amounts Receivable/Payable from/to Related Parties which are Eliminated During the Consolidation of Financial Statements
December 31,2015

Name and designation of debtor	Balance at the beginning of period	Additions	Deductions		Current	Non current	Balance at the end of the period
			Amounts collected	Amounts written off			
Due from Related Parties:							
Suntrust Properties, Inc. (SPI)	P 1,999,279,844	P 235,894,790	P -	P -	P -	P 2,235,174,633	P 2,235,174,633
Empire East Land Holdings, Inc.(EELHI)	1,538,882,589	344,619,022	-	-	-	1,883,501,611	1,883,501,611
Megaworld Cebu Properties, Inc. (MCP)	-	1,540,129,557	-	-	-	1,540,129,557	1,540,129,557
Megaworld Land, Inc.(MLI)	165,746,848	11,647,037	-	-	-	177,393,885	177,393,885
Arcovia Properties, Inc. (API)	115,570,597	-	907,781	-	-	114,662,816	114,662,816
Megaworld Newport Property Holdings, Inc.(MNPHI)	113,642,180	-	21,515,967	-	-	92,126,213	92,126,213
Global Estate Resorts, Inc.(GERI)	22,402,635	52,901,454	-	-	-	75,304,089	75,304,089
Oceantown Properties, Inc.(OPI)	347,112,561	-	288,757,566	-	-	58,354,995	58,354,995
Eastwood Property Holdings, Inc.(EPHI)	70,781,434	-	24,888,003	-	-	45,893,431	45,893,431
Belmont Newport Luxury Hotels Inc. (BNLHI)	-	26,869,495	-	-	-	26,869,495	26,869,495
Lucky Chinatown Cinemas, Inc.(LCCI)	11,328,057	13,015,123	-	-	-	24,343,180	24,343,180
Megaworld Bacolod Properties Inc. (MBPI)	-	24,001,020	-	-	-	24,001,020	24,001,020
Eastwood Cinema 2000, Inc.(EC2000)	13,750,000	-	-	-	-	13,750,000	13,750,000
Global One Hotel Group Inc. (GOHGI)	-	5,627,367	-	-	-	5,627,367	5,627,367
Luxury Global Hotels and Leisure, Inc.(LGHLI)	1,625,363	20,380	-	-	-	1,645,743	1,645,743
Streamwood Property, Inc.(SP)	1,128,824	215,843	-	-	-	1,344,666	1,344,666
Various Subsidiaries	7,386,089	708,876	7,067,261	-	-	1,027,704	1,027,704
Due to Related Parties:							
Richmonde Hotel Group International, Ltd.(RHGI)	2,449,274,169	1,401,520,942	-	-	-	3,850,795,111	3,850,795,111
Megaworld Globus Asia, Inc.(MGAI)	212,979,082	-	2,000,000	-	-	210,979,082	210,979,082
Megaworld Central Properties, Inc. (MCPI)	135,911,745	20,438,808	-	-	-	156,350,553	156,350,553
Megaworld-Daewoo Corporation (MDC)	228,056,418	-	108,128,875	-	-	119,927,543	119,927,543
Prestige Hotels and Resorts, Inc.(PHRI)	62,685,171	6,821,260	-	-	-	69,506,432	69,506,432
Townsquare Development, Inc. (TDI)	111,822,269	-	49,569,303	-	-	62,252,966	62,252,966
Philippine International Properties, Inc. (PIPI)	4,349,111	16,476	-	-	-	4,365,587	4,365,587

Megaworld Corporation and Subsidiaries
Schedule D - Intangible Assets - Other Assets
December 31, 2015

			Deduction			
Description	*Beginning balance*	*Additions at cost*	*Charged to cost and expenses*	*Charged to other accounts*	*Other changes additions (deductions)*	*Ending balance*
Goodwill	P 1,290,232,360	P -	P -	P -	P -	P 1,290,232,360
Leasehold Rights	139,304,336	-	6,965,217	-	-	132,339,119
	P 1,429,536,696	P -	P 6,965,217	P -	P -	P 1,422,571,479

Megaworld Corporation and Subsidiaries
Schedule E - Long-Term Debt
December 31, 2015

Title of issue and type of obligation		*Amount authorized by indenture*		*Amount shown under caption"Current portion of long-term debt" in related balance sheet*		*Amount shown under caption"Long-Term Debt" in related balance sheet*
Long -term loan	P	32,375,840,366	P	4,179,963,823	P	27,427,696,485
Foreign borrowings	$	451,377,504		64,971,354		20,929,920,130
			P	4,244,935,177	P	48,357,616,615

