CR02702-2023

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

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

1. For the fiscal year ended

   Dec 31, 2022

2. SEC Identification Number

   167423

3. BIR Tax Identification No.

   000-477-103

4. Exact name of issuer as specified in its charter

   MEGAWORLD CORPORATION

5. Province, country or other jurisdiction of incorporation or organization

   Metro Manila, Philippines

6. Industry Classification Code(SEC Use Only)

7. Address of principal office

   30th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City
   Postal Code
   1634

8. Issuer's telephone number, including area code

   (632) 8894-6300/6400

9. Former name or former address, and former fiscal year, if changed since last report

   N/A

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	31,183,251,872
Preferred	6,000,000,000

11. Are any or all of registrant's securities listed on a Stock Exchange?

   ☑ Yes ☐ No

   If yes, state the name of such stock exchange and the classes of securities listed therein:

   Philippine Stock Exchange - Common and Preferred Shares

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

☑ Yes ☐ No

(b) has been subject to such filing requirements for the past ninety (90) days

☑ Yes ☐ No

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form

As of 31 March 2023 is Php19,504,553,594.00 based on the closing price of Php2.00 per share.

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

☐ Yes ☑ No

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders

N/A

(b) Any information statement filed pursuant to SRC Rule 20

N/A

(c) Any prospectus filed pursuant to SRC Rule 8.1

N/A

Megaworld Corporation
MEG

PSE Disclosure Form 17-1 - Annual Report
References: SRC Rule 17 and
Section 17.2 and 17.8 of the Revised Disclosure Rules

For the fiscal year ended	Dec 31, 2022
Currency	Philippine Pesos

Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2022	Dec 31, 2021
Current Assets	224,315,419,702	227,834,770,361
Total Assets	409,211,537,300	397,977,251,108
Current Liabilities	75,253,963,135	61,908,026,419
Total Liabilities	168,191,014,348	168,273,260,161
Retained Earnings/(Deficit)	155,463,027,054	143,903,318,444
Stockholders' Equity	241,020,522,952	229,703,990,947
Stockholders' Equity - Parent	209,226,173,725	198,838,867,474
Book Value Per Share	6.73	6.32

Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2022	Dec 31, 2021
Gross Revenue	55,107,430,453	46,377,861,049
Gross Expense	34,601,865,983	30,825,894,679
Non-Operating Income	4,419,826,198	4,376,429,682
Non-Operating Expense	5,783,546,383	4,985,085,708
Income/(Loss) Before Tax	19,141,844,285	14,943,310,344
Income Tax Expense	3,767,557,891	564,917,329

Net Income/(Loss) After Tax	15,374,286,394	14,378,393,015
Net Income/(Loss) Attributable to Parent Equity Holder	13,455,475,825	13,434,466,763
Earnings/(Loss) Per Share (Basic)	0.43	0.42
Earnings/(Loss) Per Share (Diluted)	0.43	0.42

Financial Ratios

	Formula	Fiscal Year Ended	Previous Fiscal Year
		Dec 31, 2022	Dec 31, 2021
Liquidity Analysis Ratios:			
; ; Current Ratio or Working Capital Ratio	Current Assets / Current Liabilities	2.98	3.68
; ; Quick Ratio	(Current Assets - Inventory - Prepayments) / Current Liabilities	1.2	1.66
; ; Solvency Ratio	Total Assets / Total Liabilities	2.43	2.37
Financial Leverage Ratios			
; ; Debt Ratio	Total Debt/Total Assets	0.41	0.42
; ; Debt-to-Equity Ratio	Total Debt/Total Stockholders' Equity	0.39	0.41
; ; Interest Coverage	Earnings Before Interest and Taxes (EBIT) / Interest Charges	5.46	4.51
; ; Asset to Equity Ratio	Total Assets / Total Stockholders' Equity	1.7	1.73
Profitability Ratios			
; ; Gross Profit Margin	Sales - Cost of Goods Sold or Cost of Service / Sales	49.65	45.79
; ; Net Profit Margin	Net Profit / Sales	25.83	28.33
; ; Return on Assets	Net Income / Total Assets	3.76	3.61
; ; Return on Equity	Net Income / Total Stockholders' Equity	6.38	6.26
Price/Earnings Ratio	Price Per Share / Earnings Per Common Share	4.64	7.46

Other Relevant Information
None

Filed on behalf by:

Name	Anna Michelle Llovido
Designation	Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A
ANNUAL REPORT PURSUANT TO SECTION 17
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AND SECTION 141 OF THE CORPORATION CODE

1. For the fiscal year ended **31 December 2022**

2. SEC Identification Number: **167423** 3. BIR Tax Identification No.: **000-477-103**

4. **MEGAWORLD CORPORATION**
Exact name of issuer as specified in its charter

5. **Metro Manila, Philippines**
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Industry Classification Code

7. **30th Floor, Alliance Global Tower**
36th Street cor. 11th Avenue
Uptown Bonifacio, Taguig City 1634
Address of principal office

8. **(632) 8894-6300/6400**
Issuer's telephone number, including area code

9. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Stock Outstanding
Common	**31,183,251,872**[1]
Preferred	**6,000,000,000**
Total	**37,183,251,872**

10. Are any or all of these securities listed on a Stock Exchange?

Yes [x] No [ ]

Philippine Stock Exchange **Common and Preferred Shares**

11. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months.

Yes [x] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [x] No [ ]

12. Aggregate Market Value of Voting Common Stock held by Non-Affiliates as of **31 March 2023** is **Php19,504,553,594.00** based on the closing price of **Php2.00 per share**.

[1]As of 31 March 2023

PART I - BUSINESS AND GENERAL INFORMATION

BUSINESS
Business Development

Megaworld Corporation (the "**Company**") was founded by Andrew Tan and incorporated under Philippine law on August 24, 1989 to engage in the development, leasing and marketing of real estate. The Company initially established a reputation for building high-end residential condominiums and commercial properties located in convenient urban locations with easy access to offices as well as leisure and entertainment amenities in Metro Manila. Beginning in 1996, in response to demand for the lifestyle convenience of having quality residences in close proximity to office and leisure facilities, the Company began to focus on the development of mixed-use communities, primarily for the middle-income market, by commencing the development of its Eastwood City community township. In addition, the Company engages in other property related activities such as project design, construction oversight and property management. In 1999, Eastwood City Cyberpark became the first IT park in the Philippines to be designated a PEZA special economic zone.

Since its incorporation in 1989, the Company and its affiliates have launched more than 741 residential developments, 74 premier offices, 24 lifestyle malls and commercial centers and 13 homegrown hotels and resorts.

The following are some of the major residential and office projects completed by the Company:

Residential

<u>Quezon City</u>
Corinthian Hills
Eastwood Le Grand 1-3
Eastwood Park Residences
Eastwood Parkview 1 & 2
El Jardin del Presidente
Golf Hills Terraces
Golfhill Gardens
Grand Eastwood Palazzo
Kentwood Heights
Manhattan Heights – Tower A to D
Manhattan Parkview 1-3
Manhattan Parkview Garden
Manhattan Parkway 1-3
Manhattan Plaza Tower 1
Narra Heights
Olympic Heights 1-3
One Central Park
One Eastwood Avenue Tower 1-2
One Orchard Road 1-3
The Eastwood Excelsior
The Eastwood Lafayette 1-3

<u>Makati City</u>
Greenbelt Chancellor
Greenbelt Excelsior
Greenbelt Hamilton 1 & 2
Greenbelt Madison
Greenbelt Parkplace
Greenbelt Radissons
One Central
One Lafayette Square
Paseo Heights
Paseo Parkview Suites 1 & 2
Salcedo Sky Suites
San Antonio Residences
The Manhattan Square
The Salcedo Park 1 & 2
Three Central
Two Central
Two Lafayette Square

<u>Taguig City</u>
115 Upper Mckinley
8 Forbestown Road
Forbeswood Heights

<u>Pasay City</u>
101 Newport Boulevard
150 Newport Boulevard
81 Newport Boulevard

Forbeswood Parklane 1 & 2
McKinley Hill Garden Villas
Mckinley West Subdivision
Morgan Suites Executive Residences
One Uptown Residence
St. Mark Residences
St. Moritz Private Estate 1 & 2
Stamford Executive Residences
The Albany Luxury Residences – Kingsley
The Albany Luxury Residences – Yorkshire
The Bellagio 1-3
The Florence Tower 1-3
The Venice Luxury Residences – Alessandro
The Venice Luxury Residences – Bellini
The Venice Luxury Residences – Carusso
The Venice Luxury Residences – Domenico
The Venice Luxury Residences – Emanuele
The Venice Luxury Residences – Fiorenzo
The Woodridge 1 & 2
Tuscany Private Estate
Uptown Parksuites Tower 1 & 2
Uptown Ritz Residence
Viceroy 1-4

Belmont Luxury Hotel
Palmtree Villas 1 & 2
Savoy Hotel
The Parkside Villas
The Residential Resort

<u>Lapu Lapu City</u>
8 Newtown Boulevard
One Manchester Place 1 & 2
One Pacific Residence
Savoy Hotel Mactan Newtown

<u>Parañaque City</u>
Brentwood Heights
Sherwood Heights

<u>Mandaluyong City</u>
8 Wack Wack Road
Wack-Wack Heights

<u>Manila</u>
City Place Binondo A & B
Marina Square Suites
Noble Place

<u>San Juan City</u>
Greenhills Heights
One Beverly Place

<u>Iloilo City</u>
Iloilo Boutique Hotel
Lafayette Park Square
One Madison Place 1 - 3

<u>Bacolod City</u>
Forbes Hill

Office and Retail

<u>Lapu Lapu City</u>
Mactan AlFresco
One World Center
Pacific World Tower
Festive Walk Mall
Festive Walk Mall Annex
Festive Walk Office

The Newtown School of Excellence
Tower One Plaza Magellan
Two World Center

Festive Walk Parade 2B
One Fintech Place
One Global Center
One Techno Place
Richmonde Hotel
Three Techno Place
Two Fintech Place
Two Global Center
Two Techno Place

Taguig City
8 Campus Place
Commerce and Industry Plaza
Eight West Campus
Emperador Steel Parking Building
Five West Campus
Forbes Town Center
Mckinley West Steel Deck Parking
One Campus Place
One Le Grand Tower
One West Campus
Science Hub
Six West Campus
Southeast Asian Campus
Ten West Campus
The Venice Piazza
Three West Campus
Three World Square
Two West Campus
Two World Square
Uptown Parade
Uptown Parade Steel Parking Building
Uptown Place Mall
Uptown Place Towers
Uptown Palazzo (Uptown Parksuites 1-2)
Venice Corporate Center
Venice Grand Canal Mall
Uptown Eastgate
Worldwide Plaza

Quezon City
1800 Eastwood Avenue
1880 Eastwood Avenue
Citibank Square
Cybermall
CyberOne
Eastwood City Walk 1 & 2
Eastwood Global Plaza Corporate Tower
Eastwood Mall
Global One
IBM Plaza
ICITE
Techno Plaza 1 & 2

Makati City
331 Building
Paseo Center
Petron Megaplaza
The World Centre

Manila
Landbank Plaza
Lucky Chinatown Mall

Pasig City
Arcovia Parade Retail 1 & 2
Richmonde Plaza

Pasay City
81 Newport Square
Belmont Luxury Hotel

Arco Parade The View Deck
One Paseo
Arcovia Terminal Hub

Davao City
Davao Finance Center

Subsidiaries and Associates[1]

As of 31 December 2022, the Company holds interests in the following subsidiaries and associates:

Subsidiaries and Associates	Date of Incorporation	Percentage Ownership
Subsidiaries		
Megaworld Land, Inc.	May 26, 1994	100.00%
Prestige Hotels & Resorts, Inc.	February 16, 1999	100.00%
Mactan Oceanview Properties and Holdings, Inc.	August 16, 1996	100.00%
Megaworld Cayman Islands, Inc.	August 14, 1997	100.00%
Richmonde Hotel Group International Ltd.	June 24, 2002	100.00%
Eastwood Cyber One Corporation	October 21, 1999	100.00%
Megaworld Cebu Properties, Inc	February 6, 2002	100.00%
Megaworld Newport Property Holdings, Inc.	October 6, 2003	100.00%
Oceantown Properties, Inc	August 15, 2006	100.00%
Piedmont Property Ventures, Inc	August 28, 1996	100.00%
Stonehaven Land, Inc	August 21, 1996	100.00%
Streamwood Property, Inc	August 21, 1996	100.00%
Suntrust Properties, Inc	November 14,1997	100.00%
Arcovia Properties, Inc.	March 28, 1985	100.00%
Luxury Global Hotels and Leisure, Inc	July 17, 2013	100.00%
Global One Integrated Business Services, Inc	September 25, 2014	100.00%
Luxury Global Malls, Inc	September 18, 2014	100.00%
Davao Park District Holdings, Inc	April 14, 2014	100.00%
Belmont Newport Luxury Hotels, Inc	March 5, 2015	100.00%
Global One Hotel Group, Inc	May 4, 2015	100.00%
Landmark Seaside Properties, Inc	January 6, 2011	100.00%
San Vicente Coast, Inc	March 7, 2016	100.00%
Hotel Lucky Chinatown, Inc	October 19, 2018	100.00%
Savoy Hotel Manila, Inc	March 1, 2018	100.00%
Savoy Hotel Mactan, Inc	December 13, 2018	100.00%
Kingsford Hotel Manila, Inc	January 10, 2020	100.00%
Agile Digital Ventures, Inc.	June 3, 2020	100.00%
MREIT Fund Managers, Inc	November 18, 2020	100.00%
MREIT Property Managers, Inc	October 13, 2020	100.00%
Belmont Hotel Mactan Inc.	May 18, 2022	100.00%
Megaworld Bacolod Properties, Inc	May 12, 1918	91.55%
Global-Estate Resorts, Inc	May 18, 1994	82.32%
Empire East Land Holdings, Inc	July 15, 1994	81.73%
Megaworld Central Properties Inc.	September 15, 2005	76.55%
Megaworld Capital Town, Inc	June 26, 2012	76.28%
Soho Café and Restaurant Group, Inc	February 15, 2005	75.00%
Manila Bayshore Property Holdings, Inc	October 14, 2011	68.03%
La Fuerza, Inc.	January 24, 1958	66.67%
MREIT, Inc.	October 2, 2020	62.09%
Megaworld-Daewoo Corporation	November 29, 1996	60.00%

[1] Please refer to pages 1 to 4 of the attached Audited Financial Statements ended December 31, 2022 for a complete list.

Northwin Properties, Inc……………………………..	December 14, 2016	60.00%
Gilmore Property Marketing Associates, Inc………..	September 5, 1996	52.14%
Megaworld Resort Estates, Inc………………………	April 30, 2007	51.00%
Megaworld-Globus Asia, Inc………………………….	March 17, 1995	50.00%
Integrated Town Management Corporation…………	March 25, 2002	50.00%
Maple Grove Land, Inc………………………………..	July 20, 2016	50.00%

Associates

Bonifacio West Development Corporation…………	November 15, 2001	46.11%
Suntrust Home Developers, Inc.	January 18, 1956	34.00%
Palm Tree Holdings & Development Corporation	August 15, 2005	40.00%

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

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

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

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

MREIT, Inc. is a publicly-listed company engaged in the business of a real estate investment trust (REIT), as provided under Republic Act (R.A.) No. 9856 otherwise known as The Real Estate Investment Trust Act of 2009, its implementing rules and regulations and other applicable laws.

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

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

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

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

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

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

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

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

Oceantown Properties, Inc. was incorporated to own land in Mactan, Cebu.

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

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

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

Suntrust Properties, Inc. is engaged in the development of affordable real estate projects.

Arcovia Properties, Inc. is engaged primarily in real estate activities which include leasing out of real properties.

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

Global One Integrated Business Services, Inc. is engaged in BPO business.

Luxury Global Malls, Inc. is engaged in BPO business.

Davao Park District Holdings, Inc. is engaged in the real estate business.

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

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

Landmark Seaside Properties, Inc. is engaged primarily in real estate activities.

San Vicente Coast, Inc. is engaged primarily in real estate activities.

Hotel Lucky Chinatown, Inc. is engaged in owning, leasing, operation and management of hotels.

Savoy Hotel Manila, Inc. is engaged in owning, leasing, operation and management of hotels.

Savoy Hotel Mactan, Inc. is engaged in owning, leasing, operation and management of hotels.

Kingsford Hotel Manila, Inc. is engaged in owning, leasing, operation and management of hotels.

Agile Digital Ventures, Inc. is engaged in e-commerce through PICK.A.ROO, an online platform and the first premium all in-one, on-demand lifestyle delivery app.

MREIT Fund Managers, Inc. is engaged in the business of providing fund management services to REIT companies.

MREIT Property Managers, Inc. is engaged in the business of providing services in relation to property management, lease management, marketing and project management.

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

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

Megaworld Capital Town, Inc. is engaged in real estate business.

Soho Café and Restaurant Group, Inc. is engaged primarily in business of restaurants, cafes, cocktail bars, lounges, inns, apartments, private clubs and other allied businesses.

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

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

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

Northwin Properties, Inc. was incorporated on 14 December 2016 and is engaged primarily in real estate activities.

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

Megaworld Resort Estates, Inc. was incorporated to engage in the real estate business.

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

Integrated Town Management Corporation was incorporated to develop, sell, lease and hold for investment or otherwise, real estate properties to establishing or pursuing the business of owning, developing, managing, administering or otherwise dealing in any and all kinds of real property whether used for residential office, industrial, or commercial/retail purposes, and in relation thereto, nursery/plant growth building and to provide or render management and specialized technical services to the owners or users of such real property.

Maple Grove Land, Inc. is engaged primarily in real estate activities.

Belmont Hotel Mactan, Inc. is engaged in owning, leasing, operation and management of hotels.

Bonifacio West Development Corporation is engaged in real estate business.

Palm Tree Holdings & Development Corporation was acquired in connection with its landholdings adjacent to the Company’s Eastwood City township and is currently engaged in the real estate business.

Neither the Company nor any of its subsidiaries have, during the past three (3) years, been the subject of a bankruptcy, receivership or similar proceeding, or involved in any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business.

Description of Business

The Company is one of the leading property developers in the Philippines and is primarily engaged in the development of large scale mixed-use planned communities, or community townships, that comprise residential, commercial and office developments and integrate leisure, entertainment and educational/training components. Founded in 1989, the Company initially established a reputation for building high quality residential condominiums and commercial properties located in convenient urban locations with easy access to offices as well as leisure and entertainment amenities in Metro Manila. Beginning in 1996, in response to demand for the lifestyle convenience of having quality residences in close proximity to office and leisure facilities, the Company began to focus on the development of mixed-use communities, primarily for the middle-income market, by commencing the development of its Eastwood City project. In addition, the Company engages in other property related activities such as project design, construction oversight and property management.

The Company's real estate portfolio includes residential condominium units, subdivision lots and townhouses as well as office projects and retail space. The Company has the following three primary business segments: (i) real estate sales of residential developments (ii) leasing of office space, primarily to Business Process Outsourcing ("BPO") enterprises and retail space and (iii) management of hotel operations.

Megaworld Corporation posted a net income of P15.4-billion for the year ending 31 December 2022, up 7% from P14.4-billion the previous year, boosted by double-digit revenue growth across all of its business segments. Net income attributable to the parent company's shareholders stood at P13.5-billion.

Meanwhile, its consolidated revenues grew by 17% to P59.5-billion from the previous year's P50.8-billion. The company's growth momentum was propelled by its real estate business, which accounted for 62%, and rental income from office and malls accounted for 26% of consolidated revenues.

As of 31 December 2021, the Company owns or has development rights to over 5,000 hectares of land located throughout the Philippines.

For more than three decades, the Company has been recognized by numerous institutions and prestigious international awards organizations for its property and real estate development capabilities, good corporate governance, corporate and social responsibility initiatives, and other achievements. The Company's track record and established market position has made it one of the most recognized brands in the industry both within and outside the Philippines and has been awarded "Best Developer - Philippines" by International Finance Awards and "Best Real Estate Developer Philippines 2021" by Finance Derivative Awards. In 2021, Megaworld received a total of 84 awards, including 44 international awards, from several award-giving bodies that recognized not only its developments and cultural promotion campaigns, but also the Company's COVID-19 response programs

The Company's common shares were listed on the PSE in 1994 and as of 31 December 2022, the Company had a market capitalisation of ₱63 billion.

Foreign sales contributed approximately 20%, 15% and 15% to the Company's consolidated sales and revenues for the years 2022, 2021 and 2020, respectively. The percentage of sales broken down by major markets is as follow:

Market	2022	2021	2020
North America	53%	37%	50%
Europe	34%	36%	26%
Asia	3%	15%	7%
Middle East	10%	12%	17%
Total	100%	100%	100%

Current Property Development Projects

The Company's current development projects are mostly mixed-use township developments that typically have residential, office, and commercial components. These projects are located in key areas throughout the Philippines. The objective of each of the mixed-use developments is to provide an integrated community with high quality "live-work-play-learn" amenities within close proximity to each other. For each development, the Company's real estate strategy is to lease all office and commercial properties and sell all residential units. Where the Company is not able to sell 100% of its residential units, upon completion of the residential project, it rents these unsold units on a lease-to-own basis or pursuant to a lease with an option to buy. The location of each of the Company's township developments, together with their respective sizes in hectares, is set out in the following map and each project is described below.

Eastwood City

Eastwood City is Megaworld's first township, pioneering the "live-work-play-learn" concept. This 18.5-hectare township is the country's first IT park and the first to be granted special economic zone status for information technology by PEZA, giving rise to the country's BPO industry. Eastwood City has evolved from a former textile mill factory into an integrated urban community with 24 residential condominium towers, 10 corporate office buildings, a lifestyle mall, retail and commercial centers, and the home of one of the company's homegrown hotel brands since its launch in 1996.

