StAGIng the Future

Leading the Way with Progressive Townships

MEGAWORLD

2021 Annual and Sustainability Report

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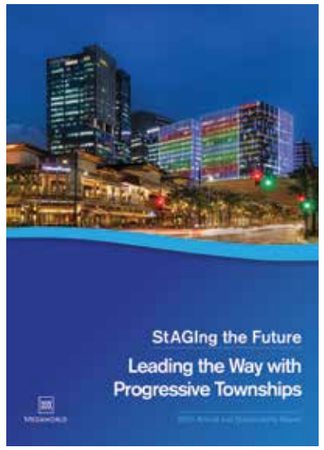


ABOUT THE REPORT

StAGIng the Future: Leading the Way with Progressive Townships focuses on Megaworld's 2021 economic, social, environmental, and governance performance, emphasizing the Company's strategy of upholding its values toward growth while producing fruitful results for its stakeholders and finding new opportunities to prosper during the unprecedented times. Megaworld partnered with Drink Sustainability Communications to provide the sustainability consultation, editorial, and design services in communicating the Company's environmental, social, and governance framework in its 2021 Annual and Sustainability Report.

ABOUT THE COVER

Megaworld's 2021 Annual and Sustainability Report, **StAGIng the Future: Leading the Way with Progressive Townships**,features a swoosh to symbolize cohesiveness in resonating the concept of unity in the visual sense. Through a curved movement, the design supports the notion of action to show fluidity in adapting to the ever-changing needs of our contemporary world. It uses a blue color treatment based on the logo colors of each subsidiary, flowing through the swoosh and resembling a mere spectrum that shows diversity, with an image that shows the success of its townships, leading to the prosperity of the Company and its shareholders.

MEGAWORLD

ABOUT THE COMPANY

Megaworld Corporation ("Megaworld," "the Company," "MEG") was founded by Dr. 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 in convenient urban locations with easy access to offices, leisure, and entertainment amenities in Metro Manila. Beginning in 1996, in response to the demand for lifestyle convenience of having quality residences close to office and leisure facilities, the Company started to focus on developing mixed-use communities, primarily for the middle-income market, by commencing its Eastwood City community township development. 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. However, the Company continues to focus its core competence on 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

AT A GLANCE

FINANCIAL HIGHLIGHTS

PhP 50.8 billion
Consolidated Revenue

PhP 31.1 billion
Real Estate Sales

PhP 11.1 billion
Office Rentals

PhP 2.3 billion
Mall Rentals

PhP 1.9 billion
Hotel Operations

PhP 20.3 billion
EBITDA

PhP 14.4 billion
Net Income

PhP 13.4 billion
Attributable Income

OPERATIONAL HIGHLIGHTS

5,000 hectares
Total Landbank

28
Townships and Integrated Lifestyle Communities

725
No. of Completed Residential Projects in 2021

1.4 million sq.m GLA
No. of Megaworld Premier Office

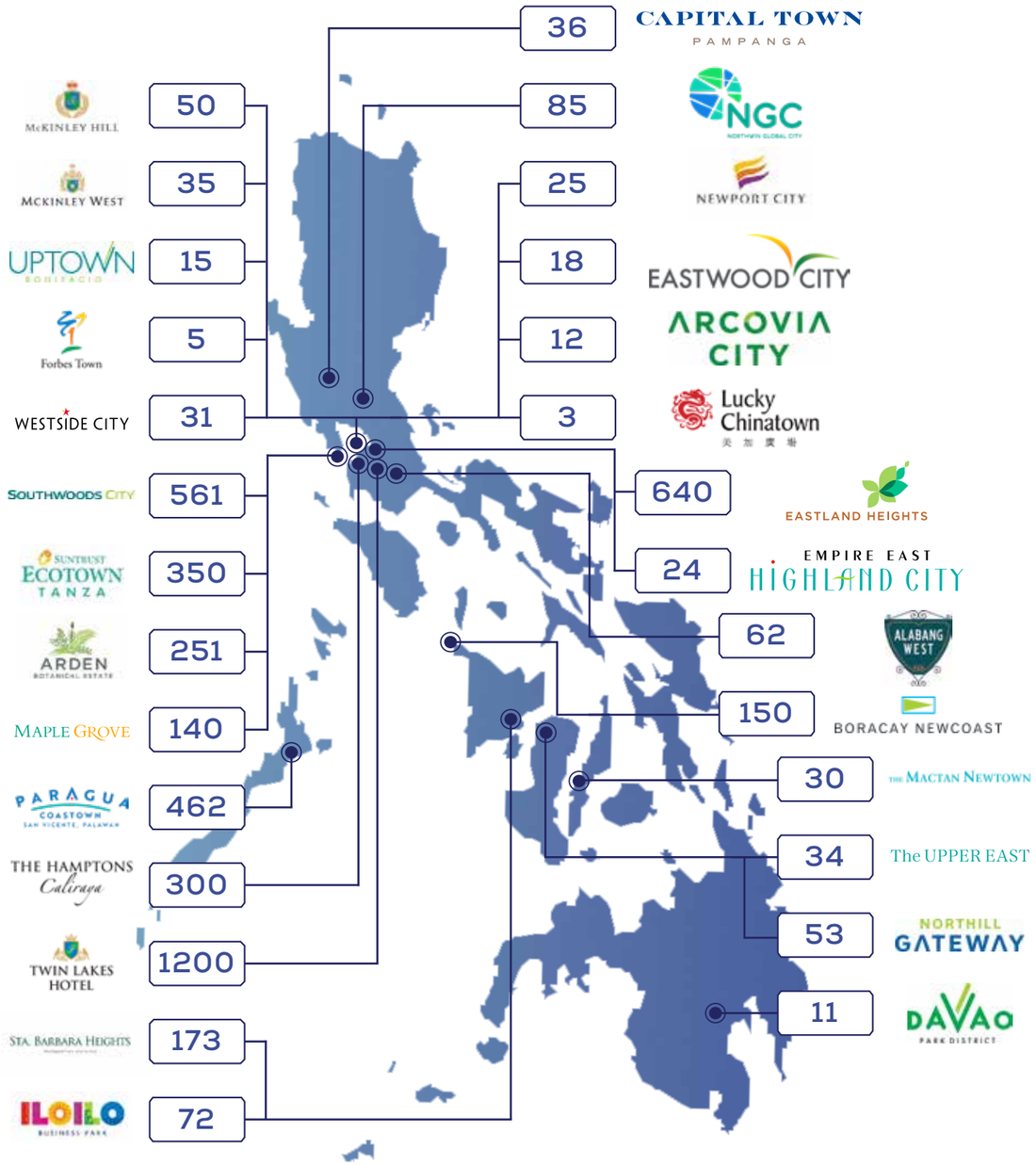
462,000 sq.m GLA
No. of Megaworld Lifestyle Malls and Other Commercial Centers

4,163
No. of Megaworld Hotel Room Keys

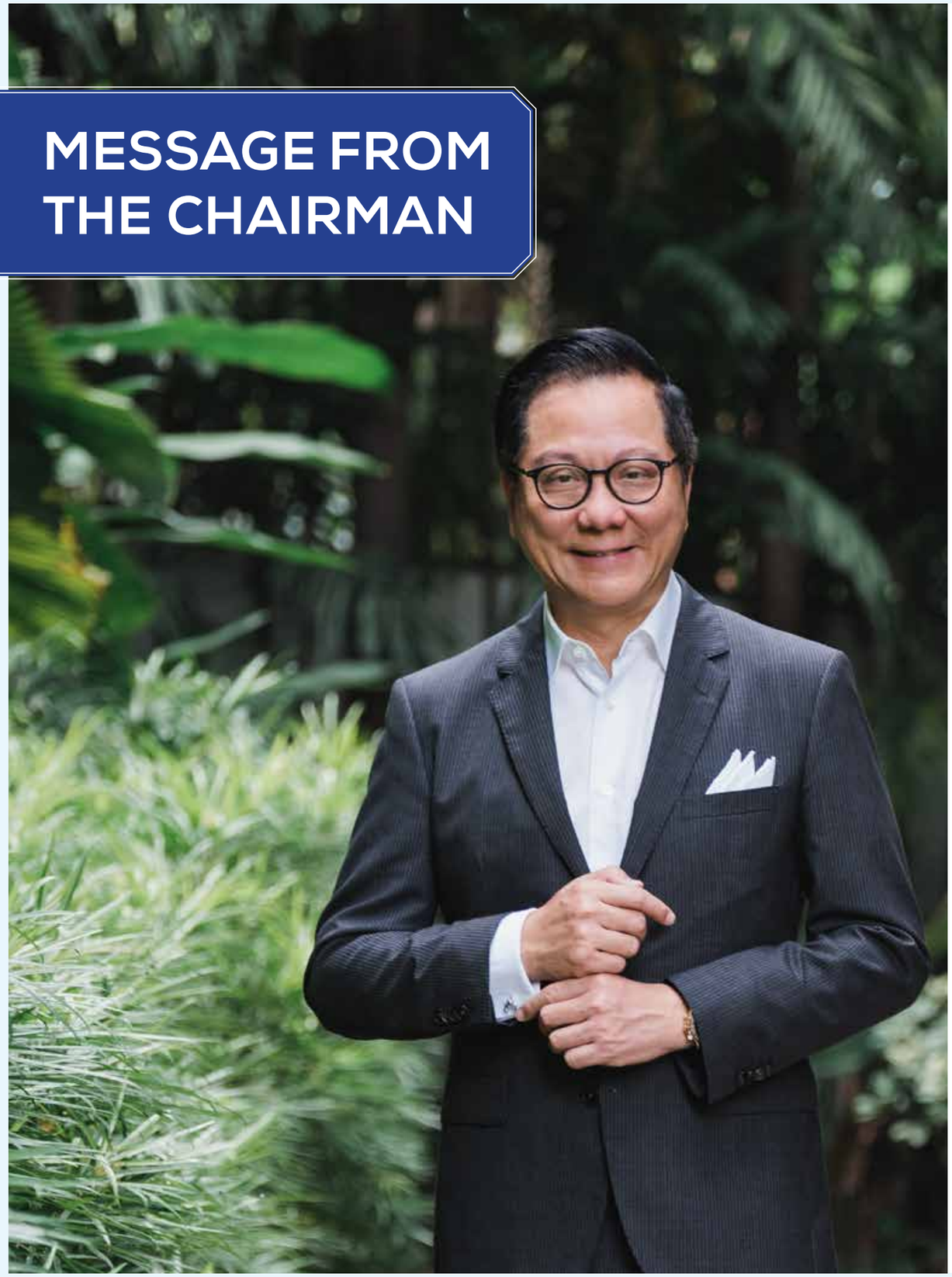
CORE BUSINESSES

REAL ESTATE	OFFICES	MALLS	HOTELS
Megaworld	Megaworld Premier Offices	Megaworld Lifestyle Malls	Megaworld Hotels
Empire East			Richmonde Hotel
Suntrust			Twin Lakes Hotel
Global-Estate Resorts, Inc.			Kingsford Hotel
			Hotel Lucky Chinatown
			Savoy Hotel
			Fairways & Bluewater
			Belmont Hotel

TOWNSHIPS



MESSAGE FROM THE CHAIRMAN



The year 2021 proved to be a turning point in our collective efforts to effectively manage and rise beyond the impact of the pandemic. Improvements in the country's vaccination levels, especially in the National Capital Region, and the consequent loosening of restrictions, have encouraged consumer confidence.

Our financial results during the year affirm that recovery is indeed well in hand, with Megaworld's revenues growing by 17% year on year to PhP 50.8 billion on the back of improved performance across all our business segments. Meanwhile, the enactment of the CREATE law complemented our efforts to manage our costs, boosting our net income by 36% year on year to PhP 13.4 billion.

Our new launches have seen strong take-up, and the normalization in construction activity has allowed us to grow our real estate revenues. We also saw opportunities to launch two of our new townships last year: Paragua Coastown in Palawan and Northwin Global City in Bulacan. This signifies our belief in the sustained recovery of the economy. We believe these new townships will bolster Megaworld's expansion in a post-pandemic world.

The BPO sector continued to grow despite of the pandemic, enabling Megaworld Premier Offices to maintain a higher than industry occupancy rate of 90%. We were, therefore, able to close the year strong with office rental income breaching the PhP 11.0-billion level for the first time.

Megaworld Lifestyle Malls registered improved performance as shoppers returned to our malls, and more retail partners were allowed to restart operations. Likewise, Megaworld Hotels sustained its recovery track through the consistent performance of its in-city hotels, the opening of Kingsford Hotel Manila, and the increase in leisure-related activities in the last quarter of the year.

In line with our improving outlook and as a sign of gratitude for the support of our shareholders, we decided to reinstate our dividend policy in 2021 and declared dividends equivalent to PhP 0.04 per share, 14% higher than the previous year. Meanwhile, our board decided to extend Megaworld's buyback program by one year to February 2023.

Last October witnessed the successful listing of MREIT, Inc. (MREIT) amid strong demand from the investor community. This is another feather in the cap of Megaworld, providing us with another avenue by which our Company can unlock previously invested capital and use this to support our growth plans. Since the listing, Megaworld has raised PhP 23.4 billion in new funds via MREIT.

We are similarly proud of the Company's efforts to promote employee welfare and safety, and contribute to economic development and environmental preservation.

In helping the government achieve herd immunity, we vaccinated 98% of the workers of the Megaworld group as part of "AGImmUNITY," a conglomerate-wide COVID-19 vaccination drive by the Alliance Global group. The program inoculated our employees, frontliners, and their registered dependents, ensuring their protection against the virus.

We further recognized the key role that our townships play as centers of economic activity and communal engagement. In partnership with the local government units, we offered our townships and malls as venues for vaccination drives, leading to the vaccination of more than 680,000 individuals across 10 Megaworld sites. We also supported initiatives to promote community livelihood by opening our malls as market venues. Here, local entrepreneurs, farmers, and fisherfolk were allowed to sell their products directly to consumers.

As part of our efforts to help protect the environment, our newly launched townships will now contain a 40% ratio of green and open spaces. In 2021, we also piloted the Chiller Optimization program to reduce energy consumption in Uptown Mall. To date, the initiative has exceeded its targets. We look forward to expanding this program to our other malls.

In line with our improving outlook on the Philippine economy, we will expand our project pipeline, including several more township launches in 2022 across different parts of the country. As activity in our malls ramps up and our hotels reopen their doors to travelers and vacationers alike, we will ensure safe and enjoyable experiences for all. Furthermore, with the increased retail and office space demand, we are committed to meeting current and future requirements with our robust real estate portfolio.

To our customers, tenant partners, investors, directors, employees, and partner communities—thank you for your continued support. With our renewed optimism and your unending trust, Megaworld will move ONWARD, FORWARD, and BEYOND, realizing our vision and reaching new heights as a progressive and sustainable company.

DR. ANDREW TAN
CHAIRMAN AND PRESIDENT

AWARDS AND RECOGNITIONS

84 TOTAL AWARDS

13 56th Anvil Awards

MEGA MALASAKIT: Megaworld Foundation COVID-19 Response - PR Programs: Special PR Programs

Mega Summer Ventures #RoamFromHome - Digital PR Program Category (Education/Literacy)

Megaworld Foundation Scholarship Program in the New Normal - Digital PR Program Category (Education/Literacy)

Megaworld Foundation Scholarship Program in the New Normal

Megaworld takes a stand for the United Nations Sustainable Development Goals - PR Program Directed at Specific Stakeholders (Employees)

Taking the Extra Mile for the Last Mile - PR Program Directed at Specific Stakeholders (Communities)

Eskwela ng Bayan: A Mega Classroom on Wheels - PR Program Directed at Specific Stakeholders (Students)

Megaworld Lifestyle Malls: First and Pet-friendliest Malls in the Philippines - PR Program on Sustained Basis (Consumer Welfare)

Safer and Happier at Megaworld Lifestyle Malls - Specialized PR Program (COVID-related Programs with Tools)

Harvest to Goodness: Uplifting Filipino Farmers and Entrepreneurs Amidst the Pandemic - Special Events (Launch Category)

Harvest to Goodness: Uplifting Filipino Farmers and Entrepreneurs Amidst the Pandemic

Eastwood City Drive-thru Pet Blessing - PR Tools - Exhibit and Special Events

Find Your Faves at Megaworld Lifestyle Malls - Digital PR Program - Entrepreneurship/ Job Generation

23 18th Philippine Quill

TOP AWARD: Megaworld Quarantraining (Communication Training and Education)

Awards of Excellence (3): Safer and Happier at MLM

Award of Excellence: Iloilo Business Park P2P Launch

Award of Excellence: Megaworld's UN SDG Program

Award of Excellence: Mega Malasakit: MEG Foundation COVID-19 Response

Award of Excellence: Megaworld Quarantraining

Award of Excellence: Museums Matter at ILOMOCA

Award of Excellence: Zero Close Contact Program

Award of Merit: Megaworld's UN SDG Program

Award of Merit: Find your Faves at Megaworld Lifestyle Malls

Award of Merit: Dinayag 2019 at Festive Walk Iloilo

Award of Merit: Lucky Chinatown CNY Celebration Microsite

Award of Merit: McKinley Hill 2019 Grand Christmas Parade

Award of Merit: MEG Foundation's Mega Summer Ventures Program

Award of Merit: MEG Foundation Scholarship in the New Normal

Award of Merit: MEG Foundation UN SDG Program

Award of Merit: MLM "Good Time" Choir

Award of Merit: MLM COVID-19 Content Campaign

Award of Merit: Paskotitap at Arcovia City

Award of Merit: Safer and Happier at MLM

Award of Merit: 'Unleash Your Colors' Pride Month Celebrations at MLM

13 2021 Asia-Pacific Stevies

GOLD: Safer and Happier at Megaworld Lifestyle Malls - Best Use of Social Media - COVID-19-related Information (COVID-19 Response)

SILVER: Zero Close Contacts - Most Exemplary Employer (COVID-19 Response)

SILVER: Zero Close Contacts - Most Valuable Corporate Response (COVID-19 Response)

SILVER: Safer and Happier at Megaworld Lifestyle Malls - Communications or PR Campaign of the Year - COVID-19-related Information (COVID-19 Response)

SILVER: Megaworld Quarantraining - Most Valuable Corporate Response (COVID-19 Response)

SILVER: Harvest to Goodness - Award for Innovation in Community Relations or Public Service Communications (Award for Innovation in Communications)

SILVER: Mega Malasakit - Most Valuable Non-profit response (COVID-19 Response)

SILVER: MEG takes a stand for UN SDGs - Award for Innovation in CSR videos

BRONZE: Megaworld Quarantraining - Most Exemplary Employer (COVID-19 Response)

BRONZE: McKinley Hill Float-in Cinema Award for Innovation in the Use of Events (Award for Innovation in Communications)

BRONZE: Eastwood City Drive-Thru Pet Blessing - Award for Innovation in the Use of Events (Award for Innovation in Communications)

BRONZE: Eat Out and Help Out - Award for Innovation in Community Relations or Public Service Communications (Award for Innovation in Communications)

BRONZE: Mega Summer Ventures #RoamFromHome - Award for Innovation in the Use of Social Media

2 PR News CSR and Non-profit Awards

Honorable Mention: MEG Foundation Scholarship in the New Normal - Social Meaning - Scholarship Program (External)

Honorable Mention: One with the Aetas - Social Meaning - Diversity Initiative

1 IABC Gold Quill Awards (USA)

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

1 PRSA (USA)

Bronze Anvil Award (Commendation Winner): Mega Summer Ventures #RoamFromHome (Facebook Engagement)

4 Communitas Awards (USA)

WINNER: Megaworld takes a stand for the UN SDGs Video Awards category (Category 10: Leadership in Community Service and CSR)

2 Finance Derivative Awards

Fastest-growing Commercial Real Estate Investment Trust Philippines 2021: MREIT, Inc.

Best Real Estate Developer Philippines 2021: Megaworld Corporation

4 FIABCI Philippines - Property and Real Estate Excellence Awards 2021

Kingsford Hotel Manila (Hotel Category)

Worldwide Plaza (Office Category)

Newcoast Beach (Resort Category)

Capital Town Clock Tower and McDonald's Capital Town (Specialized Project Category)

4 DotComm Awards 2021

PLATINUM: Mega Summer Ventures #RoamFromHome (Web - Social Media Marketing - 111. Facebook)

1 Silver Quill Awards

Award of Excellence: Mega Summer Ventures #RoamFromHome (Social Media)

3 International CSR Excellence Awards

CHAMPION: Taking the Extra Mile for the Last Mile (Charitable Giving)

GOLD: Rice Together: Megaworld Foundation Community Pantry (Volunteering)

BRONZE: Mega Summer Ventures #RoamFromHome (Communication)

4 MarComm Awards 2021

PLATINUM: Mega Summer Ventures Version 2.0 (Digital Media - Social Media - 216. Facebook Engagement)

PLATINUM: Mega Scholarship in the New Normal (Strategic Communications - Marketing/Promoting Campaign - 156C. CSR)

GOLD: The Visionary, The Philanthropist (Digital Media - E-communication - 258. E-Book)

GOLD: The Visionary, The Philanthropist Book launch (Strategic Communications - Marketing/Promoting Campaign - 152C. Special Event)

2 International Business Awards

SILVER: Champion in Education (Company of the Year - B29. Non-profit or Government Organizations)

PEOPLE'S CHOICE WINNER: Non-profit Category

1 Global Good Awards

BRONZE: Megaworld Foundation Scholarship in the New Normal (Education Excellence)

1 Non-profit Communications Awards

Honorable Mention: Taking the extra mile for the last mile (Community - Non-profit Partnership)

2 Asia's Best CSR Practices Award 2021

WINNER: Mega Scholarship in the New Normal

WINNER: Rice Together: Megaworld Foundation Community Pantry

1 Digital Awards

Honorable Mention: Megaworld takes a stand for UN SDGs (Campaigns and Products - Video)

1 Bronze Anvil Awards 2021

WINNER: Mega Summer Ventures #RoamFromHome (Facebook Engagement)

1 International Finance Awards

Best Developer: Philippines

2021 BUSINESS REVIEW

FINANCIAL HIGHLIGHTS

In 2021, Megaworld's consolidated revenues increased 17% year-on-year to PhP 50.8 billion from PhP 43.5 billion. All of the Company's business segments registered improved performance in line with the recovery in economic activity brought about by gains made by the Philippine government in the vaccination levels of the country's population and the subsequent loosening of restrictions implemented earlier to manage the impact of the pandemic.

The 10% growth in the Company's costs and expenses to PhP 36.6 billion was driven mainly by the increase in the cost of real estate sales, which grew 22% as operations continued to accelerate. However, Megaworld's earnings before interest, taxes, depreciation, and amortization (EBITDA) increased from PhP 18.7 billion to PhP 20.3 billion with a relatively stable EBITDA margin of 40%.

Meanwhile, Megaworld's attributable net profit grew 36% year-on-year to PhP 13.4 billion as the Company also reaped the benefits of the lower income tax provided by the enactment of the Corporate Recovery and Tax Incentives for Enterprises (CREATE) law.

The Company's strong cash flow generation and balance sheet allowed it to minimize borrowings in 2021, with gross debt standing at PhP 93.6 billion by the end of the year. This translated to a net debt to equity of just 22%, providing Megaworld a lot of flexibility in terms of funding to support its plans. The Company spent PhP 38.2 billion in CAPEX during the year, a 27% increase compared to 2020.

	2021	2020	2019
Reservation Sales (PhP in billions)	**80.0**	68.1	148.7
Project Launches (PhP in billions)	**28.0**	7.8	84.7
Landbank (in hectares)	**5,000**	4,300	4,300
Megaworld Premier Offices GLA ('000 sq.m.)	**1,398**	1,398	1,312
Megaworld Premier Malls GLA ('000 sq.m.)	**462**	462	454
Hotel Room Keys	**4,163**	4,163	3,637

MAIN BUSINESS UNITS

Real Estate Sales

Megaworld's real estate sales grew 25% year-on-year to PhP 31.1 billion from the previous year's PhP 24.9 billion as construction activities picked up during the year. The segment accounted for 61% of the Company's consolidated revenues in 2021.

The Company launched PhP 28.0 billion worth of projects during the year, 57% higher than the original launch value target of PhP 17.8 billion. The launches include La Cassia Residences in Maple Grove in Cavite; The Grand Hill at Eastland Heights in Cainta, Rizal; The Lindgren and Arden Westpark Village at Arden Botanical Estate in Cavite; Park McKinley West Tower D at McKinley West in Taguig; commercial and shophouse lots in the Northwin Main Street at Northwin Global City; and Porto Hotel and Mercato Shophouse districts at Paragua Coastown.

Due to the strong take-up of Megaworld's property offerings, reservation sales soared to PhP 80.0 billion, up 17% from the PhP 68.1 billion recorded in 2020. Local buyers accounted for the majority of sales at 87%, while Metro Manila projects accounted for 56% of sales.

Megaworld Premier Offices

Megaworld Premier Offices (MPO) hit a record high rental income at PhP 11.1 billion. This also reflected a 6% increase year-on-year versus the PhP 10.4 billion in office rental income in 2020. The office occupancy rate in 2021 stood at 90%, way higher than the industry average of around 81% to 84%.

MPO's total transactions for the year amounted to 236,000 square meters (sq.m.), with 108,000 sq.m. attributed to new leases. The new leases closed by Megaworld accounted for a significant portion of the leases closed by the office sector during the year. By the end of 2021, MPO's total gross leasable area (GLA) stood at around 1.4 million sq.m.

BPOs continued to account for the bulk of demand. Despite the trend toward work-from-home or hybrid setups, the Company sees demand continuing to grow over the next several years. With this in mind, Megaworld focused on completing its ongoing office pipeline, including the No.1 Upper East Avenue at The Upper East in Bacolod City with an 8,600-sq.m. GLA; the International Finance Center in Uptown Bonifacio, Taguig City, with a 69,000-sq.m. GLA; and the Enterprise 1 and 2 at Iloilo Business Park with a 66,000-sq.m. GLA. Moreover, the Company also has several offices under the planning phase in its Northwin Global City, Maple Grove, Capital Town in Pampanga, and The Upper East townships.

Megaworld Lifestyle Malls

Megaworld Lifestyle Malls (MLM) posted PhP 2.3 billion in rental income, 10% lower than the previous year, as the country implemented several lockdowns due to the surge in COVID-19 infections. However, as the government shifted to lower alert levels, especially in the National Capital Region (NCR) in the last quarter of 2021, rental income soared by 61% versus the preceding quarter to PhP 753 million on the back of improved foot traffic and tenant sales. For 2021, the Company continued to assist its retail partners through rental concessions.

Foot traffic generation was supported by MLM's initiative to provide space in its malls to serve as vaccination sites and provide government services, such as voter's registration and Philippine ID registration, driver's license registration, and Bureau of Immigration, PhilHealth, and passport services. This was further boosted by the loosening of restrictions, which allowed cinemas and retail partners, such as amusement centers operating again.

On top of the improvement in foot traffic, MLM also benefited from a 111% increase in the average spend per person from PhP 336.00 pre-pandemic to PhP 706.00 as of the fourth quarter of 2021.

MLM also continued working with various retail partners to help them realize their expansion plans. Last December, MLM also welcomed the opening of the newest Landers Superstore in Uptown Palazzo in Bonifacio Global City. By the end of the year, MLM reported an 87% occupancy rate, 2% higher than in 2020. Meanwhile, MLM's portfolio GLA stood at 462,000 sq.m., unchanged from the same period last year.

Megaworld Hotels and Resorts

Megaworld Hotels and Resorts (Megaworld Hotels or MHR) posted a strong recovery in 2021, with hotel revenues soaring by 30% year-on-year to PhP 1.9 billion from the previous year's PhP 1.5 billion. This was due to the consistent performance of the Company's in-city hotels and the opening of the Kingsford Hotel in the Company's Westside City township during the second quarter of the year.