Megaworld Corporation and Subsidiaries
Schedule H - Capital Stock
December 31, 2015

Title of Issue	*Number of shares authorized*	*Number of shares issued and outstanding as shown under the related balance sheet caption*	*Number of shares reserved for options, warrants, conversion and other rights*	*Number of shares held by*		
				Related parties	*Directors, officers and employees*	*Others*
Common shares - P1 par value	40,140,000,000	32,370,865,872	280,000,000	21,284,521,882	99,453,748	10,855,470,242
Preferred shares - P.01 par value	6,000,000,000	6,000,000,000		6,000,000,000		

MEGAWORLD CORPORATION
(A Subsidiary of Alliance Global Group Inc.)
28th Floor, The World Centre Building
Sen. Gil Puyat Avenue, Makati City

Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2015

Unappropriated Retained Earnings at Beginning of Year		51,291,216,533
Prior Years' Outstanding Reconciling Items, net of tax		
Deferred tax income	(490,839,311)	
Stock options credited to retained earnings	(60,437,069)	
Unrealized interest income from trade receivables	769,400,381	
Day-one gain on initial measurement of security deposits at amortized cost	(376,781,308)	(158,657,307)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted		51,132,559,226
Net Profit Realized during the Year		
Net profit per audited financial statements		8,149,124,270
Non-actual/unrealized income, net of tax		
Deferred tax income	(391,316,170)	
Interest income realized from trade receivables	(1,210,370,675)	
Day-one gain on initial measurement of security deposits at amortized cost	(174,644,485)	(1,776,331,330)
		6,372,792,940
Other Transactions During the Year		
Dividends declared		(1,961,708,405)
Retained Earnings Restricted for Treasury Shares		(118,555,453)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year		**55,425,088,308**

MEGAWORLD CORPORATION AND SUBSIDIARIES

(A Subsidiary of Alliance Global Group, Inc.)

Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2015

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✔		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✔		
Practice Statement Management Commentary			✔	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✔
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✔
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✔
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✔
	Amendment to PFRS 1: Government Loans			✔
PFRS 2	Share-based Payment	✔		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✔		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✔		
PFRS 3 (Revised)	Business Combinations	✔		
PFRS 4	Insurance Contracts			✔
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✔
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✔
PFRS 6	Exploration for and Evaluation of Mineral Resources			✔
PFRS 7	Financial Instruments: Disclosures	✔		
	Amendments to PFRS 7: Transition	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✔		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✔		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✔		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✔		
	Amendment to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures (effective when PFRS 9 is first applied)	✔		
PFRS 8	Operating Segments			✔
PFRS 9	Financial Instruments (2014)* (effective January 1, 2018)			✔
PFRS 10	Consolidated Financial Statements	✔		
	Amendment to PFRS 10: Transition Guidance	✔		
	Amendment to PFRS 10: Investment Entities	✔		
	Amendment to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective January 1, 2016)	✔		
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception* (effective January 1, 2016)	✔		
PFRS 11	Joint Arrangements	✔		
	Amendment to PFRS 11: Transition Guidance	✔		
	Amendment to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations* (effective January 1, 2016)	✔		
PFRS 12	Disclosure of Interests in Other Entities	✔		
	Amendment to PFRS 12: Transition Guidance	✔		
	Amendment to PFRS 12: Investment Entities	✔		
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception* (effective January 1, 2016)			✔
PFRS 13	Fair Value Measurement	✔		
PFRS 14	Regulatory Deferral Accounts* (effective January 1, 2016)			✔