Forbes Town Center

Forbes Town is a 5-hectare development in Taguig City that includes 12 condominiums and retail and entertainment properties. The township's most notable feature is its retail strip along Forbestown Road, which contains around 40 restaurants and stores and is connected to Burgos Park, another Fort Bonifacio landmark. The first piece of public art to be installed in the Bonifacio Global City area is a sculpture by Reynato Paz Contreras titled The Trees, located in the park's center.

McKinley Hill

The architecture and design of McKinley Hill are influenced by the vibrant culture of Southern Europe, particularly the cities of Italy and Spain. The 50-hectare development is Megaworld's biggest township in the Fort Bonifacio area in Taguig City. It offers a completely integrated "live-work-play-learn" lifestyle by combining its affluent and exclusive apartments, premium-grade office buildings, and top-notch dining and recreational spaces. This lifestyle is reminiscent of the plazas and tourist hotspots of Florence and Venice, as evidenced by its iconic Venice Grand Canal Mall. It is the location of a bustling commercial district that is comprised of more than ninety different multinational firms, numerous prestigious international schools, and the embassies of a number of different countries, including the Republic of Korea, Italy, the United Arab Emirates, and the United Kingdom.

Newport City

Newport City is a 25-hectare community township located at the Villamor Air Base, Pasay City, Metro Manila, highlighted by its proximity to NAIA Terminal 3 as it drives convenience to overseas travelers. It is home to Newport World Resorts, a fully integrated leisure, and entertainment complex renowned for its first-class gaming facilities, restaurants, world-class hotels, and upscale shopping outlets. It hosts the international hotel brands such as: Manila Marriott Hotel, Holiday Inn Express Manila, Hilton Manila Hotel, Sheraton Hotel Manila, Okura Hotel Manila, managed by Travellers International Hotel Group, Inc. and homegrown hotel brands, Belmont Hotel Manila and Savoy Hotel Manila under Megaworld Hotels and Resorts.

McKinley West

McKinley West sits on a 34.5-hectare portion of the JUSMAG property in Fort Bonifacio, directly beside Forbes Park and Manila Polo Club and adjacent to McKinley Hill Township in Taguig City. The township features ultra-luxurious residential estates in its “Billionaire’s Row” with St. Moritz Private Estate, The Albany Luxury Residences and Park McKinley West, all equipped with state-of-the-art security features and first-of-its-kind luxury amenities. The township has rows of premium grade office buildings and pocket lifestyle hubs, including Mckinley Whisky Park, Asia’s first and largest outdoor whisky park, which houses drinks by Emperador, all complemented by open spaces and greenery while being accessible to major thoroughfares, C5 and Lawton Avenue and infrastructures like NAIA and the future site of the Metro Manila Subway.

The Mactan Newtown

The Company’s first township venture outside Luzon, Mactan Newtown is a mixed-use development on a 30-hectare property near Shangri-La’s Mactan Resort and Spa in Mactan, Cebu, combining high-end office towers, luxury condominiums, leisure amenities, retail shops, a school, and upscale hotels. Inside the township, a 1.4 hectare man-made lagoon will be built, with floating boardwalks and a bridge connecting both sides of a soon-to-rise beach mall. The lagoon will also be a venue for future water sports activities such as jet skiing, wakeboarding, stand-up paddling, and boating, all within a man-made shoreline at its perimeter.

Uptown Bonifacio

Uptown Bonifacio is a 15.4 hectare township in Taguig City, modeled after the most progressive cities around the world – Paris, London, Milan, New York and Tokyo. It currently has 3 fully constructed residential towers, with a fourth one under construction. Its sprawl includes office towers that house several multinational companies, including the headquarters of Megaworld inside the Alliance Global Tower. It also houses the multi-awarded lifestyle mall, Uptown Mall, famous because of its water feature. The township also sits at the forefront of the rapidly developing north side of Fort Bonifacio, with plans to construct the skytrain - a monorail connecting the township to the MRT, as well as a site of one of the stations of the Mega Manila subway.

Boracay Newcoast

Boracay Newcoast is a 150-hectare mixed-use leisure and resort development, envisioned to be the next world-class tourism destination in the island. Inside the township are luxury and boutique hotels, including Megaworld's Homegrown Brands: Belmont, Savoy, and the Chancellor Hotel. It will have its own commercial and retail districts, upscale villas, and an exclusive residential village throughout an estate filled with lush greenery, open spaces, ocean views, and exclusive beachfront access.

Twin Lakes

Twin Lakes is a 1,200-hectare mixed-use leisure and resort community in Tagaytay, offering picturesque hill views at the one of its upcoming residential projects - The Vineyard Residences, which spans a 177-hectare natural landscape, including a 10-hectare vineyard which will produce grape varieties that can be processed, stored, and aged in its very own chateau. The township also houses the award-winning Twin Lakes Hotel, inspired by Old European architecture, and the Twin Lakes Shopping Village, which hosts an exquisite selection of dining establishments and outlets. The township was established as the Philippines' first vineyard resort community and Tagaytay's first master-planned integrated tourism estate.

Iloilo Business Park

Iloilo Business Park is a mixed-used planned community in a 72-hectare property in Mandurriao, registered as a special economic zone. The township was formerly the site of the old Mandurriao airport, which now forms part of Megaworld Boulevard. It features Festive Walk, a 1.1-kilometer retail strip inspired by outlet shops in America and envisioned to be the longest shop-and-dine street outside of Metro Manila. Five residential condominium developments currently stand in IBP – One Madison Place Luxury Residence, Lafayette Park Square, The Palladium, the tallest building in the region at 22 storeys high, Saint Dominique and Saint Honore. It's also fast becoming a major arts location, being the site of the largest convention center in Western Visayas - Iloilo Convention Center, the Iloilo Museum of Contemporary Arts (ILOMOCA) and the Brandy Museum inside Casa de Emperador. With Iloilo Business Park, the Company aims to transform Western Visayas into the next central district in the region.

Suntrust Ecotown

Suntrust Ecotown sits on a 350-hectare land in Tanza, Cavite. It is the company's and the country's first mixed-used development with an industrial park, of which it will occupy 111 hectares of its total land area. As the first PEZA-accredited industrial park with lifestyle amenities, it is positioned to be the major hub for world-class light to medium export-oriented industries, residential, commercial, and institutional establishments in the south. Another 40 hectares of the township will be dedicated for the expansion of its industrial park and the integration of lifestyle amenities such as a hotel, commercial and retail hubs, driving range, mini golf course, putting greens, swimming pool, jogging path, basketball and badminton courts, and open parks, and another 200 hectares of future development that may include residential and other recreational facilities.

Davao Park District

Envisioned to be Davao City's new central business district, Davao Park District is the Company's first township development in Mindanao. Within this 11.4-hectare township will rise themed residential condominiums built by Suntrust Properties Inc, as well as a lifestyle mall, commercial and retail strips, open parks with a lagoon, and a school to pursue a community where play, relaxation, and an urban lifestyle thrive. It saw the completion of its first office tower, the iconic 15-storey Davao Finance Center in 2018, paving the way for it to become a major center for information technology and business process outsourcing in Mindanao.

Southwoods City

Southwoods City is the largest and only fully-integrated township with a golf course located in the south of Metro Manila. The 561-hectare property is a mixed-use development that features the Jack Nicklaus-designed Manila Southwoods Golf and Country Club, a central business district, a mall, schools, a church, and a medical facility among others. It maintains its suburban feel while being conveniently accessible via the South Luzon Expressway. Among the developments in the township is the 26-hectare residential village, Pahara, which consists of over 600 lots, each having a spectacular view of the golf course and the Laguna de Bay, drawing inspiration from Mediterranean architecture with green open spaces and its own clubhouse, swimming pool, function halls, children's playground, an outdoor circuit gym, and parks.

Alabang West

Alabang West is being developed with a distinctive Beverly Hills-themed lifestyle concept into its commercial and residential developments. Situated at the heart of Alabang, the 62-hectare township boasts its proximity to the booming business and commercial districts of Makati and Fort Bonifacio, easily accessible to and from Metro Manila via the South Luzon Expressway and the Daang Hari Exit. It prominently features a 1.3-kilometer commercial and retail row inspired by Hollywood's famous Rodeo Drive. Developments inside the township include the exclusive Alabang West Village, composed of 785 residential lots and first-class amenities, including a clubhouse complex with badminton and basketball courts, function rooms, cabanas, game room, fitness center, pocket gardens, open space parks, and lap pool, among others.

ArcoVia City

Envisioned as an environment-friendly community, the 12.3-hectare ArcoVia City is located along the C-5 Road in Pasig City. A main "green" feature of the township is the approximately 1,000 trees that will be planted around the development. This greening feature will help provide an outdoor thermal comfort for the future residents, workers, tenants and visitors of the township. Sustainable buildings registered under Leadership in Energy and Environmental Design (LEED) are the standard of office developments in this township, with the first two to rise designed by world-renowned architectural firm Skidmore, Owings & Merrill. Other green features of ArcoVia City are a rainwater catchment facility, a network of bicycle lanes, and wide tree-lined sidewalks. It will also have residential condominiums, a lifestyle mall, retail and commercial strips, and open parks. At its centerpiece is the 23-meter high Arco de Emperador, one of Manila's newest tourist attractions.

The Upper East

Inspired by New York City's affluent Upper East Side district, The Upper East will rise as Bacolod's first master-planned, mixed-use community that will host the city's newest and most modern central business district. The 34-hectare township is located in the heart of Bacolod set to become the city's version of an upscale lifestyle hub, incorporating residential condominiums, lifestyle malls, commercial centers, BPO office towers, tourism and leisure facilities, a transportation hub, recreational parks, and open spaces to harmoniously create the city's own Live-Work-Play township.

Northill Gateway

Located on a 53-hectare property along the new Circumferential Road on the boundary of Talisay City and Bacolod City, Northill Gateway will be the site of Forbes Hill, Megaworld's first upscale residential village in the Visayas and Mindanao. This village will include a giant fountain at its entrance, surrounded by landscaped gardens. Easily accessible to and from the new Bacolod-Silay Airport, the township will host Bacolod City's emerging lifestyle district featuring the country's first-ever Las Vegas-inspired Welcome Marker, mixed-use office and retail developments, leisure and recreational amenities, as well as institutional facilities.

Sta. Barbara Heights

Sta. Barbara Heights is a 173-hectare mixed-use development in Sta. Barbara, Iloilo. The township is adjacent to the historic Santa Barbara Church and Convent and the Iloilo Golf Course and Country Club, the oldest golf course in Asia. Sta. Barbara Heights will have direct access to the road leading to the Iloilo International Airport via the Iloilo International Avenue. Half of the entire development is allocated for the Sta. Barbara Heights Residential Estates, a residential village with three phases offering around 1,000 lots, with a five-hectare Village Center complete with amenities such as a 260-meter swimming pool, tennis and basketball courts, children's park and picnic ground overlooking a lake beside the Iloilo Golf and Country Club.

Capital Town

Capital Town is the Company's first-ever township development in Central and Northern Luzon, located in the heart of the City of San Fernando, Pampanga. At 36.5 hectares, designed with Neo-classical Architecture, the township boasts a rich history, culture, and heritage, as it was once the home of the Pampanga Sugar Development Company (PASUDECO). The township is being developed with the historical value and provenance of PASUDECO in mind, with a museum dedicated to it and the Pasudeco mall being designed reminiscent of the old building, integrating historical artifacts through adaptive reuse. Besides functional road networks and transportation hubs, Capital Town will also have a rainwater park and catchment facility, landscaped gardens, parks, water features, and trails for leisure, jogging, and/or biking activities.

Westside City

Westside City will be home to upscale residential condominiums, a luxury mall, as well as international and homegrown hotel brands, such as The Grand Westside Hotel, which when opened, will be the country's biggest hotel in terms of room keys at 1,530. Part of the Company's vision for Westside City is to become the "Broadway of Asia" as the township highlights facilities for the performing arts. It will be home to the Philippines' first Grand Opera House, having a total capacity of approximately 3,000 persons.

Maple Grove

Maple Grove is being developed into a modern, eco-friendly, and green township, hosting a unique mix of defined commercial, residential, and office developments. The 140 hectare township will feature a 2-hectare Rainwater Park, designed to be a catchment basin for rain water runoff, and a landscape drip irrigation system that will maximize the use of the harvested surface water. In it will also rise a lifestyle mall equipped with green and sustainability features, including exceptional light-transmitting architectural systems, grey water recycling facilities, perceived cooling design for air-conditioning, and provisions for roof solar panels. Maple Grove will also have its own chapel, transport hub, biking and jogging track, futsal field, and a six-lane Maple Grove Boulevard that traverses the township.

Eastland Heights

The Company, through subsidiary Global-Estate Resorts Inc., is developing the 640-hectare Eastland Heights into an integrated lifestyle community with world-class amenities all within a balanced environment in Antipolo, Rizal. It has its own iconic 36-hole golf course and country club, which will occupy around 20% of the entire development. Residential, commercial and retail, and other institutional components will also rise in the township, from where its rolling terrains offer unrivaled views of the Sierra Madre Mountain Range and allows an overlook to the wide skyline of Metro Manila along Marcos Highway.

The Hamptons Caliraya

The Hamptons Caliraya is a 300-hectare development, highlighting its American Country living theme with upscale leisure amenities and an exclusive residential village along Lake Caliraya, tucked away at 1,200 feet above sea level. Among its latest developments is The Hamptons Village, with prime lakeside lots ranging from 500-square meters to 1,800-square meters. It will have a strip of commercial and retail shops in its upscale commercial district, two 18-hole golf courses, and a private Marina Club that offers a wide range of water sports activities such as boating, jet skiing, and kayaking, as well as a shophouse district and resort hotel district.

Highland City

Empire East Highland City is a 24-hectare property envisioned to be the “first-elevated” city to rise in the Philippines. which comprises four phases, the Highland Park, Highland Mall, Chartered Club, and Highland Residences. The property boasts of about 40% open space and efficient road networks as wide as 6-lanes all serving an integral function of a total city-living enjoyment together with subsidiary Empire East, Megaworld is set to masterplan the P20-billion township which includes 38 residential developments and the 58,000-sqm Highland Mall.

Arden Botanical Estate

The Company, along with its subsidiary Global-Estate Resorts Inc., is jointly developing this 251-hectare property located at the boundary of Trece Martires and the municipality of Tanza in Cavite. Arden Botanical Estate will have several residential and leisure villages, commercial areas, sports and adventure parks, and a mixed-use district. The design of the township is to preserve and enrich the natural beauty of its landscape, with the township itself being bordered by natural rivers, allowing for the residential and commercial spaces within Arden to integrate seamlessly. The expansive development, which will be curated to engage and stimulate the senses, will be highlighted by flower gardens and green parks.

Lucky Chinatown

Located at the heart of Binondo, the world’s oldest Chinatown, Lucky Chinatown is strategically located near Manila’s historic and cultural sites such as Intramuros, Manila City Hall and the National Museum. This 3-hectare property boasts residential condominium projects, lifestyle mall, hotel, and a museum that perfectly blends history and modernity.

Northwin Global City

Set to become Bulacan’s first-ever metropolitan hub for business and lifestyle, Northwin Global City will feature its own themed commercial district, high-rise residential condominiums, hotels, malls, mixed-use commercial buildings, educational institutions, and state-of-the-art office towers, all within its 85-hectare enclave. Touted as a 'global business district', Northwin Global City will also carry Megaworld's iTownship features, such as the installation of solar-powered and LED streetlights, underground cabling system, fiber optic cabling, bike lanes, stormwater detention facility for flood prevention, intermodal transport terminal, and other sustainable infrastructure for mobility and connectivity. The township spans the municipalities of Marilao and Bocaue in Bulacan and will be just 20 minutes away from the proposed New Manila International Airport and just five minutes away from the Philippine Arena.

Paragua Coastown

Megaworld’s first ever ecotourism township, Paragua Coastown is idyllically located in San Vicente, Palawan - home of the country’s longest white sand beach. The 462-hectare development will be highlighted by hotels and resorts, hosting facilities that encourage a holistic lifestyle, including health and wellness sanctuaries, a cultural center, and even a mangrove reserve park. Keeping in mind the preservation of the biodiversity and rich natural features of the island, Megaworld is committing to build a cross-generational community within the township that will thrive and appeal to families with varied lifestyles hoping to set up businesses or settle in the township.

Winford Resort

Winford Resort is a 3-hectare development set to rise within the San Lazaro Tourism and Business Park. The township will boast a mix of residential condominiums, hotels, and commercial developments with a casino complex, drawing inspiration from “Old Manila” , with flourishes of French Renaissance, Neoclassical, and Art Deco architecture among the township's most distinctive features. It recently saw the launch of its new residential tower in the form of One Crown Suites, slated for completion in 2028 and is expected to generate P3 billion in sales.

Sherwood Hills

Sherwood Hills is a 340-hectare integrated lifestyle community being developed in partnership with Global Estate Resorts Inc. in Trece Martires, Cavite. The latest development in the township is the 41.8-hectare Prana Garden Villas, a Zen-Balinese fusion-inspired luxury residential village with 178 lots with unrivaled access to the world-class Sherwood Hills Golf and Country Club. The project has been masterfully designed to blossom together with its surrounding landscape, with 40% of the entire village being allocated for green and open spaces, including verdant thematic parks.

Marketing and Sales

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

The Company also employs marketing services staff whose job is to provide auxiliary services required by the marketing division for its sales and promotional activities. The group is also responsible for monitoring the latest developments in the economy and the real estate property markets as well as conducting market research studies for the marketing division.
In addition, the Company has an international marketing division based in Manila who oversees a global network of sales offices which market the projects of the Company and its affiliates to overseas Filipino professionals and retirees throughout Asia, Europe, North America, the Middle East and Australia. The Company enters into marketing agreements with various brokers based in the different overseas markets, which will then market the Company’s projects overseas through their respective marketing networks.

Construction

The Company has its own architectural and engineering teams and engages independent groups to carry out the design of its high-profile development projects. The Company has a team of project managers who work closely with outside contractors in supervising the construction phase of each project. The Company has also established relationships with Philippine and international architectural firms.

The Company also has a broad base of construction contractors and suppliers and is not dependent on any one contractor or supplier.

Competition

For over three (3) decades, Megaworld established itself as a game-changer in Philippine real estate industry. Year after year, the Company achieves impressive accomplishments, further solidifying its leadership in the industry. Megaworld differentiates itself from other real estate developers through its live-work-play-learn philosophy. This concept shaped the Company's townships, an approach to real estate that it pioneered.

The Company competes with other property investment, development, leasing, and holding corporations to attract buyers and tenants for its properties in Metro Manila. Location, product, price, financing, execution, completion, construction quality, brand, and service are the major determinants of competition in the real estate development business. Due to the prominent locations of its properties, innovative projects, a reputation for high-quality designs, affordable pre-sales financing, after-sales service, and a consistent track record of completion, the Company believes it has several competitive advantages in each of these categories. Total Assets of the Group as of the year ended 31 December 2022 is ₱409.2 billion while Net Profit for the same year is ₱15.4 billion.

The Company attributes its strong residential sales to two (2) main factors – (i) the popularity of its live-work-play communities in Metro Manila and (ii) the Company's proven track record of delivering more than 700 buildings to its customers over the last two (2) decades.

The Company believes that Ayala Land, Inc. ("ALI") has the potential to be its sole major rival in the market for community township developments. ALI is present in Fort Bonifacio, which is the location of many of the company's properties, including Forbes Town Center, McKinley Hill, McKinley West, and Uptown Bonifacio. The Company thinks that it has plenty of competition in the market with regard to its office and retail leasing operations from companies like Robinsons Land Corporation ("RLC"), ALI, and SM Prime Holdings, Inc. ("SMPHI").

With respect to high-end and middle income land and condominium sales, ALI claims to compete for buyers primarily on the basis of reputation, reliability, price, quality and location. With respect to its office rental properties, ALI claims to compete for tenants primarily based on the quality and location of the relevant building, reputation of the building's owner, quality of support services provided by the property manager, and rental and other charges. According to its publicly available disclosures, the Total Assets of ALI and subsidiaries for the period ended 31 December 2022 is ₱779.7 billion while their Net Income for the same period is ₱22.5 billion.

RLC believes that its strength is in its mixed-use, retail, commercial and residential developments. For its commercial center business, RLC claims to compete on the basis of its flexibility in developing malls with different sizes. For its residential business, RLC claims to compete in terms of industry-specific technological know-how, capital, reputation and sales and distribution network. According to its publicly available disclosures, Total Assets of RLC and subsidiaries as of the period ended 31 December 2022 is ₱223.4 billion while their Net Income for the same period is ₱11.1 billion.

SMPHI believes that it has certain significant competitive advantages which include the very good location of its malls, proven successful tenant mix and selection criteria and the presence of SM stores as anchor tenants. According to its publicly available disclosures, Total Assets of SMPHI and subsidiaries as of the period ended 31 December 2022 is ₱804.4 billion while their Net Income for the same period ₱21.9 billion.

Sources and Availability of Raw Materials

The Company has a broad base of suppliers from which it sources its construction materials. The Company is not dependent on any one or a limited number of suppliers. The Company has no plans on being dependent on any one or a limited number of suppliers.

Transactions with and/or dependence on related parties

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

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

Advances granted to and obtained from subsidiaries, associates and other related parties are for purposes of working capital requirements. The Company also rendered leasing, marketing and other services to some its subsidiaries including but not limited to management, administrative, accounting, legal, operational and other services. For more information, see Note 27 to the Audited Financial Statements.

