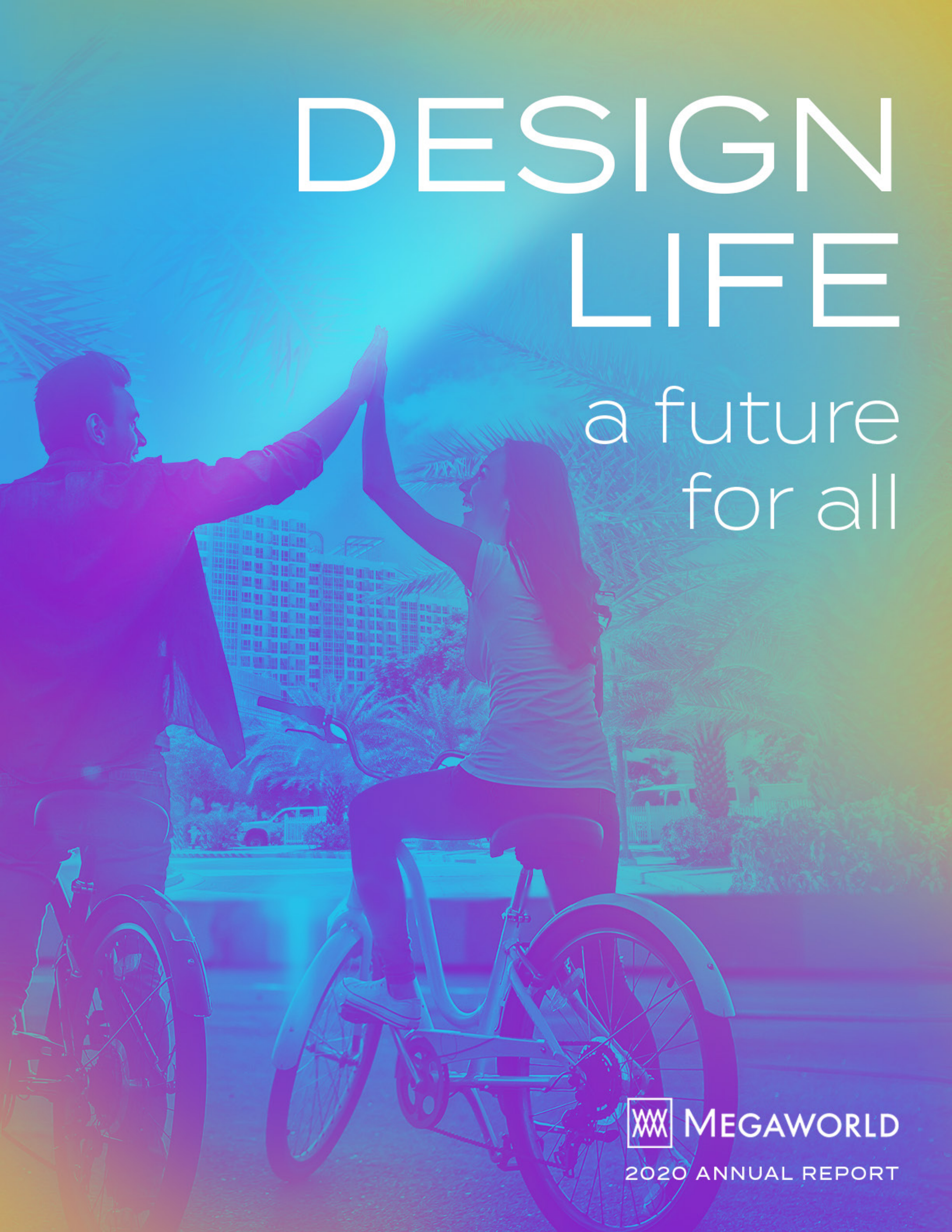


DESIGN LIFE

a future for all

MEGAWORLD

2020 ANNUAL REPORT

Contents

ABOUT THE COVER

The cover of Megaworld's 2020 Annual and Sustainability Report, **Design Life: A Future for All**, uses a duotone treatment and depicts the lives of the communities in Megaworld's townships. Through this treatment, the Company aims to communicate a fresh, modern, and hopeful vibe to its readers; today may be dire, but a better tomorrow does lie ahead. Megaworld will continue designing lives, through its developments, toward a better future for all.

ABOUT THE REPORT

Design Life: A Future for All covers Megaworld's economic, social, environmental, and governance performance in 2020. The report highlights how the Company incorporated the business insights it encountered in the year into its strategy, thereby achieving results and uncovering possibilities that continue to address the challenges brought about by the pandemic. Environmental, social, and governance (ESG) data were collected by S&P Global, while editorial and design services were provided by Drink Sustainability Communications.

MEGAWORLD

ABOUT THE COMPANY

Megaworld Corporation ("Megaworld", "the Company", "MEG") 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 the 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. On August 19, 1999, Megaworld changed its corporate name to the present one to coincide with its conversion from a purely real estate company into a holding company, although the Company continues to focus on its core competence in real estate development.

VISION

We uplift lives, impact society and help shape the nation.

MISSION

We pioneer concepts that promote integrated lifestyles in the townships we build.
We advocate responsible stewardship of the environment.
We deliver long-term value for our employees and shareholders.
We spur economic growth all over the country.

VALUES

Integrity
Creativity and Innovation
Excellence
Love for the company

CORE BUSINESSES

REAL ESTATE

- Megaworld
- Global-Estate Resorts, Inc.
- Empire East
- Suntrust

OFFICES

- Megaworld Premier Offices

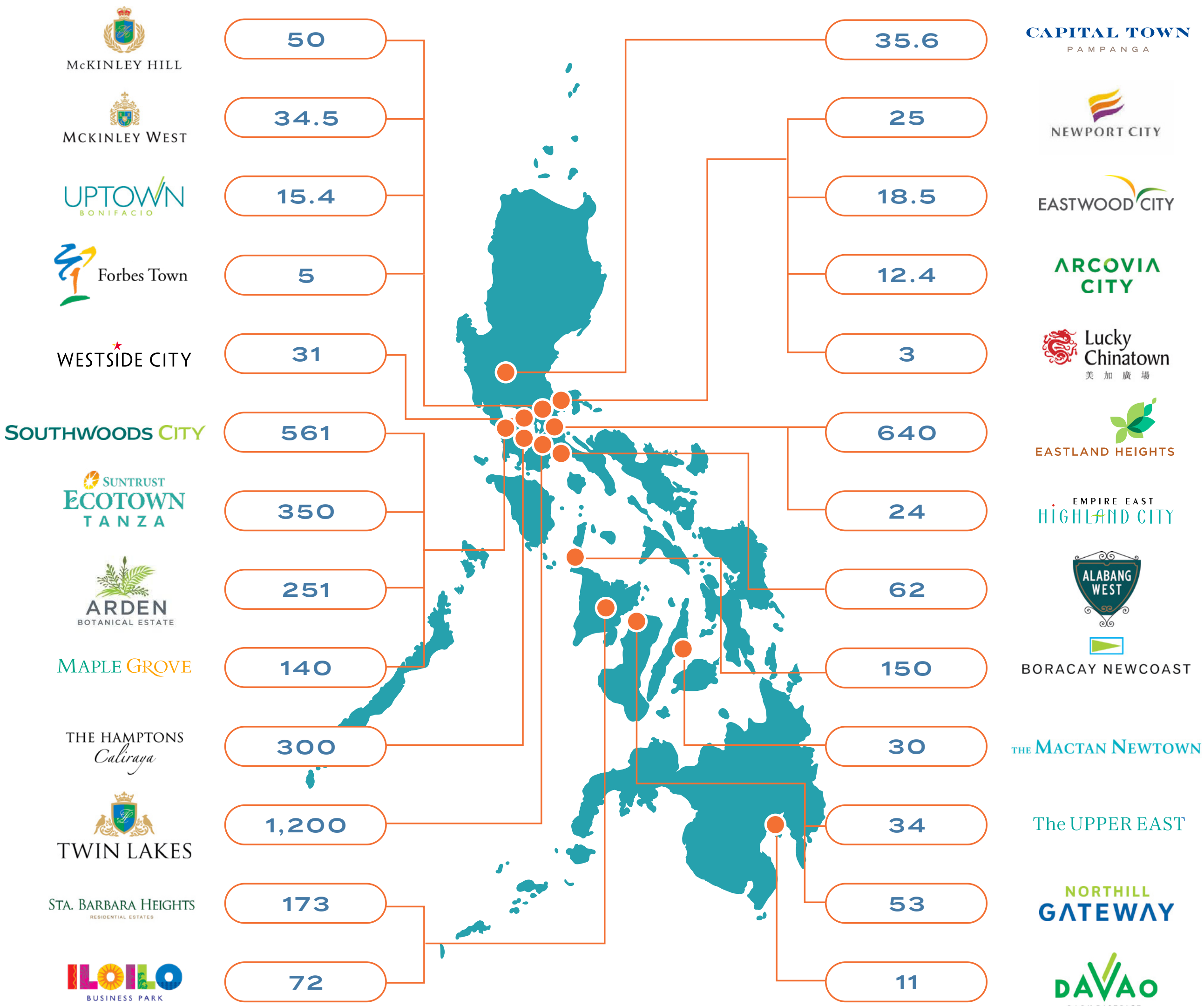
MALLS

- Megaworld Lifestyle Malls

HOTELS

- Richmonde Hotel
- Savoy Hotel
- Twin Lakes Hotel
- Belmont Hotel
- Hotel Lucky Chinatown 唐 城 酒 店
- Kingsford Hotel
- Fairways & Bluewater Boracay

DEVELOPMENT PORTFOLIO (AREA IN HECTARES)



Megaworld will continue designing lives, through its developments, toward a better future for all.

AT A GLANCE

FINANCIAL HIGHLIGHTS

PhP 43.5 billion
Consolidated Revenues

PhP 24.9 billion
Real Estate Sales

PhP 12.9 billion
Rental Income

PhP 1.5 billion
Hotel Operations

PhP 18.7 billion
EBITDA

PhP 10.6 billion
Net Income

OPERATIONAL HIGHLIGHTS

4,300
Total Landbank in Hectares

26
Townships and Integrated Lifestyle Communities

725
Residential Developments

72
Megaworld Premier Offices

24
Megaworld Lifestyle Malls and other Commercial Centers

12
Megaworld Hotels

Twin Lakes Hotel and Residences

CHAIRMAN'S MESSAGE

RISING TO THE CHALLENGE

Megaworld has shown resilience and stability as an organization amid the most serious global crisis in the 21st century. We steadily faced the difficulties of 2020, banking on our experiences overcoming past crises. Despite the challenging year where we saw our revenues drop, we remained profitable, and registered a net income of PhP 10.6 billion. Our balance sheet remained healthy—we were in a position where we were able to minimize the impacts of the COVID-19 pandemic.

We practiced financial prudence by managing our balance sheet and minimizing our costs. We reduced our capital spending by deferring some projects and streamlining our operations. In addition, we took advantage of favorable rates in the offshore bond market. We were able to secure a seven-year US$350 million-worth bond offering which put us in a good position to weather the current business environment, as well as support our future land banking and project expansion plans. Furthermore, our business segments evolved and innovated swiftly in line with changing consumer requirements and preferences. This allowed us to generate positive cash flows throughout the year.

Megaworld has shown resilience and stability as an organization amid the most serious global crisis in the 21st century.

With its track record of success, the Company geared up to start 2020 strong. However, the year took an unexpected turn, starting with the Taal eruption in January, followed by the onset of the pandemic shortly after. We saw the potential adverse impact of the pandemic, and we decided to move quickly to prioritize our employees' well-being. We focused on preserving jobs, immediately shifting our non-essential staff to a work-from-home arrangement, and assigning essential personnel to work in locations near their homes.

During a time when health and safety became critically significant, our real estate developments, particularly our pioneering townships, once again demonstrated their sustainability. Strict health protocols in our townships allowed us to prevent any major outbreaks. And, because our townships are self-contained, we were able to cater to the essential needs of our residents, office/retail partners, and visitors. The Company's efforts and initiatives were received positively by our communities, who experienced firsthand the sustained—if not improved—quality of life in a Megaworld township.

The year continued to affirm our strength as the country's biggest office landlord, with Megaworld Premier Offices proving to be a source of stability in a time of heightened uncertainty. In addition, our Megaworld Lifestyle Malls continued to be a focal point in our communities. The largest branches of Mary Grace, Wildflour and McDonald's were opened in our various townships, showcasing the confidence of our retail partners not only in our malls, but also in the Company's continued role as a catalyst for economic activity in the years to come.

The Company saw several development opportunities in 2020. We launched PhP 7.8 billion worth of residential projects outside Metro Manila to capture the strong demand for quality projects in the provinces. We also supported the expansion activities of our office partners outside Metro Manila, as the attractiveness of the hub-and-spoke model for offices came to the fore. Meanwhile, our in-city hotels continued to operate even during the height of the pandemic as we provided quarantine and "work from hotel" services.

Megaworld's vision of a digital future was highlighted by the establishment of its newest subsidiary in 2020, Agile Digital Ventures. This subsidiary expands the scope and scale of our digital strategy. By spearheading investments in digital innovation and technology, we will be able to further bolster our key businesses as well as support the food and beverage, retail and hospitality industries.

Despite the challenging year, there were uplifting wins for Megaworld. We received a total of 76 awards from several award-giving bodies that recognized not only our developments and cultural promotion campaigns, but also our COVID-19 response programs. We were also cited for being the leading real estate development group in the country, as well as one of the dream companies to work for in the real estate sector.

Notwithstanding the pandemic, we continue to actualize our sustainability commitments. The "Zero Waste Lifestyle" movement was launched this January 2021, aiming to educate our communities on the importance of proper waste segregation and management across all our townships. Job security remains crucial during these unprecedented times. We focused on job preservation to assure that our employees retain their positions with no pay cuts. We also provided much-needed support for our office and retail partners through rent condonation and financial assistance programs.

Megaworld looks forward to a better 2021. With the start of the country's vaccination program, we believe that it is only a matter of time before consumer confidence rebounds. Additionally, the fundamental demand for decent housing remains high. We have numerous opportunities to explore in our growth pipeline, and we are prepared to take them on. We foresee continued robust demand for horizontal developments and leisure and tourism estates, as people look for havens for rest and rejuvenation. Demand for warehouses and logistics hubs should also increase, and we believe that our townships can easily cater to this need given their strategic locations.

We are grateful for the support of our customers, office and retail partners, investors, directors, employees, and partner communities—they have always been vital to the Company's success over the years.

Our strong partnerships, complemented by our sound fundamentals, put us at an advantage in capitalizing on opportunities that will arise once the country recovers. Megaworld is optimistic about the future, and we look forward to continuing our work on upholding our vision to make a meaningful and transformative impact for all our stakeholders.

DR. ANDREW TAN
Chairman and President

Awards and Recognition

9

PROPERTY AWARDS

★ **LUXURY LIFESTYLE AWARDS 2020**
WINNER: Savoy Hotel Manila, “Best Luxury Hotel” (Philippines category)

★ **ASIA-PACIFIC PROPERTY AWARDS 2020-2021**
WINNER: Uptown Bonifacio (Mixed-use development for the Philippines)

★ **2020 TRAVELERS’ CHOICE AWARDS BY TRIPADVISOR**
WINNER: Savoy Hotel Manila
WINNER: Belmont Hotel Manila
WINNER: Savoy Hotel Boracay
WINNER: Richmonde Hotel Iloilo
WINNER: Café Belmont at Belmont Hotel Manila (Restaurant category)
WINNER: Savoy Café Manila at Savoy Hotel Manila (Restaurant category)
WINNER: The Granary at Richmonde Hotel Iloilo (Restaurant category)

63 CORPORATE AWARDS

★ ASSOCIATION OF MARKETING AND COMMUNICATION PROFESSIONALS (AMCP)

PLATINUM WINNER: Mega Malasakit: Megaworld Foundation COVID-19 Response
(Strategic communications/Communications and Public Relations)
GOLD WINNER: Megaworld Foundation Scholarship Program in the New Normal
(Strategic communications / Communications and Public Relations)
GOLD WINNER: Mega Summer Ventures #RoamFromHome (Digital Media - Social Media)
HONORABLE MENTION: Megaworld takes a stand for the United Nations Sustainable Development Goals
(Video/Audio - Video/Film)
PLATINUM WINNER: Mega Malasakit: Megaworld Foundation COVID-19 Response
(Digital Marketing and Communication Campaigns - Other/Nonprofit)
GOLD WINNER: Megaworld takes a stand for the United Nations Sustainable Development Goals
(Video - Nonprofit)
Mega Malasakit: Megaworld Foundation COVID-19 Response (Excellence in Community Service -
Organization Community Service / Leadership in Organization)
Mega Summer Ventures #RoamFromHome (Excellence in Community Service - Community Service/Other)
Megaworld Foundation Scholarship Program in the New Normal (Excellence in Community Service -
Organization Community Service
Megaworld Foundation supports the United Nations Sustainable Development Goals (Community Service and
Corporate Social Responsibility - Leadership in Community Service and Corporate Social Responsibility

★ TOP TAXPAYER FOR 2020 OF PARAÑAQUE CITY

Top 8 Taxpayers of Real Estate Property Tax 2020

★ RAGAN AWARDS

WINNER: Megaworld Foundation @20 (Digital Publication Category)
WINNER: Megaworld takes a stand for the United Nations Sustainable Development Goals (Video category)
HONORABLE MENTION: Megaworld Foundation @20 (Report - Annual or one-time /
Print or Electronic Category)
HONORABLE MENTION: Megaworld Foundation @20 (Print Publication Category)
HONORABLE MENTION: “From Building Homes to Building Lives: Megaworld Foundation Scholarship Program”
(Education or Scholarship Program category)
HONORABLE MENTION: “One with the Aetas” (Community/Non-Profit partnership category)

★ INTERNATIONAL FINANCE AWARDS

Best Real Estate Development Company

INTERNATIONAL BUSINESS AWARDS 2020

GOLD: Megaworld Foundation (Organization of the Year - Non-profit organizations)
GOLD: Cebu Mangoes Festival (PR Campaign of the Year - Travel and Tourism)
GOLD: Cebu Mangoes Festival (Best Live Events - Cultural)
GOLD: Megaworld Corp. FB page (Best Facebook fanpage)
GOLD: #MomentsWeBuild Valentine's Series
SILVER: Talk of the Townships (PR Campaign of the Year - Social media)
BRONZE: Mega Malasakit: Megaworld COVID-19 response (Most valuable non-profit response)

ASIA PACIFIC STEVIE AWARDS

GOLD: One with the Aetas (Non-Profit Organizations)
SILVER: Megaworld @ 20 (Non-Profit/NGO, Publications)
SILVER: ILOMOCA: Uplifting Arts and Culture in Iloilo (Events)
SILVER: MLM Pet Pass Program (Community Relations and Public Service Communications)
BRONZE: Cebu Mangoes Festival (Events)
BRONZE: Capturing Chinatown: Reviving Binondo with Instagram Content Creators (Use of Celebrities or Public Figures)
BRONZE: #MomentsWeBuild Valentine's Video Series (Use of Viral Media/Word of Mouth)
BRONZE: #MomentsWeBuild Valentine's Video Series (Innovation in Viral Videos)
BRONZE: Talk of the Townships: The First Real Estate Digital Magazine Show (Use of Social Media)
BRONZE: Talk of the Townships: The First Real Estate Digital Magazine Show (Innovation in Social Media Marketing)
BRONZE: Megaworld's SEA Games 2019 video (Lifestyle Videos)
BRONZE: Lucky Chinatown's Chinese New Year celebration (Events)
BRONZE: McKinley Hill Christmas Grand Parade (Events)
BRONZE: Visit Iloilo campaign (Use of Celebrities or Public Figures)

ASIA-PACIFIC PROPERTY AWARDS 2020-2021

WINNER: Megaworldcorp.com (Developer Website)

BCI ASIA AWARDS

Top Ten Developers in the Philippines

GOLD QUILL AWARDS

AWARD OF MERIT: Megaworldcorp.com (Division 4: Communication Skills / Category 21: Communication for the Web)
AWARD OF MERIT: 'The Future," Megaworld Corporate AVP (Division 4: Communication Skills / Category 22: Audio/Visual)
AWARD OF MERIT: Megaworld Foundation @ 20 (Publications)

ANVIL AWARDS

GOLD: Cebu Mangoes Festival (Public Relations Program on a Sustained Basis - Arts and Culture/Heritage/Tourism)
GOLD: ILOMOCA monthly events (Public Relations Program on a Sustained Basis - Arts and Culture/ Heritage/Tourism)
GOLD: Megaworld Lifestyle Malls Pet Pass Program (Public Relations Program on a Sustained Basis - Consumer Welfare)
SILVER: Southwoods Mall Biñan Puto Latik Festival (PR Programs Directed at Specific Stakeholders - Communities)
SILVER: Visit Iloilo campaign (PR Program on a Sustained Basis - Arts and Culture/Heritage/Tourism)
SILVER: Capturing Chinatown: Reviving Binondo with Instagram Content Creators (Digital PR Program - Arts and Culture/Heritage/Tourism)
SILVER: Eastwood City Enchanted Forest of Lights (PR Tools - Exhibit and Special Event)
SILVER: Eastwood City NYC 2019 website (PR Tools - Multimedia/Digital Tool/Website/Blog)

SILVER: Lucky Chinatown Chinese New Year 2019 (PR Tools - Exhibit and Special Event)
SILVER: Lucky Chinatown Chinese New Year 2019 (PR Program Directed at Specific Stakeholders - Communities)
SILVER: Megaworld Foundation's Megaworld @ 20 coffee table book (PR Tools-Publication/ Coffee Table Book)
SILVER: Eastwood City New Year Countdown to 2019 (PR Tools - Exhibits and Special Events)

★ FUN AND JOY AT WORK EVENTS

Dream Companies To Work For 2020 (Dream Companies to Work for - Real Estate Sector)
Business Leader of the Year Awards 2020 (Workplace and People Development Award)
World HRD Congress - Global HR Excellence Awards (Developing Sustainable Strategies)

★ UOOLU 3RD GLOBAL REAL ESTATE INTERNET SUMMIT

Top 20 Real Estate Brand Award (Megaworld)
Top 20 Globalized Popularity Brand Award (Grand Westside Hotel)

★ GLOBAL GOOD GOVERNANCE AWARDS

3G Excellence in Corporate Governance Award
3G Creativity and Innovation Award

4 EXECUTIVE AWARDS

★ INTERNATIONAL CHAMBER OF COMMERCE PHILIPPINES (ICCP)

Global Excellence Corporate Award - Dr. Andrew L. Tan

★ ASIA LEADERS AWARDS

Man of the Year for Philanthropy for Kevin L. Tan

★ FUN AND JOY AT WORK EVENTS

World HRD Congress - Global HR Excellence Awards (Women at Work Leadership Award - Lourdes T. Gutierrez-Alfonso)
World HRD Congress - Global HR Excellence Awards (Leaders of Tomorrow Award - Kevin L. Tan

Business Review

Uptown Bonifacio

The strategy Megaworld implemented ensured business continuity and maintained the Company's profitability despite the pandemic. Amid various challenges, Megaworld continued to achieve its targets by carrying out sound and innovative strategies across its business segments.

2020 FINANCIAL HIGHLIGHTS

Megaworld's consolidated revenues for 2020 amounted to PhP43.5 billion, a 35 percent decrease from PhP67.3 billion in 2019. The decline is largely attributed to the impact of restrictions imposed due to the COVID-19 pandemic which severely affected the Company's real estate development, malls, and hospitality units. Meanwhile, office rentals remained stable during the year as companies in the business process outsourcing (BPO) sector, which make up 73 percent of the Company's office partners, continued operations throughout the quarantine.

As the situation evolved, Megaworld took steps to adjust to the new reality brought about by the pandemic. The development of new products and services, complemented by the Company's ongoing digital initiatives, ensured the generation of positive cash flows. Cost management initiatives were also undertaken to minimize the impact of lower revenues. Thus, while Megaworld's total earnings before interest, taxes, depreciation, and amortization (EBITDA) in 2020 declined by 37 percent to PhP18.7 billion, the EBITDA margin remained relatively stable at the 43 percent level. Meanwhile, net profit declined by 45 percent to PhP10.6 billion as higher depreciation costs added to the impact of lower revenues during the year.

Bearing in mind the Company's experience in weathering past crises over the last three decades, Megaworld identified financial prudence as one of its top priorities by making adjustments in capital spending, temporary deferment of projects, streamlining operations, and other programs to preserve cash. Due to the lower CAPEX budget and limitations in construction activity in 2020, Megaworld spent PhP27.9 billion in CAPEX, a 42 percent decrease from PhP48.2 billion in 2019.

Through the years, Megaworld has prioritized maintaining a strong balance sheet. In the third quarter of 2020, the Company issued bonds amounting to US$350 million to cover its requirements and build up liquidity. By the end of 2020, Megaworld registered a low net debt-to-equity ratio of 22 percent.

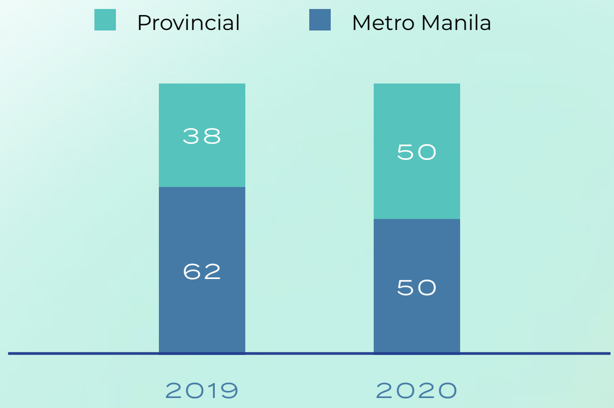
REAL ESTATE DEVELOPMENTS

Reflecting the current demand trend for property offerings outside the metro, the Company launched PhP7.8 billion worth of new projects in 2020, namely: Bryant Parklane - North Wing in Capital Town, San Fernando, Pampanga; Arcadia Tower 2 in Highland City, Cainta, Rizal; One Manhattan in The Upper East, Bacolod; The Pinnacle - North Wing in Iloilo Business Park, Iloilo City; and Lakefront Esplanade in The Hamptons Caliraya, Laguna. The latter three projects in particular, which were all launched in the third quarter of 2020, registered sales of 56 percent, 47 percent, and 100 percent respectively by the end of the year.

Additionally, Megaworld's upscale residential village Arden Botanical Estate in Trece Martires, Cavite, performed remarkably well, contributing PhP3.0 billion in reservation sales seven months after its launch and has been sold out since the second quarter of 2020. Other big-ticket horizontal projects in various provincial tourism estates that contributed were Newcoast Village in Boracay Newcoast and Eastland Heights in Antipolo, Rizal. Total reservation sales for the year amounted to PhP68.1 billion, of which 50 percent was accounted for by provincial real estate developments.

Megaworld's real estate revenues amounted to PhP24.9 billion for the year, reflecting a decline of 42 percent year on year due to construction delays resulting from the restrictions imposed in the country due to the pandemic. However, construction progress picked up in the fourth quarter of 2020, resulting in a 22 percent quarter-on-quarter growth in real estate revenues to PhP5.8 billion.

Reservation Sales % by Location

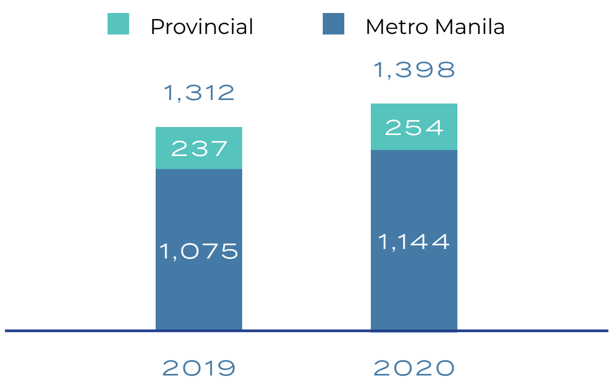


MEGAWORLD PREMIER OFFICES

Showcasing the attractiveness of the Company's portfolio to prospective office partners, Megaworld Premier Offices (MPO) bagged lease renewals of around 140,000 square meters from various office partners during the year. Significantly, all the Company's big-ticket BPO clients with expiring leases in 2020 renewed their leases, with some even exercising their options to expand their leased spaces.

MPO contributed PhP10.4 billion to the Company's 2020 revenues, largely unchanged from the PhP10.5 billion in 2019. Megaworld was also able to complete the construction of around 87,000 square meters of new leasable office spaces during the year. This brought MPO's current inventory of leasable office spaces to 1 million square meters, further cementing the Company's position as the country's largest office developer and landlord.

Office Portfolio GLA ('000 sqm)



On the other hand, around 135,000 square meters of new office space inventory was leased out in the Company's townships in Iloilo, Quezon City, and Fort Bonifacio, 78 percent of which were expansion programs of current office partners, and the rest from new client companies. These companies were mostly BPOs or involved in e-commerce, logistics, finance, and healthcare. Notably, Iloilo Business Park, a 72-hectare township in Iloilo City, has approximately 100,000 square meters of gross leasable space, 100 percent of which is currently leased out to local and international firms. This helped offset the decline in office space being occupied by Philippine Offshore Gaming Operators, or POGOs, and some smaller-scale office partners during the year. By the end of 2020, the occupancy rate stood at 90 percent.

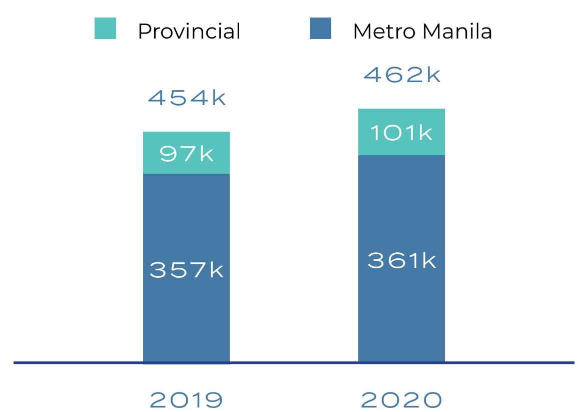
Despite the prevailing headwinds in the current business environment, the large number of transactions that Megaworld closed in 2020 equated to sustained demand for quality office spaces. The Company is well positioned to take advantage of this demand due to its efforts to build relationships with existing and prospective office partners and its attractive portfolio of office assets.

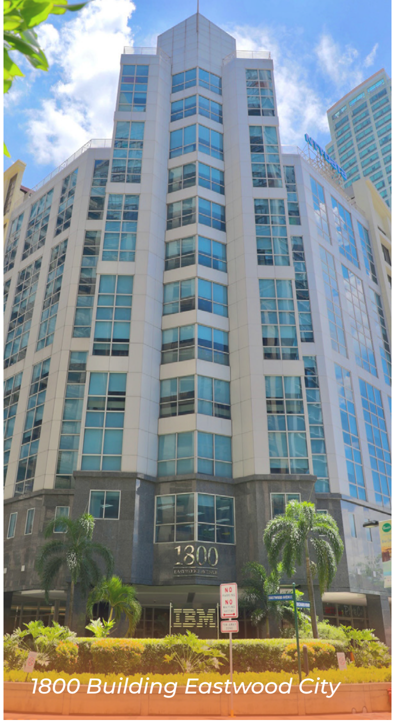
MEGAWORLD LIFESTYLE MALLS

Due to the imposed lockdowns, Megaworld Lifestyle Malls took steps to continue servicing its surrounding communities by providing access to essential products and services provided by its retail partners such as grocery shops, drug stores, and hardware stores. The Company also took steps to provide essential support to its retail and office partners by providing rent concessions, launching its "#SaferandHappier" campaign, and introducing various online and digital initiatives. This led to the retention of the majority of its retail partners. By the end of the year, Megaworld Lifestyle Malls registered an occupancy rate of 85 percent for its 462,000 square meters of retail space. The Company registered a rental income of PhP2.5 billion for 2020, a decrease of 60 percent compared to that of the previous year.

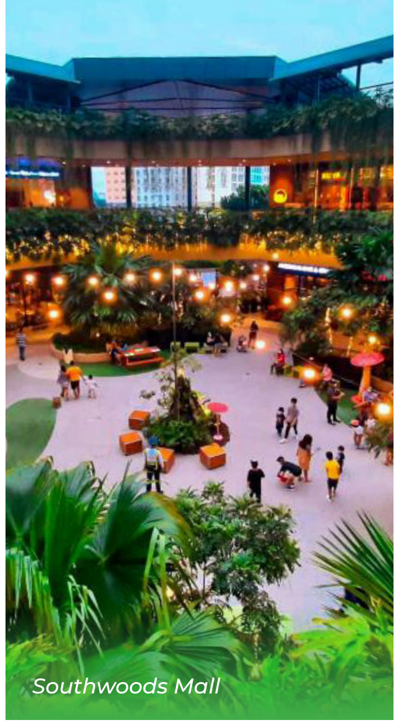
Megaworld Lifestyle Malls has always been positioned as a focal point of the Company's townships and a great venue for people to socialize. To actualize this, around 40 percent of the Company's total mall gross leasable area (GLA) is currently occupied by food and beverage (F&B) locators with substantial space devoted to alfresco dining, further increasing the popularity of this dining experience due to better ventilation, which is important in mitigating the potential transmission of the COVID-19 virus. As such, alfresco dining became a big driver in the recovery of the malls, particularly when restrictions were loosened in the second half of the year. Quarterly mall revenues improved from a low of PhP186 million at the height of the lockdown to around PhP500 million by the fourth quarter of the year.

Retail Portfolio GLA ('000 sqm)

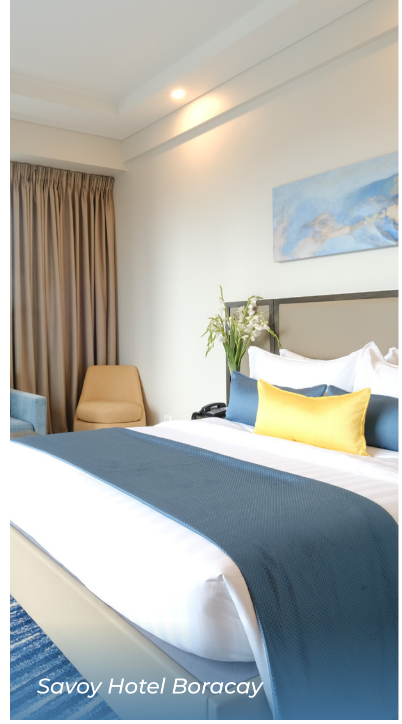




1800 Building Eastwood City



Southwoods Mall

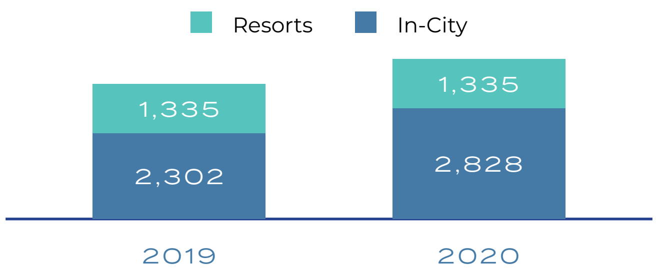


Savoy Hotel Boracay

MEGAWORLD HOTELS

Megaworld Hotels developed new offerings such as work-from-hotel packages and quarantine services for returning overseas Filipino workers (OFWs) as a way to help address the impact of the pandemic. These provided much-needed revenue streams that helped offset the softer performance of the Company's resort hotels due to the imposition of travel restrictions. Megaworld Hotels' revenues for the year registered at PhP1.5 billion, 42 percent lower than the previous year's figure.

Hotel Room Keys



Megaworld Hotels is still optimistic about its future prospects. This is highlighted by the completion of Kingsford Hotel in Westside City, Parañaque, last year. Kingsford Hotel is expected to open its doors to guests within the first quarter of 2021. The Company now operates 12 hotel properties under the homegrown brands of Richmonde, Belmont, Savoy, Twin Lakes, and Hotel Lucky Chinatown.

	2018	2019	2020
Reservation Sales (in billions)	PhP 135.5	PhP 148.7	PhP 68.1
Project Launches (in billions)	PhP 106.3	PhP 84.7	PhP 7.8
Landbank (in hectares)	4,688	4,300	4,300
Megaworld Premiere Offices GLA ('000 sqm)	1,119	1,312	1,398
Megaworld Premiere Malls GLA ('000 sqm)	433	454	462
Hotel Room Keys	2,554	3,637	4,163

Overcoming Adversity

Megaworld's live-work-play concept enabled the Company to thrive despite the unprecedented events of 2020. By implementing a data-driven approach to its strategy, Megaworld was able to strengthen the overall well-being of its communities during the pandemic.

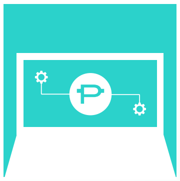
Megaworld treats its residents, retail and office partners as part of the family.

BUILDING LIVEABLE COMMUNITIES

The COVID-19 pandemic created a new reality for everyone. To prevent the virus from further spreading, the government implemented lockdowns and permitted only limited modes of transportation, thereby affecting construction activity, office attendance, mall foot traffic, domestic and international travel, as well as hotel bookings. Yet it is during this time that Megaworld's live-work-play lifestyle offering, embedded in its integrated townships, ultimately stood out. Recognizing the advantages that this concept continues to offer, Megaworld is focused on strengthening it to sustain and boost the health and liveability of its communities.

Megaworld treats its residents, retail and office partners as part of the family. During a time of great uncertainty, the Company implemented the following initiatives to keep and strengthen its relationship with its stakeholders and help alleviate the effects of the pandemic:

Enforced health and safety protocols to ensure everyone's safety



Created digitalized systems and solutions that make transactions and payments easier

Provided rental concessions to retail partners

Developed mobile applications to make purchasing essentials more convenient

Donated cash and essentials to neighboring communities

Stronger Townships, Stronger Communities

Megaworld's live-work-play concept has long highlighted the benefits and attractiveness of being part of a township. While lockdown restrictions may have affected the Company's business operations, the township truly took the spotlight as the kind of community that is ready to navigate the new reality.

As envisioned by Dr. Andrew L. Tan, each township promotes a high quality of living by putting a premium on safety and convenience. This proved to be vital during the pandemic, as travel restrictions were put in place to prevent the COVID-19 virus from spreading.

Megaworld's townships are master-planned, fully integrated, mixed-use developments where residences, offices, dining strips, shopping and fitness centers, schools, and medical centers are within walking distance from one another. The layout of the communities, along with the strict implementation of health and safety protocols, allowed the township's residents, workers, and visitors to be exposed relatively less to COVID-19.

In 2020, Megaworld's provincial townships were particularly appealing to both local and international buyers. An example of a township that continued to thrive amid the uncertainty was the Iloilo Business Park (IBP). Aside from lesser restrictions, retail buyers were attracted to the opportunity to own a property in one of the Philippines' fastest-growing cities. Meanwhile, prospective office partners found IBP to be the perfect place for their operations given the combination of established infrastructure, access to quality manpower, and more importantly, an attentive and proactive landlord. What further enhanced the desirability of relocating to IBP was the township's commitment to a well-balanced lifestyle where arts, history, and culture are celebrated constantly through the Iloilo Museum of Contemporary Art (ILOMOCA).

During the year, townships provided not only safety, security, and a sense of community to the residents, but also a market for the businesses. Businesses within the townships thrived because residents relied on them for the essentials—from everyday items to various products needed for special occasions. The warm reception for well-loved brands found within the townships also bolstered economic growth in the locality. Brands created spaces that not only accommodated people while following safety protocols; they also transformed those spaces into interactive, aesthetically pleasing destinations where customers could enjoy a brief stop.

These factors helped sustain the vibrancy and relevance of Megaworld's townships. With this in mind, the Company reiterates its commitment to its townships' denizens to make living, working, playing, and learning more enjoyable.

Iloilo Business Park

Each township promotes a high quality of living by putting a premium on safety.

Kevin Emmanuel Fule*
EASTWOOD CITY RESIDENT

"Eastwood was great since it (the pandemic) started. Everything was closed except for two supermarkets and the drugstores. No hoarding among the residents occurred either. Each household was issued one quarantine pass so that only one (household member) will be able to go out. The supermarkets and drugstores were only accessible to quarantine pass holders. Basically, they only accommodate Eastwood Residences residents. If you live outside Eastwood or work in the call centers but are non-residents either, you are only allowed to buy from convenience stores."