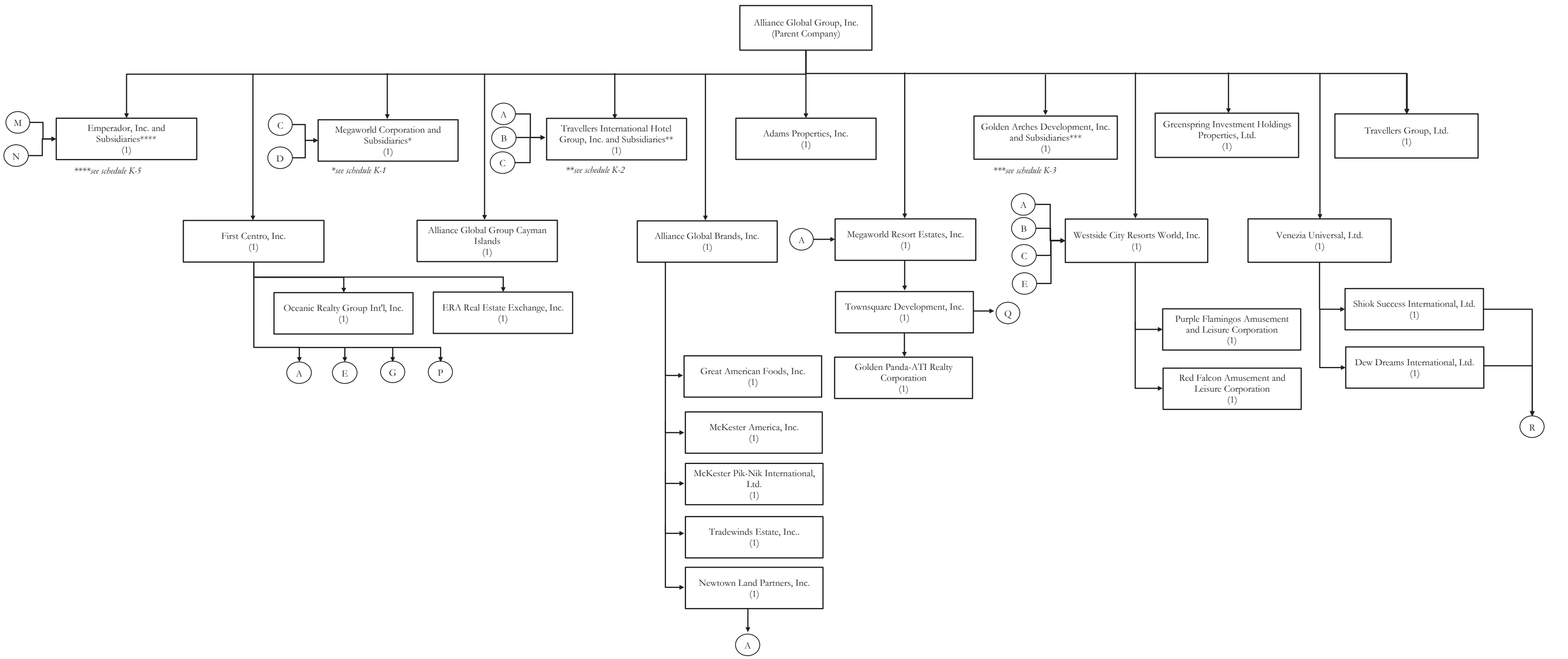
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✔		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✔		
	Amendment to PAS 1: Presentation of Items of Other Comprehensive Income	✔		
	Amendment to PAS 1: Disclosure Initiative* (effective January 1, 2016)			✔
PAS 2	Inventories	✔		
PAS 7	Statement of Cash Flows	✔		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✔		
PAS 10	Events After the Reporting Period	✔		
PAS 11	Construction Contracts			✔
PAS 12	Income Taxes	✔		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✔		
PAS 16	Property, Plant and Equipment	✔		
	Amendment to PAS 16: Bearer Plants* (effective January 1, 2016)			✔
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization* (effective January 1, 2016)			✔
PAS 17	Leases	✔		
PAS 18	Revenue	✔		
PAS 19 (Revised)	Employee Benefits	✔		
	Amendment to PAS 19: Defined Benefit Plans - Employee Contributions	✔		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✔
PAS 21	The Effects of Changes in Foreign Exchange Rates	✔		
	Amendment: Net Investment in a Foreign Operation	✔		
PAS 23 (Revised)	Borrowing Costs	✔		
PAS 24 (Revised)	Related Party Disclosures	✔		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✔
PAS 27 (Revised)	Separate Financial Statements	✔		
	Amendment to PAS 27: Investment Entities	✔		
	Amendment to PAS 27: Equity Method in Separate Financial Statements* (effective January 1, 2016)			✔
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✔		
	Amendment to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective January 1, 2016)	✔		
	Amendment to PAS 28: Investment Entities - Applying the Consolidation Exception* (effective January 1, 2016)	✔		
PAS 29	Financial Reporting in Hyperinflationary Economies			✔
PAS 32	Financial Instruments: Presentation	✔		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✔		
	Amendment to PAS 32: Classification of Rights Issues	✔		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✔		
PAS 33	Earnings Per Share	✔		
PAS 34	Interim Financial Reporting			✔
PAS 36	Impairment of Assets	✔		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✔		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✔		
PAS 38	Intangible Assets	✔		
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization* (effective January 1, 2016)			✔