The Company avails of marketing services of Eastwood Property and Holdings, Inc. ("EPHI"), a wholly-owned subsidiary of Empire East Land Holdings, Inc. ("EELHI"), Megaworld Newport Property Holdings, Inc. ("MNPHI") and Megaworld Central Properties Inc. ("MCPI") , (see Note 27 to the Audited Financial Statements, Related Party Transactions). As consideration for said marketing services, the Company pays commission based on contracted terms. Commission expenses charged by EPHI, MNPHI and MCPI are based on prevailing market rates.

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

Intellectual Property

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

The Company owns the registered trademark over its name and new logo which was registered on November 2019 and is valid until November 2029. While important, the Company does not believe that its operations or its subsidiaries' operations depend on its trademarks or any patent, license franchise, concession or royalty agreement. As of the 31 December 2022, the Company also has 45 registered trademarks over the names of its development projects.

Regulatory and Environmental Matters

Presidential Decree No. 957 ("PD 957"), Republic Act No. 4726 ("RA 4726") and Batas Pambansa Blg. 220 ("BP 220") are the principal statutes which regulate the development and sale of real property as part of a condominium project or subdivision. PD 957, RA 4726 and BP 220 cover subdivision projects for residential, commercial, industrial or recreational purposes and condominium projects for residential or commercial purposes. The Housing and Land Use Regulatory Board ("HLURB") is the administrative agency of the Government which, together with local government units ("LGUs"), enforces these decrees and has jurisdiction to regulate the real estate trade and business.

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

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

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

Developers who sell lots or units in a subdivision or a condominium project are required to register the project with and obtain a license to sell from the HLURB. Subdivision or condominium units may be sold or offered for sale only after a license to sell has been issued by the HLURB. As a prerequisite for the issuance of a license to sell by the HLURB, developers are required to file with the HLURB any of the following to guarantee the construction and maintenance of the roads, gutters, drainage, sewerage, water system, lighting systems, and full development of the subdivision or condominium project and compliance with the applicable laws, rules and regulations:

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

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

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

    - a cash bond;
    - a fiduciary deposit made with the cashier and/or disbursing officer of the HLURB;
    - a certificate of guaranty deposit issued by any bank or financing institution of good standing in favor of the HLURB for the total development cost;
    - a letter from any bank of recognized standing certifying that so much has been set aside from the bank account of the developer in favor of the HLURB, which amount may be withdrawn by the Chief Executive Officer of HLURB or his authorized representative, at any time the developer fails or refuses to comply with his duties and obligations under the bond contract; or
    - any irrevocable credit line to be utilized in the development of the project from any bank of recognized standing and a refinancing re-structuring program indicating sources of funding from duly accredited funding institutions.

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

Real estate dealers, brokers and salesmen are also required to register and secure a certificate of registration with the HLURB before they can sell lots or units in a registered subdivision or condominium project. The certificate of registration will expire on the first day of December of each year.

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

Environmental Laws

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an Environmental Compliance Certificate (“ECC”) prior to commencement. The DENR, through its regional offices or through the Environmental Management Bureau (“EMB”), determines whether a project is environmentally critical or located in an environmentally critical area. As a requisite for the issuance of an ECC, an environmentally critical project is required to submit an Environmental Impact Statement (“EIS”) to the EMB while a project in an environmentally critical area is generally required to submit an Initial Environmental Examination (“IEE”) to the proper DENR regional office. In case of an environmentally critical project within an environmentally critical area, an EIS is required. The construction of major roads and bridges are considered environmentally critical projects for which EISs and ECCs are mandated.

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

While the EIS or an IEE may vary from project to project, as a minimum, it contains all relevant information regarding the projects’ environmental effects. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The issuance of an ECC is a Government certification, indicating that the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the EIS System and that the proponent is committed to implement its approved Environmental Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein before or during the operations of the project and in some cases, during the project’s abandonment phase. The ECC also provides for other terms and conditions, any violation of which would result in a fine or the cancellation of the ECC.

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

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

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

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

Research and Development

The Company incurs minimal amounts for research and development activities which do not amount to a significant percentage of revenues.

Employees

As of 31 December 2022, the Company has 894 employees. The Company intends to hire additional employees if the present workforce becomes inadequate to handle the Company's operations.

The table below shows the breakdown of employees as of 31 December 2022:

Type	Number
Senior Management	41
Middle Management	373
Staff	480
Total	894

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

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

Risks Associated with the Company's Business

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

Historically, the Company has derived substantially all of its revenues and operating profits from sales of its real estate products in the Philippines, and its business is highly dependent on the state of the Philippine economy. Demand for, and prevailing prices of, developed land, house and lot units are directly related to the strength of the Philippine economy (including overall growth levels and interest rates), the overall levels of business activity in the Philippines and the amount of remittances received from overseas Filipino workers ("OFW"). As a result of the Asian financial crisis that began in 1997, the Philippine economy generally, and the Philippine property market specifically, went through a sharp downturn in the late 1990s. This downturn was further exacerbated during 2000 to 2001 by the political crisis resulting from the impeachment proceedings against, and the subsequent resignation of, former President Joseph Estrada. The global financial downturn also resulted in a general slowdown of the global economy in 2008 and 2009, which had a negative effect on the property market as Philippine property sales declined. More recently, the outbreak of COVID-19, which was declared a global pandemic by the World Health Organization, in the first quarter of 2020, has severely affected and continues to seriously affect the global economy.

There is no assurance that there will not be a recurrence of an economic slowdown in the Philippines. There is also a degree of uncertainty regarding the economic and political situation in the Philippines. Any deterioration in economic conditions in the Philippines as a result of these or other factors could have a material adverse impact on the Philippine housing and property markets resulting in, among others, lower demand and values for real estate and increased difficulties on the part of tenants in meeting their lease and other financial obligations, which in turn would likely have a material adverse impact on the Company's business, financial condition, results of operations and prospects.

The Company's business may be materially and adversely affected by the COVID-19 pandemic and other adverse public health developments.

The outbreak of the COVID-19 and other adverse public health developments, such as the outbreak of avian influenza, severe acute respiratory syndrome, or SARS, Zika virus and Ebola virus could materially and adversely affect the Company's business, financial condition and results of operations. These may include, temporary closures of the Company's premises, hospitalization or quarantine of its employees, delay or suspension of supplies from its suppliers and supply chain generally, disruptions or suspension of its operational and construction activities and labor shortage due to restrictions on its employees' ability to travel. Moreover, as a result of the quarantine measures implemented by the Government, the Company's malls were forced to close, resulting in a significant decline in footfall, particularly those located within Metro Manila. The Company has provided rent concessions and waived rental charges of its tenants and retail partners for a certain period, particularly to those who are unable to operate due to quarantine measures, in addition to the concessions that the Company is required to provide pursuant to the Bayanihan Act, such as rent payment deferrals. As of January 2022, the corporation began the process of gradually eliminating rent discounts for its mall tenants as those tenants move toward achieving full recovery.

The Company has incurred additional expenses by adopting certain measures to prevent further transmission of COVID-19 such as making hand sanitizers available within its properties, increasing the frequency of disinfection of facilities and providing its employees with personal protective equipment, among others. There is no certainty that such measures will be sufficient or that the Company will not be required to incur additional expense to address the effect of COVID-19 on its operations.

In addition, the continued spread of COVID-19 has led to disruption and volatility in the global capital markets. It is possible that the continued spread of COVID-19 could cause a global economic slowdown or recession. The impacts of the outbreak of COVID-19 on the global economy and financial markets generally and on the Company's results of operations are highly uncertain. Furthermore, there can also be no assurance that the policies and controls for outbreak prevention and disease recurrence introduced by governments, will be successful in preventing disease outbreaks or recurrences or that any actual or suspected outbreak of COVID-19 or other contagious disease affecting the Philippines or elsewhere will not occur. There can also be no assurance that any future outbreak of contagious diseases will not have a material adverse effect on the Company's business, financial condition, and results of operations.

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

The Company's real estate operations are subject to intense competition, and some competitors may have substantially greater financial and other resources than the Company, which may allow them to undertake more aggressive marketing and to react more quickly and effectively to changes in the markets and in consumer preferences. In addition, the entry of new competitors into the real estate industry could reduce the Company's sales and profit margins. In the real estate development industry, the Company competes against a number of residential and commercial developers and real estate services companies, including ALI for the Company's projects in the Fort Bonifacio area of Metro Manila, and Robinsons Land Corporation, SM Prime Holdings, Inc. and ALI for the Company's retail and office leasing activities. The Company competes for the acquisition of prime land, resources for development and prospective purchasers and tenants. For example, the city governments of Quezon City, Pasay City and Manila are offering land for the development of business districts, particularly to the developers targeting the BPO industry and that may have projects which compete with the Company's current development projects. Increased competition from other real estate developers and real estate services companies may adversely affect the Company's ability to acquire and sell properties or attract and retain tenants.

The Philippine property market is cyclical.

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

Since the second half of 2008, the global financial markets have experienced, and may continue to experience, significant dislocations, which originated from the liquidity disruptions in the United States and the European Union credit and sub-prime residential mortgage markets. These disruptions and other events, such as rising government deficits and debt levels, the sovereign credit ratings downgrades and ensuing public deficit and debt reduction measures of the United States and certain member states of the European Union, the risk of a partial collapse of the Eurozone, slower rates of growth in the Chinese economy and increasing level of debt in China, and the outbreak of COVID-19 pandemic have had and continue to have a significant adverse effect on the global financial markets. In particular, the COVID-19 pandemic may cause increasing concerns over the prospects of the Philippine property market, which may materially and adversely affect the demand for properties and property prices in the country. Given the uncertainties as to the development of the pandemic, it will be difficult to predict the extent to which this will continue to impact property development, sales, leasing and hotel operations and the Company.

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

<u>The Company is subject to significant competition in connection with the acquisition of land for development projects.</u>

The Company's future growth and development are dependent, in part, on its ability to acquire or enter into agreements to develop additional tracts of land suitable for development projects. As the Company and its competitors attempt to locate sites for development, the Company may experience difficulty in locating parcels of suitable size in locations and at prices acceptable to the Company.

<u>The Company is exposed to geographic portfolio concentration risks.</u>

Properties located in the commercial areas of the Philippines account for a substantial portion of the appraised value of the Company's assets. The Company's current projects are primarily located within or at relatively short distances from the traditional main business districts, particularly in Metro Manila. Due to the concentration of the Company's property portfolio, a decrease in property values in Metro Manila would have a material adverse effect on the business and results of operations of the Company.

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

As a developer and seller of residential real estate, the Company's business, financial condition and results of operations could be adversely affected in the event a material number of its residential sales are cancelled. The Company is subject to Republic Act No. 6552 (the "Maceda Law"), which applies to all transactions or contracts involving the sale or financing of real estate through instalment payments, including residential condominium units (but excluding industrial and commercial lots). Under the Maceda Law, buyers who have paid at least two years of instalments are granted a grace period of one month for every year of paid instalments to cure any payment default. If the contract is cancelled, the buyer is entitled to receive a refund of at least 50% of the total payments made by the buyer, with an additional 5% per annum in cases where at least five years of instalments have been paid (but with the total not to exceed 90% of the total payments). Buyers who have paid less than two years of instalments and who default on instalment payments are given a 60-day grace period to pay all unpaid instalments before the sale can be cancelled, but without right of refund." "While the Company historically has not experienced a material number of cancellations to which the Maceda Law has applied, there can be no assurance that it will not experience a material number of cancellations in the future, particularly during slowdowns or downturns in the Philippine economy, periods when interest rates are high or similar situations. In the event the Company does experience a material number of cancellations, it may not have enough funds on hand to pay the necessary cash refunds to buyers or it may have to incur indebtedness in order to pay such cash refunds. In addition, particularly during an economic slowdown or downturn, there can be no assurance that the Company would be able to re-sell the same property or re-sell it at an acceptable price. Any of the foregoing events would have a material adverse effect on the Company's business, financial condition and results of operations. In spite of the COVID-19 pandemic, the Company has not experienced a material number of cancellations beyond the historical rate of cancellations. However, there can be no assurance that the Company will not suffer from substantial cancellations and that such cancellations will not have a material adverse effect on its financial condition and results of operations.

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

The Company operates its businesses in a regulated environment. Presidential Decree No. 957, as amended, ("PD 957") and Republic Act No. 4726 or the Condominium Act ("RA 4726") are the principal statutes which regulate the development and sale of real property as part of a condominium project or subdivision. The Department of Human Settlements and Urban Development ("DHSUD") is the administrative agency of the Government of the Philippines which, together with local government units, enforces these statutes and has jurisdiction to regulate the real estate trade and business.

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

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

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

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

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

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

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

<u>The Company may experience difficulty in managing its expected growth.</u>

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

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

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

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

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, floods, droughts, volcanic eruptions and earthquakes. There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt the Company's operations. These factors, which are not within the Company's control, could potentially have significant effects on the Company's housing and land development projects. In particular, damage to the Company's structures resulting from such natural catastrophes could also give rise to claims against the Company from third parties or from customers for physical injuries or loss of property. For example, the Taal Volcano eruption in January 2020 affected the Company's Twin Lakes township, which experienced a 24% decline in real estate sales as compared in the previous year. However, during the quarter the township accounted for only 3% of the Company's consolidated real estate sales.

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

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

The real estate development business involves significant risks, including the risk of obtaining required Government approvals and permits which may take substantially more time and resources than anticipated. Construction of projects also may not be completed on schedule and within budget or at all. Real estate development projects require substantial capital expenditures prior to and during the construction period for, among other things, land acquisition and construction. The construction of property projects may take a year or longer before generating positive net cash flow through sales or pre-sales. As a result, the Company's cash flows and results of operations may be significantly affected by its project development schedules and any changes to those schedules. In addition, the time and costs involved in completing the development and construction of residential projects can be adversely affected by many factors, including shortages of materials, equipment and labor, adverse weather conditions, peso depreciation, natural disasters, labour disputes with contractors and subcontractors, accidents, changes in laws or in Government priorities and other unforeseen problems or circumstances. Where land to be used for a project is occupied by tenants and/or squatters, the Company may have to incur additional costs to remove such occupants and, if required by law, to provide relocation facilities for them. Any of these factors could result in project delays, cost overruns, or the termination or imposition of penalties under certain of the Company's joint development agreements and financing agreements, all of which could negatively affect the Company's operating margins. This could also result in sales and resulting profits from a particular development not being recognized in the year in which it was originally expected to be recognized, which could adversely affect the Company's results of operations for that year.

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

The Company is subject to risk incidental to the ownership and operation of office and related retail properties including, among other things, competition for tenants, changes in market rents, inability to renew leases or re-let space as existing leases expire, inability to collect rent from tenants due to bankruptcy or insolvency of tenants or otherwise, increased operating costs and the need to renovate, repair and re-let space periodically and to pay the associated costs. In particular, the Company relies on the growth of the BPO business as a continued source of revenue from its rental properties. If the BPO business does not grow as the Company expects or if the Company is not able to continue to attract BPO-based tenants, it may not be able to lease its office space or as a consequence, its retail space, in a timely manner or otherwise at satisfactory rents, which could have a material adverse effect on the Company's operations and financial condition. For example, in order to help the Company's tenants cope with the impact of the COVID-19 pandemic, rental fees were waived for mall tenants for the months covered by the ECQ lockdown measures. Since then, mall leasing activities have shifted to rental fees based on a percentage of sales instead of fixed rent and percentage of sales rental fee arrangements. In line with the relevant Government regulations and directives, the Company also provided rent payment deferrals to several mall and office tenants. Although, the Company does not anticipate any challenges in collecting any rent due before the end of the year, there can be no guarantee that the Company will not face challenges collecting rental fees in the future.

Increased inflation, fluctuations in interest rates, changes in Government borrowing patterns and Government regulations could have a material adverse effect on the Company's and its customers' ability to obtain financing.

Interest rates, and factors that affect interest rates, such as the Company's fiscal policy, could have a material adverse effect on the Company and on demand for its products. For example:

- Higher interest rates make it more expensive for the Company to borrow funds to finance ongoing projects or to obtain financing for new projects.
- Because the Company believes that a substantial portion of its customers procure financing to fund their property purchases, higher interest rates make financing, and therefore purchases of real estate, more expensive, which could adversely affect demand for the Company's residential projects.
- If the Government significantly increases its borrowing levels in the domestic currency market or imposes new regulations that reduce the limit allowed on the exposure of banks to the real estate sector, this could increase the interest rates charged by banks and other financial institutions and also effectively reduce the amount of bank financing available to both prospective property purchasers and real estate developers, including the Company.
- The Company's access to capital and its cost of financing are also affected by restrictions, such as single borrower limits, imposed by the Bangko Sentral ng Pilipinas ("BSP") on bank lending. If the Company were to reach the single borrower limit with respect to any bank, the Company may have difficulty obtaining financing with reasonable rates of interest from other banks.
- Increased inflation in the Philippines could result in an increase in the cost of raw materials, which the Company may not be able to pass on to its customers as increased prices.
- A further expansion in the budget deficit of the Government could also result in an increase in interest rates and inflation, which could in turn have a material effect on the ability of the Company to obtain financing at attractive terms, and on the ability of its customers to similarly obtain financing.

The occurrence of any of the foregoing events, or any combination of them, or of any similar events could have a material adverse effect on the Company's business, financial condition and results of operations.

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

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

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

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

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

There can be no assurance that the Company will be able to find or engage an independent contractor for any particular project or find a contractor that is willing to undertake a particular project within the Company's budget, which could result in cost increases or project delays. Further, although the Company's personnel actively supervise the work of such independent contractors, there can be no assurance that the services rendered by any of its independent contractors will always be satisfactory or meet the Company's requirements for quality. Contractors may also experience financial or other difficulties. Any of these factors could delay the completion or increase the cost of certain development projects and could have a material adverse effect on the Company's business, financial condition and results of operations.

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

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

Under the terms of its joint development agreements, the Company takes responsibility for project development costs and project sales activities, while its joint venture partner typically supplies the project land. A joint venture involves special risks where the venture partner may have economic or business interests or goals inconsistent with or different from those of the Company’s. The development partner may also take actions contrary to the Company’s instructions or requests, or in direct opposition to the Company’s policies or objectives with respect to the real estate investments, or the development partner may not meet its obligations under the joint development arrangement. Disputes between the Company and its joint development partners could arise which could have an effect on the Company’s investment in the project.

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

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

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

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

Developments in technology could materially disrupt the Company’s operations and affect the commercial and retail developments of the Company.

Changes in technology could materially disrupt the Company’s operations and affect the commercial and retail developments of the Company. For example, customers’ increased use of e-commerce platform may reduce foot traffic at the Company’s malls. The Company has a number of initiatives that utilize technological solutions such as the iTownships or the *E-Concierge* mobile application. Implementing, maintaining and upgrading technology solutions and supports may require significant investment and there can be no guarantee that the Company will be successful in meeting and serving changing consumer demands. Additionally, these technological and digital platforms may be damaged or interrupted by power loss, technological failures, user errors, other forms of sabotage or other force majeure. Although the Company believes it is adequately protected against identified potential risks and that there are sufficient control processes in place, failure by the Company to maintain and keep pace with technology could have a negative effect on the Company’s business and results of operations.

The Company depends on its trademarks and proprietary rights and any failure to protect such intellectual property rights could have a material adverse effect on its ability to market certain products and its results of operations.

The Company owns or has pending applications for the registration of, intellectual property rights for various trademarks associated with its projects and corporate names and logos to operate its business. Protection of these intellectual property rights is important to maintaining the distinctive corporate and market identities of the Company. If third parties use counterfeit versions or otherwise look confusingly similar to the Company trademarks, customers and clients may mistake its projects with those, which could negatively affect the brand image and sales of the Company. There is no assurance that third parties will not challenge, invalidate or circumvent any existing or future trademarks issued to, or licensed by, the Company and its subsidiaries. There is also no assurance that the Company will be able to successfully protect its proprietary rights and any failure to protect such proprietary rights could harm its competitive position, which could materially and adversely affect the business, financial condition, results of operations, prospects and reputation of the Company.

The Company may be unable to retain key personnel and attract and retain skilled professionals, such as management, sales staff, architects and engineers.

Any loss of key personnel, the inability to replace such personnel and failure to train and retain replacement personnel could materially and adversely affect the ability of the Company to provide products and services to its customers. In addition, the Company has relied and will continue to rely significantly on the continued individual and collective contributions of its senior management team. If any key personnel, including senior management, are unable or unwilling to continue in their present positions, the Company may not be able to replace them easily, and its business may be significantly disrupted.

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

Any deterioration in the Company's employee relations could materially and adversely affect the Company's operations.

The Company's success depends partially on its ability to maintain a productive workforce. Any strikes, work stoppages, work slowdowns, grievances, complaints or claims of unfair practices or other deterioration in the Company's employee relations could have a material and adverse effect on the Company's financial condition and results of operations.

The Company may be involved in legal and other proceedings from time to time.

The Company may, from time to time, be involved in disputes with various parties in the operations of its businesses, including contractual disputes, as well as disputes relating to construction, property development and investigations by regulatory enforcement proceedings. Regardless of the outcome, these disputes and investigations may lead to legal or other proceedings and may result in substantial costs and the diversion of resources and management's attention. In addition, the Company may also have disagreements with regulatory bodies in the course of operations, which may subject the Company to administrative proceedings and unfavourable decisions that may result in penalties or other liabilities. Any of these outcomes could materially and adversely affect the Company's business, financial condition and results of operations.

The Company enters into transactions with related parties.

In the ordinary course of business, the Company transacts with its related parties, such as its subsidiaries and certain of its associated companies, and joint ventures. These transactions have principally consisted of advances, loans, bank deposits, reimbursement of expenses, lease, purchase and sale of real estate and other properties and services, guarantees, construction contracts and development, management, marketing and administrative service agreements. Under Section 50 of the National Internal Revenue Code, in the case of two or more businesses owned or controlled directly or indirectly by the same interests, the Bureau of Internal Revenue ("BIR") Commissioner is authorised to distribute, apportion, or allocate gross income or deductions between or among such businesses upon determination of the necessity to prevent evasion of taxes or to clearly reflect the income of any such business. There can be no assurance that the BIR may confirm these transactions as arm's length on the basis of the Transfer Pricing Regulations and there can be no assurance that any transfer pricing adjustments by the BIR will not have a material adverse effect on the Company's business, financial condition or results of operations.