"One can really be proud of (these safety measures) once everything returns to normal. I am amazed. Eastwood (amenities) remained exclusive to Eastwood residents. That is why stores did not run out of stocks because no hoarding ever occurred."

Gelai Caro*
MCKINLEY HILL RESIDENT

"Townships now are very much sustained in a way that we have two open supermarkets, one just below Morgan/Stamford and the other in Venice Grand Canal Mall. Stocks were never depleted. Initially, I was worried that water and milk might run out. I have never been more thankful because Megaworld has maintained the peace and order (in the townships) and prioritized the needs of its communities upfront."

**Testimonials translated from local language*

Largest McDonald's branch opened in Capital Town, San Fernando, Pampanga

On December 7, 2020, McDonald's opened its largest store located within the 35.6-hectare Capital Town, Pampanga. A two-level NextGen store covering more than 1,000 square meters of floor area and with a 360-seating capacity, this McDonald's branch is the biggest one in the Philippines to date. It sits on a 2,200-square-meter lot inside the township with a parking area, a McDo Park, and an "Instagrammable" green wall. The branch has a no-touch drive-thru facility, an alfresco dining area, self-ordering kiosks, a meeting room, and a dedicated party area. The branch operates 24/7 and offers McDelivery. McDonald's and Megaworld hope that the branch will bring in local and international travelers to Capital Town and treat it as a must-visit destination in Pampanga.

Better Days Ahead for Megaworld's Residential Developments

Megaworld's live-work-play-learn concept continues to be a strong reason for residents to choose the Company's residential projects as their home. Apart from easy access to a diversity of establishments, breathable spaces in strategic locations are incorporated in the developments.

Megaworld designs its residential developments and townships with a focus on the convenience, safety, and enjoyment of its residents. As communities faced the new reality of minimal travel outside their homes, Megaworld's residential projects played a key role in ensuring that people remained indoors, that their necessities were readily accessible, and that leisure was still available within a safe area. Apart from following strict health and safety protocols within the developments, Megaworld also integrated solutions that allowed cashless rental payments and the delivery of necessities right at one's doorstep.

Noble Place, Lucky Chinatown

Due to the ease, safety, and security Megaworld's integrated communities provided, several of its residential estates within and outside the metro were able to close reservation sales amid the enhanced community lockdowns. The Company introduced virtual showroom tours and seamless paperless transactions to ensure a pleasant and effortless buying experience for its future residents. This allowed potential buyers to tour the development of their choosing and help them in their purchasing decision.

Apart from digital solutions, Megaworld also banked on the business insights that emerged during the pandemic. One key trend that came up is the customers' need for a safe area where they could relax and unwind, despite the situation, without leaving the metro. Megaworld relied on its premium projects to meet this demand. Completed projects such as Noble Place in Lucky Chinatown and Greenbelt Hamilton 2 in Makati City sold out for the year. Meanwhile, developments such as St. Moritz Private Estate Cluster 2 in McKinley West and Uptown Parksuites in Uptown Bonifacio were also sought-after luxury residences. St. Moritz, in particular, satisfies the high-end clientele's penchant for innovative developments with traditional, refined designs located in an exclusive area in the city. Uptown Parksuites, one of Megaworld's upscale condominiums, also caters to today's trendsetters, tastemakers, and thought leaders. Uptown Parksuites is right in the middle of the metropolis, allowing its residents to be near exclusive amenities and commercial hubs.

These luxury residential projects showcase how Megaworld continues to create communities that suit the market's needs. To date, offerings for both developments are nearly sold out.

The Company will continue to make residents feel safe and secure in its integrated townships. As the country begins to recover, Megaworld will continue its expansion plans in order for residents to lay claim to the home and community experience that they deserve.

Megaworld's residential projects played a key role in ensuring that people remained indoors.

Leah and Eugene Cordova
PASEO HEIGHTS RESIDENT

"The current admin of Paseo Heights was already proactive, even before the pandemic happened. Regular temperature checks were implemented at the entrance. Guards are very polite. The property manager is also very effective in (disseminating) relevant information."

"The admin and staff are very strict but they're also accommodating to the needs of the unit owners. As unit owners, we feel protected and secure. Now, more than ever, we feel lucky we live in such an accessible location with an efficient admin and barangay."

Eugene Lozano
ONE CENTRAL RESIDENT

"Quarantine pass usage was strictly implemented and non-transferable. All secondary access points were closed, with only the main and parking entrances open for entry and exit. Guards and housekeeping were on board (with enforcing the protocols). Elevators and common areas were disinfected hourly and alcohol dispensers were readily available in the lobby, main entrance, and ground floor elevator hallway. Admin key people stayed in the building (barracks). Temperature checks were conducted upon entry and security guards were consistent with reminding residents to stock up on essentials."

St. Moritz Private Estate, Mckinley West

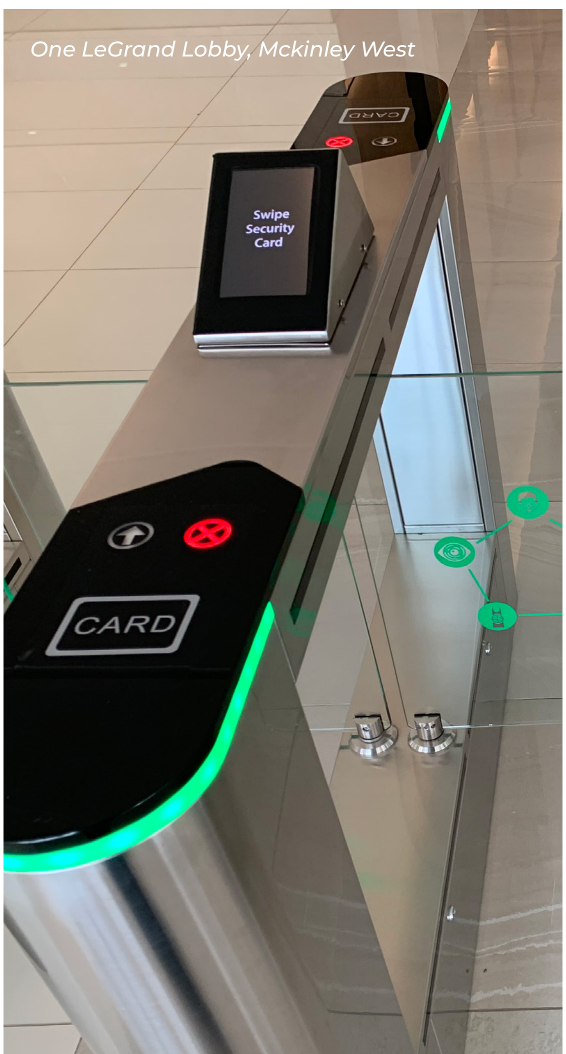
Reshaping Premier Office Spaces


Richmonde Tower, Iloilo Business Park

Megaworld's drive to maintain its leadership as the country's largest office developer and landlord paid dividends in 2020. The stable income stream provided by Megaworld Premier Offices helped anchor the Company's ability to weather the challenges brought about by the pandemic.

COVID-19 presented a new business landscape to the Company and its office partners. The resulting uncertainty also stretched the capabilities and resources of a number of its office partners. During these unprecedented times, the Company immediately implemented initiatives that addressed office partners' concerns and looked for ways to support their businesses.

To better understand each office partners' predicament, Megaworld made sure to maintain active communication with its office partners through video calls. As a result of these discussions, the Company created microsites—small and temporary spaces with shorter lease terms for clients—approximately three to nine months—to comply with social distancing requirements and ensure the office partners' safety. The Company also provided full support by providing services such as housing accommodations near their offices, food delivery options via McDonald's, shuttle services via Citylink, and the 24/7 presence of building administration to ensure the office partners' safety so they could continue their operations. Through these means, the Company actualized its commitment to its office partners to provide service amid the pandemic, which was very much appreciated.



One LeGrand Lobby, Mckinley West

Megaworld also saw a trend in its office partners' expansion plans. As Chief Strategy Officer Kevin L. Tan stated, "These are mostly companies operating healthcare, BPOs, e-commerce, logistics, and finance. And we are very happy to see the strong interest in our office developments in Iloilo Business Park. Approximately 20 percent of new leases have been booked there and we even cemented our dominance in terms of market share in the Iloilo office market." BPO office partners leased office spaces in the Company's

*One Techno Place,
Iloilo Business Park*

provincial developments as contingency sites for their operations due to lesser restrictions in the provinces. One particular township gaining much attention from prospective office locators is Iloilo Business Park. The township is gaining momentum and the interest of local and international markets due to its cultural identity, progressive development as a central business district, and inexpensive cost of living and leasing. IBP continued gaining the interest of local and international markets and companies due to the rich talent pool within the township, its progressive development as a central business district, and inexpensive cost of living and leasing.

This office expansion to provinces also allows office partners to explore other industries where there is demand growth, such as telecommunications, healthcare BPOs, e-commerce, and data centers. Megaworld will continue to offer them office spaces in Metro Manila, Iloilo, Pampanga, and other key cities, to cater to their needs. “At this point, we can say that our office business is the most stable income generator in our company’s revenue stream with or without this health crisis, and we continue to focus on the expansion of this business in the years to come and further strengthen our leadership in the country’s office property sector,” said Tan.

Megaworld will continue the growth journey with its office partners as the country slowly recovers from the effects of the pandemic. The Company will continue providing solutions and office spaces that support the emerging business sectors and ensure the progress of current office partners’ businesses.

Megaworld will continue to provide solutions and office spaces that support emerging business sectors.

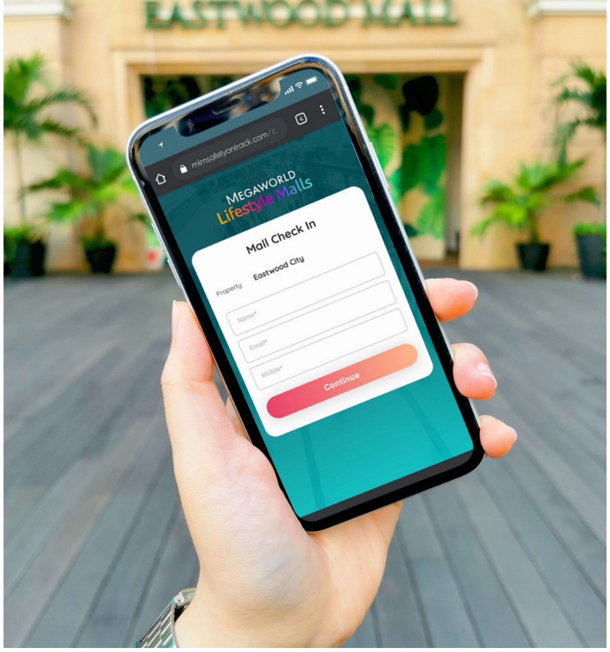
Lifestyle Malls: Adapting to the New Retail Landscape

In 2020, Megaworld Lifestyle Malls (MLM) managed to overcome a year of challenges and uncertainties and helped its retail partners go through the year's difficulties. "The only way to move forward is to ride the waves and focus on being able to adapt and quickly respond to the needs of our customers and retail partners," said head of Megaworld Lifestyle Malls, Mr. Graham Coates.

The Company implemented safety measures and engagement programs to support retail partners and encourage customers to visit malls through the launch of the "Safer and Happier at Megaworld Lifestyle Malls" multi-platform campaign. The objective of the campaign is to boost consumer confidence, and to position the Company's lifestyle malls as safe destinations for shopping, dining and socializing, all while following safety protocols. Part of the #SaferandHappier campaign was the creation of a microsite featuring information on the enhanced mall and in-store safety measures and guidelines. The website also provided mall guests access to mall reminders and cashless and contactless purchase options. In addition, disinfection areas were set up in strategic locations inside the malls. Mallgoers could sign a one-time health declaration form through the Safety on Track initiative. Safety on Track allows customers to fill the form once without having to do so every visit.

Scan the QR code to learn more about our Safer and Happier campaign

Disinfection areas were set up in strategic locations inside the malls.



Lucky Chinatown

Megaworld redesigned the mall experience to adapt to the new reality while maintaining a healthy working relationship with its retail partners. The Company extended rental reprieves and concessions to retail partners and assisted them in transitioning to the digital economy. A number of the Company's retail partners also took the opportunity to be included in Pick.A.Roo, the lifestyle delivery app of Agile Digital Ventures. This digital platform will aid retail partners in making their products and services available to more customers. MLM also launched the Megaworld Lifestyle Mall app to provide shoppers a seamless digital to the in-store experience. The app has an indoor navigation feature for customers to quickly find their way to the stores they intend to visit. The Company also created a digital personal shopping assistant called "Megan." Inside the malls, retail partners encourage customers to complete in-store purchases via cashless transactions, experience the alfresco dining experience provided by restaurants, and buy fresh produce from outdoor farmers' markets in select Megaworld malls.

Even with the increasing popularity of online shopping, Megaworld Lifestyle Malls believes that malls will continue to be very relevant in the foreseeable future; and it has indeed shown that it is still possible to have a safe, happy and convenient shopping experience under the new reality.

Megaworld welcomes the biggest Mary Grace branch at Newport Mall and the biggest Wildflour branch at Uptown Bonifacio

Two well-known restaurants open their biggest branches in Megaworld's townships. Mary Grace opened its biggest branch at Newport Mall and Wildflour at Uptown Bonifacio. These branch openings signify the restaurants' confidence in Megaworld and the Company's ability to help businesses reach newer heights. Both well-loved brands are available through Pick.A.Roo.

Reinventing the Hotel Experience

Hotels, as part of the leisure and hospitality industry, were severely affected by the pandemic. Due to the travel restrictions and lockdowns across the country, hotels had to adapt to the situation to ensure that they sustained their business operations. Apart from implementing stricter health and safety protocols, hotels had to train their workforce on new protocols, as well as introduce services relevant to the current situation. For its part, Megaworld Hotels reinvented the way it worked to address the needs of customers that surfaced in the new reality.

Megaworld Hotels encouraged the growth and development of its personnel to enable them to adapt to the challenges that the pandemic posed to the industry. Aside from joining training programs on health and safety, Megaworld Hotels personnel and associates participated in cross-training under other departments. This initiative addressed the growing need of the business to incorporate more stringent practices, while allowing employees to gain new skills and be more versatile in the workplace.

To ensure that hotel guests enjoyed a safe hotel experience, Megaworld Hotels launched the "Safe Stay Because We Care" campaign. This campaign ensured that strict health and safety protocols were implemented in both the Front of House and Back of House. Meanwhile, an e-Concierge was put in place to reduce face-to-face interactions between guests and the front desk. To further lessen the possibilities of guests contracting COVID-19, on-the-go food boxes were provided. To further gain the trust of guests and take care of its people, Megaworld Hotels worked to become a recipient of the Diversey Certification to show partners of the properties its dedication in meeting optimal sanitation standards and undergoing practices to aid the fight against the virus.

High guest touch points are frequently disinfected to ensure everyone's safety.

Room fumigations are conducted after every stay of guests

Safe options were offered to guests who wished to work from a hotel

Hotels continue to operate and run with heightened precautionary measures, rooted in a heart of service.

Megaworld Hotels also introduced new services. One of them was offering quarantine services to returning overseas Filipino workers (OFWs). OFWs in a Megaworld hotel finished their 14-day quarantine in the property, where the Company provided them with the essentials and made their stay as comfortable as possible. In addition, Megaworld Hotels also offered work-from-hotel packages for employees from the Company's office partners, or to guests who simply wished to work from a different location other than their own homes. Virtual events management services were also made available to the Company's corporate partners. This service gave corporate partners access to amenities to make their online meetings and conferences that much smoother. Apart from providing ample facilities, packed gourmet meals were delivered to meeting and conference participants for added value and convenience.

Jimmy Serrano, a guest of Belmont Hotel Manila, shared: "I'm comfortable staying in your hotel because of good service. The facility is so clean, and the staff are so nice and kind. Serrano further added in his TripAdvisor review that, "The protocols for safety and sanitation are all visible."

Currently, Megaworld Hotels has opened its doors to more than 320,000 guests looking for a safe and comfortable haven where they could complete their quarantine requirements as mandated by the local government. Today, all assigned quarantine hotels continue to operate and run with heightened precautionary measures, rooted in a heart of service.

Twin Lakes Hotel provided the necessities to its stranded guests

Last January 12, 2021, The Department of Science and Technology - Philippine Institute of Volcanology and Seismology (DOST - PHIVOLCS) announced an Alert Level 1 when a steam-blast eruption of Taal Volcano resulted in ashfall and ground deformation, affecting nearby communities. Guests of Twin Lakes Hotel affected by the enforced road blockages were given provisions as they waited for the local authority's signal to safely leave the premises. Aside from extending medical assistance when necessary, hotel staff provided guests with food, refreshments and blankets, and informed them regularly of PHIVOLCS's status updates regarding Taal Volcano.

Bridging the Gap through Digital Innovation

Megaworld has been investing in its digitalization efforts to future-proof its business even before the pandemic. To date, the Company continues to create relevant digital innovations that enhance the quality of life in its various communities.

HARNESSING THE POTENTIAL OF DIGITAL

Megaworld believes in the power of digitalization in improving life in its townships. Even before the pandemic, the Company had been working on the concept of smart townships through the introduction of smart home technology. With an eye toward the needs of tomorrow, Megaworld sees various opportunities for its digitalization initiatives in the new reality.

The demand for real estate remained amid the height of the community quarantine and lockdowns. Due to the restrictions imposed on face-to-face interactions, the Company had to explore digital means of interacting with its stakeholders. This was already in the works prior to the pandemic, and the Company had already developed the necessary systems and protocols to migrate the entire sales process—encompassing marketing to potential customers, closing the deal, and managing new and current client relationships—to the virtual space.

PROPERTY HANDLING AND CLIENT RELATIONSHIP MANAGEMENT WITH IFAE

The Company launched the integrated FOPM Automated Experience (iFae), an exclusive online web application that caters to the basic needs of Megaworld's unit owners and retail partners. iFae provided the following under its three modules: a) the iFae Web Application for Customer Service for secure account management, request forms, access to community announcements and Stay@Home programs; b) Online Bills Payment for Finance; and c) a Kiosk for Visitor Management that notifies residents, retail partners, and office partners when a guest, delivery, or package is coming to their unit.

iFae is a reliable and safe tool for both the property manager and real estate clients as it enables both parties to communicate and transact while ensuring everybody's health and safety. Currently, all of Megaworld's developments are registered under iFae.

MEGAWORLD BRINGS ITS SALES OPERATIONS ONLINE

Megaworld utilized its online channels in addressing inquiries and reservations from interested clients. Marketing efforts were focused on social media and other online channels to allow clients to view properties through a virtual showroom tour. Support systems and controls were put in place so a contract could be closed without the physical presence of the client. Together, these initiatives allowed buyers to purchase their Megaworld property of choice safely and conveniently.

AGILE DIGITAL VENTURES

Megaworld also saw digitalization opportunities based on consumer behavior trends and lifestyle changes evident in 2020. First, a greater number of transactions are being done on a cashless basis. In 2020, Agile observed that 75 percent of transactions were paid through credit cards. Secondly, the categories that people wanted for immediate delivery expanded. From the usual groceries, food and medicine, customers now also want immediate delivery of products that fall under other categories (such as beauty and personal care, home and kitchen, school, art and crafts supplies). Lastly, it was also observed that people wanted a more diverse and premium food selection for delivery as customers tried to recreate their fondest dining experiences in the comfort of their homes.

These insights led to the creation of Agile Digital Ventures, Inc., Megaworld's wholly owned subsidiary engaged in investing and building technology start-ups that would support the country's food, retail, and hospitality industries. Megaworld initially allocated a three-year CAPEX of US$5 million or approximately PhP250 million to build Agile's first start-up project, Pick.A.Roo.

Local Lifestyle Delivery App Pick.A.Roo provides Home Essentials and Dine-at-Home Experience

The new reality changed how businesses operate and how consumers behave. Due to travel restrictions, delivery applications that deliver quickly and offer items beyond food and grocery staples became more popular. Megaworld's digital investment arm, Agile Digital Ventures, launched its first digital project, Pick.A.Roo in August 2020, a premium lifestyle app that allows people to get their daily necessities and more in one go.

OMNICHANNEL SHOPPING HUB

Pick.A.Roo values providing ease of use for its users. The app's interface is segregated according to categories, making it easy to choose from various brands. The app also provides a seamless omnichannel shopping experience by enabling them to shop from multiple stores in a single checkout. Personal shoppers consult the customers on their purchases before Pick.A.Roo riders deliver their items to their homes.

WELL-CURATED SELECTION

Pick.A.Roo provides users items beyond food and grocery staples. Customers can shop for goods that fall under the categories of health and wellness, mom and baby care, medicine and supplements, pet care, toys and gaming, school, arts, and crafts supplies, and more. Based on the initial research conducted, customers also seek dine-in experiences they enjoyed pre-COVID. The app helps deliver that dine-in experience right to the customer's home. It also offers a wide selection of cuisine that customers can choose from, such as the usual fare to fine-dining cuisine. Today, Pick.A.Roo continues to grow its food selection.

Pick.A.Roo values providing ease-of-use for its users.

Pick.A.Roo enforces a strict screening process to ensure that its selection is well-curated and sourced from established brands. First, Pick.A.Roo's Business Development team pre-screens the merchants. Those who pass the initial screening are then screened by Pick.A.Roo's CEO herself. The CEO then does a personal test order to ensure the quality of the goods as well as the efficiency of the store. This way, the team ensures that only legitimate and established brands are listed on the app.

Currently, the app has 900 signed partners, over a hundred of which are Megaworld's retail partners.

CONSTANT APP IMPROVEMENTS

Pick.A.Roo values user feedback. The team regularly conducts intensive customer surveys, as consumer behavior changes. The whole Pick.A.Roo team, including its CEO, is involved in creating solutions for current and potential issues. Concerns of the local market have been easily understood and addressed since fellow Filipinos manage and handle the app.

With the information gathered, Pick.A.Roo then implements a deliberate approach to optimizing the app. Pick.A.Roo updates its products weekly and implements up to five groundbreaking features every month. The team also constantly tweaks the app to ensure that it consistently provides a seamless shopping experience.

Figures ending December 31, 2020

900
approved brands (grocery, food, shops)

589%
quarter on quarter GMV growth

646%
quarter on quarter orders growth

170,000
downloads in Apple App Store and Google Play Store

ONGOING GROWTH

Pick.A.Roo has continued to perform well since its launch in August 2020. To sustain this growth, Pick.A.Roo will invest in continuous product development and data-related investments to continuously optimize and improve the app experience.

POISED FOR STRONGER PROGRESS

With the ongoing situation, retailers need a channel to sell and deliver their products online and on-demand. This is the vision of Agile, and Pick.A.Roo continues to work toward achieving this. In line with Megaworld's sustainability commitment of providing job opportunities for fellow Filipinos, Pick.A.Roo is on the lookout for people to add to the team as personal shoppers and riders. Pick.A.Roo will continue empowering its retailers, riders, and employees to be part of Pick.A.Roo's growth, especially with its plans for regional expansion.

Megaworld's SustainAGIlity Journey

Megaworld continuously explores opportunities that support people's growth and help preserve the environment. This, along with its investments in sustainable townships and digital innovations, allows the Company to stay on track with its vision of uplifting lives, impacting society, and helping shape the nation.

Megaworld started measuring its performance on environmental and social matters.

A FUTURE FOR ALL: MEGAWORLD'S SUSTAINAGILITY JOURNEY

Since the beginning, Megaworld has been undertaking corporate social responsibility initiatives that benefit society and the environment. The Company values education, thereby focusing on providing a scholarship program to qualified students. For over 20 years, the Company has also been initiating tree-planting activities, feeding programs, and medical missions as part of its corporate social responsibility. In 2020, amid the challenges brought about by COVID-19, Megaworld implemented initiatives that prioritized the job security and health of its stakeholders while also creating programs that provided the essentials needed by its partner communities.

Alliance Global Group, Inc. (AGI), Megaworld's parent company, held the SustainAGIlity Summit: The Alliance Global Group Conference on Sustainability in February 2020. The event highlighted the conglomerate and its subsidiaries' strategy of integrating sustainability initiatives into their individual business operations. Two objectives were made clear during the event—for the AGI group to achieve carbon neutrality, and to generate five million jobs by 2035.

To help achieve this, the Company enlisted the help of a third-party organization in creating its sustainability framework. The sustainability framework designed specifically for Megaworld will help the Company achieve its objectives, better align its resources, and address the top concerns of its stakeholders. In line with this, Megaworld will coordinate with each business unit (BU) regarding its initiatives. This action helps lessen the duplication of efforts while ensuring the alignment of programs to achieve the sustainability objectives.

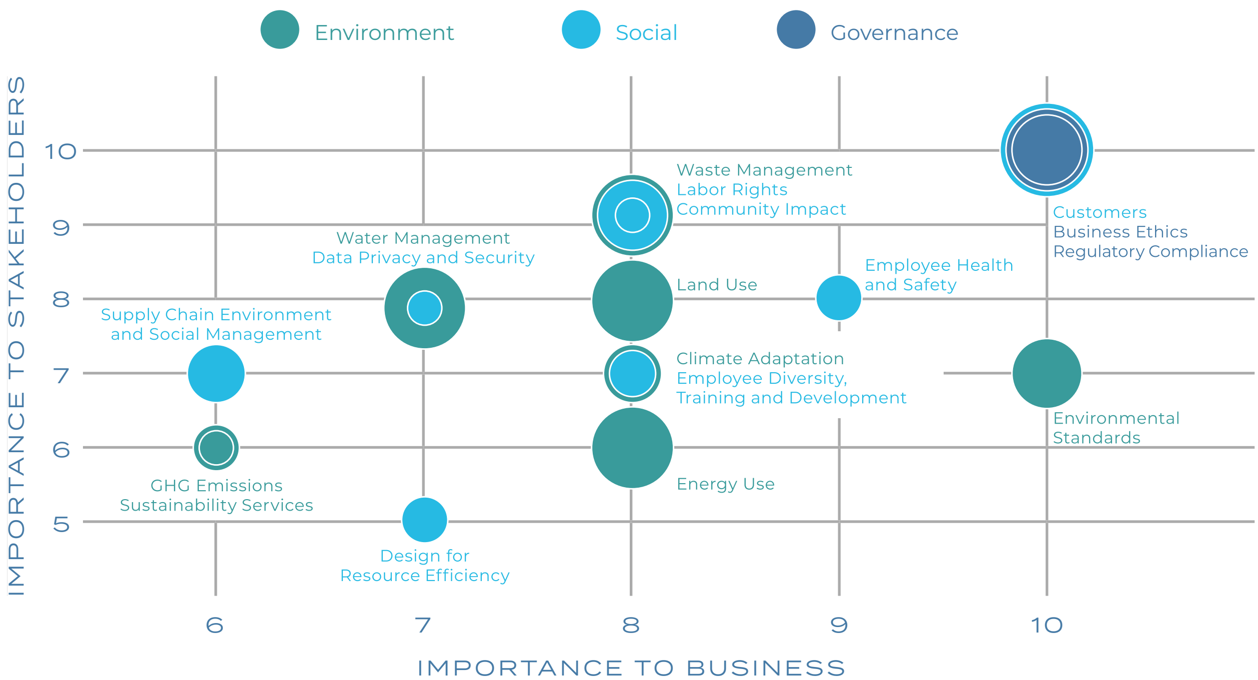
Consequently, Megaworld started measuring its performance on environmental and social matters. This will help the Company in identifying the risks and areas of opportunity relating to the attainment of its sustainability objectives.

MATERIAL TOPICS

Megaworld engaged Trucost, an affiliate of S&P Global, to review the Group's environmental, social, and governance (ESG) impacts for 2020. The results are in line with Global Reporting Initiative (GRI), Climate Disclosure Project (CDP), Sustainability Accounting Standards Board (SASB), and Task Force on Climate-related Financial Disclosures (TCFD), among others.

Identifying key materiality issues and constantly reviewing them allows the Company to assess their current strategy toward addressing these issues. These material topics are identified based on its importance to stakeholders vis-à-vis its importance to the business.

MATERIALITY MATRIX



The bubbles in teal, light blue, and dark blue signify the identified material environmental, social, and governance topics respectively. Identified topics are rated from 1-10 with 10 being the highest. The x-axis represents the topic's importance to the business while the y-axis represents the topics important to the Company's internal and external stakeholders. The topic's financial impact is illustrated by the size of the bubble for each material topic.

2020 ENVIRONMENTAL PERFORMANCE

The Group monitors the intensity of its energy and water consumption, emissions and waste generation to implement the necessary measures to reduce and efficiently manage its resources. Before the pandemic, the Company installed energy-saving fixtures that helped lessen the energy consumption in its developments.

ENERGY-SAVING INITIATIVES

PROJECT	OUTCOME
Conversion of CT Fans to fiberglass reinforced plastic (FRP) at Eastwood Mall, Lucky Chinatown Mall, Venice Grand Canal Mall, and Uptown Mall	25-30% less energy consumption, improvement of airflow and equipment's life
Installation of 1.04-MW solar panels at the Iloilo Festive Walk and Uptown Parade roof decks	Less carbon emission and less energy cost on end-user
Eastwood Mall escalator modification and parking lights automation	Lesser energy consumption during off-peak hours
Reduction of equipment operations	
Water retention systems in townships	Reduction of flooding in townships

At the height of the pandemic, Megaworld registered a lower operating tempo; there generally has been a decrease in the Company's emissions, electricity and water usage and waste generation.

For 2020, environmental data were gathered from the Group.

GHG emissions	ABSOLUTE EMISSION (tCO^2e)	EMISSION INTENSITY BY FLOOR AREA (tCO^2e/m^2)	EMISSION INTENSITY BY EMPLOYEES (tCO^2e/FTE)	EMISSION INTENSITY BY REVENUE (tCO^2e/ MILLION PHP)
Scope 1*	14,900	0.003555	2.74	0.3428
Scope 2**	86,903	0.020734	15.99	1.9991
Scope 3***	178	0.000043	0.03	0.0041
TOTAL	101,981	0.024332	18.76	2.346

*Direct greenhouse gas (GHG) emissions from facilities and Company-owned vehicles
**Purchased and used electricity by the Company
***Group activities occurring in sources it does not own nor control

WATER USAGE

WATER TYPE (m^3)	2020	2019
Water sourced from third-party utilities	2,154,933	3,884,189
Water sourced from abstracted water	512,925	51,050
Water treated	13,053	6,096
Water reused	141, 341	15,000

Megaworld's sewage treatment facilities allow the Company to treat, disinfect and reuse its water. In 2020, the total amount of water reused by the Company amounted to 141,341 m^3. The Company also installed rainwater catchment facilities in several of its townships and implemented water conservation practices.

WASTE GENERATED

WASTE TYPE (IN TONNES)	MEGAWORLD	GERI	EMPIRE EAST	TOTAL
Non-hazardous waste	11,003	410	22	11,436
Hazardous waste	143	4	-	147
TOTAL	11,146	414	22	11,583

Megaworld started monitoring its waste generated in its other business segments. Major types that contributed to the total waste generated for the year were solid waste such as glass, plastic, sludge and paper. Apart from introducing the "Zero Waste Lifestyle" movement to encourage the townships' residents on proper waste segregation and management, the Company also follows government protocols in its waste disposal. To minimize waste in its construction projects, the Company's excess construction materials such as tiles, furniture, lighting and other items are reallocated to its other projects. For its electronic waste, Megaworld complies with the disposal criteria and engages the external processors in signing the Non-Disclosure Agreement (NDA) sighting Data Privacy Rights in accordance to RA10173 or the PHL Data Privacy Act of 2012 (DPA). Records or files are copied to a backup server (an on-premise and offsite backup server) before the hard drive data is wiped out to prevent data recovery.

INTENSITY OF MEGAWORLD'S OPERATIONAL GHG EMISSIONS, WATER CONSUMPTION, AND WASTE GENERATION

INTENSITY		PER SQ.M.	PER EMPLOYEE	PER MILLION PHP
GHG Intensity (tCO^2e/)	Scope 1	0.003555	2.74	0.3428
	Scope 2	0.020734	15.99	1.9991
	Scope 3	0.000043	0.03	0.0041
Water Use (m^3/)		0.67	519.37	64.92
Waste Generated (tonnes/)		0.00276	2.13	0.27

Megaworld's Adopt-a-Forest project to provide additional income for partner communities

In December 2020, Megaworld planted 6,007 cacao seedlings under its Adopt-a-Forest program. Once the seedlings are ready, they will be transferred to the Company's 240-hectare adopted forest sites. Cacao was the crop of choice due to its high demand in both the international and local markets. This project will help generate alternative income sources for three barangays in Miag-ao, namely Alimodias, Dalije and Cabalaunan. The program aims to teach the community to become stewards of nature rather than relying on *kaingin*.

VALUING OUR PEOPLE AND PARTNERS

Megaworld empathizes with its employees and communities. The Company prioritized its people by providing programs and initiatives that alleviate their lives during difficult times due to the pandemic.

At the height of the pandemic, Megaworld immediately implemented a strategy for its employees' health and safety while ensuring business continuity. The Company immediately shifted to a work-from-home arrangement for the non-essential workforce. The Company provided its people the necessary technology, training and support for them to do their job well.

TOTAL NO. OF EMPLOYEES BY GENDER AND POSITION

GENDER	EXECUTIVE	NON-EXECUTIVE
Male	73	2,437
Female	68	2,856

TOTAL NO. OF EMPLOYEES BY AGE AND POSITION

AGE	EXECUTIVE	NON-EXECUTIVE
<30	1	2,802
30-50	72	2,278
>50	68	213

EMPLOYEE TRAINING AND DEVELOPMENT

Megaworld recognizes and supports its employees in terms of developing their skills and knowledge. In addition, bi-annual performance reviews are conducted to support the employee's career development and progression, as well as merit enhancement.

886,634
Hours of training completed

PhP 9,734,048
Total expenditure on employee training programs

100%
of all male and female employees receive regular performance and career development reviews

EMPLOYEE BENEFITS

The Company provides several government-mandated and voluntary benefits to its employees. These benefits include leaves, salary loans, saving benefits, several loan options, medical benefits, and flexible working hours, among others.

QUARANTRAINING PROGRAMS FOR EMPLOYEE DEVELOPMENT

The current situation continues to affect a person's physical and psychological well-being. Megaworld assures its employees that the Company will continue to support them and provide them with programs that aid in the growth and development of their overall well-being. Apart from the regular training programs of the Company, Megaworld also introduced the "QuaranTraining" Programs designed to help enhance the employee's work-related skills and, at the same time, provide sessions on how people can care for themselves better. Topics discussed in the program included being resilient, gearing up for change, how to have better relationships with colleagues, and thriving in the new normal.

EMPLOYEE TESTIMONIALS ON WEBINARS ATTENDED

Kevin Cliff Icabales

The QuaranTraining session was really helpful during this pandemic season because it did not let us stop learning despite the situation. Another thing that I'm grateful for about our QuaranTraining is being connected with people. A simple virtual "kamusta" from my colleagues is enough to fuel up my day. Our lifestyles may have been changed drastically by a pandemic but as long as we trust God and support each other, we can continue to move forward.

I like most is the **Positivity in the Workplace webinar** because I've learned that one optimistic person in a community can change the atmosphere. The one thing that struck me the most is that we have to be grateful for the things we have right now. Use whatever tools we have in the current situation to turn this adversity into an opportunity. Staying positive is a choice, not a decision. We should be composed and well-mannered to bring out the best in us for others to be motivated. We can start with gratitude, kindness, and compassion.

Derrick Candelaria

The QuaranTraining session was a great experience and helped remind me of the importance of mental wellness not just my physical wellness.

The Mental Health: Awareness and Wellness in the time of Pandemic webinar is one of my favorites! Now, I check on everyone in the household every so often - on how they are if they have any worries. This is also something I relay to friends. Share the love ba.

It taught us to be united as a company, and best of all, that life goes on even during a pandemic.

Gerard Vito

Last year, 2020, became one of the most challenging year for mankind. It was when the world was struck by a pandemic which left almost everyone in an anxious mode. People don't know how to adjust, adapt, and continue with life. I myself don't know how to be grounded as well. But good thing that Megaworld Learning Academy conducted series of QuaranTrainings last May. Not only that we learn new things but it also kept our sanity.
In a pandemic, it's not just physical health that's important, but also our mental health. And because of **The Mental Health: Awareness and Wellness in the time of Pandemic webinar**, our minds become healthy as well with all the topics being shared to all employees.

The training sessions taught us to be even more grateful to appreciate even the simplest things. It taught us to be united as a company, and best of all, that life goes on even during a pandemic. There's always a silver lining amidst these adversities. More power, and I'm excited for the next series of QuaranTrainings.

Gerald Roxas

The Gsuite in the ECQ Context webinar is one of the best and engaging seminars in terms of corporate technical trainings or tutorials! The speaker is very clear and materials are easy to follow! Thanks MLA!

MAKING OFFICE SPACES SAFER

Megaworld implemented a strategy to make sure that its office spaces are safe. The Company decentralized its office spaces for on-site employees to work in the office closest to their area of residence. Apart from the head office, Megaworld opened two office locations at Global Corporate Plaza in Eastwood City, and Two World Square in McKinley Hill. The Company also provided employees lodging in nearby Megaworld-owned hotels. Strict health and safety protocols and guidelines were also implemented in the offices, along with sanitation and disinfection procedures conducted daily and on the weekends.

Employees first had to be tested to ensure they are fit to work. All employees were required to submit a health declaration and disclosure form, then assessed by the Company nurse to ensure that employees are healthy before being given a back-to-work clearance that they have to present at their designated offices. Employees also had to submit a daily health declaration form to monitor their health. Necessary precautions can be advised by the nurses in case they are suffering from any ailment. Megaworld also gave out customized face masks, face shields, and vitamins to ensure the employees' health and safety on-site.

In 2020, Megaworld and its subsidiaries reported a total of 414 recorded incidents for permanent employees and one incident for a contractual employee.

WORKPLACE SAFETY

0	0	0	0.18
Fatal incidents causing deaths	Diseases	Serious injuries	Total recordable incident rate (TRIR) for Permanent Employees*

**estimated based on number of incidents, average working hours, and total working days in the Philippines in 2020*

FINANCIAL ASSISTANCE PROGRAMS

Even as the Company remains committed to contributing to the job generation target of the Group, Megaworld focused much of its efforts during the year on preserving the jobs of its existing workforce, especially those in the retail and hospitality sectors, which were the most affected by the lockdowns and travel restrictions implemented during the year. Apart from providing the Company's employees their full salaries, the Company also deferred payment on their loans and provided financial assistance programs. The personnel in Megaworld's hospitality sector were also reassigned to other roles within the Company's business segments to ensure their employment.

WORKING WITH OUR VENDORS, SUPPLIERS, AND RETAIL PARTNERS

The pandemic changed the business landscape. Megaworld and its partners had to ensure the safety and health of its people while ensuring business continuity. The Company provided the necessary protocols, training and technology to make transactions easier while also considering each party's health and safety.

The first thing Megaworld did was to digitize its documents and move to cashless payment channels for easier and faster transactions. The Company conducted a virtual orientation for its vendors, suppliers and retail partners to be familiar with the overall process. Electronic documents were also provided to them. Communications also shifted to digital to lessen face-to-face interactions. These initiatives resulted in faster turnaround times for vendor and contractor payments.

The Company also implemented "New Normal Guidelines" for its vendors, suppliers and retail partners across all locations and construction sites. They were also provided with personal protective equipment (PPEs), disinfectant alcohol and shuttle services, with select employees given accommodations and food rations. Project timelines were also moved in consideration of the current situation and the potential threats to people's health.

Low sales were of concern to the vendors, suppliers and retail partners. Megaworld addressed this by partnering with delivery and logistics companies and designating delivery pick-up points for easier product deployment. This helped encourage buyers to shop conveniently while minimizing face-to-face interactions. Financial assistance was also provided, such as rental concessions for the Company's retail partners to help ease their financial burden. Digital promotions were also conducted to enable vendors and suppliers to reach out more effectively to their customers.