To help sustain the business, Megaworld Hotels focused on the quarantine service provision by its in-city hotels. As restrictions eased, particularly in the fourth quarter of 2021, most of the Company's resort hotels reopened their doors to cater to the increased demand for leisure-related activities and travel. Megaworld Hotels expects hotel recovery to continue with an improving outlook for leisure and meetings, incentives, conferences, and exhibitions (MICE) as pandemic restrictions ease.

The Company is currently working on the completion of several hotels in the pipeline, including the 551-room Belmont Hotel at Mactan Newtown in Cebu, the 554-room Chancellor Hotel in Boracay Newcoast, and the Grand Westside Hotel in Westside City. The latter will become the largest hotel of the Company in terms of room keys with 1,530 rooms once completed.

EXPANDING THE REAL ESTATE FOOTPRINT

Megaworld's live-work-play concept of providing not only the necessities in life but all the other ingredients of complete urban living in one community has been the driving force that guided the Company's business over the past three decades. This concept has allowed Megaworld's residential developments to stand out amongst the competition. Indeed, as the Company's footprint expands with each new property development, Megaworld continues to etch its mark as one of the largest real estate developers in the country.

Recognizing opportunity amid the pandemic, Megaworld launched two new townships, Paragua Coastown and Northwin Global City. This expands the number of Megaworld townships to 28 spread across the Philippines. As part of the Company's sustainability initiative, 40% of both townships' areas will be reserved for open spaces.

Paragua Coastown

Known for being home to the longest white beach sand in the Philippines, San Vicente is more than just the sun, sand, and sea; it is a shelter that helps people heal from the fast-paced world.

Now, living life with purpose has found its name Paragua Coastown. This 462-hectare eco-tourism township will showcase the best of sustainable tourism and green living, even as Megaworld commits to the island's biodiversity preservation as it undertakes this world-class development.

The township will feature world-class hotels, a cultural event center, a marine and mangrove conservation center, and the country's first biophilic medical facility. Meanwhile, the residential developments will include private villas, serviced apartments, themed residential villages, and a mangrove reserve park. Good connectivity to the rest of the country is also assured as the township is strategically near the San Vicente Airport, with regular flights to and from Manila and Clark.

Megaworld is allocating CAPEX of around PhP 40 billion for developing this eco-tourism township over the next 10 to 15 years. Last December, the Company launched the PhP 1.7 billion Porto Hotel District and the PhP 3.3 billion Mercato Shophouse District.

Northwin Global City

Located 20 kilometers north of Metro Manila along the North Luzon Expressway (NLEX), Northwin Global City envisions to become Bulacan's first-ever metropolitan hub for business and lifestyle, characterized by its themed commercial district, high-rise residential condominiums, hotels, malls, mixed-use commercial buildings, educational institutions, and state-of-the-art office towers.

This 85-hectare township will integrate iTownship features, including solar-powered LED streetlights, underground cabling system, fiber optic cabling, bike lanes, stormwater detention facility, intermodal transport terminal, and other sustainable infrastructure for mobility and interconnectivity.

Megaworld is allocating PhP 98 billion in CAPEX for the development of the township over the next 15 to 20 years. Last November, the Company launched the PhP 6.2 billion Northwin Main Street, which will feature corporate buildings, shophouses, hotels, and commercial towers. The project will offer 145 prime shophouses and commercial lots in pedestrian-friendly streets surrounded by well-curated gardens and parks.

AGIMMUNITY: LEADING THE WAY TOWARD HERD IMMUNITY

During the year, Megaworld signified its intent to protect its workers against the coronavirus epidemic and contribute to the achievement of the country's vaccination targets. To this end, Megaworld actively participated in the Alliance Global Group's (AGI) conglomerate-wide AGImmUNITY program and subsequently achieved a 98% vaccination rate among its workers.

The AGI-led program promoted UNITY in championing IMMUNITY against COVID-19 and complements the government's efforts in safeguarding Filipino communities during the global pandemic.

With the conglomerate's free COVID-19 vaccination initiative, the AGImmUNITY program inoculated around 2,300 employees and around 2,500 frontliners (i.e., security guards, housekeeping, concierge, parking staff, and residential sales agents) across ten Megaworld sites, including Eastwood City, Uptown Bonifacio, Newport City, Arcovia City, Lucky Chinatown, Southwoods City, Paseo Center, The Village Square Alabang, San Lorenzo Place Mall, and McKinley Hill.

For the safety of its customers and employees, Megaworld continued implementing measures to mitigate the spread of the virus, such as adjusting its operating hours, making hand sanitizers available within its properties, increasing the frequency of disinfection of facilities, requiring temperature checks, limiting face-to-face meetings, and implementing health protocols for employees.

2,300

EMPLOYEES

2,500

FRONTLINERS

MREIT LAUNCH: INITIATING A VIRTUOUS CYCLE OF GROWTH

As the largest office developer and landlord in the Philippines, Megaworld considers MREIT an important cornerstone of its growth. The Company believes MREIT is instrumental to its plans to efficiently recycle capital and funnel the proceeds into developing new projects. In turn, these new real estate assets will be infused into MREIT, which will help sustain the growth of the Company. Megaworld also hopes that this cycle of growth and price discovery for Megaworld's prime assets will, in turn, lead to a further improvement in the Company's market capitalization.

With an initial portfolio composed of 10 prime, grade A office properties, MREIT successfully listed on the Philippine Stock Exchange last October 1, 2021, at an initial public offering (IPO) price of PhP 16.10 per share. Due to the attractiveness of MREIT, the IPO received from the market and subsequently reached new highs in terms of its share price by the end of the year. With an initial portfolio GLA of around 224,430 sq.m., MREIT's portfolio has since grown by 25% to 280,175 sq.m. after it acquired four prime properties from the Company in December. MREIT is looking at acquiring more assets from Megaworld to achieve a portfolio GLA of 1 million sq.m. before the end of the decade and realize its vision of becoming one of Southeast Asia's largest office real estate investment trusts (REITs).

To date, Megaworld has already raised PhP 23.4 billion in new funds via MREIT. Over the next 12 months, Megaworld will reinvest the net proceeds in developing 15 projects that aim to contribute significantly to nation-building and job creation in the Philippines.

MREIT PORTFOLIO

EASTWOOD CITY

1800 Eastwood Avenue

1880 East Avenue

eCommerce Plaza

McKINLEY HILL

One World Square

Two World Square

Three World Square

8/10 Upper McKinley Building

18/20 Upper McKinley Building

World Finance Plaza

ILOILO BUSINESS PARK

One Techno Place Iloilo

Richmonde Tower and Hotel

Two Techno Place

Three Techno Place

One Global Center

REAL ESTATE:
DIGITIZING REAL ESTATE SERVICES

Innovation has always been at the core of everything at Megaworld, helping Filipinos fulfill their dreams of owning a home, building office developments, and introducing lifestyle malls, each carrying a unique character to promote the Philippines' best tourism destination.

The first 30 years of Megaworld's existence tell a remarkable story of innovation, resilience, and success in the face of adversity. After the Mt. Pinatubo eruption, the Asian Financial Crisis, and other challenges, Megaworld explored different avenues to overcome adversities. After experiencing all these challenges, Megaworld drew inspiration from its founder and Chairman, Dr. Andrew Tan, to bounce back stronger.

As the Company marches toward the future, Megaworld will continue to build sustainable communities that will leverage technology to provide comfort and convenience to prospective buyers and residents alike. This is encapsulated in the Company's iTownship concept, which was launched in previous years.

In its efforts to enhance the customer experience, Megaworld has quickly migrated its selling and marketing functions online. From the first point of contact with its customers on digital selling platforms, from paying the reservation fee up to after-sales service, everything has been digitized. The Company introduced 360-degree virtual tours of its townships and various residential developments so buyers can appreciate the project wherever they are.

Meanwhile, existing property owners can now manage all their property-related transactions through the integrated FOPM Automated Experience (iFAE), an online platform to conduct transactions and monitor residents' and tenants' spaces with just a flick of their finger. The platform was developed by Megaworld's property management arm, First Oceanic Property Management, Inc. (FOPM).

VIRTUAL PROPERTY EXPO: REVOLUTIONIZING THE FUTURE OF REAL ESTATE

To support its sales efforts, the Company realized early on that it needed to expand its sales channels to reach out to prospective buyers across the globe. Such was the case behind the launch of its first virtual property expo titled: Revolutionizing the Future of Real Estate: Philippine Property Expo 2021.

The virtual expo aimed at building confidence in investing in real estate and showcased Megaworld's 360-degree online tour of one of its rising townships—Arcovia City. The month-long event featured live event simulcasts, video-on-demand, and streaming of the parallel sessions and seminars made available throughout the period.

In line with the theme of revolutionizing real estate, the event featured key discussions on digitalization and what the future holds for the industry. Some of the most well-respected leaders and officials from the public and private sectors lent their expertise, knowledge, and insights.

Megaworld's online payment partners, including RCBC, PNB, i-Remit, Peso Pay, and AQWIRE, offered financial recommendations and discussed the latest updates and services aligned with the rapid development of digitalization across all channels from real estate developments.

The event reached and engaged global clients, investors, and business partners in more than 60 countries and logged 3,000 unique visitors and 20,000 repeat participants in its month-long run. It also gave property ambassadors a platform to guide existing and potential homeowners and business owners on how Megaworld actively delivers wise and stable investments.

MPO - Site Inspection Protocols

MEGAWORLD PREMIER OFFICES: STABILITY AMID ADVERSITY

Over the past couple of years, MPO exhibited its resilience and ability to grow in the face of challenges. This was made possible through the combination of MPO's ability to maintain higher than industry occupancy rates and the continued implementation of annual rent escalations.

Nevertheless, the pandemic catalyzed to institutionalize the work-from-home trend, which at first, was implemented as part of necessity but has since developed a strong following among employers and workers alike. Such development has the potential to impact the growth and stability that MPO has provided the Company through the years.

With this in mind, MPO sought ways to highlight the advantages of maintaining office spaces among prospective locators even as it sought ways to meet the evolving requirements of existing locators, particularly in terms of safety, convenience, and operational efficiency.

The Company's office portfolio offers advantages, such as standby power supply, network connectivity, and, owing to being located in Megaworld's townships, unparalleled safety and convenience for the locators' employees and visitors.

These benefits were highlighted when Typhoon Odette hit Cebu in December 2021. Even as a big portion of the province remained without critical water, power, and telco services, companies operating in Megaworld's Mactan Newtown township were able to continue operations due to the redundancies and business continuity support provided by Megaworld's office properties.

Throughout the pandemic, MPO also sought to provide superior service by sparing no effort to ensure it satisfactorily met its occupant's needs. With support from the rest of the Megaworld group, MPO offered locators housing support via the provision of hotel rooms, dorms, and vacant condos as temporary living quarters, enabling the tenants to operate despite the pandemic restrictions.

This, in turn, presented opportunities to strengthen client relationships even more and to examine how the Company can continuously improve the quality of the developments it delivers.

In adapting to the new reality, MPO blends compliance with safety regulations of the Inter-Agency Task Force on Emerging Infectious Diseases (IATF) with thinking of creative, innovative, and flexible solutions to provide the spaces clients desire and retain them for future revenue.

MPO's Healthy Buildings campaign assures clients that Megaworld office buildings comply with IATF guidelines to ensure the safety and security of tenants. Aside from upgraded screening equipment in our buildings, infographics on site visit protocols for tenants and visitors have been released.

Microsites have also been provided to existing clients. These small and temporary office spaces address social distancing requirements and can be leased out for three to six months.

MEGAWORLD LIFESTYLE MALLS: WEAVING LIFE BACK INTO SHOPPING

MLM undertook several initiatives during the year to boost foot traffic into its malls. The Company leveraged its integrated community design by turning its outdoor areas and parks into alfresco dining spaces and open-air venues for recreation and leisure. As an extension of its partner restaurants, these spaces allowed customers to enjoy their dining experience while still practicing mandated health protocols. These spaces also became avenues for small businesses, farmers' markets, and pop-up stalls to set up at flexible rental rates.

Meanwhile, vacant spaces were also utilized in partnership with the government, transforming them into vaccination centers and government satellite offices, such as driver's license and passport renewal services. This, in turn, provided more convenience for people availing of such services.

The Company also sought to strengthen its partnerships with its retail partners. Its partnership with Southeast Asia Retail, Inc., the company behind Landers Superstore, resulted in the opening of the sixth Landers branch at Uptown Bonifacio last December. This raised the number of Landers Superstores in Megaworld Townships to three, with an additional three more set to open in the next few years.

These initiatives in turn supported the recovery of foot traffic in MLM's malls, which reached 31 million in 2021, equivalent to an average daily foot traffic of 85,000. Meanwhile, occupancy rate stood at 87% by the end of 2021, with more than 70 new stores opening across the Company's mall portfolio. With the strong finish that MLM registered by the end of the year, the Company now looks to sustain its recovery by doing its part to help rebuild consumer confidence.

THE PHILIPPINES' FIRST PLANT SANCTUARY MALL

MLM has always been known for creating unique lifestyle destinations and experiences. Megaworld has opened Greenhouse at Village Square Alabang, the Philippines' first and only 'plant sanctuary mall' dedicated to plant and gardening enthusiasts. This newest innovation of MLM looks to cater to the growing communities of plant-lovers and provide them with a safe sanctuary where they can nurture their green thumb and love for nature and connect with like-minded people.

The two-level, 12,000 square meter all-in-one mall for plant-lovers houses one of the widest selections of plants, foliage, and gardening needs in a more convenient and comfortable air-conditioned indoor setting.

Greenhouse at Village Square Alabang has over 20 merchants from different parts of the country that provide access to a wide range of plant varieties, including indoor plants, succulents, ornamental, and hydroponics.

Greenhouse at Village Square Alabang is also home to a host of establishments, global food concepts, and shopping and wellness. Visitors can also look forward to dining and unwinding safely outdoors surrounded by nature at the Garden Cafe, which will feature a refreshing dining experience surrounded by greens and natural light.

MEGAWORLD HOTELS AND RESORTS: REDEFINING FILIPINO HOSPITALITY

In the wake of the pandemic, Megaworld Hotels and Resorts (MHR) redefined how it did business to generate much-needed revenue streams. As pandemic restrictions curtailed leisure travel, the Company's in-city hotels sought to provide quarantine services to Overseas Filipino Workers and Returning Filipinos.

However, the Company identified opportunities to expand its revenue streams. With this in mind, MHR rolled out a host of new services during the year to strengthen customer loyalty and provide clients with a safe, pleasant, and memorable experience.

Recognizing the Filipino penchant for food, one of the many gustatory breakthroughs of the Company is Gourmet Eats and Virtual Meets. It allows guests to enjoy an elevated dining experience that's perfect for online or hybrid meetings whenever guests attend from the safety of their homes or offices.

Gourmet Eats and Virtual Meets offers epicurean food options for the clients. It is, then, prepared in a specialized self-heating box that's activated by simply pulling a string. All the guest would have to do is wait 10 – 15 minutes and watch the entire box blow steam and warm the food as if eating it in the hotel. The Company's tech team is also on standby to assist clients and their guests navigate through their virtual meet-ups, much like having a meeting in the hotel.

Clients may even host virtual conferences catering to a bigger crowd of 500 to 1000 attendees at a time. They may even conduct simultaneous events made available to guests in different locations of the Philippines as long as they are within reach of any of Megaworld Hotels and Resort's properties.

The creativity extends to the packaging | as it uses recycled paper instead of plastic as an eco-friendly gesture that's more than just a fun way to indulge their meals but a testament to Megaworld's ongoing commitment to environmental preservation.

STRENGTHENING OUR ESG TOWARD EXCELLENCE

In line with the efforts to further improve its Environment, Social, and Governance (ESG) systems, Megaworld uses its materiality matrix to guide the Company in identifying the ESG risks and opportunities that are most relevant to the business, and align Company efforts and resources to initiatives in line with its materiality assessment.

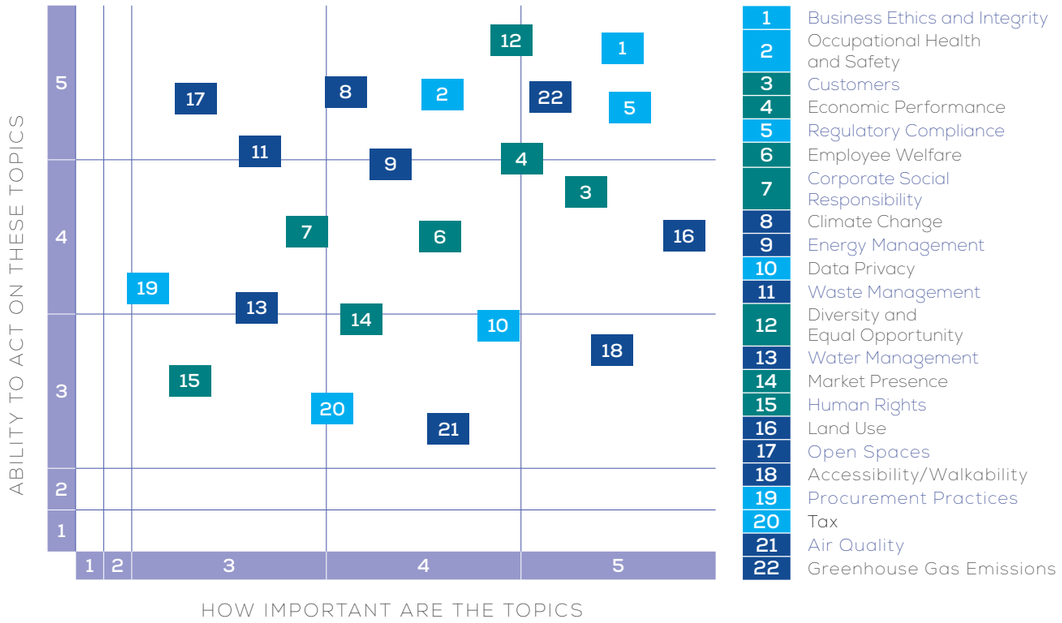
For 2021, Megaworld updated its materiality assessment following the Global Reporting Initiative (GRI) G4 Guidelines to identify the economic, environmental, and social topics material to the Company and its stakeholders.

Furthermore, the Company examined different trends and issues related to sustainability within its industry, ensuring that the questions would determine the alignment of the material topics in 2021 with reporting frameworks, such as GRI, Sustainability Accounting Standards Board (SASB), and other standards.

Additionally, the Company reviewed material topics in 2020, guiding the Company to update its materiality for the year. Megaworld assessed these topics and identified those that are material based on the importance of the topic to the group and the group's ability to act on these topics. With that, topics with the highest ratings in the materiality matrix were selected as material.

Megaworld regularly performs stakeholder engagement at least once a month through face-to-face and virtual meetings to obtain stakeholder feedback and input. The process includes coordinating with Megaworld Foundation for its community outreach, supporting LGU programs, sending donations to the LGU if there are calamities and emergencies, and attending relevant functions, consultations, meetings, and seminars with the Company's partners.

MATERIALITY MATRIX



PROTECTING SHAREHOLDER INTEREST THROUGH RESPONSIBLE GOVERNANCE

Megaworld believes that good governance is essential to the long-term success of its business. To this end, the Company undertakes initiatives and programs that promote a culture of accountability, transparency, and ethical behavior in achieving its goals, risk management, and compliance with industry best practices.

Megaworld embeds in its business practice the principles of good corporate governance by reporting all the Securities and Exchange Commission (SEC)-required information about its governance structure, decision-making processes, Director's obligations, remuneration, and management approaches relevant to all the shareholders.

CORPORATE GOVERNANCE

The Board of Directors steers the governance of Megaworld by providing strategic policies and guidelines for fostering corporate objectives of long-term growth and success.

Composed of seven members, of which three are independent directors, the Board of Directors has expertise in the real estate development, property management, investment banking, corporate communications, tourism, food and beverage, and financing fields.

Independent directors can only serve for a maximum cumulative term of nine years. After then, the independent director should be permanently excluded from reelection, although the director may continue to be nominated and elected as a non-independent director. Independent directors with nine years of service can be retained if the Board provides a meritorious justification and shareholders' approval during the annual shareholders' meeting, as permitted by the existing SEC rules and regulations.

The Board membership includes executive and non-executive directors to prevent any directors or small group of directors from dominating the decision-making process. However, the non-executive directors need the qualifications and stature to participate effectively in the deliberations of the Board.

As determined by the Manual on Corporate Governance (Revised as of 31 May 2017), the duties and functions of the Board include:

- Formulating the Company's vision, mission, strategic objectives, policies, and procedures that guide its activities
- Overseeing the development of and approving the Company's business objectives and strategy and monitoring the implementation
- Implementing a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies and appointing competent, professional, honest, and highly-motivated management officers
- Adopting an effective succession planning program for the directors, key officers, and management
- Providing sound strategic policies and guidelines to the Company on major capital expenditures
- Ensuring the Company's faithful compliance with all applicable laws, regulations, and best business practices
- Attending the relevant annual continuing training for at least four hours for all directors
- Establishing and maintaining an investor relations program that will keep the stockholders informed of important developments in the Company
- Identifying the Company's stakeholders in the community in which the Company operates or is directly affected by its operations and formulating a clear policy of accurate, timely, and effective communication with them
- Adopting a system of check and balance within the Board
- Overseeing and ensuring that a sound enterprise risk management (ERM) framework is in place
- Formulating and implementing policies and procedures that ensure the integrity and transparency of related party transactions
- Constituting an Audit Committee and other committees it deems necessary to assist the Board in performing its duties and responsibilities
- Establishing and maintaining an alternative dispute resolution system in the Company and overseeing that an appropriate internal control system is in place

BOARD OF DIRECTORS

DR. ANDREW TAN
CHAIRMAN AND PRESIDENT

Dr. Tan, the founder of Megaworld, has served as the Chairman and President since the Company's incorporation in 1989. Through the Company's integrated township communities, he pioneered the live-work-play-learn paradigm in real estate development, supporting the rise of the business process outsourcing (BPO) sector. He began developing integrated tourism estates through the publicly-listed Alliance Global Group, Inc. and Global-Estate Resorts, Inc., both of which he chairs while maintaining an emphasis on consumer-friendly food and beverage and fast service restaurants. Dr. Tan serves as the Chairman of the Board of the publicly-listed Empire East Land Holdings, Inc. and Suntrust Properties, Inc., one of the subsidiaries that develop and market affordable housing developments. He also serves on 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 publicly-listed company of Emperador Distillers, Inc., the leading brandy manufacturer and distributor in the Philippines. Dr. Tan is Chairman of the Company's corporate social responsibility arm, Megaworld Foundation, Inc. The Foundation promotes 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 that 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 the Alliance Global Group, Inc. and Emperador Inc, both publicly-listed companies. Ms. Tan has extensive experience in the food and beverage industry. She serves as the current Director and Corporate Secretary of The Bar Beverage, Inc. and Director and President of Andresons Global, Inc., Raffles and 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
EXECUTIVE DIRECTOR

Mr. Sian has been the Company's Director since April 13, 2007. He joined the Megaworld Group as Senior Vice President in September 1995 and is presently the Company's Executive Director. Mr. Sian serves as Director, President, and Chief Operating Officer of Alliance Global Group, Inc. and Travellers International Hotel Group, Inc., all of which are publicly listed. He is the Chairman and President of Prestige Hotels and 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. From 1990 until 1995, Mr. Sian was a Vice President of FPB Asia Ltd/First Pacific Bank in Hong Kong. Before that, he worked for Citicorp Real Estate, Inc. in the United States from 1988 to 1990. Mr. Sian earned a Bachelor of Science in Business Economics from the University of the Philippines. He graduated from the University of Chicago with a Master of Business Administration in Finance and Business Policy.

ENRIQUE SANTOS L. SY
DIRECTOR

Since July 2009, Mr. Sy has served as a Director of the Company. Until his retirement in March 2011, he was a Vice President in the Company's Corporate Communications and Advertising Division.
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., Soho Cafe and Restaurant Group, Inc., and 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 earned a Bachelor of Arts in Communication Arts with honors from Ateneo de Manila University.

CRESENCIO P. AQUINO
INDEPENDENT DIRECTOR

Atty. Aquino is currently the Managing Partner of The Law Firm of CP Aquino and Partners. He concurrently serves as an independent director on 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. He formerly worked as an Associate Professor at San Sebastian College. Since 1978, Atty. Aquino has been a member of the Integrated Bar of the Philippines, 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 and 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 San Beda College in 1974 and received a graduate degree from the Asian Institute of Management and a postgraduate course at the Institute for Management Development, in Lausanne, Switzerland.

JESUS B. VARELA
LEAD INDEPENDENT DIRECTOR

Mr. Varela has served as Director of the Company since June 2016. He concurrently serves as an independent director on the boards of publicly-listed, Global-Estate Resorts, Inc. and Travellers International Hotel Group, Inc. He is also the Director-General of the International Chamber of Commerce Philippines and Board Regent of Unibersidad de Manila. He is the President of the Foundation for Crime Prevention, the Philippine Greek Business Council, and the Philippine Peru Business Council. He is also a Director and Chair of the Governance and Investment Committee of Oil and Petroleum Holdings International Reserve, HK Ltg. (OPHIR, HK Ltd) and Honorary Chairman of Euro Exim Consultancy Limited. Mr. Varela has more than 20 years of experience in the fields of marketing, human resources, international labor affairs, agriculture, and commerce, among others. He has done executive work with the Department of Agriculture, National Food Authority Council, Philippine Genetics, Inc., National Irrigation Administration, Philippine Planters Products, National Agri-Business Corporation, Agriculture Anti-Smuggling Task Force, and Nautical Highway Board. He served as Labor Attaché to Kobe, Japan, to the Commonwealth of Northern Marianas Island, and 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 updates its Directors with current trends and relevant training by allocating an annual training budget for its Directors and officers to attend continuing professional development programs and other applicable courses, conferences, and seminars.

The Company requires new directors to complete an orientation program on Megaworld'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 governance topics, and other subjects necessary for the improving their duties and responsibilities. These programs allow the directors to continually enhance their knowledge and skills in creating better strategic solutions for Megaworld.

Name of Director and Officer	Date of Training	Program Title	Training Institution
Dr. Andrew L. Tan	December 1, 2021	Embracing Good Corporate Governance for Effective and Efficient Management	Center for Training and Development, Inc.
Katherine L. Tan			
Kingson U. Sian			
Enrique Santos L. Sy	December 2, 2021		
Jesus B. Varela			
Roberto S. Guevara			
Cresencio P. Aquino			
Lourdes T. Gutirrez-Alfonso			
Kevin Andrew L. Tan	December 1, 2021		
Dr. Francisco C. Canuto	December 2, 2021		
Noli D. Hernandez			
Giovanni C. Ng			
Maria Victoria M. Acosta			
Maria Carla T. Uykim			
Rafael Antonio S. Perez			
Graham M. Coates			
Jennifer L. Romualdez			
Kimberly Hazel A. Sta. Maria			
Cheryll B. Sereno			
Anna Michelle T. Llovido	December 1, 2021		
Nelileen S. Baxa	December 2, 2021		

BOARD MEETINGS AND REMUNERATION

Megaworld conducts scheduled monthly and special Board meetings, if necessary. According to the Revised Manual on Corporate Governance, the members of the Board, including Independent Directors, must attend all its regular and special meetings in person or through teleconferencing, if applicable, conducted by the rules and regulations of the Commission. Exceptions to this policy would be justifiable in cases such as illness, death in the immediate family, and serious accidents preventing the person from doing so. However, the absence of Independent Directors shall not affect the quorum requirement.