Alliance Global Group, Inc. is the single largest shareholder of the Company whose interests may not be the same as those of other shareholders and the shareholders

Alliance Global Group, Inc. is the single largest shareholder of the Company and can exert influence over the policies, management and affairs of the Company. The interests of Alliance Global Group, Inc. may differ from those of the shareholders or of other shareholders of the Company, which may, as a result, adversely affect the interests of the shareholders. There can be no assurance that any conflicts of interest between the other shareholders of the Company and Alliance Global Group, Inc. will be resolved in favour of the shareholders or that Alliance Global Group, Inc. would not cause the Company to take action in manner which might conflict with the interests of shareholders.

RISKS RELATING TO THE PHILIPPINES

Political and social instability.

The Philippines has, from time to time, experienced political and military instability, including acts of political violence. In the last decade, there has been political instability in the Philippines, including extra-judicial killings, alleged electoral fraud, impeachment proceedings against two former presidents, two chief justices of the Supreme Court of the Philippines, and public and military protests arising from alleged misconduct by the previous and current administrations. In addition, a number of officials of the Philippine Government are currently under investigation or have been indicted on corruption charges stemming from allegations of misuse of public funds, extortion, bribery or usurpation of authority.

In addition, the Philippine has also been subject to a number of terrorist attacks and the Armed Forces of the Philippines has been in conflict with groups which have been identified as being responsible for kidnapping and terrorist activities in the Philippines. In addition, bombings have taken place in the Philippines, mainly in cities in the southern part of the country. For example, in May 2017, the city of Marawi in Lanao del Sur, Mindanao, was assaulted by the Maute Group, terrorists who were inspired by pledged allegiance to the Islamic State of Iraq and Syria. Due to the clash between the Philippine Government forces and the terrorists and the risk of the armed conflict spilling over to other parts of Mindanao, martial law was declared in the entire island of Mindanao, Philippines. In October 2017, the city was declared liberated from the terrorists. Despite this, the Philippine Congress extended the imposition of martial law in Mindanao until the end of 2019, citing persistent threats of terrorism and rebellion. The martial law in Mindanao was lifted on 01 January 2020. An increase in the frequency, severity or geographic reach of these terrorist acts could destabilize the Philippines, and adversely affect the country's economy. These armed conflict and terror attacks could lead to further injuries or deaths by civilians and members of the military, which could destabilize parts of the country and adversely affect the country's economy. In addition, the Anti-Terrorism Act of 2020, which has drawn criticism from, and sparked protests by, various sectors because of its controversial provisions on warrantless arrests and its broad definition of terrorist acts, which may be used to target government critics was passed into law.

There can be no assurance that the political environment in the Philippines will be stable or that the current or any future government will adopt economic policies that are conducive to sustained economic growth or which do not materially and adversely impact the current regulatory environment for the telecommunications and other companies. An unstable political or social environment in the Philippines could negatively affect the general economic conditions and business environment in the Philippines which, in turn, could have a materially and adverse impact on the Company's business, financial position and financial performance.

Territorial disputes.

The Philippines, China and several Southeast Asian nations have been engaged in a series of long-standing territorial disputes arising from competing and overlapping claims over certain islands and features in the West Philippine Sea. China claims historic rights to nearly all of the West Philippine Sea based on its so-called "ninedash line" and in recent years dramatically expanded its military presence in the sea which has raised tension in the region among the claimant countries. In 2013, the Philippines became the first claimant country to file a case before the Permanent Court of Arbitration, the internal arbitration tribunal based at the Hague, Netherlands to legally challenge claims of China in the West Philippine Sea and to resolve the dispute under the principles of international law as provided for under the United Nations Convention on the Law of the Sea. In July 2016, the Permanent Court of Arbitration rendered a decision stating that the Philippines has exclusive sovereign rights over the West Philippine Sea (in the South China Sea) and that the "nine-dash line" claim of China is invalid. The Philippine Government, under the Duterte administration, has taken action to de-escalate tensions concerning the territorial dispute with China.

There is no guarantee that the territorial dispute between the Philippines and other countries, including China, would end or that any existing tension will not escalate further, as China has taken steps to exercise control over the disputed territory. Should these territorial disputes continue or escalate further, the Philippines and its economy may be disrupted and the Company's operations could be adversely affected as a result. In particular, further disputes between the Philippines and China may lead both countries to impose trade restrictions on the other's imports. Any such impact from these disputes could adversely affect the Philippine economy, and materially and adversely affect the Company's business, financial position and financial performance.

If foreign exchange controls were to be imposed, the Company's ability to meet its foreign currency payment obligations could be adversely affected.

In general, Philippine residents may freely dispose of their foreign exchange receipts and foreign exchange may be freely sold and purchased outside the Philippine banking system. However, the Monetary Board of the BSP has statutory authority, with the approval of the President of the Philippines, during a foreign exchange crisis or in times of national emergency, to:

- suspend temporarily or restrict sales of foreign exchange;
- require licensing of foreign exchange transactions; or
- require the delivery of foreign exchange to the BSP or its designee banks for the issuance and guarantee
- of foreign currency-denominated borrowings.

The Philippine Government has, in the past, instituted restrictions on the conversion of the Philippine peso into foreign currencies and the use of foreign exchange received by Philippine companies to pay foreign currency denominated obligations.

There can be no assurance that foreign exchange controls will not be imposed in the future. If imposed, these restrictions could materially and adversely affect the Company's ability to obtain foreign currency to service its foreign currency obligations.

STRENGTHS

The Company believes that it has the following competitive strengths:

- Leading real estate player with established market position and strong brand recognition.
- High quality and diversified portfolio provide stability to income generation.
- Defensive and recurring income portfolio provides resilience amid economic uncertainty.
- High earnings visibility supported by substantial land bank and proven execution track record.
- Leading real estate player with an established market position and strong brand recognition.
- Experienced management team with robust corporate governance policies.
- Conservative balance sheet supported by diversified funding sources and prudent financial management.

STRATEGIES

The Company's objective is to increase its profitability and maintain its leading position as a major property developer in the Philippines, specifically in the middle-income residential condominium market and the market for BPO-related office developments. The Company intends to achieve its objective through the following principal strategies:

- Maximize earnings through integrated community township developments.
- Capitalize on brand and reputation.
- Build on synergies across the Megaworld group and the larger Alliance Global Group, Inc. group of companies.
- Maintain a strong financial position.
- Sustain a diversified development portfolio.
- Capitalize on growing opportunities in tourism development.

PROPERTIES

Description of Principal Properties

The principal properties of the Company as of 31 December 2022 consist of projects under development, condominium units in completed projects, and land for future development, rental properties and hotels, including the following:

TYPE	LOCATION	OWNED/LEASED/ LIMITATIONS ON OWNERSHIP
A. Condominium Units and Subdivision Lots Under Development		
18 Avenue De Triomphe	Arcovia City, Pasig City	Owned
Arcovia Palazzo - Altea	Arcovia City, Pasig City	Owned
Arcovia Palazzo - Benissa	Arcovia City, Pasig City	Owned
Arcovia Palazzo - Cantabria	Arcovia City, Pasig City	Owned
Eastwood Global Plaza Luxury Residence	Eastwood, Quezon City	Owned
One Eastwood Avenue 2	Eastwood, Quezon City	Owned
Maple Grove Commercial District	General Trias City, Cavite	Joint Venture
The Verdin At Maple Grove	General Trias City, Cavite	Owned
La Cassia Residences	General Trias City, Cavite	Owned
San Antonio Residences East & West	Gil Puyat Ave., Makati City	Owned
Belmont Hotel Iloilo	Iloilo Business Park, Iloilo City	Owned
Lafayette Park Square	Iloilo Business Park, Iloilo City	Owned
Saint Dominique	Iloilo Business Park, Iloilo City	Owned
Saint Honore	Iloilo Business Park, Iloilo City	Owned
The Palladium	Iloilo Business Park, Iloilo City	Owned
The Pinnacle	Iloilo Business Park, Iloilo City	Owned
Belmont Hotel Mactan Newtown	Mactan Newtown, Cebu	Owned
La Victoria Global Residences	Mactan Newtown, Cebu	Owned
The Pearl Global Residences	Mactan Newtown, Cebu	Owned
Manhattan Plaza Tower 2	Manhattan Garden City, Quezon City	Joint Venture
St. Mark Residences	McKinley Hill, Fort Bonifacio, Taguig City	Owned
Park Mckinley West	McKinley West, Fort Bonifacio, Taguig City	Joint Venture
The Albany Luxury Residences – Kingsley	McKinley West, Fort Bonifacio, Taguig City	Joint Venture
The Albany Luxury Residences – Yorkshire	McKinley West, Fort Bonifacio,	Joint Venture

	Taguig City	
Forbes Hill	Northill Gateway, Bacolod	Joint Venture
Vion Tower	Pasong Tamo corner EDSA, Makati City	Joint Venture
The Ellis	Salcedo Village, Makati City	Owned
Kingsquare Residence	Sta. Cruz, Manila City	Owned
One Regis	The Upper East, Bacolod City	Owned
Two Regis	The Upper East, Bacolod City	Owned
One Manhattan	The Upper East, Bacolod City	Owned
Arden Botanical Village	Trece Martires City, Cavite	Joint Venture
Uptown Arts	Uptown Bonifacio, Fort Bonifacio, Taguig City	Joint Venture
Uptown Parksuites Residence	Uptown Bonifacio, Fort Bonifacio, Taguig City	Joint Venture

B. Condominium Units in Completed Projects

Greenbelt Radisson	Aguirre St., Legaspi Village, Makati City	Owned
Cityplace Binondo A & B	Binondo, Manila City	Owned
Noble Place	Binondo, Manila City	Joint Venture
Kentwood Heights	Cubao, Quezon City	Owned
Narra Heights	Cubao, Quezon City	Owned
Eastwood Le Grand 1-3	Eastwood, Quezon City	Owned
Eastwood Parkview 1 & 2	Eastwood, Quezon City	Owned
Grand Eastwood Palazzo	Eastwood, Quezon City	Owned
One Central Park	Eastwood, Quezon City	Owned
One Orchard Road 1-3	Eastwood, Quezon City	Owned
The Eastwood Excelsior	Eastwood, Quezon City	Owned
The Eastwood Lafayette 1-3	Eastwood, Quezon City	Owned
One Eastwood Avenue 1	Eastwood, Quezon City	Owned
8 Forbestown Road	Forbestown Center, Fort Bonifacio, Taguig City	Joint Venture
The Bellagio 1-3	Forbestown Center, Fort Bonifacio, Taguig City	Joint Venture
Forbeswood Heights	Forbestown Center, Fort Bonifacio, Taguig City	Joint Venture
Forbeswood Parklane 1 & 2	Forbestown Center, Fort Bonifacio, Taguig City	Joint Venture
Salcedo SkySuites	Gil Puyat Ave., Makati City	Owned
One Beverly Place	Greenhills, San Juan City	Joint Venture
One Madison Place 1 - 3	Iloilo Business Park, Iloilo City	Owned
Iloilo Boutique Hotel	Iloilo Business Park, Iloilo City	Owned
Wack Wack Heights	Lee St., Mandaluyong City	Owned
Greenbelt Hamilton 1 & 2	Legaspi St., Legaspi Village, Makati City	Owned
Greenbelt Madison	Legaspi Village, Makati City	Owned
8 Newtown Boulevard	Mactan Newtown, Cebu City	Owned
One Pacific Residence	Mactan Newtown, Cebu City	Owned
One Manchester Place 1 & 2	Mactan Newtown, Cebu City	Owned
Savoy Hotel Mactan Newtown	Mactan Newtown, Cebu City	Owned
One Lafayette Square	Makati City	Owned
Two Lafayette Square	Makati City	Owned
Manhattan Parkway 1-3	Manhattan Garden City, Quezon City	Joint Venture
Manhattan Parkview 1-3	Manhattan Garden City, Quezon City	Joint Venture
Manhattan Parkview Garden	Manhattan Garden City, Quezon City	Joint Venture
Manhattan Heights Tower A	Manhattan Garden City, Quezon City	Joint Venture
Manhattan Heights Tower B	Manhattan Garden City, Quezon City	Joint Venture
Manhattan Heights Tower C	Manhattan Garden City, Quezon City	Joint Venture
Manhattan Heights Tower D	Manhattan Garden City, Quezon City	Joint Venture
Manhattan Plaza Tower 1	Manhattan Garden City, Quezon City	Joint Venture

115 Upper McKinley	McKinley Hill, Fort Bonifacio, Taguig City	Joint Venture
McKinley Hill Garden Villas	McKinley Hill, Fort Bonifacio, Taguig City	Joint Venture
Tuscany Private Estate	McKinley Hill, Fort Bonifacio, Taguig City	Joint Venture
Morgan Suites Executive Residences	McKinley Hill, Fort Bonifacio, Taguig City	Owned
Stamford Executive Residences	McKinley Hill, Fort Bonifacio, Taguig City	Owned
The Venice Luxury Residences – Alessandro	McKinley Hill, Fort Bonifacio, Taguig City	Owned
The Venice Luxury Residences – Bellini	McKinley Hill, Fort Bonifacio, Taguig City	Owned
The Venice Luxury Residences – Carusso	McKinley Hill, Fort Bonifacio, Taguig City	Owned
The Venice Luxury Residences – Domenico	McKinley Hill, Fort Bonifacio, Taguig City	Owned
The Venice Luxury Residences – Emanuele	McKinley Hill, Fort Bonifacio, Taguig City	Owned
The Venice Luxury Residences – Fiorenzo	McKinley Hill, Fort Bonifacio, Taguig City	Owned
Viceroy 1-4	McKinley Hill, Fort Bonifacio, Taguig City	Owned
The Florence (1-3)	McKinley Hill, Fort Bonifacio, Taguig City	Owned
McKinley West Subdivision	McKinley West, Taguig City	Joint Venture
St. Moritz Private Estate 1 & 2	McKinley West, Taguig City	Joint Venture
Brentwood Heights	Multinational Village, Parañaque City	Owned
Sherwood Heights	Multinational Village, Parañaque City	Owned
101 Newport Boulevard	Newport, Pasay City	Joint Venture
150 Newport Boulevard	Newport, Pasay City	Joint Venture
81 Newport Boulevard	Newport, Pasay City	Joint Venture
Palm Tree Villas 1 & 2	Newport, Pasay City	Joint Venture
The Parkside Villas	Newport, Pasay City	Joint Venture
The Residential Resort at Newport	Newport, Pasay City	Joint Venture
Belmont Luxury Hotel	Newport, Pasay City	Joint Venture
Savoy Hotel	Newport, Pasay City	Joint Venture
Golf Hills Terraces	Old Balara, Quezon City	Joint Venture
Golfhill Gardens	Old Balara, Quezon City	Owned
Greenbelt Parkplace	Palanca St., Legaspi Village, Makati City	Owned
Greenbelt Excelsior	Palanca St., Legaspi Village, Makati City	Joint Venture
Marina Square Suites	Pedro Gil, Manila City	Owned
Greenhills Heights	Pinaglabanan, San Juan City	Joint Venture
Greenbelt Chancellor	Rada St., Legaspi Village, Makati City	Owned
Paseo Heights	Salcedo Village, Makati City	Owned
One Central	Sen. Gil Puyat Ave., Makati City	Owned
El Jardin Del Presidente 1 & 2	Sgt. Esguerra Ave., Quezon City	Owned
One Uptown Residence	Uptown Bonifacio, Taguig City	Joint Venture
Uptown Ritz Residence	Uptown Bonifacio, Taguig City	Joint Venture
Paseo Parkview Suites 1& 2	Valero St. Salcedo Village, Makati City	Owned
Two Central	Valero St., Makati City	Owned
Three Central	Valero St., Makati City	Owned
The Manhattan Square	Valero St., Makati City	Joint Venture
8 Wack Wack Road	Wack Wack Road, Mandaluyong City	Owned

C. Rental Properties

Arcovia Parade Retail 1 & 2	Arcovia City, Pasig City	Owned
City Place Retail Mall	Binondo, Manila City	Owned
Hotel Lucky Chinatown	Binondo, Manila City	Owned
Lucky Chinatown Mall	Binondo, Manila City	Owned

Davao Finance Center	Davao Park District, Davao City	Owned
1800 Eastwood Avenue	Eastwood, Quezon City	Owned
1880 Eastwood Avenue	Eastwood, Quezon City	Owned
Cyber Mall	Eastwood, Quezon City	Owned
Cyber One Units	Eastwood, Quezon City	Owned
Eastwood Citywalk	Eastwood, Quezon City	Owned
Eastwood Mall	Eastwood, Quezon City	Owned
Eastwood Richmonde Hotel	Eastwood, Quezon City	Owned
E-Commerce Plaza	Eastwood, Quezon City	Owned
Global One	Eastwood, Quezon City	Owned
IBM Plaza	Eastwood, Quezon City	Owned
ICITE	Eastwood, Quezon City	Owned
Techno Plaza 1	Eastwood, Quezon City	Owned
Techno Plaza 2 Units	Eastwood, Quezon City	Joint Venture
Eastwood Global Plaza Corporate Center	Eastwood, Quezon City	Owned
Burgos Circle	Forbestown Center, Fort Bonifacio, Taguig City	Joint Venture
The World Centre	Gil Puyat Ave., Makati City	Owned
One Beverly Place Retail	Greenhills, San Juan City	Owned
Festive Walk Mall	Iloilo Business Park, Iloilo City	Owned
Festive Walk Mall Annex	Iloilo Business Park, Iloilo City	Owned
Festive Walk Parade 2B	Iloilo Business Park, Iloilo City	Owned
Festive Walk Office Tower	Iloilo Business Park, Iloilo City	Owned
One Global Center	Iloilo Business Park, Iloilo City	Owned
One Techno Place	Iloilo Business Park, Iloilo City	Owned
Richmonde Hotel Iloilo & Richmonde Tower	Iloilo Business Park, Iloilo City	Owned
Two Global Center	Iloilo Business Park, Iloilo City	Owned
Three Techno Place	Iloilo Business Park, Iloilo City	Owned
Two Techno Place	Iloilo Business Park, Iloilo City	Owned
One Fintech Place	Iloilo Business Park, Iloilo City	Owned
Two Fintech Place	Iloilo Business Park, Iloilo City	Owned
California Garden Square Retail	Libertad cor. Calbayog, Mandaluyong City	Owned
8 Newtown Boulevard	Mactan Newtown, Cebu	Owned
Mactan Alfresco	Mactan Newtown, Cebu	Owned
One World Center	Mactan Newtown, Cebu	Owned
Tower One Plaza Magellan	Mactan Newtown, Cebu	Owned
Two World Center	Mactan Newtown, Cebu	Owned
Pacific World Tower	Mactan Newtown, Cebu	Owned
The Newtown School of Excellence	Mactan Newtown, Cebu	Owned
8 Campus Place	McKinley Hill, Fort Bonifacio, Taguig City	Ground Lease
8 Upper McKinley	McKinley Hill, Fort Bonifacio, Taguig City	Owned
Commerce and Industry Plaza	McKinley Hill, Fort Bonifacio, Taguig City	Ground Lease
Emperador Steel Parking Building	McKinley Hill, Fort Bonifacio, Taguig City	Ground Lease
McKinley Hill (Phase 3) Lots	McKinley Hill, Fort Bonifacio, Taguig City	Ground Lease
McKinley Parking Building	McKinley Hill, Fort Bonifacio, Taguig City	Owned
One Campus Place	McKinley Hill, Fort Bonifacio, Taguig City	Ground Lease
One World Square	McKinley Hill, Fort Bonifacio, Taguig City	Owned
Science Hub Towers	McKinley Hill, Fort Bonifacio, Taguig City	Ground Lease
Southeast Asian Campus	McKinley Hill, Fort Bonifacio, Taguig City	Ground Lease
The Venice Canal Mall	McKinley Hill, Fort Bonifacio, Taguig City	Ground Lease
The Venice Piazza	McKinley Hill, Fort Bonifacio, Taguig City	Ground Lease
Three World Square	McKinley Hill, Fort Bonifacio, Taguig City	Owned
Tuscany Retail	McKinley Hill, Fort Bonifacio, Taguig City	Joint Venture

Two World Square	McKinley Hill, Fort Bonifacio, Taguig City	Owned
Venice Corporate Center	McKinley Hill, Fort Bonifacio, Taguig City	Ground Lease
Woodridge Residences	McKinley Hill, Fort Bonifacio, Taguig City	Joint Venture
Five West Campus	McKinley West, Taguig City	Joint Venture
One West Campus	McKinley West, Taguig City	Joint Venture
Ten West Campus	McKinley West, Taguig City	Joint Venture
Three West Campus	McKinley West, Taguig City	Joint Venture
Two West Campus	McKinley West, Taguig City	Joint Venture
Six West Campus	McKinley West, Taguig City	Joint Venture
Eight West Campus	McKinley West, Taguig City	Joint Venture
Mckinley West Steel Deck Parking	McKinley West, Taguig City	Joint Venture
One Le Grand Tower	McKinley West, Taguig City	Joint Venture
81 Newport Square	Newport City, Pasay City	Joint Venture
Belmont Luxury Hotel	Newport City, Pasay City	Joint Venture
The Richmonde Hotel	Ortigas, Mandaluyong City	Owned
Paseo Center	Paseo Center, Makati City	Owned
331 Building	Sen. Gil Puyat Ave., Makati City	Owned
Corinthian Hills Retail	Temple Drive, Quezon City	Owned
Uptown Parade	Uptown Bonifacio, Taguig City	Joint Venture
Uptown Place Mall	Uptown Bonifacio, Taguig City	Joint Venture
Uptown Place Towers	Uptown Bonifacio, Taguig City	Joint Venture
World Commerce Place 1-3	Uptown Bonifacio, Taguig City	Joint Venture

The Company's principal office is located on the 30th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City.