EMBODYING THE SPIRIT OF MALASAKIT BY CARING FOR OUR COUNTRYMEN

The COVID-19 pandemic greatly affected the lives of everyone. As part of Megaworld's sustainability thrust toward societal development, the Company extended its people-centric approach, not only to its employees and partners, but also to fellow countrymen by launching several initiatives that addressed their immediate needs during the height of the lockdowns.

COVID-19 INITIATIVES

Citylink Assistance to DOTr

From March 23 to October 31, 2020, 28,088 frontliners were provided free transport with daily routes from Alabang to St. Lukes, Fort Bonifacio, Alabang to Las Piñas, and vice versa.

Donation of relief goods and other items

- Megaworld donated COVID-19 essentials to the Presidential Security Group team on September 16, 2020.
- Officers in NCR Border Security checkpoints were provided with bottled water, tetra pak juice, and McDo burgers during the enhanced community quarantine on March 16, 2020.
- Relief goods and disinfection items were provided to the LGU, PNP, and BGP in Parañaque and several communities in Region IV-A, particularly in Batangas, Laguna, and Cavite.

PhP 60 million-worth COVID-19 test labs donated to the Philippine Red Cross

Four new COVID-19 test labs with each having two RT-PCR (reverse transcription polymerase chain reaction) machines, one RNA machine that speeds up the test capability of the laboratory, a medical lab freezer, and a bio-safety cabinet that protects samples from contamination. The new labs can conduct 10,000 tests daily, with test results made available after three hours.

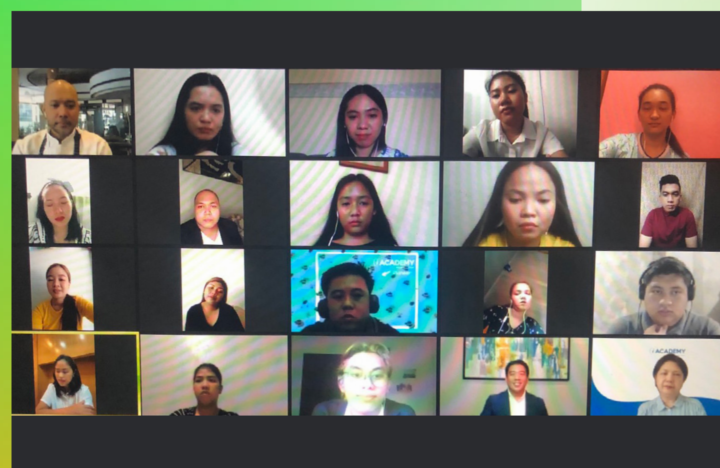
Eat Out and Help Out

A Megaworld Lifestyle Malls initiative, the Eat Out and Help Out program donates a hearty meal to a medical frontliner for every PhP 1000-worth dine in in a Megaworld lifestyle mall restaurant. This initiative also helps restaurant workers keep their job. By the end of the project, 10,000 nurses and other medical frontliners were provided with meals.

Megaworld extended its people-centric approach, not only to its employees and partners, but also to fellow countrymen.

B.E.A.T. Webinar held for students to get a glimpse of the future of the hotel industry

On June 5, 2020, Megaworld Hotels, together with i-Academy, held the pilot webinar Balance.Evolve.Adapt. Thrive (B.E.A.T.): A Pandemic Survival Guide for Tourism and Hospitality students to give them a glimpse of the local hospitality industry. Through the webinar, the five-day training program was introduced where select students can learn key topics and skills related to hotel management. From the 165 attendees of the pilot webinar, 20 hand-picked students were given access to the five-day training program facilitated by experts from Megaworld Hotels.



Appreciation Day for our Frontliners held at Eastwood City

Eastwood City residents expressed their appreciation and thankfulness to the frontliners by holding an Appreciation Day last April 12, 2020. The event was facilitated by ECEA and Commercial Admin.

MEGAWORLD FOUNDATION-LED PROGRAMS

Over the past 23 years, Megaworld Foundation has been a beacon of hope not only to its scholars but also to underprivileged families belonging to the Company's various partner communities. Through its employees, Megaworld, with its own family culture, showed empathy and compassion in many ways, helping provide resources to Filipinos during the uncertainty of the pandemic. In 2020, the Foundation reached out to its scholars as well as to different communities through diverse programs implemented throughout the year.

SUPPORT FOR EDUCATIONAL INITIATIVES

Access to education is a primary focus of Megaworld. Megaworld Foundation initiated several projects to continue making learning more accessible.

TAKING THE EXTRA MILE FOR THE LAST MILE

Motorized school boats were given to the following schools in partnership with the Yellow Boat of Hope Foundation: 1) Luuk Tungkil Elementary School in Banguingui, Sulu, which have spared the students from swimming nearly six kilometers back and forth in remote areas; and 2) Pamarawan Elementary School in Malolos, Bulacan. The boats used by the school are the first of their kind to help students that live along the coastal waters. Currently, the boats are used to transport learning modules to the students' homes.

A **furnished container van classroom/library** in the mountainous Quezon Province was provided to the Tagkawayan community. This benefitted the students of Maguibay Elementary School in partnership with JCI Manila. The books in the container van classroom/library have been given to the students as useful learning materials alongside their modules.

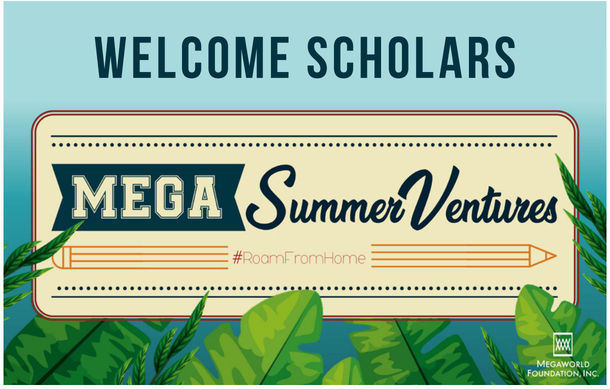
An **e-Learning Facility** in Alabang was sponsored in partnership with SOS Children Villages. The facility comes equipped with a laptop, a smart TV, and a USB— equipment ideal for digital learning modules and online learning activities

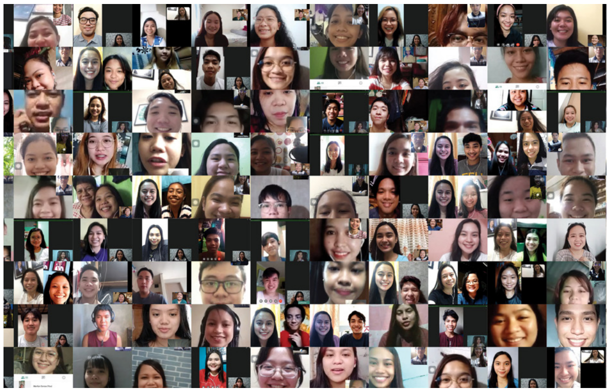
Printers were provided to support the Department of Education's Distance Learning System, "Adapting to the New Normal." In total, five printers and other materials were donated for the production of printed modules.

The **Eskwela ng Bayan: Summer Activity** allowed 30 students from SOS Children Villages to receive learning materials and educational books. In addition, the Foundation monitored the students' weekly progress and provided pre- and post-tests to track their improvement.

SCHOLARS' ACTIVITIES

Apart from financial support, Megaworld created programs and activities that helped uplift students, enabling them to remain optimistic during the pandemic.





MEGA SUMMER VENTURES #ROAMFROMHOME is a social media-based group for scholars where activities are conducted and regular motivational posts are posted. In three months, the scholars effectively learned new skills, boosted their creativity, made new friends, and felt more enthusiastic about the incoming school year.

In VIDEO CALL-MUSTAHAN, the Foundation and its scholar-alumni took the time to check on each scholar. The scholar-alumni stepped into the metaphorical role of elder siblings to the current scholars, giving them advice on how to remain positive during such an uncertain time.

MEGA MALASAKIT

Despite the challenging situation, Megaworld Foundation saw an opportunity to make people smile through the initiatives under the Mega Malasakit program.

ENGAGING THE YOUTH was an event where hundreds of Megaworld scholars created collages containing words of encouragement for the country's frontliners. The initiative reached and inspired thousands of people online through the Foundation's official social media accounts.

"Thank you to our frontliners. Your service is heroism."

"Thank you for your unwavering and selfless dedication to serve. Because of you, we see a brighter tomorrow."

"We pray for your health. Thank you ♥ frontliners!"

BRINGING JOY FROM A DISTANCE is a Foundation-initiated outreach program. The Foundation provided food and planting kits for the elderly beneficiaries of Golden Reception and Action Center for the Elderly and other Special Cases (GRACES), as well as meals and painting kits for the children beneficiaries of Jardin de Maria (Somascan Sisters) Foundation, Inc. It was the Foundation's way of making the children and the elderly happy despite the lack of face-to-face interactions.

COVID-19 RESPONSE INITIATIVES were undertaken to support frontliners, vulnerable sectors, and poverty-stricken communities.

Frontliners

- Meals delivered to various hospitals, local government units, and military checkpoints
- Disinfectant supplies for hospitals
- Personal Protective Equipment (PPE) for government frontliners

Support for the Vulnerable Sectors (Children, the elderly, and Indigenous People)

- Face masks and vitamins for children of Virlanie Foundation and CRIBS Foundation
- Face masks and vitamins for the elderly of the Hospicio de San Jose and relief assistance for Anawim Lay Missions
- Relief goods as well as a Christmas feeding program for the Aeta community in Tarlac

Support for poverty-stricken Communities

- Relief goods for residents of Barangay Calawis, including the Dumagat Tribe, in Antipolo, Rizal
- Face masks and alcohol for residents of Megaworld-Gawad Kalinga Village

RELIEF ASSISTANCE DURING CALAMITIES

Megaworld Foundation extended aid to Filipinos who were affected by a variety of calamities that hit the country throughout the year.

LENDS A HELPING HAND is a program that provided relief goods and face masks to families who sought refuge from the Taal Volcano eruption in public schools in Nasugbu, Batangas

The TAPIAN ELEMENTARY SCHOOL in Marinduque, which was severely damaged by several typhoons, was rehabilitated.

More RELIEF ASSISTANCE was given through Operation Blessing Philippines, GMA Kapuso, and Caritas Manila to individuals and families affected by typhoons Rolly and Ulysses

Megaworld Foundation will continue providing opportunities that inspire a better tomorrow.

Megaworld Foundation continues to provide assistance to its partner communities and fellow countrymen. Despite the challenges of the pandemic, the Foundation, along with Megaworld's employees and scholars, also created and participated in programs and initiatives that uplift lives. As the country slowly recovers from the pandemic's effects, Megaworld and Megaworld Foundation will continue providing opportunities that inspire a better tomorrow.

CONTRIBUTIONS TO THE SUSTAINABLE DEVELOPMENT GOALS

Megaworld ensures that its operations, along with its social and environmental initiatives, contribute to the United Nations Sustainable Development Goals (UN SDGs).

1 NO POVERTY	■ "The Gift of SMILE" outreach program at New Little Baguio Elementary School (food and toy provisions, and a year's worth of savings from the employees were given)
2 ZERO HUNGER	■ "Lokal Market" campaign in Southwoods Mall where local farmers and merchants had a designated space to sell local food, produce, and other products.
3 GOOD HEALTH AND WELL-BEING	■ Mega Malasakit: Response to COVID-19 ■ Gig-for-A-Cause (a one-night gig to raise donations to aid employees in their COVID-19 journey)
4 QUALITY EDUCATION	■ New Normal programs for the youth ■ Taking the Extra Mile for the Last Mile (support on access to education) ■ Support for DepEd's Distance Learning System: "Adapting to the New Normal" ■ Eskwela ng Bayan (Literacy and numeracy for indigent children ■ Christmas in Our Hearts (Employee initiative that provided supplies to schools) ■ School supplies for Oriental Mindoro
5 GENDER EQUALITY	■ Education scholarships for girls and other underprivileged children

6 CLEAN WATER AND SANITATION

- Plastic Segregation project launched in 2020 and being conducted in the Company's major townships. This equates to lesser or no solid waste in the township's sewage systems
- Provision of Sewage Treatment Facility (with disinfection process), implementation of water conservation programs, and strict compliance to RA 9275 and other water and wastewater-related regulations

7 AFFORDABLE AND CLEAN ENERGY

- Energy efficient lighting and cooling tower measures and exploring renewable energy options
- Energy efficient design for hotel rooms and property units

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

- Digital Transformation programs launched in the Company's corporate offices and subsidiaries for better productivity while working from home
- Megaworld Lifestyle Mall app where the mall's various services can be accessed in one app

11 SUSTAINABLE CITIES AND COMMUNITIES

- Healthy Building Campaign (microsites provided to existing clients)
- Multiple work locations strategy (two new office options provided to employees, namely Global Corporate Plaza in Eastwood City and Two World Square in McKinley Hill aside from the Company's head office, as part of the Business Continuity plan)

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

- Reallocation of excess materials from previous projects, use of natural materials

13 CLIMATE ACTION

- Adopt-a-Forest is a program where the Company planted asexually propagated cacao in its adopted 240-hectare forest sites. The cacao will provide an additional income source to three barangays

Corporate Governance

Mckinley Hill

Megaworld's Corporate Governance framework and policies ensure that the Company fulfills its long-term obligations toward all of its stakeholders. These mechanisms and processes enable Megaworld to run the business in a transparent and ethical manner as it achieves its goals, controls potential risks, and complies with industry standards.

OUR CORPORATE GOVERNANCE

Megaworld continues to embed in its business practice the principles of good corporate governance. The Company prepares an Integrated Annual Corporate Governance Report containing all the SEC-required information to give a complete picture of the Company's governance structure, decision-making processes, directors' obligations and remuneration, and any aspect that shareholders, investors, and stakeholders may find relevant with respect to the Company's management.

BOARD OF DIRECTORS

Megaworld's Board of Directors is primarily responsible for the governance of the Company. The Board is also responsible for fostering the long-term success of the Corporation by providing sound strategic policies and guidelines that guide the Corporation's activities toward achieving its corporate objectives. The Board also ensures that the Corporation complies with all applicable laws, regulations, and best business practices. Megaworld's Manual on Corporate Governance (Revised as of 31 May 2017) specifies the duties and functions of the Board.

To ensure a high standard of best practice for the Company, its stockholders and other stakeholders, the Board conducts itself with honesty and integrity in the performance of, among others, the following duties and functions:

- Formulate the Company's vision, mission, strategic objectives, policies and procedures that shall guide its activities.
- Oversee the development and approval of the Company's business objectives and strategy and monitor the implementation.
- Adopt an effective succession planning program for the directors and key officers.
- Provide sound strategic policies and guidelines to the Company on major capital expenditures.
- Ensure the Company's faithful compliance with all applicable laws, regulations and best business practices.
- Attend the relevant annual continuing training for at least four (4) hours for all directors.
- Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the Company.
- Identify the Company's stakeholders in the community in which the Company operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.
- Oversee and ensure that a sound enterprise risk management (ERM) framework is in place.
- Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions.
- Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.
- Establish and maintain an alternative dispute resolution system in the Company and oversee that an appropriate internal control system is in place.

COMPOSITION OF THE BOARD

Megaworld's Board is composed of seven (7) members, of which three (3) are independent directors. The membership of the Board is a combination of executive and non-executive directors (which include independent directors) so that no director or small group of directors can dominate the decision-making process. The non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board. Currently, the Board has directors with varied expertise in the fields of real estate development, property management, investment banking, corporate communications, tourism, food and beverage and financing

INDEPENDENT DIRECTORS

The independent directors shall serve for a maximum cumulative term of nine (9) years. After which, the independent director should be perpetually barred from reelection in the Company but may continue to qualify for nomination and election as a non-independent director. If the Company wants to retain an independent director who has served for nine years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting, which is allowed under existing SEC rules and regulations.

BOARD OF DIRECTORS

ANDREW L. TAN
CHAIRMAN AND PRESIDENT

Dr. Tan is the founder of the Company and has served as its Chairman and President since its incorporation in 1989. He pioneered the live-work play-learn model in real estate development through the Company's integrated township communities, fueling the growth of the business process outsourcing (BPO) industry. He embarked on the development of integrated tourism estates through publicly-listed Alliance Global Group, Inc. and Global-Estate Resorts, Inc., which he both chairs, while continuing to focus on consumer friendly food and beverage and quick service restaurants. Dr. Tan serves as Chairman of the Board of Empire East Land Holdings, Inc., a publicly-listed subsidiary of the Company, and Suntrust Properties, Inc., a subsidiary engaged in the development and marketing of affordable housing projects. He also serves in the boards of other Megaworld subsidiaries including Eastwood Cyber One Corporation, Megaworld Land, Inc., Megaworld Central Properties Inc., Megaworld Bacolod Properties, Inc., Mactan Oceanview Properties and Holdings, Inc., Megaworld Newport Property Holdings, 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. Dr. 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.

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. and Director and President of Andresons Global, Inc., Raffles & Company, Inc., The Andresons Group, 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

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, President and Chief Operating Officer of publicly-listed Alliance Global Group, Inc. and Travellers International Hotel Group, Inc. He is the Chairman and President of Prestige Hotels & Resorts, Inc. and Luxury Global Hotels and Leisure, Inc., the Senior Vice President of Megaworld Land, Inc. and the President of Eastwood Cyber One Corporation. Mr. Sian was formerly a Vice President of FPB Asia Ltd/First Pacific Bank in Hong Kong from 1990 to 1995. Prior to that, hewasconnected 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 formerly a Vice President for the Corporate Communications & Advertising Division of the Company until his retirement in March 2011. He is concurrently a Director of publicly-listed Empire East Land Holdings, Inc. and 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 Soho Cafe & Restaurant Group, 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.

CRESENCIO P. AQUINO

INDEPENDENT DIRECTOR

Atty. Aquino is currently the Managing Partner of The Law Firm of CP Aquino & Partners. He concurrently serves as independent director in the boards of publicly-listed, Global-Estate Resorts, Inc. and Empire East Land Holdings, Inc. He is a graduate of the San Sebastian College Manila with degrees in Bachelor of Arts and Bachelor of Laws. Atty. Aquino has extensive experience in both the public and private sectors as Director of Clark Development Corporation from 2012 to 2016., Independent Director of Suntrust Home Developers, Inc. from 2009 to 2012, Corporate Legal Counsel of MBF Card and One Card Corporation from June 1998 to May 2004, Special Assistant and Chief Legal Counsel of the Government Service Insurance System from September 1992 to June 1998, Director of the Meat Packaging Corporation of the Philippines from September 1992 to June 1998, Personnel and Administrative Manager, Corporate Secretary and Chief Legal Counsel of ComSavings Bank from September 1992 to June 1998, and Executive Director of the Department of Interior and Local Government ("DILG") from 1988 to 1992, and concurrently Ex Officio Commissioner of the DILG with the Housing and Land Use Regulatory Board also for the same period. Atty. Aquino He was formerly an Associate Professor with the SanSebastian College. Atty. Aquino has been a member of the Integrated Bar of the Philippines since 1978 and is also a member of the Capitol Bar Association, Knights of Columbus, and the Lawyers League of the Philippines.

ROBERTO S. GUEVARA
INDEPENDENT DIRECTOR

Mr. Guevara has been an Independent Director of the Company 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 G & S Transport Corporation, a licensee of Avis Car Rentals, Guevent Industrial Development Corporation, and Investment and Capital Corporation of the Philippines, and as Independent Director of First Centro, Inc., Honeycomb Builder and Kalahi Realty, Inc. Mr. Guevara graduated from SanBeda College in 1974, and received a graduate degree from the Asian Institute of Management and a post graduate course at the Institute for Management Development (IMO), in Lausanne, Switzerland.

JESUS B. VARELA
INDEPENDENT DIRECTOR

Mr. Varela has served as Director of the Company since June 2016. He concurrently serves as independent director in the boards of publicly-listed, Global-Estate Resorts, Inc. and Travellers International Hotel Group, Inc. He is also the Chairman of the Philippine Chamber of Commerce and Industry, GS1Philippines (Barcode of the Philippines), 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 Foundation for Crime Prevention, Philippines-Greece Business Council and Philippines-Peru Business Council. He is also the Director General of the International Chamber of Commerce Philippines (ICC-Philippines), 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 Attache 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.

ORIENTATION AND EDUCATIONAL PROGRAM FOR DIRECTORS

Megaworld ensures that it provides its directors with updates on current trends and relevant training. The Company allocates an annual training budget for its directors/officers to attend continuing professional development programs and other applicable courses, conferences, and seminars. All new directors must undergo an orientation program on the Company's business and structure, vision and mission, business strategy, Governance Codes and Policies, Articles, By-Laws, Corporate Governance Manual, Board and Committee Charters, SEC-mandated topics on governance matters and other subjects essential for the effective performance of their duties and responsibilities. These training programs enable the directors to continue enhancing their knowledge and skills so they can create better strategic solutions for the Corporation.

NAME OF DIRECTOR AND OFFICERS	DATE OF TRAINING	PROGRAM TITLE	TRAINING INSTITUTION
Andrew L. Tan	December 22, 2020	2020 Annual Corporate Governance Seminar: Stay Updated in New Normal	Center for Training and Development Inc.
Katherine L. Tan			
Kingson U. Sian			
Enrique Santos L. Sy	December 10, 2020		
Jesus B. Varela			
Cresencio P. Aquino			
Roberto S. Guevara			
Lourdes T. Gutierrez-Alfonso			
Kevin Andrew. Tan	December 22, 2020		
Francisco C. Canuto	December 10, 2020		
Giovanni C. Ng			
Philipps C. Cando			
Jennifer T. Romualdez			
Maria Carla T. Uykim			
Maria Victoria M. Acosta			
Noli D. Hernandez			
Graham M. Coates			
Rafael Antonio S. Perez			
Kimberly Hazel Sta. Maria			
Cherryll B. Sereno			
Anna Michelle T. Llovido	December 22, 2020		

Megaworld continues to embed in its business practice the principles of good corporate governance.

MEETINGS AND ATTENDANCE

The Company's regular board meetings are scheduled and conducted monthly. Special meetings of the Board may be called upon depending on the exigencies and requirements of the Company.

As provided by Revised Manual on Corporate Governance, the members of the Board, including Independent Directors, should attend all its regular and special meetings in person or through teleconferencing if applicable, conducted in accordance with the rules and regulations of the Commission, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so. The absence of Independent Directors, however, shall not affect the quorum requirement.

NAME	BOARD	DATE OF ELECTION	MEETINGS FOR THE YEAR	MEETINGS ATTENDED	PERCENT
Andrew L. Tan	Chairman	August 24, 2020	15	15	100%
Katherine L. Tan	Member				
Kingson U. Sian					
Enrique Santos L. Sy					
Jesus B. Varela	Independent				
Cresencio P. Aquino					
Roberto S. Guevara					

REMUNERATION

The members of the Board receive a standard per diem for attendance in Board meetings. In 2019 and 2018, the Company paid a total of Seven Hundred Thousand Pesos (PhP 700,000.00) each year, for directors' per diem. For 2020, the Company has allocated Eight Hundred Thousand Pesos (PhP 800,000.00) for directors' per diem. Other than payment of the amount, there are no arrangements pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly, during the year ended December 31, 2019 and the ensuing year, for any service provided as a director.

BOARD COMMITTEES

1 Executive Committee

The Executive Committee is composed of not less than three (3) members of the Board of Directors appointed by the Board. The Executive Committee shall act by a majority vote of all its members regarding the competence of the Board of Directors, except those concerning the: approval of any action where shareholders' approval is also required; filing of vacancies in the Board; amendment or repeal of By-Laws or the adoption of new By-Laws; amendment or repeal of any resolution of the Board of Directors which, by its express terms, is not so amendable or repealable; and distribution of cash dividends to shareholders.

2 Audit Committee

The Audit Committee is responsible for ensuring that all financial reports comply with internal financial management and accounting standards, performing oversight financial management functions, pre-approving all audit plans, scope and frequency and performing direct interface functions with internal and external auditors. On October 3, 2012, the Board approved the Audit Committee Charter provided for the purpose, membership, structure, operations, duties and responsibilities of the Audit Committee. The Company's Audit Committee has three members, two of whom are independent directors.

3 Corporate Governance Committee

The Corporate Governance Committee is tasked to assist the Board with its corporate governance responsibilities. It also oversees the implementation, review and periodic evaluation of the corporate governance framework and also recommends continuing relevant training programs for the directors. The committee assigns tasks/projects to other board committees and is tasked in creating the succession plan for the board members and senior officers, and remuneration packages for corporate and individual performance.The committee established a formal and transparent procedure in developing the remuneration policy for directors and officers. It is also responsible for determining the nomination and election process for the Corporation's directors and the general profile of board members and ensuring that this process is conducted in accordance with qualifications prescribed by Philippine law and the Company's Manual on Corporate Governance.

4 Board Risk Oversight Committee

The Board Risk Oversight Committee is responsible for the development, evaluation, and oversight of the Corporation's Enterprise Risk Management system to ensure its functionality and effectiveness. It also advises the Board on its risk appetite levels and risk tolerance limits, and reviews the Company's risk appetite levels and risk tolerance limits based on changes and developments in the business.

5 Related Party Transaction Committee

The Related Party Transaction Committee is responsible for reviewing all material related party transactions (RPTs) of the Company. This committee constantly evaluates the existing relations between and among business and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. The committee also evaluates all material RPTs to ensure that these are not undertaken on more favourable economic terms.

BOARD OF COMMITTEES	CHAIRMAN	MEMBERS
Executive Committee	Andrew L. Tan	Kingson Sian Cresencio P. Aquino (ID)
Audit Committee	Jesus B. Varela (ID)	Cresencio P. Aquino (ID) Andrew L. Tan
Corporate Governance Committee	Cresencio P. Aquino (ID)	Roberto S. Guevara (ID) Jesus B. Varela (ID)
Board Risk Oversight Committee		Roberto S. Guevara (ID) Enrique Santos L. Sy
Related Party Transaction Committee		Roberto S. Guevara (ID) Enrique Santos L. Sy

COMPANY'S POLICIES

1 Whistle-Blowing Policy

The Company implements its Whistle-Blowing Policy to encourage and promote honest and ethical work behavior across the conglomerate. The Committee on Ethics accepts reports of wrongdoing by the Company's directors, senior management and employees and investigates them while at the same ensuring confidentiality of information.

2 Conflict of Interest Policy

The Company implements its Conflict of Interest policy that outlines the procedures should a conflict of interest exist between the employee's or director's personal interests and the interests of the organization. A director should not use his position to profit or gain some benefit or advantage for himself and his related interest. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process.

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

3 Insider Trading Policy

The Company abides by the provisions of law set forth in the Securities Regulation Code and implements policies and procedures that prevent unauthorized disclosure or misuse of non-public information in securities trading. A director should keep secure and confidential all non-public information he may acquire or learn by reason of his position as director. He should not reveal confidential information to unauthorized persons without the authority of the Board.

4 Related Party Transactions Policy

The Company adopts a group-wide Material RPT policy encompassing all entities within the conglomerate and provides a mechanism for the identification, review, approval and reporting of RPTs, and the determination, monitoring and management of Material RPT in compliance to the Material RPT Rules mandated in Securities and Exchange Commission ("SEC") Circular No. 10-2019. The RPT Committee, composed of at least three (3) directors, two of whom are independent, including the Chairman, are tasked to review and evaluate Material RPTs.

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

The Company is committed to maintaining a safety and security program for its employees, which is periodically updated and revised. The Company provides free health care coverage to its employees. The Company periodically upgrades its security procedures and facilities to ensure the safety of employees in the workplace. The Company recently established the Megaworld Learning Academy ("MLA"), which institutionalized training programs for all employees with the view of improving organizational performance through professional development. The MLA seeks to address the developmental needs of employees through Orientation Programs, Institutionalized Programs, Career Development Programs, Management Development Programs, Leadership Programs, and other training programs.

ENTERPRISE RISK MANAGEMENT

In the Corporation's Code of Corporate Governance, among the main responsibilities of the Corporation's Board of Directors is to identify key risk areas and performance indicators and monitor these factors with due diligence to enable the corporation to anticipate and prepare for possible threats to its operational and financial viability.

Furthermore, the Securities and Exchange Commission (SEC)'s Memorandum Circular #19, series of 2016, requires companies to have a strong and effective internal control system and enterprise risk management framework to ensure integrity, transparency and proper governance in the conduct of its affairs.

It is in this view that an enterprise-wide approach to risk management is deemed critical in providing the Board and Management with reasonable assurance that risks – which may adversely affect the corporation's ability to achieve its business objectives, comply with regulatory requirements and maximize shareholder value—are identified, monitored and effectively mitigated.

To ensure that needed measures are in place, the Corporation has established an Enterprise Risk Management (ERM) Process that will provide a focused and disciplined approach to managing these risks. The Corporation shall proactively manage its perceived risks by continuously identifying, mitigating or controlling, and monitoring serious risks in collaboration with key risk owners, critical support units, and, if necessary, with proper external entities.

STATEMENT OF POLICY

The Corporation adopts a comprehensive approach to understanding and proactively managing the risks it faces. Megaworld recognizes taking business decisions that entail calculated risks and managing those within approved tolerances is fundamental to delivering long-term value to shareholders and meeting the Corporation's commitments to employees, office partners, customers, contractors, business partners, and members of the communities in which the Corporation does business. Risk management must be integrated into the day-to-day management and operation of the business. It should guide the Corporation's decision-making and form an integral part of the Corporation's culture. Megaworld's risk management strategies are guided by the ISO 31000 Risk Management Standard and other applicable international standards.

THE RISK ASSESSMENT PROCESS

With effective risk management being vital to the continued growth and success of the Corporation, Megaworld commits to the following:

1. Risks faced by the Corporation shall be identified, monitored, and managed effectively to the best of our ability at all times. The Corporation will use its risk management capabilities to maximize the long-term fundamental value of its assets, existing business portfolio, and future business opportunities.

2. Enterprise Risk Management will be embedded in the Corporation's critical business activities, functions, and processes. The understanding of key risks and the Corporation's appetite and tolerance for these risks will be critical considerations in the various decision-making processes involving our business units, including project planning, launch and delivery, capital and resource allocation, investment and partnering opportunities, business operations, sales and marketing, service support, and others.

3. A robust risk assessment system, methodology, and reporting structure will be used with all risk issues identified, analyzed, assessed, and monitored in a consistent manner. Risk controls will be designed and implemented to reasonably assure the achievement of the Corporation's goals and objectives. The effectiveness of these controls and the mitigating strategies and action plans will be systematically reviewed and, where necessary, improved. The performance of our risk management activities will be regularly monitored, reviewed, and reported. The risk management function will be implemented by the Opportunity and Risk Management (ORM) Department, with oversight from the Board of Directors through the Executive Committee and the Office of the Chief Operating Officer.

RISK IDENTIFICATION

The purpose of risk identification is to find, recognize and describe risks that might help or prevent an organization from achieving its objectives. Relevant, appropriate and up-to-date information is important in identifying risks.
Risk Analysis. The purpose of risk analysis is to comprehend the nature of risk and its characteristics including, where appropriate, the level of risk.

RISK EVALUATION

The purpose of risk evaluation is to support decisions. Risk evaluation involves comparing the results of the risk analysis with the established risk criteria to determine where additional action is required.

RISK TREATMENT

The purpose of risk treatment is to select and implement options for addressing risk. Risk treatment involves the process of formulating and selecting risk treatment options, planning and implementing risk treatment, assessing the effectiveness of that treatment, and deciding whether the remaining risk is acceptable. If not acceptable, taking further treatment.

KEY EXECUTIVE OFFICERS

1 **Andrew L. Tan**
President and Chief Executive Officer

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

3 **Kevin Andrew L. Tan**
Chief Strategy Officer

4 **Kingson U. Sian**
Executive Director

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

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

7 **Philipps C. Cando**
Senior Vice President and
Managing Director for Operations

8 **Jennifer L. Romualdez**
Senior Vice President and
Operations Management Head

9 **Maria Carla T. Uykim**
Corporate Advisory and
Special Projects Head

10 **Noli D. Hernandez**
Executive Vice President
and Sales & Marketing Head

11 **Maria Victoria M. Acosta**
Senior Vice President and
International Marketing Head

12 **Roland J. Tiongson**
Megaworld Premier Offices Head

13 **Graham M. Coates**
Megaworld Lifestyle Malls Head

14 **Cleofe C. Albiso**
Megaworld Hotels Head

15 **Rafael Antonio S. Perez**
Human Resources and
Corporate Administration Head

16 **Kimberly Hazel A. Sta. Maria**
Corporate Communications
and Advertising Head

17 **Jose Arnulfo S. Batac**
Estate Management Head

18 **Harold Brian C. Geronimo**
Public Relations and Media Affairs Head

19 **Cheryll B. Sereno**
Chief Risk Officer

Consolidated Financial Statements

MEGAWORLD CORPORATION

30th Floor, Alliance Global Tower, 36th Street Corner 11th Avenue, Uptown Bonifacio, Fort Bonifacio, Taguig City, NCR, Fourth District Philippines 1630
Tels (632) 8946300 / 9052800 • www.megaworldcorp.com • Email customerservice@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 financial statements, including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

ANDREW L. TAN
Chairman and Chief Executive Officer

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

Signed this 7th day of April 2021

CERTIFICATION INTERNATIONAL
ISO 9001:2015

1 2 APR 2021

SUBSCRIBED AND SWORN to before me on this ____ day of ______ at MAKATI CITY 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. 22;
Page No. 6;
Book No. 143;
Series of 2021

RUBEN T. M. RAMIREZ
NOTARY PUBLIC
UNTIL DEC. 31, 2021
IBP NO. 142536 / 01-04-21 CY 2021
ROLL NO. 28947 / MCLE 6 / 3-22-19
PTR NO. MKT.8533046/1-4-21 APPT NO. M-16

FOR SEC FILING

Consolidated Financial Statements and
Independent Auditors' Report

Megaworld Corporation and Subsidiaries

December 31, 2020, 2019 and 2018

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

T +63 2 8988 22 88

Report of Independent Auditors

The Board of Directors and Stockholders
Megaworld Corporation and Subsidiaries
(A Subsidiary of Alliance Global Group, Inc.)
30th Floor, Alliance Global Tower
36th Street cor. 11th Avenue
Uptown Bonifacio, Taguig City

Opinion

We have audited the consolidated financial statements of Megaworld Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, 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, 2020 and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

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Emphasis of Matter

We draw attention to Note 1 to the financial statements, which describes management's assessment of the continuing impact on the Group's consolidated financial statements of the business disruption brought by the COVID-19 pandemic. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

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

Description of the Matter

The Group's revenue recognition process, policies and procedures on real estate sales are significant to our audit because these involve the application of significant judgment and estimation. In addition, real estate sales and costs of real estate sales amounted to P24.9 billion or 57.2% of consolidated Revenues and Income and P13.8 billion or 41.9% of consolidated Cost and Expenses, respectively, for the year ended December 31, 2020. The areas affected by revenue recognition, which requires significant judgments and estimates, include determining when a contract will qualify for revenue recognition, measuring the progress of the development of real estate projects which defines the amount of revenue to be recognized and determining the amount of actual costs incurred as cost of real estate sales. These areas were significant to our audit as an error in application of judgments and estimates could cause a material misstatement in the consolidated financial statements.

The Group's policy for revenue recognition on real estate sales are more fully described in Note 2 to the consolidated financial statements. The significant judgments applied and estimates used by management related to revenue recognition are more fully described in Note 3 to the consolidated financial statements. The breakdown of real estate sales and costs of real estate sales are also disclosed in Notes 20 and 21, respectively, to the consolidated financial statements.

How the Matter was Addressed in the Audit

We obtained an understanding of the revenue recognition policy regarding real estate sales transactions and the related significant business processes of the Group.

Our procedures in testing the appropriateness and proper application of the Group's revenue recognition policy and process include tests of information technology general controls (ITGC) over the automated system which generated the data used as basis for adjustments. We also performed tests of mathematical accuracy and completeness of supporting contract summary, examination of supporting documents of a sample of agreements, and performed overall analytical review of actual results.

In addressing the risks of material misstatements in revenue recognition, we have performed inspection of sample agreements for compliance with a set of criteria for revenue recognition and test of controls over contract approval. We have also tested the reasonableness of management's judgment in determining the probability of collection of the consideration in a contract which involves a historical analysis of customer payment pattern and behaviour.

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Relative to the Group's measurement of progress towards complete satisfaction of performance obligation using the input method, we have tested the progress reported for the year in reference to the actual costs incurred relative to the total budgeted project development costs. Our procedures include test of controls over recognition and allocation of costs per project and direct examination of supporting documents. We have also performed physical inspection of selected projects under development to assess if the completion based on costs is not inconsistent with the physical completion of the project. In testing the reasonableness of budgetary estimates, we have ascertained the qualification of projects engineers who prepared the budgets and reviewed the actual performance of completed projects with reference of their budgeted costs.

In relation to cost of real estate sales, we obtained an understanding of the Group's cost accumulation process and performed tests of the relevant controls including ITGC. On a sampling basis, we traced costs accumulated to supporting documents such as invoices and accomplishment reports from the contractors and official receipts.

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

The Group's hotel operations segment continues to be adversely affected by the lower number of guests and reduced room rates, which significantly impacted the revenues reported for this segment. Meanwhile the Group's rental segment, both office and retail, are also affected due to temporary closures of non-essential stores during community quarantine, reduced foot traffic, lease concessions and restructuring and, more particularly for office rental, transition to work- from-home arrangements. The impairment of real properties under the hotel operations and rental segments is significant to our audit because the aforementioned events and conditions are impairment indicators requiring the assessment of the recoverable amount of property and equipment and investment properties, which involves significant judgment, estimation and assumptions. In addition, because of the Covid-19 pandemic, there is a heightened level of uncertainty on the future economic outlook and market forecast. In addition, real properties under hotel operations (part of property and equipment) and rental segments (part of investment properties) are significant to the financial statements and totalled P88.5 billion or 23.6% of consolidated total assets as of December 31, 2020.

The Group's policy for impairment of nonfinancial assets, which include property and equipment and investment properties, are more fully described in Note 2 to the consolidated financial statements. The significant judgments applied and estimates used by management related to impairment are more fully described in Note 3 to the consolidated financial statements. The segment information, carrying amount of property and equipment and carrying amount of investment properties are disclosed in Notes 4, 12 and 13, respectively.

How the Matter was Addressed in the Audit

We evaluated the appropriateness of the Group's policy on impairment of non-financial assets particularly in the determination of recoverable amount of real properties under hotel operations and rental segments, which includes key inputs such as cash flow forecast and discount rates. In testing the cash flow forecast, we considered the judgments, estimation and assumptions about occupancy rates, average room rates, average lease rates, restructuring and termination of lease contracts with consideration of the effect of COVID-19 pandemic, used in determining the recoverable amount. We also reviewed the growth rates used in determining the cash flow forecast. We reviewed the discount rate used by comparing it with current market data. We also involved our internal specialist in evaluating the methodologies used in estimating the recoverable amount.

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(c) Consolidation Process

Description of the Matter

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

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

How the Matter was Addressed in the Audit

We obtained understanding of the Group structure and its consolidation process including the procedures for identifying intercompany transactions and reconciling intercompany balances. We tested significant consolidation adjustments which include elimination of intercompany revenues, expenses and investments, reversal of unrealized fair value adjustments on intercompany investments, and recognition of equity transactions to measure non-controlling interest.

(d) Conduct of Remote Audit

Description of the Matter

The COVID-19 pandemic has prompted management and the audit team to have most of the audit conducted remotely. The current working arrangements are relevant and significant to our audit since it created an increased risk of material misstatement due to less in-person communication with the Group's management and personnel, and lack of access to the physical records and original documents. Given the changes in how the audit was performed, the audit necessitated exercising enhanced professional skepticism.

How the Matter was Addressed in the Audit

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

- Considered the nature of the engagement and the engagement team's knowledge of the entity and its environment when we decided whether it is possible to perform a significant portion of the audit remotely;

- Intensified the application of PSA requirements, especially in respect of providing proper supervision and review;

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

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- Determined the reliability of audit evidence provided electronically using enhanced professional skepticism and techniques designed to reinforce the skills of assistants in evaluating audit evidence obtained electronically;
- Performed inquiries through video conference calls in order to more effectively assess the facial expressions and body language of people being interviewed as well as to make the interaction more effective; and,
- Adhered to and applied strictly the Firm's reinforced and enhanced quality control process.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audits resulting in this independent auditors' report is Renan A. Piamonte.