Name	Board	Date of Election	Meetings for the Year	Meetings Attended	Percent
Dr. Andrew L. Tan	Chairman	June 18, 2021	20	20	100%
Katherine L. Tan	Member				
Kingson U. Sian	Member				
Enrique Santos L. Sy	Member				
Jesus B. Varela	Independent				
Cresencio P. Aquino	Independent				
Roberto S. Guevara	Independent				

As for the remuneration, members of the Board receive a standard per diem for attendance in Board meetings. In 2021, Megaworld allocated PhP 700,000.00 for the per diem of the Directors. Other than the payment of the said amount, the Company did not perform any compensation arrangements, directly or indirectly, for any service provided by a Director during the year and the ensuing years.

BOARD COMMITTEES

Executive Committee

The Executive Committee acts by a majority vote of all its members on matters about the Board of Directors' competence, except those pertaining to the approval of any action that requires shareholder approval, the filing of vacancies in the Board, the amendment or repeal of By-Laws or the adoption of new By-Laws the amendment or repeal of any resolution of the Board of Directors that, by its express terms, is not so amendable or repealable, and the distribution of cash dividends. The Board appoints at least three Directors to the Executive Committee.

Audit Committee

The Audit Committee ensures all financial reports comply with internal financial management and accounting standards, performs financial oversight management functions, pre-approves all audit plans, scope, and frequency, and performs direct interface functions with the internal and external auditors. On October 3, 2012, the Board approved the Audit Committee Charter, outlining the Audit Committee's objective, membership, structure, operations, duties, and responsibilities. The Audit Committee consists of three members, two of whom are independent directors.

Corporate Governance Committee

The Corporate Governance Committee provides corporate governance assistance to the Board, oversees the implementation, review, and periodic evaluation of the corporate governance framework recommends continuing relevant training programs for the directors, assigns tasks and projects to other board committees, and creates the succession plan for the board members and senior officers as well as the remuneration packages for corporate and individual performance. The committee also determines the nomination and election process for the Company's directors and the general profile of board members while ensuring that this process is conducted by complying with qualifications prescribed by Philippine law and the Company's Manual on Corporate Governance.

Board Risk Oversight Committee

The Board Risk Oversight Committee develops, evaluates, and oversees the Corporation's Enterprise Risk Management system to ensure its functionality and effectiveness. This committee advises the Board on its risk appetite levels and risk tolerance limits. This committee also reviews the Company's risk appetite levels and tolerance limits based on changes and developments in the business.

Related Party Transaction Committee

The Related Party Transaction Committee reviews all material related party transactions (RPTs) of the Company. This committee constantly evaluates the existing relations between and among businesses and counterparties to ensure the continuous identification of related parties, monitors RPTs, and captures subsequent changes in relationships with counterparties (from non-related to related, vice versa). This committee also evaluates all material RPTs to ensure these are not undertaken on more favorable economic terms.

Board Committees	Chairman	Members
Executive Committee	Dr. Andrew L. Tan	Kingson U. Sian Cresencio P. Aquino
Audit Committee	Jesus B. Varela	Cresencio P. Aquino Andrew L. Tan
Corporate Governance Committee	Cresencio P. Aquino	Roberto S. Guevara Jesus B. Varela
Board Risk Oversight Committee	Roberto S. Guevara	Cresencio P. Aquino Enrique Santos L. Sy
Related Party Transaction Committee	Cresencio P. Aquino	Roberto S. Guevara Enrique Santos L. Sy

KEY EXECUTIVE OFFICERS

1	**DR. ANDREW L. TAN**	President and Chief Executive Officer
2	**LOURDES T. GUTIERREZ-ALFONSO**	Chief Operating Officer
3	**KEVIN ANDREW L. TAN**	Executive Vice President and Chief Strategy Officer
4	**KINGSON U. SIAN**	Executive Director
5	**DR. FRANCISCO C. CANUTO**	Senior Vice President, Chief Finance Officer, Treasurer, Compliance Officer, Corporate Information Officer, and Chief Audit Examiner
6	**GIOVANNI C. NG**	Senior Vice President and Finance Director
7	**JENNIFER L. ROMUALDEZ**	Head for Operations Division
8	**MARIA CARLA T. UYKIM**	Head of Corporate Advisory and Compliance
9	**NOLI D. HERNANDEZ**	Executive Vice President for Sales and Marketing
10	**MARIA VICTORIA M. ACOSTA**	Senior Vice President for International Marketing and Leasing
11	**GRAHAM M. COATES**	Head of Megaworld Lifestyle Malls
12	**RAFAEL ANTONIO S. PEREZ**	Head of Human Resources and Corporate Administration
13	**KIMBERLY HAZEL A. STA. MARIA**	Assistant Vice President for Corporate Communications and Advertising
14	**CHERYLL B. SERENO**	Chief Risk Officer

COMPANY POLICIES

Whistleblowing Policy

The Whistleblowing Policy emphasizes the commitment of Megaworld to its core values under the Company's Code of Ethics and Business Conduct. With integrity at the forefront of its values, it is therefore critical that the Company fosters an environment where everyone is encouraged to report - in good faith - any wrongdoings within the Company, free from fear and discrimination, harassment, or retaliation.

This Policy aims to provide guidance and a platform for employees, business partners, and other stakeholders to raise concerns about suspected improper activities relating to the conduct of business by employees, business partners, and other stakeholders; ensure that such concerns are treated seriously and appropriately, and provide assurance to the organization that any person raising serious concern in good faith will be protected from retaliation.

Conflict of Interest Policy

The purpose of this Policy is to protect the interests of the Company and its stakeholders. It is the policy of the Company that fair and impartial transactions are concluded for the benefit of the Company and all its stakeholders.

In the regular course of business, Megaworld employees, officers, and directors are expected to promote primarily the Company's interests. As such, employees are not allowed to compete with Megaworld and shall not allow dealings on behalf of the Company to be influenced by personal self-interest, family interests, and personal business interests.

Insider Trading Policy

Abiding by the provisions of law outlined in the Securities Regulation Code, Megaworld implements policies and procedures that prevent unauthorized disclosure or misuse of non-public information in securities trading. A director should keep all non-public information acquired or learned by reason of his position as director secured and should not reveal any confidential information to unauthorized persons without the authority of the Board.

Related Party Transactions Policy

Megaworld adopts a group-wide Material Related Party Transactions (RPT) policy, encompassing all entities within the conglomerate. The Company provides a mechanism for identifying, reviewing, approving, and reporting RPTs, and the determination, monitoring, and management of Material RPT in compliance with the Material RPT Rules mandated in SEC Memorandum Circular No. 10, series of 2019. The RPT Committee, composed of at least three directors, two of whom are independent, including the Chairman, is tasked to review and evaluate Material RPTs.

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

Megaworld provides free health care coverage to its employees and regularly upgrades its security procedures and facilities to ensure the safety of employees in the workplace. The Company commits to maintaining a periodically updated and revised safety and security program for its employees. The Company also launched the Megaworld Learning Academy (MLA), institutionalizing training programs for all employees with the view of improving organizational performance through professional development. The MLA aims to manage 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

As part of their obligations, as outlined in the Company's Code of Corporate Governance, the Board of Directors analyzes and monitors critical risk areas and performance indicators. The Company identifies, monitors, and mitigates these risks that adversely impact the Company's capability to achieve its business objectives, comply with regulatory requirements, and maximize shareholder value.

As required by SEC Memorandum Circular No. 19, series of 2016, Megaworld developed a strong and effective internal control system and ERM framework to ensure integrity, transparency, and proper governance.

Megaworld established an Enterprise Risk Management (ERM) Process in obtaining a focused and disciplined approach to managing risks. This enterprise-wide risk management approach allows the Company to perceive risks by identifying, mitigating, controlling, and monitoring risks continually in partnership with key risk owners, vital support units, and, if necessary, appropriate external organizations.

STATEMENT POLICY

Megaworld's comprehensive approach to understanding and proactively managing risks allow it to perform business decisions that cause calculated risks and address those approved tolerances required to deliver long-term value to shareholders. This approach also allows the Company to meet its commitments to its employees, office partners, customers, contractors, business partners, and community members.

Megaworld integrates its risk management into its daily business management and operations. Furthermore, the Company follows the ISO 31000 Risk Management Standard and other applicable international standards in guiding its decision-making and culture formation.

In delivering effective risk management for its continued prosperity and development, Megaworld commits to the following:

1. Megaworld identifies, monitors, and manages effectively the risks it faces and uses its risk management capabilities to maximize the long-term fundamental value of its assets, existing business portfolio, and future business opportunities.
2. The Company embeds its ERM in its critical business activities, functions, and processes. Megaworld considers the key risks and its appetite and tolerance for these risks in its decision-making processes for its business units, including project planning; launch and delivery; capital and resource allocation; investment and partnering opportunities; business operations; sales and marketing; service support; etc.
3. Megaworld uses a robust risk assessment system, methodology, and reporting structure for all risk issues through consistent identification, analysis, assessment, and monitoring. The Company designs and implements risk controls to assure the achievement of its goals and objectives. Megaworld systematically reviews and, if necessary, improves the effectiveness of these controls and the mitigating strategies and action plans. The Company also regularly monitors, reviews, and reports the performance of its risk management activities. Supervised by the Board of Directors through the Executive Committee and the Chief Operating Officer, its Opportunity and Risk Management (ORM) Department implements its risk management function.

RISK ASSESSMENT PROCESS

Risk Identification

Using relevant, appropriate, and up-to-date information, Megaworld finds, recognizes, and describes risks that affect it from achieving the Company's objectives.

Risk Analysis

Through risk analysis, Megaworld can comprehend the risk's nature, characteristics, and level, if necessary.

Risk Evaluation

To support decisions, Megaworld performs risk evaluation to compare the risk analysis results with the established criteria to determine any required additional action.

Risk Treatment

To select and implement options for addressing risk, Megaworld performs risk treatment to formulate and choose risk treatment options, plan and implement risk treatment, assess the effectiveness of the said treatment, and decide if the remaining risk is acceptable. If the risk is unacceptable, further treatment is necessary.

TAX GOVERNANCE

Megaworld evaluates the success of its strategy by managing the tax risk. The Company manages the tax strategy and complies with all the national regulations to avoid tax-related issues, leading to adverse impacts on its risk management, regulatory compliances, and sustainable development strategies.

Following the amendments made to Republic Act (RA) No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, the following changes have been applied by the Company:

- Decrease in regular corporate income tax (RCIT) rate from 30% to 20% or 25%;
- Decrease in minimum corporate income tax (MCIT) rate from 2% to 1%; and
- Decrease in the allowable deduction for interest expense from 33% to 20% of the interest income subjected to final tax.

As a result of these changes, the current income tax expenses and income tax payable, presented in the Company's annual income tax return (ITR), decreased by PhP 188 million compared to the amount shown in the Company's 2021 financial statements, reflected in the charged amount of its 2021 profit or loss.

Megaworld remeasured its recognized net deferred tax liabilities to the effective tax rates, resulting in the decline in its recognized deferred tax liability in 2020 by PhP 1.91 billion, shown in its 2021 profit or loss (PhP 1.89 billion) and other comprehensive income (PhP 18 million).

ANTI-CORRUPTION

Megaworld values integrity and promotes policies that protect its shareholders, especially its employees, in dealing with numerous clients and suppliers. The Company upholds its anti-corruption processes and protocols in engaging with its reputable partners and vendors, preventing corruption-related risks.

Megaworld ensures the prevention of money laundering and terrorist financing, taking into account the minimum requirements set by applicable laws, rules and regulations, and international best practices.

Since corruption can significantly impact its financial stability, the Company also communicates with the government and non-government organizations to promote zero corruption in the organization.

To further mitigate instances of corruption, the Company immediately dismisses any employee who commits the following acts:

- Offers, requests, or accepts bribes or anything of value from clients or other parties who may have interest in the transactions of the Company;
- Solicits or receives money, gift, share, percentage, or any benefits from any person; and
- Engages in business that is competitive with the Company's business.

Megaworld sends Blackout Notices to Directors and Executive Officers to prevent them from trading Company shares during the prescribed period after being aware of any undisclosed information. The prescribed period covers five trading days before and after the disclosure date of the quarterly and annual financial results.

To promote transparency, the Company ensures conducting annual training through all levels of management, and the leadership mandate prioritizing integrity is communicated regularly throughout the organization.

In 2021, Megaworld communicated its anti-corruption policies and procedures to all its employees through the Company's Employee Code of Conduct.

0 Corruption-related incidents reported in 2021

PROCUREMENT PRACTICES

The Company emphasizes its procurement processes and protocols, ensuring reputable partner and vendor engagements. Megaworld established and implemented clear protocols based on specific criteria for the supply requirement.

Aligned with the ISO 9001 QMS certification, Megaworld uses its well-defined process to ensure that all procurement passes the Company's quality standards.

In promoting efficiency in its procurement process, Megaworld sourced its materials from local suppliers

for its property developments, improving the financial costs of its building material procurement.

Megaworld sources construction materials from a broad base of suppliers. Currently, the Company has 642 suppliers, wherein 623 (97.04%) are local and 19 are foreign.

In promoting a healthy market and ensuring the availability of essential materials, the Company uses partnering and multi-sourcing strategies while implementing a vendor code of conduct in defining the bidding process for each of its suppliers.

To ensure the reliability of the Company's suppliers, Megaworld screened 29.21% of its new suppliers using implemented social criteria, assessing if their products and services have significant social impacts. Furthermore, a third-party accreditation firm handled the accreditation process.

0

Legal actions related to anti-competitive behavior and violations of antitrust and monopoly legislation reported in 2021

STAKEHOLDER RELATIONS

Megaworld is actively and responsibly pursuing sustainability excellence across all segments of its business through initiatives aligned with its vision to uplift lives, impact society, and help shape the nation. As the Company manages its businesses, it continues to identify issues and concerns reflecting the economic, environmental, and social impacts important to its stakeholders.

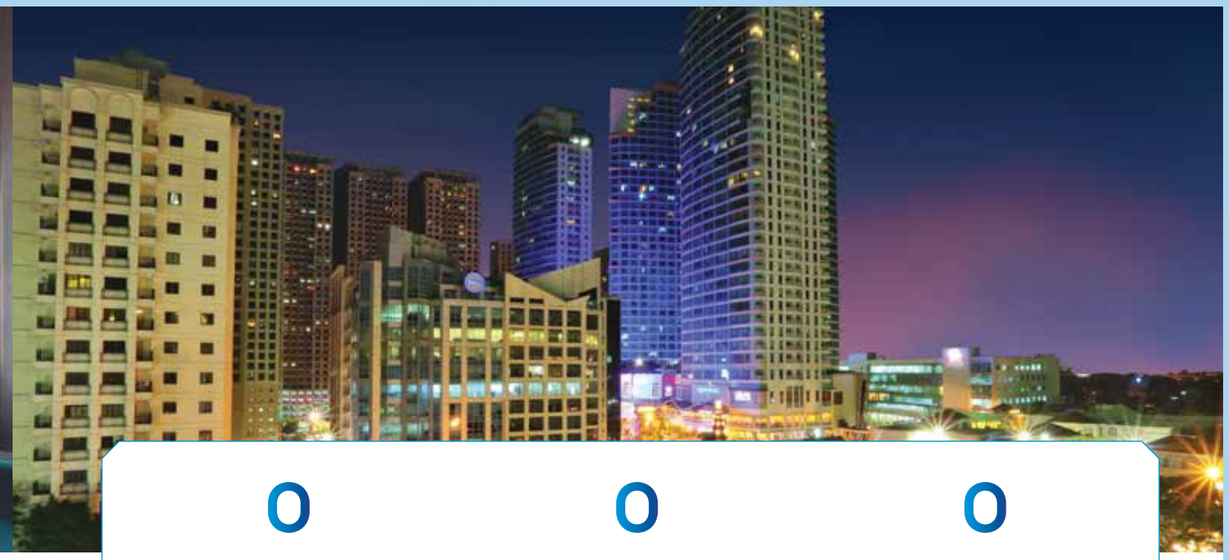
The Company believes close engagement with its stakeholders is key to sustaining its long-term growth. With this in mind, Megaworld undertakes various initiatives to understand and address issues and concerns, gather feedback on the effectiveness of its solutions, and build and maintain strong relationships for long-term value creation.

As one of the largest property developers in the Philippines, Megaworld recognizes that it is in a strong position to contribute to the country's development and nation-building. Throughout the past three decades, it has invested billions in investments, created thousands of jobs directly and indirectly across the archipelago, and remains committed to significantly contributing to the country's economic recovery post-pandemic.

To succeed, it will require the full support of its key stakeholders, such as its employees, investors, vendors, partners, and government.

Economic value added

Disclosure	Total Amount in PhP
Direct economic value generated (revenue)	50,754,290,730.62
Direct economic value distributed	
Employee wages and benefits	3,151,183,937.00
Direct operating costs and other operating expenses (includes payments to suppliers and other operating costs)	22,864,602,593.00
Dividends given to stockholders and interest payments to loan providers	6,983,114,546.50
Taxes given to the government	2,079,299,393.00
Community Investments	149,743,170.00



0
Cases of underage workers reported in 2021

0
Cases of forced labor reported in 2021

0
Cases of discrimination reported in 2021

VALUING OUR PEOPLE FIRST

Treating its shareholders as valuable assets, Megaworld places importance on developing solutions to improve its services and operations for the well-being of its employees, customers, and community.

EMPLOYEES

The performance of Megaworld's human resources equates to the efficiency and effectiveness of the Company's operations. The Human Resources Department (HRD), through its compliance with the country's labor laws, manages talent acquisition up to employee relations.

Total number of employees	5,393
a. Number of female employees	2,812
b. Number of male employees	2,581

EMPLOYMENT

Megaworld evaluates the performance of its human resources using essential metrics like retention, recruitment figures, familiarity within the organization, and proper interdepartmental coordination.

New Hires

Age group	Male	Female
Below 30	193	367
30 to 50	172	154
Above 50	17	4
TOTAL	382	525

Through a thorough application process, Megaworld requires and reviews legal documentation that proves the applicants are not below the minimum age for employment.

In improving its human capital, Megaworld's HRD strengthened and digitized its talent acquisition program through the continuous use of Talent Acquisition Online (TAO), a program for hiring talents using a streamlined online system.

The Company's Employee Handbook provides information on offenses against health, security, safety, proper conduct, and behavior.

Furthermore, Megaworld disallows violations of labor laws and human rights (e.g., harassment and bullying) in its workplace. Although the Company requires its employees to complete at least eight working hours from Monday to Friday, Megaworld does not condone forced or compulsory labor.

Moreover, the Company embraces diversity and equal opportunity in hiring applicants. The Company is also driven to promote its employees, regardless of age, race, gender, and religion. This inclusivity allows Megaworld to create a diversified culture, empowering its people to grow and learn, increasing employee morale, and motivating its employees to work more effectively and efficiently for increased workplace productivity. Megaworld, as part of its values, does not and will never tolerate discrimination and reports to the management.

Employee Turnover

Age group	Gender	Location	
		NCR	Provincial
Below 30	♂	147	43
	♀	278	39
30 to 50	♂	67	16
	♀	80	30
Above 50	♂	10	3
	♀	11	-
TOTAL		593	131

REMUNERATION AND OTHER BENEFITS

Treating its shareholders as valuable assets, Megaworld places importance on developing solutions to improve its services and operations for the well-being of its employees, customers, and community.

Upon joining Megaworld, employees receive well-being coverage, including access to HMO, life insurance, and regular performance evaluations and appraisals based on the employee performance plan. In line with the Company's prioritization of its employees' health, Megaworld facilitates annual physical examinations and anti-flu vaccinations in partnership with our HMO provider for its employees.

Furthermore, Megaworld and its business units provide an extensive list of benefits, including SSS, Philhealth, Pag-ibig, parental leaves, vacation leaves, and sick leaves. The majority of the Company's employees used their government-mandated benefits, leaves, and the work-from-home arrangement due to the circumstances brought about by the pandemic in 2021.

As a leading developer of top-notch properties, the Company also offers a housing plan to qualified employees by providing significant discounts on all Megaworld properties, including its subsidiaries.

Complying with RA 7641 or the Retirement Pay Law of giving an annual 60% to 200% of the planned salary, Megaworld provides post-employment benefits to regular full-time employees who served a minimum of five years of credited service upon reaching the retirement age of 60.

	Benefits	% male employees that availed	% female employees that availed
✓	Health care (aside from PhilHealth)	100	100.00
✓	Parental leave	2.03	3.33
✓	Retirement provisions (aside from SSS)	0.55	0.02
✓	SSS	36.98	27.39
✓	PhilHealth	30.36	17.38
✓	Pag-Ibig	30.86	19.59
✓	Vacation leaves	93.06	89.78
✓	Sick leaves	77.32	77.38
✓	Housing assistance (aside from Pag-Ibig)	0.28	0.20
✗	Stock ownership	0.00	0.00
✗	Further education support	0.00	0.00
✓	Telecommuting (Work-from-home)	31.78	52.09
✓	Flexible working hours	9.56	8.18
✓	Others (Bereavement)	0.00	0.00

Ratio of basic salary and remuneration of women to men

	Average compensation (PhP '000)	
	Male	Female
Senior management (VP and up)	292	346
Middle Management (Asst. Manager to Senior Asst. VP)	88	84
Rank and File (up to senior supervisor)	30	29

Parental Leave	Male	Female
Entitled to parental leave	329	286
Employees who took parental leave	52	91
Employees who returned to work after parental leave ended	19	21
Employees who returned to work after parental leave ended who were still employed twelve months after their return to work	18	25
% Retention Rate	46	64

OCCUPATIONAL HEALTH AND SAFETY

In delivering long-term value and uplifting the lives of its employees, Megaworld developed its Occupational Safety and Health (OSH) program in its supply chain. Despite the Company belonging to the low-risk category relative to the Occupational Safety and Health Association (OSHA) risk category, Megaworld still faces risks, such as productivity decrease and healthcare financing for accidents and illnesses.

The Company continuously reviews the OSH audits and monitors and reports incidents of illness and accidents in the workplace to reduce the risks or accidents within the organization.

Megaworld established a task force to manage the COVID-19 cases during the pandemic. It also assigned safety protocol officers to each significant department to raise grievances and remind guidelines related to health and safety. These assigned employees received various training (e.g., Basic Occupational Safety and Health (BOSH) Training for SO3 and Nurses, Construction Occupational Safety and Health (COSH), and first aid training from Philippine Red Cross) and accreditation before assuming any OSH-related responsibilities (e.g., inspection of the work areas, documentation of identified hazards, equipment information reviews to determine relevant safety precautions, and identification of corrective actions and improvements for hazard mitigation and elimination).

12,339,184

Safe man-hours reported with zero incidents of work-related injuries, fatalities, or ill-health

100%

Coverage of OSH management implementation among Megaworld employees in 2021

100%

Of Megaworld's security personnel received formal training in the organization's human rights policies or specific procedures and their security application

The Company conducts annual program and policy reviews to ensure the continuing sustainability of the programs and the effectiveness of its activities in the workplace. This review assesses all the improvements to ensure the objectives and goals meet the safety standard and compliance with regulatory requirements.

The Company employs a full-time Occupational health nurse and visiting doctors to conduct health and wellness programs, specifically to the needs of employees, including COVID-19-related concerns, while maintaining their privacy.

In further ensuring the safety of the Company's shareholders, Megaworld complies with RA 5487 or the Private Security Agency Law, stating all security providers and their personnel must undergo pre-licensing seminars and basic security training courses, including human rights training.

TRAINING AND DEVELOPMENT

Megaworld deems it necessary for employees to engage in learning and development to improve their skills and promote growth in their careers. For Megaworld, learning and development embrace 70% job experience, 20% feedback and coaching or mentoring, and 10% synchronous learning activities.

The Company provides training programs to employees, regardless of gender, once they begin their employment

Total training hours provided to employees	272,125 hours
Average training hours provided to employees	50.46 hours per employee

with a minimum of around eight hours of training per year. Megaworld embedded this requirement in its Performance Management System to include training as part of the employees' performance metrics.

The Megaworld Learning Academy (MLA), HR business partners, organizational development, and other training groups promote and manage the learning and development of the needs of the Company's employees.

Furthermore, Megaworld employees can access online features, such as Zoom and Google Meet for online learning sessions, Google Suite for data and material management and tracking, and Facebook Groups for live streams and learning- and development-related postings.

Percentage of employees receiving regular performance and career development reviews

	Male	Female
Senior Management	100%	100%
Middle Management	100%	100%
Rank and File	100%	100%

Using post-training evaluation, Megaworld identifies what needs to be replicated, modified, and improved in the training program.

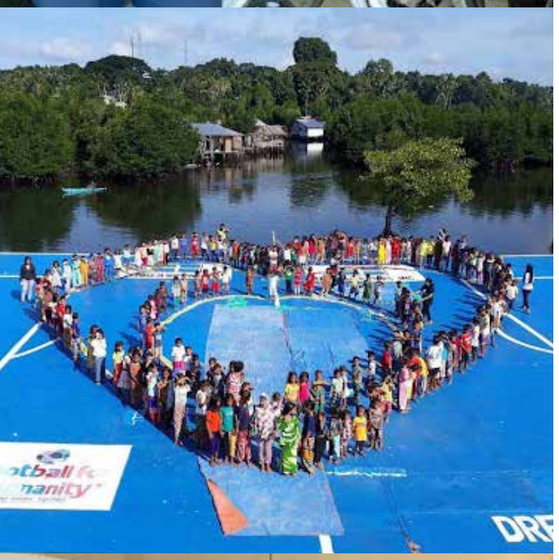
COMMUNITY

Megaworld supports the government's thrust in promoting economic development and pursues revenue and geographical diversification in developing community townships, embodying its live-work-play-learn concept in various stages and strategic locations both within and outside Metro Manila.

The Company commits to creating inclusive growth for its stakeholders and communities by providing equal access to relevant resources and opportunities to promote shared prosperity and social harmony.

Megaworld continues improving and safeguarding the lives of Megaworld-GK Village residents by launching a retrofitting project of the buildings and securing yearly fire insurance with the provision of fire extinguishers to 56 families.

In line with its urban community development, Megaworld partnered with the Department of Agriculture (DOA) in converting landscapes into sustainable residential areas. Furthermore, Megaworld provides space for government services in its buildings and townships, increasing the accessibility of these services to the



local communities. Also, the Company coordinates with regulatory bodies and LGUs in executing its engagement initiatives, monitoring its effects on the community.

Despite having its properties placed in central districts of localities, the Company extends its help to the indigenous communities. Through its partnership with LASIWWAI Learning Institute, it supported a livelihood assistance project for Tinalak Weavers.

Moreover, Megaworld, through its If There's a Wheel, There's a Way: Bike Donation Project donated bikes to 50 Aeta families and 50 health workers in Tarlac. The Company also donated pats of slippers to 300 Badjao kids and 800 children in Marinduque with its Happy Feet: A Sole of Happiness project.

Promoting a Tree of Hope

More than promoting the joy of giving and sharing hope and blessings, Megaworld launched its Christmas Tree of Hope at the Atrium UGF in Uptown Mall and celebrated the holidays with 20 different non-government partner organizations.

Christmas Tree of Hope is a fundraising tree where anyone can embody the spirit of goodwill and generosity by donating to different non-government organizations and other causes.

Instead of donating monetary donations in 2021, Megaworld helped 20 NGOs' programs aimed to support different causes and address various societal issues, including for children, the elderly, women, the differently-abled, community development, education, health, and the environment.

These organizations include Yellow Boat of Hope Foundation, Childhope Philippines, HOUSE Foundation, Tuloy Foundation, Caritas Manila, Virlanie Foundation Philippines, World Vision Philippines, Heart Warriors PH, Leukemic Indigents Fund Endowment, Philippine Foundation for Breast Care, Philippine General Hospital Medical Foundation, Haribon Foundation, World Wide Fund for Nature Philippines, Anawim Lay Missions Foundation, Cartwheel Foundation, Inc., CRIBS Foundation, Inc., ABS-CBN Foundation, Tahanang Walang Hagdanan, Inc., Cottolengo Filipino, and Philippine Society for Orphan Disorders

Megaworld also chose these partner organizations to participate in Uptown Mall's Christmas Tree of Hope, encouraging everyone to share their blessings and instill hope amid the hurdles of the pandemic and pressing societal issues.