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

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

LEGAL PROCEEDINGS

No Material Pending Legal Proceedings

Neither the Company nor any of its subsidiaries or any of their properties are involved in or the subject of any legal proceedings which would have a material adverse effect on the business or financial position of the Company or any of its subsidiaries, or any of its or their properties.

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted during the fourth quarter of 2022 to a vote of the security holders.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Price Information

The common shares of the Company are traded on the PSE under the symbol of MEG. The Company's common stock was first listed on the PSE on June 15, 1994.

The following table sets out, for the periods indicated, the high and low sales price for the Company's common shares as reported on the PSE:

Year		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2021	High	4.30	3.76	3.30	3.43
	Low	3.30	2.60	2.71	2.83
2022	High	3.41	3.06	2.68	2.33
	Low	2.90	2.15	2.03	1.95
2023	High	2.40			
	Low	1.91			
04/12/2023	Close	2.02			

Market price of the Issuer's Shares as at 31 December 2022 was ₱2.00 per share.

Holders

As of 31 March 2023, the Company has 2,393 shareholders of record worldwide. The following table sets forth the 20 largest shareholders of the Company as of 31 March 2023.

	Name of Shareholder	Number of Shares Held	Percent of Total Outstanding Shares
1.	Alliance Global Group, Inc.	14,570,860,058	39.19%
		6,000,000,00	16.14%
		20,570,860,058	55.32%
2.	PCD Nominee Corporation (Filipino)	7,094,066,699	19.08%
3.	New Town Land Partners, Inc.	5,668,530,324	15.24%
4.	PCD Nominee Corporation (Non-Filipino)	3,475,364,159	9.35%
5.	First Centro, Inc.	873,012,500	2.35%
6.	Richmonde Hotel Group International limited	420,000,000	1.13%
7.	Simon Lee Sui Hee	8,845,200	0.02%
8.	OCBC Securities Phils., Inc. FAO: Santiago Tanchan	7,371,000	0.02%
9.	Luisa Co Li	5,525,697	0.01%
10.	Evangeline Abdullah	5,400,000	0.01%
11.	Jasper Karl Tanchan Ong	5,370,300	0.01%
12.	Winston Co	5,180,760	0.01%
13.	Luis U. Ang &/or Teresa W. Ang	4,000,000	0.01%
14.	Luis Ang &/or Lisa Ang	3,785,532	0.01%

15.	Lucio W. Yan	3,780,000	0.01%
16.	Alberto Mendoza &/or Jeanie C. Mendoza	2,587,454	0.01%
17.	Luis U. Ang &/or Liza W. Ang	2,529,345	0.01%
18.	Tiong Lam Ku &/or Nelson O. Ku	2,520,000	0.01%
19.	Vicente de Vera	2,098,826	0.01%
20.	Katherine L. Tan	1,891,632	0.01%

Dividend Policy

The payment of dividends, either in the form of cash or stock, will depend upon the Company's earnings, cash flow and financial condition, among other factors. The Company may declare dividends only out of its unrestricted retained earnings. These represent the net accumulated earnings of the Company with its capital unimpaired, which are not appropriated for any other purpose. The Company may pay dividends in cash, by the distribution of property, or by the issue of shares of stock. Dividends paid in cash are subject to the approval by the Board of Directors. Dividends paid in the form of additional shares are subject to approval by both the Board of Directors and at least two-thirds of the outstanding capital stock of the shareholders at a shareholders' meeting called for such purpose.

Cash dividends amounting to Php1.96 billion, Php1.36 billion and Php1.19 billion were declared on the Company's common shares in 2022, 2021 and 2020, respectively. The dividends were paid in November 2022, December 2021 and January 2021, respectively. Cash dividends were declared on the Company's Series "A" Preferred Shares in 2022, 2021 and 2020 in the amount of Php600,000 for each year. The dividends were paid in November 2022, December 2021 and January 2021.

The Company declares cash dividends to shareholders of record usually in the first half of each year. These dividends are paid from unrestricted retained earnings. The Company intends to maintain an annual cash dividend payment ratio of 20% of its net income from the preceding year, subject to the requirements of applicable laws and regulations and the absence of circumstances that may restrict the payment of such dividends, such as where the Company undertakes major projects and developments. The Company's Board of Directors may, at any time, modify its dividend payout ratio depending upon the results of operations and future projects and plans of the Company.

Recent Sales of Unregistered or Exempt Securities

The following securities were issued as exempt from the registration requirements of the Securities Regulation Code (SRC) and therefore have not been registered with the SEC:

(a) In 2013, the Company issued US$250,000,000 worth of corporate notes due in 2023 with a coupon of 4.25%. UBS acted as sole global coordinator and bookrunner for the issue. The corporate notes are listed in the Singapore Exchange Securities Trading Limited.

(b) In 2018, the Company issued US$200,000,000 worth of perpetual bonds with a coupon of 5.375%. JP Morgan acted as Sole Bookrunner. The perpetual bonds are listed in the Singapore Exchange Securities Trading Limited.

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

Results of Operations

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

Review of December 31, 2022 versus December 31, 2021

Megaworld, the country's largest developer of integrated urban townships, posted a net income of Php 15.37 billion for the year 2022, up by 6.93% from Php 14.38 billion in 2021, boosted by double-digit revenue growth across all of its business segments. Net income attributable to the parent company stood at Php 13.46 billion.

The Group's consolidated revenues grew by 17.29% to Php 59.53 billion for the year 2022 from Php 50.75 billion in the same period last year.

Development. Among product portfolios, the bulk of consolidated revenues came from the sale of condominium units and commercial lots, comprising 61.90% of total revenues. Real estate sales grew by 18.38% year-on-year to Php 36.85 billion from the previous year's Php 31.13 billion as construction activities picked up during the year. The Group's registered sales mostly came from the following projects: Park McKinley West, The Ellis, Uptown Parksuites Tower 1 & 2, Vion Tower, Manhattan Plaza Tower 2, Bayshore Residential Resort 2 & Phase 2, Gentry Manor, San Antonio Residence, Park McKinley West-Tower C, Belmont Hotel Iloilo, St. Mark Residences, Uptown Arts Residences, Grand Westside Hotel, The Albany Luxury Residences-Yorkshire & Kingsley, Maple Grove Commercial District, The Florence, Uptown Ritz Residence, Mactan Belmont Luxury Hotel.

Leasing**.** The Group's rental businesses, consisting of office and lifestyle mall leasing, yielded a 17.52% increase, reaching Php 15.65 billion for the year 2022 from the previous year's Php 13.32 billion, thereby contributing 26.30% of the total consolidated revenues.

Hotel Operations**.** The Group's revenues attributable to hotel operations posted a milestone growth of 34.99%, soared to Php 2.60 billion in 2022 compared to Php 1.93 billion from previous year.

Total costs and expenses amounted to Php 44.15 billion, an increase of 21.38% from Php 36.38 billion last year. Interest and other charges – net increased by 17.04%, amounting to Php 5.63 billion this year from Php 4.81 billion in 2021. Tax expense in 2022 amounting to Php 3.77 billion resulted in an increase of 566.92% from 2021 reported amount of Php 564.92 million.

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

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

Financial Condition

The Group maintains a prudent financial policy as it engages in a more competitive and challenging environment. The Group's Statements of Financial Position reflects stable financial growth. Total resources as at December 31, 2022 amounted to Php 409.21 billion, posting an increase of 2.82% compared to Php 397.98 billion as at December 31, 2021.

The Group shows steady liquid position as at December 31, 2022 as reflected in its current assets at Php 224.32 billion as against its current obligations at Php 75.25 billion. Current assets posted a decrease of

1.54% from December 31, 2021 balance of Php 227.83 billion. Current obligations reflected an increase of 21.56% from December 31, 2021 balance of Php 61.91 billion.

Cash and cash equivalents decreased by 36.63% from Php 43.79 billion in 2021 to Php 27.75 billion as at December 31, 2022. Current and non-current trade and other receivables – net increased by 21.22%, amounting to Php 56.94 billion as at December 31, 2022 compared to Php 46.97 billion as at December 31, 2021. Contract assets decreased by 1.52%, amounting to Php 19.62 billion as at December 31, 2022 compared to Php 19.92 billion as at December 31, 2021. Inventories increased by 6.66% from Php 115.74 billion in 2021 to Php 123.45 billion as at December 31, 2022. This includes raw land for residential development and property development cost reclassified due to adoption of PFRS 15 and PIC Q&As 2018-11, 2018-15 and 2018-12. Investment properties – net increased by 7.45% amounting to Php 128.10 billion in December 31, 2022 from Php 119.22 billion in December 31, 2021. This includes raw land and property development cost for office and commercial development reclassified due to adoption of PIC Q&As 2018-11, 2018-15 and 2018-12.

Trade and other payables amounted to Php 24.16 billion and Php 22.88 billion as at December 31, 2022 and December 31, 2021, respectively, reflecting an increase of 5.61%. Contract liabilities increased by 11.38%, amounting to Php 8.25 billion as at December 31, 2022 compared to Php 7.40 billion as at December 31, 2021. Total current and non-current customers' deposits as at December 31, 2022 amounted to Php 10.68 billion compared to Php 12.15 billion as at December 31, 2021 with 12.12% decrease.

The interest-bearing loans and borrowings current and non-current amounted to Php 49.66 billion and Php 51.65 billion for December 31, 2022 and December 31, 2021, respectively, reflecting a decrease of 3.86%. Bonds payable increased by 7.76%, amounting to Php 45.24 billion as at December 31, 2022 compared to Php 41.98 billion as at December 31, 2021. Total other liabilities amounted to Php 15.41 billion from Php 16.57 billion as at December 31, 2022 and December 31, 2021, respectively, translating to a decrease of 7.02%.

Total Equity (including non-controlling interests) increased by 4.93% from Php 229.70 billion as at December 31, 2021 to Php 241.02 billion as at December 31, 2022.

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

	December 31, 2022	December 31, 2021
Current Ratio *1	2.98:1.00	3.68:1.00
Debt to Equity Ratio *2	0.39:1.00	0.41:1.00
Net Debt to Equity Ratio *3	0.28:1.00	0.22:1.00

	December 31, 2022	December 31, 2021
Return on Assets *4	3.81%	3.72%
Return on Equity *5	6.59%	6.99%

**1 – Current Assets / Current Liabilities*
**2 – Total Debt / Equity (Total debt includes interest bearing loans and borrowings and bonds payable)*
**3 – Net Debt / Equity (Net debt is total debt less cash and cash equivalents)*
**4 – Net Profit / Average Total Assets*
**5 – Net Profit / Average Equity (Computed using figures attributable only to parent company shareholders)*

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

Material Changes in the Year 2022 Financial Statements

(Increase/decrease of 5% or more versus December 31, 2021)

Statements of Financial Position

36.63% decrease in cash and cash equivalents
Mainly due to capital expenditure and operating activities for business expansion

6.66% increase in inventories
Mainly includes residential condominium units for sale and raw land for residential development

21.22% increase in current and noncurrent trade and other receivables – net
Pertains mainly to receivables from sales and rental during the period

10.31% increase in advances to landowners and joint ventures
Due to additional advances made to landowners and co-venturer

8.79% decrease in financial assets at fair value through other comprehensive income
Due to changes in the fair value of shares
7.45% increase in investment properties - net
Includes costs of completed and on-going construction of office buildings and commercial centers for lease and raw land intended to be developed for leasing properties and raw land currently with undetermined use

10.20% increase in property and equipment - net
Mainly includes cost of office machineries and equipment and hotel buildings

7.76% increase in bonds payable
Due to changes in dollar exchange rate

5.61% increase in trade and other payables
Due to higher payables to suppliers and contractors

11.38% increase in contract liabilities
Represents excess of collection over the progress of work

12.12% decrease in customers' deposits
Pertains to amounts received from customers for sale of residential lots and condominium units not yet qualified for sales recognition

34.43% decrease in advances from other related parties
Due to decrease in advances arising from related party transactions

10.59% increase in income tax payable
Mainly due to higher taxable income

7.02% decrease in other current and noncurrent liabilities
Mainly due to payment of commission payable and other liabilities

6.26% increase in deferred tax liabilities - net
Pertains to tax effects of taxable and deductible temporary differences

36.07% decrease in retirement benefit obligation
Due to changes in financial assumptions used to compute for the present value of retirement obligation

(Increase/decrease of 5% or more versus December 31, 2021)

Statements of Income

18.38% increase in sales
Higher sales bookings resulting from improved construction activities and higher completion rate of projects

17.52% increase in rental income
The surge in rental income was driven by a higher occupancy rate, an increase in operational tenants, lower concession and improved tenant sales

34.99% increase in hotel operations
Mainly due to sustained performance of in-city hotels, increase in food & beverage revenues, and sharp pick-up in tourism and meetings, incentives, conferences, and exhibitions (MICE) activities

9.96% increase in cost of sales
Higher sales bookings resulting from increase in percentage of project completion and additional sales from new projects

34.54% increase in cost of hotel operations
Represents direct costs attributable to hotel operations

13.37% increase in operating expenses
Mainly due to increase in selling, administrative and other corporate expenses

11.96% decrease in equity share in net losses of associates
Mainly due to incurred losses of an associate

17.04% increase in interest and other charges - net
Primarily due to higher foreign currency loss, finance costs and other charges incurred during the period

566.92% increase in income tax expense
Due to higher taxable income and tax effects of deductible temporary differences

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

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

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

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

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

There were no known material events subsequent to the end of the period that have not been reflected in the Group's Financial Statements as at 2022.

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

There was no contingent liability reflected in the most recent annual financial statement, the same in the consolidated financial statements as at 2022.

There are no commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying consolidated financial statements.

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

Results of Operations

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

Review of December 31, 2021 versus December 31, 2020

Megaworld, the country's largest developer of integrated urban townships, saw its net income increased by 35.79% to Php14.38 billion in the fourth quarter of 2021 from Php10.59 billion during the same period in 2020, just as the company registered gains in line with the improving business environment.

Net income attributable to parent company stood at Php13.43 billion, increased by 35.89% from Php9.89 billion last year.

Megaworld's consolidated revenues increased by 16.57% from Php43.54 billion in the fourth quarter of 2020 to Php50.75 billion during the same period this year.

Development. Among product portfolios, the bulk of consolidated revenues came from the sale of condominium units and commercial lot, comprising 61.33% of total revenues. Real estate sales grew by 25.23% year-on-year to Php31.13 billion from the previous year's Php24.86 billion as construction activities picked up during the year. The Group's registered sales mostly came from the following projects: Golfhill Gardens, Park McKinley West, One Regis, Eastwood Global Plaza Luxury Residence, Uptown Parksuites Tower 1&2, Bayshore Residential Resort 2 Phase 2, San Antonio Residence, Vion Tower, Grand Westside Hotel, Mactan Belmont Luxury Hotel, The Palladium, The Albany-Yorkshire & Kingsley, Lafayette Park Square, The Ellis, Savoy Hotel Mactan Newtown, Maple Grove Commercial District, Eastwood Le Grand Tower 2, Gentry Manor, The Venice Luxury Residence – St. Marks Residences, Iloilo Boutique Hotel, Manhattan Plaza Tower 1, St. Moritz Private Estate 2 and Saint Dominique.

***Leasing*.** The Group's rental businesses, comprising of office and lifestyle mall leasing, registered a 2.99% increase, reaching Php13.32 billion in the fourth quarter of 2021 from the previous year's Php12.93 billion. This contributed 26.24% of the total consolidated revenues for the first twelve months of the year.

***Hotel Operations*.** The Group's revenues attributable to hotel operations posted a strong recovery in 2021 to Php1.93 billion during the fourth quarter of 2021 with an increase of 30.14% from Php1.48 billion for the same period last year.

Total costs and expenses amounted to Php36.38 billion, an increase by 10.39% from Php32.95 billion last year. Interest and other charges – net increased by 64.08%, amounting to Php4.81 billion this year from Php2.93 billion in 2020. Tax expense in 2021 amounting to Php565 million resulted to a decrease of 83.13% from 2020 reported amount of Php3.35 billion due to lower taxable income.

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

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

Financial Condition

The Group maintains a prudent financial policy as it engages to a more competitive and challenging environment. The Group's Statements of Financial Position reflects stable financial growth. Total resources as at December 31, 2021 amounted to Php397.98 billion, posting an increase of 5.93% compared to Php375.69 billion as at December 31, 2020.

The Group shows steady liquid position as at December 31, 2021 by having its current assets at Php227.83 billion as against its current obligations at Php61.91 billion. Current assets posted an increase of 8.15% from December 31, 2020 balance of Php210.67 billion. Current obligations reflected a decrease of 14.87% from December 31, 2020 balance of Php72.72 billion.

Cash and cash equivalents increased by 9.03% from Php40.17 billion in 2020 to Php43.79 billion as at December 31, 2021. Current and non-current trade and other receivables – net increased by 7.15%, amounting to Php46.97 billion as at December 31, 2021 compared to Php43.84 billion as at December 31, 2020. Contract assets increased by 2.79%, amounting to Php19.92 billion as at December 31, 2021 compared to Php19.38 billion as at December 31, 2020. Inventories increased by 9.05% from Php106.13 billion in 2020 to Php115.74 billion as at December 31, 2021. This includes raw land for residential development and property development cost reclassified due to adoption PFRS 15 and PIC Q&As 2018-11, 2018-15 and 2018-12. Investment properties – net increased by 3.69% amounting to Php119.22 billion in December 31, 2021 from Php114.98 billion in December 31, 2020. This includes raw land and property development cost for office and commercial development reclassified due to adoption of PIC Q&As 2018-11, 2018-15 and 2018-12.

Trade and other payables amounted to Php22.88 billion and Php23.33 billion as at December 31, 2021 and December 31, 2020, respectively, reflecting a decrease of 1.95%. Contract liabilities increased by 26.70%, amounting to Php7.40 billion as at December 31, 2021 compared to Php5.84 billion as at December 31, 2020. Total current and non-current customers' deposits as at December 31, 2021 amounted to Php12.15 billion compared Php14.69 billion as at December 31, 2020 with 17.25% decrease.

The interest-bearing loans and borrowings current and non-current amounted to Php51.65 billion and Php45.58 billion for December 31, 2021 and December 31, 2020, respectively, reflecting an increase of 13.32%. Bonds payable increased by 4.22%, amounting to Php41.98 billion as at December 31, 2021 compared to Php40.28 billion as at December 31, 2020. Total other liabilities amounted to Php16.57 billion from Php17.69 billion as at December 31, 2021 and December 31, 2020, respectively, translating to a decrease of 6.36%.

Total Equity (including non-controlling interests) increased by 8.08% from Php212.53 billion as at December 31, 2020 to Php229.70 billion as at December 31, 2021.

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

	December 31, 2021	December 31, 2020
Current Ratio*1	3.68:1.00	2.90:1.00
Debt to Equity Ratio *2	0.41:1.00	0.40:1.00
Net Debt to Equity Ratio *3	0.22:1.00	0.22:1.00

	December 31, 2021	December 31, 2020
Return on Assets *4	4.00%	3.00%
Return on Equity *5	7.00%	5.00%

**1 – Current Assets / Current Liabilities*
**2 – Total Debt / Equity (Total debt includes interest bearing loans and borrowings and bonds payable)*
**3 – Net Debt / Equity (Net debt is total debt less cash and cash equivalents)*
**4 – Net Profit / Average Total Assets*
**5 – Net Profit / Average Equity (Computed using figures attributable only to parent company shareholders)*

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

Material Changes in the Year 2021 Financial Statements
(Increase/decrease of 5% or more versus December 31, 2020)

Statements of Financial Position

9.03% increase in cash and cash equivalents
Primarily includes the net proceeds from REIT-related transactions and internally generated funds

7.15% increase in current and noncurrent trade and other receivables – net
Pertains mainly to receivables from sales and rental during the period

9.05% increase in inventories
Mainly includes residential condominium units for sale and raw land for residential development and property development cost

5.39% increase in prepayments and other assets
Due to higher other current assets

37.98% increase in financial assets at fair value through other comprehensive income
Due to new investment and changes in the fair value of shares

11.05% increase in deferred tax assets
Due to higher deferred tax assets on taxable temporary differences

13.32% increase in interest-bearing loans and borrowings - net
Due to availment of new loans

26.70% increase in contract liabilities - net
Represents excess of collection over the progress of work

17.25% decrease in customers' deposits
Pertains to amounts received from customers for sale of residential lots and condominium units not yet qualified for sales recognition

67.52% decrease in income tax payable
Mainly due to lower taxable income

6.36% decrease in other current and noncurrent liabilities – net
Mainly due to decrease in derivative liability and commission payable

20.84% increase in advances from other related parties
Due to increase in advances arising from related party transactions

33.30% decrease in retirement benefit obligation
Due to changes in financial assumptions used to compute for the present value of retirement obligation

8.08% increase in equity
Due to the Group's continuous profitability and increase in revaluation reserves resulting from changes in percentage of ownership of a subsidiary

(Increase/decrease of 5% or more versus December 31, 2020)

Statements of Income

25.23% increase in sales

Higher sales bookings resulting from increase in percentage of project completion due to acceleration of construction activities

30.14% increase in hotel operations
Due to consistent performance of the company's in-city hotels and the opening of new hotel

152.65% increase in equity share in net losses of associates
Mainly due to incurred losses of associates

22.36% increase in cost of sales
Higher sales bookings resulting from increase in percentage of project completion due to acceleration of construction activities

12.86% increase in cost of hotel operations
Represents direct costs attributable to hotel operations

64.08% increase in interest and other charges-net
Primarily due to higher finance costs and foreign currency losses incurred during the period

83.13% decrease in income tax expense
Due to lower taxable income and tax effects of deductible temporary differences

8.56% increase in operating expenses
Mainly due to increase in selling, administrative and miscellaneous expenses

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

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

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

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

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

There were no known material events subsequent to the end of the period that have not been reflected in the Group's Financial Statements as at fourth quarter of 2021.