PAS 39	Financial Instruments: Recognition and Measurement	✔		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✔		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✔		
	Amendments to PAS 39: The Fair Value Option	✔		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✔		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✔		
	Amendment to PAS 39: Eligible Hedged Items	✔		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✔		
PAS 40	Investment Property	✔		
PAS 41	Agriculture			✔
	Amendment to PAS 41: Bearer Plants* (effective January 1, 2016)			✔
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities**			✔
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✔
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✔		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**			✔
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✔
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✔
IFRIC 9	Reassessment of Embedded Derivatives**			✔
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives**			✔
IFRIC 10	Interim Financial Reporting and Impairment			✔
IFRIC 12	Service Concession Arrangements			✔
IFRIC 13	Customer Loyalty Programmes			✔
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✔		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction**	✔		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✔
IFRIC 17	Distributions of Non-cash Assets to Owners**	✔		
IFRIC 18	Transfers of Assets from Customers**			✔
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**			✔
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine**			✔
IFRIC 21	Levies			✔
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✔
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✔
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✔
SIC-15	Operating Leases - Incentives	✔		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✔		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✔		
SIC-29	Service Concession Arrangements: Disclosures			✔
SIC-31	Revenue - Barter Transactions Involving Advertising Services**	✔		
SIC-32	Intangible Assets - Web Site Costs**			✔

* These standards will be effective for periods subsequent to 2015 and are not early adopted by the Company.

** These standards have been adopted in the preparation of financial statements but the Company has no significant transactions covered in both years presented.

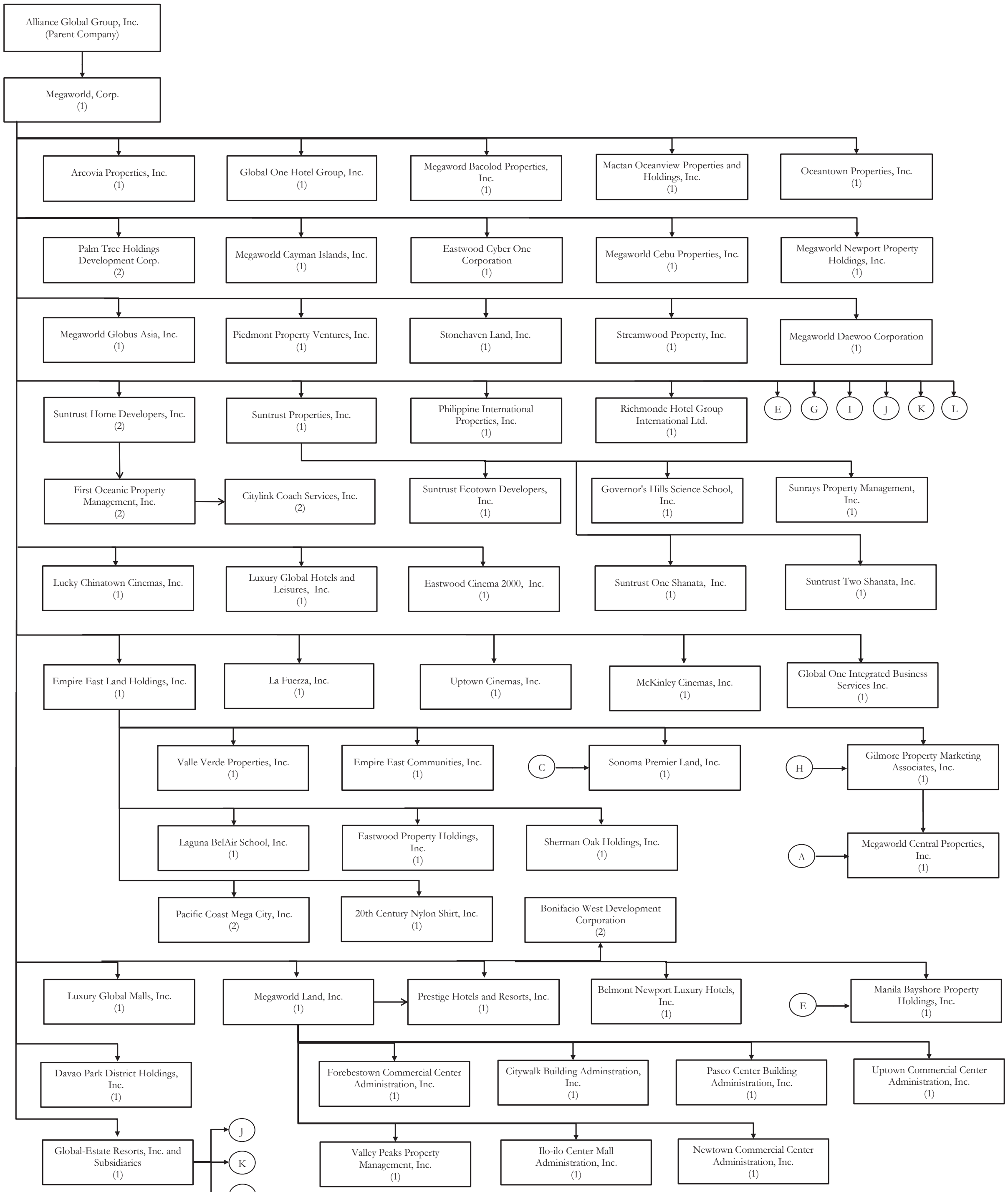
ALLIANCE GLOBAL GROUP, INC.
Schedule K - Map Showing the Relationship Between and
Among the Company and Its Related Parties
December 31, 2015