EDUCATION

Through its scholarship programs, Megaworld supported the education of financially-handicapped but deserving students in high school and college.

The scholarship program extended to help students in their online classes, provided ATMs, donated learning kits for modular learning, and offered online activities, such as orientations, tutorials, and webinars.

To support the educational endeavors of various students, Company also partnered with the following organizations:

Organization	Partnership description
Yellow Boat of Hope Foundation	Renovated the floating classrooms and sponsored an eLearning hub in Sitio Basilan for 981 Badjao students
Holy Spirit Aeta Missions	Donated 2 printers and printing materials for module production for Aeta Students in Maruglo
F. Mendoza Memorial School	Donated 2 printers for public school student module production
San Ricardo Elementary School	Donated a printer for module production and manipulative devices for special students
Meyto Elementary School	Donated a printer for module production for public school students

Organization	Partnership description
Marinducare Foundation	Provided education support for 15 classes in public schools with 400 public school students in Marinduque
MoveEd ph	Adopted 5 learning labs for 125 pre-school students in Camarines Sur
C.U.R.E. Foundation. Inc.	Supported the education of abused girls in Cebu for 1 year
DLS-College of St. Benilde SDEAS	Supported the college education of a deaf student
Polytechnic University of the Philippines	Helped the marginalized students to gain access to quality education with the help of PUP Pamantasang Bayan-Education on Wheels

As part of giving back to the Company, Megaworld Foundation graduate scholars, along with professionals from AGI, participated in MegaBerKadahan Learning Sessions to talk about effective business comm (grammar and writing), basic algebra, basic business math, budgeting, and financial literacy, MS Office Basics and Tips and Tricks, Basic desktop publishing and layout, and basic photography.

Empowering Megaworld Scholars

In promoting growth and camaraderie for its scholars, Megaworld Foundation continued the success of its Mega Summer Ventures #RoamFromHome, a social media-based group exclusively for the Company's high school and college scholars.

Launched in 2020, the exclusive group aims to strengthen camaraderie while providing new skills to scholars. The Foundation innovates its way of staying connected with the scholars by sharing informative posts, Bible verses and prayers, fun hobby-making videos, and weekly contests.

In three months, the scholars effectively learned new skills, boosted their creativity, made new friends, and became more optimistic about the school year ahead.

Triumphing Over Hardships: Launch of The Visionary, The Philanthropist

"Keep working hard, learn from the challenges that come your way, and never lose hope."
- Dr. Andrew L. Tan

Megaworld Foundation's latest digital coffee table book, The Visionary, The Philanthropist, highlights the humble beginnings and success story of Megaworld's Chairman, Dr. Andrew L. Tan.

During the virtual coffee table book's launch, Dr. Tan shared a message of hope and encouragement to 500 Megaworld scholars about hard work, inspiring them to pursue their goals and dreams despite the challenges they face amid the pandemic.

From his humble beginnings when he was 16 years old up to the man who established his footprint through various companies under AGI, Dr. Tan's purpose of taking part in nation-building by providing employment while uplifting the lives of the underprivileged.

The more triumph he achieves, the more eager he shares the success. For decades, he did not just build homes; he also built futures, especially among the youth.

To date, Megaworld Foundation supports about 1,000 deserving scholars every year from 86 partner schools and universities across the country.

TRAINING AND LIVELIHOOD

As a leader in delivering community township developments, Megaworld, through its creation of new projects and joint venture developments, helps spur economic growth by providing job opportunities and creating new markets for the benefit of nearby communities. In expanding into more locations, Megaworld provides more employment and business opportunities for all sectors of society.

The Company's community programs include micro, small, and medium enterprises (MSME) development assistance. This assistance includes providing livelihood opportunities for farmers and MSMEs to sell their products in its malls and retail areas, engaging with local stakeholders to address common concerns, and providing various corporate social responsibility programs to assist local communities.

Megaworld Lifestyle Malls converted several open spaces into a farmers' market in providing fresh fruits, vegetables, seafood, meat products, and other food choices while supporting Filipino farmers, fisherfolks, and food entrepreneurs.

The Company also coordinated with the Department of Tourism (DoT) to ensure that the Company customizes its developments and services to the needs and peculiarities of the local tourism market through Megaworld Hotels.

With the launch of the Stitches to Riches Livelihood project, the Company provided sewing livelihood training and equipment to the residents of GK-Megaworld Village.

In partnership with the Virlanie Foundation, Megaworld also launched a six-month livelihood program for street families who lost their jobs.

In partnership with Kabang Kalikasan ng Pilipinas Foundation, the Company also supported the Plastic Smart Cities Campaign in providing likelihood to 15 families in Sorsogon.

HEALTH AND NUTRITION

Megaworld supports its communities in promoting health and nutrition. Through the community pantry of the Megaworld Hope for Everyone with Altea's Love Store (HEALS), the Company supported 150 families during the pandemic.

Furthermore, Megaworld donated sanitation kits to nearby communities, funded a sustainable food source garden project for orphans, donated 15 hospital beds and food supply for the elderly, and partnered with organizations in conducting feeding programs for malnourished street children.

Rising Together: Megaworld's Community Pantry

In embodying the spirit of Bayanihan, Megaworld and its employees joined together and established the Rice Together Campaign, a community pantry aimed to support the barangays near Megaworld Projects.

Megaworld reached out to various barangays near its projects and donated 6,000 kg of rice. Employees also took part in the initiative by providing in-kind goods for thousands of families.

The project benefited 11 neighboring barangays, extending assistance to the less privileged families in the community.

COVID-19 INITIATIVES

Megaworld's townships are convenient, comfortable, and safe venues for the vaccination program, especially for the elderly. The Company gives 100% support to the LGUs and the National Government's goal to achieve herd immunity by the end of this year.

In mitigating the transmission of COVID-19, Megaworld implemented measures, such as adjusting the operating hours of its malls, making hand sanitizers available within its properties, increasing the frequency of disinfection of facilities, requiring temperature checks for employees and customers, and implementing health protocols.

Ten of the Company's properties (i.e., Eastwood City, Uptown Bonifacio, Newport City, Arcovia City, Lucky Chinatown, Southwoods City, Paseo Center, The Village Square Alabang, San Lorenzo Place Mall, and McKinley Hill) became venues for vaccination drives.

With the Company's partnership with different LGUs, the vaccination programs led to the vaccination of 630,400 individuals across ten Megaworld sites.

Additionally, Megaworld opened Laguna's first-ever drive-thru and cinema-based vaccination hubs, namely the Southwoods Mall's Entrance 1 and Cinema 1. The latter is considered Laguna's safest and most beautiful vaccination site.

To provide access to other COVID-19-related services, the Company provided satellite venues for the Department of Health - Bureau of Quarantine (DOH-BOQ) to assist individuals in securing their vaccination cards and certificates.

Moreover, Megaworld townships and lifestyle malls offered drive-thru swab testing for convenience in getting tested.

PRACTICING ENVIRONMENTAL STEWARDSHIP TOWARD A GREENER FUTURE

In developing solutions to minimize the effects of the Company's operations on the environment, Megaworld monitors its environmental impacts (e.g., energy and water consumption, emissions, and waste generation), implements measures to reduce and manage its resources, and invests in sustainable townships and digital innovations.

MATERIAL USE

Megaworld recognizes its responsibility for the input materials used in its construction activities. The Company continuously monitors and manages these materials as part of its commitment to using resources efficiently.

Disclosure	Quantity	Units
MATERIALS USED BY WEIGHT OR VOLUME		
Renewable		
Supplied water	512,684.16	m^3
Water abstracted	163,654.19	m^3
Carpet-area rug	2,615.63	kgs
Carpet tiles	36.98	kgs
Tiles	57,554.75	kgs
Outdoor furniture	362.29	kgs
Polycarbonate divider	110.41	kgs
Pendant lights	226	kgs
Re upholstery and fabric	36.08	kgs
Roller shades	179.18	kgs

Disclosure	Quantity	Units
Non-renewable		
Diesel	1,610,072.92	liters
Gasoline	41,077.45	liters
Cement	40,233,053.60	kgs
Ceramic tiles	332,454.22	pcs
Paint	38,231.74	sq.m.
Gypsum board	5,302.10	sq.m.
PVC pipes	34,023.00	m
Reinforcing steel bars	3,333,094.99	kgs
Wood (doors and cabinets)	83,525.00	kgs
Glass	19,350.00	kgs
Wires	1,225.00	m
Steel pipes	19,551.00	m
Percentage of recycled input materials used to manufacture the organization's primary products and services	Not available	%

290,918 KG
Total reclaimed materials in 2021

1,835.20 KG
Plastic waste collected by Plastic Credit Exchange

WASTE MANAGEMENT

Energy, water, and materials, such as steel and cement, make up the resources used in property development. Megaworld procures the bulk of materials for its ongoing projects from accredited contractors and vendors with ISO140001 compliance, guaranteeing they adhere to the highest environmental standards. The Company sources its materials whenever these contractors have limited capacity.

Furthermore, the Company continued reallocating the excess construction materials, including furniture, lighting, tiles, etc., to other construction projects to minimize waste. It sold the reclaimed scrap materials to scrap buyers, totaling 290,918 kg from 70 of its projects in 2021.

Megaworld handles the generated waste of its properties by performing waste reduction, recycling, and better waste collection to manage and track its waste production. Mishandling of the disposal and segregation can cause pollution, leading to health risks and damage to the image of the Company.

As part of its environmental sustainability initiative, Megaworld invested in equipment for recycling garbage. This produced new materials and implemented internal environmental policies, such as Policy on Mall Waste Segregation and Collection, Policy on the Disposal of Used Oil, and Policy and Guidelines on Hazardous Waste Management for MLM.

Megaworld's Lifestyle Malls partnered with Plastic Credit Exchange. This non-profit organization promotes plastic aggregation and collects all forms of plastic for reallocation to plastic recycler partners in exchange for plastic credit certificates. To further minimize the Company's solid waste impact on the environment, Megaworld recycles PET bottles and enforces the removal of single-use plastic in its office operations.

Additionally, the Company participated in the Trash to Cashback Program of the Basic Environmental Systems and Technologies Inc. (BEST). The program aims to provide incentives for the proper disposal of recyclable waste through responsible segregation.

2,377.71 KG
Recyclable wastes collected for the Trash to Cashback Program

Waste	2021 (in MT)	2020 (in MT)
Total non-hazardous waste generated	6,266.38	11,003
Total hazardous waste generated	87.68	143
Total	**6,354.06**	**11,146**
Total waste diverted from disposal	345.93	
Total waste disposed to a landfill	6,189.52	

By adhering to a strict waste segregation practice, Megaworld ensures the separation of hazardous and non-hazardous wastes by using trash bins for each waste type. After waste segregation, the Company stores the wastes temporarily in a refuse room before being collected by the garbage collector.

On the other hand, Megaworld secured a hazardous waste ID, a requirement for hazardous waste disposal. The Company temporarily stores these wastes in a hazardous waste room before handing them over to a waste transporter.

Furthermore, the Group partners with third-party DENR-accredited transport haulers to ensure proper waste collection and transportation, provide daily and monthly waste hauling reports, and conduct training and seminars on appropriate waste segregation.

Moreover, the Company complies with all the necessary government-mandated environmental regulations and laws, including waste-related internal policies, permits, and reports. Megaworld consistently monitors and reports to DENR the waste produced by the Company and performs immediate action plans on any technical-related problems and violations.

In continuing the Zero Waste Lifestyle initiative from 2020, the Company experienced a 57% decrease in its total generated waste in 2021. Along with complying with the government waste protocol, this initiative encourages Megaworld's township residents to manage and segregate their waste.

42.32 MT
Recorded recyclable waste for 2021

Moreover, Megaworld, with its 100 volunteers, including locals and estate personnel, partook in the barangay coastal clean-up campaign in Boracay New Coast, collecting 94 kg of trash.

Conserving to Serve

Part of the sustainability efforts of the MLM includes creating a sustainable vegetable garden in its vertical buildings in the middle of a concrete city.

Savoy Hotel Manila partnered with DownToEarthPH to install vertical tower food gardens as an innovative way of producing food and beverages sustainably. These vertical gardens provide a variety of crops, including lettuce, mustard, chili, and sweet basil.

Moreover, Belmont Hotel Manila creates fertilizers from food wastes mixed with worms to grow lettuce and tomatoes in its urban compost initiative, enabling more greens mixed with ornamental plants to surround the hotel's pool area.

4,096
Native trees planted in Megaworld townships

EMISSIONS

To achieve carbon neutrality in 2035, Megaworld identifies initiatives to reduce carbon emissions caused by its operations and services in a timely and efficient manner. Megaworld addresses its emission issues by measuring the impact of its activities and reducing its carbon footprint. These include managing a two-hectare mangrove forest in Palawan and adopting a 240-hectare forest for its Adopt-a-Forest program in Iloilo.

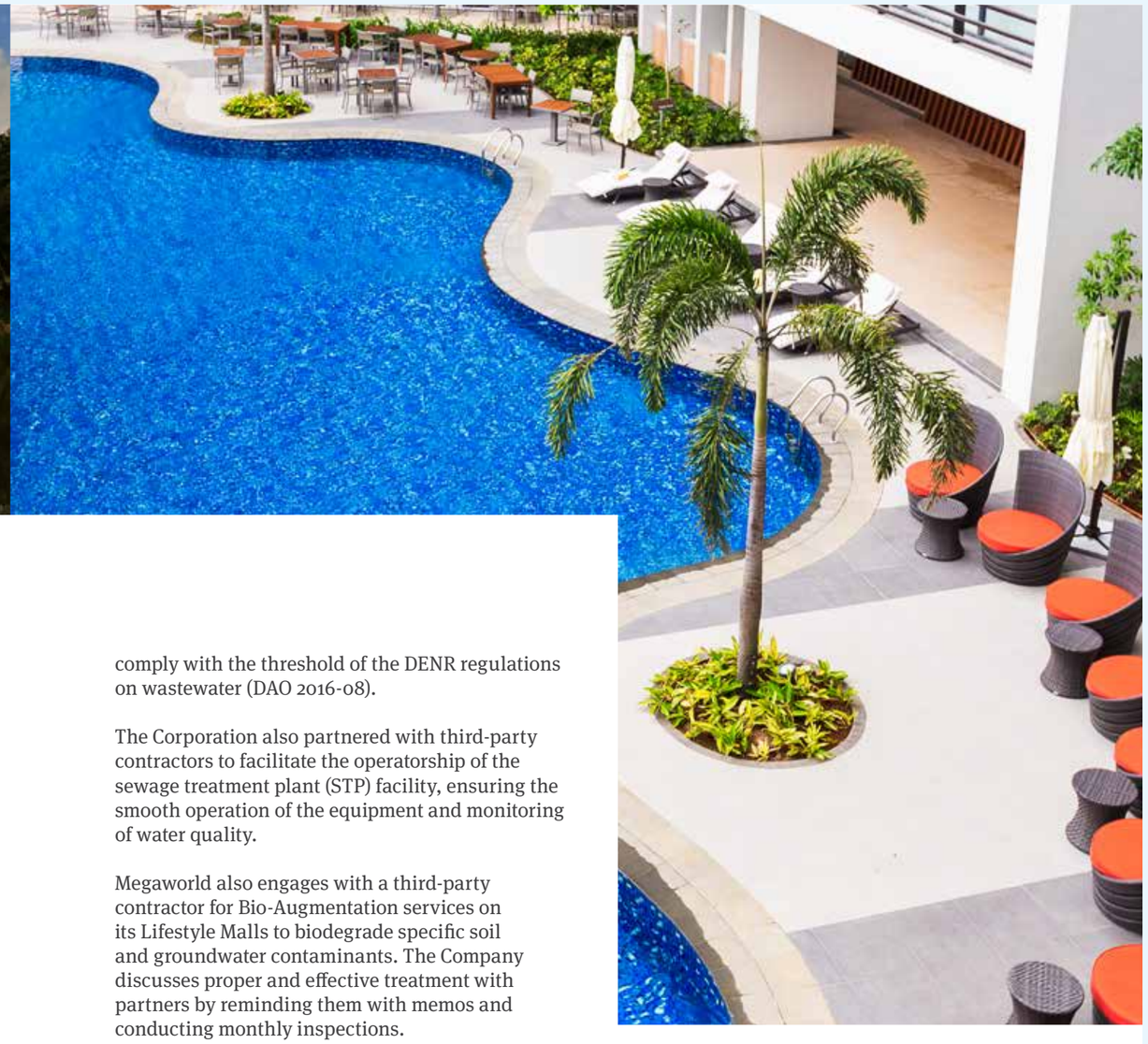
As part of the Company's efforts to maximize greenery in its townships and contribute to its carbon offset, Megaworld uses endemic trees and seeks to achieve a 40% ratio of green and open spaces in its new development projects while preserving centuries-old trees within its townships.

The Company's land development plans also allow for better mobility and connectivity, like having biking network facilities and transport terminals within the townships, to help reduce carbon footprint and energy consumption among its locators and residents.

In 2021, MLM sourced 90% of its energy requirements from renewable energy. Megaworld placed conversion plans to transition the rest of the Company's office and hotel properties aligned with its 2035 goal. Moreover, the Company also implements periodic upgrades for its mall and office equipment to increase energy efficiency and reduce consumption.

The Company's energy consumption reduction covers Scope 2 emissions, particularly the electricity reduction (397.40 GJ or 110,389 kWh) equates to a total reduction in GHG emissions of 78.61 tCO_2e.

GHG Emissions	Quantity (in tCO_2e)	GHG Emissions Intensity		
		By Gross Floor Area (in tCO_2e per m^2)	By Employees (in tCO_2e per full-time employee)	By Revenue (in tCO_2e per million PhP)
Energy direct (Scope 1) emissions	4,235.74	0.0103	0.7854	0.0835
Energy indirect (Scope 2) emissions	261,518.73	0.6349	48.4923	5.1526
Total	**265,754.47**	**0.6452**	**49.2777**	**5.2361**



WATER AND EFFLUENTS

Megaworld efficiently monitors the withdrawn and discharged water used in its operations and services. Megaworld's commercial and residential spaces generated most of the water discharges, including daily consumption of tenants, chiller and cooling tower consumption, landscape watering, cleaning, housekeeping, and sanitation.

Water-saving initiatives in the Company's operations help conserve this natural resource, such as harvesting rainwater, using drip irrigation, and installing reuse systems in several townships. Megaworld includes water-saving initiatives, such as:

- Ensuring the quality of effluents discharged is within the accepted parameter of the design of the Sewage Treatment Plant under DAO 1990-35
- Using non-potable water in watering plants and for water flushing in toilets and urinals
- Limiting non-revenue water (losses in distribution lines) to less than 10% of the total consumption of Estates
- Reducing at least 5% via optimization, using low flow fixtures, and using gray water if possible
- Formulating a plan to utilize rainwater for non-potable use

Megaworld's efforts toward water conservation led to an approximately 10-megaliter increase of recycled wastewater in 2021 compared to the previous year.

Disclosure	Quantity (in ML)
Water withdrawn	5,030.35
Water discharged	7,890.35
Water consumption	13,372.85
Water recycled and reused	151.2

Furthermore, the Company fully complies with the government regulations and requirements to secure a Wastewater Discharge Permit (WWDP) from the Department of Energy and Natural Resources - Environmental Management Bureau (DENR-EMB) and Laguna Lake Development Authority (LLDA). This is to prevent any water-related concerns, encourage pollution prevention, and minimize waste.

The Company also manages its equipment in different areas of buildings, maintains clean cistern and holding tanks, and regulates the water level of cistern tanks to further ensure water safety.

Megaworld coordinates with a third-party DENR-accredited laboratory to conduct water and effluent sampling analysis, ensuring its effluent discharges comply with the threshold of the DENR regulations on wastewater (DAO 2016-08).

The Corporation also partnered with third-party contractors to facilitate the operatorship of the sewage treatment plant (STP) facility, ensuring the smooth operation of the equipment and monitoring of water quality.

Megaworld also engages with a third-party contractor for Bio-Augmentation services on its Lifestyle Malls to biodegrade specific soil and groundwater contaminants. The Company discusses proper and effective treatment with partners by reminding them with memos and conducting monthly inspections.

On the other hand, Megaworld assigns qualified facility engineers to monitor the water consumption, water discharges, and water storage of facilities. The performance of annual activities in cleaning and disinfection of water holding tanks is also observed, ensuring its customers receive clean water within standard potability levels.

Megaworld also allocates a budget to fully comply with all applicable regulator standards by training technical personnel to be Pollution Control officers, allowing the Corporation to monitor and comply with these Standards.

Water concessionaires, such as Maynilad and Manila Water, supply Megaworld with water and process it in an STP before being discharged into a nearby water stream or river.

The Company's STP operation prevents the impacts produced by effluents, wherein Megaworld analyzed these effluents before being discharged while providing water sanitation operations in its office properties and townships.

Moreover, Megaworld developed and implemented the proper disposal of used oil and grease to mitigate pollutants like fats, oil, and grease in its wastewater discharge.

ENERGY CONSUMPTION

Megaworld aims to find more convenient ways for energy-saving and evaluates its success in energy conservation based on the actual energy consumption and relates it to the allocated budget, such as power, lighting, and fuel expenses. The Company consumes a large volume of electricity to sustain its daily operations, particularly for cooling and lighting, affecting customer comfort, the environmental impact of the type of energy used, and the financial cost of procuring the energy.

To demonstrate the Company's adherence to sustainability, Megaworld has been advocating green developments through its township's individual green buildings, accounting for the standards of LEED (Leadership in Energy and Environment Design). Currently, Megaworld has the following certifications and accreditations:

- Uptown Tower 1 - LEED Certification (SILVER): Last Certified on March 20, 2017
- Uptown Tower 2 - LEED Certification (SILVER): Last Certified on May 20, 2017
- 8 Campus A - LEED Certification (GOLD): Last Certified on September 23, 2014
- 8 Campus B - LEED Certification (GOLD): Last Certified on December 09, 2014
- 8 Campus C - LEED Certification (GOLD): Last Certified on September 14, 2015
- Le Grand Avenue - LEED Certification (SILVER): Last Certified on September 07, 2017
- 10 West - LEED Certification (GOLD): Last Certified on April 22, 2019
- Southeast Asian Campus - LEED Certification (GOLD): Last certified on November 02, 2019
- One Le Grand - LEED Certification (Target): SILVER): Certification in progress

In ensuring efficiency in its property operations, the Company continuously upgrades its equipment to energy-efficient complements, including high-efficiency elevators, highly efficient LED lighting equipped with light and movement sensors, and power transformers and distribution systems.

Furthermore, the Company's malls began using solar roof panels while utilizing an open layout scheme for passive cooling and natural lighting in common areas, providing more natural ventilation and reducing the need for energy-consuming cooling and ventilation systems and artificial lights. Moreover, Megaworld's ongoing township developments and projects incorporated the following:

- Installing solar panel systems on buildings
- Employing double-glazed and tinted windows
- Using of LED lights as a standard in all properties
- Utilizing occupancy sensors in hallways and parking areas
- Requiring a High EE rating for mechanical equipment
- Having green roofs, open spaces, and pocket garden features in its buildings

The Company also monitors its annual consumption of diesel used in generators and performs preventive maintenance for the units annually. The Company has 149.4 long-haul flights from Manila to Bacolod, Manila to Cebu, Manila to CDO, etc., and 27.2 short-haul flights per month, usually from Manila to Caticlan.

Megaworld purchased 95.8% of energy consumption from electricity from the grid. Meanwhile, gasoline and diesel comprise 1.05% and 3.10%, with evident use of alternative fuel sources, such as biodiesel, in Megaworld's Mall operations.

Aside from submitting its energy consumption to the DENR, Megaworld also performs monthly monitoring of all its departments to ensure accurate metering, reporting, and implementation of energy conservation projects.

On the other hand, the Company's operations require the maintenance and operation of equipment and facilities that require significant energy utilization. Megaworld sets and implements predetermined standards to ensure that equipment and facilities are maintained and operated at optimum levels, thus resulting in minimal energy wastage, if not eliminated.

The Chiller Optimization program for Uptown Mall, which started last July 2021, decreased the Corporation's energy consumption by optimizing its chiller operations, exceeding the target of 52,710 kWh monthly consumption and saving around PhP 1.5 million by the end of the year. The Company aims to expand and implement the program in its other malls, increasing their energy reduction rates.

Despite the expected energy consumption increase caused by the eased post-pandemic restrictions, Megaworld recorded a reduction in energy consumption in 2021, specifically in electricity consumption. This reduction, totaling 397.40 GJ (110,389 kWh), resulted from the Company's initiatives, energy efficiency initiatives, and proper maintenance of facilities and equipment.

Disclosure	Quantity (in GJ)
Energy consumption (Gasoline)	13,202.39
Energy consumption (LPG)	0
Energy consumption (Diesel)	37,152.26
Energy consumption (Biodiesel)	89.75
Energy consumption (Electricity)	1,443,336.1
Total	**1,493,780.5**

Disclosure	Quantity (in GJ)
Energy reduction (Gasoline)	156
Energy reduction (LPG)	0
Energy reduction (Diesel)	42.07
Energy reduction (Electricity)	1,480.23
Energy reduction (Gasoline)	0
Total	**1,678.3**

Energy intensity	By Gross Floor Area (GJ per m²)	By Employees (GJ per employee)	By Revenue (GJ per million PhP)
Total energy consumption	2.4504	237.8213	19.8863

BIODIVERSITY

As the leader in integrated tourism estate development, Megaworld highly considers nature and biodiversity part of the Company's townships and project amenities. As Megaworld continues to add more tourism estates to its portfolio, the Company transforms the land it develops while taking responsibility for nurturing and augmenting the diversified natural environment of its tourism estates.

Megaworld implements measures to protect and preserve the ecosystem of its biodiversity-rich tourism estate developments. There are four operational sites owned, leased, managed in, or adjacent to protected areas and areas of high biodiversity value outside protected areas, namely BNITE, The Vineyard at Twinlakes, Sta. Barbara Heights, and The Hamptons Caliraya.

With its commitment to protecting the environment, Megaworld devoted 60% of Boracay Newcoast's 150-hectare development to green and open spaces. The Company proactively implements green initiatives and programs, such as using solar-powered LED street lamps and e-jeepneys, installing detention and siltation tanks, and complying with the 25+5 meter No Build rule in the beach area. Megaworld also constructed its sewage treatment plant that has the capacity of treating five times more than the development's actual waste.

As Megaworld continues to add more tourism estates to its portfolio, it transforms the land it develops and takes responsibility for thinking of ways to nurture and augment the diversified natural environment of its tourism estates.

Green Thumbs-Up!: Megaworld's Tree Planting Campaign Goes Online

In contributing toward a greener Earth while maintaining the safety of the Company's people, over 100 Megaworld employees participated in the Green Thumbs-Up!, a virtual tree planting campaign.

Instead of an actual tree planting in the La Mesa Nature Reserve, Megaworld employee volunteers received a planting kit with seedlings, encouraging them to plant them in their homes and communities. This initiative also encourages them to grow their food source during the pandemic.

In return for their volunteerism act, one tree will be planted under their names in the La Mesa Nature Reserve in partnership with ABS-CBN Foundation Bantay Kalikasan.

This event highlighted that even with the restrictions on physical events, Megaworld continued its volunteerism programs as the Company advocates its environmental stewardship.

ENVIRONMENTAL COMPLIANCE

Megaworld maintains strict compliance with the codes and requirements of all regulatory agencies. The Company works with contractors to ensure the implementation of these compliances from the regulatory bodies, such as the Environmental Compliance Certificate (ECC) issued by DENR and LLDA.