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

There was no contingent liability reflected in the most recent annual financial statement, the same in the consolidated financial statements as at fourth quarter of 2021.

There are no commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying consolidated financial statements.

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

Results of Operations

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

Review of December 31, 2020 versus December 31, 2019

Megaworld, the country's largest developer of integrated urban townships, saw its net income decline by 45.13% to Php10.59 billion in 2020 from Php19.30 billion last year.

The Group's weaker earnings was traced mainly due to COVID-19 pandemic affecting the core businesses. Net income attributable to parent company stood at Php9.89 billion, lower by 44.87% from Php17.93 billion last year.

Megaworld's consolidated revenues decreased by 35.42% from Php67.31 billion in 2019 to Php43.47 billion in 2020.

Development. Among product portfolios, the bulk of consolidated revenues came from the sale of condominium units and commercial lot, comprising 57.18% of total revenues. Real estate sales decreased by 41.65%, amounting to Php24.86 billion and Php42.60 billion for the years 2020 and 2019, respectively. The Group's registered sales mostly came from the following projects: San Antonio Residence, Maple Grove Commercial District, The Florence, Albany Kingsley, Bayshore Residential Resort 2 Phase 2, The Palladium at Iloilo Business, One Eastwood Avenue Tower 1&2, Uptown Parksuites Tower 2, Park McKinley West, Gentry Manor, Eastwood Global Plaza Luxury Residence and Bayshore Residential Resort 2.

Leasing**.** The Group's rental businesses, comprising of office and lifestyle mall leasing, registered a 23.08% decline, reaching Php12.93 billion in 2020 from the previous year's Php16.81 billion. This contributed 29.75% of the total consolidated revenues for the first nine months of the year.

Hotel Operations**.** The Group's revenues attributable to hotel operations posted an amount of Php1.48 billion during 2020 with a decrease of 41.73% from Php2.54 billion last year.

Total costs and expenses amounted to Php32.88 billion, a decrease by 31.52% from Php48.02 billion last year. Interest and other charges – net decreased by 10.15%, amounting to Php2.93 billion this year from Php3.26 billion in 2019. Tax expense in 2020 amounting to Php3.35 billion resulted to a decrease of 44.95% from 2019 reported amount of Php6.08 billion due to lower taxable income.

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

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

Financial Condition

The Group maintains a prudent financial policy as it engages to a more competitive and challenging environment. The Group's Statements of Financial Position reflects stable financial growth. Total resources as at December 31, 2020 amounted to Php375.69 billion, posting an increase of 7.45% compared to Php349.63 billion as at December 31, 2019.

The Group shows steady liquid position as at December 31, 2020 by having its current assets at Php210.67 billion as against its current obligations at Php72.72 billion. Current assets posted an increase of 10.59% from December 31, 2019 balance of Php190.51 billion. Current obligations reflected an increase of 26.37% from December 31, 2019 balance of Php57.54 billion.

Cash and cash equivalents increased by 73.85% from Php23.10 billion in 2019 to Php40.17 billion in 2020. Current and non-current trade and other receivables – net decreased by 2.17%, amounting to Php43.84 billion as at December 31, 2020 compared to Php44.81 billion as at December 31, 2019. Contract assets increased by 3.96%, amounting to Php19.38 billion as at December 31, 2020 compared to Php18.64 billion as at December 31, 2019. Inventories increased by 3.20% from Php102.85 billion in 2019 to Php106.13 billion in 2020. This includes raw land for residential development and property development cost reclassified due to adoption PFRS 15 and PIC Q&As 2018-11, 2018-15 and 2018-12. Investment properties – net increased by 3.69% amounting to Php114.98 billion in December 31, 2020 from Php110.89 billion in December 31, 2019. This includes raw land and property development cost for office and commercial development reclassified due to adoption of PIC Q&As 2018-11, 2018-15 and 2018-12.

Trade and other payables amounted to Php23.11 billion and Php19.31 billion as at December 31, 2020 and December 31, 2019, respectively, reflecting a 19.71% increase. Contract liabilities increased by 12.09%, amounting to Php5.84 billion as at December 31, 2020 compared to Php5.21 billion as at December 31, 2019. Total current and non-current customers' deposits as at December 31, 2020 amounted to Php14.69 billion compared Php13.80 billion as at December 31, 2019 with 6.44% increase.

The interest-bearing loans and borrowings current and non-current amounted to Php45.58 billion and Php51.26 billion for December 31, 2020 and December 31, 2019, respectively, reflecting an 11.08% decrease. Bonds payable increase by 63.59%, amounting to Php40.28 billion as at December 31, 2020 compared to Php24.62 billion as at December 31, 2019. Total other liabilities amounted to Php17.91 billion from Php14.66 billion as at December 31, 2020 and December 31, 2019, respectively, translating to an increase of 22.19%.

Total Equity (including non-controlling interests) increased by 3.74% from Php204.87 billion as at December 31, 2019 to Php212.53 billion as at December 31, 2020.

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

	December 31, 2020	December 31, 2019
Current Ratio*1	2.90:1.00	3.31:1.00
Debt to Equity Ratio*2	0.40:1.00	0.37:1.00
Net Debt to Equity Ratio*3	0.22:1.00	0.26:1.00

	December 31, 2020	December 31, 2019
Return on Assets*4	3.00%	6.00%
Return on Equity*5	5.00%	10.00%

**1 – Current Assets / Current Liabilities*
**2 – Total Debt / Equity (Total debt includes interest bearing loans and borrowings and bonds payable)*
**3 – Net Debt / Equity (Net debt is total debt less cash and cash equivalents)*
**4 – Net Profit / Average Total Assets*
**5 – Net Profit / Average Equity (Computed using figures attributable only to parent company shareholders)*

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

Material Changes in the Year 2020 Financial Statements
(Increase/decrease of 5% or more versus December 31, 2019)

Statements of Financial Position

73.85% increase in cash and cash equivalents
Proceeds from issuance of dollar bonds

7.19% decrease in financial assets at fair value through other comprehensive income
Due to changes in the fair value of shares

6.49% decrease in prepayments and other non-current assets – net
Due to lower other current assets

6.44% increase in advances to landowners and joint ventures
Primarily due additional advances made to joint venture partner
10.06% increase in deferred tax assets
Due to higher deferred tax assets on taxable temporary differences

19.71% increase in trade and other payables
Due to higher payables to suppliers and contractors and cash dividends payable

11.08% decrease in interest-bearing loans and borrowings - net
Due to principal payments

63.59% increase in bonds payable
Due to issuance of bonds during the year

12.09% increase in contract liabilities - net
Represents excess of collection over the progress of work

33.84% decrease in income tax payable
Mainly due to lower taxable income

6.44% increase in customers' deposits - net
Pertains to amounts received from customers for sale of residential lots and condominium units not yet qualified for sales recognition

33.33% decrease in redeemable preferred shares – current and non-current
Due to redemption of preferred shares

7.77% increase in deferred tax liabilities – net
Pertains to tax effects of taxable and deductible temporary differences

34.40% decrease in retirement benefit obligation
Due to changes in actuarial assumptions

22.19% increase in other liabilities – net
Mainly contributed by sales commission payable

(Increase/decrease of 5% or more versus December 31, 2019)

Statements of Income

41.65% decrease in sales
Mainly due to lower sales bookings resulting from temporary suspension of project construction activities during enhanced community quarantine period (ECQ)

23.08% decrease in rental income
Decrease in rental was due to lower revenue from mall rentals because of slowdown in foot traffic resulting from pandemic related concerns

41.73% decrease in hotel operations
Due to lower check-ins of hotels due to government implementation of travel restrictions and pandemic related concerns

18.78% increase in equity share in net earnings of associates
Mainly due to incurred losses of an associate

21.12% decrease in interest and other income – net
Mainly due to lower interest and other income recognized in the current year and non-recurring gain recognized in prior year

41.02% decrease in cost of sales
Due to lower sales bookings and lower project completion resulting from temporary suspension of construction activities

30.27% decrease in cost of hotel operations
Represents direct costs attributable to hotel operations

14.82% decrease in operating expenses
Decrease in operating and administrative expenses resulting from pandemic related concerns

10.15% decrease in interest and other charges- net
Due to higher day-one loss and loss on cancellation recognized in prior year

44.95% decrease in income tax expense
Due to lower taxable income and tax effects of deductible temporary differences

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

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

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

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

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

There were no known material events subsequent to the end of the period that have not been reflected in the Group's Financial Statements as at the third quarter of 2020.

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

There was no contingent liability reflected in the most recent annual financial statement, the same in the current year consolidated financial statements as at the third quarter of 2020.

There are no commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying consolidated financial statements.

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

EXTERNAL AUDIT FEES AND SERVICES

The external auditors of the Company and its subsidiaries billed the amounts of Php20,757,558 in 2022, Php24,102,634 in 2021, and Php19,613,109 in 2020 in fees for professional services rendered for the audit of the Company and its subsidiaries' annual financial statements and services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements for 2022, 2021 and 2020.

Except as disclosed above, no other services were rendered or fees billed by the external auditors of the Company for the years 2022, 2021, and 2020.

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

FINANCIAL STATEMENTS

Financial Statements meeting the requirements of SRC Rule 68, as amended, are attached hereto as Exhibit 1 and incorporated herein by reference.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

In compliance with SEC Memorandum Circular No. 8, Series of 2003, which was subsequently incorporated in SRC Rule 68, paragraph 3(b)(iv), and the Company's Manual of Corporate Governance, the Company has engaged Punongbayan & Araullo as external auditor, and Mr. Renan A. Piamonte was designated as handling partner for the audit of the financial statements of the Company for the years 2016 to 2022.

There are no disagreements with the auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to their satisfaction, would have caused the auditors to make reference thereto in their reports on the financial statements of the Company and its subsidiaries.

PART III – CONTROL AND COMPENSATION INFORMATION

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The overall management and supervision of the Company is undertaken by the Board of Directors ("Board"). Currently, the Board consists of seven (7) members, of which three (3) are independent directors. All of the directors were elected at the Company's annual stockholders meeting on 17 June 2022 and will hold office until their successors have been duly elected and qualified.

The table sets forth each member of the Company's Board as of 31 March 2023.

Name	Age	Citizenship	Position
Andrew L. Tan	73	Filipino	Director, Chairman, President and CEO
Katherine L. Tan	71	Filipino	Director
Kingson U. Sian	61	Filipino	Director and Executive Director
Enrique Santos L. Sy	73	Filipino	Director
Jesus B. Varela	66	Filipino	Lead Independent Director
Cresencio P. Aquino	69	Filipino	Independent Director
Alejo L. Villanueva, Jr.	81	Filipino	Independent Director

The table below sets forth the Company's executive officers in addition to its executive directors listed above as of 31 March 2023.

Name	Age	Citizenship	Position
Lourdes T. Gutierrez-Alfonso	59	Filipino	Chief Operating Officer
Kevin Andrew L. Tan	43	Filipino	Executive Vice President and Chief Strategy Officer
Francisco C. Canuto	65	Filipino	Senior Vice President, Chief Finance Officer, Treasurer, Compliance Officer, Corporate Information Officer and Chief Audit Executive
Noli D. Hernandez	52	Filipino	Executive Vice President for Sales and Marketing
Giovanni C. Ng	48	Filipino	Senior Vice President and Finance Director
Maria Victoria M. Acosta	61	Filipino	Senior Vice President for International Marketing and Leasing
Maria Carla T. Uykim	46	Filipino	Head of Corporate Advisory and Compliance
Rafael Antonio S. Perez	54	Filipino	Head of Human Resources and Corporate Admin.
Graham M. Coates	58	British	Head of Megaworld Lifestyle Malls
Jennifer L. Romualdez	53	Filipino	Head for Operations Division
Kimberly Hazel A. Sta. Maria	42	Filipino	Assistant Vice President for Corporate Communications and Advertising
Anna Michelle T. Llovido	44	Filipino	Corporate Secretary
Nelileen S. Baxa	44	Filipino	Assistant Corporate Secretary

Andrew L. Tan
Chairman of the Board/President

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

Katherine L. Tan
Director

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

Kingson U. Sian
Director and Executive Director

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

Enrique Santos L. Sy
Director

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

Jesus B. Varela
Lead Independent Director

Mr. Varela has served as Director of the Company since June 2016. He concurrently serves as independent director in the boards of publicly-listed, Global-Estate Resorts, Inc., Travellers International Hotel Group, Inc. and MREIT, Inc. He is also the Director General of International Chamber of Commerce Philippines and Board Regent of Unibersidad de Manila. He is the President of Foundation for Crime Prevention, Philippine Greek Business Council and Philippine Peru Business Council. He is also a Director and Chair of Governance & Investment Committee of Oil & 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 to Athens. Mr. Varela obtained his bachelor's degree in Economics from Ateneo De Manila University. He attended training courses in Labor Administration and Policy Formulation under the International Labor Organization/ARPLA program, the Corporate Planning Course at the Center for Research Communication, Foreign Exchange Training by Metro Bank and Forex Club of the Philippines, Systems Analysis by the Presidential Management Staff, Asian Productivity Seminar and other in-house seminars conducted by the Department of Labor and the Development Academy of the Philippines.

Cresencio P. Aquino
Independent Director

Atty. Aquino is currently the Managing Partner of The Law Firm of CP Aquino & Partners. He concurrently serves as independent director in the boards of publicly-listed, Global-Estate Resorts, Inc. and Empire East Land Holdings, Inc. He is a graduate of the San Sebastian College Manila with degrees in Bachelor of Arts and Bachelor of Laws. Atty. Aquino has extensive experience in both the public and private sectors as Director of Clark Development Corporation from 2012 to 2016., Independent Director of Suntrust Home Developers, Inc. from 2009 to 2012, Corporate Legal Counsel of MBF Card and One Card Corporation from June 1998 to May 2004, Special Assistant and Chief Legal Counsel of the Government Service Insurance System from September 1992 to June 1998, Director of the Meat Packaging Corporation of the Philippines from September 1992 to June 1998, Personnel and Administrative Manager, Corporate Secretary and Chief Legal Counsel of ComSavings Bank from September 1992 to June 1998, and Executive Director of the

Department of Interior and Local Government ("DILG") from 1988 to 1992, and concurrently Ex-Officio Commissioner of the DILG with the Housing and Land Use Regulatory Board also for the same period. Atty. Aquino was formerly an Associate Professor with the San Sebastian College. Atty. Aquino has been a member of the Integrated Bar of the Philippines since 1978 and is also a member of the Capitol Bar Association, Knights of Columbus, and the Lawyers League of the Philippines.

Alejo L. Villanueva, Jr.
Independent Director

Mr. Villanueva, is an Independent Director of the Company last June 17, 2022. He is also the Independent Director of publicly-listed company, MREIT Property Managers, Inc. and Director of Ridgeview Estates Nuvali Homeowners Association, Inc., a non-stock, non-profit corporation. He is a professional consultant who has more than 20 years of experience in the fields of training and development, public relations, community relations, institutional communication, and policy advocacy, among others. He has done consulting work with the Office of the Vice President, the Office of the Senate President, the Commission on Appointments, the Securities and Exchange Commission, the Home Development Mutual Fund, the Home Insurance Guaranty Corporation, Department of Agriculture, Philippine National Railways, International Rice Research Institute, Rustan's Supermarkets, Louis Berger International (USAID-funded projects on Mindanao growth), World Bank (Subic Conversion Program), Ernst & Young (an agricultural productivity project), Chemonics (an agribusiness project of USAID), Price Waterhouse (BOT program, a USAID project), Andersen Consulting (Mindanao 2000, a USAID project), Renardet S.A. (a project on the Privatization of MWSS, with World Bank funding support), Western Mining Corporation, Phelps Dodge Exploration, and Marubeni Corporation. Mr. Villanueva obtained his bachelor's degree in Philosophy from San Beda College, summa cum laude. He has a master's degree in Philosophy from the University of Hawaii under an East-West Center Fellowship. He also took up special studies in the Humanities at Harvard University. He studied Organizational Behavior at INSEAD in Fontainebleau, France. He taught at the Ateneo Graduate School of Business, the UST Graduate School, and the Asian Institute of Journalism.

Lourdes T. Gutierrez-Alfonso
Chief Operating Officer

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

Kevin Andrew L. Tan
Executive Vice President and Chief Strategy Officer

Mr. Tan holds the rank of Executive Vice President and Chief Strategy Officer of the Company. He previously held the position of Senior Vice President for Commercial Division which markets and operates the Megaworld Lifestyle Malls including Eastwood Mall and The Clubhouse at Corinthian Hills in Quezon City, Venice Piazza at McKinley Hill and Burgos Circle at Forbestown Center, both in Fort Bonifacio, California Garden Square in Mandaluyong City, Newport Mall at Resorts World Manila in Pasay City, Lucky Chinatown Mall in Binondo, Manila and Uptown Mall in Bonifacio Global City. He is the Chief Executive Officer and Vice Chairman of public-listed company, Alliance Global Group, Inc. He is also concurrently a Director of publicly-listed companies, Empire East Land Holdings, Inc., Emperador Inc. and Global-Estate Resorts, Inc. and of Eastwood Cyber One Corporation, Uptown Cinemas, Inc., Megaworld Central Properties Inc., Twin Lakes Corporation, Megaworld Land, Inc., Townsquare Development, Inc., Emperador

Distillers, Inc., Alliance Global Brands, Inc., Anglo Watsons Glass, Inc., Yorkshire Holdings, Inc., The Bar Beverage, Inc., Emperador Brandy, Inc., and New Town Land Partners, Inc. He is also a trustee and an Executive Director of Megaworld Foundation, Inc. Mr. Tan obtained his bachelor's degree in Business Administration major in Management from the University of Asia and the Pacific.

Francisco C. Canuto
Senior Vice President, Chief Finance Officer, Treasurer, Compliance Officer, Corporate Information Officer and Chief Audit Executive

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

Noli D. Hernandez
Executive Vice President for Sales and Marketing

Mr. Hernandez joined the Company in February 1994 as a property consultant. He is currently Executive Vice President for Sales and Marketing. Mr. Hernandez rose from the ranks of the Company, starting out as a property consultant then becoming Sales Manager, Assistant Vice President, Senior Assistant Vice President, Vice President and Senior Vice President for Marketing. Mr. Hernandez graduated from the University of the Philippines with a degree of Bachelor of Science in Political Science. He serves as Director and President of Megaworld Cebu Properties, Inc. and President of the Newtown School of Excellence in the Mactan Newtown development of the Company.

Giovanni C. Ng
Senior Vice President and Finance Director

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

Maria Victoria M. Acosta
Senior Vice President for International Marketing

Ms. Acosta is Senior Vice President for International Marketing. She joined the Company in September 1999. Prior to her appointment, she had 20 years of marketing experience in real estate and consumer products with other companies. Ms. Acosta was Executive Vice President and Chief Operating Officer of Empire East Land Holdings, Inc. from 1997 to 1998 and was Executive Director for Marketing from 1996 to 1997. She also served as Senior Vice President and General Manager of Raffles & Co., Inc. She is concurrently Director and Corporate Secretary of Eastwood Property Holdings, Inc. and Corporate Secretary of Gilmore Property Marketing Associates, Inc.

Maria Carla T. Uykim

Head of Corporate Advisory and Compliance

Atty. Uykim is the head of the Corporate Advisory and Compliance of Megaworld Corporation and a member of the Management Executive Committee. She is primarily responsible for the special projects group which handles the negotiation and documentation of the Company's various land acquisitions, joint venture agreements and other corporate transactions. She also heads the property registration group, which is in charge of the registration of the Company's real estate projects, including the deeds of restriction, and issuance of the certificates of title for the individual units or lots and the intellectual property group, which handles the registration, protection and enforcement of the Company's trademarks. She is concurrently the Corporate Secretary of San Vicente Coast, Inc., Northwin Properties, Inc. and Maple Grove Land, Inc. and a Director and Corporate Secretary of Luxury Global Malls, Inc. and Mactan Oceanview Properties and Holdings, Inc. She joined the Company in April 2007 as a Senior Manager of the Corporate Management Department and handled buyer's concerns, including documentation of sales transactions, labor and human resources issues, and the registration and protection of intellectual property. Prior to joining the Company, Atty. Uykim was an Associate at Andres Marcelo Padernal Guerrero and Paras law offices from August 2005 to April 2007, where she specialized in labor and corporate law, and at ACCRA Law from February 2003 to January 2004, where she practiced immigration law. She also served as Chief of Staff of Congresswoman Remedios L. Petilla from July 2004 until June 2005. Atty. Uykim obtained her Juris Doctor Degree from the Ateneo De Manila School of Law and is a graduate of the double degree program of De La Salle University, with a Bachelor of Arts in Psychology and a Bachelor of Science in Marketing Management.

Rafael Antonio S. Perez
Head for HR and Corporate Admin. Division

Mr. Perez joined the Company in June 2008 as head of the Human Resources Division. He is currently the Vice President for Human Resources & Corporate Administration Division. He is concurrently the President and Managing Director of Global One Integrated Business Services, Inc. and Luxury Global Malls, Inc. Mr. Perez graduated Cum Laude from the Philippine Normal University with the degree of Bachelor of Arts in Psychology.