PUNONGBAYAN & ARAULLO

By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 8533237, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 107805-SEC (until Dec. 31, 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-037-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 7, 2021

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019
(Amounts in Philippine Pesos)

	Notes		2020		2019
A S S E T S					
CURRENT ASSETS					
Cash and cash equivalents	5	**P**	**40,166,755,908**	P	23,104,875,672
Trade and other receivables - net	6		**31,576,137,172**		33,011,950,292
Contract assets	20		**13,265,242,603**		10,857,180,128
Inventories	7		**106,134,963,211**		102,845,390,540
Advances to contractors and suppliers	2		**11,659,294,719**		12,269,532,205
Prepayments and other current assets	8		**7,871,213,242**		8,417,232,219
Total Current Assets			**210,673,606,855**		190,506,161,056
NON-CURRENT ASSETS					
Trade and other receivables - net	6		**12,261,216,378**		11,797,389,071
Contract assets	20		**6,115,483,710**		7,785,824,559
Advances to contractors and suppliers	2		**3,871,630,205**		3,044,295,238
Advances to landowners and joint operators	10		**7,513,380,172**		7,058,884,461
Financial assets at fair value through other comprehensive income	9		**4,174,886,430**		4,498,219,487
Investments in associates - net	11		**3,443,096,702**		3,511,501,836
Investment properties - net	12		**114,982,489,429**		110,890,939,193
Property and equipment - net	13		**6,719,600,005**		6,702,251,003
Deferred tax assets	26		**339,876,737**		308,797,093
Other non-current assets - net	14		**5,595,153,322**		3,528,811,747
Total Non-current Assets			**165,016,813,090**		159,126,913,688
TOTAL ASSETS		**P**	**375,690,419,945**	P	349,633,074,744

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	Notes		2020		2019
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Interest-bearing loans and borrowings	15	**P**	**21,037,756,478**	P	14,502,531,496
Trade and other payables	17		**23,331,957,972**		19,306,782,624
Contract liabilities	20		**2,647,780,045**		1,703,947,321
Customers' deposits	2		**11,719,861,211**		10,716,803,253
Redeemable preferred shares	18		**251,597,580**		251,597,580
Advances from associates and other related parties	27		**2,683,950,114**		2,914,882,801
Income tax payable			**170,556,697**		257,776,843
Other current liabilities	19		**10,876,689,502**		7,890,196,049
Total Current Liabilities			**72,720,149,599**		57,544,517,967
NON-CURRENT LIABILITIES					
Interest-bearing loans and borrowings	15		**24,540,409,939**		36,753,944,493
Bonds and notes payable	16		**40,282,855,986**		24,623,883,690
Contract liabilities	20		**3,195,849,258**		3,509,607,722
Customers' deposits	2, 27		**2,968,470,263**		3,083,064,985
Redeemable preferred shares	18		**251,597,580**		503,195,160
Deferred tax liabilities - net	26		**11,563,425,960**		10,729,268,825
Retirement benefit obligation	25		**819,755,696**		1,249,574,818
Other non-current liabilities	19		**6,817,425,467**		6,770,494,579
Total Non-current Liabilities			**90,439,790,149**		87,223,034,272
Total Liabilities			**163,159,939,748**		144,767,552,239
EQUITY	28				
Total equity attributable to the Company's shareholders			**185,464,231,260**		178,464,085,321
Non-controlling interests			**27,066,248,937**		26,401,437,184
Total Equity			**212,530,480,197**		204,865,522,505
TOTAL LIABILITIES AND EQUITY		**P**	**375,690,419,945**	P	349,633,074,744

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, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2020	2019	2018
REVENUES AND INCOME				
Real estate sales	20	P 24,858,537,303	P 42,603,984,572	P 38,035,548,060
Rental income	12	12,932,770,278	16,814,091,846	14,264,916,931
Hotel operations	20	1,482,160,976	2,543,769,508	1,519,423,405
Equity share in net earnings (losses) of associates	11	(69,879,672)	(58,832,233)	92,307,592
Interest and other income - net	23	4,267,409,295	5,409,726,260	3,515,014,728
		43,470,998,180	67,312,739,953	57,427,210,716
COSTS AND EXPENSES				
Cost of real estate sales	21	13,790,525,832	23,379,819,000	20,521,249,555
Cost of hotel operations	21	963,104,532	1,381,156,765	820,752,636
Operating expenses	22	11,850,258,972	13,912,479,751	11,244,991,807
Interest and other charges - net	24	2,930,637,292	3,261,597,997	3,296,326,497
Tax expense	26	3,347,906,258	6,081,657,290	5,544,362,408
		32,882,432,886	48,016,710,803	41,427,682,903
PROFIT FOR THE YEAR BEFORE PRE-ACQUISITION INCOME		10,588,565,294	19,296,029,150	15,999,527,813
PRE-ACQUISITION INCOME OF SUBSIDIARIES	1	-	-	(166,475,960)
NET PROFIT FOR THE YEAR		P 10,588,565,294	P 19,296,029,150	P 15,833,051,853
Net profit attributable to:				
Company's shareholders		P 9,885,989,490	P 17,931,417,072	P 15,208,138,139
Non-controlling interests		702,575,804	1,364,612,078	624,913,714
		P 10,588,565,294	P 19,296,029,150	P 15,833,051,853
Earnings Per Share:	29			
Basic		P 0.295	P 0.546	P 0.469
Diluted		P 0.294	P 0.543	P 0.467

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, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2020	2019	2018
NET PROFIT FOR THE YEAR		**P 10,588,565,294**	P 19,296,029,150	P 15,833,051,853
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to consolidated profit or loss:				
Actuarial gains (losses) on retirement benefit obligation	25	**354,133,354**	(350,479,591)	313,543,907
Fair value gains (losses) on financial assets at fair value through other comprehesive income	9	**(323,225,082)**	23,271,788	121,702,362
Share in other comprehensive income (loss) of associates	11	**1,474,538**	(11,417,059)	13,452,063
Tax income (expense)	25, 26	**(106,240,006)**	105,143,877	(92,059,473)
		(73,857,196)	(233,480,985)	356,638,859
Items that will be reclassified subsequently to consolidated profit or loss:				
Unrealized losses (gains) on cash flow hedge	30	**(144,749,961)**	(293,369,328)	230,806,189
Exchange difference on translating foreign operations	2	**(14,884,569)**	(3,326,261)	2,384,743
Tax income (expense)	26	**4,465,371**	934,833	(716,975)
		(155,169,159)	(295,760,756)	232,473,957
Total Other Comprehensive Income (Loss)		**(229,026,355)**	(529,241,741)	589,112,816
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**P 10,359,538,939**	P 18,766,787,409	P 16,422,164,669
Total comprehensive income attributable to:				
Company's shareholders		**P 9,684,718,799**	P 17,422,846,318	P 15,815,614,416
Non-controlling interests		**674,820,140**	1,343,941,091	606,550,253
		P 10,359,538,939	P 18,766,787,409	P 16,422,164,669

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, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

	Attributable to the Company's Shareholders								
	Capital Stock (See Note 28)	Additional Paid-in Capital (See Note 28)	Treasury Shares - At Cost (See Note 28)	Revaluation Reserves (See Notes 9, 11 and 25)	Perpetual Securities (See Note 28)	Retained Earnings (See Note 28)	Total	Non-controlling Interest (See Note 2)	Total Equity
Balance at January 1, 2020	P 32,430,865,872	P 16,658,941,725	(P 633,270,575)	(P 3,501,239,939)	P 10,237,898,577	P 123,270,889,661	P 178,464,085,321	P 26,401,437,184	P 204,865,522,505
Cash dividends	-	-	-	-	-	(1,177,796,572)	(1,177,796,572)	(10,008,387)	(1,187,804,959)
Acquisition of treasury shares	-	-	(994,672,630)	-	-	-	(994,672,630)	-	(994,672,630)
Distribution to holders of perpetual securities	-	-	-	-	-	(535,258,625)	(535,258,625)	-	(535,258,625)
Share-based employee compensation	-	-	-	-	-	21,381,914	21,381,914	-	21,381,914
Exercise of stock options	-	1,902,622	902,111	-	-	(1,031,680)	1,773,053	-	1,773,053
Total comprehensive income for the year:	-	-	-	(201,270,691)	-	9,885,989,490	9,684,718,799	674,820,140	10,359,538,939
Balance at December 31, 2020	**P 32,430,865,872**	**P 16,660,844,347**	**(P 1,627,041,094)**	**(P 3,702,510,630)**	**P 10,237,898,577**	**P 131,464,174,188**	**P 185,464,231,260**	**P 27,066,248,937**	**P 212,530,480,197**
Balance at January 1, 2019									
As previously reported	P 32,430,865,872	P 16,657,990,413	(P 633,721,630)	(P 3,085,712,274)	P 10,237,898,577	P 108,247,570,468	P 163,854,891,426	P 24,885,529,107	P 188,740,420,533
Effect of adoption of PFRS 16	-	-	-	-	-	5,272,255	5,272,255	7,369,290	12,641,545
As restated	32,430,865,872	16,657,990,413	(633,721,630)	(3,085,712,274)	10,237,898,577	108,252,842,723	163,860,163,681	24,892,898,397	188,753,062,078
Cash dividends	-	-	-	-	-	(2,379,182,809)	(2,379,182,809)	(68,013,915)	(2,447,196,724)
Distribution to holders of perpetual securities	-	-	-	-	-	(562,913,000)	(562,913,000)	-	(562,913,000)
Share-based employee compensation	-	-	-	-	-	17,824,456	17,824,456	892,953	18,717,409
Exercise of stock options	-	951,312	451,055	-	-	(515,840)	886,527	-	886,527
Acquisition of a new subsidiary with non-controlling interest	-	-	-	-	-	-	-	231,718,658	231,718,658
Recycling due to disposal and dilution	-	-	-	-	-	11,417,059	11,417,059	-	11,417,059
Other reserves arising from consolidation	-	-	-	93,043,089	-	-	93,043,089	-	93,043,089
Total comprehensive income for the year:	-	-	-	(508,570,754)	-	17,931,417,072	17,422,846,318	1,343,941,091	18,766,787,409
Balance at December 31, 2019	P 32,430,865,872	P 16,658,941,725	(P 633,270,575)	(P 3,501,239,939)	P 10,237,898,577	P 123,270,889,661	P 178,464,085,321	P 26,401,437,184	P 204,865,522,505

	Capital Stock (See Note 28)	Additional Paid-in Capital (See Note 28)	Treasury Shares - At Cost (See Note 28)	Revaluation Reserves (See Notes 9, 11 and 25)	Perpetual Securities (See Note 28)	Retained Earnings (See Note 28)	Total	Non-controlling Interest (See Note 2)	Total Equity
	Attributable to the Company's Shareholders								
Balance at January 1, 2018									
As previously reported	P 32,430,865,872	P 16,657,990,413	(P 633,721,630)	(P 1,280,606,385)	P -	P 93,933,935,086	P 141,108,463,356	P 22,591,607,181	P 163,700,070,537
Effect of adoption of PFRS 9	-	-	-	(1,457,710,646)	-	1,354,850,340	(102,860,306)	(1,983,312)	(104,843,618)
As restated	32,430,865,872	16,657,990,413	(633,721,630)	(2,738,317,031)	-	95,288,785,426	141,005,603,050	22,589,623,869	163,595,226,919
Cash dividends	-	-	-	-	-	(1,982,208,812)	(1,982,208,812)	(20,094,507)	(2,002,303,319)
Distribution to holders of perpetual securities	-	-	-	-	-	(290,336,000)	(290,336,000)	-	(290,336,000)
Share-based employee compensation	-	-	-	-	-	23,191,715	23,191,715	3,307,158	26,498,873
Issuance of perpetual securities	-	-	-	-	10,237,898,577	-	10,237,898,577	-	10,237,898,577
Acquisition of a new subsidiary with non-controlling interest	-	-	-	-	-	-	-	2,045,521,389	2,045,521,389
Changes in ownership interest in subsidiaries that do not result in a loss of control	-	-	-	(568,910,177)	-	-	(568,910,177)	(340,379,055)	(909,289,232)
Other reserves arising from consolidation	-	-	-	(385,961,343)	-	-	(385,961,343)	-	(385,961,343)
Issuance of shares of stock	-	-	-	-	-	-	-	1,000,000	1,000,000
Total comprehensive income for the year:	-	-	-	607,476,277	-	15,208,138,139	15,815,614,416	606,550,253	16,422,164,669
Balance at December 31, 2018	P 32,430,865,872	P 16,657,990,413	(P 633,721,630)	(P 3,085,712,274)	P 10,237,898,577	P 108,247,570,468	P 163,854,891,426	P 24,885,529,107	P 188,740,420,533

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, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 13,936,471,552	P 25,377,686,440	P 21,377,414,261
Adjustments for:				
Depreciation and amortization	12, 13, 14	3,104,661,233	2,718,633,789	2,268,838,880
Interest expense	24	1,641,304,190	1,512,905,580	1,310,255,912
Interest income	23	(1,445,447,319)	(1,631,604,213)	(1,431,964,282)
Unrealized foreign currency losses (gains) - net		(1,086,060,295)	(493,907,863)	1,139,460,601
Equity share in net losses (earnings) of associates	11	69,879,672	58,832,233	(92,307,595)
Employee share options	25	21,381,914	18,717,409	26,498,873
Dividend income	23, 27	(8,193,611)	(8,464,814)	(21,195,681)
Loss (gain) on sale of property and equipment		(592,954)	279,902	-
Gain on finance lease	6	-	(350,218,385)	-
Gain on sale and dilution of investment in an associate	23	-	(340,809,382)	-
Gain on sale of investment property	12	-	(45,781,949)	-
Operating profit before working capital changes		16,233,404,382	26,816,268,747	24,577,000,969
Decrease (increase) in trade and other receivables		3,064,093,048	(7,300,973,342)	(1,741,511,946)
Decrease (increase) in contract assets		(737,721,626)	3,584,275,000	(5,871,792,742)
Increase in inventories		(2,510,261,657)	(1,395,055,726)	(7,866,421,573)
Increase in advances to contractors and suppliers		(217,097,481)	(3,542,558,329)	(1,232,993,107)
Decrease (increase) in prepayments and other current assets		699,913,970	(244,367,564)	(1,004,567,211)
Increase in advances to landowners and joint operators		(454,495,711)	(148,706,559)	(921,285,309)
Increase in other non-current assets		(887,291,362)	(202,306,675)	(36,271,411)
Increase in trade and other payables		2,510,777,198	5,373,481,027	5,865,173,339
Increase (decrease) in contract liabilities		630,074,260	(155,112,252)	396,021,988
Increase in customers' deposits		888,463,236	1,990,581,863	2,894,752,757
Increase in other liabilities		2,766,117,805	2,051,184,398	1,673,294,869
Cash generated from operations		21,985,976,062	26,826,710,588	16,731,400,623
Cash paid for income taxes		(2,886,445,031)	(3,647,117,078)	(2,840,943,167)
Net Cash From Operating Activities		19,099,531,031	23,179,593,510	13,890,457,456
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Investment properties	12	(6,731,614,968)	(10,390,591,440)	(14,280,652,674)
Property and equipment	13	(430,709,071)	(350,116,842)	(653,939,892)
Interest received		1,039,449,706	1,296,340,364	1,411,000,154
Advances to associates and other related parties:	27			
Granted		(260,769,847)	(1,500,167,429)	(500,635,698)
Collected		35,608,643	129,918,481	255,926,431
Dividends received		8,193,611	8,464,814	21,195,681
Proceeds from sale of property and equipment		6,385,095	1,245,112	13,045,014
Acquisition and subscription of shares of stock of new subsidiaries and associates		-	(1,350,050,000)	(3,097,081,431)
Proceeds from sale of investments in an associate and subsidiaries	11	-	1,017,844,908	-
Proceeds from sale of investment property	12	-	23,562,500	187,391,998
Proceeds from issuance of capital stock of subsidiary		-	-	1,000,000
Net Cash Used in Investing Activities		(6,333,456,831)	(11,113,549,532)	(16,642,750,417)
Balance carried forward		P 12,766,074,200	P 12,066,043,978	(P 2,752,292,961)

DESIGN LIFE

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	Notes	2020	2019	2018
Balance brought forward		**P 12,766,074,200**	P 12,066,043,978	(P 2,752,292,961)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of bonds and notes payable	16, 36	**16,692,935,192**	-	10,237,898,577
Repayments of long and short-term liabilities	36	**(13,107,450,229)**	(11,537,252,522)	(8,530,019,684)
Proceeds from availments of long and short-term liabilities	15, 36	**7,800,000,000**	12,500,000,000	18,350,000,000
Interest paid		**(3,843,166,540)**	(4,209,271,308)	(3,886,040,313)
Deposit made for cancellation of perpetual securities	14	**(1,200,900,000)**	-	-
Acquisition of treasury shares	28	**(994,672,630)**	-	-
Advances from associates and other related parties:	27, 36			
Paid		**(255,089,920)**	(2,941,968)	(12,339,277)
Obtained		**24,157,233**	32,361,651	366,705,230
Distribution to holders of perpetual securities	28	**(535,258,625)**	(562,913,000)	(290,336,000)
Redemption of preferred shares	18	**(251,597,580)**	(251,597,580)	(251,597,580)
Cash dividends declared and paid to non-controlling interest		**(10,008,387)**	(68,013,915)	(20,094,507)
Repayments of lease liabilities	19, 36	**(24,915,531)**	(26,338,703)	-
Proceeds from exercise of stock rights	28	**1,773,053**	886,528	-
Cash dividends declared and paid	28	**-**	(2,379,182,809)	(1,912,208,812)
Repayments of bonds and notes payable	16, 36	**-**	-	(10,425,600,000)
Net Cash From (Used in) Financing Activities		**4,295,806,036**	(6,504,263,626)	3,626,367,634
NET INCREASE IN CASH AND CASH EQUIVALENTS		**17,061,880,236**	5,561,780,352	874,074,673
BEGINNING BALANCE OF CASH AND CASH EQUIVALENTS OF ACQUIRED SUBSIDIARIES		**-**	-	238,884,182
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**23,104,875,672**	17,543,095,320	16,430,136,465
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 40,166,755,908**	P 23,104,875,672	P 17,543,095,320

Supplemental Information on Non-cash Investing and Financing Activities:

1) 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 between Inventories, Property and Equipment, and Investment Properties. These non-cash activities are not reflected in the consolidated statements of cash flows (see Notes 7, 12 and 13).

2) In 2020 and 2019, the Group recognized right-of-use assets amounting to P35.6 million and P594.0 million, respectively, and lease liabilties amounting to P36.8 million and P662.8 million, respectively (see Notes 13 and 19).

3) On December 8, 2020, the Board of Directors of the Parent Company approved the declaration of cash dividends amounting to P1.2 billion to be paid on January 8, 2021. The related cash dividends payable, net of final withholding taxes, is presented as part of Trade and Other Payables in the 2020 consolidated statement of financial position (see Notes 28 and 17).

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

Megaworld Corporation (the Parent 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 Parent Company is presently engaged in property-related activities such as project design, construction and property management. The Parent Company's real estate portfolio includes residential condominium units, subdivision lots and townhouses, condominium-hotel projects as well as office projects and retail spaces.

Alliance Global Group, Inc. (AGI or the Ultimate Parent Company) is the ultimate parent company of Megaworld Corporation and its subsidiaries (the Group). AGI is a holding company and is presently engaged in food and beverage, real estate development, quick-service restaurant, tourism-entertainment and gaming businesses.

The Parent Company and AGI's common shares are publicly-listed at the Philippine Stock Exchange (PSE).

The Parent Company's registered office address, which is also its principal place of business, is located at 30th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City. AGI's registered office address, which is also its principal 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 Parent Company holds ownership interests in the following subsidiaries and associates:

Subsidiaries		Effective Percentage of Ownership 2020	2019	2018
Subsidiaries:				
Prestige Hotels and Resorts, Inc. (PHRI)		**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%
Luxury Global Hotels and Leisure, Inc. (LGHLI)		**100%**	100%	100%
Arcovia Properties, Inc. (API)		**100%**	100%	100%
Mactan Oceanview Properties and Holdings, Inc. (MOPHI)	(a)	**100%**	100%	100%

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Subsidiaries	Explanatory Notes	Effective Percentage of Ownership 2020	2019	2018
Subsidiaries:				
Megaworld Cayman Islands, Inc. (MCII)	(a)	**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%
Global One Integrated Business Services, Inc. (GOIBSI)		**100%**	100%	100%
Luxury Global Malls, Inc. (LGMI)		**100%**	100%	100%
Davao Park District Holdings, Inc. (DPDHI)		**100%**	100%	100%
Belmont Newport Luxury Hotels, Inc. (BNLHI)		**100%**	100%	100%
Global One Hotel Group, Inc. (GOHGI)		**100%**	100%	100%
Landmark Seaside Properties, Inc. (LSPI)	(a)	**100%**	100%	100%
San Vicente Coast, Inc. (SVCI)	(a)	**100%**	100%	100%
Hotel Lucky Chinatown, Inc. (HLCI)	(j)	**100%**	100%	100%
Savoy Hotel Manila, Inc. (SHMI)	(j)	**100%**	100%	100%
Savoy Hotel Mactan, Inc. (SHM)	(j)	**100%**	100%	100%
Kingsford Hotel Manila, Inc. (KHMI)	(j)	**100%**	-	-
Agile Digital Ventures, Inc. (ADVI)	(n)	**100%**	-	-
Megaworld Bacolod Properties, Inc. (MBPI)		**91.55%**	91.55%	91.55%
Megaworld Central Properties, Inc. (MCPI)	(b)	**76.55%**	76.55%	76.55%
Megaworld Capital Town, Inc. (MCTI)		**76.28%**	76.28%	76.28%
Soho Café and Restaurant Group, Inc. (SCRGI)		**75%**	75%	75%
La Fuerza, Inc. (LFI)		**66.67%**	66.67%	66.67%
Megaworld-Daewoo Corporation (MDC)		**60%**	60%	60%
Northwin Properties, Inc. (NWPI)	(a)	**60%**	60%	60%
Gilmore Property Marketing Associates, Inc. (GPMAI)	(a, c)	**52.14%**	52.14%	52.14%
Manila Bayshore Property Holdings, Inc. (MBPHI)	(d)	**68.03%**	68.03%	68.03%
Megaworld Globus Asia, Inc. (MGAI)		**50%**	50%	50%
Integrated Town Management Corporation (ITMC)		**50%**	50%	50%
Maple Grove Land, Inc. (MGLI)	(a)	**50%**	50%	50%
Megaworld Land, Inc. (MLI)		**100%**	100%	100%
City Walk Building Administration, Inc. (CBAI)	(e)	**100%**	100%	100%
Forbestown Commercial Center Administration, Inc. (FCCAI)	(e)	**100%**	100%	100%
Paseo Center Building Administration, Inc. (PCBAI)	(e)	**100%**	100%	100%
Uptown Commercial Center Administration, Inc. (UCCAI)	(e)	**100%**	100%	100%
Iloilo Center Mall Administration, Inc. (ICMAI)	(e)	**100%**	100%	100%
Newtown Commercial Center Administration, Inc. (NCCAI)	(e)	**100%**	100%	100%
Valley Peaks Property Management, Inc. (VPPMI)	(e)	**100%**	100%	100%
San Lorenzo Place Commercial Center Administration, Inc. (SLPCCAI)	(e)	**100%**	100%	100%
Southwoods Lifestyle Mall Management, Inc. (SLMMI)	(e)	**100%**	100%	100%
Suntrust Properties, Inc. (SPI)		**100%**	100%	100%
Suntrust Ecotown Developers, Inc. (SEDI)		**100%**	100%	100%
Governor's Hills Science School, Inc. (GHSSI)		**100%**	100%	100%
Sunrays Property Management, Inc. (SPMI)		**100%**	100%	100%
Suntrust One Shanata, Inc. (SOSI)	(a)	**100%**	100%	100%
Suntrust Two Shanata, Inc. (STSI)	(a)	**100%**	100%	100%
Stateland, Inc. (STLI)	(k)	**96.87%**	96.87%	96.87%

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Subsidiaries	Explanatory Notes	Effective Percentage of Ownership 2020	2019	2018
Subsidiaries:				
Global-Estate Resorts, Inc. (GERI)	(f)	**82.32%**	82.32%	82.32%
Elite Communities Property Services, Inc. (ECPSI)	(l)	**82.32%**	82.32%	82.32%
Southwoods Mall, Inc. (SMI)	(i)	**91.09%**	91.09%	91.09%
Megaworld Global-Estate, Inc. (MGEI)	(f)	**89.39%**	89.39%	89.39%
Twin Lakes Corporation (TLC)	(f)	**90.99%**	90.99%	90.99%
Twin Lakes Hotel, Inc. (TLHI)	(l)	**90.99%**	90.99%	90.99%
Fil-Estate Properties, Inc. (FEPI)		**82.32%**	82.32%	82.32%
Aklan Holdings, Inc. (AHI)	(a)	**82.32%**	82.32%	82.32%
Blu Sky Airways, Inc. (BSAI)	(a)	**82.32%**	82.32%	82.32%
Fil-Estate Subic Development Corp. (FESDC)	(a)	**82.32%**	82.32%	82.32%
Fil-Power Construction Equipment Leasing Corp. (FPCELC)	(a)	**82.32%**	82.32%	82.32%
Golden Sun Airways, Inc. (GSAI)	(a)	**82.32%**	82.32%	82.32%
La Compaña De Sta. Barbara, Inc. (LCSBI)		**82.32%**	82.32%	82.32%
MCX Corporation (MCX)	(a)	**82.32%**	82.32%	82.32%
Pioneer L-5 Realty Corp. (PLRC)	(a)	**82.32%**	82.32%	82.32%
Prime Airways, Inc. (PAI)	(a)	**82.32%**	82.32%	82.32%
Sto. Domingo Place Development Corp. (SDPDC)		**82.32%**	82.32%	82.32%
Fil-Power Concrete Blocks Corp. (FPCBC)	(a)	**82.32%**	82.32%	82.32%
Fil-Estate Industrial Park, Inc. (FEIPI)	(a)	**65.03%**	65.03%	65.03%
Sherwood Hills Development, Inc. (SHD)		**45.28%**	45.28%	45.28%
Fil-Estate Golf and Development, Inc. (FEGDI)		**82.32%**	82.32%	82.32%
Golforce, Inc. (Golforce)		**82.32%**	82.32%	82.32%
Southwoods Ecocentrum Corp. (SWEC)		**49.39%**	49.39%	49.39%
Philippine Aquatic Leisure Corp. (PALC)	(a)	**49.39%**	49.39%	49.39%
Fil-Estate Urban Development Corp. (FEUDC)		**82.32%**	82.32%	82.32%
Novo Sierra Holdings Corp. (NSHC)	(a)	**82.32%**	82.32%	82.32%
Global Homes and Communities, Inc. (GHCI)	(a)	**82.32%**	82.32%	82.32%
Savoy Hotel Boracay, Inc. (SHBI)	(f)	**82.32%**	82.32%	**-**
Belmont Hotel Boracay, Inc. (BHBI)	(f)	**82.32%**	82.32%	**-**
Oceanfront Properties, Inc. (OFPI)		**41.13%**	41.13%	41.13%
Empire East Land Holdings, Inc. (EELHI)		**81.73%**	81.73%	81.73%
Eastwood Property Holdings, Inc. (EPHI)		**81.73%**	81.73%	81.73%
Valle Verde Properties, Inc. (VVPI)	(a)	**81.73%**	81.73%	81.73%
Sherman Oak Holdings, Inc. (SOHI)	(a)	**81.73%**	81.73%	81.73%
Empire East Communities, Inc. (EECI)	(a)	**81.73%**	81.73%	81.73%
20th Century Nylon Shirt, Inc. (CNSI)	(a)	**81.73%**	81.73%	81.73%
Laguna BelAir School, Inc. (LBASI)		**59.67%**	59.67%	59.67%
Sonoma Premier Land, Inc. (SPLI)	(a)	**49.04%**	49.04%	49.04%
Pacific Coast Mega City, Inc. (PCMI)	(m)	**32.69%**	32.69%	16.35%
Megaworld Resort Estates, Inc. (MREI)	(b, c)	**51%**	51%	51%
Townsquare Development, Inc. (TDI)		**30.60%**	30.60%	30.60%
Golden Panda-ATI Realty Corporation (GPARC)		**30.60%**	30.60%	30.60%
Associates:				
Bonifacio West Development Corporation (BWDC)		**46.11%**	46.11%	46.11%
Palm Tree Holdings and Development Corporation (PTHDC)	(a)	**40%**	40%	40%
Suntrust Home Developers, Inc. (SHDI)	(g)	**34%**	34%	45.67%
SWC Project Management Limited (SPML)	(o)	**34%**	-	-

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Associates	Explanatory Notes	Effective Percentage of Ownership 2020	2019	2018
Associates:				
WC Project Management Limited (WPML)	(o)	**34%**	-	-
First Oceanic Property Management, Inc. (FOPMI)	(i)	**8.16%**	8.16%	45.67%
Citylink Coach Services, Inc. (CCSI)	(i)	**8.16%**	8.16%	45.67%
GERI				
Fil-Estate Network, Inc. (FENI)		**16.46%**	16.46%	16.46%
Fil-Estate Sales, Inc. (FESI)		**16.46%**	16.46%	16.46%
Fil-Estate Realty and Sales Associates, Inc. (FERSAI)		**16.46%**	16.46%	16.46%
Fil-Estate Realty Corp. (FERC)		**16.46%**	16.46%	16.46%
Nasugbu Properties, Inc. (NPI)		**11.52%**	11.52%	11.52%
Boracay Newcoast Hotel Group, Inc. (BNHGI)	(h)	**-**	-	12.35%

Explanatory Notes:

(a) These are entities which have not yet started commercial operations as at December 31, 2020.

(b) As at December 31, 2020, the Parent Company owns 76.55% of MCPI consisting of 51% direct ownership, 18.97% indirect ownership through EELHI and 6.58% indirect ownership through MREI.

(c) As at December 31, 2020, the Parent Company's ownership in GPMAI is at 52.14%, which consists of 38.72% and 13.42% indirect ownership from EELHI and MREI, respectively.

(d) In 2018, the Parent Company subscribed to additional shares of MBPHI amounting to P1.7 million increasing its effective ownership to 68.03%, which consists of 67.43% and 0.60% indirect ownership from TIHGI.

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

(f) As a result of the additional investments in GERI in 2016, the Parent Company's indirect ownership interest over these subsidiaries increased in proportion to the increase in effective interest over GERI. Effective ownership interest over MGEI and TLC increased to 89.39% and 83.37%, respectively. In 2018, the Parent Company acquired shares of TLC increasing its effective ownership to 90.99%, which consists of 49% direct ownership and 41.99% indirect ownership from GERI. In 2019, SHBI and BHBI were incorporated to operate and manage resort hotels.

(g) In 2019, the Parent Company and TDI disposed certain number of shares over SHDI. In addition, the Parent Company and a third party investor subscribed to the increase in capitalization over SHDI, the latter became the controlling shareholder. The foregoing transactions decreased the Parent Company's effective ownership over SHDI to 34%.

(h) In 2019, 2017 and 2016, FEPI sold 15% direct ownership interest each year in BNHGI to a third party. The effective ownership interest of the Parent Company gradually decreases from 12.35% in 2018 and 2017 to nil in 2019.

(i) In 2019 as a result of the Parent Company's dilution of ownership interest over SHDI, the effective ownership of the Parent Company over FOPMI and CCSI was also diluted to 8.16%.

(j) HLCI, SHMI, and SHM were incorporated in 2018 and are engaged in hotel operations. KHMI was incorporated in 2020 and also engaged in hotel operations.

(k) In 2018, SPI and the Parent Company acquired shares of STLI resulting into 96.87% effective ownership over STLI consisting of 17.40% direct ownership and 79.47% indirect ownership through SPI.

(l) In 2018, GERI acquired shares of ECPSI, and TLHI through TLC resulting into 100% and 90.99% effective ownership over ECPSI and TLHI, respectively.

(m) PCMI is considered as an associate of the Parent Company since 2015. The Parent Company obtained de facto control over PCMI in 2018 by aligning their key executives and Boards of Directors (BODs). The acquisition was accounted for under the pooling-of-interest method of accounting; hence, no goodwill nor gain on acquisition was recognized. In January 2019, EELHI acquired additional shares of PCMI, increasing the effective ownership interest of the Parent Company to 32.69%.

(n) ADVI is a newly-incorporated subsidiary in 2020 engaged in e-commerce business.

(o) SPML and WPML are newly incorporated subsidiaries of SHDI in 2020. These companies are engaged in project management and consultancy services.

Except for MCII and RHGI, all the subsidiaries and associates were incorporated and have their 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 Parent Company and its subsidiaries, except for entities which have not yet started commercial operations as at December 31, 2020, are presently engaged in the real estate business, hotel, condominium-hotel operations, construction, restaurant operations, business process outsourcing, educational facilities provider, property management operations, marketing services and e-commerce.

There are no significant restrictions on the Parent Company's ability to access or use the assets and settle the liabilities of the Group.

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

1.2 Business Acquisitions

In June 2018, the Parent Company and SPI acquired 17.40% and 79.47%, respectively, of the common shares of STLI with the intention of further expanding the Group's developments in CALABARZON area as STLI has existing properties in Cavite and Laguna.

In 2018, STLI has recognized revenues and net profit amounting to P800.23 million and P293.73 million, respectively. Of these amounts, revenues and net profit of P744.06 million and P258.65 million, respectively, were recognized since the acquisition date.

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

In 2019, management completed the assessment of the fair values of STLI's net assets and determined adjustments resulting in P246.9 million decrease in its net assets valuation. The adjustments to the provisionary amounts likewise resulted in a goodwill amounting to P94.9 million and deferred tax asset of P141.2 million. The goodwill comprises the fair value of expected synergies arising from the acquisition, which mainly pertain to real estate development expertise of the Group and the strategic location of real properties for development provided by STLI.

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In 2019, the 2018 consolidated financial statements were restated to reflect the final fair value measurement of the net assets of STLI. The provisional and final fair values of assets acquired and liabilities assumed from STLI as at the date of acquisition is presented below.

	Final fair value	Provisional fair value
Fair value of assets acquired:		
Cash	P 236,699,638	P 236,699,638
Trade and other receivables	574,564,471	574,564,471
Contract asset	445,665,960	445,665,960
Inventories	1,600,380,340	1,847,272,303
Deferred tax asset	141,225,062	-
Other assets	130,889,842	130,889,842
	3,129,425,313	3,235,092,214
Fair value of liabilities assumed	(1,376,876,569)	(1,376,876,569)
Fair value of consideration transferred	(P 1,951,674,900)	(P 1,951,674,900)
Non-controlling interest	(P 62,242,041)	(P 62,242,041)
Pre-acquisition income	166,475,960	166,475,960
Goodwill (gain) on acquisition	94,892,237	(10,774,664)

Acquired trade and other receivables mainly pertains to trade receivables from real estate sales. There were no contingent consideration arising from the foregoing transaction. Also, acquisition related-costs were deemed immaterial on this transaction.

PCMI became a subsidiary on December 31, 2018 when the Group obtained de facto control upon the latter gaining power to govern over the financial and operating policies of the former. The acquisition was accounted for as pooling-of-interest method of accounting as PCMI was acquired from related parties under common control. Transfers of assets between commonly-controlled entities are accounted for under historical cost accounting; hence, the assets and liabilities reflected in the consolidated financial statements are at carrying values and no adjustments are made to reflect fair values or recognized any new assets or liabilities, at the date of the combination that otherwise would have been done under the acquisition method. No restatements are made to the financial information in the consolidated financial statements for periods prior to the business combination as allowed under PIC Q&A No. 2012-01, PFRS 3.2 – *Application of Pooling-of-Interest Method for Business Combination of Entities under Common Control in Consolidated Financial Statements*; hence, the profit and loss of PCMI is included in the consolidated financial statements for the full year, irrespective of when the combination took place.

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

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

In January 2019, the Group acquired additional shares of PCMI representing additional 20% direct ownership. The effective ownership of the Group over PCMI as of December 31, 2020 and 2019 is 32.69%.

1.3 Subsidiaries with Material Non-controlling Interest

The subsidiaries with material non-controlling interest (NCI) are shown below (in thousands).

	Proportion of Ownership Interest and Voting Rights Held by NCI		Subsidiary's Consolidated Profit (Loss) Allocated to NCI		Accumulated Equity of NCI	
Name	**2020**	2019	**2020**	2019	**December 31, 2020**	December 31, 2019
GERI	**17.68%**	17.68%	**P 216,179**	P 117,431	**P 5,659,306**	P 6,580,032
EELHI	**18.27%**	18.27%	**102,361**	114,360	**11,721,428**	11,367,843
MCTI	**23.72%**	23.72%	**38,765**	34,743	**1,436,742**	1,397,977
MBPHI	**32.57%**	32.57%	**283,219**	547,545	**3,245,697**	2,967,678
LFI	**33.33%**	33.33%	**46,099**	66,592	**1,261,066**	1,224,967
NWPI	**40.00%**	40.00%	**(505)**	(534)	**2,305,165**	2,305,671

The summarized balance sheet of GERI, EELHI, MCTI, MBPHI, LFI and NWPI before intragroup eliminations is shown below.

	Current Assets	Non-current Assets	Current Liabilities	Non-current Liabilities	Equity
December 31, 2020					
GERI	**P 33,405,848,054**	**P 17,247,688,882**	**P 8,562,378,583**	**P 7,624,345,421**	**P 34,466,812,932**
EELHI	**40,208,988,327**	**4,893,254,709**	**13,190,508,283**	**2,855,338,043**	**29,056,396,704**
MCTI	**4,156,317,084**	**410,719,490**	**584,035,366**	**28,119,381**	**3,954,881,827**
MBPHI	**15,888,336,884**	**1,959,846,881**	**8,321,924,815**	**1,233,220,629**	**8,293,038,321**
LFI	**558,260,312**	**992,549,809**	**493,788,273**	**211,120,988**	**845,900,860**
NWPI	**924,382,240**	**881,734,300**	**328,694**	**-**	**1,805,787,846**
December 31, 2019					
GERI	P 32,194,964,792	P 17,665,922,090	P 9,487,494,846	P 7,133,908,965	P 33,239,483,071
EELHI	39,673,084,063	5,168,350,015	12,965,345,374	3,272,242,773	28,603,845,931
MCTI	3,735,819,545	403,126,484	347,491,126	-	3,791,454,904
MBPHI	14,114,058,033	1,021,477,600	5,325,783,964	2,386,284,609	7,423,467,060
LFI	327,986,475	1,067,365,711	507,370,492	147,501,006	740,480,688
NWPI	1,807,378,858	-	328,133	-	1,807,050,725

The summarized comprehensive income of GERI, EELHI, MCTI, MBPHI, LFI and NWPI before intragroup eliminations is shown below.

	Revenues	Net Profit (Loss)	Other Comprehensive Income (Loss)
2020			
GERI	**P 5,341,807,071**	**P 1,222,729,982**	**(P 1,617,931)**
EELHI	**5,205,581,572**	**560,267,510**	**(107,716,731)**
MCTI	**440,765,150**	**163,426,923**	**-**
MBPHI	**4,698,569,950**	**869,571,261**	**-**
LFI	**419,400,696**	**138,311,203**	**(2,891,031)**
NWPI	**1,428**	**(1,262,879)**	**-**
2019			
GERI	P 8,794,368,103	P 2,155,883,113	(P 34,972,164)
EELHI	5,217,399,507	615,684,185	39,793,736
MCTI	195,725,080	146,469,987	-
MBPHI	9,655,915,233	1,620,868,233	-
LFI	536,611,068	200,651,846	(2,483,182)
NWPI	-	(1,335,395)	-

The summarized cash flows of GERI, EELHI, MCTI, MBPHI, LFI and NWPI before intragroup eliminations is shown below.