The permits and clearances are passed through legal for them to process the approval of all environmental government agencies. The Company submits and completes validation and review protocols for the concerned agencies.

0

Non-compliance with environmental laws and regulations reported in 2021

CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS

Megaworld contributes to the United Nations Sustainable Development Goals (UN SDGs) by being a responsible company that practices sustainability. Aside from promoting economic growth, Megaworld commits to undertaking social and environmental initiatives that will promote the well-being of its stakeholders and help protect and preserve the environment.

1 NO POVERTY

- Launched the Stitches to Riches Livelihood Program for families in Megaworld-GK Village in Mandaluyong
- Provided livelihood for street families and for those who lost their jobs living in Makati and Manila in partnership with Virlanie Foundation, Inc.
- Supported 10 T'nalak weavers through Lake Sebu Indigenous Women Weavers Association, Inc. in South Cotabato
- Supported WWF's Plastic Smart Cities Campaign by providing livelihood (upcycling) for a community in Dosol, Sorsogon

2 ZERO HUNGER

- Created a sustainable food source garden project in partnership with Cottolengo Filipino
- Launched the Rice Together Campaign:
  - Donated rice in 10 Barangays that benefitted 4,000 families
  - Donated rice in Rizal that benefitted 200 families
- Supported a feeding program for 138 malnourished children in partnership with Negrense Volunteers for Change Foundation, Inc.
- Provided 180 meals to children of Gentle Hands Orphanages
- Provided 400 meals and relief supplies for 200 families through Assembly of Family and Friends in Christ
- Launched the Hapag Saya sa Kapaskuhan project feeding over 1,000 children within and outside metro manila

3 GOOD HEALTH AND WELL-BEING

- Provided 50 bicycles as means of safe and free transportation to health frontliners during the pandemic

4 QUALITY EDUCATION

- Provided continuous scholarship grants and launched several innovations in engaging with 1,000 scholars in the new normal through Megaworld Foundation
- Donated materials and equipment, including 7 printers and printing materials, to produce educational materials needed for DepEd's Modular Educational System to six public schools for the academic year 2020-2021
- Supported PUP's Education on Wheels Program
- Donated two eLearning Hubs
- Supported the construction of the Yellow School of Hope for Badjao students in Basilan
- Supported 20 classes of public school students in Marinduque for 1 whole school year
- Supported five learning hubs in Camarines Sur that will benefit 125 preschool students

5 GENDER EQUALITY

- Provided equal opportunities in employment, skills training, and career advancement
- Supported the education of ten abused girls in Cebu for one whole school year

6 CLEAN WATER AND SANITATION

- Properly handled wastewater and effluents through STPs in Megaworld properties prior to being discharged.
- Provided a water well with pump for communities within reach of the Aeta dormitory in Tarlac

7 AFFORDABLE AND CLEAN ENERGY

- Adapted DOE's Energy Efficiency Program
- Provided 50 bicycles as means of safe and free transportation to health frontliners

8 DECENT WORK AND ECONOMIC GROWTH

- Launched the Stitches to Riches Livelihood Program for Megaworld-GK residents in Mandaluyong
- Supported 10 T'nalak weavers through Lake Sebu Indigenous Women Weavers Association, Inc. in South Cotabato
- Provided livelihood for street families and for those who lost their jobs living in Makati and Manila in partnership with Virlanie Foundation, Inc.
- Supported WWF's Plastic Smart Cities Campaign by providing livelihood (upcycling) for a community in Dosol, Sorsogon

10 REDUCED INEQUALITIES

- Supported one deaf student's college education

11 SUSTAINABLE CITIES AND COMMUNITIES

- Supported the Plastic Smart Cities Campaign

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

- Reallocated excess materials from previous projects and used natural materials in some of the Company's projects

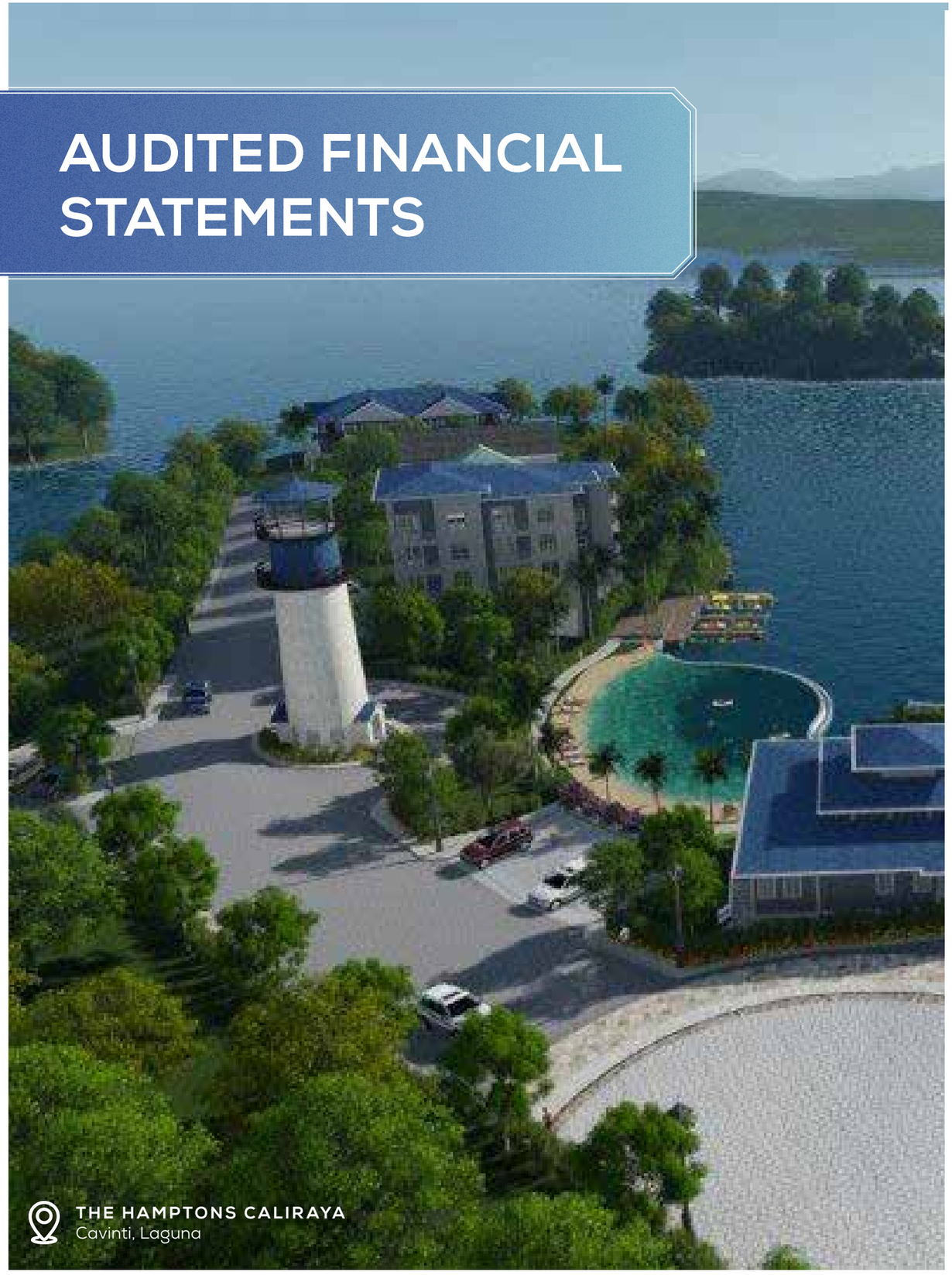
13 CLIMATE ACTION

- Continued the Adopt-a-Forest program
- Planted 500 native seedlings in Tanauan Quezon
- Managed the mangrove forest in Palawan
- Planted 200 seedlings and supported the maintenance and protection of the La Mesa Watershed through ABS-CBN Lingkod Kapamilya - Bantay Kalikasan

15 LIFE ON LAND

- Planted 500 native seedlings in Tanauan Quezon
- Planted 200 seedlings and supported the maintenance and protection of the La Mesa Watershed through ABS-CBN Lingkod Kapamilya - Bantay Kalikasan

AUDITED FINANCIAL STATEMENTS



THE HAMPTONS CALIRAYA
Cavinti, Laguna

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, 2021, 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 28th day of February 2022

MAR 0 8 2022 MAKATI CITY

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

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

Doc. No. 79;
Page No. 17;
Book No. 03;
Series of 2022

ATTY. HOBERT N. LLUZ
NOTARY PUBLIC
Until December 31, 2023
Appt. No. M-046, Makati City
IBP #1162106 for 2022 - RSM
SC Roll No. 58597
PTR [illegible], Jan. 03, 2022-Makati
MCLE Compliance No. VII-0003434
Issued on 06-24-2021, Valid until 04-14-2025
Unit 301 3rd Flr. Campos Rueda Bldg.
101 Urban Ave., Brgy. Pio del Pilar, Makati City

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FOR SEC FILING

Consolidated Financial Statements and Independent Auditors' Report

Megaworld Corporation and Subsidiaries

December 31, 2021, 2020 and 2019

Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd

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Grant Thornton

Report of Independent Auditors

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

T +63 2 8988 2288

The Board of Directors and 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, 2021 and 2020, 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, 2021 and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC) and described in Note 2 to the consolidated financial statements.

Basis for Opinion

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

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Emphasis of Matter

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

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

Our opinion is not modified in respect of these matters.

Key Audit Matters

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

(a) Revenue Recognition 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 P31.1 billion or 61.3% of consolidated Revenues and Income and P16.9 billion or 46.4% of consolidated Cost and Expenses, respectively, for the year ended December 31, 2021. The areas affected by revenue recognition, which requires significant judgments and estimates, include determining when a contract will qualify for revenue recognition, measuring the progress of the development of real estate projects which defines the amount of revenue to be recognized and determining the amount of actual costs incurred as cost of real estate sales. These areas were significant to our audit as an error in application of judgments and estimates could cause a material misstatement in the consolidated financial statements.

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

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Our procedures in testing the appropriateness and proper application of the Group's revenue recognition policy and process include test of design and operating effectiveness of relevant controls over revenue generation and recognition, as well as tests of information technology general controls (ITGC). 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 behavior.

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 IT application controls. On a sampling basis, we traced costs accumulated to supporting documents such as invoices and accomplishment reports from the contractors and official receipts.

(b) 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, receivables, payables and investments, reversal of unrealized fair value adjustments on intercompany investments, and recognition of equity transactions to measure non-controlling interest.

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Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we 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.

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

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

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

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

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

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

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

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

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

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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 3, 2022, 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 Aug. 27, 2024)

February 28, 2022

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2021	2020
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	**P 43,794,605,919**	P 40,166,755,908
Trade and other receivables - net	6	**34,482,656,507**	31,576,137,172
Contract assets	20	**11,970,852,843**	13,265,242,603
Inventories	7	**115,741,508,821**	106,134,963,211
Advances to contractors and suppliers	2	**12,233,167,915**	11,659,294,719
Prepayments and other current assets	8	**9,611,978,356**	7,871,213,242
Total Current Assets		**227,834,770,361**	210,673,606,855
NON-CURRENT ASSETS			
Trade and other receivables - net	6	**12,489,998,575**	12,261,216,378
Contract assets	20	**7,951,394,519**	6,115,483,710
Advances to contractors and suppliers	2	**2,783,551,177**	3,871,630,205
Advances to landowners and joint operators	10	**7,158,576,223**	7,513,380,172
Financial assets at fair value through other comprehensive income	9	**5,760,368,447**	4,174,886,430
Investments in associates - net	11	**3,287,474,516**	3,443,096,702
Investment properties - net	12	**119,222,248,947**	114,982,489,429
Property and equipment - net	13	**6,530,887,796**	6,719,600,005
Deferred tax assets	26	**377,447,575**	339,876,737
Other non-current assets - net	14	**4,580,532,972**	5,595,153,322
Total Non-current Assets		**170,142,480,747**	165,016,813,090
TOTAL ASSETS		**P 397,977,251,108**	P 375,690,419,945

	Notes	2021	2020
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	15	**P 12,685,534,491**	P 21,037,756,478
Trade and other payables	17	**22,875,967,140**	23,331,957,972
Contract liabilities	20	**2,447,089,883**	2,647,780,045
Customers' deposits	2	**10,872,699,457**	11,719,861,211
Redeemable preferred shares	18	**251,597,580**	251,597,580
Advances from associates and other related parties	27	**3,243,336,539**	2,683,950,114
Income tax payable		**55,404,855**	170,556,697
Other current liabilities	19	**9,476,396,474**	10,876,689,502
Total Current Liabilities		**61,908,026,419**	72,720,149,599
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	15	**38,964,170,107**	24,540,409,939
Bonds and notes payable	16	**41,982,042,246**	40,282,855,986
Contract liabilities	20	**4,956,605,925**	3,195,849,258
Customers' deposits	2	**1,281,160,572**	2,968,470,263
Deferred tax liabilities - net	26	**11,541,788,887**	11,563,425,960
Retirement benefit obligation	25	**546,802,701**	819,755,696
Redeemable preferred shares	18	**-**	251,597,580
Other non-current liabilities	19	**7,092,663,304**	6,817,425,467
Total Non-current Liabilities		**106,365,233,742**	90,439,790,149
Total Liabilities		**168,273,260,161**	163,159,939,748
EQUITY	28		
Total equity attributable to the Company's shareholders		**198,838,867,474**	185,464,231,260
Non-controlling interests		**30,865,123,473**	27,066,248,937
Total Equity		**229,703,990,947**	212,530,480,197
TOTAL LIABILITIES AND EQUITY		**P 397,977,251,108**	P 375,690,419,945

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, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

	Notes	2021	2020	2019
REVENUES AND INCOME				
Real estate sales	20	**P 31,129,417,724**	P 24,858,537,303	P 42,603,984,572
Rental income	12	**13,319,580,244**	12,932,770,278	16,814,091,846
Hotel operations	20	**1,928,863,081**	1,482,160,976	2,543,769,508
Interest and other income - net	23	**4,376,429,682**	4,267,409,295	5,409,726,260
		50,754,290,731	43,540,877,852	67,371,572,186
COSTS AND EXPENSES				
Cost of real estate sales	21	**16,874,283,279**	13,790,525,832	23,379,819,000
Cost of hotel operations	21	**1,086,978,559**	963,104,532	1,381,156,765
Operating expenses	22	**12,864,632,841**	11,850,258,972	13,912,479,751
Equity share in net losses of associates	11	**176,548,383**	69,879,672	58,832,233
Interest and other charges - net	24	**4,808,537,325**	2,930,637,292	3,261,597,997
Tax expense	26	**564,917,329**	3,347,906,258	6,081,657,290
		36,375,897,716	32,952,312,558	48,075,543,036
NET PROFIT FOR THE YEAR		**P 14,378,393,015**	P 10,588,565,294	P 19,296,029,150
Net profit attributable to:				
Company's shareholders		**P 13,434,466,763**	P 9,885,989,490	P 17,931,417,072
Non-controlling interests		**943,926,252**	702,575,804	1,364,612,078
		P 14,378,393,015	P 10,588,565,294	P 19,296,029,150
Earnings Per Share:	29			
Basic		**P 0.422**	P 0.295	P 0.546
Diluted		**P 0.421**	P 0.294	P 0.543

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, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

	Notes	2021	2020	2019
NET PROFIT FOR THE YEAR		**P 14,378,393,015**	P 10,588,565,294	P 19,296,029,150
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to consolidated profit or loss:				
Fair value gains (losses) on financial assets at fair value through other comprehesive income	9	**1,347,392,142**	(323,225,082)	23,271,788
Actuarial gains (losses) on retirement benefit obligation	25	**325,125,100**	354,133,354	(350,479,591)
Share in other comprehensive income (loss) of associates	11	**-**	1,474,538	(11,417,059)
Tax income (expense)	25, 26	**(62,880,238)**	(106,240,006)	105,143,877
		1,609,637,004	(73,857,196)	(233,480,985)
Items that will be reclassified subsequently to consolidated profit or loss:				
Unrealized gains (losses) on cash flow hedge	30	**199,713,502**	(144,749,961)	(293,369,328)
Exchange difference on translating foreign operations	2	**47,027,439**	(14,884,569)	(3,326,261)
Share in other comprehensive income (loss) of associates	11	**20,926,197**	-	-
Tax income (expense)	26	**(11,756,858)**	4,465,371	934,833
		255,910,280	(155,169,159)	(295,760,756)
Total Other Comprehensive Income (Loss)		**1,865,547,284**	(229,026,355)	(529,241,741)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**P 16,243,940,299**	P 10,359,538,939	P 18,766,787,409
Total comprehensive income attributable to:				
Company's shareholders		**15,276,423,950**	P 9,684,718,799	P 17,422,846,318
Non-controlling interests		**967,516,349**	674,820,140	1,343,941,091
		P 16,243,940,299	P 10,359,538,939	P 18,766,787,409

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, 2021, 2020 AND 2019
(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 Interests (See Note 2)	Total Equity
Balance at January 1, 2021	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
Changes in percentage of ownership	-	-	-	9,488,420,708	-	-	9,488,420,708	3,227,048,107	12,715,468,815
Redemption of perpetual securities	-	-	-	-	(10,237,898,577)	484,257,436	(9,753,641,141)	-	(9,753,641,141)
Cash dividends	-	-	-	-	-	(1,337,820,837)	(1,337,820,837)	(263,692,340)	(1,601,513,177)
Acquisition of treasury shares	-	-	(156,987,360)	-	-	-	(156,987,360)	-	(156,987,360)
Distribution to holders of perpetual securities	-	-	-	-	-	(151,963,438)	(151,963,438)	-	(151,963,438)
Reduction in capital of a subsidiary	-	-	-	-	-	-	-	(141,998,580)	(141,998,580)
Share-based employee compensation	-	-	-	-	-	10,204,332	10,204,332	-	10,204,332
Acquisition of a new subsidiary with non-controlling interest	-	-	-	-	-	-	-	10,001,000	10,001,000
Total comprehensive income for the year	-	-	-	1,841,957,187	-	13,434,466,763	15,276,423,950	967,516,349	16,243,940,299
Balance at December 31, 2021	**P 32,430,865,872**	**P 16,660,844,347**	**(P 1,784,028,454)**	**P 7,627,867,265**	**-**	**P 143,903,318,444**	**P 198,838,867,474**	**P 30,865,123,473**	**P 229,703,990,947**
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

	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 Interests (See Note 2)	Total Equity
Balance at January 1, 2019	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 108,252,842,723	P 163,860,163,681	P 24,892,898,397	P 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
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 26,169,718,526	P 204,633,803,847

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, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

	Notes	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		P 14,943,310,344	P 13,936,471,552	P 25,377,686,440
Adjustments for:				
Depreciation and amortization	12, 13, 14	3,467,925,032	3,104,661,233	2,718,633,789
Interest expense	24	1,941,630,481	1,641,304,190	1,512,905,580
Unrealized foreign currency losses (gains) - net		1,625,333,145	(1,086,060,295)	(493,907,863)
Interest income	23	(1,566,929,419)	(1,445,447,319)	(1,631,604,213)
Equity share in net losses (earnings) of associates	11	176,548,383	69,879,672	58,832,233
Gain on sale of investment property	12	(136,206,674)	-	(45,781,949)
Loss on derecognition of property and equipment	13	43,603,084	-	-
Dividend income	23, 27	(24,456,757)	(8,193,611)	(8,464,814)
Employee share options	25	10,204,332	21,381,914	18,717,409
Loss (gain) on sale of property and equipment	13	(1,225,627)	(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)
Operating profit before working capital changes		20,479,736,324	16,233,404,382	26,816,268,747
Decrease (increase) in trade and other receivables		(1,835,285,029)	3,064,093,048	(7,300,973,342)
Decrease (increase) in contract assets		(541,521,049)	(737,721,626)	3,584,275,000
Increase in inventories		(8,951,566,293)	(2,510,261,657)	(1,395,055,726)
Increase in advances to contractors and suppliers		514,205,832	(217,097,481)	(3,542,558,329)
Decrease (increase) in prepayments and other current assets		(1,740,765,114)	699,913,970	(244,367,564)
Decrease (increase) in advances to landowners and joint operators		354,803,949	(454,495,711)	(148,706,559)
Increase in other non-current assets		(146,217,428)	(887,291,362)	(202,306,675)
Increase in trade and other payables		606,265,488	2,510,777,198	5,373,481,027
Increase (decrease) in contract liabilities		1,560,066,505	630,074,260	(155,112,252)
Increase (decrease) in customers' deposits		(2,534,471,445)	888,463,236	1,990,581,863
Increase (decrease) in other liabilities		(1,327,724,229)	2,766,117,805	2,051,184,398
Cash generated from operations		6,437,527,511	21,985,976,062	26,826,710,588
Cash paid for income taxes		(813,914,179)	(2,886,445,031)	(3,647,117,078)
Net Cash From Operating Activities		5,623,613,332	19,099,531,031	23,179,593,510
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Investment properties	12	(7,055,426,460)	(6,731,614,968)	(10,390,591,440)
Property and equipment	13	(519,098,962)	(430,709,071)	(350,116,842)
Interest received		2,052,061,538	1,039,449,706	1,296,340,364
Acquisition and subscription of shares of stock of subsidiaries and associates		(1,001,843,366)	-	(1,350,050,000)
Advances to associates and other related parties:	27			
Granted		(413,989,152)	(260,769,847)	(1,500,167,429)
Collected		89,575,462	35,608,643	129,918,481
Additions to financial assets at fair value through other comprehensive income	9	(238,089,875)	-	-
Proceeds from sale of investment property	12	136,607,144	-	23,562,500
Dividends received		24,456,757	8,193,611	8,464,814
Proceeds from sale of property and equipment	13	4,739,942	6,385,095	1,245,112
Proceeds from sale of investments in an associate and subsidiaries	11	-	-	1,017,844,908
Net Cash Used in Investing Activities		(6,921,006,972)	(6,333,456,831)	(11,113,549,532)
Balance carried forward		(P 1,297,393,640)	P 12,766,074,200	P 12,066,043,978

	Notes	2021	2020	2019
Balance brought forward		(P 1,297,393,640)	P 12,766,074,200	P 12,066,043,978
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from availments of long and short-term liabilities	15, 36	26,643,083,897	7,800,000,000	12,500,000,000
Repayments of long and short-term liabilities	36	(20,982,065,248)	(13,107,450,229)	(11,537,252,522)
Proceeds from secondary offering of subsidiary's shares	28	14,717,312,432	-	-
Payments for redemption of perpetual capital securities		(8,552,741,141)	(1,200,900,000)	-
Interest paid		(3,977,876,007)	(3,843,166,540)	(4,209,271,308)
Cash dividends paid	28	(2,515,617,409)	-	(2,379,182,809)
Advances from associates and other related parties:	27, 36			
Obtained		608,170,119	24,157,233	32,361,651
Paid		(48,783,694)	(255,089,920)	(2,941,968)
Cash dividends declared and paid to non-controlling interest		(263,692,340)	(10,008,387)	(68,013,915)
Redemption of preferred shares	18	(251,597,580)	(251,597,580)	(251,597,580)
Acquisition of treasury shares	28	(156,987,360)	(994,672,630)	-
Distribution to holders of perpetual securities	28	(151,963,438)	(535,258,625)	(562,913,000)
Payments for return of capital to non-controlling interest		(141,998,580)	-	-
Issuance of bonds and notes payable	16, 36	-	16,692,935,192	-
Repayments of lease liabilities	19, 36	-	(24,915,531)	(26,338,703)
Proceeds from exercise of stock rights	28	-	1,773,053	886,528
Net Cash From (Used in) Financing Activities		4,925,243,651	4,295,806,036	(6,504,263,626)
NET INCREASE IN CASH AND CASH EQUIVALENTS		3,627,850,011	17,061,880,236	5,561,780,352
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		40,166,755,908	23,104,875,672	17,543,095,320
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 43,794,605,919	P 40,166,755,908	P 23,104,875,672

Supplemental Information on Non-cash Investing and Financing Activities:

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021, 2020 AND 2019
(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		
	2021	2020	2019
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)	**100%**	100%	100%
Megaworld Cayman Islands, Inc. (MCII)	**100%**	100%	100%
Piedmont Property Ventures, Inc. (PPVI)	**100%**	100%	100%
Stonehaven Land, Inc. (SLI)	**100%**	100%	100%
Streamwood Property, Inc. (SP)	**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)	**100%**	100%	100%
San Vicente Coast, Inc. (SVCI)	**100%**	100%	100%
Hotel Lucky Chinatown, Inc. (HLCI)	**100%**	100%	100%
Savoy Hotel Manila, Inc. (SHMI)	**100%**	100%	100%
Savoy Hotel Mactan, Inc. (SHM)	**100%**	100%	100%
Kingsford Hotel Manila, Inc. (KHMI)	**100%**	100%	-
Agile Digital Ventures, Inc. (ADVI)	**100%**	100%	-
MREIT Fund Managers, Inc. (MFMI)	**100%**	-	-
MREIT Property Managers, Inc. (MPMI)	**100%**	-	-
MREIT, Inc. (MREIT)	**62.09%**	-	-
Megaworld Bacolod Properties, Inc. (MBPI)	**91.55%**	91.55%	91.55%
Megaworld Central Properties, Inc. (MCPI)	**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)	**60%**	60%	60%
Gilmore Property Marketing Associates, Inc. (GPMAI)	**52.14%**	52.14%	52.14%
Manila Bayshore Property Holdings, Inc. (MBPHI)	**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)	**50%**	50%	50%
Megaworld Land, Inc. (MLI)	**100%**	100%	100%
City Walk Building Administration, Inc. (CBAI)	**100%**	100%	100%
Forbestown Commercial Center Administration, Inc. (FCCAI)	**100%**	100%	100%
Paseo Center Building Administration, Inc. (PCBAI)	**100%**	100%	100%
Uptown Commercial Center Administration, Inc. (UCCAI)	**100%**	100%	100%
Iloilo Center Mall Administration, Inc. (ICMAI)	**100%**	100%	100%
Newtown Commercial Center Administration, Inc. (NCCAI)	**100%**	100%	100%
Valley Peaks Property Management, Inc. (VPPMI)	**100%**	100%	100%
San Lorenzo Place Commercial Center Administration, Inc. (SLPCCAI)	**100%**	100%	100%
Southwoods Lifestyle Mall Management, Inc. (SLMMI)	**100%**	100%	100%

Subsidiaries	Explanatory Notes	Effective Percentage of Ownership 2021	2020	2019
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)	**98.31%**	96.87%	96.87%
Global-Estate Resorts, Inc. (GERI)	(f)	**82.32%**	82.32%	82.32%
Elite Communities Property Services, Inc. (ECPSI)		**82.32%**	82.32%	82.32%
Southwoods Mall, Inc. (SMI)		**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)		**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%	82.32%
Belmont Hotel Boracay, Inc. (BHBI)	(f)	**82.32%**	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)	**58.53%**	32.69%	32.69%
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	Explanatory Notes	Effective Percentage of Ownership 2021	2020	2019
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%	34%
SWC Project Management Limited (SPML)	(o)	**34%**	34%	-
WC Project Management Limited (WPML)	(o)	**34%**	34%	-
First Oceanic Property Management, Inc. (FOPMI)	(i)	**-**	8.16%	8.16%
Citylink Coach Services, Inc. (CCSI)	(i)	**-**	8.16%	8.16%
GERI				
Fil-Estate Network, Inc. (FENI)	(a)	**16.46%**	16.46%	16.46%
Fil-Estate Sales, Inc. (FESI)	(a)	**16.46%**	16.46%	16.46%
Fil-Estate Realty and Sales Associates, Inc. (FERSAI)	(a)	**16.46%**	16.46%	16.46%
Fil-Estate Realty Corp. (FERC)	(a)	**16.46%**	16.46%	16.46%
Nasugbu Properties, Inc. (NPI)		**11.52%**	11.52%	11.52%

Explanatory Notes:

(a) These are entities which have not yet started commercial operations or are non-operating entities as at December 31, 2021.