Legend

(1)	Subsidiary	A	Megaworld, Corp.	F	Manila Bayshore Property Holdings, Inc.	K	Megaworld Global Estates, Inc.	P	Sonoma Premier Land, Inc.
(2)	Associate	B	Adams Properties, Inc.	G	Westside City Resorts World, Inc.	L	Megaworld Central Properties, Inc.	Q	Gilmore Property Marketing Associates, Inc.
(3)	Jointly Controlled Entity	C	First Centro, Inc.	H	Townsquare Development, Inc.	M	Shiok Success International, Ltd.	R	Emperador Inc.
		D	Newtown Land Partners, Inc.	I	Megaworld Resort Estates, Inc.	N	Dew Dreams International, Ltd.		
		E	Travellers International Hotel Group, Inc.	J	Twin Lakes, Corp.	O	File-Estate Properties, Inc.		

ALLIANCE GLOBAL GROUP, INC.
Schedule K-1 - Map Showing the Relationship Between and
Among the Company and Megaworld Corporation Group
December 31, 2015

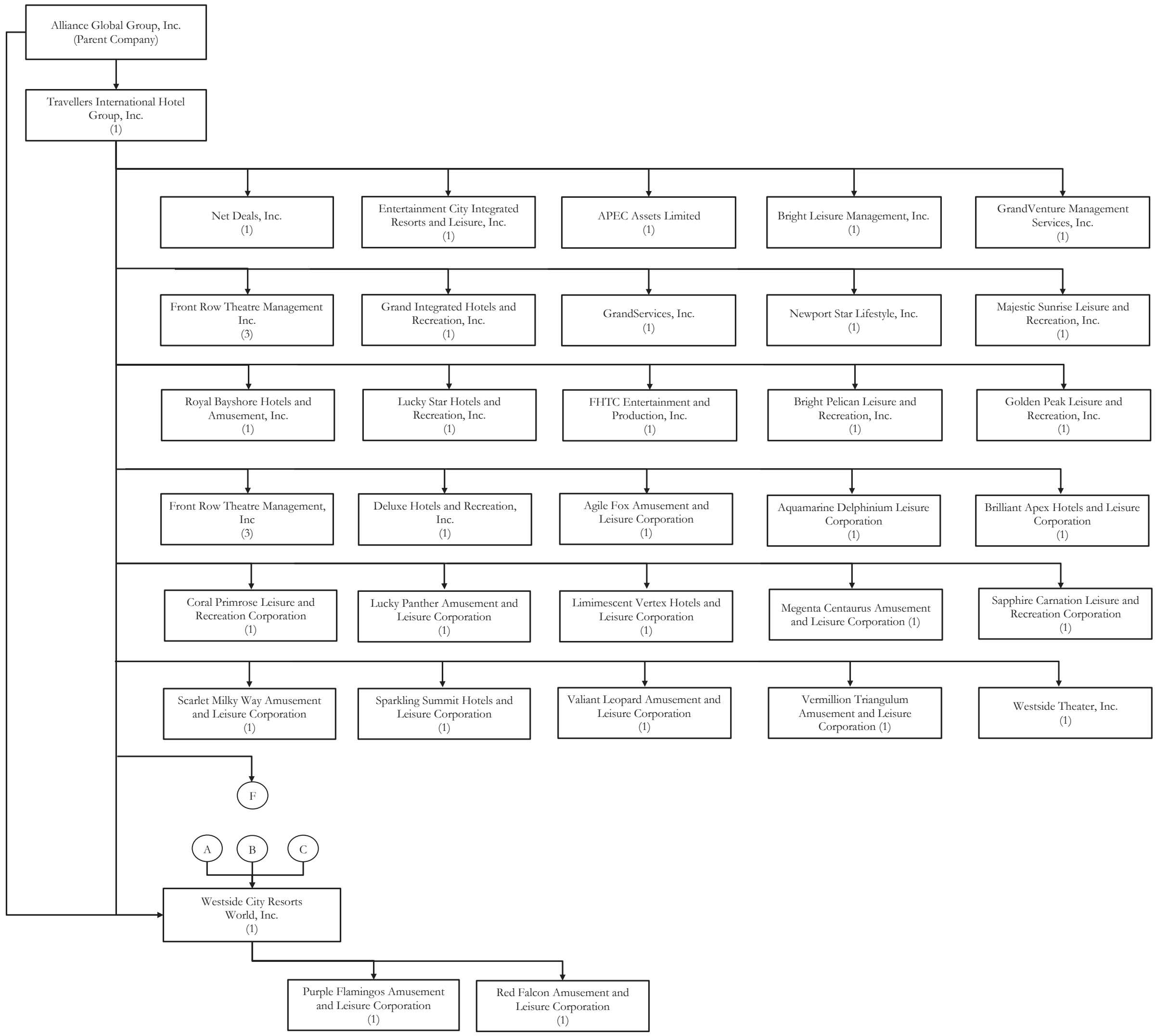


Legend

(1) Subsidiary
(2) Associate

A Megaworld, Corp.
B Adams Properties, Inc.
C First Centro, Inc.