Graham M. Coates
Head of Megaworld Lifestyle Malls

Mr. Coates, is a British national, and has an extensive international management experience in numerous culturally diverse locations such as Asia (20 years), Europe (eight years) and the United States (four years). He joined the company in January 2019. Throughout his career, he has demonstrated a record of sustained profitable growth, building world-class organizations and driving change for global, multinational and family-owned corporations and entrepreneurial companies worldwide. Mr. Coates is skilled in P&L, Operations, Merchandising, Marketing, Customer Development, Business Development and Logistics. He brings with him a wealth of experience that cuts through many retail formats and cross functions. He has the unique advantage of being familiar with all retail formats, together with a solid perspective of mall and landlord operations.

Mr. Coates is the President of the Coates Charity Foundation, a non-profit organization set up several years ago to support Christian missionaries, students, fellow church members and others in need. He is the Vice President and board member of HAND Philippines, an offshoot of HAND International, a Christian humanitarian aid organization that uses its resources and efforts on helping the rehabilitation needs of the natural disaster-stricken areas in the Philippines, an example being Typhoon Yolanda victims.

Jennifer L. Romualdez
Senior Vice President and Head for Operations Division

Ms. Romualdez, prior to her appointment to her current position in Megaworld in February 2020, served the Company for nine years, from 1995 to 2004, in various capacities in the areas of procurement, contracts, interior design and special projects. She was previously the Senior Vice President of the Operations Division of Global Estate-Resorts, Inc. (GERI), Megaworld's subsidiary and the country's biggest developer of master-planned integrated lifestyle communities (ILCs) oriented toward tourism. She headed the development of GERI's various projects and ILCs, including Boracay Newcoast in Boracay Island; Twin

Lakes in Alfonso, Batangas, near Tagaytay; Southwoods City on the boundaries of Cavite and Laguna; Eastland Heights in Antipolo, Rizal; and Sta. Barbara Heights in Mandurriao, Iloilo. From 2006 to 2011, she served different companies in various roles—Corporate Director for Quantity Surveying and Tender of Ding Feng (Shanghai) Real Estate Development Co., Ltd.; Assistant Director for Marketing - Interior Design and Graphics of Ho Cheng (China) Co., Ltd.; and Consultant for the HCG Beijing Flagship Showroom project. Ms. Romualdez graduated from the University of the Philippines Diliman with a B.S. Architecture degree. She completed and passed the Philippine Licensure Examination for Architects in 1993.

Kimberly Hazel A. Sta. Maria
Assistant Vice President for Corporate Communications and Advertising

Ms. Sta. Maria holds the rank of Assistant Vice President and heads the Corporate Communication and Advertising Division of the Company. She joined the Company in 2002 as Head Writer and is responsible for the creative conceptualization and production of advertising and marketing campaigns and materials for the Company's projects. Ms. Sta. Maria is a *cum laude* graduate of the University of the Philippines Manila and holds a bachelor's degree in Organizational Communication.

Anna Michelle T. Llovido
Corporate Secretary

Ms. Llovido is the Corporate Secretary of the Company and has held this position since August 2014. She concurrently serves as Senior Corporate Legal Counsel of Emperador Distillers, Inc. Ms. Llovido is an experienced in-house counsel with core practice in labor and intellectual property law. Prior to her employment in Emperador Distillers, Inc., Ms. Llovido was a Manager at Reeves & Associates International Corporation and was charged with the management of its Philippine representative office. She also served as Legal Counsel to Transnational Diversified Group, Inc. from May 2008 to September 2009 where she serviced the legal requirements of over 30 companies engaged in total logistics, ship management, air and travel services, and information and communications technology. She was an Associate Lawyer at Tantoco Villanueva De Guzman & Llamas law offices from April 2006 to April 2008. Ms. Llovido obtained her bachelor's degrees in Laws in 2004 and Hotel and Restaurant Management in 1999 from the University of Santo Tomas.

Nelileen S. Baxa
Assistant Corporate Secretary

Ms. Baxa is currently a Senior Accounting Manager of the Company. She is a Certified Public Accountant with over 18 years of experience in the fields of accounting and finance. Ms. Baxa concurrently serves as a Director of Bordeaux Properties, Inc., Langham Properties, Inc., Rowenta International, Inc., and Venetian Properties, Inc. Ms. Baxa obtained her Bachelor's Degree in Accountancy from the University of Sto. Tomas.

Significant Employees

While the Company values its workforce, the business of the Company is not highly dependent on the services of personnel outside of Senior Management.

Family Relationships

Chairman and President Andrew L. Tan is married to Director Katherine L. Tan. Their son, Kevin Andrew L. Tan, is presently the Executive Vice President and Chief Strategy Officer of the Company and is also a director and Corporate Secretary of Alliance Global Brands, Inc. and a director of publicly listed subsidiaries Empire East Land Holdings, Inc. and Global-Estate Resorts, Inc., and Director, Chief Executive Officer and Vice Chairman of parent company Alliance Global Group, Inc.

Involvement in Certain Legal Proceedings

The Company is not aware of the occurrence, as of the date hereof and during the past five (5) years preceding this date, of any of the following events which it believes to be material to the evaluation of the ability or integrity of any of its directors, nominees for election as director, or executive officers:

1. Any bankruptcy petition filed by or against any business of a director, nominee for election as director, or executive officer who was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

2. Any director, nominee for election as director, or executive officer being convicted by final judgment in a criminal proceeding, domestic or foreign, or being subject in his personal capacity to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

3. Any director, nominee for election as director, or executive officer being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and

4. Any director, nominee for election as director, or executive officer being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

EXECUTIVE COMPENSATION

Summary Compensation Table

Aggregate compensation paid to Megaworld’s Chief Executive Officer and the four most highly compensated executive officers as a group for the last two fiscal years and the estimate for the ensuing year are as follows:

Name and Principal Position	Year	Salary	Other Variable Pay	Total Annual Compensation
Andrew L. Tan, President and CEO				
Lourdes T. Gutierrez-Alfonso, Chief Operating Officer				
Francisco C. Canuto, SVP, Treasurer				
Giovanni C. Ng, SVP, Management Analyst				
Kevin Andrew Tan, EVP, Chief Strategy Officer				
President and 4 Most Highly Compensated Officers	Actual 2021	Php90.9 Million	Php23.5 Million	Php114.4 Million
	Actual 2022	Php92.7 Million	Php24.0 Million	Php116.7 Million
	Projected 2023	Php96.4 Million	Php24.9 Million	Php121.3 Million
All Other Officers and Directors as a Group	Actual 2021	Php220.4 Million	Php44.1 Million	Php264.5 Million
	Actual 2022	Php248.5 Million	Php68.9 Million	Php317.4 Million
	Projected 2023	Php278.3 Million	Php77.1 Million	Php355.4 Million

Compensation of Directors

Non-executive and independent members of the Board receive a standard per diem for attendance in Board and Board committee meetings. The Company paid to the non-executive and independent directors per diem amounting to Php 625,000 in 2022, Php700,000 in 2021 and Php700,000 in 2020. For 2023, the Company has allocated Php775,000 for the per diem of non-executive and independent directors. Other than payment of the per diem, there are no arrangements pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly, during the year ended 31 December 31, 2022 and the ensuing year, for any service provided as a director.

Employment Contracts and Termination of Employment and Change-in-Control Arrangement

Executive officers are appointed by the Board to their respective offices. The Company does not enter into employment contracts with its executive officers. Other than benefits available under the Company's retirement plan, there is no compensatory plan or arrangement with respect to an executive officer which results or will result from the resignation, retirement or any other termination of such executive officer's employment with the Company and its subsidiaries, or from a change-in-control of the Company, or a change in an executive officer's responsibilities following a change-in-control of the Company.

Outstanding Warrants and Options

There are executive officers of the Company who were granted options to subscribe to common shares of the Company pursuant to the Company's Employee Stock Option Plan approved by the Board and stockholders of the Company in 2012.

Name	No. of Outstanding Options	No. of Options Exercised	Date of Grant	Exercise Price	Market Price at Date of Grant
President and 4 Most Highly Compensated Officers	80,000,000	0	Various Dates	Php1.773054*	Php2.54*
All Other Officers and Directors as a Group	20,000,000	0	Various Dates	Php2.4173535*	Php3.42*

*Average prices

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

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

Security Ownership of Record and Beneficial Owners of more than 5% of the Company's Shares as of 31 December 2022

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Class
Common Preferred	Alliance Global Group, Inc. (AGI)[1] 7/F 1880 Eastwood Avenue, Eastwood City, E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City	Alliance Global Group, Inc.[2]	Filipino	14,390,844,058 6,000,000,000	38.01% 15.85%
Total				20,390,844,058	53.86%
Common	PCD Nominee Corporation (Filipino), G/F MKSE Bldg., 6767 Ayala Ave., Makati City	Participants of the PCD composed of custodian banks and brokers.	Non-Filipino	6,925,043,077	18.29%

[1]The Chairman of the Board of AGI, Mr. Andrew L. Tan, is also Chairman of the Board and President of the Company.
[2] The Board of Directors of AGI has voting and investment power over AGI's shares of stock in the Company.
AGI normally authorizes its Chairman, or in his absence, the Chairman of the Meeting, to vote AGI's shares of stock in the Company.

Common	New Town Land Partners, Inc. (NTLPI)[1], 6/F The World Centre, Sen. Gil Puyat, Ave., Makati City	New Town Land Partners, Inc.	Filipino	5,668,530,324	14.97%
Common	PCD Nominee Corporation (Non-Filipino) G/F MKSE Bldg., 6767 Ayala Ave., Makati City	Participants of the PCD composed of custodian banks and brokers.	Filipino	3,679,560,765	9.72%

Other than the persons identified above, there are no other beneficial owners of more than 5% of the Company's outstanding capital stock that are known to the Company.

<u>Security Ownership of Management as of 31 December 2022</u>

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership*	Citizenship	Percent of Class
Directors/Nominees				
Common	Andrew L. Tan	1	Filipino	.00000%
		1,891,632[2]	Filipino	.00499%
		20,390,844,058[3]	Filipino	53.8627%
		5,668,530,324[4]	Filipino	14.9735%
Common	Cresencio P. Aquino	1	Filipino	.00000%
Common	Kingson U. Sian	1	Filipino	.00000%
		612,500[5]	Filipino	.00161%
Common	Katherine L. Tan	1,891,632	Filipino	.00499%
		1[6]	Filipino	.00000%
Common	Jesus B. Varela	1	Filipino	.00000%
Common	Alejo L. Villanueva, Jr.	1	Filipino	.00000%
Common	Enrique Santos L. Sy	80,553	Filipino	.00021%
CEO and Four Most Highly Compensated Officers				
Common	Andrew L. Tan	Same as above		
Common	Lourdes T. Gutierrez-Alfonso	806,271	Filipino	.00257%
		167,973[7]		
Common	Francisco C. Canuto	369,054	Filipino	.00097%
Common	Giovanni C. Ng	0	Filipino	n/a
Common	Maria Victoria M. Acosta	0	Filipino	n/a
Other Executive Officers				

[1] The Board of Directors of NTLPI has voting and investment power over NTLPI's shares of stock in the Company, NTLPI has authorized the Chairman of the Board of the Company, or in his absence the Chairman of the Meeting to vote NTLPI's shares of stock in the Company.
[2] Indirect ownership; shares beneficially owned by spouse Katherine L. Tan.
[3] Indirect ownership; shares held by Alliance Global Group, Inc., which normally authorizes Andrew L. Tan, in his capacity as Chairman of the Company, or in his absence the Chairman of the meeting, to vote AGIs common shares in the Company.
[4] Indirect ownership; shares held by NTLPI which normally authorizes Andrew L. Tan, in his capacity as Chairman of the Company, or in his absence the Chairman of the meeting, to vote NTLPIs common shares in the Company.
[5] Shares are lodged with PCD Nominee Corporation.
[6] Indirect ownership; shares beneficially owned by spouse Andrew L. Tan.
[7] Shares are lodged with PCD Nominee Corporation.

Common	Noli D. Hernandez	0	Filipino	n/a
Common	Kevin Andrew L. Tan	367,205	Filipino	.00096%
Common	Maria Carla T. Uykim	0	Filipino	n/a
Common	Rafael Antonio S. Perez	0	Filipino	n/a
Common	Graham M Coates	0	British	n/a
Common	Jennifer L. Romualdez	0	Filipino	n/a
Common	Kimberly Hazel A. Sta. Maria	0	Filipino	n/a
Common	Anna Michelle T. Llovido	0	Filipino	n/a
Common	Nelileen S. Baxa	0	Filipino	n/a
Common	All directors and executive officers as a group	4,295,193		0.01134%

**all direct ownership unless otherwise specified*

Voting Trust Holders of 5% or More

The Company is not aware of the existence of persons holding more than five percent (5%) of the Company's common shares under a voting trust or similar agreement.

Changes in Control

There has been no change in the control of the Company since it was incorporated in 1989.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Please refer to the discussion under Transactions with and/or dependence on related parties on page 16.

The Group's policy on related party transactions is disclosed in Note 2.23, Page 38 of the Audited Financial Statements.

In Note 1, Pages 1 to 5 of the Audited Financial Statements, the interest of the Company on its subsidiaries and associates as well as other explanatory notes are disclosed. Moreover, Notes 27 to 27.8, Pages 85 to 89, cite the conditions, purpose and types of transactions (i.e., real estate sales and rendering services to related parties, sale and purchase of investment, advances provided to associates and other related parties, advances from associates and other related parties and other accounts). Further, in accordance with PAS 24.18, the Group disclosed the amount of the transactions with its related parties, including the amount of outstanding balances of the reporting dates. With regard to determination of transaction prices, these are determined based on the agreement of the parties involved and are usually based on prevailing market sales.

The Company has no transaction for the covered period with parties that fall outside the definition of "related parties" under PAS 24 but with whom the Company or its related parties has a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent parties on an arm's length basis.

PART IV – CORPORATE GOVERNANCE

The Company's Integrated Annual Corporate Governance Report (IACGR) will be filed separately.

PART V – EXHIBITS AND SCHEDULES

EXHIBITS AND REPORTS ON SEC FORM 17-C

Exhibits

Exhibit No.	Description of Exhibit
1	Audited Consolidated Financial Statements as of December 31, 2022 and 2021
2	Sustainability Report for 2022

The Company filed the following reports on SEC Form 17-C during the last six-month period covered by this report.

Date	Disclosures
01, 04-08, and 11-15 July 2022	Share Buy Back Transaction
15 July 2022	Reinvestment Plan Report
18-22 and 27 July 2022	Share Buy Back Transaction
28 July 2022	Material Information/Transactions
28 July 2022	Press Release: Megaworld Launches Third Residential Project in Capital Town Pampanga
29 July 2022 and 01-03 August 2022	Share Buy Back Transaction
04 August 2022	Notice of Analysts Briefing for MEG First Half 2022 Results Briefing
05 August 2022	Share Buy Back Transaction
09 August 2022	Material Information/Transactions
09 August 2022	Press Release: Megaworld Sustains Growth Momentum as 1H Profit
16-17, 19, 22-25, and 30-31 August 2022	Share Buy Back Transaction
01-02 and 05-06 September 2022	Share Buy Back Transaction
07 September 2022	Material Information/Transactions
07 September 2022	Press Release: Megaworld to Open First Belmont Hotel in Mactan Cebu
07-09, 12-16, 20-23, 27-30 September 2022	Share Buy Back Transaction
05-07, 10-11 and 14 October 2022	Share Buy Back Transaction
14 October 2022	Reinvestment Report
17 October 2022	Cash Dividend Declaration
17 October 2022	Material Information/Transactions
19 October 2022	Material Information/Transactions
19 October 2022	Press Release: Megaworld Launches New Residential Tower in Arcovia City
19 -21, 24-25, 27-29 October 2022	Share Buy Back Transaction

03 November 2022	Share Buy Back Transaction
04 November 2022	Notice of Analysts Briefing for Nine Months 2022 Results
04 November 2022	Share Buy Back Transaction
07 November 2022	Material Information/Transactions
07 November 2022	Press Release: Four Megaworld Buildings Get New Leed Certifications
07 November 2022	Share Buy Back Transaction
08 November 2022	Material Information/Transactions
08 November 2022	Press Release: Megaworld to Build Second 'Smart' Residential Tower of Vion in Makati
08 November 2022	Share Buy Back Transaction
09 November 2022	Material Information/Transactions
09 November 2022	Press Release: Megaworld's 9M Income Grew 12% TO P9.7-B
09, 11 and 14 November 2022	Share Buy Back Transaction
15 November 2022	Material Information/Transactions
15 November 2022	Press Release: Megaworld Launches First Residential Development at Northwin Global City in Bulacan
15-18 November 2022	Share Buy Back Transaction
21 November 2022	Material Information/Transactions
21 November 2022	Press Release: Megaworld To Build P20-B Integrated Lifestyle Community In Manila
22 November 2022	Share Buy Back Transaction
22 November 2022	Material Information/Transactions
22 November 2022	Press Release: Megaworld to Build Bacolod's Biggest, Most Iconic Hotel in the Upper East
22-25 and 29 November 2022	Share Buy Back Transaction
01-02, 05-07, 09, 13-16 and 19 December 2022	Share Buy Back Transaction
20 December 2022	Final Reinvestment Report
21 December 2022	Share Buy Back Transaction
21 December 2022	Final Reinvestment Report, as Amended
22-23 and 27-29 December 2022	Share Buy Back Transaction

SIGNATURES

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

MEGAWORLD CORPORATION
Company

By:

ANDREW L. TAN
President
(Principal Executive Officer)

FRANCISCO C. CANUTO
Treasurer
(Principal Financial Officer)

LOURDES T. GUTIERREZ-ALFONSO
Chief Operating Officer
(Principal Operating Officer)

LOURDES O. RAMILO
(Principal Accounting Officer
and Comptroller)

ANNA MICHELLE T. LLOVIDO
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 17 day of APR 2023, affiants exhibiting to me their respective government issued identification cards, as follows:

NAMES	Identification Card Number
Andrew L. Tan	Passport Number P9281984A expiring until October 23, 2028
Francisco C. Canuto	Driver's License Number N02-80-016791 Expiring until August 4, 2023
Lourdes T. Gutierrez-Alfonso	Passport Number P5005287B expiring until March 1, 2030
Lourdes O. Ramilo	UMID Number 0003-9283391-4
Anna Michelle T. Llovido	Driver's License Number N04-95-346720 Expiring until July 20, 2024

Doc. No. 432;
Page No. 88;
Book No. 220;
Series of 2023.

ATTY. RAYMOND A. RAMOS
COMMISSION NO M-077
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2024
5 KALAYAAN AVENUE EXTENSION
BARANGAY WEST REMBO 1215, MAKATI CITY
SC Roll No 62179/04-26-2013
IBP NO 258534/01-02-2023/Pasig City
PTR NO. MKT 9562350/01 03 2023/Makati City
MCLE Compliance No. VII 0020180/04-14-2025

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, 2022, 2021 and 2020 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 27th day of February 2023

0 1 MAR 2023 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. 236;
Page No. 49;
Book No. 257;
Series of 2023

ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-077
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2024
5 KALAYAAN AVENUE EXTENSION,
BARANGAY WEST REMBO 1215, MAKATI CITY
SC Roll No. 62179/04-26-2013
IBP NO. 258534/01-02-2023/Pasig City
PTR NO. MKT 9562350/01-03-2023/Makati City
MCLE Compliance No. VII-0020180/04-14-2025

P&A Grant Thornton

FOR SEC FILING

Consolidated Financial Statements and Independent Auditors' Report

Megaworld Corporation and Subsidiaries

December 31, 2022, 2021 and 2020

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

T +63 2 8988 2288

Report of Independent Auditors

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

Opinion

We have audited the consolidated financial statements of Megaworld Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, 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, 2022 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022 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.

Emphasis of Matter

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 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 this matter.

Key Audit Matters

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

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

Description of the Matter

The Group's revenue recognition process, policies and procedures on real estate sales are significant to our audit because these involve the application of significant judgment and estimation. In addition, real estate sales and cost of real estate sales amounted to P36.8 billion or 61.5% of consolidated Revenues and Income and P18.6 billion or 38.4% of consolidated Cost and Expenses, respectively, for the year ended December 31, 2022. The areas affected by revenue recognition, which requires significant judgments and estimates, include determining when a contract will qualify for revenue recognition, measuring the progress of the development of real estate projects which defines the amount of revenue to be recognized and determining the amount of actual costs incurred as cost of real estate sales. These areas were significant to our audit as an error in application of judgments and estimates could cause a material misstatement in the consolidated financial statements.

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

How the Matter was Addressed in the Audit

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

Our procedures in testing the appropriateness and proper application of the Group's revenue recognition policy and process include tests of design and operating effectiveness of relevant controls over revenue generation and recognition, as well as tests of information technology (IT) general and application controls. We also performed tests of details to ascertain accuracy and occurrence of revenue recognized through examination of real estate sales contracts and other relevant supporting documents of the samples selected and performed overall analytical review of actual results.

As part of our test of compliance with revenue recognition criteria, we 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 design and operating effectiveness of controls over cost recognition and measurement, including IT general and 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.

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, 2022, 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, 2022 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, as modified by the financial reporting reliefs issued and approved by the SEC, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- 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.