(b) As at December 31, 2021, 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, 2021, 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) As at December 31, 2021, the Parent Company owns 68.03% of MBPHI, which consists of 67.43% direct ownership 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, with the third party investor becoming the controlling shareholder. The foregoing transactions decreased the Parent Company's effective ownership over SHDI to 34%.

(h) MFMI, MPMI and MREIT are newly incorporated subsidiaries. MFMI is engaged in the business of providing fund management services to real estate investment trust (REIT) companies. MPMI is engaged in the business of providing services in relation to property management, lease management, marketing and project management. MREIT is engaged in the business of an REIT, as provided under Republic Act (R.A.) No. 9856, *The Real Estate Investment Trust Act of 2009,* including its implementing rules and regulations, and other applicable laws.

(i) In 2021, SHDI disposed its investments in FOPMI and SHDI.

(j) KHMI was incorporated in 2020 and also engaged in hotel operations.

(k) In 2021, the Parent Company acquired additional common shares of STLI from previous stockholders representing 1.44% direct ownership. As at December 31, 2021, the effective ownership of Parent Company over STLI is 98.31%, consisting of 18.84% direct ownership and 79.47% indirect ownership through SPI.

(l) In 2021, the SEC approved the application of MDC for the decrease of its authorized capital stock. As a result, MDC paid a total of P355.0 million to its current stockholders for the return of capital. The Parent Company's ownership interest over MDC remains at 60%.

(m) EELHI obtained de facto control over PCMI in 2018 by aligning their Boards of Directors (BOD) and key executives (see Note 1.2). In 2019, EELHI acquired additional shares of PCMI, increasing the effective ownership of EELHI to 40%. Further, in 2021, certain number of shares owned by the Ultimate Parent Company were transferred to the Parent Company, increasing the effective ownership of the Parent Company to 58.53%, which consists of 25.83% direct ownership and 32.69% indirect ownership from EELHI.

(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, 2021, 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, SHDI and MREIT are publicly-listed companies in the Philippines.

1.2 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		
Name	**2021**	2020	2019	**2021**	2020	2019
GERI	**17.68%**	17.68%	17.68%	**P 273,591**	P 216,179	P 117,431
EELHI	**18.27%**	18.27%	18.27%	**131,173**	102,361	114,360
MCTI	**23.72%**	23.72%	23.72%	**42,215**	38,765	34,743
MREIT	**37.91%**	-	-	**218,295**	-	-
MBPHI	**31.97%**	31.97%	31.97%	**134,394**	283,219	547,545
LFI	**33.33%**	33.33%	33.33%	**103,742**	46,099	66,592
NWPI	**40.00%**	40.00%	40.00%	**(1,040)**	(505)	(534)

	Accumulated Equity of NCI		
Name	**2021**	2020	2019
GERI	**5,924,064**	5,659,306	P 6,580,032
EELHI	**10,947,572**	11,721,428	11,367,843
MCTI	**1,478,957**	1,436,742	1,397,977
MREIT	**4,193,831**	-	-
MBPHI	**3,380,091**	3,245,697	2,967,678
LFI	**1,331,477**	1,261,066	1,224,967
NWPI	**2,304,126**	2,305,165	2,305,671

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

	Current Assets	Non-current Assets	Current Liabilities	Non-current Liabilities	Equity
December 31, 2021					
GERI	**P 38,139,719,431**	**P 15,820,703,376**	**P 9,221,560,921**	**P 8,611,153,304**	**P 36,127,708,582**
EELHI	**40,955,740,994**	**5,428,674,577**	**13,225,879,295**	**3,166,385,834**	**29,992,150,442**
MCTI	**5,205,827,670**	**454,925,454**	**415,870,367**	**60,923,341**	**5,183,959,416**
MREIT	**1,549,745,634**	**57,299,106,443**	**509,654,981**	**8,084,070,157**	**50,255,126,939**
MBPHI	**14,987,068,437**	**3,005,053,314**	**7,454,946,818**	**1,823,770,796**	**8,173,404,137**
LFI	**744,011,168**	**943,227,515**	**391,720,546**	**235,982,910**	**1,059,535,227**
NWPI	**958,312,019**	**884,391,370**	**7,648,473**	**-**	**1,835,054,916**
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

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

	Revenues	Net Profit (Loss)	Other Comprehensive Income (Loss)
2021			
GERI	**P 5,112,502,154**	**P 1,635,535,937**	**P 175,090,394**
EELHI	**4,495,217,729**	**760,663,345**	**23,619,795**
MCTI	**456,354,032**	**177,972,817**	**-**
MREIT	**1,806,625,310**	**423,248,654**	**-**
MBPHI	**2,431,858,083**	**420,365,816**	**-**
LFI	**554,170,309**	**311,257,955**	**2,376,412**
NWPI	**8,202**	**(2,599,043)**	**-**
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	Investing Activities	Financing Activities
2021			
GERI	**P 296,711,694**	**(P 23,628,604)**	**P 1,434,041,992**
EELHI	**1,295,015,628**	**5,622,495**	**(40,942,556)**
MCTI	**(147,010,156)**	**(22,025,041)**	**1,051,104,773**
MREIT	**1,552,973,207**	**(9,116,000,000)**	**6,587,915,869**
MBPHI	**1,425,208,741**	**(372,827,723)**	**(94,039,779)**
LFI	**149,327,127**	**23,562,500**	**(103,912,836)**
NWPI	**(28,229,018)**	**-**	**31,866,113**
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 2021, only MREIT and LFI have declared and paid dividends amounting to P607.7 million and P100.0 million, respectively. In 2020, only LFI has declared and paid dividends amounting to P30.0 million.

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

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

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 2021;
- obtained lower cost funding through the debt market to support its business operations, such as financing capital expenditures, land banking and refinancing of loans, and maintain its cash preservation objective;
- undertook an intensive vaccination program to protect the employees and eligible dependents against COVID-19. By end of 2021, all employees have already been fully vaccinated and have received booster shots;
- provided "care kits" and financial loan assistance to employees who have contracted COVID-19 and have undergone quarantine; and,
- provided supplies of disinfectant alcohol, face masks, face shields, vitamins and other high-level hygiene kits to employees.

The following are the results of the actions taken by the management:

- Real estate sales in 2021 closed at 25.2% higher as compared to that of 2020 as a result of resumption of construction activities.
- Rental income posted an increase of 3.0% in 2021. This is the net effect of an increase in occupancy rate and lease concessions offered in 2021.
- Revenue from hotel operations increased by 30.1% as a result of lifting of travel restrictions.
- In recognition for its program related to the pandemic, the Group received 25 local and international awards during the year.

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

1.4 Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as at and for the year ended December 31, 2021 (including the comparative consolidated financial statements as at December 31, 2020 and for the years ended December 31, 2020 and 2019) were authorized for issue by the Group's BOD on February 28, 2022.

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.

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC) in response to the COVID-19 pandemic. The financial reporting reliefs availed of by the Group are disclosed in details below and in the succeeding pages. 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, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic, for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) SEC Financial Reporting Reliefs Availed by the Group

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

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

Discussed in the succeeding pages 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 consolidated financial statements: • interest expense would have been higher; • cost of real estate inventories would have been lower; • total comprehensive income would have been lower; • retained earnings would have been lower; and, • the carrying amount of real estate inventories would have been lower.	Until end of 2023
PIC Q&A No. 2018-12-D, *Concept of the Significant Financing Component in the Contract to Sell* and PIC Q&A No. 2020-04, *Addendum to PIC Q&A 2018-12-D: Significant Financing Component Arising from Mismatch Between the Percentage of Completion and Schedule of Payments*	PFRS 15 requires that in determining the transaction price, an entity shall adjust the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the entity with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. There is no significant financing component if the difference between the promised consideration and the cash selling price of the good or service arises for reasons other than the provision of finance to either the customer or the entity, and the difference between those amounts is proportional to the reason for the difference. Further, the Group does not need to adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception that the timing difference of the receipt of full payment of the contract price and that of the completion of the project, are expected within one year and significant financing component is not expected to be significant.	Until end of 2023

	Had the Group elected not to defer this provision of the standard, it would have an impact in the consolidated financial statements as there would have been a significant financing component when there is a difference between the POC of the real estate project and the right to the consideration based on the payment schedule stated in the contract. The Group would have recognized an interest income when the POC of the real estate project is greater than the right to the consideration and an interest expense when lesser. Both interest income and expense will be calculated using the effective interest rate method. This will impact the retained earnings, real estate sales, and profit or loss in 2021 and prior years.	

(c) Presentation of Consolidated Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements.* The Group presents 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.

(d) 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 2021 that are Relevant to the Group

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

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

Discussed below are the relevant information about these pronouncements.

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

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

The Phase 2 amendments are relevant to the Group because it is exposed to the effects of the LIBOR reform on its interest-bearing loan and the designated hedging instruments that use LIBOR as interest benchmark rates [see Notes 15.1(a), 15.1(j) and 30]. Management assessed that the exposure is minimal as the benchmark rate of the hedging instruments will likely follow the benchmark rate of the interest-bearing loans.

(ii) PFRS 16, *Leases – COVID-19-Related Rent Concessions beyond June 30, 2021* (effective from April 1, 2021). The amendment extends for one year the use of practical expedient of not assessing whether rent concessions reducing payments up until June 30, 2022 occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The application of these amendments had no significant impact to the Group's consolidated financial statements as the Group did not receive any rent concession from its lessors in 2021.

(b) Effective Subsequent to 2021 but not Adopted Early

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

(i) PFRS 3 (Amendments), *Business Combination – Reference to the Conceptual Framework* (effective from January 1, 2022)

(ii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022)

(iii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective from January 1, 2022)

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

- PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 percent' Test for Derecognition of Liabilities*
- Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*

(v) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)

(vi) PAS 1 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective January from 1, 2023)

(vii) PAS 1 (Amendments), *Presentation of Financial Statements – Definition of Accounting Estimates* (effective from January 1, 2023)

(viii) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)

(ix) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely).

(c) PIC Q&As Relevant to the Real Estate Industry Applicable in 2021

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

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

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

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

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

(iii) PIC Q&A No. 2020-05, *Accounting for Cancellation of Real Estate Sales (PIC Q&A No. 2020-05 Will Supersede PIC Q&A No. 2018-14)*

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

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

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Parent 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 solely payments of principal and interest (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, and Guarantee and other deposits (presented as part of Other Non-current Assets).

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

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 expected credit losses (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 impaired financial instruments 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 plus any amount to be refunded to customers 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 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	5-25 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).

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 5 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 and subscription payable (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.

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 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:

1. Identifying the contract with a customer;
2. Identifying the performance obligation;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and,
5. 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 Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied.

The Group 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 as contract modification on the year of forfeiture. Cumulative revenue and costs recognized on cancelled contracts are reversed, any gain or loss 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, OPI, 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 how 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*

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

(b) Group as Lessor

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.

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.

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) Short-term Employee Benefits

Short-term employee benefits include wages, salaries, bonuses, and non-monetary benefits provided to current employees, which are expected to be settled before twelve months after the end of the annual reporting period during which an employee services are rendered but does not include termination benefits. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in the profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of Trade and Other Payables account in the consolidated statement of financial position.

(b) 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.

(c) 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.

(d) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits 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.

(e) 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 Parent 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 Parent Company's equity holders until the shares are cancelled, reissued or disposed of. Also, this includes shares of the Parent 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 Parent 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

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

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

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

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

(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 Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group applies the practical expedient to recognize revenue at the amount to which it has a right to invoice, which corresponds directly to the value to the customer of the entity's performance completed to date i.e., generally when the customer has acknowledged the Group's right to invoice.

(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 the continuing impact of COVID-19 pandemic and revised its assumptions in determining the macroeconomic variables and loss rates in the computation of ECL. Details about the ECL on the Group's trade and other receivables are disclosed in Notes 2.5(b) and 32.3(b).

(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 Group considers the terms of the securities including any restrictions on the Group's ability to defer interest payments. Based on management's assessment, the perpetual debt securities are classified as equity securities as the Group has the ability to defer payments of principal and interest indefinitely (see Note 28.7).

(i) Distinction Between Asset Acquisition and Business Combinations

The Parent Company acquires subsidiaries that own real estate properties. At the time of acquisition, the Parent Company considers whether the acquisition represents acquisition of a business or asset. The Parent 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.

(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 when it has the 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 Group 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 Group 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 Group 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 amounted to P2.3 billion and P2.2 billion in 2021 and 2020, respectively.

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

(b) 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 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 Group's share price and fair value of the Group'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 2021, 2020 and 2019 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, property and equipment, and leasehold rights 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. Valuation methods used in determining the fair value of these financial assets are disclosed in Note 34.2(a).

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

(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, 2021 and 2020 will be utilized in the succeeding years.

The carrying amount of the net deferred tax assets as at December 31, 2021 and 2020 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.

There were no impairment losses on the Group's goodwill and other non-financial assets required to be recognized in 2021, 2020 and 2019 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.

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, 2021, 2020 and 2019 and certain asset and liability information regarding segments as at December 31, 2021 and 2020.

	2021					
	Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
TOTAL REVENUES						
Sales to external customers	P 31,129,417,724	P13,319,580,244	P 1,928,944,451	P 2,110,869,982	P -	P 48,488,812,401
Interest income	1,595,744,496	505,566,953	2,009,599	1,575,221	-	2,104,896,269
Intersegment sales	-	501,620,089	-	2,643,674,522	(3,145,294,611)	-
Total revenues	32,725,162,220	14,326,767,286	1,930,954,050	4,756,119,725	(3,145,294,611)	50,593,708,670
RESULTS						
Cost of sales and operating expenses excluding depreciation and amortization	22,143,407,538	1,718,745,957	1,654,286,432	4,431,168,282	(2,589,557,191)	27,358,051,018
Interest expense	1,784,594,833	587,334,964	-	28,965,294	-	2,400,895,091
Depreciation and amortization	305,468,041	2,815,266,472	148,945,316	198,245,202	-	3,467,925,031
	24,233,470,413	5,121,347,393	1,803,231,748	4,658,378,778	(2,589,557,191)	33,226,871,140
Segment results	P 8,491,691,807	P 9,205,419,894	P 127,722,302	P 97,740,947	(P 555,737,420)	P 17,366,837,530
Unallocated other income						160,663,430
Unallocated other expenses						(2,407,642,233)
Equity in net earnings of associates						(176,548,383)
Tax expense						(564,917,329)
Net profit						P 14,378,393,015
ASSETS AND LIABILITIES						
Segment assets	P 246,748,867,643	P127,778,100,601	P 4,800,909,509	P10,810,311,371	P -	P 390,138,189,125
Investments in and advances to associates and other related parties - net	-	-	-	7,839,061,983	-	7,839,061,983
Total assets	P246,748,867,643	P127,778,100,601	P 4,800,909,509	P18,649,373,355	P -	P397,977,251,108
Segment liabilities	P 110,574,147,992	P47,869,814,875	P 1,185,567,816	P 8,643,729,477	P -	P 168,273,260,161
OTHER SEGMENT INFORMATION						
Project and capital expenditures						P 38,150,906,263

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 expenses 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 expenses 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

5. CASH AND CASH EQUIVALENTS

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

	2021	2020
Cash on hand and in banks	**P 10,751,423,572**	P 7,042,548,724
Short-term placements	**33,043,182,347**	33,124,207,184
	P 43,794,605,919	P 40,166,755,908

Cash in banks generally earn interest based on daily bank deposit rates. Short-term placements are made for varying periods between 30 to 60 days and earn effective interest ranging from 0.05% to 4.50% in 2021, 0.10% to 4.00% in 2020, and 1.00% to 4.88% in 2019 (see Note 23).

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Notes	**2021**	2020
Current:			
Trade	15.3(g), 27.1	**P25,298,080,162**	P 23,502,944,474
Allowance for impairment		**(761,550,836)**	(839,881,663)
		24,536,529,326	22,663,062,811
Advances to associates and other related parties	27.2	**4,551,587,462**	4,227,173,772
Others	27.4	**5,394,539,719**	4,685,900,589
		34,482,656,507	31,576,137,172
Non-current:			
Trade	15.3(g)	**7,878,577,198**	7,777,378,604
Allowance for impairment		**(12,224,936)**	(12,224,936)
		7,866,352,262	7,765,153,668
Others	27.1	**4,623,646,313**	4,496,062,710
		12,489,998,575	12,261,216,378
		P46,972,655,082	P 43,837,353,550

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

The installment period of sales contracts averages one to five years. Noninterest-bearing trade receivables from real estate sales 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 P641.6 million, P408.3 million and P697.2 million in 2021, 2020 and 2019, respectively. These amounts are presented as part of Interest income 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 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.

Other current receivables also include accrued interest.

Others include finance lease receivables arising from sublease transaction entered by the Group [see Note 31.1(b)]. As of December 31, 2021 and 2020, the current portion of the finance lease receivables amounted to P49.7 million and P52.6 million, respectively, while non-current portion amounted to P523.3 million and P540.6 million, respectively.

Other current receivables also include accrued interest.

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(b)].

A reconciliation of the allowance for impairment losses on trade receivables at the beginning and end of 2021 and 2020 is shown below.

	Current	Non-current	Total
December 31, 2021:			
Balance at beginning of year	P 839,881,663	P 12,224,936	P 852,106,599
Reversal of impairment	(77,349,260)	-	(77,349,260)
Write off	(981,567)	-	(981,567)
Balance at end of year	**P 761,550,836**	**P 12,224,936**	**P 773,775,772**
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

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 was recognized in 2020 (see Note 24). In 2021, based on management's reassessment, the Group reversed a portion of allowance for impairment amounting to P77.1 million. The resulting gain on reversal is presented as part of Miscellaneous – net under Interest and Other Income – net account in the consolidated statements of income (see Note 23).

7. INVENTORIES

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

	2021	2020
Residential and condominium units	**P 87,357,060,915**	P 82,285,326,268
Property development costs	**12,770,169,977**	8,746,972,339
Raw land inventory	**12,718,498,816**	12,151,377,975
Golf and resort shares	**2,895,779,113**	2,951,286,629
	P115,741,508,821	P106,134,963,211

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.

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.

Raw land inventory pertains to properties which the Group intends to develop into residential properties to be held 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 P655.0 million and P793.7 million in 2021 and 2020, respectively, which represent the interest costs incurred on the general and specific borrowings obtained by the Group to fund its construction projects (see Notes 15 and 16).

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

Based on management's assessment, no allowance for inventory write-down is required to be recognized in 2021, 2020 and 2019; hence, inventories are recorded at cost as at December 31, 2021 and 2020.

8. PREPAYMENTS AND OTHER CURRENT ASSETS

The composition of this account is shown below.

	Note	2021	2020
Input VAT		**P 3,472,235,583**	P 3,548,681,253
Creditable withholding taxes		**2,654,752,614**	1,150,713,335
Deferred commission	20.3	**1,552,396,393**	1,805,210,470
Prepaid rent and other prepayments		**1,371,970,679**	1,056,369,780
Deposits		**175,938,357**	57,285,237
Others		**384,684,730**	252,953,167
		P 9,611,978,356	P 7,871,213,242

Others include supplies and food and beverage inventories.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

	Note	2021	2020
Equity securities:			
Quoted		**P 3,098,501,606**	P 1,902,709,257
Unquoted		**2,661,866,841**	2,272,177,173
	27.4	**P 5,760,368,447**	P 4,174,886,430

The Group's securities are investments from local entities.

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

	2021	2020
Balance at beginning of year	**P 4,174,886,430**	P 4,498,219,487
Additions	**238,089,875**	-
Fair value gains (losses)	**1,281,339,596**	(323,225,082)
Foreign currency gains (losses)	**66,052,546**	(107,975)
Balance at end of year	**P 5,760,368,447**	P 4,174,886,430

The quoted equity securities pertain to investments in publicly-listed holding and service companies with fair values determined directly by reference to published prices in the PSE.

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

In 2021, 2020 and 2019, the Group received cash dividends amounting to P24.5 million, P8.2 million and P8.5 million, respectively. The amount of dividends received is presented as 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, 2021 and 2020, management has assessed that the advances to joint ventures are fully recoverable. Further, there has been no outstanding commitment for cash advances under the joint agreements.

The net commitment for construction expenditures amounts to:

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

The Group's interests in jointly-controlled operations and projects range from 57% to 90% in both 2021 and 2020. The listing of the Group's jointly-controlled projects are as follows:

Parent Company:

- McKinley Hill
- McKinley West
- Newport City
- Manhattan Garden City

Parent Company (*continued*):
- Noble Place
- 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, 2021 and 2020, and income and expenses for each of the three years in the period ended December 31, 2021 related to the Group's interests in 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, 2021 and 2020, 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 2021 and 2020 amounted to P333.2 million and P277.2 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).

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:

	2021	2020
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	**(223,171,574)**	(153,291,902)
Equity share in net losses of associates for the year	**(176,548,383)**	(69,879,672)
Balance at end of year	**(399,719,957)**	(223,171,574)
Accumulated equity in other comprehensive income:		
Balance at beginning of year	**48,194,714**	46,720,176
Share in other comprehensive income of associates	**20,926,197**	1,474,538
Balance at end of year	**69,120,911**	48,194,714
	P 3,287,474,516	P 3,443,096,702

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, 2021 and 2020. 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.

a. Investment in SHDI

In October 2019, the Parent Company acquired additional 115.0 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, the unpaid portion is presented as Subscription payable under Other Current Liabilities account in the consolidated statements of financial position (see Note 19). 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). There was no similar transaction in 2021 and 2020.

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 2021 and 2020.

11.2 Summarized Financial Information

The aggregated amounts of assets, liabilities, equity, revenues, net profit (loss), other comprehensive income (loss) of the associates are as follows:

	Current Assets	Non-current Assets	Current Liabilities	Non-current Liabilities	Equity
December 31, 2021					
SHDI	P 6,828,835,591	P 23,851,491,561	P 7,459,884,544	P 15,336,700,444	P 7,883,742,164
NPI	255,482,161	5,411,008,680	1,317,011,624	-	4,349,479,217
BWDC	941,814,221	1,664,189,610	882,306,335	31,659,593	1,723,697,496
PTHDC	1,134,958,743	146,281	1,010,048,029	-	125,056,995
	P 9,161,090,716	**P 30,926,836,132**	**P 10,669,250,532**	**P 15,368,360,037**	**P 14,081,975,872**
December 31, 2020					
SHDI	P 5,934,435,559	P 16,559,530,064	P 350,878,800	P 13,816,020,878	P 8,327,065,945
NPI	255,482,161	5,411,008,680	1,317,011,624	-	4,349,479,217
BWDC	941,814,221	1,664,189,610	882,306,335	31,659,593	1,692,037,903
PTHDC	1,134,958,743	146,281	1,010,048,029	-	125,056,995
	P 8,069,689,964	P 23,849,455,865	P 3,551,540,850	P 13,857,818,140	P 14,493,640,060

	Revenues	Net Loss	Other Comprehensive Income
2021			
SHDI	P 358,988	(P 504,878,084)	61,547,638
NPI	-	-	-
BWDC	75,876,205	(10,380,773)	-
PTHDC	1,354	(258,146)	-
	P 76,236,547	**(P 515,517,003)**	**P 61,547,638**

	Revenues	Net Profit (Loss)	Other Comprehensive Income (Loss)
2020			
SHDI	P 15,197,042	(P 211,545,268)	P 4,336,876
NPI	-	-	-
BWDC	66,586,695	5,048,071	-
PTHDC	4,633	(704,866)	-
	P 81,788,370	(P 207,202,063)	P 4,336,876
2019			
SHDI	P 582,956,270	(P 314,779,735)	(P 9,235,871)
NPI	8,725	(726,177)	-
BWDC	165,496,452	104,863,479	-
PTHDC	12,790	(461,651)	-
	P 748,474,237	(P 211,104,084)	(P 9,235,871)

12. INVESTMENT PROPERTIES

The gross carrying amounts and accumulated depreciation of investment properties at the beginning and end of 2021 and 2020 are shown below.

	Land	Buildings	Total
December 31, 2021			
Cost	P 27,587,597,724	P 109,340,437,817	P 136,928,035,541
Accumulated depreciation	-	(17,705,786,594)	(17,705,786,594)
Net carrying amount	**P 27,587,597,724**	**P 91,634,651,223**	**P 119,222,248,947**
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
January 1, 2020			
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

A reconciliation of the carrying amounts at the beginning and end of 2021, 2020 and 2019 of investment properties is shown below.

	Land	Buildings	Total
Balance at January 1, 2021, net of accumulated depreciation	P 27,000,062,823	P 87,982,426,606	P114,982,489,429
Additions	587,935,371	6,467,491,089	7,055,426,460
Disposal	(400,470)	-	(400,470)
Depreciation charges for the year	-	(2,815,266,472)	(2,815,266,472)
Balance at December 31, 2021, net of accumulated depreciation	**P 27,587,597,724**	**P 91,634,651,223**	**P 119,222,248,947**

	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	P 114,982,489,429
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

Rental income earned from these properties amounted to P13.3 billion, P12.9 billion and P16.8 billion in 2021, 2020 and 2019, 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 P802.7. million in 2021, P882.7 million in 2020 and P737.2 million in 2019. 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 2021, 2020 and 2019 amounted to P29.6 million, P37.2 million and P34.7 million, respectively. The operating lease commitments of the Group as a lessor are fully disclosed in Note 31.1.

In 2019, 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 and the carrying amount of P400.5 million were reclassified from Investment Properties to Property and Equipment (see Note 13). 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).

In 2021, the Group sold certain parcels of land with a total carrying value of P0.4 million for a total consideration of P136.6 million to a related party under common ownership (see Note 27.9). The related gain on disposal amounting to P136.2 million is presented as Gain on sale of properties under Interest and Other Income – net in the 2021 consolidated statement of income (see Note 23).

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 Gain on sale of properties under Interest and Other Income – net in the 2019 consolidated statement of income (see Note 23).

Borrowing costs that are capitalized as part of investment properties amounted to P1,607.2 million and P1,846.7 million in 2021 and 2020, 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 2021 and 2020 are P464.5 billion and P437.9 billion as at December 31, 2021 and 2020, respectively, while the fair market value of idle land as of December 31, 2021 and 2020 is P55.5 billion and P53.8 billion, respectively. Other information about the fair value measurement and disclosures related to the investment properties are presented in Note 34.4.

As of December 31, 2021 and 2020, the Group does not have any contractual commitments for acquisition of investment properties.

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

13. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2021 and 2020 are shown below.

	Buildings & Improvements	Office Furniture, Fixtures and Equipment	Office Improvements	Transportation Equipment	Land	Right-of-use Assets	Total
December 31, 2021							
Cost	P7,382,669,895	P 1,772,495,392	P 465,326,962	P 576,330,596	P 245,672,573	P 286,374,169	P 10,728,869,587
Accumulated depreciation and amortization	(1,830,502,734)	(1,404,967,191)	(358,856,827)	(529,501,166)	-	(74,153,873)	(4,197,981,791)
Net carrying amount	**P5,552,167,161**	**P 367,528,201**	**P 106,470,135**	**P 46,829,430**	**P 245,672,573**	**P 212,220,296**	**P 6,530,887,796**
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	P5,561,112,958	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
January 1, 2020							
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

A reconciliation of the carrying amounts at the beginning and end of 2021, 2020 and 2019, of property and equipment is shown below and in the succeeding page.