D Newtown Land Partners, Inc.
E Travellers International Hotel Group, Inc.
F Manila Bayshore Property Holdings, Inc.
G Westside City Resorts World, Inc.
H Townsquare Development, Inc.
I Megaworld Resort Estates, Inc.
J Twin Lakes, Corp.
K Megaworld Global Estates, Inc.
L Megaworld Central Properties, Inc.
M Shiok Success International, Ltd.
N Dew Dreams International, Ltd.
O File-Estate Properties, Inc.
P Sonoma Premier Land, Inc.
Q Gilmore Property Marketing Associates, Inc.
R Emperador Inc.
S Megaworld Land Inc's Subsidiaries

ALLIANCE GLOBAL GROUP, INC.
Schedule K-2 - Map Showing the Relationship Between and
Among the Company and Travellers Group
December 31, 2015

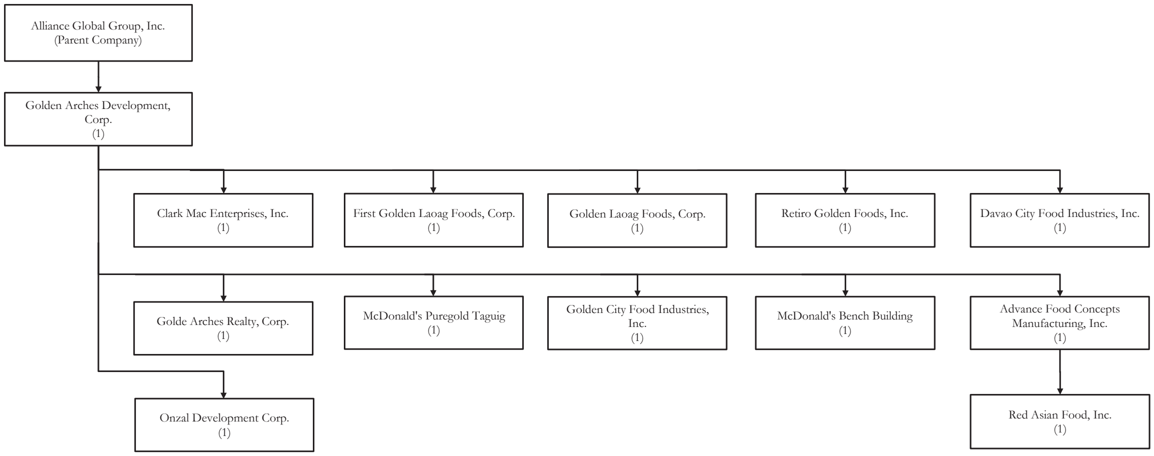


Legend

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	Megaworld, Corp.	J	Twin Lakes, Corp.
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	File-Estate Properties, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.