	Net Cash from (Used in) Operating Activities	Net Cash from (Used in) Investing Activities	Net Cash from (Used in) Financing Activities
2020			
GERI	**(P 155,538,806)**	**(P 358,228,252)**	**P 131,398,685**
EELHI	**1,131,309,023**	**(2,721,264)**	**(144,199,581)**
MCTI	**(70,435,493)**	**47,671,293**	**-**
MBPHI	**1,489,075,211**	**(56,992,141)**	**-**
LFI	**271,532,158**	**171,938**	**(158,972,586)**
NWPI	**(103,343)**	**-**	**-**
2019			
GERI	P 657,521,604	(P 344,933,491)	P 537,583,173
EELHI	(447,213,978)	2,378,163	(580,455,232)
MCTI	23,924,863	114,429,182	1,051,104,773
MBPHI	(545,095,966)	42,174,405	871,674,056
LFI	212,520,618	46,309,192	(138,160,779)
NWPI	(2,765,150)	-	2,628,052

In 2020, only LFI has declared and paid dividends amounting to P30.0 million. In 2019, GERI, EELHI, MCTI, MBPHI, LFI and NWPI have not declared nor paid any dividends.

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

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

The following are the impact of the COVID-19 pandemic to the Group's businesses:

Real Estate Sales

Real estate sales ended 42% lower due to fewer reservations, limited selling activities and restricted construction activities. Other observations are presented below.

- construction activities were temporarily suspended during the community quarantine period and thereafter have slowly resumed on in selected areas;
- new project launches for 2020 were put on hold as work stoppage on-site could result in project completion risk; and,
- the Group noted a shift in market demand to lot sales and vacation homes instead of buying vertical developments.

Lease of Office and Commercial Spaces

Rental income dropped by 23% primarily due to temporary closure of mall and commercial spaces, rent concessions and lower foot traffic upon reopening. Concession of rent and other related charges amounted to P2.2 billion. Other observations are presented below.

- temporary closure of POGO operations, but with no rental holiday;
- offered deferment of monthly rent without penalty until the end of the year;
- waived certain rental charges of tenants and retail partners on its mall and commercial centers.
- registered early termination and restructuring of lease contracts;
- various community quarantine measures resulted in the temporary mall closures with the exception of essential establishments, resulting in a decline in foot traffic;

- during the community quarantine, approximately 70% of total leased out gross leasable area were unable to operate. Mall operations gradually resumed operations thereafter; and,
- business process outsourcing (BPO) offices remained operational even during the community quarantine.

Hotel Operations

Hotel revenues shrank by 42% as a result of temporary closure of hotels, travel bans and limited hotel operations in accordance with quarantine limitations. Other observations are presented below.

- occupancy dropped significantly due to travel restrictions and cancellation of bookings and meetings, incentives, conventions and exhibitions activities; and,
- limited operations with in-city hotels utilized as lodging for BPO employees and returning OFWs as quarantine facilities;

In response to this matter, the Group has taken the following actions:

- maximized digital platforms to sell real estate projects in order to limit face to face engagements;
- assisted tenants in implementing social distancing measures;
- continues to work closely with tenants to determine and address their needs;
- incorporated ADVI, a subsidiary focused on e-commerce and caters to the Parent Company's commercial spaces tenants and retail partners;
- launched E-Concierge, a mobile application that allows contactless interaction between guests and hotel staff from check-in to check-out, including virtual ordering of food from various food and beverage outlets inside the hotels;
- reduced its overall capital expenditures spending for the year 2020; and,
- obtained lower cost funding through the debt market to support its busines operations, such as financing capital expenditures, land banking and refinancing of loans, and maintain its cash preservation objective.

Based on the above actions and measures taken by management to mitigate the adverse effect of the pandemic, it projects that the Group would continue to report positive results of operations and would remain liquid to meet current obligation as it falls due. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

1.5 Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as at and for the year ended December 31, 2020 (including the comparative consolidated financial statements as at December 31, 2019 and for the years ended December 31, 2019 and 2018) were authorized for issue by the Group's Board of Directors (BOD) on April 7, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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2.1 *Basis of Preparation of Consolidated Financial Statements*

(a) *Statement of Compliance with Philippine Financial Reporting Standards*

The financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), which include the availment of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC) discussed in Note 2.2(c). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy (BOA).

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 retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) *Functional and Presentation Currency*

These consolidated financial statements are presented in Philippine Peso, the Group'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 Group's functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 *Adoption of New and Amended PFRS*

(a) *Effective in 2020 that are Relevant to the Group*

The Group adopted for the first time the following revisions to existing framework and amendments to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2020:

Conceptual Framework	:	Revised Conceptual Framework for Financial Reporting
PAS 1 and PAS 8 (Amendments)	:	Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material

PFRS 3 (Amendments)	:	Business Combinations – Definition of a Business
PFRS 7 and PFRS 9 (Amendments)	:	Financial Instruments: Disclosures and Financial Instruments – Interest Rate Benchmark Reform

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

(i) *Revised Conceptual Framework for Financial Reporting*. The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements. The application of the revised conceptual framework had no significant impact on the Group's consolidated financial statements.

(ii) PAS 1 (Amendments), *Presentation of Financial Statements*, and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* (effective from January 1, 2020). The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendment has also been made in other standards that contain definition of material or refer to the term 'material' to ensure consistency. The application of these amendments had no impact on the Group's consolidated financial statements.

(iii) PFRS 3 (Amendments), *Business Combinations – Definition of a Business*. The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. Also, the amendments will likely result in more acquisitions being accounted for as asset acquisitions. The application of these amendments had no impact on the Group's consolidated financial statements.

(iv) PFRS 7 (Amendments), *Financial Instruments: Disclosures*, and PFRS 9 (Amendments), *Financial Instruments – Interest Rate Benchmark Reform*. The amendments clarify that an entity would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The application of these amendments had no significant impact on the Group's consolidated financial statements.

(b) Effective Subsequent to 2020 but not Adopted Early

There are pronouncements effective for annual periods subsequent to 2020, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

(i) PFRS 16 (Amendments), *Leases – COVID-19-Related Rent Concessions* (effective from June 30, 2020). The amendments permit lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications.

(ii) PFRS 3 (Amendments), *Business Combination – Reference to the Conceptual Framework* (effective from January 1, 2022). The amendments update an outdated reference to the Conceptual Framework in PFRS 3 without significantly changing the requirements in the standard.

(iii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022). The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

(iv) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective January 1, 2022). The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

(v) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Group:

- PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 percent' Test for Derecognition of Liabilities*. The improvements clarify the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

- Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*. The improvement merely removes potential for confusion regarding lease incentives.

(vi) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective January 1, 2023). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

(vii) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3 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 amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

(c) SEC Financial Reporting Reliefs Availed by the Group

The Group has availed of several financial reporting reliefs granted by the SEC under Memorandum Circular (MC) No. 14-2018, *Philippine Interpretation Committee Question and Answer (PIC Q&A) No. 2018-12 Implementation Issues Affecting Real Estate Industry*, MC No. 3-2019, *PIC Q&A Nos. 2018-12-H and 2018-14*, and MC No. 4-2020, *Deferment of the Implementation of IFRS Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Costs) for Real Estate Industry*, relating to several implementation issues of PFRS 15, *Revenue from Contracts with Customers*, affecting the real estate industry. These MCs deferred the implementation of the relevant accounting pronouncements until December 31, 2020.

In December 2020, the SEC issued MC 34-2020, *Deferral of PIC Q&A No. 2018-12* and *IFRIC Agenda Decision on Over Time Transfer of Constructed Goods* (PAS 23) *for Real Estate Industry*, providing another relief by further deferring until December 2023 the implementation of certain issues under MC No. 14-2018 and MC No. 4-2020.

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

Relief	Description and Implication	Deferral period
IFRIC Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry	The IFRIC concluded that any inventory (work-in-progress) for unsold units under construction that the entity recognizes is not a qualifying asset, as the asset is ready for its intended sale in its current condition (i.e., the developer intends to sell the partially constructed units as soon as it finds suitable customers and, on signing a contract with a customer, will transfer control of any work-in-progress relating to that unit to the customer). Accordingly, no borrowing costs can be capitalized on such unsold real estate inventories. Had the Group elected not to defer the IFRIC Agenda Decision, it would have the following impact in the financial statements: (i) interest expense would have been higher; (ii) cost of real estate inventories would have been lower; (iii) total comprehensive income would have been lower; (iv) retained earnings would have been lower; and, (v) the carrying amount of real estate inventories would have been lower.	Originally until December 31, 2020 under MC 4-2020; further deferred until December 31, 2023 under MC 34-2020
PIC Q&A No. 2018-12-D, *Concept of the significant financing component in the contract to sell*	PFRS 15 requires that, in determining the transaction price, an entity shall adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component.	Originally until December 31, 2020 under MC 4-2020; further deferred until December 31, 2023 under MC 34-2020

Relief	Description and Implication	Deferral period
PIC Q&A No. 2018-12-D, *Concept of the significant financing component in the contract to sell (continued)*	Had the Group elected not to defer this provision of the standard, it would have an impact in the financial statement as there would have been a significant financing component when there is a difference between the POC of the real estate project and the right to the consideration based on the payment schedule stated in the contract. The Company would have recognized an interest income when the POC of the real estate project is greater than the right to the consideration and interest expense when lesser. Both interest income and expense would be calculated using the effective interest rate method. These would have affected the retained earnings, real estate sales, and profit or loss in 2020 and 2019.	

The SEC Memorandum Circulars also provided the required disclosures in the notes to the financial statements should an entity decide to avail of any relief, which include the following:

- the accounting policies applied;
- a discussion of the deferral of the subject implementation issues in the PIC Q&A;
- a qualitative discussion of the impact on the financial statements had the concerned application guidelines in the PIC Q&A been adopted; and,
- the corresponding required quantitative disclosures should any of the deferral options result into a change in accounting policy.

As prescribed by SEC MC No. 34-2020, for financial reporting periods beginning on or after January 1, 2021, the availment of the above deferrals will impact the Group's financial reporting during the period of deferral as follows:

- The financial statements are not considered to be in accordance with PFRS and should specify in the "Basis of Preparation of the Financial Statements" section of the financial statements that the accounting framework is PFRS, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic; and,
- The auditor's report shall reflect in the opinion paragraph that the financial statements are prepared in accordance with PFRS, as modified by the application of the financial reporting reliefs issued and approved by the SEC. In addition, the external auditor shall include an Emphasis of Matter paragraph in the auditor's report to draw attention to the basis of accounting that has been used in the preparation of the financial statements.

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(d) PIC Q&As Relevant to the Real Estate Industry

In 2020, the PIC has issued four PIC Q&As which are relevant to the real estate industry.

(a) PIC Q&A No. 2020-02, *Conclusion on PIC Q&A No. 2018-12-E: On the Treatment of Materials Delivered on Site but not yet Installed in Measuring the Progress of the Performance Obligation*

In recognizing revenue using a cost-based input method, the cost incurred for customized materials not yet installed are to be included in the measurement of progress to properly capture the efforts expended by the Company in completing its performance obligation. In the case of uninstalled materials that are not customized, since the Company is not involved in their design and manufacture, revenue should only be recognized upon installation or use in construction. The Group does not include uninstalled materials that are not customized in determining the measure of progress; hence, the adoption of this PIC Q&A will not have a significant impact on the Group's consolidated financial statements.

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

The difference when the POC is ahead of the buyer's payment can be accounted for either as a contract asset or receivable. The PIC has concluded that both views are acceptable as long as this is consistently applied in transactions of the same nature. The Group intends to continue its current treatment of accounting for the difference when the POC is ahead of the buyer's payment as a contract asset.

(c) PIC Q&A No. 2020-04, *Addendum to PIC Q&A 2018-12-D: Significant Financing Component Arising from Mismatch between the Percentage of Completion and Schedule of Payments*

There is no significant financing component if the difference between the promised consideration and the cash selling price of the good or service arises for reasons other than the provision of finance to either the customer or the entity, and the difference between those amounts is proportional to the reason for the difference. Further, the Company do not need to adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception that the timing difference of the receipt of full payment of the contract price and that of the completion of the project, are expected within one year and significant financing component is not expected to be significant. The adoption of this PIC Q&A will be consistent with PIC Q&A 2018-12-D.

(d) PIC Q&A No. 2020-05, *Accounting for Cancellation of Real Estate Sales (PIC Q&A No. 2020-05 will supersede PIC Q&A No. 2018-14)*

There are three acceptable approaches in accounting for sales cancellation and repossession of the property as follows:

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

The Group accounts for cancellation of sales contract as modification of contract; hence, the adoption of this PIC Q&A will not have significant impact on the Group's consolidated financial statements.

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 Parent 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 Parent Company's, using consistent accounting principles. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Parent 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 Parent Company has control. The Parent Company controls an entity when: it has the power over the entity; 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 Parent Company obtains control.

The Parent 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 2.13).

(b) *Investments in Associates*

Associates are those entities over which the Group is able to exert significant influence but not control and which are neither subsidiaries nor interests in a joint 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 Group's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Group'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 Group's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged against the Equity Share 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 2.18).

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 Group, as applicable. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports 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 Parent Company and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. Accounting policies of associates are changed when 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 operation that are recognized in the separate financial statements of the joint operators.

(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 recognized in equity.

When the Parent 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 Parent Company had directly disposed of the related assets or liabilities. This means that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The Parent 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 United States (U.S.) dollar as their functional currency, the accounting records of the Parent Company and its subsidiaries are maintained in Philippine Peso. 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 or Charges – net 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 Peso, the Parent Company's functional currency, as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end 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 account in the consolidated statement of comprehensive income. As these entities are wholly owned subsidiaries, the translation adjustments are fully allocated to the Parent 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 Peso 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, *Financial Instruments: Presentation.* All other non-derivative financial instruments are treated as debt instruments.

(a) Classification, Measurement and Reclassification of Financial Assets

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are categorized into the following categories: financial assets at amortized cost, financial assets at fair value through profit or loss and financial assets at FVOCI.

(i) Financial Assets at Amortized Cost

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

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

- the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI on the principal amount outstanding.

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

The Group's financial assets at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents, Trade and Other Receivables, Guarantee and other deposits (presented as part of Other Non-current Assets).

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

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

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

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and,

- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading or as mandatorily required to be classified as FVTPL or if it is a contingent consideration recognized arising from a business combination. Accordingly, the Group has designated equity instruments as at FVOCI.

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

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

Any dividends earned on holding equity instruments are recognized in the consolidated statements of income as part of Interest and Other Income – net, when the Group's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and, the amount of the dividend can be measured reliably, unless the dividends clearly represent recovery of a part of the cost of the investment.

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

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorized at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not SPPI are accounted for at FVTPL. Also, equity securities are classified as financial assets at FVTPL, unless the Group designates an equity investment that is not held for trading as at FVOCI at initial recognition. The Group's financial assets at FVTPL include derivatives with positive fair value and are presented in the consolidated statement of financial position as part of Prepayments and Other Current Assets.

Financial assets at FVTPL are initially measured at fair value. Subsequently, they are measured at fair value with gains or losses recognized in profit or loss as part of Interest and Other Income – net in the consolidated statements of income unless the Group has elected to apply hedge accounting by designating the derivative as hedging instrument in an eligible hedging relationship in which some or all gains and losses may be recognized in other comprehensive income and included under Revaluation Reserves in the statements of changes in equity.

The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Group is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Group's business model will take effect only at the beginning of the next reporting period following the change in the business model.

(b) Impairment of Financial Assets

The Group assesses its ECL on a forward-looking basis associated with its financial assets carried at amortized cost and debt instruments measured at FVOCI. The measurement of ECL involves consideration of broader range of information that is available without undue cost or effort at the reporting date about past events, current conditions, and reasonable and supportable forecasts of future economic conditions (i.e., forward-looking information) that may affect the collectability of the future cash flows of the financial assets. Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instruments evaluated based on a range of possible outcome.

The Group applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade and other receivables and contract assets including those which contain significant financing component. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. The Group also assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the days past due [see Note 32.3(b)].

The Group applies a general approach specifically, in relation to advances to related parties. The maximum period over which ECL should be measured is the longest contractual period where an entity is exposed to credit risk. In the case of these receivables from related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded. Management determines possible impairment based on the sufficiency of the related parties' highly liquid assets in order to repay the Group's receivables if demanded at the reporting date taking into consideration the historical defaults of the related parties. If the Group cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of advances to related parties can be collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized.

For other financial assets at amortized cost, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The key elements used in the calculation of ECL are as follows:

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

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

(iii) *Exposure at default* – It represents the gross carrying amount of the financial instruments in the event of default which pertains to its amortized cost.

The Group recognizes an impairment loss in profit or loss for all financial instruments subjected to impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt instruments measured at FVOCI, for which the loss allowance is recognizes in other comprehensive income and accumulated in Revaluation Reserves account, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(c) 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 Derivative Financial Instruments and Hedge Accounting

The Group occasionally uses derivative financial instruments to manage its risks associated with foreign currency and interest rates. Derivatives are recognized initially at fair value and are subsequently remeasured at fair value. Such derivatives are carried as assets when the net fair value is positive and as liabilities when the net fair value is negative.

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

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

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

2.7 Inventories

Cost of inventories includes acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of the property to the Group; related property development costs; and borrowing costs on certain loans incurred during the development of the real estate properties are also capitalized by the Group (see Note 2.21). All costs relating to the real estate property sold are recognized as expense as the work to which they relate is performed.

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

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

Repossessed property arising from sales cancellation is recognized at cost. The difference between the carrying amount of the receivable or Contract Asset to be derecognized and the cost of the repossessed property is recognized in the consolidated statement of income.

2.8 Prepayments and 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.

Advances to contractors and suppliers pertain to advance payments made by the Group, which are subsequently amortized as the performance obligation is performed.

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.

2.9 Property and Equipment

Property and equipment, including land, are carried at acquisition or construction cost less subsequent depreciation and/or amortization for property and equipment, and any impairment losses. As no finite useful life for land can be determined, related carrying amounts 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 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 other property and equipment, based on the above policies, are as follows:

Buildings and improvements	5-40 years
Office improvements	5-20 years
Transportation equipment	5 years
Office furniture, fixtures and equipment	3-5 years

The measurement for right-of-use assets is disclosed in Note 2.17(a)(i).

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 2.18).

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 Investment Properties

Investment properties include properties held for lease under operating lease agreements, properties intended to be held for lease, and properties held for currently undetermined use. These properties are carried at cost, net of accumulated depreciation and any impairment in value, except for land which is not subject 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 five to 40 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 2.18).

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.

2.11 Financial Liabilities

Financial liabilities of the Group, which include interest-bearing loans and borrowings, bonds and notes payable, trade and other payables (except tax-related liabilities), derivative liabilities, redeemable preferred shares, advances from associates and other related parties, commission payable, subscription payable and lease liabilities (presented as part of Other Current Liabilities and Other Non-current Liabilities in the consolidated statement of financial position), are recognized when the Group becomes a party to the contractual terms of the instrument. Financial liabilities (except derivative liabilities) 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. Derivative liabilities are initially recognized and subsequently measured at fair value. Changes in fair value are recognized in profit or loss unless designated as hedging instrument in a cash flow hedge (see Note 2.6).

All interest-related charges, except for capitalized borrowing costs, are recognized as expense in profit or loss under the caption Interest and Other Charges 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.

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.

The measurement for lease liabilities is disclosed in Note 2.17(a).

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 statement of income.

2.12 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.

2.13 Business Combination

(a) Accounting for Business Combination Using the Acquisition Method

Business acquisitions of entities not under common control of a principal stockholder 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 Parent 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 2.18).

Negative goodwill, which is the excess of the Parent Company's interest in the 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 Parent Company 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.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Parent Company is required to report in its financial statements provisional amounts for the items for which accounting is incomplete. The recognized provisional amounts may be adjusted during the measurement period as if the accounting for the business combination had been completed at the acquisition date. The measurement period ends as soon as the Parent Company receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

Any contingent consideration to be transferred by the Parent Company 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.

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

Business combinations arising from transfers of interests in entities that are under the common control of the principal stockholder are accounted for under the pooling-of interests method. Transfers of assets between commonly-controlled entities are accounted for under historical cost accounting; hence, the assets and liabilities are reflected in the consolidated financial statements at carrying values and no adjustments are made to reflect fair values or recognize any new assets or liabilities, at the date of the combination that otherwise would have been done under the acquisition method. No restatements are made to the financial information in the consolidated financial statements for periods prior to the business combination as allowed under PIC Q&A No. 2012-01, PFRS 3.2; *Application of the Pooling of Interests Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements, (Amended by PIC Q&A No. 2015-01and PIC Q&A No. 2018-13)*; hence, the profit and loss of the acquiree is included in the consolidated financial statements for the full year, irrespective of when the combination took place. Also, no goodwill is recognized as a result of the business combination and any excess between the net assets of the acquiree and the consideration paid is accounted for as "equity reserves", which will eventually be closed to additional paid-in capital. Also, any pre-acquisition income and expenses of a subsidiary are no longer included in the consolidated financial statements.

2.14 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, *Operating Segments*, 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;
- equity in net earnings of associates, fair value gains, dividend income and foreign currency gains/losses; and,
- gain on sale of investments in associate.

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

2.15 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.

2.16 Revenue and Expense Recognition

Revenue comprises revenue from sale of real properties, property management fees and hotel operations.

To determine whether to recognize revenue from sale of real properties and hotel operations, the Group follows a five-step process:

- Identifying the contract with a customer;
- Identifying the performance obligation;
- Determining the transaction price;
- Allocating the transaction price to the performance obligations; and,
- Recognizing revenue when/as performance obligations are satisfied.

For Step 1 to be achieved, the following five gating criteria must be present:

- the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
- each party's rights regarding the goods or services to be transferred or performed can be identified;
- the payment terms for the goods or services to be transferred or performed can be identified;
- the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
- collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- the Company's performance does not create an asset with an alternative use to the Company and the entity has an enforceable right to payment for performance completed to date.

The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied. The Group uses the practical expedient in PFRS 15 with respect to non-disclosure of the aggregate amount of the transaction price allocated to unsatisfied or partially satisfied performance obligations as of the end of the reporting period and the explanation of when such amount will be recognized.

The Group develops real properties such as developed land, house and lot, and condominium units. The Group often enters into contracts to sell real properties as they are being developed. The Group also enters into transactions involving hotel accommodations, food and beverage operations, and other incidental activities. The significant judgment used in determining the timing of satisfaction of the Group's performance obligation with respect to its contracts to sell real properties is disclosed in Note 3.1(*b*). Sales cancellations are accounted for on the year of forfeiture. Any gain or loss on cancellation is charged to profit or loss.

(a) *Real estate sales on pre-completed real estate properties* – Revenue from real estate sales is recognized over time proportionate to the progress of the development. The Group measures its progress based on actual costs incurred relative to the total expected costs to be incurred in completing the development. Revenue recognized from real estate sales is presented as part of Real Estate Sales under the Revenues and Income section in the consolidated statement of comprehensive income.

(b) *Real estate sales on completed real estate properties* – Revenue from real estate sales is recognized at point in time when the control over the real estate property is transferred to the buyer. Revenue recognized from real estate sales is presented as part of Real Estate Sales under the Revenues and Income section in the consolidated statement of comprehensive income.

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

(c) *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 at a point in time when the control over the undeveloped land and golf and resort shares have passed to the buyer and the amount of revenue can be measured reliably.

(d) *Hotel accommodation* – Revenues are recognized over time during the occupancy of hotel guest and ends when the scheduled hotel room accommodation has lapsed (i.e., the related room services have been rendered). As applicable, invoices for hotel accommodations are due upon receipt by the customer.

(e) *Food, beverage and others* – Revenues are recognized at point in time upon delivery to and receipt of consumer goods by the customer. Invoice for consumer goods transferred are due upon receipt by the customer.

(f) *Rendering of services* – Revenues are recognized over time (i.e., time-and-materials basis as the services are provided or based on the actual work done) until the performance of contractually agreed tasks has been substantially rendered. Revenue from rendering of services include property management, commission and construction income.

Incremental costs of obtaining a contract to sell real estate property to customers are recognized as an asset and are subsequently amortized over the duration of the contract on the same basis as revenue from such contract is recognized.

Cost of real estate sales include the acquisition cost of the land, development costs incurred to date, applicable borrowings costs (see Note 2.21) and estimated costs to complete the project, determined based on estimates made by the project engineers.

Operating expenses and other costs are recognized in profit or loss upon utilization of services or receipt of goods or at the date they are incurred.

Finance costs are reported on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.21).

Contract assets pertain to rights to consideration in exchange for goods or services that the Group has transferred to a customer that is conditioned on something other than passage of time. Under its contracts with customers, the Group will receive an unconditional right to payment for the total consideration upon the completion of the development of the property sold. Any rights to consideration recognized by the Group as it develops the property are presented as Contract Assets in the consolidated statement of financial position. Contract assets are subsequently tested for impairment in the same manner as the Group assesses impairment of its financial assets [see Note 2.5(b)].

Any consideration received by the Group in excess of the amount for which the Group is entitled is presented as Contract Liabilities in the consolidated statement of financial position. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

If the transaction does not yet qualify as contract revenue under PFRS 15, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of revenue on real estate sale, consideration received from buyers are presented under the Customers' Deposits account in the liabilities section of the consolidated statement of financial position.

2.17 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

(i) *Accounting for Leases in Accordance with PFRS 16*

For any new contracts entered into, the Group considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

(a) the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

(b) the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,

(c) the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability in the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Group amortizes the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.18).

On the other hand, the Group measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets and lease liabilities have been presented as part of property, and equipment and other liabilities, respectively.

(ii) Accounting for Leases in Accordance with PAS 17 (2018)

Leases which transfer to the Group substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property at the inception of the lease or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance costs are recognized in profit or loss. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

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

(b) *Group as Lessor*

Leases wherein the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease.

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

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 or identified asset or assets and the arrangement conveys a right to use the asset for a period of time in exchange for consideration.

2.18 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. Goodwill and intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

Impairment loss is recognized 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.

Except for goodwill and intangible assets with indefinite life, 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.

2.19 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 as non-controlling interests at fair value at the date of grant in the consolidated statement of changes in equity. 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 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 plans covers all regular full-time employees. The pension plans are tax-qualified, noncontributory and administered by trustees.

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 for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bonds, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. The interest rates are based from the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL). BVAL provide evaluated prices that are based on market observations from contributed sources.

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

2.21 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.

2.22 Income Taxes

Tax expense recognized in consolidated profit or loss comprises the sum of current tax and deferred 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.

2.23 Related Party Transactions and Relationships

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.

Based on the requirement of SEC Memorandum Circular 2019-10, *Rules of Material Related Party Transactions of Publicly-listed Companies*, transactions amounting to 10% or more of the total consolidated assets based on its latest consolidated financial statements that were entered into with related parties are considered material.

All individual material related party transactions shall be approved by at least two-thirds (2/3) vote of the Company's board of directors, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of 10% of the Group's consolidated total assets based on the latest consolidated financial statements, the same board approval would be required for the transactions that meet and exceeds the materiality threshold covering the same related party.

2.24 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. Also, this includes shares of the Company held by certain subsidiaries (see Note 2.3).

Revaluation reserves consist of:

(a) Net fair value gains or losses recognized due to changes in fair values of financial assets recognized through other comprehensive income;

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

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

(d) Translation adjustments resulting from the translation of foreign-currency denominated financial statements of certain foreign subsidiaries into the Group's functional and presentation currency;

(e) The effective portion of gains and losses on hedging instruments in a cash flow hedge; and,

(f) Changes in ownership interest in subsidiaries that do not result in a loss of control.

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.

2.25 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).

2.26 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) Determination of Lease Term of Contracts with Renewal and Termination Options (2020 and 2019)

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

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The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

The Group determines whether any non-cancellable period or notice period in a lease would meet the definition of a contract and thus, would be included as part of the lease term. A contract would be considered to exist only when it creates rights and obligations that are enforceable.

In assessing the enforceability of a contract, the Company considers whether the lessor can refuse to agree to a request from the Company to extend the lease. In contrast, a lessor's right to terminate a lease is ignored when determining the lease term because, in that case, the lessee has an unconditional obligation to pay for the right to use the asset for the period of the lease, unless and until the lessor decides to terminate the lease.

(b) Evaluation of Timing of Satisfaction of Performance Obligations

(i) Real Estate Sales

The Group exercises critical judgment in determining whether each performance obligation to develop properties promised in its contracts with customers is satisfied over time or at a point in time. In making this judgment, the Group considers the following:

- any asset created or enhanced as the Group performs;
- the ability of the customer to control such asset as it is being created or enhanced;
- the timing of receipt and consumption of benefits by the customer; and,
- the Group's enforceable right for payment for performance completed to date.

The Group determines that its performance obligation for pre-completed real estate properties is satisfied over time, while completed real estate properties is satisfied at a point in time, since it does not have an alternative use of the specific property sold as it is precluded by its contract from redirecting the use of the property for a different purpose. Further, the Group has rights over payment for development completed to date as the Group can choose to complete the development and enforce its rights to full payment under its contracts even if the customer defaults on amortization payments.

(ii) Hotel Operations

The Group determines that its revenue from hotel accommodations shall be recognized over time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group provides the services without the need of reperformance of other entities. This demonstrates that the customers simultaneously receive and consume the benefits of the Group's rendering of hotel services as it performs.

(iii) Food and Beverages, and Others

In determining the appropriate method to use in recognizing the Group's revenues from food, beverage and other consumer goods, management assesses that revenue is recognized at a point in time when the control of the goods has passed to the customer, i.e. generally when the customer acknowledged delivery of goods. The service component of the restaurant operations is deemed as an insignificant cause on the timing of satisfaction of performance obligation since it is only passage of time until the customer receives and consumes all the benefits after delivery of the food and beverage items.

(iv) Forfeited Collections and Deposits

The Group determines that its revenue from forfeited collections and deposits shall be recognized at point in time in the year the contract was cancelled.

(v) Property Management Services

The Group determines that its revenue from property management services shall be recognized over time. In making its judgment, the Company considers the timing of receipt and consumption of benefits provided by the Company to the customers. The Company applies the practical expedient to recognize revenue at the amount to which it has a right to invoice, which corresponds directly to the value to the customer of the entity's performance completed to date i.e., generally when the customer has acknowledged the Company's right to invoice.

(c) Estimation of Collection Threshold for Revenue Recognition

The Group uses judgment in evaluating the probability of collection of contract price on real estate sales as a criterion for revenue recognition. The Group uses historical payment pattern of customers in establishing a percentage of collection threshold over which the Group determines that collection of total contract price is reasonably assured.

(d) Determination of ECL on Trade and Other Receivables

The Group uses a provision matrix to calculate ECL for trade and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is based on the Group's historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). The Group has considered impact of COVID-19 pandemic and revised its assumptions in determining the macroeconomic variables and loss rates in the computation of ECL. Details about the ECL on the Group's trade and other receivables are disclosed in Notes 2.5(b) and 32.3.

(e) Distinction Among Investment Properties and Owner-occupied Properties

The Group determines whether a property should be classified as investment property or owner-occupied property. The Group applies judgment upon initial recognition of the asset based on intention and also when there is a change in use. 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 generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

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.

(f) Distinction Between Inventories and Investment Properties

Inventories comprise properties that are held for sale in the ordinary course of business. Meanwhile, investment properties comprise 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 Group considers management's intention over these assets in making its judgment.

(g) Distinction Between Investments in Financial Instruments and Inventories

Being a real estate developer, the Group determines how golf and resort shares shall be accounted for. In determining whether these shares shall be accounted for as either inventories or investments in 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.

(h) Presentation of Perpetual Debt Securities

The Group exercises judgment in classifying its Perpetual debt securities as financial liabilities or equity instruments. In making its judgment, the Company considers the terms of the securities including any restrictions on the Company's ability to defer interest payments. Based on management's assessment, the perpetual debt securities are classified as equity securities as the Company has the ability to defer payments of principal and interest indefinitely (see Note 28.7).

(i) Distinction Between Asset Acquisition and Business Combinations

The Company acquires subsidiaries that own real estate properties. At the time of acquisition, the Company considers whether the acquisition represents acquisition of a business or asset. The Company 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, *Investment Property,* on ancillary services.

During the reporting periods, the Company gained control over various entities as described in Note 1.1. Based on management's assessment, such acquisitions are accounted for as business combinations.

(j) Distinction Between Operating and Finance Leases (as a Lessor)

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or 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, as lessor, are classified either operating or finance leases.

(k) Consolidation of Entities in which the Group Holds 50% or Less of Voting Rights

Management considers that the Group has de facto control over investees even though it effectively holds less than 50% of the ordinary shares and voting rights in those companies. The Group considers its ability to exercise control over these entities through voting rights held by its subsidiaries or through interlocking directors (see Note 1.1).

(l) 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 1.1 and 11).

(m) Determination on whether Lease Concessions Granted constitute a Lease Modification

In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Company waived its right to collect rent and other charges as part of various lease concessions it granted to lessees such as lease payment holidays or lease payment reductions.

In making this judgment, the Company determines whether the rent concessions granted has changed the scope of the lease, or the consideration thereof, that was not part of the original terms and conditions of the lease. The Company assessed that the lease concessions it granted to lessees do not qualify as lease modifications since the terms and conditions under the corresponding lease contracts have not been modified by the waiver and therefore, is not a lease modification under PFRS 16.

The rent concessions granted by the Group for the year ended December 31, 2020 amounted to P2.2 billion.

(n) 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 2.15 and disclosures on relevant provisions and contingencies are presented in Note 31.

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 for Performance Obligation Satisfied Over Time

In determining the amount of revenue to be recognized for performance obligations satisfied over time, the Company measures progress on the basis of actual costs incurred relative to the total expected costs to complete such performance obligation. Specifically, the Company estimates the total development costs with reference to the project development plan and any agreement with customers. Management regularly monitors its estimates and apply changes as necessary. A significant change in estimated total development costs would result in a significant change in the amount of revenue recognized in the year of change.

(b) Estimation of Allowance for ECL

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 2.5(b).

(c) Determination of Net Realizable Value of Inventories

In determining the net realizable value of inventories, 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 inventory 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 inventories within the next reporting period. In line with the impact of COVID-19, the Group experienced limited selling activities that resulted to lower real estate sales in 2020. In evaluating net realizable value of inventories, recent market conditions and current market prices have been considered. The carrying value of Inventories is disclosed in Note 7.

(d) 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 options 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 share options recognized as part of Salaries and employee benefits in 2020, 2019 and 2018 is presented in Note 25.2.

(e) Fair Value Measurement of Investment Properties

Investment properties are measured using the cost model. The Group determines the fair value of properties earning rental income through discounted cash flows valuation technique. The Group uses assumptions that are mainly based on market conditions existing at each reporting period, such as: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

The Group determines the fair value of idle properties through appraisals by independent valuation specialists using market-based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property.

A significant change in these elements may affect prices and the value of the assets. The fair value of investment properties is disclosed in Notes 12 and 34.4.

(f) Estimation of Useful Lives of Investment Properties, Property and Equipment, and Leasehold Rights

The Group estimates the useful lives of investment properties, and property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of investment properties and property and equipment 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 investment properties and property and equipment are based on collective assessment of industry practice, internal technical evaluation and experience with similar assets.

An analysis of the movements in the carrying amount of Investment Properties, Property and Equipment, and Leasehold Rights is presented in Notes 12, 13 and 14, respectively.

(g) Valuation of Financial Assets at Fair Value through Other Comprehensive Income

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 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 investee. 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 financial asset at FVOCI and the amounts of fair value changes recognized during the years on those assets are disclosed in Note 9.

(h) Determination of Appropriate Discount Rate in Measuring Lease Liabilities

The Company measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Company's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(i) 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, 2020 and 2019 will be utilized in the succeeding years.

The carrying amount of the net deferred tax assets as at December 31, 2020 and 2019 is disclosed in Note 26.

(j) Impairment of Goodwill and Other Non-financial Assets

Goodwill is reviewed annually for impairment while other non-financial assets are tested whenever certain impairment indicators become evident. 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 goodwill and other non-financial assets is discussed in detail in Note 2.18. 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.

The Group's hotels operations segment continues to be adversely affected by COVID-19 due to limited tourism activities, lower number of guests and reduced room rates, all of which have significantly impacted the revenues reported for this segment. These events and conditions are impairment indicators requiring the assessment of the recoverable amount of hotel properties included as part of building and improvements under property and equipment (see Note 13). Management assessed that the impairment losses on these properties are not material as of December 31, 2020.

There were no impairment losses on the Group's goodwill and other non-financial assets required to be recognized in 2020, 2019 and 2018 based on management's assessment.

(k) Valuation of Retirement Obligation

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by independent actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary rate increase. 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 retirement benefit obligation in the next reporting period.

The amounts of retirement 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.

(l) 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 acquisition date 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.

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 business process outsourcing, educational facilities provider, maintenance and property management operations, marketing services, e-commerce, general and corporate income and expense items. Segment accounting policies are the same as the policies described in Note 2.14. The Group generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

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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 tables presented below and in the succeeding page present revenue and profit information regarding industry segments for the years ended December 31, 2020, 2019 and 2018 and certain asset and liability information regarding segments as at December 31, 2020 and 2019.