	Buildings & Improvements	Office Furniture, Fixtures and Equipment	Office Improvements	Transportation Equipment	Land	Right-of-use Assets	Total
Balance at January 1, 2021, net of accumulated depreciation and amortization	P5,561,112,958	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
Additions	311,632,036	153,516,424	32,451,000	21,499,502	-	3,560,977	522,659,939
Derecognition	-	(47,388,166)	-	-	-	(14,776,324)	(62,164,490)
Disposals	-	(2,551,136)	-	(963,179)	-	-	(3,514,315)
Depreciation charges for the year	(320,577,833)	(197,764,233)	(48,421,615)	(50,420,021)	-	(28,509,641)	(645,693,343)
Balance at December 31, 2021, net of accumulated depreciation	**P5,552,167,161**	**P 367,528,201**	**P 106,470,135**	**P 46,829,430**	**P 245,672,573**	**P 212,220,296**	**P 6,530,887,796**

	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	P 5,453,323,089	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	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	P 5,453,323,089	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

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
2021					
Offices	4	1 – 12 years	7 years	2	1
Commercial lot	3	1 – 26 years	14 years	2	1
2020					
Offices	5	2 – 13 years	7 years	3	1
Commercial lot	3	1 – 27 years	14 years	2	1

The breakdown of the Group's right-of-use assets as at December 31, 2021 and 2020 and the movements during the years are shown below.

	Offices	Commercial Lot	Total
Balance at January 1, 2021	P 28,163,734	P 223,781,550	P 251,945,284
Additions	3,560,977	-	3,560,977
Derecognition	(14,776,324)	-	(14,776,324)
Depreciation and amortization	(5,447,040)	(23,062,601)	(28,509,641)
Balance at December 31, 2021	**P 11,501,347**	**P 200,718,949**	**P 212,220,296**

	Offices	Commercial Lot	Total
Balance at January 1, 2020	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 December 31, 2020	P 28,163,734	P 223,781,550	P 251,945,284

As of December 31, 2021 and 2020, 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.

14. OTHER NON-CURRENT ASSETS

This account consists of:

	Note	2021	2020
Deferred commission	20.3	**P 2,022,525,348**	P1,554,862,853
Goodwill		**1,385,124,597**	1,385,124,597
Guarantee and other deposits		**877,329,410**	1,186,605,535
Leasehold rights – net		**90,547,817**	97,513,034
Deposit for cancellation of perpetual securities		**-**	1,200,900,000
Miscellaneous		**205,005,800**	170,147,303
		P 4,580,532,972	P5,595,153,322

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.

The recoverable amounts of the cash generating units assigned to GERI, MLI and STLI are P57.2 billion, P473.2 million and P4.6 billion, respectively, at end of 2021 and P46.5 billion, P349.4 million and P2.6 billion, respectively, at end of 2020. 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 3.6%. The aggregate recoverable amounts of the cash generating units assigned to other subsidiaries is P93.3 million and P122.0 million in 2021 and 2020, respectively, while the average growth rate used in extrapolating cash flows covering five-year projections is 5%. The average discount rates applied in determining the present value of future cash flows is 7.3% in 2021 and 7.1% in 2020.

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.

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 2021, 2020 and 2019 as the recoverable amounts of the intangible assets determined by management are higher than their carrying values.

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. In 2021, the perpetual securities were redeemed in full (see Note 28.7).

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 2021, 2020 and 2019, and is presented as part of Depreciation and amortization under Operating Expenses account in the consolidated statements of income (see Note 22).

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:

	2021	2020
Parent Company:		
Php-denominated	**P 28,909,550,457**	P 27,762,950,312
U.S. Dollar-denominated	**4,580,587,013**	6,660,010,889
	33,490,137,470	34,422,961,201
Subsidiaries –		
Php-denominated	**18,159,567,128**	11,155,205,216
	P 51,649,704,598	P 45,578,166,417

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

	2021	2020
Current	**P 12,685,534,491**	P 21,037,756,478
Non-current	**38,964,170,107**	24,540,409,939
	P 51,649,704,598	P 45,578,166,417

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 P2,251.7 million, P2,726.2 million and P2,967.8 million in 2021, 2020 and 2019, respectively. Of these amounts, portion charged as expense amounted to P788.9 million, P666.9 million and P709.7 million in 2021, 2020 and 2019, 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 2021, 2020 and 2019 amounted to P1,462.8 million, P2,059.3 million and P2,258.1 million, respectively. The outstanding interest payable as of December 31, 2021 and 2020 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 3.01%, 4.25% and 4.48% in 2021, 2020 and 2019, respectively.

The reconciliation of the unamortized loans issue costs is presented below.

	2021	2020	2019
Balance at beginning of year	**P 104,739,347**	P 134,084,993	P 103,429,007
Additions	**102,375,000**	37,500,000	75,000,000
Amortization	**(61,848,866)**	(66,845,646)	(44,344,014)
Balance at end of year	**P 145,265,481**	P 104,739,347	P 134,084,993

The amortization of loans issue costs is recognized as part of Interest expense under Interest and Other Charges – net account in the consolidated statements of income.

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 three-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 Parent 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, which was further negotiated to 4.00% effective July 1, 2021.

(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. In 2021, the Parent Company has paid in full its outstanding loan balance.

(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. In 2021, the Parent Company has paid in full its outstanding loan balance.

(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. In 2021, the Parent Company has paid in full its outstanding loan balance.

(g) 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 commenced in March 2021 and interest is paid quarterly based on a fixed 7.85% annual interest rate which was further negotiated to 6.30% effective September 2, 2020.

(h) 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. In 2021, the Parent Company has paid in full its outstanding loan balance.

(i) 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. In 2021, the Parent Company has paid in full its outstanding loan balance.

(j) 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 three-month 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).

(k) 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.

(l) 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 five-day average reference rate plus a certain spread.

(m) Philippine Peso, five-year loan due 2026

In March 2021, 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 shall commence in March 2022. Interest on the loan is fixed at 4.00% payable quarterly.

(n) Philippine Peso, five-year loan due 2026

In August 2021, 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 the first principal payment due in November 2022. Interest is payable quarterly at a floating rate based on a reference rate plus a certain spread.

(o) Philippine Peso, five-year loan due 2026

In May 2021, the Parent Company obtained an unsecured long-term loan from a local bank amounting to P6.0 billion. The loan is payable quarterly beginning August 2022. The interest is payable quarterly at a floating rate.

15.2 EELHI

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

In 2015, EELHI obtained a P2.0 billion unsecured 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.

(b) Philippine Peso, 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 EELHI's various real estate projects. The principal of the loan is payable upon maturity and interest is payable monthly in arrears. In 2021, EELHI has paid in full its outstanding loan balance.

(c) Philippine Peso, 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. In 2021, the EELHI has paid in full its outstanding loan balance.

(d) Philippine Peso, seven-year loan due in 2028

In 2021, EELHI obtained an unsecured interest-bearing, seven-year, P1.0 billion loan from a local bank. The loan was released in full in February 2021 and bears a floating interest rate of 3.5% per annum. The proceeds of the loan were used to fund the development of its various real estate projects. The principal of the loan is payable in 20 equal quarterly payments starting in May 2023 with a two-year grace period and interest is payable quarterly in arrears.

15.3 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, seven-year loan due in 2027

In 2020, SPI obtained an unsecured long-term loan from a local bank amounting to P300.0 million. The loan bears fixed interest of 4.50%. The principal amount is payable on a monthly basis after a grace period of two years from the date of availment.

(c) Philippine peso, six-month loan

In 2021, SPI obtained an unsecured loan from a local bank amounting to P500.0 million. The loan bears fixed interest of 4.0%. The principal amount is payable at maturity date.

(d) Philippine Peso, various six-year loans due in 2027

In 2021, SPI obtained an unsecured long-term loan from a local bank amounting to P400.0 million and P200.0 million. The principal amount is payable on a monthly basis after a grace period of three years from the date of availment. The loans bear fixed interest rates of 4.38% and 4.50%, respectively.

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

In 2021, SPI obtained an unsecured long-term loan from a local bank amounting to P100.0 million. The principal amount is payable on a monthly basis after a grace period of three years from the date of availment. The loans bears floating interest rate of 4.38% subject to quarterly repricing.

(f) Philippine Peso, various short-term loans

In prior years, 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, 2021 and 2020 amount to P500.0 million and P314.0 million, respectively.

(g) Philippine Peso, liability on assigned receivables

In 2021 and prior years, 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, 2021 and 2020 amounted to P0.9 billion and P1.4 billion, respectively. The carrying value of assigned receivables is equal to the outstanding balance of the loan as of December 31, 2021 and 2020.

15.4 GERI

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

In 2019, GERI 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 commenced on the 9th 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%. In 2021, GERI has paid in full its outstanding loan balance.

(d) 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.

(e) 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.

(f) 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.

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

In March 2021, 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 two years upon availment. The loan bears a floating interest rate and is payable quarterly in arrears.

(h) Philippine Peso, four-year loan due 2025

In July 2021, 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 four years commencing on the beginning of the fifth quarter from the date of availment. The loan bears a fixed interest rate of 5.37% and is payable quarterly in arrears.

15.5 MREIT

Philippine Peso, ten-year loan due 2031

In December 2021, MREIT obtained an unsecured, 10-year, P7.25 billion term loan from a local bank to finance the acquisition of investment properties from the Parent Company. The principal is payable quarterly in installment beginning in the last quarter of the fifth year with a balloon payment at the end of the term. Interest is payable quarterly at 3.64% per annum subject to repricing in December 2024.

16. BONDS AND NOTES PAYABLE

This account is composed of the following:

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

(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).

(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 P1,983.9 million, P1,496.5 million and P1,201.8 million in 2021, 2020 and 2019, respectively. Of these amounts, portion charged as expense amounted to P1,103.1 million, P872.2 million and P717.4 million in 2021, 2020 and 2019, respectively, and are presented as part of Interest expense under Interest and Other Charges account in the consolidated statements of income (see Note 24). The outstanding interest payable as at December 31, 2021 and 2020 is presented as part of Accrued interest payable under Trade and Other Payables account in the consolidated statements of financial position (see Note 17). Unrealized foreign currency gains in relation to these foreign bonds are presented as part of Foreign currency gains – net under Interest and Other Income – net account in the consolidated statements of income (see Note 23).

Interest capitalized amounted to P799.4 million and P581.2 million in 2021 and 2020, respectively. Capitalization rate used in determining the amount of interest charges qualified for capitalization is 3.87% in 2021 and 2.89% in 2020.

The reconciliation of the unamortized bonds issue costs is presented below.

	2021	2020	2019
Balance at beginning of year	**P 538,744,014**	P 48,903,571	P 64,652,759
Additions	**-**	533,014,807	-
Amortization	**(81,423,244)**	(43,174,364)	(15,749,188)
Balance at end of year	**P 457,320,770**	P 538,744,014	P 48,903,571

The amortization of bonds issue costs is recognized as part of Interest expense under Interest and Other Charges – net account in the consolidated statements of income.

17. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	**2021**	2020
Trade payables		**P 14,438,713,317**	P 13,965,119,893
Retention payable		**5,092,856,605**	5,143,997,192
Refund liability		**1,598,037,403**	1,042,344,049
Accrued interest	15, 16	**673,948,706**	789,488,958
Cash dividends payable	28.4	**-**	1,128,400,869
Miscellaneous		**1,072,411,109**	1,262,607,011
		P 22,875,967,140	P 23,331,957,972

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).

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.

Miscellaneous payables include withholding taxes payable and accrual of salaries, wages and utilities.

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 P0.5 million and P0.9 million as at December 31, 2021 and 2020, 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 P11.1 million, P16.9 million, and P22.7 million in 2021, 2020 and 2019, 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.

19. OTHER LIABILITIES

This account consists of:

	Notes	2021	2020
Current:			
Unearned income		**P 2,928,397,465**	P 3,668,867,976
Commission payable		**2,632,525,561**	3,164,723,364
Advances from customers		**1,558,113,579**	1,993,994,411
Subscription payable	11.1(a), 27	**1,114,665,008**	1,114,665,008
Derivative liability	30	**147,793,407**	758,026,441
Lease liabilities		**72,195,557**	55,716,783
Other payables		**1,022,705,897**	120,695,519
		P 9,476,396,474	P 10,876,689,502
Non-current:			
Deferred rent - net		**P 3,950,438,046**	P 3,997,245,649
Retention payable	17	**2,144,942,479**	2,168,836,637
Lease liabilities		**517,377,243**	531,900,188
Other payables	18	**479,905,536**	119,442,993
		7,092,663,304	6,817,425,467
		P 16,569,059,778	P17,694,114,969

Unearned income includes the current portion of deferred rent and advance payment for other services.

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.

Other current payables as of December 31, 2021 mainly pertain to the outstanding balance on the purchase of PCMI shares (see Note 27.6).

The total cash outflows relating to lease liabilities for the years ended December 31, 2021 and 2020 are as follows:

	Note	2021	2020
Principal of lease liability		**P -**	P 24,915,531
Interest on lease liability	24	**29,570,421**	15,899,599
		P 29,570,421	P 40,815,130

The maturity analysis of lease liabilities as at December 31 is presented as follows:

	Lease Payment	Finance Charges	Net Present Value
2021			
Within one year	P 110,776,861	(P 38,581,304)	P 72,195,557
After one year but not more than two years	59,622,870	(37,208,976)	22,413,894
After two years but not more than three years	60,085,188	(35,567,044)	24,518,144
After three years but not more than four years	59,560,155	(33,951,583)	25,608,572
After four years but not more than five years	60,370,357	(32,294,017)	28,076,340
More than five years	810,937,480	(394,177,187)	416,760,293
	P 1,161,352,911	**(P 571,780,111)**	**P 589,572,800**
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

The Group 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 P77.0 million, P181.1 million and P241.0 million in 2021, 2020 and 2019, 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 Group derives revenues from sale of real properties and hotel operations.

An analysis of the Group's major sources of revenues is presented in the succeeding page.

	Segments		
	Real Estate	Hotel Operations	Total
2021			
Types of products or services			
Residential units	P 27,349,657,783	P -	P 27,349,657,783
Commercial lot	1,989,948,174	-	1,989,948,174
Residential lot	1,555,674,397	-	1,555,674,397
Industrial lot	234,137,370	-	234,137,370
Room accommodation	-	1,427,615,363	1,733,188,767
Food and beverages	-	471,620,410	166,047,006
Other hotel services	-	29,627,308	29,627,308
	P 31,129,417,724	**P 1,928,863,081**	**P33,058,280,805**
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
	P 24,858,537,303	P 1,482,160,976	P 26,340,698,279
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

20.2 Contract Accounts

The significant changes in the contract assets and contract liabilities balances as of December 31 are as follows:

	2021		2020	
	Contract Assets	**Contract Liabilities**	Contract Assets	Contract Liabilities
Balance at beginning of year	**P19,380,726,313**	**P5,843,629,303**	P18,643,004,687	P 5,213,555,043
Transfers from contract assets recognized at the beginning of year to trade receivables	**(6,331,845,183)**	**-**	(4,684,255,962)	-
Increase due to satisfaction of performance obligation over time, net of cash collections	**6,873,366,232**	**-**	5,421,977,588	-
Revenue recognized that was included in contract liability at the beginning of year	**-**	**(1,704,149,276)**	-	(1,195,609,872)
Increase due to cash received in excess of performance to date	**-**	**3,264,215,781**	-	1,825,684,132
Balance at end of year	**P19,922,247,362**	**P7,403,695,808**	P19,380,726,313	P 5,843,629,303

The current and non-current classification of the Group's Contract Assets account as presented in the statements of financial position is shown below.

	2021	2020
Current	**P 11,970,852,843**	P 13,265,242,603
Non-current	**7,951,394,519**	6,115,483,710
	P 19,922,247,362	P 19,380,726,313

The current and non-current classification of the Group's Contract Liabilities account as presented in the statements of financial position is shown below.

	2021	2020
Current	**P 2,447,089,883**	P 2,647,780,045
Non-current	**4,956,605,925**	3,195,849,258
	P 7,403,695,808	P 5,843,629,303

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 P27.5 billion and P25.7 billion as of December 31, 2021 and 2020, respectively (see Note 6).

20.3 Direct Contract Costs

The Group incurs sales commissions upon execution of contracts to sell real properties to customers. Incremental costs of commission incurred to obtain contracts are capitalized and presented as Deferred commission under 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 Group 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 2021 and 2020 is presented below.

	2021	2020
Balance at beginning of year	**P 3,360,073,323**	P 2,113,414,716
Additional capitalized costs	**1,049,897,401**	1,898,751,533
Reversal due to back out	**(14,187,040)**	(12,545,654)
Amortization for the year	**(820,861,943)**	(639,547,272)
Balance at end of year	**P 3,574,921,741**	P 3,360,073,323

20.4 Transaction Price Allocated to Unsatisfied Performance Obligations

The aggregate amount of transaction price allocated to partially or wholly unsatisfied contracts amounted to P47.1 billion and P41.8 billion as of December 31, 2021 and 2020, respectively, which the Group expects to recognize as follows:

	2021	2020
Within a year	**P21,139,283,515**	P17,112,265,610
More than one year to three years	**19,761,215,172**	19,283,075,464
More than three to five years	**6,225,643,643**	5,426,500,143
	P 47,126,142,330	P41,821,841,217

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:

	2021	2020	2019
Contracted services	**P 13,921,991,148**	P 11,219,299,981	P 17,531,181,959
Land cost	**1,870,060,652**	1,884,946,036	4,927,689,375
Borrowing cost	**792,405,811**	462,338,695	549,543,413
Other costs	**289,825,668**	223,941,120	371,404,253
	P16,874,283,279	P 13,790,525,832	P 23,379,819,000

21.2 Cost of Hotel Operations

The nature of the cost of hotel operations for the years ended December 31 are as follows:

	Note	**2021**	2020	2019
Salaries and employee benefits	25.1	**P 272,425,884**	P 294,423,195	P 313,010,398
Rent		**251,186,534**	174,698,043	223,425,060
Utilities		**246,934,596**	145,490,772	256,609,404
Food and beverage		**191,503,125**	113,744,576	267,202,449
Outside services		**7,071,957**	143,269,354	177,371,037
Hotel operating supplies		**74,716,451**	46,365,836	74,877,359
Miscellaneous		**43,140,012**	45,112,756	68,661,058
		P 1,086,978,559	P 963,104,532	P 1,381,156,765

22. OPERATING EXPENSES

Presented below are the details of this account.

	Notes	**2021**	2020	2019
Depreciation and amortization	12, 13, 14	**P 3,467,925,032**	P 3,104,661,233	P 2,718,633,789
Salaries and employee benefits	25.1	**2,878,758,053**	2,774,714,292	3,125,673,095
Commission	20.3	**1,220,192,387**	1,211,294,878	2,330,502,280
Taxes and licenses		**1,192,439,947**	1,058,641,173	1,010,811,356
Outside services		**826,990,607**	553,576,807	617,984,919
Utilities and supplies		**494,027,066**	470,914,537	735,437,981
Advertising and promotions		**764,372,156**	551,242,571	1,202,536,624
Professional fees		**594,801,585**	511,233,774	530,988,612
Association dues		**365,873,255**	435,179,281	373,994,646
Donation		**149,743,170**	252,789,709	43,880,408
Transportation		**194,751,215**	154,786,603	338,320,212
Rent	19	**76,988,707**	181,081,217	240,973,409
Miscellaneous	11.2	**637,769,661**	590,142,897	642,742,420
		P 12,864,632,841	P 11,850,258,972	P 13,912,479,751

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	**2021**	2020	2019
Interest income	5, 6, 27.1	**P 2,104,896,268**	P 2,003,787,163	P 2,328,813,700
Property management, commission and construction income		**1,617,611,176**	1,269,150,213	1,679,042,730
Gain on sale of property	12	**136,206,674**	-	45,781,949
Dividend income	9, 27.4	**24,456,757**	8,193,611	8,464,814
Foreign currency gains – net	5, 15, 16	**-**	788,594,465	492,386,136
Gain on finance lease	31.1(b)	**-**	-	350,218,385
Gain on sale and dilution of investment in associates	11	**-**	-	340,809,382
Miscellaneous – net	6	**493,258,807**	197,683,843	164,209,164
		P 4,376,429,682	P 4,267,409,295	P 5,409,726,260

24. INTEREST AND OTHER CHARGES

Presented below are the details of this account.

	Notes	2021	2020	2019
Interest expense	10.2, 15, 16, 18, 25.3	**P 1,941,630,481**	P 1,641,304,190	P 1,512,905,580
Other charges:				
Foreign currency losses – net	15, 16	**1,265,498,741**	-	-
Impairment and other losses	6	**682,473,797**	659,918,645	943,762,442
Day one loss	6	**483,265,727**	269,781,190	494,929,021
Miscellaneous – net		**435,668,579**	359,633,267	310,000,954
		P 4,808,537,325	P 2,930,637,292	P 3,261,597,997

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	2021	2020	2019
Short-term benefits		**P 3,010,286,233**	P 2,975,240,661	P 3,322,484,310
Employee share option benefit	25.2, 28.6	**10,204,332**	21,381,914	18,717,409
Post-employment benefits	25.3	**130,693,372**	72,514,912	97,481,774
	21, 22	**P 3,151,183,937**	P 3,069,137,487	P 3,438,683,493

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 December 31, 2021 and 2020, 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, 2021, 2020, and 2019, 50.0 million, 40.0 million, and 35.0 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 P10.2 million, P21.4 million and P18.7 million in 2021, 2020 and 2019, 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 2021 and 2020.

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

	2021	2020
Present value of the obligation	**P 1,121,810,503**	P 1,345,331,303
Fair value of plan assets	**(575,007,802)**	(525,575,607)
Net defined benefit liability	**P 546,802,701**	P 819,755,696

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

	2021	2020
Balance at beginning of year	**P 1,345,331,303**	P 1,636,406,311
Current service costs	**130,693,372**	72,514,912
Interest costs	**49,827,794**	82,498,054
Remeasurements –		
Actuarial gains arising from changes in:		
Financial assumptions	**(134,104,864)**	(267,188,298)
Experience adjustments	**(202,235,817)**	(100,470,130)
Benefits paid	**(67,701,285)**	(78,429,546)
Balance at end of year	**P 1,121,810,503**	P 1,345,331,303

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

	2021	2020
Balance at beginning of year	**P 525,575,607**	P 386,831,493
Contributions received	**82,108,139**	168,250,000
Interest income	**20,862,500**	23,461,025
Benefits paid	**(42,322,863)**	(39,441,837)
Loss on plan assets (excluding amount included in net interest cost)	**(11,215,581)**	(13,525,074)
Balance at end of year	**P 575,007,802**	P 525,575,607

The plan assets are composed of cash and cash equivalents of P184.4 million and P319.8 million in 2021 and 2020, respectively, investment in equity securities of P242.5 million and P1.10 million in 2021 and 2020, respectively, and investment in debt securities of P148.1 million and P204.7 million in 2021 and 2020, respectively. Debt securities pertain to corporate and government securities while equity securities consist of investments in private corporations. 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 P9.6 million, P23.7 million and P22.1 million in 2021, 2020 and 2019, 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	2021	2020	2019
Reported in consolidated statements of income:				
Current service costs	25.1	**P130,693,372**	P 72,514,912	P 97,481,774
Net interest costs	24	**28,965,294**	59,037,029	63,111,421
		P159,658,666	P131,551,941	P 160,593,195
Reported in consolidated statements of comprehensive income:				
Actuarial gains (losses) arising from changes in:				
Experience adjustments		**P202,235,817**	P 100,470,130	P 13,610,270
Financial assumptions		**134,104,864**	267,188,298	(362,928,641)
Loss on plan assets (excluding amounts included in net interest expense)		**(11,215,581)**	(13,525,074)	(1,161,220)
		325,125,100	354,133,354	(350,479,591)
Tax expense (benefit)	26	**(62,880,238)**	(106,240,006)	105,143,877
		P262,244,862	P247,893,348	(P 245,335,714)

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:

	2021	2020	2019
Discount rates	**3.58% - 5.20%**	3.70% - 5.09%	5.09% - 6.08%
Expected rate of salary increases	**3.00% - 7.00%**	3.00% - 10.00%	5.00% - 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.

(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, 2021 and 2020:

		Impact on Retirement Benefit Obligation	
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2021			
Discount rate	0.50%	(P 134,872,845)	P 154,277,589
Salary increase rate	1.00%	192,679,302	(147,803,409)
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)

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 P111.6 million to the plan during the next reporting period.

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

	2021	2020
Within one year	**P 183,023,171**	P 131,296,356
More than one year to 5 years	**169,124,514**	427,118,652
More than 5 years to 10 years	**426,063,067**	443,099,489
More than 10 years to 15 years	**375,319,675**	386,693,838
More than 15 years to 20 years	**642,769,942**	698,110,905
	P 1,796,300,369	P 2,086,319,240

The weighted average duration of the DBO at the end of the reporting period range from 8 to 23 years.

26. TAXES

On March 26, 2021, Republic Act (R.A.) No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, as amended, was signed into law and shall be effective beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to and considered by the Group:

- regular corporate income tax (RCIT) rate was reduced from 30% to 20% or 25% starting July 1, 2020;
- minimum corporate income tax (MCIT) rate was reduced from 2% to 1% starting July 1, 2020 until June 30, 2023; and,
- the allowable deduction for interest expense is reduced from 33% to 20% of the interest income subjected to final tax.

As a result of the application of the lower RCIT rate of 20% to 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 the Group, would be lower by P188.1 million than the amount presented in the 2020 financial statements and such amount was charged to 2021 profit or loss.

In 2021, the recognized net deferred tax liabilities as of December 31, 2020 was remeasured to the effective tax rates that applies to the components. This resulted in a decline in the recognized deferred tax liability in 2020 by P1,911.5 million and such was recognized in the 2021 profit or loss (P1,893.1 million) and in other comprehensive income (P18.4 million).

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

	2021	2020	2019
Reported in consolidated statements of income:			
Current tax expense:			
Regular corporate income tax (RCIT) at 25%, 20% and 10% in 2021, and 30% and 10% in 2020 and 2019	**P 847,820,456**	P 2,707,466,693	P 3,541,256,471
Adjustment in 2020 income taxes due to change in income tax rate	**(188,097,109)**	-	-
Final tax at 15% and 7.5%	**38,763,811**	58,700,066	136,799,818
Minimum corporate income tax (MCIT) at 1% in 2021 and, 2% in 2020 and 2019	**275,179**	33,058,126	3,139,384
Preferential tax at 5%	**-**	-	16,535,903
	698,762,337	2,799,224,885	3,697,731,576
Deferred tax expense relating to:			
Effect of the change in income tax rate	**(1,893,077,651)**	-	-
Origination and reversal of temporary differences	**1,759,232,643**	548,681,373	2,383,925,714
	P 564,917,329	P 3,347,906,258	P 6,081,657,290
Reported in consolidated statements of comprehensive income –			
Deferred tax expense (income) relating to:			
Effect of the change in income tax rate	**(P 18,401,038)**	P -	P -
Origination and reversal of temporary differences	**93,038,135**	101,774,635	(106,078,710)
	P 74,637,097	P 101,774,635	(P 106,078,710)

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:

	2021	2020	2019
Tax on pretax profit at 25% in 2021, and 30% in 2020 and 2019	**P3,735,827,587**	P 4,180,941,466	P 7,613,305,932
Effect of change in income tax rate	**(2,081,174,760)**	-	-
Adjustment for income subjected to lower income tax rates	**(185,194,162)**	(135,250,737)	(156,046,868)
Tax effects of:			
Non-taxable income	**(1,156,058,029)**	(1,062,695,429)	(1,713,474,896)
Non-deductible expenses	**203,836,087**	229,869,981	376,780,416
Unrecognized deferred tax assets on temporary differences	**64,569,571**	31,518,283	12,498,461
Miscellaneous	**(16,888,965)**	103,522,694	(51,405,755)
	P 564,917,329	P 3,347,906,258	P 6,081,657,290

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

	2021	2020
Deferred tax assets – net:		
Difference between the fair value and carrying value of net assets acquired	**P 141,225,062**	P 141,225,062
Retirement benefit obligation	**48,881,410**	48,209,554
Allowance for impairment of receivables	**92,800,723**	9,254,356
Allowance for property development costs	**7,689,776**	9,227,732
NOLCO	**51,712,686**	75,292,529
MCIT	**43,703,007**	26,392,264
Others	**(8,565,089)**	30,275,240
	P 377,447,575	P 339,876,737
Deferred tax liabilities – net:		
Uncollected gross profit	**P 7,095,801,281**	P 6,623,820,829
Capitalized interest	**3,873,011,389**	4,161,467,864
Difference between the tax reporting base and financial reporting base of rental income	**1,037,372,316**	1,071,596,877
Unrealized foreign currency losses – net	**(715,939,540)**	(382,023,042)
Retirement benefit obligation	**(155,553,920)**	(219,106,014)
Bond issuance costs	**140,644,041**	197,548,382
Share options	**(122,086,372)**	(129,256,812)
Uncollected rental income	**65,973,836**	37,264,192
Others	**322,565,856**	202,113,684
	P 11,541,788,887	P 11,563,425,960

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 1% of gross income, net of allowable deductions as defined under the tax regulations.