ALLIANCE GLOBAL GROUP, INC.
Schedule K-3 - Map Showing the Relationship Between and
Among the Company and Golden Arches Development Corporation Group
December 31, 2015

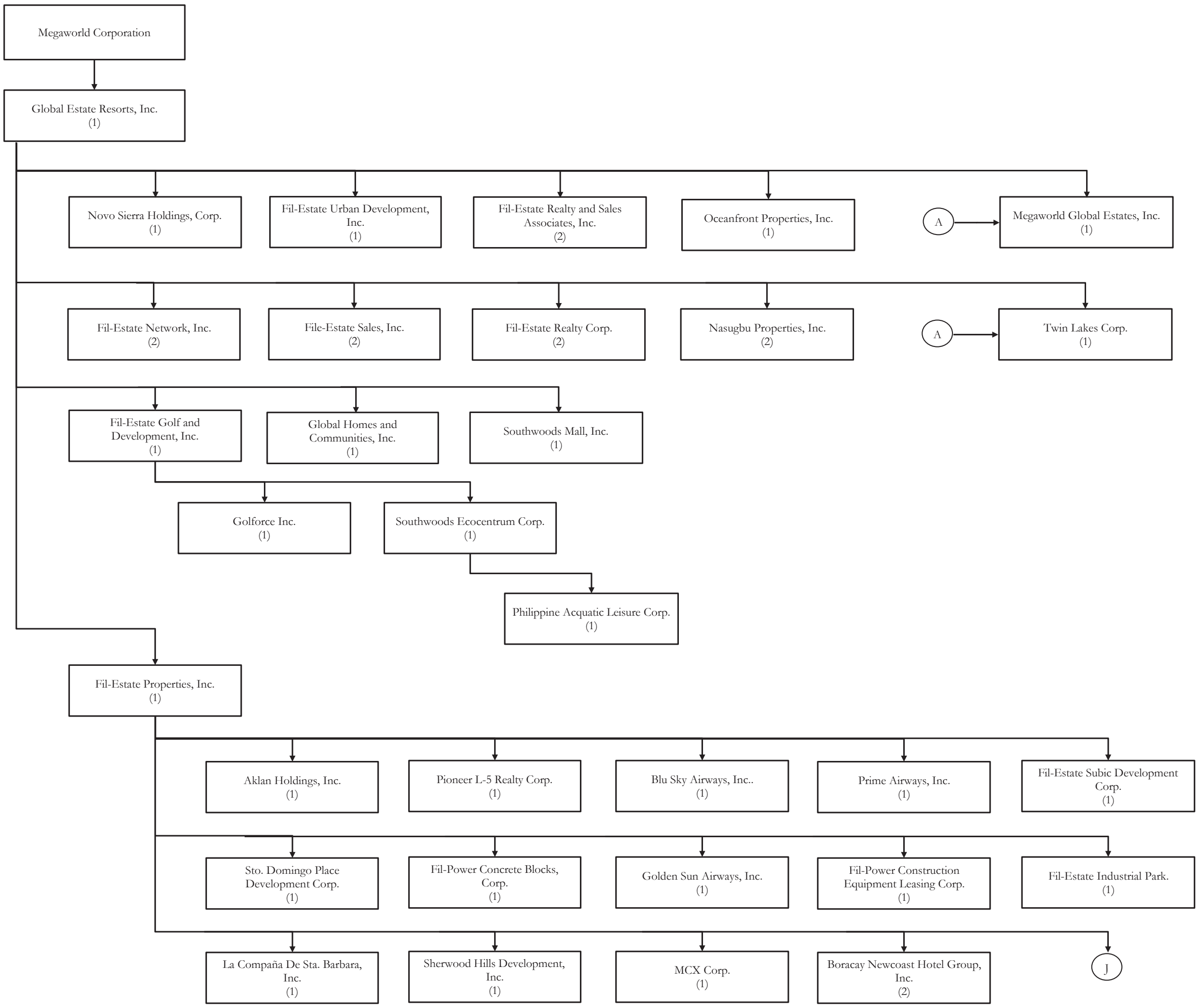


Legend

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	Megaworld, Corp.	J	Twin Lakes, Corp.
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	File-Estate Properties, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.