	2020					
	Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
TOTAL REVENUES						
Sales to external customers	P 24,858,537,303	P12,932,770,278	P 1,482,160,976	P 1,466,834,056	P -	P 40,740,302,613
Interest income	1,400,701,643	599,253,561	2,646,996	1,184,963	-	2,003,787,163
Intersegment sales	-	467,049,014	-	2,294,445,202	(2,761,494,216)	-
Total revenues	**26,259,238,946**	**13,999,072,853**	**1,484,807,972**	**3,762,464,221**	**(2,761,494,216)**	**42,744,089,776**
RESULTS						
Cost of sales and operating expense excluding depreciation and amortization	19,252,024,183	1,745,331,616	1,438,867,811	3,669,211,000	(2,606,206,509)	23,499,228,101
Interest expense	1,401,027,748	451,200,603	-	58,857,029	-	1,911,085,380
Depreciation and amortization	306,863,866	2,485,169,230	133,495,376	179,132,761	-	3,104,661,233
	20,959,915,797	4,681,701,449	1,572,363,187	3,907,200,790	(2,606,206,509)	28,514,974,714
Segment results	**P 5,299,323,149**	**P 9,317,371,404**	**(P 87,555,215)**	**(P 144,736,569)**	**(P 155,287,707)**	**P 14,229,115,062**
Unallocated other income						796,788,076
Unallocated other expenses						(1,019,551,914)
Equity in net earnings of associates						(69,879,672)
Tax expense						(3,347,906,258)
Net profit						**P 10,588,565,294**
ASSETS AND LIABILITIES						
Segment assets	P 235,599,151,575	P114,390,474,604	P 5,117,468,238	P12,913,055,054	P -	P 368,020,149,471
Investments in and advances to associates and other related parties - net	-	-	-	7,670,270,474	-	7,670,270,474
Total assets	**P 235,599,151,575**	**P114,390,474,604**	**P 5,117,468,238**	**P20,583,325,528**	**P -**	**P375,690,419,945**
Segment liabilities	**P 113,607,944,849**	**P41,276,479,486**	**P 1,114,130,648**	**P 7,161,384,765**	**P -**	**P 163,159,939,748**
OTHER SEGMENT INFORMATION						
Project and capital expenditures						P 27,907,230,441

	2019					
	Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
TOTAL REVENUES						
Sales to external customers	P 42,603,984,572	P16,814,091,846	P 2,543,769,508	P 1,889,033,843	P -	P 63,850,879,769
Interest income	1,789,992,697	532,557,186	4,213,073	2,050,744	-	2,328,813,700
Intersegment sales	-	497,191,017	-	2,773,501,898	(3,270,692,915)	-
Total revenues	44,393,977,269	17,843,840,049	2,547,982,581	4,664,586,485	(3,270,692,915)	66,179,693,469
RESULTS						
Cost of sales and operating expense excluding depreciation and amortization	30,747,680,397	1,952,200,282	1,905,111,557	4,464,159,187	(3,114,329,696)	35,954,821,727
Interest expense	1,524,194,888	420,528,292	-	63,111,421	-	2,007,834,601
Depreciation and amortization	188,556,394	2,236,868,294	106,992,256	186,216,845	-	2,718,633,789
	32,460,431,679	4,609,596,868	2,012,103,813	4,713,487,453	(3,114,329,696)	40,681,290,117
Segment results	P 11,933,545,590	P13,234,243,181	P 535,878,768	(P 48,900,968)	(P 156,363,219)	P 25,498,403,352
Unallocated other income						1,191,878,718
Unallocated other expenses						(1,253,763,397)
Equity in net earnings of associates						(58,832,233)
Tax expense						(6,081,657,290)
Net profit						P 19,296,029,150
ASSETS AND LIABILITIES						
Segment assets	P 226,831,920,357	P102,878,993,500	P 5,385,458,355	P 7,023,188,130	P -	P 342,119,560,342
Investments in and advances to associates and other related parties - net	-	-	-	7,513,514,402	-	7,513,514,402
Total assets	P 226,831,920,357	P102,878,993,500	P 5,385,458,355	P14,536,702,532	P -	P349,633,074,744
Segment liabilities	P 102,921,026,112	P33,672,147,628	P 1,331,766,296	P 6,842,612,203	P -	P 144,767,552,239
OTHER SEGMENT INFORMATION						
Project and capital expenditures						P 48,224,935,584

	2018					
	Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
TOTAL REVENUES						
Sales to external customers	P 38,035,548,060	P14,264,916,931	P 1,519,423,405	P 1,725,890,419	P -	P 55,545,778,815
Interest income	1,360,134,589	403,158,165	3,320,289	1,315,586	-	1,767,928,629
Intersegment sales	-	527,406,898	-	1,622,167,397	(2,149,574,295)	-
Total revenues	39,395,682,649	15,195,481,994	1,522,743,694	3,349,373,402	(2,149,574,295)	57,313,707,444
RESULTS						
Cost of sales and operating expense excluding depreciation and amortization	26,695,579,531	1,781,183,995	1,094,982,921	3,266,235,678	(2,001,285,211)	30,836,696,914
Interest expense	1,236,920,202	335,147,742	-	67,395,261	-	1,639,463,205
Depreciation and amortization	197,835,315	1,839,888,284	81,151,659	149,943,617	-	2,268,818,875
	28,130,335,048	3,956,220,021	1,176,134,580	3,483,574,556	(2,001,285,211)	34,744,978,994
Segment results	P 11,265,347,601	P11,239,261,973	P 346,609,114	(P 134,201,154)	(P 148,289,084)	P 22,568,728,450
Unallocated other income						21,195,680
Unallocated other expenses						(1,138,341,501)
Equity in net earnings of associates						92,307,592
Tax expense						(5,544,362,408)
Preacquisition income of a subsidiary						(166,475,960)
Net profit						P 15,833,051,853
ASSETS AND LIABILITIES						
Segment assets	P 211,035,218,822	P 95,120,853,518	P 4,249,106,353	P 7,256,848,281	P -	P 317,662,026,074
Investments in and advances to associates and other related parties - net	-	-	-	4,628,639,940	-	4,628,639,940
Total assets	P 211,035,218,822	P95,120,853,518	P 4,249,106,353	P 11,885,488,221	P -	P322,290,666,914
Segment liabilities	P 95,911,770,976	P32,096,258,281	P 493,591,142	P 5,048,625,982	P -	P 133,550,246,381
OTHER SEGMENT INFORMATION						
Project and capital expenditures						P 55,220,966,122

5. CASH AND CASH EQUIVALENTS

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

	2020	2019
Cash on hand and in banks	**P 7,042,548,724**	P 6,937,962,429
Short-term placements	**33,124,207,184**	16,166,913,243
	P 40,166,755,908	P 23,104,875,672

Cash in banks generally earn interest based on daily bank deposit rates. Short-term placements are made for varying periods between 21 to 39 days and earn effective interest ranging from 0.10% to 4.00% in 2020, 1.00% to 4.88% in 2019, and 1.00% to 7.00% in 2018 (see Note 23).

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Notes	2020	2019
Current:			
Trade	15.2(d), 15.4(g), 27.1, 27.8	**P23,502,944,474**	P 26,213,414,625
Allowance for impairment		**(839,881,663)**	(718,476,454)
		22,663,062,811	25,494,938,171
Advances to associates and other related parties	27.2	**4,227,173,772**	4,002,012,566
Others	13, 27.4	**4,685,900,589**	3,514,999,555
		31,576,137,172	33,011,950,292
Non-current:			
Trade	15.2(d), 15.4(g)	**7,777,378,604**	7,861,599,229
Allowance for impairment		**(12,224,936)**	(12,224,936)
		7,765,153,668	7,849,374,293
Others	27.1, 13	**4,496,062,710**	3,948,014,778
		12,261,216,378	11,797,389,071
		P43,837,353,550	P 44,809,339,363

Trade receivables mainly pertain to real estate sales and rental transactions.

Other current receivables include accrued interest.

The installment period of sales contracts averages one to five years. Noninterest-bearing trade receivables with maturity of more than one year after the end of the reporting period are remeasured at amortized cost using the effective interest rate of similar financial instruments. Interest income recognized amounted to P408.3 million, P697.2 million and P474.5 million in 2020, 2019 and 2018, respectively. These amounts are presented as part of Interest income from trade receivables under Interest and Other Income – net account in the consolidated statements of income (see Note 23).

In 2020, the Group, provided reliefs under Republic Act (R.A.) No. 11469, *Bayanihan to Heal as One Act* (Bayanihan 1 Act) and R.A. 11494, *Bayanihan to Recover as One Act* (Bayanihan 2 Act), which offered financial reliefs to its customers and counterparties as a response to the effect of the COVID-19 pandemic. These relief measures included the extension of payment terms without incurring interest on interests, penalties, fees, or other charges.

Based on the management's assessment, the modifications in the timing of contractual cash flows as a result of the above reliefs are not substantial and, therefore, do not result in the impairment of trade and other receivables and contract assets.

In 2019, due to the adoption of PFRS 16, one of the lease contracts of GERI has qualified as a finance lease [see Note 31.1(b)]. As a result, the Group recognized finance lease receivable amounting to P669.3 million as of December 31, 2019, and gain on finance lease amounting to P350.2 million which is presented as Gain on finance lease under Interest and Other Income – net account in the 2019 statement of income (see Note 23). Accordingly, the right-of-use asset amounting to P319.1 million was derecognized (see Note 13). In 2020 and 2019, the carrying amount of finance lease receivable is included as part of Others in the Trade and Other Receivables – net account under the Current Assets section at P52.6 million and P86.8 million, respectively, and in the Non-Current Assets section at P540.6 million and P586.0 million, respectively.

All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regard to trade receivables from real estate sales as the amounts recognized consist of a large number of receivables from various customers. The Group considers the market value of properties sold held as collateral in assessing the expected credit loss on trade receivables and contract assets from real estate sales (see Note 32.3).

A reconciliation of the allowance for impairment losses on trade receivables at the beginning and end of 2020 and 2019 is shown below.

	Current	Non-current	Total
December 31, 2020:			
Balance at beginning of year	P 718,476,454	P 12,224,936	P 730,701,390
Impairment losses	121,405,209	-	121,405,209
Balance at end of year	**P 839,881,663**	**P 12,224,936**	**P 852,106,599**
December 31, 2019:			
Balance at beginning of year	P 746,443,033	P 12,224,936	P 758,667,969
Impairment reversal	(27,966,579)	-	(27,966,579)
Balance at end of year	P 718,476,454	P 12,224,936	P 730,701,390

DESIGN LIFE

Certain past due rent receivables presented as part of Trade receivables were found to be impaired using the provisional matrix as determined by management; hence, credit loss of P121.4 million and P191.1 million was recognized in 2020 and 2018, respectively (see Note 24). In 2019, based on management's reassessment, the Group reversed a portion of allowance for impairment amounting to P28.0 million. The resulting gain on reversal is presented as part of Miscellaneous – net under Interest and Other Income – net account in the 2019 statement of income (see Note 23).

An allowance of P120.9 million, pertaining to the rent receivables, has been established at the beginning of 2018 as a result of the Group's adoption of PFRS 9.

7. INVENTORIES

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

	2020	2019
Residential and condominium units	**P 82,285,326,268**	P 80,134,993,372
Property development costs	**8,746,972,339**	7,483,371,952
Raw land inventory	**12,151,377,975**	12,297,389,904
Golf and resort shares	**2,951,286,629**	2,929,635,312
	P106,134,963,211	P102,845,390,540

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

Raw land inventory pertains to properties which the Group intends to develop into residential properties to be held for sale.

Property development costs pertain to accumulated costs incurred for properties undergoing development. The relative cost of a unit sold under development is charged to cost of sales in the same manner as revenue is recognized. The relative costs of units completed prior to sale are reclassified to Residential and condominium units for sale.

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

Borrowing costs capitalized as part of inventories amounted to P793.7 million and P932.5 million in 2020 and 2019, respectively, which represent the interest costs incurred on the general and specific borrowings obtained by the Group to fund their construction projects (see Notes 15 and 16).

Certain residential and condominium units for sale are subject to negative pledge on certain loans obtained by the Group [see Note 15.2(d)].

Based on management's assessment, no allowance for inventory write-down is required to be recognized in 2020, 2019 and 2018; hence, inventories are recorded at cost as at December 31, 2020 and 2019.

8. PREPAYMENTS AND OTHER CURRENT ASSETS

The composition of this account is shown below.

	Note	**2020**	2019
Input VAT		**P 3,548,681,253**	P 4,681,471,774
Deferred commission	20.3	**1,805,210,470**	1,206,488,729
Creditable withholding taxes		**1,150,713,335**	1,210,186,078
Prepaid rent and other prepayments		**1,056,369,780**	1,061,539,655
Deposits		**57,285,237**	62,155,524
Others		**252,953,167**	195,390,459
		P 7,871,213,242	P 8,417,232,219

Others include supplies and food and beverage inventories.

9. FINANCIAL ASSETS AT FVOCI

As of December 31, financial assets at FVOCI is composed of the following:

	Note	**2020**	2019
Equity securities:			
Quoted		**P 1,902,709,257**	P 1,865,987,171
Unquoted		**2,272,177,173**	2,632,232,316
	27.4	**P 4,174,886,430**	P 4,498,219,487

The Group's securities are investments from local entities.

The reconciliation of the carrying amount of financial assets at FVOCI is as follows:

	2020	2019
Balance at beginning of year	**P 4,498,219,487**	P 4,474,947,699
Fair value gains (losses)	**(323,225,082)**	23,271,788
Foreign currency losses	**(107,975)**	-
Balance at end of year	**P 4,174,886,430**	P 4,498,219,487

In 2018, equity securities significantly pertained to investments in publicly-listed holding and service companies with fair values determined directly by reference to published prices in the PSE. In 2019, one of the Group's investments becomes unquoted as these were no longer publicly traded starting September of the same year.

In 2018, as a result of the Group's adoption of PFRS 9, impairment loss on equity securities amounting to P1.5 billion recognized in 2017 within Retained Earnings was reclassified to Revaluation Reserves as of January 1, 2018.

Other information about the fair value measurement and disclosures related to the investments in financial assets are presented in Note 34.2.

In 2020 and 2019, the Group received cash dividends from local companies amounting to P8.2 million and P8.5 million, respectively. The amount of dividends received is presented as part of Dividend income under Interest and Other Income – net account in the consolidated statements of income (see Note 23).

10. ADVANCES TO/FROM LANDOWNERS AND JOINT OPERATORS

10.1 Advances to Landowners and Joint Operators

The Group enters into numerous joint arrangements for the joint development of various projects. These are treated as jointly-controlled operations. The joint arrangements stipulate that the Group's co-operator shall contribute parcels of land while the Group shall be responsible for the planning, conceptualization, design, demolition of existing improvements, construction, financing and marketing of residential and condominium units to be constructed on the properties. In addition, there were no separate entities created by these joint arrangements. Costs incurred by the Group on these projects are recorded under the Inventories account in the consolidated statements of financial position (see Note 2.7).

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 arrangements, the Group, in addition to providing specified portion of total project development costs, also commits to advance mutually agreed-upon amounts to the landowners to be used for pre-development expenses such as the relocation of existing occupants.

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

As at December 31, 2020 and 2019, management has assessed that the advances to joint ventures are fully recoverable. Further, there has been no outstanding commitment for cash advances under the joint agreements.

The net commitment for construction expenditures amounts to:

	2020	2019
Total commitment for construction expenditures	**P 34,237,388,185**	P 33,268,029,905
Total expenditures incurred	**(24,563,557,032)**	(22,896,502,186)
Net commitment	**P 9,673,831,153**	P 10,371,527,719

The Group's interests in jointly-controlled operations and projects range from 57% to 90% in both 2020 and 2019. The listing of the Group's jointly-controlled projects are as follows:

Company:
- McKinley Hill
- McKinley West
- Newport City
- Manhattan Garden City
- Noble Place

Company (*continued*):
- Uptown Bonifacio
- Northill Gateway
- The Maple Grove
- Vion Tower

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

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

SPI:
- Capitol Plaza
- Governor's Hills
- Mandara
- Sta. Rosa Heights
- Sta. Rosa Hills
- Sentosa
- Asmara
- 88 Gibraltar
- One Lakeshore
- Two Lakeshore
- Riva Bella
- Solana
- Gentri Heights
- Fountain Grove
- Palm City
- The Mist Residence

The aggregate amounts of the current assets, long-term assets, current liabilities, long-term liabilities as at December 31, 2020 and 2019, and income and expenses for each of the three years in the period ended December 31, 2020 related to the Group's interests in joint arrangements are not presented or disclosed in the consolidated financial statements as the joint arrangements in which the Group is involved are not joint ventures (see Note 2.3).

As at December 31, 2020 and 2019, the Group either has no other contingent liabilities with regard to these joint operations or has assessed that the probability of loss that may arise from contingent liabilities is remote.

10.2 Advances from Joint Operators

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

The advances from golf share partners and lot owners recognized in 2020 and 2019 amounted to P277.2 million and P356.2 million is presented as part of Advances from Associates and Other Related Parties account in the consolidated statements of financial position (see Note 27.3).

The amortization of deferred interest amounting to P11.3 million in 2018 is presented as part of Interest expense under the Interest and Other Charges – net account in the 2018 consolidated statements of income (see Note 24). No amortization was recognized in 2020 and 2019 as the deferred interest was fully amortized in 2018.

11. INVESTMENTS IN ASSOCIATES

11.1 Breakdown of Carrying Values

The details of investments in associates, accounted for using the equity method, are as follows:

	Note	**2020**	2019
Acquisition costs:			
SHDI		**P 2,619,800,008**	P 2,619,800,008
NPI		**734,396,528**	734,396,528
BWDC		**199,212,026**	199,212,026
PTHDC		**64,665,000**	64,665,000
		3,618,073,562	3,618,073,562
Accumulated equity in net losses:			
Balance at beginning of year		**(153,291,902)**	(258,418,175)
Equity share in net losses of associates for the year		**(69,879,672)**	(58,832,233)
Effect of dilution in percentage ownership	23	**-**	152,294,930
Recycling due to disposal and dilution		**-**	11,417,059
Disposal during the year		**-**	246,517
Balance at end of year		**(223,171,574)**	(153,291,902)
Accumulated equity in other comprehensive income:			
Balance at beginning of year		**46,720,176**	58,137,235
Share in other comprehensive income (losses) of associates		**1,474,538**	(11,417,059)
Balance at end of year		**48,194,714**	46,720,176
		P 3,443,096,702	P 3,511,501,836

The shares of stock of SHDI are listed in the PSE. The fair values of all other investments in associates are not available as at December 31, 2020 and 2019. The related book values of the Group's holdings in all of the associates exceed or approximate their carrying values; hence, management deemed that the recognition of impairment loss is not necessary except those associates discussed in Note 11.2. Equity share in Net Earnings (Losses) of Associates is presented in the consolidated statements of income while Share in Other Comprehensive Income of Associates is presented in the consolidated statements of comprehensive income.

a. *Investment in SHDI*

In October 2019, the Company acquired additional 115 million shares of SHDI at market price, totaling P100.1 million. Subsequently, the Group disposed of a certain number of shares. In December 2019, the Company subscribed to additional 2,177 million shares from SHDI at P1.00 par value. The Company paid P1.25 billion out of the P2.20 billion additional subscribed capital. However, another investor subscribed to more new shares and, as a result, the Company's effective ownership was diluted to 34% and dilution gain amounting to P152.3 million was recognized and presented under Interest and Other Income – Net in the 2019 consolidated statement of income (see Note 23). The unpaid portion is presented as Subscription payable under Other Current Liabilities account in the 2020 and 2019 consolidated statements of financial position (see Note 19). There was no similar transaction in 2020 and 2018.

b. *Investment in BNHGI*

In 2019, FEPI sold 15% ownership interest over BNHGI for P297.5 million. Gain on sale of investment in an associate amounting to P188.5 million was recognized in 2019 and is presented under Interest and Other Income – net account in the 2019 consolidated statement of income (see Note 23). There was no similar transaction in 2020 and 2018.

11.2 Summarized Financial Information

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

	Current Assets	Non-current Assets	Current Liabilities	Non-current Liabilities	Revenues	Net Profit (Loss)
2020:						
SHDI	P 5,934,435,559	P 16,559,530,064	P 350,878,800	P 13,816,020,878	P 15,197,042	(P 211,545,268)
NPI	260,527,963	5,411,008,680	1,317,006,155	-	-	-
BWDC	739,778,589	1,878,640,214	873,746,275	41,797,262	66,586,695	5,048,071
PTHDC	1,134,947,853	276,907	1,009,909,620	-	4,633	(704,866)
	P 8,069,689,964	**P 23,849,455,865**	**P 3,551,540,850**	**P 13,857,818,140**	**P 81,788,370**	**(P 207,202,063)**

	Current Assets	Non-current Assets	Current Liabilities	Non-current Liabilities	Revenues	Net Profit (Loss)
2019:						
SHDI	P 1,307,765,420	P 141,144,732	P 57,502,895	P -	P 582,956,270	(P 314,779,735)
NPI	260,527,963	5,411,008,680	1,317,006,155	-	8,725	(726,177)
BWDC	728,777,047	1,859,781,010	843,760,097	69,417,625	165,496,452	104,863,479
PTHDC	1,134,934,478	827,719	1,009,742,190	-	12,790	(461,651)
	P 3,432,004,908	P 7,412,762,141	P 3,228,011,337	P 69,417,625	P 748,474,237	(P 211,104,084)

In addition, SHDI reported other comprehensive income amounting to P4.34 million in 2020 and other comprehensive loss of P9.23 million in 2019.

In 2018, the Group written-off its investments to FERC, FENI, FESI and FERSAI. The carrying amount of the investments amounting to P44.9 million was recognized as impairment loss and is presented as part of Miscellaneous under Operating Expenses account in the 2018 consolidated statement of comprehensive income (see Note 22).

12. INVESTMENT PROPERTIES

The gross carrying amounts and accumulated depreciation of investment properties at the beginning and end of 2020 and 2019 are shown below.

	Land	Buildings	Total
December 31, 2020			
Cost	P 27,000,062,823	P 102,872,946,728	P 129,873,009,551
Accumulated depreciation	-	(14,890,520,122)	(14,890,520,122)
Net carrying amount	**P 27,000,062,823**	**P 87,982,426,606**	**P 114,982,489,429**
December 31, 2019			
Cost	P 26,838,600,559	P 96,457,689,526	P 123,296,290,085
Accumulated depreciation	-	(12,405,350,892)	(12,405,350,892)
Net carrying amount	P 26,838,600,559	P 84,052,338,634	P 110,890,939,193
January 1, 2019			
Cost	P 26,538,840,239	P 86,768,689,909	P 113,307,530,148
Accumulated depreciation	-	(10,185,456,616)	(10,185,456,616)
Net carrying amount	P 26,538,840,239	P 76,583,233,293	P 103,122,073,532

A reconciliation of the carrying amounts at the beginning and end of 2020, 2019 and 2018 of investment properties is shown below.

	Land	Buildings	Total
Balance at January 1, 2020, net of accumulated depreciation	P 26,838,600,559	P 84,052,338,634	P110,890,939,193
Transfer to property and equipment	-	(169,332,500)	(169,332,500)
Transfer from inventories	34,421	14,402,577	14,436,998
Additions	161,427,843	6,570,187,125	6,731,614,968
Depreciation charges for the year	-	(2,485,169,230)	(2,485,169,230)
Balance at December 31, 2020, net of accumulated depreciation	**P 27,000,062,823**	**P 87,982,426,606**	**P114,982,489,429**
Balance at January 1, 2019, net of accumulated depreciation	P 26,538,840,239	P 76,583,233,293	P103,122,073,532
Transfer to property and equipment	-	(400,488,452)	(400,488,452)
Additions	300,047,161	10,090,544,279	10,390,591,440
Disposals	(286,841)	(1,056,210)	(1,343,051)
Depreciation charges for the year	-	(2,219,894,276)	(2,219,894,276)
Balance at December 31, 2019, net of accumulated depreciation	P 26,838,600,559	P 84,052,338,634	P110,890,939,193

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	Land	Buildings	Total
Balance at January 1, 2018, net of accumulated depreciation	P 26,168,336,418	P 69,476,711,936	P 95,645,048,354
Transfer to property and equipment	-	(780,689,687)	(780,689,687)
Additions	557,895,819	13,722,756,855	14,280,652,674
Disposals	(187,391,998)	(3,995,657,527)	(4,183,049,525)
Depreciation charges for the year	-	(1,839,888,284)	(1,839,888,284)
Balance at December 31, 2018, net of accumulated depreciation	P 26,538,840,239	P 76,583,233,293	P103,122,073,532

Rental income earned from these properties amounted to P12.9 billion, P16.8 billion and P14.3 billion in 2020, 2019 and 2018, 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 P882.7 million in 2020, P737.2 million in 2019 and P657.0 million in 2018. On the other hand, the direct operating costs, which mostly pertain to real property taxes, of investment properties that did not generate rental income in 2020, 2019 and 2018 amounted to P37.2 million, P34.7 million and P35.5 million, respectively. The operating lease commitments of the Group as a lessor are fully disclosed in Note 31.1.

In 2018, the Group transferred ownership over a building classified as investment property to a related party under common ownership (see Note 27.1).

In 2019 and 2018, changes were made on use of certain properties from being held for lease to being used for hotel operations. As a result, the Group occupied the property in the respective years of reclassification and the carrying amount of P0.4 billion and P0.8 billion, respectively, were reclassified from Investment Properties to Property and Equipment (see Note 13).

In 2019, the Group sold certain land and building and improvements with a total carrying value of P1.3 million for a total consideration of P47.1 million. The related gain on disposal amounting to P45.8 million is presented as part of Miscellaneous – net under Interest and Other Income – net in the 2019 consolidated statement of income (see Note 23).

In 2020, the Group reclassified investment properties with a carrying amount of P169.3 million to property and equipment as such properties are used for operations (see Note 13). The Group has also reclassified inventories with a carrying amount of P14.4 million to investment properties as such properties are held to earn rentals (see Note 7).

Borrowing costs that are capitalized as part of investment properties amounted to P1,846.7 million and P1,810.0 million in 2020 and 2019, respectively, which represent the interest costs incurred on the general and specific borrowings obtained by the Group to fund their construction projects (see Notes 15 and 16).

Depreciation of investment properties is presented as part of Depreciation and amortization under Operating Expenses account in the consolidated statements of income (see Note 22).

The fair market values of the properties that generated rental income in 2020 and 2019 are P437.9 billion and P424.4 billion as at December 31, 2020 and 2019, respectively, while the fair market value of idle land as of December 31, 2020 and 2019 is P53.8 billion and P50.9 billion, respectively. Other information about the fair value measurement and disclosures related to the investment properties are presented in Note 34.4.

13. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2020 and 2019 are shown below.

	Buildings & Improvements	Office Furniture, Fixtures and Equipment	Office Improvements	Transportation Equipment	Land	Right-of-use Assets	Total
December 31, 2020							
Cost	P7,071,037,859	P 1,700,048,652	P 432,875,962	P 562,606,119	P 245,672,573	P 310,518,800	P 10,322,759,965
Accumulated depreciation and amortization	(1,509,924,901)	(1,238,333,340)	(310,435,212)	(485,892,991)	-	(58,573,516)	(3,603,159,960)
Net carrying amount	**P 5,561,112,958**	**P 461,715,312**	**P 122,440,750**	**P 76,713,128**	**P 245,672,573**	**P 251,945,284**	**P 6,719,600,005**
December 31, 2019							
Cost	P6,687,643,357	P 1,571,660,277	P 390,225,553	P 522,789,975	P 245,672,573	P 274,892,443	P 9,692,884,178
Accumulated depreciation and amortization	(1,234,320,268)	(1,049,205,240)	(267,383,440)	(422,750,209)	-	(16,974,018)	(2,990,633,175)
Net carrying amount	P5,453,323,089	P 522,455,037	P 122,842,113	P 100,039,766	P 245,672,573	P 257,918,425	P 6,702,251,003
January 1, 2019							
Cost	P6,235,671,388	P 1,408,659,015	P 343,419,985	P 435,488,491	P 245,672,573	P -	P 8,668,911,452
Accumulated depreciation and amortization	(1,068,346,936)	(871,062,860)	(225,105,338)	(334,343,745)	-	-	(2,498,858,879)
Net carrying amount	P5,167,324,452	P 537,596,155	P 118,314,647	P 101,144,746	P 245,672,573	P -	P 6,170,052,573

A reconciliation of the carrying amounts at the beginning and end of 2020, 2019 and 2018, of property and equipment is shown below.

	Buildings & Improvements	Office Furniture, Fixtures and Equipment	Office Improvements	Transportation Equipment	Land	Right-of-use Assets	Total
Balance at January 1, 2020, net of accumulated depreciation and amortization	P5,453,323,089	P 522,455,037	P 122,842,113	P 100,039,766	P 245,672,573	P 257,918,425	P 6,702,251,003
Additions	214,062,002	133,827,341	42,650,409	40,169,319	-	35,626,357	466,335,428
Transfer from investment properties	169,332,500	-	-	-	-	-	169,332,500
Disposals	-	(5,438,966)	-	(353,175)	-	-	(5,792,141)
Depreciation charges for the year	(275,604,633)	(189,128,100)	(43,051,772)	(63,142,782)	-	(41,599,498)	(612,526,785)
Balance at December 31, 2020, net of accumulated depreciation	**P 5,561,112,958**	**P 461,715,312**	**P 122,440,750**	**P 76,713,128**	**P 245,672,573**	**P 251,945,284**	**P 6,719,600,005**
Balance at January 1, 2019, net of accumulated depreciation and amortization							
As previously reported	P5,167,324,452	P 537,596,155	P 118,314,647	P 101,144,746	P 245,672,573	P -	P 6,170,052,573
Effect of PFRS 16	-	-	-	-	-	399,145,961	399,145,961
As restated	5,167,324,452	537,596,155	118,314,647	101,144,746	245,672,573	399,145,961	6,569,198,534
Transfer from investment properties	400,488,452	-	-	-	-	-	400,488,452
Additions	51,483,517	163,734,664	46,805,568	88,093,093	-	194,882,491	544,999,333
Derecognition	-	-	-	-	-	(319,136,009)	(319,136,009)
Disposals	-	(733,402)	-	(791,609)	-	-	(1,525,011)
Depreciation charges for the year	(165,973,332)	(178,142,380)	(42,278,102)	(88,406,464)	-	(16,974,018)	(491,774,296)
Balance at December 31, 2019, net of accumulated depreciation	P5,453,323,089	P 522,455,037	P 122,842,113	P 100,039,766	P 245,672,573	P 257,918,425	P 6,702,251,003
Balance at January 1, 2018, net of accumulated depreciation	P4,503,244,032	P 190,690,885	P 102,690,612	P 128,155,285	P 245,672,573	P -	P 5,170,453,387
Transfer from investment properties	779,754,000	-	935,687	-	-	-	780,689,687
Additions	58,214,496	441,153,167	45,204,630	54,892,007			599,464,300
Reclassifications	-	54,717,213	-	(241,621)	-	-	54,475,592
Disposals	-	(4,313,571)	-	(8,731,443)	-	-	(13,045,014)
Depreciation and amortization charges for the year	(173,888,076)	(144,651,539)	(30,516,282)	(72,929,482)	-	-	(421,985,379)
Balance at December 31, 2018, net of accumulated depreciation and amortization	P5,167,324,452	P 537,596,155	P 118,314,647	P 101,144,746	P 245,672,573	P -	P 6,170,052,573

Depreciation and amortization of property and equipment is presented as part of Depreciation and amortization under Operating Expenses account in the consolidated statements of income (see Note 22).

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognized in the statement of financial position.

	Number of right-of-use assets leased	Range of remaining term	Average remaining lease term	Number of leases with extension options	Number of leases with termination options
2020					
Offices	5	2 – 13 years	7 years	3	1
Commercial lot	3	1 – 27 years	14 years	2	1
2019					
Offices	3	2 – 14 years	8 years	3	1
Commercial lot	3	1 – 28 years	15 years	2	1

The breakdown of the Group's right-of-use assets as at December 31, 2020 and 2019 and the movements during the period are shown below.

	Offices	Commercial Lot	Total
Balance at beginning of year	P 11,074,273	P 246,844,152	P 257,918,425
Additions	35,626,357	-	35,626,357
Depreciation and amortization	(18,536,896)	(23,062,602)	(41,599,498)
Balance at end of year	**P 28,163,734**	**P 223,781,550**	**P 251,945,284**
Balance at beginning of year	P 9,193,717	P 389,952,244	P 399,145,961
Additions	6,765,466	188,117,025	194,882,491
Derecognition	-	(319,136,009)	(319,136,009)
Depreciation and amortization	(4,884,910)	(12,089,108)	(16,974,018)
Balance at end of year	P 11,074,273	P 246,844,152	P 257,918,425

The derecognition of right-of-use asset amounting to P319.1 million resulted from one of the lease contracts of GERI that has qualified as a finance lease (see Note 6).

As of December 31, 2020 and 2019, the Group does not have any contractual commitments for acquisition of property and equipment.

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

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14. OTHER NON-CURRENT ASSETS

This account consists of:

	Note	**2020**	2019
Deferred commission	20.3	**P 1,554,862,853**	P 906,925,987
Goodwill		**1,385,124,597**	1,385,124,597
Deposit for cancellation of perpetual securities	37.2	**1,200,900,000**	-
Guarantee and other deposits		**1,186,605,535**	1,007,434,782
Leasehold rights – net		**97,513,034**	104,478,252
Miscellaneous		**170,147,303**	124,848,129
		P 5,595,153,322	P 3,528,811,747

Goodwill primarily relates to growth expectations arising from operational efficiencies that will be achieved by combining the resources, skills and expertise of the Company and its subsidiaries. Significant portion of the total goodwill is allocated to GERI, MLI and STLI amounting to P947.1 million, P255.1 million, and P94.9 million, respectively. The remaining P88.0 million is allocated to other subsidiaries.

Total goodwill as at December 31, 2018 amounted to P1.3 billion. In 2019, management completed the assessment of the fair values of STLI's net assets resulting to restatement of goodwill by P94.9 million in the 2018 consolidated statement of financial position (see Note 1.2).

The recoverable amounts of the cash generating units assigned to GERI, MLI and STLI are P46.5 billion, P863.9 million and P2.6 billion, respectively, at end of 2020 and P49.1 billion, P872.4 million and P2.7 billion, respectively, at end of 2019. These were computed using cash flows projections covering a five-year period and extrapolating cash flows using a conservative steady growth rate for both GERI, MLI and STLI of 5.0%. The aggregate recoverable amounts of the cash generating units assigned to other subsidiaries is P122.0 million in 2020 and P169.2 million in 2019 while the average growth rate used in extrapolating cash flows covering five-year projections is 5.0%. The average discount rates applied in determining the present value of future cash flows is 7.1% in 2020 and 9.1% in 2019.

The discount rates and growth rates are the key assumptions used by management in determining the recoverable amount of the cash generating units. Based on management's analysis, no impairment is required to be recognized on goodwill. Management has also determined that a reasonably possible change in these key assumptions would not cause the carrying value of the cash generating units to exceed their respective value in use.

On December 23, 2020, a wholly-owned subsidiary advanced an amount of P1,200.9 million for the purchase of the Parent Company's perpetual securities. As the securities are under the trusteeship of a third party, the amount was presented as Deposit for cancellation of perpetual securities.

Leasehold rights represent separately identifiable asset recognized from the acquisition of GPARC and is amortized over a period of 20 years. Leasehold rights amortization amounted to P7.0 million each in 2020, 2019 and 2018, and is presented as part of Depreciation and amortization under Operating Expenses account in the consolidated statements of income (see Note 22).

Goodwill is subject to annual impairment testing while leasehold rights is subject to testing whenever there is an indication of impairment. No impairment losses were recognized in 2020, 2019 and 2018 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:

	2020	2019
Parent Company:		
Php-denominated	**P 27,762,950,312**	P 31,410,369,626
U.S. Dollar-denominated	**6,660,010,889**	8,581,745,729
	34,422,961,201	39,992,115,355
Subsidiaries –		
Php-denominated	**11,155,205,216**	11,264,360,634
	P 45,578,166,417	P 51,256,475,989

The current and non-current classification of the Group's Interest-bearing Loans and Borrowings is shown below.

	2020	2019
Current	**P 21,037,756,478**	P 14,502,531,496
Non-current	**24,540,409,939**	36,753,944,493
	P 45,578,166,417	P 51,256,475,989

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

Finance costs arising from interest-bearing loans that are mainly and directly attributable to construction of the Group's projects are capitalized as part of Inventories and Investment Properties accounts. The remaining interest costs are expensed outright.

The total finance costs attributable to all the loans of the Group amounted to P2,726,2 million, P2,967.8 million and P3,405.7 million in 2020, 2019 and 2018, respectively. Of these amounts, portion charged as expense amounted to P666.9 million, P709.7 million and P370.0 million in 2020, 2019 and 2018, respectively, and are presented as part of Interest expense under Interest and Other Charges – net account in the consolidated statements of income (see Note 24). Interest capitalized in 2020, 2019 and 2018 amounted to P2,059.3 million, P2,258.1 million and P3,035.7 million, respectively. The outstanding interest payable as of December 31, 2020 and 2019 is presented as part of Accrued Interests under Trade and Other Payables account in the consolidated statements of financial position (see Note 17). Capitalization rate used in determining the amount of interest charges qualified for capitalization is 4.25%, 4.48% and 4.55% in 2020, 2019 and 2018, respectively.

15.1 Parent Company

(a) U.S. Dollar, five-year loan due 2022

In December 2017, the Parent Company obtained an unsecured long-term loan from a local bank amounting to U.S. $98.87 million. The loan is payable quarterly for a term of five years with a grace period of one year upon availment. The principal repayment on the loan shall commence in March 2019 and a floating interest is paid quarterly based on a 3-month London interbank offered rate (LIBOR) plus a certain spread. The Company entered into a cross-currency swap transaction to hedge the U.S. Dollar and interest rate exposure of the loan (see Note 30).

(b) Philippine Peso, seven-year loan due 2022

In November 2015, the Parent Company obtained an unsecured long-term loan from a local bank amounting to P5.0 billion. The loan is payable semi-annually for a term of seven years. The principal repayments on this loan commenced in November 2016 and interest is paid semi-annually based on a fixed 5.25% annual interest rate.

(c) Philippine Peso, seven-year loan due 2022

In March 2015, the Parent Company signed a financing deal with a local bank in which the latter may avail of a P10.0 billion unsecured loan, divided equally into two tranches which the Company fully availed in 2015. The proceeds of the loan were used to fund the development of the Parent Company's various real estate projects and retire currently maturing obligations. The loan is payable quarterly for a term of seven years. The principal repayments on this loan commenced in June 2016 and interest is paid quarterly based on a fixed 5.63% annual interest rate.

(d) Philippine Peso, five-year loan due 2021

In November 2016, the Parent Company obtained an unsecured long-term loan from a local bank amounting to P5.0 billion. The loan is payable quarterly for a term of five years with a grace period of one year upon availment. The principal repayment on the loan commenced in February 2018 and interest is paid quarterly based on a fixed 6.43% annual interest rate.

(e) Philippine Peso, five-year loan due 2021

In August 2016, the Parent Company obtained an unsecured long-term loan from a local bank amounting to P2.0 billion. The loan is payable quarterly for a term of five years with a grace period of two years upon availment. The principal repayment on the loan commenced in November 2018 and interest is paid quarterly based on a fixed 5.26% annual interest rate.

(f) Philippine Peso, seven-year loan due 2021

In August 2014, the Parent Company obtained an unsecured long-term loan from a local bank amounting to P5.0 billion. The loan is payable semi-annually 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 5.38% annual interest rate.

(g) *Philippine Peso, five-year loan due 2020*

In December 2015, the Parent Company obtained an unsecured long-term loan from a local bank amounting to P5.0 billion. The loan is payable quarterly for a term of five years with a grace period of one year upon availment. The principal repayment on the loan commenced in March 2017 and interest is paid quarterly based on a fixed 5.04% annual interest rate. In 2020, the Parent Company has paid in full its outstanding loan balance.

(h) *Philippine Peso, five-year loan due 2023*

In December 2018, the Parent Company obtained an unsecured long-term loan from a local bank amounting to P5.0 billion. The loan is payable quarterly for a term of five years with a grace period of two years upon availment. The principal repayment of the loan shall commence in March 2021 and interest is paid quarterly based on a fixed 7.85% annual interest rate.

(i) *Philippine Peso, three-year loan due 2021*

In July 2018, the Parent Company obtained an unsecured long-term loan from a local bank amounting to P5.0 billion. The principal of the loan is payable upon maturity and floating interest is payable quarterly commencing in October 2018, based on a 5-day average reference rate plus a certain spread.

(j) *Philippine Peso, three-year loan due 2021*

In December 2018, the Parent Company obtained an unsecured long-term loan from a local bank amounting to P5.0 billion. The loan is payable quarterly for a term of three years with a grace period of six months upon availment. The principal repayment on the loan commenced in September 2019 and interest is paid quarterly based on a floating rate plus certain spread.

(k) *U.S. Dollar, five-year loan due 2024*

In September 2019, the Parent Company obtained an unsecured long-term loan from a local bank amounting to U.S. $95.62 million. The loan is payable quarterly for a term of five years with a grace period of one year upon availment. The principal repayment on the loan commenced in December 2020 and a floating interest is paid quarterly based on a 3-month London interbank offered rate (LIBOR) plus a certain spread. The Parent Company entered into a cross-currency swap transaction to hedge the U.S. Dollar and interest rate exposure of the loan (see Note 30).

(l) *Philippine Peso, five-year loan due 2024*

In December 2019, the Parent Company obtained an unsecured long-term loan from a local bank amounting to P5.0 billion. The loan is payable quarterly for a term of five years with a grace period of one year upon availment. The principal repayment on the loan commenced in December 2020 and interest is paid quarterly based on the higher of 4.75% fixed rate and floating rate plus certain spread.

(m) Philippine Peso, five-year loan due 2025

In March 2020, the Parent Company obtained an unsecured long-term loan from a local bank amounting to P5.0 billion. The loan is payable quarterly for a term of five years with a grace period of two years upon availment. The principal repayment on the loan shall commence in June 2022 and a floating interest is paid quarterly based on a 5-day average reference rate plus a certain spread.

15.2 EELHI

(a) Philippine Peso, 58-day loan due on 2018

In December 2017, EELHI obtained an unsecured interest-bearing loan from a local bank amounting to P400.0 million. The loan was released in December 2017 and bears a fixed annual interest rate of 4.5% subject to repricing every 30 to 180 days as agreed by the parties. The proceeds of the loan were used to fund the development of EELHI's various real estate projects. Principal of the loans is payable upon maturity and interest is payable monthly in arrears. In 2018, the Company paid in full the outstanding loan balance.

(b) Philippine Peso, seven-year loan due 2022

In 2015, EELHI obtained a P2.0 billion loan from a local bank. The loan was released in three tranches from 2015 to 2016 and bears fixed interest of 5.4% for the first and second tranches, and floating rate ranging from 3.2% to 3.5% subject to quarterly re-pricing for the third tranche. The proceeds of the loan were used to fund the development of EELHI's various real estate projects.

(c) Philippine Peso, unsecured three-year loan due in 2021

In 2018, EELHI obtained a bridge financing from a local bank. The loan was released in February 2018 and subject to floating rate of 4.5%. The proceeds of the loan were used to fund the development of the Company's various real estate projects. The principal of the loan is payable upon maturity and interest is payable monthly in arrears.