Pursuant to Section 4(bbbb) 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
2021	P 17,464,096	2026
2020	26,458,789	2023
2019	177,937	2022
	P 44,100,822	

The details of the Group's NOLCO that are valid and deductible from future taxable income are as follows:

Year	Original Amount	Valid Until
2021	P 156,313,788	2026
2020	80,505,896	2025
2019	5,906,383	2022
	P 242,726,067	

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 2021, 2020 and 2019, the Group opted to continue claiming itemized deductions, except for MDC and MREIT which opted to use OSD in computing for income tax dues.

MREIT is registered as a real estate investment trust entity under R.A. 9846 which enjoys certain income tax-free incentives, including deductibility of dividend distribution (subject to certain conditions) and exemption from MCIT.

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.

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 R.A. 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.

The summary of the Group's transactions with its related parties as of December 31, 2021 and 2020, and for the years ended December 31, 2021, 2020 and 2019 are as follows:

Related Party Category	Notes	Amount of Transactions 2021	2020	2019	Outstanding Investment/ Receivable (Payable) 2021	2020
Ultimate Parent Company:						
Dividends paid	27.5	**(P 609,361,023)**	(P 535,472,192)	(P 1,115,364,612)	**P -**	(P 535,472,192)
Investments in equity securities	27.4	**(563,303,640)**	(129,956,000)	(29,424,000)	**1,862,863,640**	1,299,560,000
Dividend income	27.4	**10,127,290**	6,130,000	-	**10,127,290**	6,130,000
Advances granted	27.2	**-**	-	930,000,000	**930,000,000**	930,000,000
Acquisition of PCMI shares	27.6	**2,000,000,250**	-	-	**(1,000,000,250)**	-
Associates:						
Advances granted (collected)	27.2	**(89,575,460)**	2,252,794	(34,488,474)	**1,009,737,833**	1,099,313,294
Subscription payable	19	**-**	-	1,114,665,008	**(1,114,655,008)**	1,114,665,008
Related Parties Under Common Ownership:						
Reimbursement of construction costs	27.1	**-**	-	-	**3,056,180,769**	3,056,180,769
Advances availed (paid)	27.3	**739,639,479**	(230,932,687)	(148,172,551)	**(3,243,336,539)**	(2,503,697,060)
Rendering of services	27.1	**137,222,809**	111,141,371	256,588,091	**150,993,738**	73,872,419
Advances granted	27.2	**413,989,151**	222,908,412	474,737,422	**2,611,849,629**	2,197,860,478
Dividend income	27.4	**13,538,826**	2,061,115	8,291,304	**-**	-
Investments in equity securities	27.4	**992,357,068**	(163,041,128)	682,407,513	**3,859,308,095**	2,866,951,027
Sale of investment properties	27.9	**136,607,414**	-	47,125,000	**-**	-
Key Management Personnel – Compensation	27.7	**316,686,607**	307,865,292	325,018,986	**-**	-

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 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.

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 2021, 2020 and 2019.

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, 2021 and 2020, and is presented under non-current Other Trade Receivables in the consolidated statements of financial position (see Note 6).

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 below (see Note 6).

	2021	2020
Advances to associates	**P1,009,737,832**	P1,099,313,294
Advances to other related parties	**3,541,849,630**	3,127,860,478
	P4,551,587,462	P4,227,173,772

The movements in advances to associates and other related parties are as follows:

	2021	2020
Balance at beginning of year	**P4,227,173,772**	P4,002,012,566
Advances granted	**413,989,152**	260,769,849
Advances collected	**(89,575,462)**	(35,608,643)
Balance at end of year	**P4,551,587,462**	P4,227,173,772

Advances to other related parties pertain to advances granted to entities under common ownership of the Parent Company. No impairment losses on the advances to associates and other related parties were recognized in 2021, 2020 and 2019 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 Liabilities Section account in the consolidated statements of financial position and are broken down below:

	2021	2020
Advances from associates	**P -**	P 180,253,054
Advances from other related parties	**3,243,336,539**	2,503,697,060
	P3,243,336,539	P2,683,950,114

The movements in advances from associates and other related parties are as follows:

	2021	2020
Balance at beginning of year	**P2,683,950,114**	P2,914,882,801
Advances availed	**608,170,119**	24,157,233
Advances paid	**(48,783,694)**	(255,089,920)
Balance at end of year	**P3,243,336,539**	P2,683,950,114

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 and was subsequently 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 investments, 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 2021 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 P0.6 billion, P0.5 billion and P1.1 billion in 2021, 2020 and 2019, respectively. Outstanding liability from these transactions amounted to P0.5 billion as of December 31, 2020 (nil in 2021), 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 Acquisition of PCMI shares

In 2021, the Parent Company acquired 968,932,750 shares of PCMI from AGI for a total price of P2.0 billion. The Parent Company paid P1.0 billion of the total consideration upon execution of the deed of sale. The unpaid portion is payable in the succeeding year, and is presented as part of Other Current Liabilities in the 2021 statement of financial position (see Note 19).

27.7 Key Management Personnel Compensation

The Group's key management personnel compensation includes the following:

	2021	2020	2019
Short-term benefits	P 258,281,464	P 222,375,207	P 266,299,232
Post-employment benefits	48,200,811	64,108,171	40,002,345
Employee share option benefit	10,204,332	21,381,914	18,717,409
	P 316,686,607	P 307,865,292	P 325,018,986

27.8 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, 2021 and 2020 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.

27.9 Sale of Investment Properties

In 2021, the Group sold certain parcels of land classified as investment properties for a total consideration of P136.6 million to a related party under common ownership. In 2019, the Group sold land and building classified as investment properties at an aggregate amount of P47.1 million to a related party under common ownership (see Note 12). There are no outstanding balances arising from these transactions in the consolidated statements of financial position. No similar transaction occurred in 2020.

28. EQUITY

Capital stock of the Parent Company consists of:

	Shares			Amount		
	2021	2020	2019	2021	2020	2019
Preferred shares Series "A"- P0.01 par value						
Authorized	6,000,000,000	6,000,000,000	6,000,000,000	P 6,000,000,000	P 60,000,000	P 60,000,000
Issued and outstanding	6,000,000,000	6,000,000,000	6,000,000,000	P 6,000,000,000	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	(471,552,000)	(130,920,000)	(131,420,000)	(1,111,874,917)	(118,104,398)	(118,555,453)
Acquisitions during the year	(42,243,000)	(341,632,000)	-	(156,987,360)	(994,672,630)	-
Issuances during the year	-	1,000,000	500,000	-	902,111	451,055
Balance at end of year	(513,795,000)	(471,552,000)	(130,920,000)	(1,268,862,277)	(1,111,874,917)	(118,104,398)
Issued and outstanding	31,857,070,872	31,899,313,872	32,239,945,872	P 31,102,003,595	P 31,258,990,955	P 32,252,761,474
Total issued and outstanding shares				P 31,162,003,595	P 31,318,990,955	P 32,312,761,474

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, 2021, there are 2,419 holders of the listed shares, which closed at P3.15 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, and 8.0 million shares in 2015. There were no additional issuance of shares in the succeeding years.

As of December 31, 2021, 2020 and 2019, 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 2021, 2020 and 2019 (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 2021. 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:

	2021	2020	2019
Declaration date/date of approval by BOD	**November 10, 2021**	December 4, 2020	June 21, 2019
Date of record	**November 24, 2021**	December 18, 2020	July 5, 2019
Date of payment	**December 10, 2021**	January 8, 2021	July 31, 2019
Amounts declared			
Common	**P 1,355,083,689**	P 1,177,196,572	P 2,378,582,809
Preferred	**600,000**	600,000	600,000
	P 1,355,683,689	P 1,177,796,572	P 2,379,182,809
Dividends per share:			
Common	**P 0.04**	P 0.04	P 0.07
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 amount of treasury common shares aggregated to P1,784.0 million as at December 31, 2021.

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 P10.2 million, P21.4 million and P18.7 million share option benefits expense in 2021, 2020 and 2019, 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 60th 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 2021 and 2019, 15.0 million and 10.0 million share options, respectively, were forfeited due to resignation of certain key executive officers. There was no forfeiture due to resignation in 2020.

A total of 10.0 million, 5.0 million and 10.0 million share options have vested in 2021, 2020 and 2019, 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 2021.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP.

The following principal assumptions were used in the valuation:

Option life	6.08 to 30.17 years
Share price at grant date	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 P10.2 million, P21.4 million and P18.7 million share-based executive compensation in 2021, 2020 and 2019, 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, 2021, pursuant to this ESOP, GERI has granted the option to its key company executives to subscribe to 400.0 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, 2021.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP.

The following principal assumptions were used in the valuation:

Average option life	7 years
Share price at grant date	P1.02 to P2.10
Exercise price at grant date	P1.0 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, as part of Salaries and employee benefits and a corresponding credit in Non-controlling Interest, respectively, (see Note 25.2). There was no share-based compensation in 2021 and 2020 since all the options 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)].

In 2021, the Group fully redeemed its perpetual capital securities for P9.8 billion resulting in a gain on redemption amounting to P484.3 million. The gain was directly credited to the consolidated retained earnings as presented in the 2021 consolidated statement of changes in equity.

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 and in the succeeding page.

	Financial Assets at FVOCI (Note 9)	Retirement Benefit Obligation (Note 25.3)	Translation Reserves (Note 2)	Cross Currency Swaps (Note 30)	Equity Reserves (Note 1)	Total
Balance as of January 1, 2021	(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)
Remeasurements of retirement benefit post-employment obligation	-	325,125,100	-	-	-	325,125,100
Fair value losses on financial assets at FVOCI	1,347,392,142	-	-	-	-	1,347,392,142
Fair value losses on cash flow hedge	-	-	-	199,713,502	-	199,713,502
Share of non-controlling interest	(24,690,393)	1,100,297	-	-	-	(23,590,096)
Share in OCI of associates	-	-	20,926,197	-	-	20,926,197
Exchange difference on translating foreign operations	-		47,027,439	-	-	47,027,439
Effect of change in percentage of ownership	-	-	-	-	9,488,420,708	9,488,420,708
Other comprehensive income (loss) before tax	1,322,701,749	326,225,397	67,953,636	199,713,502	9,488,420,708	11,405,014,992
Tax income (expense)	-	(62,880,238)	(11,756,859)	-	-	(74,637,097)
Other comprehensive income (loss) after tax	1,332,701,749	263,345,159	56,196,777	199,713,502	9,488,420,708	11,330,377,895
Balance as of December 31, 2021	**(P 1,144,152,392)**	**P 536,021,236**	**(P 337,051,379)**	**(P 53,542,477)**	**P8,626,592,277**	**(P7,627,867,265)**
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)

	Financial Assets at FVOCI (Note 9)	Retirement Benefit Obligation (Note 25.3)	Translation Reserves (Note 2)	Cross Currency Swaps (Note 30)	Equity Reserves (Note 1)	Total
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)	-	-	(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)

In 2021, MREIT offered and sold 949,837,500 shares or 37.51% ownership interest held by the Parent Company, through an initial public offering for P16.10 per share or P14.7 billion. The sale of shares did not result in Parent Company's loss of control over MREIT. The difference between the proportionate net book value and the consideration received amounting to P10.5 billion is credited to Equity reserves under Revaluation Reserves in the 2021 consolidated statement of changes in equity.

Also in 2021, the Parent Company acquired additional shares of PCMI and STLI for P2.0 billion and P1.8 million, respectively. The difference between the proportionate net book value and the consideration received of PCMI and STLI resulted in P1.1 billion debit and P29.6 million credit, respectively, to Equity reserves under Revaluation Reserves in the 2021 consolidated statement of changes in equity.

29. EARNINGS PER SHARE

EPS amounts were computed as follows:

	2021	2020	2019
Net profit attributable to the Parent Company's shareholders	**P13,434,466,763**	P 9,885,989,490	P 17,931,417,072
Dividends on cumulative preferred shares Series "A"	**(600,000)**	(600,000)	(600,000)
Distribution to holders of perpetual securities	**(151,963,438)**	(535,258,625)	(562,913,000)
Profit available to the Parent Company's common shareholders	**P13,281,903,325**	P 9,350,130,865	P 17,367,904,072
Divided by weighted average number of outstanding common shares	**31,447,978,960**	31,662,256,883	31,819,612,539
Basic EPS	**P 0.422**	P 0.295	P 0.546
Divided by weighted average number of outstanding common shares and potential dilutive shares	**31,544,782,959**	31,762,511,001	31,977,656,102
Diluted EPS	**P 0.421**	P 0.294	P 0.543

Unexercised share warrants have already expired; hence, were no longer included in the computation. In addition, the potentially dilutive outstanding share options totaling 233.5 million in 2021, 248.5 million in 2020, and 249.5 million in 2019 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 three-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 three-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**
2021		
Cash flow hedge – Cross currency swaps	**$ 90,457,359**	**P 147,793,407**
2020		
Cash flow hedge – Cross currency swaps	$ 139,080,716	P 758,026,441

The hedging instruments have a negative fair value of P147.8 million in 2021 and P758.0 million in 2020. These are presented as Derivative liabilities under Other Current Liabilities in the consolidated statements of financial position (see Note 19). The Parent Company recognized a total of P199.7 million unrealized gain on cash flow hedges in 2021, and P144.7 million and P293.4 million unrealized loss on cash flow hedges in 2020 and 2019, respectively. These are presented as part of other comprehensive income in the consolidated statements of comprehensive income.

As of December 31, 2021, 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

The Group is subject to risk incidental to the operation of its office and commercial properties, which include, among others, changes in market rental rates, inability to renew leases upon lease expiration, and inability to collect rent from tenants due to bankruptcy or insolvency of tenants. Majority of the Group's revenue from rental properties are derived from commercial and BPO-based tenants. If the expected growth, particularly from BPO-based tenants, does not meet management's expectations, or in the case of commercial tenants more stringent health measures are imposed resulting to further temporary or permanent closures of commercial establishments, the Group may not be able to lease their properties in a timely manner or collect rent at profitable rates.

To mitigate these risks, tenants pay security deposits and advance rent equal to three to six months' rent, which are forfeited in case a tenant pre-terminates without prior notice or before the expiry of lease term without cause. In addition, tenants are usually required to pay the monthly rent in advance on a monthly basis, without need of further demand. Security deposits and advance rent are presented as part of Unearned income under Other Current Liabilities and Deferred rent under Other Non-current Liabilities in the consolidated statements of financial position (see Note 19).

(a) Operating Leases

The Group is a lessor under several non-cancellable operating leases covering office, commercial and properties for a period of two to ten years with annual escalation rates of 5% to 10% (see Note 12).

Future minimum lease receivables under these agreements are as follows:

	2021	2020	2019
Within one year	**P 15,346,826,374**	P 12,632,761,053	P 16,115,991,723
After one year but not more than two years	**19,794,874,132**	20,521,928,927	18,650,355,567
After two years but not more than three years	**20,409,706,265**	21,458,334,550	20,985,308,875
After three years but not more than four years	**22,140,397,894**	23,144,750,760	21,954,423,486
After four years but not more than five years	**22,902,976,810**	25,236,915,271	23,504,678,022
More than five years	**28,951,568,529**	29,407,145,172	27,249,075,851
	P129,546,350,004	P 132,401,835,733	P128,459,833,524

(b) Finance Lease

In 2019, the Group, through GERI, subleased its development rights over the undivided portions of a land co-terminus with the term of its head lease. As a result, the Group recognized finance lease receivable amounting to P669.3 million, and gain on finance lease amounting to P350.2 million which is presented as Gain on finance lease under Interest and Other Income account (see Note 23). Accordingly, the right-of-use asset amounting to P319.1 million was derecognized (see Note 13). Finance lease receivable arising from the transaction is presented as part Trade and Other Receivables account in the consolidated statements of financial position (see Note 6). Interest income on the finance lease amounted to P42.1 million, P45.5 million and P44.3 million in 2021, 2020 and 2019, respectively, and is presented as part of Interest and Other Income account in the consolidated statements of income.

The maturity analysis of finance lease receivable at December 31 is as follows:

	Lease Collection	Interest Income	Net Present Value
2021			
Within one year	P 88,070,235	(P 38,419,379)	P 49,650,856
After one year but not more than two years	88,699,119	(34,355,507)	54,343,612
After two years but not more than three years	89,346,871	(29,909,018)	59,437,853
After three years but not more than four years	90,014,054	(25,047,216)	64,966,838
After four years but not more than five years	58,545,847	(24,407,402)	34,138,445
More than five years	679,150,148	(368,782,763)	310,367,385
	P 1,093,826,274	**(P 520,921,285)**	**P 572,904,989**
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

31.2 Others

As at December 31, 2021 and 2020, the Group has unused long-term credit facilities amounting to P16.8 billion and P11.9 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, 2021 and 2020, net foreign currency-denominated financial liabilities in U.S. dollar, translated into Philippine Peso at the closing rate, amounted to P29.1 billion and P20.3 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 4.11% and 2.69% in 2021 and 2020, respectively. If the exchange rate increased or decreased by such percentages, the profit before tax in 2021 and 2020 would have changed by P1006.7 million and P547.2 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 1.68:1.00 and 1.99:1.00 as of December 31, 2021 and 2020, respectively.

The sensitivity of the consolidated net results in 2021 and 2020 to a reasonably possible change of 1.0% in floating rates is P303.1 million and P286.9 million, respectively. The sensitivity of the consolidated equity in 2021 and 2020 to a reasonably possible change of 1.0% in floating rates is P227.3 million and P200.8 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 rentals, 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	**2021**	2020
Cash and cash equivalents	5	**P43,794,605,919**	P 40,166,755,908
Trade receivables	6	**25,554,518,598**	26,015,811,682
Rent receivables	6	**6,848,362,991**	4,412,404,797
Other receivables	6	**10,018,186,031**	9,181,963,292
Advances to associates and other related parties	6	**4,551,587,462**	4,227,173,772
Contract assets	20.2	**19,922,247,362**	19,380,726,313
Guarantee and other deposits	14	**877,329,410**	1,186,605,535
		P111,566,837,773	P104,571,441,299

(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, 2021, 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 Group identifies headline inflation rate and bank lending rate to be the most relevant factors and accordingly adjusts the historical loss rates based on expected changes in these factors. The total loss allowance based on the provision matrix is P773.8 million and P852.1 million as of December 31, 2021 and 2020, 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 typically 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
2021			
Real estate sales receivables	**P24,648,043,135**	**P47,366,699,973**	**P -**
Contract assets	**19,922,247,362**	**39,245,568,476**	**-**
Rental receivables	**6,848,362,991**	**6,868,267,197**	**-**
	P 51,418,653,488	**P93,480,535,646**	**P -**
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	-
	P 48,954,724,485	P 94,941,477,306	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.

	2021	2020
Current (not past due)	**P 43,932,107,669**	P 41,196,951,543
Past due but not impaired:		
More than one month but not more than 3 months	**974,190,192**	1,064,885,684
More than 3 months but not more than 6 months	**548,006,308**	537,113,120
More than 6 months but not more than one year	**819,948,803**	681,867,418
More than one year	**698,402,110**	356,535,785
	P 46,972,655,082	P 43,837,353,550

(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, 2021 and 2020, impairment allowance is not material.

(d) Guarantee and Other Deposits

The credit risk for guarantee and other deposits is considered negligible as the Group has ongoing transactions with the counterparties and the latter are considered to be with sound financial condition and sufficient liquidity.

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, 2021 and 2020, the Group's financial liabilities have contractual maturities which are presented below.

	Notes	Within 1 Year	1 to 5 Years	More than 5 Years
2021:				
Interest-bearing loans and borrowings*	15	**P 13,774,904,323**	**P 32,538,000,744**	**P 10,235,411,126**
Trade and other payables	17	**22,593,431,337**	**-**	-
Bonds and notes payable*	16	**1,846,322,250**	**28,001,900,250**	**17,506,119,750**
Redeemable preferred shares*	18	**251,597,580**	**-**	**-**
Advances from associates and other related parties	27.3	**3,243,336,539**	**-**	**-**
Subscription payable	19	**1,114,665,008**	**-**	**-**
Other liabilities	19	**2,632,525,561**	**2,144,942,479**	**-**
		P 45,456,782,590	**P 62,684,843,473**	**P 27,741,530,876**
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	-	-
Subscription payable	19	1,114,665,008	-	-
Other liabilities	19	3,164,723,364	2,168,836,637	-
		P 53,047,109,752	P 54,377,219,570	P 18,395,269,235

**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, 2021 and 2020 are summarized below.

	Observed Volatility Rates	Impact on Equity	
		Increase	Decrease
2021			
Investment in equity securities:			
Holding company	+/-5.98%	P 64,836,746	(P 64,836,746)
Manufacturing	+/-6.96%	63,977,136	(63,977,136)
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)

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 and in the succeeding page.

	Notes	2021		2020	
		Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial Assets					
At amortized costs:					
Cash and cash equivalents	5	**P 43,794,605,919**	**P 43,794,605,919**	P 40,166,755,908	P 40,166,755,908
Trade and other receivables – net	6, 27.2	**46,972,655,082**	**47,357,915,588**	43,837,353,550	44,051,691,412
Guarantee and other deposits	14	**877,329,410**	**877,329,410**	1,186,605,535	1,186,605,535
		P 91,644,590,411	**P 92,029,850,917**	P 85,190,714,993	P 85,405,052,855
Financial assets at FVOCI – Equity securities	9	**P 5,760,368,447**	**P 5,760,368,447**	P 4,174,886,430	P 4,176,886,430
Financial Liabilities					
At amortized costs:					
Interest-bearing loans and borrowings	15	**P 51,649,704,598**	**P 51,056,234,787**	P 45,578,166,417	P 48,094,617,843
Bonds and notes payable	16	**41,982,042,246**	**42,567,948,736**	40,282,855,986	43,032,299,663
Redeemable preferred shares	18	**251,597,580**	**251,597,580**	503,195,160	503,195,160
Trade and other payables	17	**22,593,431,337**	**22,593,431,337**	22,701,125,783	22,701,125,783
Advances from associates and other related parties	27.3	**3,243,336,539**	**3,243,336,539**	2,683,950,114	2,683,950,114
Subscription payable	19	**1,114,665,008**	**1,114,665,008**	1,114,665,008	1,114,665,008
Other liabilities	19	**4,777,468,040**	**4,777,468,040**	5,333,560,001	5,333,560,001
		P 125,612,245,348	**P125,604,682,027**	P 118,197,518,469	P123,463,413,572
Financial liabilities at FVTPL – Derivative liabilities	19, 30	**P 147,793,407**	**P 147,793,407**	P 758,026,441	P 758,026,441

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 2021 and 2020 and does not have relevant offsetting arrangements, except as disclosed in Notes 27.2, 27.3 and 15.3(g). 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 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, 2021 and 2020 (see Notes 9 and 30).

	Level 1	Level 2	Level 3	Total
2021				
Financial assets –				
Equity securities	**P 3,098,501,606**	**P -**	**P2,661,866,841**	**P5,760,368,447**
Financial liability –				
Derivatives	**P -**	**P 147,793,407**	**P -**	**P 147,793,407**
2020				
Financial assets –				
Equity securities	P 1,902,709,257	P -	P2,272,177,173	P 4,174,886,430
Financial liability –				
Derivatives	P -	P 758,026,441	P -	P 758,226,041

Described below and in the succeeding page are the information about how the fair values of the Group's classes of financial assets are determined.

(a) Equity Securities

As at December 31, 2021 and 2020, 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 2021 and 2020, the fair value of these equity securities is determined using discounted cash flows valuation technique with discount rate of 6.9% and 8.1% in 2021 and 2020, respectively, and growth rate of 3.6% and 2.6% in 2021 and 2020, 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 2021 and 2020 is shown below.

	2021	2020
Balance at beginning of year	**P 2,272,177,173**	P 2,632,232,316
Fair value gains (losses)	**389,689,668**	(360,055,143)
Balance at end of year	**P 2,661,866,841**	P 2,272,177,173

The Group recognized P957.7 million fair value gains and P36.7 million fair value gains in 2021 and 2020, respectively, on the Level 1 equity securities. For the Level 3 equity securities, the Group recognized P389.7 million fair value gains and P360.1 million fair value losses in 2021 and 2020, 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, 2021 and 2020, 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 2021 and 2020.

35. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objective is to ensure its ability to continue as a going concern 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 as follows:

	2021	2020
Interest-bearing loans and borrowings	**P 51,649,704,598**	P 45,578,166,417
Bonds and notes payable	**41,982,042,246**	40,282,855,986
	P 93,631,746,844	P 85,861,022,403
Total equity	**P 229,703,990,947**	P212,530,480,197
Debt-to-equity ratio	**0.41 : 1.00**	0.40 : 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 and Notes 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, 2021	P45,578,166,417	P40,282,855,986	P 587,616,971	P 2,683,950,114	P89,132,589,488
Net cash flows:					
Proceeds	26,643,083,897	-	-	608,170,119	27,251,254,016
Repayments	(20,982,065,248)	-	(29,570,421)	(48,783,694)	(21,060,419,363)
Non-cash financing activities:					
Foreign currency exchange	410,519,532	1,617,763,016	7,570,126	-	2,035,852,674
Amortization of bond issue cost	-	81,423,244	-	-	81,423,244
Additional lease liabilities		-	3,560,977	-	3,560,977
Interest amortization on lease liabilities	-	-	38,956,553	-	38,956,553
Derecognition	-	-	(18,561,406)	-	(18,561,406)
Balance as of December 31, 2021	**P51,649,704,598**	**P41,982,042,246**	**P 589,572,800**	**P 3,243,336,539**	**P97,464,656,183**
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	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

37. 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.

CORPORATE INFORMATION

MEGAWORLD CORPORATION
30th Floor Alliance Global Tower,
36th Street corner 11th Avenue,
Uptown Bonifacio, Taguig City

CORPORATE WEBSITE
www.megaworldcorp.com

FACEBOOK
facebook.com/officialmegaworldcorp

TWITTER
@megaworld_corp

INSTAGRAM
@megaworld30years

STAKEHOLDER INQUIRIES
For inquiries or concerns from analysts, institutional investors, the financial community, customers, and the general public, please contact:

Customer Service
customerservice@megaworldcorp.com
(632) 7905-2800 loc. 1711-1713

Investor Relations
investorrelations@megaworld.corp.com

SHAREHOLDER SERVICES AND ASSISTANCE
For inquiries regarding dividend payments, change of address and account status, and lost or damaged stock certificates, please contact:

BDO Stock Transfer
Banco De Oro Unibank, Inc.
15th Floor South Tower,
BDO Corporate Center,
7899 Makati Avenue, Makati City
(632) 8878-4053

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DRINK SUSTAINABILITY COMMUNICATIONS
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MEGAWORLD

30th Floor Alliance Global Tower,
36th Street corner 11th Avenue,
Uptown Bonifacio, Taguig City

www.megaworldcorp.com