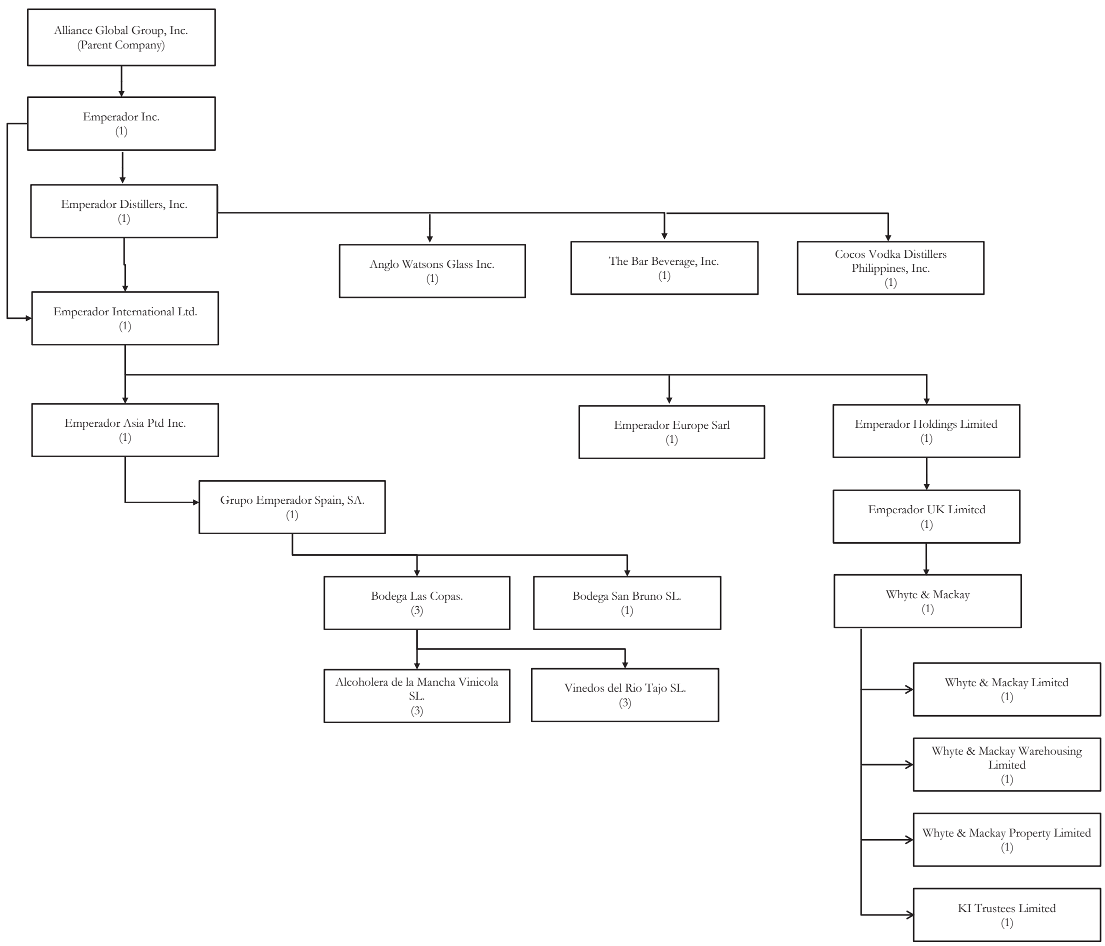
ALLIANCE GLOBAL GROUP, INC.
Schedule K-4 - Map Showing the Relationship Between and
Among Megaworld and Global Estate Resorts Inc. Group
December 31, 2015



Legend

(1)	Subsidiary		
(2)	Associate		
(3)	Jointly Controlled Entity		
A	Megaworld, Corp.	J	Twin Lakes, Corp.
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	File-Estate Properties, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.

ALLIANCE GLOBAL GROUP, INC.
Schedule K-5 - Map Showing the Relationship Between and
Among the Company and Emperador Inc.
December 31, 2015



Legend

(1)	Subsidiary		
(2)	Associate		
(3)	Jointly Controlled Entity		
A	Megaworld, Corp.	J	Twin Lakes, Corp.
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	File-Estate Properties, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.