(d) Philippine Peso, liability on assigned receivables

In prior years, EELHI obtained loans from local banks by assigning certain trade receivables on a with recourse basis (see Note 6). The loans are secured by certain properties presented as part of Inventories account with total estimated carrying value of P28.5 million as of December 31, 2019 (see Note 7). The loans bear fixed interest rates ranging from 7.0% to 9.0% and are being paid as the related receivables are collected. In 2020, EELHI settled these secured loan balances.

(e) Philippine Peso, unsecured 90-day loan due in 2021

In 2020, EELHI obtained unsecured loans from local banks. The loans bear fixed interest rates at 3.12%. The proceeds of the loan were used to fund the development of EELHI's various real estate projects. The principal of the loan is payable upon maturity and interest is payable monthly.

15.3 LFI

(a) Philippine Peso, five-year loan due 2020

In December 2015, LFI obtained an unsecured interest-bearing loan from a local commercial bank amounting to P500.0 million. The loan is payable quarterly for a term of five years with a grace period of one year upon availment. The principal repayment on the loan commenced in March 2017 and interest is paid quarterly. The loan originally bears an annual interest of 5.0%, subject to quarterly repricing. In 2020, LFI paid in full the outstanding loan balance.

15.4 SPI

(a) Philippine Peso, five-year loan due in 2025

In 2018, SPI obtained an unsecured long-term loan from a local bank amounting to P2.2 billion. The principal amount is payable on a monthly basis after a grace period of three years from the date of availment. The loan bears 4.50% floating interest subject to repricing every 30 to 180 days and will mature in 2025. The proceeds of the loan were used to fund the acquisition of STLI in 2018.

(b) Philippine Peso, three-year loan due in 2021

In 2018, SPI obtained an unsecured long-term loan from a local bank amounting to P300.0 million. The principal amount is payable on a monthly basis after a grace period of two years from the date of availment. The loan bears 3.50% floating interest subject to repricing every 30 to 180 days and will mature in 2021.

(c) Philippine Peso, five-year loan due in 2021

In 2017 and 2016, SPI obtained an unsecured long-term loan from a local bank amounting to P0.5 billion and P0.4 billion, respectively. The principal amount is payable on a monthly basis after a grace period of two years from the date of availment. The loan bears 3.50% floating interest subject to repricing every 30 to 180 days and will mature in 2021.

(d) Philippine Peso, five-year loan due in 2020

In 2015, SPI obtained an unsecured long-term loan from a local bank for a total amount of P1.5 billion. The loan is payable in monthly installments over five years with a grace period of two years from the initial drawdown date. The loan bears floating interest ranging from 3.15% to 5.15%, subject to repricing every 30 to 180 days. In 2016 and 2015, SPI made a drawdown amounting to P0.3 billion and P1.2 billion, respectively.

(e) Philippine Peso, seven-year loan due in 2027

In 2020, SPI obtained an unsecured long-term loan from a local bank for a total amount of P0.3 billion payable upon maturity. The loan bears a floating interest of 4.50% subject to repricing.

(f) Philippine Peso, various short-term loans

In 2020, 2016 and 2015, SPI obtained various unsecured short-term loans from different local banks. The loans bear fixed and floating interest ranging from 5.25% to 5.75%. The outstanding balances of the loans as of December 31, 2020 and 2019 amount to P314.0 million and P19.0 million, respectively.

(g) Philippine Peso, liability on assigned receivables

In 2015, SPI obtained various loans from a local bank through assignment of trade receivables (see Note 6). The loans bear floating interests ranging from 5.50% to 15.00%. The loans and interests are being paid as the receivables are collected. The outstanding balance pertaining to these loans as of December 31, 2020 and 2019 amounted to P1.4 billion and P1.3 billion, respectively. The carrying value of assigned receivables is equal to the outstanding balance of the loan as of both December 31, 2020 and 2019.

15.5 GERI

(a) Philippine Peso, five-year loan due 2024

In 2019, the Company obtained an unsecured long-term loan from a local bank amounting to P2.0 billion, payable quarterly for a term of five years. The loan bears a floating interest rate and is payable quarterly in arrears.

(b) Philippine Peso, five-year loan due 2022

In December 2017, GERI obtained an unsecured long-term loan from a local bank amounting to P2.0 billion. The loan is payable quarterly for a term of five years commencing on the beginning of the fifth quarter from the initial drawdown date. The loan bears a floating interest rate and is payable quarterly in arrears.

(c) Philippine Peso, five-year loan due 2021

In 2016, GERI obtained an unsecured long-term loan from a local bank amounting to P2.0 billion. The loan has a term of five years from the date of initial drawdown inclusive of a grace period of two years on principal repayment. The loan is payable in quarterly installments of P125.0 million commencing on the 9^{th} quarter from the date of initial drawdown and balloon payment at the end of five years and bears fixed interest rate plus a certain spread subject to a floor rate of 3%.

(d) Philippine Peso, five-year loan due 2020

In 2015, GERI obtained an unsecured long-term loan from a local bank amounting to P1.5 billion. The loan has a term of five years from the date of initial drawdown, inclusive of a grace period on principal repayment of two years. The loan, which is payable quarterly commencing on the 9^{th} quarter from the date of initial drawdown, bears fixed interest rate plus a certain spread subject to a floor rate of 5%. In 2020, the GERI paid in full the outstanding loan balance.

(e) Philippine Peso, short-term loan

In 2018, SWEC renewed its credit line facility with a local bank amounting to P150.0 million, which shall be used for working capital purposes. In December 2018, the Company's initial loan drawdown amounted to P50.0 million, payable within 180 days. This was extended for another 180 days in 2019. Upon expiration, SWEC paid the P12.0 million portion of the loan and extended the remaining P38.0 million for another 180 days. In 2020, SWEC paid in full the outstanding loan balance.

(f) Philippine Peso, five-year loan due 2024

In August and November 2019, TLC obtained an unsecured and interest-bearing loans from a local commercial bank amounting to P300.0 million and P200.0 million, respectively, for funding requirements of the construction of a project. The loans bear floating interest rates and are payable in quarterly installments commencing in November 2020 until the loans are fully-settled. In March 2020, TLC obtained additional interest-bearing loan amounting to P500.0 million. The loans bear floating interest rates ranging from 5.0% to 5.3% subject to 30 to 180 days repricing. Quarterly installments beginning in November 2020 are due until the loan is fully settled in 2024 for all interest-bearing loans.

(g) Philippine Peso, five-year loan due 2025

In December 2020, GERI obtained an unsecured long-term loan from a local bank amounting to P1.0 billion. The loan is payable quarterly for a term of five years with a grace period of two years upon availment. The principal repayment on the loan shall commence in December 2022. The loan bears a fixed interest rate of 5.26% and is payable quarterly in arrears.

(h) Philippine Peso, seven-year loan due 2027

In December 2020, GERI obtained an unsecured long-term loan from a local bank amounting to P0.5 billion. The loan is payable quarterly for a term of seven years with a grace period of one year upon availment. The principal repayment on the loan shall commence in March 2022. The loan bears a floating interest rate and is payable quarterly in arrears.

16. BONDS AND NOTES PAYABLE

This account is composed of the following:

	2020	2019
Philippine peso	**P 11,973,903,096**	P 11,965,873,279
U.S. Dollar	**28,308,952,890**	12,658,010,411
	P 40,282,855,986	P 24,623,883,690

(a) U.S. Dollar, seven-year senior unsecured notes due 2027

On July 30, 2020, the Parent Company issued seven-year senior unsecured notes totaling to U.S. $350 million. The notes carry a coupon rate of 4.125% per annum and interest is payable semi-annually in arrears on January 30 and July 30. The notes shall mature on July 30, 2027. The notes are listed in the Singapore Exchange Securities Trading Limited (SGX-ST).

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(b) *Philippine Peso, seven-year bonds due 2024*

On March 28, 2017, the Parent Company issued seven-year term bonds totaling P12.0 billion. The bond carries a coupon rate of 5.35% payable semi-annually in arrears every March 28 and September 28. The bonds shall mature on March 28, 2024. The bonds are listed Philippine Dealing & Exchange Corp. (PDEx).

(c) *U.S. Dollar, ten-year bonds due 2023*

On April 17, 2013, the Parent Company issued ten-year term bonds totaling U.S. $250 million. The bond carries a coupon rate of 4.25% per annum and interest is payable semi-annually in arrears every April 17 and October 17. The proceeds of the bond issuance are being used by the Parent Company for general corporate purposes. The bonds are listed in the SGX-ST.

The Parent Company 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 P1,496.5 million, P1,201.8 million and P1,443.2 million in 2020, 2019 and 2018, respectively. Of these amounts, portion charged as expense amounted to P872.2 million, P717.4 million and P800.8 million in 2020, 2019 and 2018, respectively, and are presented as part of Interest expense under Interest and Other Charges account in the consolidated statements of income (see Note 24). The outstanding interest payable as at December 31, 2020 and 2019 is presented as part of Accrued interest payable under Trade and Other Payables account in the consolidated statements of financial position (see Note 17). Unrealized foreign currency gains in relation to these foreign bonds are presented as part of Foreign currency gains – net under Interest and Other Income – net account in the consolidated statements of income (see Note 23).

Interest capitalized amounted to P581.2 million and P484.4 million in 2020 and 2019, respectively. Capitalization rate used in determining the amount of interest charges qualified for capitalization is 2.89% in 2020 and 4.05% in 2019.

The debt issue costs are initially capitalized and subsequently amortized using effective interest method over the term of the related bonds and notes payable. Amortization of debt issue costs is recognized as part of Interest expense under Interest and Other Charges – net account in the consolidated statements of income. The reconciliation of the unamortized debt issue costs is presented below.

	2020	2019	2018
Balance at beginning of year	**P 48,903,571**	P 64,652,759	P 88,015,157
Additions	**533,014,807**	-	-
Amortization	**(43,174,364)**	(15,749,188)	(23,362,398)
Balance at end of year	**P 538,744,014**	P 48,903,571	P 64,652,759

17. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	**2020**	2019
Trade payables		**P 13,965,119,893**	P 11,853,778,273
Retention payable		**5,143,997,192**	4,602,091,363
Cash dividends payable	28.4	**1,128,400,869**	-
Refund liability		**1,042,344,049**	676,136,137
Accrued interest	15, 16	**789,488,958**	452,887,380
Miscellaneous		**1,262,607,011**	1,721,889,471
		P 23,331,957,972	P 19,306,782,624

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. The non-current portion of Retention payable is presented as under Other Non-Current Liabilities in the statements of financial position (see Note 19).

Miscellaneous payables include withholding taxes payable and accrual of salaries, wages and utilities. Refund liability pertains to amounts payable to customers due to sales cancellation in respect of installment sales contracts as covered by the R.A. No. 6552, *Realty Installment Buyer Protection Act,* otherwise known as the Maceda Law.

18. REDEEMABLE PREFERRED SHARES

On September 4, 2012, TLC's BOD approved the additional subscriptions to 1,258.0 million preferred shares out of TLC's authorized capital stock as partial payment for certain parcels of land with total fair value of P1,338.2 million. The SEC approved the issuance through the exchange of certain parcels of land on April 17, 2013.

Generally non-voting, these preferred shares earn dividends at a fixed annual rate of 2.5% subject to the existence of TLC's unrestricted retained earnings. The accrued dividends on these preferred shares amounting to P0.9 million and P1.4 million as at December 31, 2020 and 2019, respectively, are 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 recognized amounting to P16.9 million, P22.7 million, and P28.4 million in 2020, 2019 and 2018, respectively, is presented as part of Interest expense under the Interest and Other Charges – Net account in the consolidated statements of income (see Note 24). The preferred shares have a maturity of 10 years and shall be redeemed on every anniversary date beginning on the sixth anniversary date until expiration of the ten-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. The par value of the redeemable preferred shares on the date of issuance approximate their fair value.

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19. OTHER LIABILITIES

This account consists of:

	Notes	2020	2019
Current:			
Unearned income		**P 3,668,867,976**	P 3,055,770,143
Commission payable		**3,164,723,364**	1,700,760,516
Advances from customers		**1,993,994,411**	1,591,767,093
Subscription payable	11.1(a), 27	**1,114,665,008**	1,114,665,008
Derivative liability	30	**758,026,441**	242,417,137
Lease liabilities		**55,716,783**	110,624,459
Other payables		**120,695,519**	74,191,693
		P 10,876,689,502	P 7,890,196,049
Non-current:			
Deferred rent - net		**3,997,245,649**	4,103,537,878
Retention payable	17	**2,168,836,637**	2,026,599,582
Lease liabilities		**531,900,188**	542,963,649
Other payables	18	**119,442,993**	97,393,470
		6,817,425,467	6,770,494,579
		P 17,694,114,969	P14,660,690,628

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. Unearned income includes the current portion of deferred rent and advance payment for other services. Other current payables mainly pertain to due to condominium unit-holders arising from condo hotel operations.

Total cash outflows relating to lease liabilities for the years ended December 31, 2020 and 2019 are as follows:

	Note	2020	2019
Principal of lease liability		**P 24,915,531**	P 26,338,703
Interest on lease liability	24	**15,899,599**	9,090,629
		P 40,815,130	P 35,429,332

The maturity analysis of lease liabilities as at December 31 is presented in the succeeding page.

	Lease Payment	Finance Charges	Net Present Value
2020			
Within one year	P 95,493,072	(P 39,776,289)	P 55,716,783
After one year but not more than two years	62,013,611	(37,803,334)	24,210,277
After two years but not more than three years	57,576,405	(36,399,767)	21,176,638
After three years but not more than four years	58,653,069	(34,874,713)	23,778,356
After four years but not more than five years	57,306,048	(33,398,616)	23,907,432
More than five years	864,682,102	(425,854,617)	438,827,485
	P 1,195,724,307	**(P 608,107,336)**	**P 587,616,971**
2019			
Within one year	P 149,699,644	(P 39,075,185)	P 110,624,459
After one year but not more than two years	60,379,171	(40,034,120)	20,345,051
After two years but not more than three years	61,656,843	(39,120,478)	22,536,365
After three years but not more than four years	63,666,358	(38,034,304)	25,632,054
After four years but not more than five years	64,839,090	(36,759,979)	28,079,111
More than five years	899,315,917	(452,944,849)	446,371,068
	P 1,299,557,023	(P 645,968,915)	P 653,588,108

The Company has elected not to recognize a lease liability for short-term leases. Payments made under such leases are expensed on a straight-line basis.

The expenses relating to short term leases amounting to P181.1 million, P241.0 million and P258.5 million in 2020, 2019 and 2018, respectively, presented as Rent under Operating Expenses under Cost and Expenses in the statements of income (see Note 22).

20. REVENUES

20.1 Disaggregation of Revenues

The Company derives revenues from sale of real properties and hotel operations. An analysis of the Company's major sources of revenues is presented below.

	Segments		
	Real Estate	Hotel Operations	Total
2020			
Types of products or services			
Residential units	P 21,667,844,909	P -	P 21,667,844,909
Commercial lot	1,114,034,859	-	1,114,034,859
Residential lot	1,974,800,043	-	1,974,800,043
Industrial lot	101,857,492	-	101,857,492
Room accommodation	-	1,129,655,569	1,129,655,569
Food and beverages	-	327,418,219	327,418,219
Other hotel services	-	25,087,188	25,087,188
	P24,858,537,303	**P 1,482,160,976**	**P26,340,698,279**

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	Segments		
	Real Estate	Hotel Operations	Total
2019			
Types of products or services			
Residential units	P 37,676,733,245	P -	P 37,676,733,245
Commercial lot	1,135,140,901	-	1,135,140,901
Residential lot	3,438,496,828	-	3,438,496,828
Industrial lot	353,613,598	-	353,613,598
Room accommodation	-	1,820,667,836	1,820,667,836
Food and beverages	-	671,443,538	671,443,538
Other hotel services	-	51,658,134	51,658,134
	P 42,603,984,572	P 2,543,769,508	P 45,147,754,080
2018			
Types of products or services			
Residential units	P 32,997,456,350	P -	P 32,997,456,350
Commercial lot	1,325,857,166	-	1,325,857,166
Residential lot	3,493,747,496	-	3,493,747,496
Industrial lot	218,487,048	-	218,487,048
Room accommodation	-	1,031,882,621	1,031,882,621
Food and beverages	-	475,571,465	475,571,465
Other hotel services	-	11,969,319	11,969,319
	P 38,035,548,060	P 1,519,423,405	P 39,554,971,465

20.2 Contract Accounts

The significant changes in the contract assets and contract liabilities balances as of December 31 are as follows:

	2020		2019	
	Contract Assets	**Contract Liabilities**	Contract Assets	Contract Liabilities
Balance at beginning of year	**P18,643,004,687**	**P5,213,555,043**	P22,227,279,687	P 5,368,667,295
Transfers from contract assets recognized at the beginning of year to accounts receivables	**(4,684,255,960)**	**-**	(13,872,777,770)	-
Increase due to satisfaction of performance obligation over time net of cash collection	**5,421,977,588**	**-**	10,288,502,770	-
Revenue recognized that was included in contract liability at the beginning of year	**-**	**(1,195,609,872)**	-	(2,124,864,709)
Increase due to cash received in excess of performance to date	**-**	**1,825,684,164**	-	1,969,752,457
Balance at end of year	**P 19,380,726,313**	**P5,843,629,303**	P18,643,004,687	P 5,213,555,043

The current and non-current classification of the Group's Contract Assets account as presented in the statements of financial position is shown below.

	2020	2019
Current	**P 13,265,242,603**	P 10,857,180,128
Non-current	**6,115,483,710**	7,785,824,559
	P 19,380,726,313	P 18,643,004,687

The current and non-current classification of the Group's Contract Liabilities account as presented in the statements of financial position is shown below.

	2020	2019
Current	**P 2,647,780,045**	P 1,703,947,321
Non-current	**3,195,849,258**	3,509,607,722
	P 5,843,629,303	P 5,213,555,043

The outstanding balance of trade receivables arising from real estate sales and hotel operations presented as part of Trade Receivables under Trade and Other Receivables account in the consolidated statements of financial position, amounted to P25.7 billion and P28.8 billion as of December 31, 2020 and 2019, respectively (see Note 6).

20.3 Direct Contract Costs

The Company incurs sales commissions upon execution of contracts to sell real properties to customers. Incremental costs of commission incurred to obtain contracts are capitalized and presented as Deferred commission under Prepayments and Other Current Assets, and Other Non-current Asset accounts in the consolidated statements of financial position (see Notes 8 and 14). These are amortized over the expected construction period on the same basis as how the Company measures progress towards complete satisfaction of its performance obligation in its contracts. The total amount of amortization is presented as part of Commission under Operating Expenses (See Note 22).

The movements in the balances of deferred commission in 2020 and 2019 is presented below.

	2020	2019
Balance at beginning of year	**P 2,113,414,716**	P 1,142,601,641
Additional capitalized cost	**1,898,751,533**	2,492,199,784
Reversal due to back out	**(12,545,654)**	(23,324,369)
Amortization for the period	**(639,547,272)**	(1,498,062,340)
Balance at end of year	**P 3,360,073,323**	P 2,113,414,716

DESIGN LIFE

20.4 Transaction Price Allocated to Unsatisfied Performance Obligations

The aggregate amount of transaction price allocated to partially or wholly unsatisfied contracts amounted to P41.8 billion and P31.1 billion as of December 31, 2020 and 2019, respectively, which the Group expects to recognize as follows:

	2020	2019
Within a year	**P17,112,265,610**	P16,005,879,940
More than one year to three years	**19,283,075,464**	11,284,401,763
More than three to five years	**5,426,500,143**	3,774,194,420
	P 41,821,841,217	P31,064,476,123

21. DIRECT COSTS

21.1 Cost of Real Estate Sales

The nature of the cost of real estate sales for the years ended December 31 are as follows:

	2020	2019	2018
Contracted services	**P 11,219,299,981**	P 17,531,181,959	P 16,702,676,925
Land cost	**1,884,946,036**	4,927,689,375	3,253,659,078
Borrowing cost	**462,338,695**	549,543,413	473,001,664
Other costs	**223,941,120**	371,404,253	91,911,888
	P13,790,525,832	P 23,379,819,000	P 20,521,249,555

21.2 Cost of Hotel Operations

The nature of the cost of hotel operations for the years ended December 31 are as follows:

	Note	**2020**	2019	2018
Salaries and employee benefits	25.1	**P 294,423,195**	P 313,010,398	P 183,312,705
Rent		**174,698,043**	223,425,060	114,270,600
Utilities		**145,490,772**	256,609,404	176,002,410
Food and beverage		**113,744,576**	267,202,449	164,979,706
Outside services		**143,269,354**	177,371,037	97,318,911
Hotel operating supplies		**46,365,836**	74,877,359	55,035,790
Miscellaneous		**45,112,756**	68,661,058	29,832,514
		P 963,104,532	P 1,381,156,765	P 820,752,636

22. OPERATING EXPENSES

Presented below are the details of this account.

	Notes	2020	2019	2018
Depreciation and amortization	12, 13, 14	**P 3,104,661,233**	P 2,718,633,789	P 2,268,838,880
Salaries and employee benefits	25.1	**2,774,714,292**	3,125,673,095	2,691,258,059
Commission	20.3	**1,211,294,878**	2,330,502,280	1,578,964,425
Taxes and licenses		**1,058,641,173**	1,010,811,356	772,004,003
Outside services		**553,576,807**	617,984,919	356,976,887
Advertising and promotions		**551,242,571**	1,202,536,624	1,040,076,651
Professional fees		**511,233,774**	530,988,612	443,014,920
Utilities and supplies		**470,914,537**	735,437,981	680,234,229
Association dues		**435,179,281**	373,994,646	299,226,072
Donation		**252,789,709**	43,880,408	81,536,368
Rent	19	**181,081,217**	240,973,409	258,506,932
Transportation		**154,786,603**	338,320,212	298,535,659
Miscellaneous	11.2	**590,142,897**	642,742,420	475,818,722
		P 11,850,258,972	P 13,912,479,751	P 11,244,991,807

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

23. INTEREST AND OTHER INCOME

Presented below are the details of this account.

	Notes	2020	2019	2018
Interest income	5, 6, 27.1	**P 2,003,787,163**	P 2,328,813,700	P 1,767,928,629
Property management, commission and construction income		**1,269,150,213**	1,679,042,730	1,575,136,864
Foreign currency gains – net	5, 15, 16	**788,594,465**	492,386,136	-
Dividend income	9, 27.4	**8,193,611**	8,464,814	21,195,681
Gain on finance lease	6	**-**	350,218,385	-
Gain on sale and dilution of investment in associates	11	**-**	340,809,382	-
Miscellaneous – net	6	**197,683,843**	209,991,113	150,753,554
		P 4,267,409,295	P 5,409,726,260	P 3,515,014,728

In 2019, FEPI totally sold its remaining investments in BNHGI resulting in a gain amounting to P188.5 million (see Notes 1 and 11).

24. INTEREST AND OTHER CHARGES

Presented below are the details of this account.

	Notes	2020	2019	2018
Interest expense	10.2 15, 16 18, 25.3	**P 1,641,304,190**	P 1,512,905,580	P 1,310,255,912
Other charges:				
Impairment and other losses	6	**659,918,645**	943,762,442	292,875,567
Day one loss	6	**269,781,190**	494,929,021	329,207,293
Foreign currency losses – net	15, 16	**-**	-	1,083,313,778
Miscellaneous – net		**359,633,267**	310,000,954	280,673,947
		P 2,930,637,292	P 3,261,597,997	P 3,296,326,497

Impairment and other losses include net losses from backout sales and impairment losses from trade receivables.

Miscellaneous charges pertain to amortization of discounts on security deposits, bank charges and other related fees.

25. EMPLOYEE BENEFITS

25.1 Salaries and Employee Benefits

Expenses recognized for salaries and employee benefits are presented below.

	Notes	2020	2019	2018
Short-term benefits		**P 2,975,240,661**	P 3,322,484,310	P 2,734,816,792
Employee share option benefit	25.2, 28.6	**21,381,914**	18,717,409	26,498,873
Post-employment benefits	25.3	**72,514,912**	97,481,774	113,255,099
	21, 22	**P 3,069,137,487**	P 3,438,683,493	P 2,874,570,764

25.2 Employee Share Option Plan (ESOP)

The Group's share option benefit expense includes the amounts recognized by the Parent Company and GERI over the vesting period granted by them. As at both December 31, 2020 and 2019, all 400.0 million shares of GERI's options were fully vested, but none of these have been exercised by any of the option holders.

As at December 31, 2020, 2019, and 2018, 40.0 million, 35.0 million, and 25.0 million, respectively, of the Parent Company's shares options were fully vested.

Employee option benefits expense, included as part of Salaries and employee benefits under Operating Expenses account in the consolidated statements of income, amounted to P21.4 million, P18.7 million and P26.5 million in 2020, 2019 and 2018, 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 five 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 R.A. 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 and in the succeeding pages are based on the actuarial valuation reports obtained from independent actuaries in 2020 and 2019.

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

	2020	2019
Present value of the obligation	**P 1,345,331,303**	P 1,636,406,311
Fair value of plan assets	**(525,575,607)**	(386,831,493)
Net defined benefit liability	**P 819,755,696**	P 1,249,574,818

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

	2020	2019
Balance at beginning of year	**P 1,636,406,311**	P 1,120,090,162
Interest costs	**82,498,054**	83,243,965
Current service costs	**72,514,912**	97,481,774
Remeasurements –		
Actuarial losses (gains)		
arising from changes in:		
Financial assumptions	**(267,188,298)**	362,928,641
Experience adjustments	**(100,470,130)**	(13,610,270)
Benefits paid from –		
Plan assets	**(78,429,546)**	(13,727,961)
Balance at end of year	**P 1,345,331,303**	P 1,636,406,311

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

	2020	2019
Balance at beginning of year	**P 386,831,493**	P 291,601,270
Contributions paid	**168,250,000**	83,000,000
Interest income	**23,461,025**	20,132,544
Benefits paid	**(39,441,837)**	(5,303,036)
Remeasurement of plan assets	**-**	(1,438,065)
Loss on plan assets (excluding amount included in net interest cost)	**(13,525,074)**	(1,161,220)
Balance at end of year	**P 525,575,607**	P 386,831,493

The plan assets are composed of cash and cash equivalents of P319.8 million and P261.7 million in 2020 and 2019, respectively, investment in equity securities of P1.10 million and P1.70 million in 2020 and 2019, respectively, and investment in debt securities of P204.7 million and P123.4 million in 2020 and 2019, respectively. Debt securities pertain to corporate and government securities while equity securities consist 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 P23.7 million, P22.1 million and P4.1 million in 2020, 2019 and 2018, respectively.

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

	Notes	2020	2019	2018
Reported in consolidated statements of income:				
Current service costs	25.1	**P 72,514,912**	P 97,481,774	P 113,255,099
Net interest costs	24	**59,037,029**	63,111,421	56,303,533
		P 131,551,941	P 160,593,195	P 169,558,632
Reported in consolidated statements of comprehensive income:				
Actuarial gains (losses) arising from changes in:				
Financial assumptions		**P267,188,298**	(P 362,928,641)	P 452,723,106
Experience adjustments		**100,470,130**	13,610,270	(245,614,988)
Demographic assumptions		**-**	-	115,906,743
Loss on plan assets (excluding amounts included in net interest expense)		**(13,525,074)**	(1,161,220)	(9,470,954)
		354,133,354	(350,479,591)	313,543,907
Tax expense (benefit)	26	**(106,240,006)**	105,143,877	(92,059,473)
		P247,893,348	(P 245,335,714)	P 221,484,434

Current service costs are presented as part of Salaries and employee benefits under Operating Expenses account in the consolidated statements of income (see Notes 22 and 25.1). The net interest costs are included as part of 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 retirement benefit obligation, the following significant actuarial assumptions were used:

	2020	2019	2018
Discount rates	**3.70% - 5.09%**	5.09% - 6.08%	5.70% - 8.88%
Expected rate of salary increases	**3.00% - 10.00%**	5.00% - 10.00%	3.00% - 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 25 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 retirement benefit 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 strategies, and the timing and uncertainty of future cash flows related to the retirement plan are described below and in the succeeding page.

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(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, 2020 and 2019:

	Impact on Retirement Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
December 31, 2020			
Discount rate	**0.50%**	**(P 97,067,007)**	**P 148,243,875**
Salary increase rate	**1.00%**	**102,156,149**	**(123,167,728)**
December 31, 2019			
Discount rate	0.50%	(P 123,215,515)	P 139,952,872
Salary increase rate	1.00%	217,453,714	(182,885,761)

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 strategies 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

The Group's objective is to maintain a level of funding sufficient to cover the projected retirement benefit obligation. While there are no minimum funding requirements in the country, the size of the underfunding may pose a cash flow risk in about 25 years' time when a significant number of employees is expected to retire.

The Group expects to make contributions of P125.0 million to the plan during the next reporting period.

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

	2020	2019
Within one year	**P 131,296,356**	P 103,793,514
More than one year to 5 years	**427,118,652**	561,778,292
More than 5 years to 10 years	**443,099,489**	616,623,613
More than 10 years to 15 years	**386,693,838**	683,953,502
More than 15 years to 20 years	**698,110,905**	1,207,646,575
	P 2,086,319,240	P 3,173,795,496

The weighted average duration of the DBO at the end of the reporting period range from 10 to 19 years.

26. TAXES

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

	2020	2019	2018
Reported in consolidated statements of income:			
Current tax expense:			
Regular corporate income tax (RCIT) at 30% and 10%	**P 2,707,466,693**	P 3,541,256,471	P 2,444,325,997
Final tax at 15% and 7.5%	**58,700,066**	136,799,818	59,730,934
Minimum corporate income tax (MCIT) at 2%	**33,058,126**	3,139,384	15,408,366
Preferential tax at 5%	**-**	16,535,903	20,845,686
	2,799,224,885	3,697,731,576	2,540,310,983
Deferred tax expense relating to origination and reversal of temporary differences	**548,681,373**	2,383,925,714	3,004,051,425
	P 3,347,906,258	P 6,081,657,290	P 5,544,362,408
Reported in consolidated statements of comprehensive income –			
Deferred tax expense (income) relating to origination and reversal of temporary differences	**P 101,774,635**	(P 106,078,710)	P 92,776,448

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:

	2020	2019	2018
Tax on pretax profit at 30%	**P 4,180,941,466**	P 7,613,305,932	P 6,463,167,066
Adjustment for income subjected to lower income tax rates	**(135,250,737)**	(156,046,868)	(126,705,434)
Tax effects of:			
Non-taxable income	**(1,062,695,429)**	(1,713,474,896)	(1,094,661,187)
Non-deductible expenses	**229,869,981**	376,780,416	174,940,747
Unrecognized deferred tax assets on temporary differences	**31,518,283**	12,498,461	231,818
Miscellaneous	**103,522,694**	(51,405,755)	127,389,398
	P 3,347,906,258	P 6,081,657,290	P 5,544,362,408

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

	2020	2019
Deferred tax assets:		
Difference between the fair value and carrying value of net assets acquired	**P 141,225,062**	P 141,225,062
Retirement benefit obligation	**48,209,554**	41,738,560
Allowance for impairment of receivables	**9,254,356**	9,254,356
Allowance for property development costs	**9,227,732**	9,227,732
NOLCO	**75,292,529**	2,138,168
MCIT	**26,392,264**	5,592
Others	**30,275,240**	105,207,623
	P 339,876,737	P 308,797,093
Deferred tax liabilities – net:		
Uncollected gross profit	**P 6,623,820,829**	P 7,039,045,027
Capitalized interest	**4,161,467,864**	3,567,031,120
Difference between the tax reporting base and financial reporting base of rental income	**1,071,596,877**	1,173,233,118
Unrealized foreign currency losses – net	**(382,023,042)**	(706,060,353)
Retirement benefit obligation	**(219,106,014)**	(363,444,295)
Bond issuance costs	**197,548,382**	58,860,391
Share options	**(129,256,812)**	(123,151,742)
Uncollected rental income	**37,264,192**	34,979,523
Others	**202,113,684**	48,776,036
	P 11,563,425,960	P 10,729,268,825

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 MCIT which is computed at 2% of gross income, net of allowable deductions as defined under the tax regulations.

Pursuant to Section 4(bbb) of Bayanihan 1 Act for taxable years 2020 and 2021 NOLCO can be claimed as deduction within five consecutive years immediately following the year of such loss.

The details of the Group's MCIT that are valid and deductible from future taxable income are as follows:

Year	Original Amount	Valid Until
2020	P 26,458,789	2023
2019	177,937	2022
2018	362,809	2021
	P 26,999,535	

The details of the Group's NOLCO that are valid and deductible from future taxable income are as follows:

Year	Original Amount	Valid Until
2020	P 80,505,896	2025
2019	5,906,383	2022
2018	4,904,707	2021
	P 91,316,986	

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

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 2020, 2019 and 2018, the Group opted to continue claiming itemized deductions, except for MDC which opted to use OSD in those years, in computing for income tax dues.

ECOC and SEDI are registered with the 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 May 2014, the Board of Investments approved SPI's application for registration on Suntrust Sentosa project. SPI shall be entitled to income tax holiday for four years from May 2014, or actual start of commercial operations/selling, whichever is earlier but in no case earlier than the date of registration, with certain terms.

Also, SPI's The Regal Homes project has qualified in the definition of socialized housing under Section 3(r) of R.A. 7279, *Urban Development and Housing Act of 1992*. Under Section 20 of RA 7279, private sector participating in socialized housing shall be exempted from the payment of project-related income taxes, capital gains tax on raw lands use for the project, VAT for the project concerned, transfer tax for both raw and completed projects, and donor's tax for both lands certified by the local government units to have been donated for socialized housing purposes.

27. RELATED PARTY TRANSACTIONS

The Group's related parties include the Ultimate Parent Company, associates, the Group's key management and other related parties under common ownership as described in the succeeding pages.

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The summary of the Group's transactions with its related parties as of December 31, 2020 and 2019, and for the years ended December 31, 2020, 2019 and 2018 are as follows:

Related Party Category	Notes	Amount of Transactions 2020	Amount of Transactions 2019	Amount of Transactions 2018	Outstanding Investment/ Receivable (Payable) 2020	Outstanding Investment/ Receivable (Payable) 2019
Ultimate Parent Company:						
Dividends paid	27.5	**(P 535,472,192)**	(P 1,115,364,612)	(P 878,091,782)	**(P 535,472,192)**	P -
Investments in equity securities	27.4	**(129,956,000)**	(29,424,000)	(502,660,000)	**1,299,560,000**	1,429,516,000
Dividend income	27.4	**6,130,000**	-	11,260,000	**6,130,000**	-
Advances granted	27.2	**-**	930,000,000	-	**930,000,000**	930,000,000
Associates:						
Advances granted (collected)	27.2	**2,252,794**	(34,488,474)	95,771,994	**1,099,313,294**	1,097,060,500
Rendering of services	27.1	**11,188,103**	10,691,973	8,352,552	**810,607**	399,286
Advances availed (paid)	27.3	**-**	177,592,234	(244,268)	**(180,253,054)**	(180,253,054)
Subscription payable	19	**-**	1,114,665,008	-	**1,114,665,008**	1,114,665,008
Related Parties Under Common Ownership:						
Reimbursement of construction costs	27.1	**-**	-	3,995,657,527	**3,056,180,769**	3,056,180,769
Real estate sales	27.1	**-**	-	307,300,000	**-**	-
Advances availed (paid)	27.3	**(230,932,687)**	(148,172,551)	252,615,151	**(2,503,697,060)**	(2,734,629,747)
Rendering of services	27.1	**111,141,371**	256,588,091	449,902,884	**73,872,419**	53,600,123
Advances granted	27.2	**222,908,412**	474,737,422	4,600,132	**2,197,860,478**	1,974,952,066
Dividend income	27.4	**2,061,115**	8,291,304	1,116,789	**-**	-
Investments in equity securities	27.4	**(163,041,128)**	682,407,513	-	**2,866,951,027**	3,029,992,155
Sale of investment properties	27.8	**-**	47,125,000	-	**-**	23,562,500
Key Management Personnel –						
Compensation	27.6	**307,865,292**	325,018,986	310,647,655	**-**	-

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

27.1 Real Estate Sales and Rendering of Services to Related Parties

The Group renders services to its related parties on a cost-plus basis, allowing a certain margin agreed upon by the parties at arm's length. The summary of services offered by the Group is presented below.

	Amount of Transactions 2020	Amount of Transactions 2019	Amount of Transactions 2018
Rendering of services	**P 122,329,474**	P 267,280,064	P 458,255,436
Real estate sales	**-**	-	307,300,000
	P 122,329,474	P 267,280,064	P 765,555,436

The Group leases some of its investment properties to its associates and other related parties under common ownership with rental payments mutually agreed generally before the commencement of the lease. Most of the leases have terms ranging from one to 25 years, with renewal options, and include annual escalation rates of 3% to 10%, except for contingent rent. 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, which are collectible on demand, unsecured and noninterest-bearing, are presented as part of Trade under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

The Parent Company and a related party under common ownership are parties to a management agreement whereby the former provides management services for the overall administration of the latter's leasing operations for a fee, which is based on certain rates of collections plus commission. Further, there are other management services provided to related parties under common ownership related to management of construction and development activities.

Occasionally, the Parent Company sells real properties to its related parties in the normal course of business.

In 2018, the Parent Company sold certain parcels of land to a related party under common ownership amounting to P307.3 million. The transaction was fully settled in the same year. The sale is presented as part of Real Estate Sales in the 2018 consolidated statement of income.

Unless otherwise indicated, the Group's outstanding receivables from related parties arising from the above transactions are unsecured, noninterest-bearing, and collectible in cash under normal credit terms or through offsetting arrangements.

There were no impairment losses recognized on the Group's receivables from related parties in 2020, 2019 and 2018.

In 2018, the Parent Company agreed with a related party under common ownership to turn over a certain property under terms that the related party will reimburse the construction cost incurred by the Parent Company amounting to P4.0 billion (see Note 12). The outstanding balance, which is collectible on demand, interest-bearing and unsecured, amounted to P3.1 billion as of both December 31, 2020 and 2019, and is presented under non-current Other Trade Receivables in the consolidated statements of financial position (see Note 6). The Group earned and received interest income amounting to P188.3 million, P209.9 million and nil in 2020, 2019 and 2018, respectively, which is presented as part of Interest income under Interest and Other Income account – net (see Note 23).

27.2 Advances to Associates and Other Related Parties

Associates and other related parties under common ownership are granted noninterest-bearing, unsecured and collectible on demand advances by the Parent Company and other entities within the Group with no definite 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 Trade and Other Receivables account under Current Assets section in the consolidated statements of financial position are as shown on the succeeding page (see Note 6).

	2020	2019
Advances to associates	**P1,099,313,294**	P1,097,060,500
Advances to other related parties	**3,127,860,478**	2,904,952,066
	P4,227,173,772	P4,002,012,566

The movements in advances to associates and other related parties are as follows:

	2020	2019
Balance at beginning of year	**P4,002,012,566**	P2,631,763,618
Advances granted	**260,769,849**	1,500,167,429
Advances collected	**(35,608,643)**	(129,918,481)
Balance at end of year	**P4,227,173,772**	P4,002,012,566

Advances to other related parties pertain to advances granted to entities under common ownership of the Parent Company. In 2019, this included advances granted to the Ultimate Parent Company amounting to P930.0 million for working capital requirements. No impairment losses on the advances to associates and other related parties were recognized in 2020, 2019 and 2018 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 Group also received cash advances from a certain related party under common ownership, for the development of a certain entertainment site which is an integrated tourism project planned by the Philippine Amusement and Gaming Corporation. The advances are noninterest-bearing, unsecured and with no repayment terms and are generally payable in cash upon demand or through offsetting arrangements with the related parties.

The outstanding balances from these transactions, which are payable on demand, unsecured and noninterest-bearing, are presented as Advances from Associates and Other Related Parties under Current Section account in the consolidated statements of financial position and are broken down below:

	2020	2019
Advances from associates	**P 180,253,054**	P 180,253,054
Advances from other related parties	**2,503,697,060**	2,734,629,747
	P2,683,950,114	P2,914,882,801

The movements in advances from associates and other related parties are as follows:

	2020	2019
Balance at beginning of year	**P2,914,882,801**	P2,885,463,118
Advances availed	**24,157,233**	32,361,651
Advances paid	**(255,089,920)**	(2,941,968)
Balance at end of year	**P2,683,950,114**	P2,914,882,801

27.4 Investments in Equity Securities

The Group's equity securities include investment in shares of the Ultimate Parent Company and related parties under common ownership. The fair values of these securities have been determined directly by reference to published prices in an active market, except for the investment in shares of a related party under common ownership which was delisted in the stock exchange in 2019 measured using the discounted cash flows valuation technique [see Note 34.2(a)]. 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, presented as part of Dividend income under Interest and Other Income – net account in the consolidated statements of income (see Note 23). Outstanding receivable from this transaction is presented as part of Others under the current portion of Trade and Other Receivables account in the 2020 statement of financial position (see Note 6).

27.5 Dividends Paid to the Ultimate Parent Company

The Ultimate Parent Company received dividends from the Parent Company amounting to P0.5 billion, P1.1 billion and P0.9 billion in 2020, 2019 and 2018, respectively. Outstanding liability from these transactions amounted to P0.5 billion as of December 31, 2020, and nil as of both December 31, 2019 and 2018, and is presented as part of Cash dividends payable under Trade and Other Payables account in the 2020 statement of financial position (see Notes 17 and 28.4).

27.6 Key Management Personnel Compensation

The Group's key management personnel compensation includes the following:

	2020	2019	2018
Short-term benefits	**P 222,375,207**	P 266,299,232	P 243,575,452
Post-employment benefits	**64,108,171**	40,002,345	40,573,332
Employee share option benefit	**21,381,914**	18,717,409	26,498,871
	P 307,865,292	P 325,018,986	P 310,647,655

27.7 Post-employment Plan

The Group has a formal retirement plan established separately for the Parent Company and each of the significant subsidiaries, particularly GERI, EELHI and PHRI. The Group's retirement fund for its post-employment defined benefit plan is administered and managed by trustee banks. The fair value and the composition of the plan assets as of December 31, 2020 and 2019 are presented in Note 25.3.

The Group'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 Group nor its investments covered by any restrictions or liens.

27.8 Sale of Investment Property

In 2019, the Group sold land and building classified as investment property at an aggregate amount of P47.1 million to a related party under common ownership. The outstanding receivables arising from these transactions are presented as part of Trade and Other Receivables in the 2019 consolidated statement of financial position (see Note 6). No similar transaction in 2020.

28. EQUITY

Capital stock consists of:

	Shares 2020	Shares 2019	Shares 2018	Amount 2020	Amount 2019	Amount 2018
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	**32,370,865,872**	32,370,865,872	32,370,865,872	**P 32,370,865,872**	P 32,370,865,872	P 32,370,865,872
Treasury shares:						
Balance at beginning of year	**(130,920,000)**	(131,420,000)	(131,420,000)	**(118,104,398)**	(118,555,453)	(118,555,453)
Acquisitions during the year	**(341,632,000)**	-	-	**(994,672,630)**	-	-
Issuances during the year	**1,000,000**	500,000	-	**902,111**	451,055	-
Balance at end of year	**(471,552,000)**	(130,920,000)	(131,420,000)	**(1,111,874,917)**	(118,104,398)	(118,555,453)
Issued and outstanding	**31,899,313,872**	32,239,945,872	32,239,445,872	**P 31,258,990,955**	P 32,252,761,474	P 32,252,310,419
Total issued and outstanding shares				**P 31,318,990,955**	P 32,312,761,474	P 32,312,310,419

On June 15, 1994, the SEC approved the listing of the Parent Company's common shares totaling 140,333,333. The shares were initially issued at an offer price of P4.80 per common share. As of December 31, 2020, there are 2,432 holders of the listed shares, which closed at P4.08 per share as of that date.

The following also illustrates the additional listings made by the Parent Company (in shares): 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 – 5.5 billion; November 21, 2006 – 10.0 billion and July 17, 2007 – 3.9 billion and 2012 – 3.1 billion. The Parent Company also listed 700.0 million shares in 2013, 300.0 million shares in 2014, 8.0 million shares in 2015. There were no additional issuance of shares in the succeeding years.

As of December 31, 2020, 2019 and 2018, RHGI holds certain number of common shares with costs of P515.2 million, which are treated as treasury shares on the Group's consolidated financial statements (see Note 28.5).

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 2020, 2019 and 2018 (see Note 28.4).

28.2 Common Shares

On May 23, 2013, the Parent Company's BOD approved a P10.0 billion increase in authorized capital stock (ACS) consisting of 10.0 billion shares with par value of P1.00 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 the Parent Company at a price of P4.29 per share for a total subscription price of P10.7 billion.

In 2009, 5,127,556,725 common shares were subscribed and issued through pre-emptive share rights offering. 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 P1.00 per share.

Relative to the share subscription, 4,102,045,364 share warrants were issued of which 4,101,662,246 warrants were exercised while the remaining 383,118 have expired.

28.3 Additional Paid-in Capital

The APIC pertains to the excess of the total proceeds received from the Parent Company's shareholders over the total par value of the common shares. There were no movements in the Parent Company's APIC accounts in 2018. In 2020 and 2019, APIC amounting to P1.9 million and P1.0 million, respectively, was recognized by the Parent Company from the exercise of 1,000,000 and 500,000 stock options, respectively.

28.4 Cash Dividends

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

	2020	2019	2018
Declaration date/date of approval by BOD	**December 4, 2020**	June 21, 2019	June 8, 2018
Date of record	**December 18, 2020**	July 5, 2019	June 26, 2018
Date of payment	**January 8, 2021**	July 31, 2019	July 20, 2018
Amounts declared			
Common	**P 1,177,196,572**	P 2,378,582,809	P 1,981,608,812
Preferred	**600,000**	600,000	600,000
	P 1,177,796,572	P 2,379,182,809	P 1,982,208,812
Dividends per share:			
Common	**P 0.04**	P 0.07	P 0.06
Preferred	**P 0.01**	P 0.01	P 0.01

28.5 Treasury Shares

This account also includes the Parent Company's common shares held and acquired by RHGI. The number of treasury common shares aggregated to P1,627.0 million as at December 31, 2020.

The changes in market values of these shares held by RHGI, recognized as fair value gains or losses by the subsidiary, were eliminated in full and not recognized in the consolidated financial statements.

In 2019, the Parent Company has reissued 500,000 treasury shares as a result of exercise of the same number of stock options.

A portion of the Parent 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 total of P21.4 million, P18.7 million and P26.5 million share option benefits expense in 2020, 2019 and 2018, respectively, is recognized and presented as part of Salaries and employee benefits under Operating Expenses account in the consolidated statements of income (see Notes 22 and 25.2).

(a) Parent Company

In 2012, the Parent Company's BOD approved and the shareholders adopted an ESOP for the Parent Company's key executive officers.

The options shall generally vest on the 60^{th} birthday of the option holder and may be exercised until the date of his/her retirement from the Parent Company. The exercise price shall be at a 15% discount from the volume weighted average closing price of the Parent Company's shares for nine months immediately preceding the date of grant.

Pursuant to this ESOP, on November 6, 2012, the Parent Company granted share options to certain key executives to subscribe to 235.0 million common shares of the Parent Company, at an exercise price of P1.77 per share.

In 2013, additional share options were granted to certain key executives to subscribe to 20.0 million common shares of the Parent Company at an exercise price of P2.33 per share. Additional 40.0 million share options were granted in 2014 at an average exercise price of P3.00 per share. In 2019, additional 10.0 million share options were granted at an exercise price of P1.77. There were no additional share options granted in 2018, and 2017.

In 2019, 10.0 million share options were forfeited due to resignation of certain key executive officers. There was no forfeiture in 2020 and 2018.

A total of 5.0 million, 10.0 million and 5.0 million share options have vested in 2020, 2019 and 2018, respectively.

A total of 1.0 million and 0.5 million share options were exercised at a price of P1.77 per share in 2020 and 2019, respectively. There was no similar transaction in 2018.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP.

The following principal assumptions were used in the valuation:

Option life	6.08 to 30.17 years
Share price at grant date	P 2.54 to P 4.52
Exercise price at grant date	P 1.77 to P 3.23
Fair value at grant date	P 0.98 to P 2.15
Average standard deviation of share price return	10.98 %
Average dividend yield	0.82 %
Average risk-free investment rate	3.93 %

The underlying expected volatility was determined by reference to historical date of the Parent Company's shares over a period of time consistent with the option life.

The Parent Company recognized a total of P21.4 million, P17.8 million and P23.2 million share-based executive compensation in 2020, 2019 and 2018, respectively, as part of Salaries and employee benefits and a corresponding credit in Retained Earnings(see Note 25.2).

(b) GERI

In 2011, the BOD of GERI approved and the stockholders adopted an ESOP for its key executive officers.

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 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. 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.

As of December 31, 2020, pursuant to this ESOP, GERI has granted the option to its key company executives to subscribe to P400.0 million shares of GERI. An option holder may exercise in whole or in part his vested option provided, that, an option exercisable but not actually exercised within a given year shall accrue and may be exercised at any time thereafter but prior to the expiration of said option's life cycle. All 400.0 million options were fully vested as of December 31, 2019. However, none of these have been exercised yet by any of the option holders as of December 31, 2020.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP.

The following principal assumptions were used in the valuation:

Average option life	7 years
Share price at grant date	P1.02 to P2.10
Exercise price at grant date	P1.0 to P1.93
Fair value at grant date	P0.24 to P2.27
Standard deviation of share price return	12.16% to 57.10%
Risk-free investment rate	2.14% to 2.59%

The underlying expected volatility was determined by reference to historical date of the GERI's shares over a period of time consistent with the option life.

GERI recognized a total of P0.9 million and P3.3 million share-based compensation in 2019 and 2018, respectively, as part of Salaries and employee benefits and a corresponding credit in Non-controlling Interest (see Note 25.2). There was no share-based compensation in 2020 since all the options were fully vested as of December 31, 2019.

28.7 Perpetual Capital Securities

On April 11, 2018, the Group issued bonds amounting $200.0 million. The bonds were issued with a nominal interest of 5.375% per annum and interest is payable semi-annually in arrears every April 11 and October 11. The bonds are currently listed in the SGX-ST. The financial instruments are treated as equity securities. These bonds may be voluntarily redeemed by the Parent Company on April 11, 2023 or on any distribution date thereafter [see Note 3.1(h)].

28.8 Revaluation Reserves

The components and reconciliation of items of other comprehensive income presented in the consolidated statement of changes in equity at their aggregate amount under Revaluation Reserves account, are shown below.

	Financial Assets at FVOCI (Note 9)	Retirement Benefit Obligation (Note 25)	Translation Reserves (Note 2)	Cross Currency Swaps (Note 30)	Equity Reserves (Note 1)	Total
Balance as of January 1, 2020	(P 2,165,438,907)	P 17,362,375	(P 382,828,958)	(P 108,506,018)	(P 861,828,431)	(P 3,501,239,939)
Remeasurements of retirement benefit post-employment obligation	-	354,133,354	-	-	-	354,133,354
Fair value losses on financial assets at FVOCI	(323,225,082)	-	-	-	-	(323,225,082)
Fair value losses on cash flow hedge	-	-	-	(144,749,961)	-	(144,749,961)
Share of non-controlling interest	21,809,848	5,945,816	-	-	-	27,755,664
Share in OCI of associates	-	1,474,538	-	-	-	1,474,538
Exchange difference on translating foreign operations	-	-	(14,884,569)	-	-	(14,884,569)
Other comprehensive income (loss) before tax	(301,415,234)	361,553,708	(14,884,569)	(144,749,961)	-	(99,496,056)
Tax income (expense)	-	(106,240,006)	4,465,371	-	-	(101,774,635)
Other comprehensive income loss after tax	(301,415,234)	255,313,702	(10,419,198)	(144,749,961)	-	(201,270,691)
Balance as of December 31, 2020	**(P 2,466,854,141)**	**P 272,676,077**	**(P 393,248,156)**	**(P 253,255,979)**	**(P 861,828,431)**	**(P 3,702,510,630)**
Balance as of January 1, 2019	(P 2,193,648,774)	P 258,382,240	(P 380,437,530)	P 184,863,310	(P 954,871,520)	(P 3,085,712,274)
Remeasurements of retirement benefit post-employment obligation	-	(350,479,591)	-	-	-	(350,479,591)
Fair value gains on financial assets at FVOCI	23,271,788	-	-	-	-	23,271,788
Fair value losses on cash flow hedge	-	-	-	(293,369,328)	-	(293,369,328)
Effect of change in percentage of ownership	-	-	-	-	93,043,089	93,043,089
Share of non-controlling interest	4,938,079	15,732,908	-	-	-	20,670,987
Share in OCI of associates	-	(11,417,059)	-	-	-	(11,417,059)
Exchange difference on translating foreign operations	-	-	(3,326,261)	-	-	(3,326,261)
Other comprehensive income (loss) before tax	28,209,867	(346,163,742)	(3,326,261)	(293,369,328)	93,043,089	(521,606,375)
Tax income	-	105,143,877	934,833	-	-	106,078,710
Other comprehensive income loss after tax	28,209,867	(241,019,865)	(2,391,428)	(293,369,328)	93,043,089	(415,527,665)
Balance as of December 31, 2019	(P 2,165,438,907)	P 17,362,375	(P 382,828,958)	(P 108,506,018)	(P 861,828,431)	(P 3,501,239,939)
Balance as of January 1, 2018						
As previously reported	(P 941,999,334)	P 89,441,126	(P 382,105,298)	(P 45,942,879)	(P -)	(P 1,280,606,385)
Effect of adoption of PFRS 9	(1,457,710,646)	-	(-)	-	(-)	(1,457,710,646)
As restated	(2,399,709,980)	89,441,126	(382,105,298)	(45,942,879)	(-)	(2,738,317,031)
Remeasurements of retirement benefit post-employment obligation	-	313,543,907	-	-	-	313,543,907
Fair value gains on equity securities	121,702,361	-	-	-	-	121,702,361
Fair value gains on cash flow hedge	-	-	-	230,806,189	-	230,806,189
Effect of change in percentage of ownership	-	-	-	-	(954,871,520)	(954,871,520)
Share of non-controlling interest	84,358,845	(65,995,383)	-	-	-	18,363,462
Share in OCI of associates	-	13,452,063	-	-	-	13,452,063
Exchange difference on translating foreign operations	-	-	2,384,743	-	-	2,384,743
Other comprehensive income (loss) before tax	206,061,206	261,000,587	2,384,743	230,806,189	(954,871,520)	(254,618,795)
Tax expense	-	(92,059,473)	(716,975)	-	-	(92,776,448)
Other comprehensive income loss after tax	206,061,206	168,941,114	1,667,768	230,806,189	(954,871,520)	(347,395,243)
Balance as of December 31, 2018	(P 2,193,648,774)	P 258,382,240	(P 380,437,530)	P 184,863,310	(P 954,871,520)	(P 3,085,712,274)

29. EARNINGS PER SHARE

EPS amounts were computed as follows:

	2020	2019	2018
Net profit attributable to the Parent Company's shareholders	**P 9,885,989,490**	P 17,931,417,072	P 15,208,138,139
Dividends on cumulative preferred shares Series "A"	**(600,000)**	(600,000)	(600,000)
Distribution to holders of perpetual securities	**(535,258,625)**	(562,913,000)	(290,336,000)
Profit available to the Parent Company's common shareholders	**P 9,350,130,865**	P 17,367,904,072	P 14,917,202,139
Divided by weighted average number of outstanding common shares	**31,662,256,883**	31,819,612,539	31,819,445,872
Basic EPS	**P 0.295**	P 0.546	P 0.469
Divided by weighted average number of outstanding common shares and potential dilutive shares	**31,762,511,001**	31,977,656,102	31,962,126,317
Diluted EPS	**P 0.294**	P 0.543	P 0.467

In 2015, unexercised share warrants expired; hence, were no longer included in the computation. In addition, the potentially dilutive outstanding share options totaling 248.5 million in 2020, 249.5 million in 2019, and 250.0 million in 2018 were also considered in the computations (see Note 28.6).

30. CROSS CURRENCY SWAPS

In 2017, the Parent Company entered into a cross currency swap agreement with a local bank. Under the agreement, the Parent Company will receive a total of $98.87 million to be paid on a quarterly basis beginning March 2019 up to December 2022 plus interest based on 3-month LIBOR plus a certain spread. In exchange, the Parent Company shall make fixed quarterly payments in Philippine peso plus a fixed interest of 4.91%.

In 2019, another cross currency swap was also agreed upon with the same bank. The Parent Company will receive $95.62 million to be paid on a quarterly basis beginning December 2020 up to September 2024 plus interest based on 3-month LIBOR plus a certain spread. The Parent Company shall make fixed quarterly payments in Philippine peso plus a fixed interest of 4.82%.

The Parent Company has designated the cross currency swaps as hedging instruments to hedge the risk in changes in cash flows of its loan denominated in U.S. dollar as an effect of changes in foreign currency exchange rates and interest rates [see Notes 15.1(a) and 15.1(k)].

The table below sets out information about the Group's hedging instruments and the related carrying amounts as of December 31:

	USD Notional Amount	Derivative Liabilities
2020		
Cash flow hedge –		
Cross currency swaps	**$ 139,080,716**	**P 758,026,441**
2019		
Cash flow hedge –		
Cross currency swaps	$ 194,493,428	P 242,417,137

The hedging instruments have a negative fair value of P758.0 million and P242.4 million at end of 2020 and 2019, respectively. This is presented as derivative liability under Other Liabilities in the consolidated statements of financial position (see Note 19). The Parent Company recognized unrealized loss on cash flow hedges amounting to P144.7 million and P293.4 million in 2020 and 2019, respectively, and unrealized gain on cash flow hedges amounting to P230.8 million in 2018. These are presented as part of other comprehensive income in the consolidated statements of comprehensive income.

As of December 31, 2020, the Parent Company has assessed that the cross currency swaps designated as cash flow hedges will continue to be highly effective over the term of the agreement; hence, the Parent Company expects to continuously use hedge accounting on the hedging relationship of its cross currency swaps and on its interest-bearing loans.

31. COMMITMENTS AND CONTINGENCIES

31.1 Lease Commitments – Group as Lessor

(a) Operating Leases

The Group is a lessor under several non-cancellable operating leases covering real estate properties for commercial use (see Note 12). Future minimum lease receivables under these agreements are as follows:

	2020	2019	2018
Within one year	**P 12,632,761,053**	P 16,115,991,723	P 13,657,827,621
After one year but not more than two years	**20,521,928,927**	18,650,355,567	15,596,904,521
After two years but not more than three years	**21,458,334,550**	20,985,308,875	17,291,315,208
After three years but not more than four years	**23,144,750,760**	21,954,423,486	19,598,624,786
After four years but not more than five years	**25,236,915,271**	23,504,678,022	20,530,728,075
More than five years	**29,407,145,172**	27,249,075,851	22,176,585,590
	P132,401,835,733	P 128,459,833,524	P108,851,985,801

(b) Finance Lease

The Group, through GERI, subleased its development rights over the undivided portions of a land co-terminus with the term of its head lease. Finance lease receivable arising from the transaction amounted to P593.3 million and P672.8 million as of December 31, 2020 and 2019, respectively, and is presented as part of Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

The maturity analysis of finance lease receivable at December 31 is as follows:

	Lease Collection	Interest Income	Net Present Value
2020			
Within one year	P 94,764,348	(P 42,130,838)	P 52,633,510
After one year but not more than two years	88,070,235	(38,419,379)	49,650,856
After two years but not more than three years	88,699,119	(34,355,507)	54,343,612
After three years but not more than four years	89,346,871	(29,909,018)	59,437,853
After four years but not more than five years	90,014,054	(25,047,216)	64,966,838
More than five years	705,431,648	(393,190,165)	312,241,483
	P 1,156,326,275	**(P 563,052,123)**	**P 593,274,152**
2019			
Within one year	P 132,304,681	(P 45,517,732)	P 86,786,949
After one year but not more than two years	109,963,181	(48,392,631)	61,570,550
After two years but not more than three years	110,573,749	(44,681,183)	65,892,566
After three years but not more than four years	111,202,633	(40,617,311)	70,585,322
After four years but not more than five years	111,850,383	(36,170,824)	75,769,559
More than five years	705,431,648	(393,190,165)	312,241,483
	P 1,281,326,275	(P 608,569,846)	P 672,756,429

31.2 Others

As at December 31, 2020 and 2019, the Group has unused long-term credit facilities amounting to P11.9 billion and P22.0 billion, respectively. In addition, the Group is committed to certain project and capital expenditures as disclosed in Note 4.4. There are other commitments 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.

32. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has various financial instruments such as cash and cash equivalents, financial assets at FVOCI, 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.

32.1 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, loans and bonds payable, which have been used to fund new projects and to refinance certain indebtedness for general corporate purposes.

As of December 31, 2020 and 2019, net foreign currency-denominated financial liabilities in U.S. dollar, translated into Philippine Peso at the closing rate, amounted to P20.3 billion and P20.9 billion, respectively.

Management assessed that the reasonably possible change in exchange rates of Philippine Peso to U.S. dollar, based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months at 68% confidence level is 2.69% and 4.59% in 2020 and 2019, respectively. If the exchange rate increased or decreased by such percentages, the profit before tax in 2020 and 2019 would have changed by P547.2 million and P957.8 million, respectively.

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. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

32.2 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. Most long-term borrowings are subject to fixed interest rate while other financial assets subject to variable interest rates.

The Group's ratio of fixed to floating rate debt stood at 1.99:1.00 and 1.86:1.00 as of December 31, 2020 and 2019, respectively.

The sensitivity of the consolidated net results in 2020 and 2019 to a reasonably possible change of 1.0% in floating rates is P286.9 million and P139.5 million, respectively. The sensitivity of the consolidated equity in 2020 and 2019 to a reasonably possible change of 1.0% in floating rates is P200.8 million and P97.7 million, respectively. The calculations are based on the Group's financial instruments held at each reporting date. All other variables are held constant.

32.3 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 and contract 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	**2020**	2019
Cash and cash equivalents	5	**P40,166,755,908**	P 23,104,875,672
Trade receivables	6, 20.2	**26,015,811,682**	29,070,274,257
Rent receivables	6	**4,412,404,797**	4,274,038,207
Other receivables	6	**9,181,963,299**	7,463,014,333
Advances to associates and other related parties	6	**4,227,173,772**	4,002,012,566
Contract assets	20.2	**19,380,726,313**	18,643,004,687
Guarantee and other deposits	14	**1,186,605,535**	1,007,434,782
		P104,571,441,306	P 87,564,654,504

(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

The Parent Company applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables and other receivables.

To measure the expected credit losses, trade receivables and other receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets). The other receivables relate to receivables from both third and related parties other than trade receivables and have substantially the same risk characteristics as the trade receivables. The Parent Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before December 31 or January 1, 2020, respectively, and the corresponding historical credit losses experienced within such period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Parent Company identifies headline inflation rate and bank lending rate to be the most relevant factors and accordingly adjusts the historical loss rates based on expected changes in these factors. The total loss allowance based on the provision matrix is P852.1 million and P730.7 million as of December 31, 2020 and 2019, respectively.

The Group considers credit enhancements in determining the expected credit loss. Trade receivables from real estate sales are collateralized by the real properties sold while rental receivables are secured to the extent of advanced rental and security deposits received from lessees. Further, customers are required to issue post-dated checks, which provide additional credit enhancement. The estimated fair value of collateral and other security enhancements held against trade receivables are presented below.

	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure
2020			
Real estate sales receivables	**P 25,161,593,375**	**P 51,002,905,196**	**P -**
Contract assets	**19,380,726,313**	**36,253,449,145**	**-**
Rental receivables	**4,412,404,797**	**7,685,122,965**	**-**
	P48,954,724,485	**P94,941,477,306**	**P -**
2019			
Real estate sales receivables	P 28,426,905,161	P 44,895,455,760	P -
Contract assets	18,643,004,687	35,512,470,476	-
Rental receivables	4,274,038,207	5,889,977,004	-
	P 51,343,948,055	P 86,297,903,240	P -

Some of the unimpaired trade receivables and other receivables, which are mostly related to real estate sales, are past due as at the end of the reporting period and are presented below.

	2020	2019
Current (not past due)	**P 41,196,951,543**	P 42,870,472,698
Past due but not impaired:		
More than one month but not more than 3 months	**1,064,885,684**	952,404,341
More than 3 months but not more than 6 months	**537,113,120**	347,303,258
More than 6 months but not more than one year	**681,867,418**	437,324,418
More than one year	**356,535,785**	201,834,648
	P 43,837,353,550	P 44,809,339,363

(c) Advances to Associates and Other Related Parties

ECL for advances to associates, and other related parties, and other trade receivables from related parties, are measured and recognized using the liquidity approach. Management determines possible impairment based on the related party's ability to repay the advances upon demand at the reporting date taking into consideration the historical defaults from the related parties.

The Parent Company does not consider any significant risks in the advances to related parties as these are entities whose credit risks for liquid funds are considered negligible, have committed to financially support these related parties as part of AGI's long-term corporate strategy. As of December 31, 2020 and 2019, impairment allowance is not material.

32.4 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, 2020 and 2019, the Group's financial liabilities have contractual maturities which are presented below.

	Notes	Within 1 Year	1 to 5 Years	More than 5 Years
2020:				
Interest-bearing loans and borrowings*	15	P 21,278,938,909	P 22,801,992,603	P 195,629,735
Trade and other payables	17	22,701,125,783	-	-
Bonds and notes payable*	16	1,846,322,250	29,154,792,750	18,199,639,500
Redeemable preferred shares*	18	257,384,324	251,597,580	-
Advances from associates and other related parties	27.3	2,683,950,114	-	-
Lease liabilities*	19	95,493,072	235,549,133	864,682,102
Subscription payable	19	1,114,665,008	-	-
Other liabilities	19	3,164,723,364	2,168,836,637	-
		P 53,142,602,824	**P 54,612,768,703**	**P 19,259,951,337**
2019:				
Interest-bearing loans and borrowings*	15	P 16,954,264,810	P 39,065,171,167	P -
Trade and other payables	17	17,584,893,153	-	-
Bonds and notes payable*	16	924,084,260	29,401,816,190	-
Redeemable preferred shares*	18	263,171,069	508,981,904	-
Advances from associates and other related parties	27.3	2,914,882,801	-	-
Lease liabilities*	19	149,699,644	250,541,462	899,315,917
Subscription payable	19	1,114,665,008	-	-
Other liabilities	19	1,700,760,516	2,026,599,582	-
		P 41,606,421,261	P 71,253,110,305	P 899,315,917

**Inclusive of future interest costs*

The contractual maturities in the above reflect the gross cash flows, which may differ from the carrying values of the liabilities at the reporting dates.

32.5 Other Price Risk Sensitivity

The Group's market price risk arises from its financial assets 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, 2020 and 2019 are summarized below.

	Observed Volatility Rates	Impact on Equity Increase	Impact on Equity Decrease
2020			
Investment in equity securities:			
Holding company	**+/-9.00%**	**P 81,828,814**	**(P 81,828,814)**
Manufacturing	**+/-6.47%**	**26,931,746**	**(26,931,746)**
2019			
Investment in equity securities:			
Holding company	+/-6.11%	P 61,138,035	(P 61,138,035)
Manufacturing	+/-2.27%	6,752,926	(6,752,926)

The investments in listed equity securities are considered long-term strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilized in the Group's favor.

The Group is also exposed to other price risk in respect of its derivative financial assets and liabilities arising from foreign exchange margins trading spot and forward, and interest rate changes. These financial instruments will continue to be measured at fair value based on net present value computation.

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

33.1 Carrying Amounts and Fair Values by Category

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

	Notes	2020 Carrying Values	2020 Fair Values	2019 Carrying Values	2019 Fair Values
Financial Assets					
At amortized costs:					
Cash and cash equivalents	5	**P 40,166,755,908**	**P 40,166,755,908**	P 23,104,875,672	P 23,104,875,672
Trade and other receivables – net	6, 27.2	**43,837,353,550**	**44,051,691,412**	44,809,339,363	45,290,907,850
Guarantee and other deposits	14	**1,186,605,535**	**1,186,605,535**	1,007,434,782	1,007,434,782
		P 85,190,714,993	**P 85,405,052,855**	P 68,921,649,817	P 69,403,218,304
Financial assets at FVOCI – Equity securities	9	**P 4,174,886,430**	**P 4,176,886,430**	P 4,498,219,487	P 4,498,219,487
Financial Liabilities					
At amortized costs:					
Interest-bearing loans and borrowings	15	**P 45,578,166,417**	**P 48,094,617,843**	P 51,256,475,989	P 50,192,028,027
Bonds and notes payable	16	**40,282,855,986**	**43,032,299,663**	24,623,883,690	23,667,412,590
Redeemable preferred shares	18	**503,195,160**	**503,195,160**	754,792,740	754,792,740
Trade and other payables	17	**22,701,125,783**	**22,701,125,783**	17,584,893,153	17,584,893,153
Advances from associates and other related parties	27.3	**2,683,950,114**	**2,683,950,114**	2,914,882,801	2,914,882,801
Lease liabilities	19	**587,616,971**	**587,616,971**	653,588,108	653,588,108
Subscription payable	19	**1,114,665,008**	**1,114,665,008**	1,114,665,008	1,114,665,008
Other liabilities	19	**5,333,560,001**	**5,333,560,001**	3,727,360,098	3,727,360,098
		P 118,785,135,440	**P124,051,030,543**	P 102,630,541,587	P100,609,622,525

	Notes	2020 Carrying Values	2020 Fair Values	2019 Carrying Values	2019 Fair Values
Financial liabilities at FVTPL – Derivative liabilities	19, 30	P 758,026,441	P 758,026,441	P 242,417,137	P 242,417,137

See Notes 2.5, 2.6 and 2.11 for a description of the accounting policies for each category of financial instrument. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 32.

33.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set-off financial instruments in 2020 and 2019 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 Notes 15.2 and 15.4).

34. FAIR VALUE MEASUREMENT AND DISCLOSURES

34.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities 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.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Parent Company uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

34.2 Financial Instruments Measurement at Fair Value

The table below and in the succeeding page shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the consolidated statements of financial position on a recurring basis as at December 31, 2020 and 2019 (see Notes 9 and 30).

	Level 1	Level 2	Level 3	Total
2020				
Financial assets –				
Equity securities	**P 1,902,709,257**	**P -**	**P2,272,177,173**	**P4,174,886,430**
Financial liability –				
Derivatives	**P -**	**P 758,026,441**	**P -**	**P 758,226,041**
2019				
Financial assets –				
Equity securities	P 1,865,987,171	P -	P2,632,232,316	P 4,498,219,487
Financial liability –				
Derivatives	P -	P 242,417,137	P -	P 242,417,137

Described below are the information about how the fair values of the Group's classes of financial assets are determined.

(a) *Equity Securities*

As at December 31, 2020 and 2019, instruments included in Level 1 comprise equity securities classified as financial assets at FVOCI. These securities were valued based on their market prices quoted in the PSE at the end of each reporting period.

In 2019, equity securities in certain investee company classified as financial assets at FVOCI included in the prior years in Level 1 were transferred to Level 3 following the delisting of such shares from the stock exchange. These equity securities are transferred 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. The change in the valuation method resulted to P52.9 million fair value gains in 2019.

In 2020 and 2019, the fair value of these equity securities is determined using discounted cash flows valuation technique with discount rate of 8.1% and 12.0% in 2020 and 2019, respectively, and growth rate of 2.6% and 4.0% in 2020 and 2019, respectively. The forecasted annual net cash flows were also derived by taking into consideration the market conditions, economic factors, and historical performance and future projects of the investee company.

A reconciliation of the carrying amounts of Level 3 FVOCI equity securities at the beginning and end of 2020 and 2019 is shown below.

	2020	2019
Balance at beginning of year	**P 2,632,232,316**	P 27,449,898
Transfer from Level 1 to Level 3	**-**	2,551,917,830
Fair value gains (losses)	**(360,055,143)**	52,864,588
Balance at end of year	**P 2,272,177,173**	P 2,632,232,316

The Group recognized P36.7 million fair value gains and P29.6 million fair value losses in 2020 and 2019, respectively, on the Level 1 equity securities. For the Level 3 equity securities, the Group recognized P360.1 million fair value losses and P52.9 million fair value gains in 2020 and 2019, respectively (see Notes 9 and 28.8).

(b) *Derivatives*

The fair value of derivative financial instruments, related to the cross currency swaps , is measured at inputs other than quoted prices that are indirectly observable for the financial instruments and are categorized within Level 2 (see Note 30). The fair value is determined through valuation techniques using the net present value computation. The future principal and interest receipts and payments are discounted using readily observable reference rates at the date of valuation. The resulting net present value is translated into Philippine peso using the U.S. dollar exchange rate at the date of valuation to arrive at the fair value of the derivative financial instruments.

34.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The Group's financial assets which are not measured at fair value in the consolidated 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 – net, 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 bonds payable, which are categorized as Level 1, and interest-bearing loans and borrowings, redeemable preferred shares, trade and other payables and advances from associates and other related parties which are categorized as Level 3.

The fair value of the Group's debt securities which consist of corporate bonds is estimated by reference to quoted bid price in active market at the end of the reporting period and is categorized within Level 1.

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. Further, management considers that the carrying amounts of these financial instruments approximate their fair values as the effect of discounting is insignificant.

34.4 Fair Value of Investment Properties Measured at Cost for which Fair Value is Disclosed

The fair value of the Group's investment properties earning rental income was determined through discounted cash flows valuation technique. The Group uses assumption that are mainly based on market conditions existing at each reporting period, such as: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

The Group determines the fair value of idle properties through appraisals by independent valuation specialists using market – based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property.

As at December 31, 2020 and 2019, 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 expected future 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 2020 and 2019.

35. 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 using amounts of contracted borrowings versus total equity. Capital for the reporting periods under review is summarized in the succeeding page.

	2020	2019
Interest-bearing loans and borrowings	P 45,578,166,417	P 51,256,475,989
Bonds and notes payable	40,282,855,986	24,623,883,690
	P 85,861,022,403	P 75,880,359,679
Total equity	P 212,530,480,197	P204,865,522,505
Debt-to-equity ratio	0.40 : 1.00	0.37 : 1.00

The Group has complied with its covenant obligations, including maintaining the required debt-to-equity ratio for the years presented above.

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Presented below is the reconciliation of the Group's liabilities arising from financing activities, which includes both cash and non-cash changes.

	Interest-bearing Loans and Borrowings (See Note 15)	Bonds Payable (See Note 16)	Lease Liabilities (See Note 19)	Advances from Associates and Other Related Parties (See Note 27)	Total
Balance as of January 1, 2020	P51,256,475,989	P24,623,883,690	P 653,588,108	P 2,914,882,801	P79,448,830,588
Net cash flows:					
Proceeds	7,800,000,000	16,692,935,192	-	24,157,233	24,517,092,425
Repayments	(13,107,450,229)	-	(40,815,130)	(255,089,920)	(13,403,355,279)
Non-cash financing activities:					
Foreign currency exchange	(370,859,343)	(1,077,137,260)	(8,923,035)	-	(1,456,919,638)
Amortization of bond issue cost	-	43,174,364	-	-	43,174,364
Offset from finance lease receivables	-	-	(93,931,898)		(93,931,898)
Additional lease liabilities	-	-	36,791,892	-	36,791,892
Interest amortization on lease liabilities	-	-	40,907,034	-	40,907,034
Balance as of December 31, 2020	**P45,578,166,417**	**P40,282,855,986**	**P 587,616,971**	**P 2,683,950,114**	**P89,132,589,488**
Balance as of January 1, 2019, as previously reported	P50,640,611,750	P25,102,042,365	P -	P 2,885,463,118	P78,628,117,233
Adoption of PFRS 16	-	-	467,901,950	-	467,901,950
Balance as of January 1, 2019, as restated	50,640,611,750	25,102,042,365	467,901,950	2,885,463,118	79,096,019,183
Net cash flows:					
Proceeds	12,500,000,000	-	-	32,361,651	12,532,361,651
Repayments	(11,537,252,522)	-	(35,429,332)	(2,941,968)	(11,575,623,822)
Non-cash financing activities:					
Foreign currency exchange	(346,883,239)	(493,907,863)	(5,718,846)	-	(846,509,948)
Amortization of bond issue cost	-	15,749,188	-	-	15,749,188
Additional lease liabilities	-	-	194,882,491	-	194,882,491
Interest amortization on lease liabilities	-	-	31,951,845	-	31,951,845
Balance as of December 31, 2019	P51,256,475,989	P24,623,883,690	P 653,588,108	P 2,914,882,801	P79,448,830,588
Balance as of January 1, 2018	P40,536,800,278	P34,364,985,052	P -	P 2,633,192,235	P77,534,977,565
Net cash flows:					
Proceeds	18,350,000,000	-	-	366,705,230	18,716,705,230
Repayments	(8,530,019,684)	(10,425,600,000)	-	(12,339,277)	(18,967,958,961)
Non-cash financing activities:					
Foreign currency exchange	283,255,354	1,139,294,915	-	-	1,422,550,269
Addition due to consolidation of new subsidiaries	575,802	-	-	137,051,076	137,626,878
Elimination due to consolidation of new subsidiary	-	-	-	(239,146,146)	(239,146,146)
Amortization of bond issue cost	-	23,362,398	-	-	23,362,398
Balance as of December 31, 2018	P50,640,611,750	P25,102,042,365	P -	P 2,885,463,118	P78,628,117,233

37. EVENTS AFTER THE REPORTING PERIOD

37.1 Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

On March 26, 2021, R.A. No. 11534, CREATE Act, amending certain provisions of the National Internal Revenue Code of 1997, as amended, was signed into law with veto on certain provisions and shall be effective 15 days after its publication. The CREATE Act has several provisions with retroactive effect beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to the Group:

- regular corporate income tax rate is decreased from 30% to 25% starting July 1, 2020;
- minimum corporate income tax rate is decreased from 2% to 1% starting July 1, 2020 until June 30, 2023;
- the imposition of 10% tax on improperly accumulated retained earnings is repealed; and,
- the allowable deduction for interest expense is reduced by 20% (from 33%) of the interest income subjected to final tax.

Given that the CREATE Act was signed after the end of the current reporting period, the Group determined that this event is a non-adjusting subsequent event. Accordingly, its impact was not reflected in the Group's consolidated financial statements as of and for the year ended December 31, 2020, and instead, will be taken up prospectively in the next applicable reporting period. The Group used the prevailing tax rates as of December 31, 2020 in determining its current and deferred taxes in its 2020 financial statements.

As a result of the application of the lower RCIT rate of 25% starting July 1, 2020, the current income tax expense and income tax payable, as presented in the 2020 annual income tax return (ITR) of some entities within the Group, would be lower than the amount presented in the 2020 financial statements.

In addition, the recognized net deferred tax assets (or liability) as of December 31, 2020 would be remeasured to 25% in the 2021 financial statements. This will result in a decline in the recognized deferred tax assets and liabilities in 2020 by around P56.6 million and P1,927.2 million, respectively, and will be charged to 2021 profit or loss, unless it can be recognized in other comprehensive income as provided in the applicable financial reporting standard.

37.2 Cancellation of the Parent Company's Perpetual Capital Securities

On January 30 to February 2, 2021, a wholly-owned subsidiary made on-market purchases of all the Parent Company's U.S. $200.0 million outstanding perpetual capital securities (see Note 28.7). On April 1, 2021, the cancellation of the Parent Company's perpetual capital securities was completed in accordance with the terms and conditions of the securities.

38. OTHER MATTER

The Parent Company was awarded a certificate of registration under ISO 9001:1994 on November 26, 1999 by Certification International Philippines, Inc. which was upgraded to ISO 9001:2000 and ISO 9001:2008 series on November 21, 2002 and November 25, 2011, respectively.

Effective December 18, 2017, the Parent Company has upgraded its Certification to ISO 9001:2015 for its quality management system. The scope of the certification covers all areas of the Parent Company's real estate development and marketing. Among others, the Parent Company is required to undergo surveillance audits every six months.

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