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. 9566641, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 107805-SEC (until financial period 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-037-2022 (until Oct. 13, 2025)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

February 27, 2023

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2022	2021
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	**P 27,754,568,446**	P 43,794,605,919
Trade and other receivables - net	6	**35,906,287,222**	34,482,656,507
Contract assets	20	**13,613,227,726**	11,970,852,843
Inventories	7	**123,451,306,761**	115,741,508,821
Advances to contractors and suppliers	2	**13,224,995,447**	12,233,167,915
Prepayments and other current assets	8	**10,365,034,100**	9,611,978,356
Total Current Assets		**224,315,419,702**	227,834,770,361
NON-CURRENT ASSETS			
Trade and other receivables - net	6	**21,035,571,171**	12,489,998,575
Contract assets	20	**6,006,696,047**	7,951,394,519
Advances to contractors and suppliers	2	**2,112,862,719**	2,783,551,177
Advances to landowners and joint operators	10	**7,896,413,808**	7,158,576,223
Financial assets at fair value through other comprehensive income	9	**5,253,799,848**	5,760,368,447
Investments in associates - net	11	**3,138,183,202**	3,287,474,516
Investment properties - net	12	**128,101,844,538**	119,222,248,947
Property and equipment - net	13	**7,196,910,584**	6,530,887,796
Deferred tax assets - net	26	**394,145,565**	377,447,575
Other non-current assets - net	14	**3,759,690,116**	4,580,532,972
Total Non-current Assets		**184,896,117,598**	170,142,480,747
TOTAL ASSETS		**P 409,211,537,300**	P 397,977,251,108

	Notes	2022	2021
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	15	**P 12,691,010,973**	P 12,685,534,491
Bonds payable	16	**14,026,453,110**	-
Trade and other payables	17	**24,158,766,211**	22,875,967,140
Contract liabilities	20	**3,392,947,567**	2,447,089,883
Customers' deposits	2	**9,421,120,175**	10,872,699,457
Advances from other related parties	27	**2,126,611,006**	3,243,336,539
Income tax payable		**61,272,502**	55,404,855
Redeemable preferred shares	18	**-**	251,597,580
Other current liabilities	19	**9,375,781,591**	9,476,396,474
Total Current Liabilities		**75,253,963,135**	61,908,026,419
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	15	**36,967,485,247**	38,964,170,107
Bonds and notes payable	16	**31,212,622,400**	41,982,042,246
Contract liabilities	20	**4,853,473,963**	4,956,605,925
Customers' deposits	2	**1,259,789,445**	1,281,160,572
Deferred tax liabilities - net	26	**12,264,107,694**	11,541,788,887
Retirement benefit obligation	25	**349,574,867**	546,802,701
Other non-current liabilities	19	**6,029,997,597**	7,092,663,304
Total Non-current Liabilities		**92,937,051,213**	106,365,233,742
Total Liabilities		**168,191,014,348**	168,273,260,161
EQUITY	28		
Total equity attributable to the Company's shareholders		**209,226,173,725**	198,838,867,474
Non-controlling interests		**31,794,349,227**	30,865,123,473
Total Equity		**241,020,522,952**	229,703,990,947
TOTAL LIABILITIES AND EQUITY		**P 409,211,537,300**	P 397,977,251,108

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, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
REVENUES AND INCOME				
Real estate sales	20	**P 36,849,992,605**	P 31,129,417,724	P 24,858,537,303
Rental income	12	**15,653,727,970**	13,319,580,244	12,932,770,278
Hotel operations	20	**2,603,709,878**	1,928,863,081	1,482,160,976
Interest and other income - net	23	**4,419,826,198**	4,376,429,682	4,267,409,295
		59,527,256,651	50,754,290,731	43,540,877,852
COSTS AND EXPENSES				
Cost of real estate sales	21	**18,554,755,392**	16,874,283,279	13,790,525,832
Cost of hotel operations	21	**1,462,451,435**	1,086,978,559	963,104,532
Operating expenses	22	**14,584,659,156**	12,864,632,841	11,850,258,972
Equity share in net losses of associates	11	**155,429,591**	176,548,383	69,879,672
Interest and other charges - net	24	**5,628,116,792**	4,808,537,325	2,930,637,292
Tax expense	26	**3,767,557,891**	564,917,329	3,347,906,258
		44,152,970,257	36,375,897,716	32,952,312,558
NET PROFIT FOR THE YEAR		**P 15,374,286,394**	P 14,378,393,015	P 10,588,565,294
Net profit attributable to:				
Company's shareholders		**P 13,455,475,825**	P 13,434,466,763	P 9,885,989,490
Non-controlling interests		**1,918,810,569**	943,926,252	702,575,804
		P 15,374,286,394	P 14,378,393,015	P 10,588,565,294
Earnings Per Share:	29			
Basic		**P 0.431**	P 0.422	P 0.295
Diluted		**P 0.430**	P 0.421	P 0.294

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, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
NET PROFIT FOR THE YEAR		**P 15,374,286,394**	P 14,378,393,015	P 10,588,565,294
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	**(579,783,082)**	1,347,392,142	(323,225,082)
Actuarial gains on retirement benefit obligation	25	**219,636,360**	325,125,100	354,133,354
Share in other comprehensive income of associates	11	**-**	-	1,474,538
Tax expense	25, 26	**(55,553,033)**	(62,880,238)	(106,240,006)
		(415,699,755)	1,609,637,004	(73,857,196)
Items that will be reclassified subsequently to consolidated profit or loss:				
Exchange difference on translating foreign operations	2	**106,276,210**	47,027,439	(14,884,569)
Unrealized gains (losses) on cash flow hedge	30	**91,147,189**	199,713,502	(144,749,961)
Share in other comprehensive income of associates	11	**6,138,277**	20,926,197	-
Tax income (expense)	26	**(34,902,030)**	(11,756,858)	4,465,371
		168,659,647	255,910,280	(155,169,159)
Total Other Comprehensive Income (Loss)		**(247,040,108)**	1,865,547,284	(229,026,355)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**P 15,127,246,286**	P 16,243,940,299	P 10,359,538,939
Total comprehensive income attributable to:				
Company's shareholders		**P 13,196,367,962**	P 15,276,423,950	P 9,684,718,799
Non-controlling interests		**1,930,878,324**	967,516,349	674,820,140
		P 15,127,246,286	P 16,243,940,299	P 10,359,538,939

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, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Attributable to the Company's Shareholders								
	Capital Stock (See Note 28)	Additional Paid-in Capital (APIC) (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, 2022	P 32,430,865,872	P 16,660,844,347	(P 1,784,028,454)	P 7,627,867,265	P -	P 143,903,318,444	P 198,838,867,474	P 30,865,123,473	P 229,703,990,946
Exercise of stock options	-	1,902,623	902,111	-	-	(1,031,680)	1,773,054	-	1,773,054
Cash dividends	-	-	-	-	-	(1,911,107,946)	(1,911,107,946)	(1,001,652,570)	(2,912,760,516)
Acquisition of treasury shares	-	-	(916,099,229)	-	-	-	(916,099,229)	-	(916,099,229)
Share-based employee compensation	-	-	-	-	-	16,372,411	16,372,411	-	16,372,411
Total comprehensive income (loss) for the year	-	-	-	(259,107,863)	-	13,455,475,825	13,196,367,962	1,930,878,324	15,127,246,286
Balance at December 31, 2022	**P 32,430,865,872**	**P 16,662,746,970**	**(P 2,699,225,572)**	**P 7,368,759,402**	**P -**	**P 155,463,027,054**	**P 209,226,173,725**	**P 31,794,349,227**	**P 241,020,522,952**
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 -	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 (loss) 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

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, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 19,141,844,285**	P 14,943,310,344	P 13,936,471,552
Adjustments for:				
Depreciation and amortization	12, 13, 14	**3,279,686,211**	3,467,925,032	3,104,661,233
Unrealized foreign currency losses (gains) - net		**2,366,023,638**	1,625,333,145	(1,086,060,295)
Interest expense	24	**2,258,100,909**	1,941,630,481	1,641,304,190
Interest income	23	**(2,143,200,870)**	(1,566,929,419)	(1,445,447,319)
Equity share in net losses of associates	11	**155,429,591**	176,548,383	69,879,672
Dividend income	23, 27	**(21,420,750)**	(24,456,757)	(8,193,611)
Employee share options	25	**16,372,411**	10,204,332	21,381,914
Loss (gain) on sale of investment property	12	**832,805**	(136,206,674)	-
Gain on sale of property and equipment	13	**(66,002)**	(1,225,627)	(592,954)
Loss on derecognition of property and equipment	13	**-**	43,603,084	-
Operating profit before working capital changes		**25,053,602,228**	20,479,736,324	16,233,404,382
Decrease (increase) in trade and other receivables		**(6,012,370,613)**	(1,835,285,029)	3,064,093,048
Decrease (increase) in contract assets		**302,323,589**	(541,521,049)	(737,721,626)
Increase in inventories		**(6,982,569,520)**	(8,951,566,293)	(2,510,261,657)
Decrease (increase) in advances to contractors and suppliers		**(321,139,074)**	514,205,832	(217,097,481)
Decrease (increase) in prepayments and other current assets		**(742,381,075)**	(1,740,765,114)	699,913,970
Decrease (increase) in advances to landowners and joint operators		**(737,837,585)**	354,803,949	(454,495,711)
Decrease (increase) in other non-current assets		**846,939,366**	(146,217,428)	(887,291,362)
Increase in trade and other payables		**1,239,593,735**	606,265,488	2,510,777,198
Increase in contract liabilities		**842,725,722**	1,560,066,505	630,074,260
Increase (decrease) in customers' deposits		**(1,472,950,409)**	(2,534,471,445)	888,463,236
Increase (decrease) in other liabilities		**(1,644,520,203)**	(1,327,724,229)	2,766,117,805
Cash generated from operations		**10,371,416,161**	6,437,527,511	21,985,976,062
Cash paid for income taxes		**(2,636,045,057)**	(813,914,179)	(2,886,445,031)
Net Cash From Operating Activities		**7,735,371,104**	5,623,613,332	19,099,531,031
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Investment properties	12	**(12,115,399,233)**	(7,055,426,460)	(6,731,614,968)
Property and equipment	13	**(733,081,802)**	(519,098,962)	(430,709,071)
Interest received		**2,198,139,764**	2,052,061,538	1,039,449,706
Advances to associates and other related parties:	27			
Granted		**(1,827,132,491)**	(413,989,152)	(260,769,847)
Collected		**-**	89,575,462	35,608,643
Proceeds from sale of property and equipment	13	**29,374,859**	4,739,942	6,385,095
Dividends received		**21,420,750**	24,456,757	8,193,611
Additions to financial assets at fair value through other comprehensive income	9	**-**	(238,089,875)	-
Acquisition and subscription of shares of stock of subsidiaries and associates		**-**	(1,001,843,366)	-
Proceeds from sale of investment property	12	**-**	136,607,144	-
Net Cash Used in Investing Activities		**(12,426,678,153)**	(6,921,006,972)	(6,333,456,831)
Balance carried forward		**(P 4,691,307,049)**	(P 1,297,393,640)	P 12,766,074,200

	Notes	2022	2021	2020
Balance brought forward		(P 4,691,307,049)	(P 1,297,393,640)	P 12,766,074,200
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments of long and short-term liabilities	36	(12,451,825,598)	(20,982,065,248)	(13,107,450,229)
Proceeds from availments of long and short-term liabilities	15, 36	10,522,520,857	26,643,083,897	7,800,000,000
Interest paid		(4,200,536,048)	(3,977,876,007)	(3,843,166,540)
Advances from other related parties:	27, 36			
Paid		(2,433,986,742)	(48,783,694)	(255,089,920)
Obtained		1,317,261,209	608,170,119	24,157,233
Cash dividends paid	28	(1,911,107,946)	(2,515,617,409)	-
Cash dividends declared and paid to non-controlling interest		(1,001,652,570)	(263,692,340)	(10,008,387)
Acquisition of treasury shares	28	(916,099,229)	(156,987,360)	(994,672,630)
Redemption of preferred shares	18	(251,597,580)	(251,597,580)	(251,597,580)
Repayments of lease liabilities	19, 36	(23,479,830)	-	(24,915,531)
Proceeds from exercise of stock rights	28	1,773,053	-	1,773,053
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)
Distribution to holders of perpetual securities	28	-	(151,963,438)	(535,258,625)
Payments for return of capital to non-controlling interest		-	(141,998,580)	-
Issuance of bonds and notes payable	16, 36	-	-	16,692,935,192
Net Cash From (Used in) Financing Activities		(11,348,730,424)	4,925,243,651	4,295,806,036
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(16,040,037,473)	3,627,850,011	17,061,880,236
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		43,794,605,919	40,166,755,908	23,104,875,672
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 27,754,568,446	P 43,794,605,919	P 40,166,755,908

Supplemental Information on Non-cash Investing and Financing Activities:

1) In the normal course of business, the Group enters into non-cash transactions such as exchanges or purchases on account of real estate and other assets. Other non-cash transactions include transfers of property between Inventories, Property and Equipment, and Investment Properties. These non-cash activities are not reflected in the consolidated statements of cash flows (see Notes 7, 12 and 13).

2) In 2021, the Group recognized right-of-use assets amounting to P3.6 million, and lease liabilties amounting to P3.6 million, respectively (see Notes 13 and 19).

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022, 2021 AND 2020
(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:

	Effective Percentage of Ownership		
Subsidiaries	**2022**	2021	2020
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%

Subsidiaries	Explanatory Notes	Effective Percentage of Ownership 2022	2021	2020
Mactan Oceanview Properties				
and Holdings, Inc. (MOPHI)	(a)	**100%**	100%	100%
Megaworld Cayman Islands, Inc. (MCII)	(a)	**100%**	100%	100%
Piedmont Property Ventures, Inc. (PPVI)	(a)	**100%**	100%	100%
Stonehaven Land, Inc. (SLI)	(a)	**100%**	100%	100%
Streamwood Property, Inc. (SP)	(a)	**100%**	100%	100%
Global One Integrated Business Services, Inc. (GOIBSI)		**100%**	100%	100%
Luxury Global Malls, Inc. (LGMI)		**100%**	100%	100%
Davao Park District Holdings, Inc. (DPDHI)		**100%**	100%	100%
Belmont Newport Luxury Hotels, Inc. (BNLHI)		**100%**	100%	100%
Global One Hotel Group, Inc. (GOHGI)		**100%**	100%	100%
Landmark Seaside Properties, Inc. (LSPI)	(a)	**100%**	100%	100%
San Vicente Coast, Inc. (SVCI)		**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)	(h)	**100**%	100%	100%
Agile Digital Ventures, Inc. (ADVI)		**100**%	100%	100%
MREIT Fund Managers, Inc. (MFMI)	(f)	**100**%	100%	-
MREIT Property Managers, Inc. (MPMI)	(f)	**100**%	100%	-
MREIT, Inc. (MREIT)	(f)	**62.09%**	62.09%	-
Belmont Hotel Mactan Inc. (BHMI)	(a, m)	**100%**	-	-
Megaworld Bacolod Properties, Inc. (MBPI)		**91.55%**	91.55%	91.55%
Megaworld Central Properties, Inc. (MCPI)	(b)	**76.55%**	76.55%	76.55%
Megaworld Capital Town, Inc. (MCTI)		**76.28%**	76.28%	76.28%
Soho Café and Restaurant Group, Inc. (SCRGI)		**75%**	75%	75%
La Fuerza, Inc. (LFI)		**66.67%**	66.67%	66.67%
Megaworld-Daewoo Corporation (MDC)	(j)	**60%**	60%	60%
Northwin Properties, Inc. (NWPI)		**60%**	60%	60%
Gilmore Property Marketing Associates, Inc. (GPMAI)	(a, c)	**52.14%**	52.14%	52.14%
Manila Bayshore Property Holdings, Inc. (MBPHI)	(d)	**68.03%**	68.03%	68.03%
Megaworld Globus Asia, Inc. (MGAI)		**50%**	50%	50%
Integrated Town Management Corporation (ITMC)		**50%**	50%	50%
Maple Grove Land, Inc. (MGLI)		**50%**	50%	50%
Megaworld Land, Inc. (MLI)		**100%**	100%	100%
City Walk Building Administration, Inc. (CBAI)	(e)	**100%**	100%	100%
Forbestown Commercial Center				
Administration, Inc. (FCCAI)	(e)	**100%**	100%	100%
Paseo Center Building				
Administration, Inc. (PCBAI)	(e)	**100%**	100%	100%
Uptown Commercial Center				
Administration, Inc. (UCCAI)	(e)	**100%**	100%	100%
Iloilo Center Mall Administration, Inc. (ICMAI)	(e)	**100%**	100%	100%
Newtown Commercial Center				
Administration, Inc. (NCCAI)	(e)	**100%**	100%	100%
Valley Peaks Property Management, Inc. (VPPMI)	(e)	**100%**	100%	100%
San Lorenzo Place Commercial Center				
Administration, Inc. (SLPCCAI)	(e)	**100%**	100%	100%
Southwoods Lifestyle Mall Management, Inc. (SLMMI)	(e)	**100%**	100%	100%
Cityfront Commercial Center				
Administration, Inc. (CCCAI)	(a, m)	**100%**	-	-

Subsidiaries	Explanatory Notes	Effective Percentage of Ownership 2022	2021	2020
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)	(i)	**98.41%**	98.31%	96.87%
Global-Estate Resorts, Inc. (GERI)		**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)		**89.39%**	89.39%	89.39%
Twin Lakes Corporation (TLC)		**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)		**82.32%**	82.32%	82.32%
Belmont Hotel Boracay, Inc. (BHBI)		**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)	(k)	**58.53%**	58.53%	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 2022	2021	2020
Bonifacio West Development Corporation (BWDC)		**46.11%**	46.11%	46.11%
Palm Tree Holdings and Development Corporation (PTHDC)	(a)	**40%**	40%	40%
Suntrust Resort Holdings, Inc., formerly Suntrust Home Developers, Inc. (SUN)	(g)	**34%**	34%	34%
SWC Project Management Limited (SPML)		**34%**	34%	34%
WC Project Management Limited (WPML)		**34%**	34%	34%
Suncity WC Hotel Inc. (Suncity WC)		**34%**	34%	-
First Oceanic Property Management, Inc. (FOPMI)	(l)	**-**	-	8.16%
Citylink Coach Services, Inc. (CCSI)	(l)	**-**	-	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, 2022.

(b) As at December 31, 2022, 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, 2022, 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, 2022, 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) MFMI, MPMI and MREIT are newly incorporated subsidiaries in 2021. MFMI is engaged in the business of providing fund management services to real estate investment trust (REIT) companies. MPMI is engaged in the business of providing services in relation to property management, lease management, marketing and project management. MREIT is engaged in the business of an REIT, as provided under Republic Act (R.A.) No. 9856*, The Real Estate Investment Trust Act of 2009,* including its implementing rules and regulations, and other applicable laws.

(g) In 2021, SUN disposed its investments in FOPMI and CCSI.

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

(i) In 2021, the Parent Company acquired additional common shares of STLI from previous stockholders representing 1.44% direct ownership. As at December 31, 2022, the effective ownership of Parent Company over STLI is 98.41%, consisting of 18.84% direct ownership and 79.47% indirect ownership through SPI.

(j) 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%.

(k) PCMI is a subsidiary through EELHI. In 2021, certain number of shares owned by the Parent Company were transferred to EELHI, increasing the effective ownership of EELHI to 58.53%, which consists of 25.84% direct ownership and 32.69% indirect ownership from EELHI.

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

(m) Newly incorporated subsidiaries in 2022.

All subsidiaries and associates were incorporated and have their principal place of business in the Philippines except for the following:

- MCII – incorporated and has principal place of business in the Cayman Islands
- RHGI – incorporated and has principal place of business in the British Virgin Islands
- SPML – incorporated and has principal place of business in Hongkong
- WPML – incorporated and has principal place of business in Macau

The Parent Company and its subsidiaries, except for entities which have not yet started commercial operations as at December 31, 2022, are presently engaged in the real estate business, hotel, condominium-hotel operations, construction, restaurant operations, business process outsourcing, educational facilities provider, property management operations, fund management operations and 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, MREIT and SUN 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).

	Accumulated Equity of NCI			Subsidiary's Consolidated Profit (Loss) Allocated to NCI		
Name	**2022**	2021	2020	**2022**	2021	2020
GERI	**P 6,465,556**	P 5,924,064	P 5,659,306	**P 504,135**	P 273,591	P 216,179
EELHI	**11,079,586**	10,947,572	11,721,428	**132,014**	131,173	102,361
MCTI	**1,540,324**	1,478,957	1,436,742	**61,367**	42,215	38,765
MREIT	**4,106,038**	4,193,831	-	**847,186**	218,295	-
MBPHI	**3,738,342**	3,380,091	3,245,697	**358,251**	134,394	283,219
LFI	**1,315,389**	1,331,477	1,261,066	**50,573**	103,742	46,099
NWPI	**2,304,894**	2,304,126	2,305,165	**768**	(1,040)	(505)

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

	Current Assets	Non-current Assets	Current Liabilities	Non-current Liabilities	Equity
December 31, 2022					
GERI	P 38,887,889,575	P 18,640,892,072	P 9,248,792,774	P 10,115,411,364	P 38,164,576,509
EELHI	41,968,274,885	5,286,438,058	13,498,100,728	3,019,479,946	30,737,132,269
MCTI	6,438,103,924	621,264,555	492,410,748	73,179,426	6,493,778,305
MREIT	1,912,786,392	55,265,630,024	754,220,972	8,133,703,383	48,290,492,059
MBPHI	14,720,986,562	3,083,087,364	6,678,205,933	1,312,522,540	9,813,345,453
LFI	541,671,947	892,738,490	255,335,825	168,161,734	1,010,912,878
NWPI	2,909,654,333	869,970,790	372,546,245	-	3,407,078,878
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	8,713,404,137
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

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)
2022			
GERI	**P 7,290,310,594**	**P 1,983,928,641**	**P 38,918,313**
EELHI	**4,708,080,236**	**706,157,443**	**38,839,596**
MCTI	**772,855,785**	**258,714,115**	**-**
MREIT	**3,645,501,549**	**501,904,556**	**-**
MBPHI	**64,681,698**	**1,099,941,316**	**-**
LFI	**300,111,585**	**151,733,792**	**8,102,824**
NWPI			
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)	-

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

	Net Cash from (Used in) Operating Activities	Investing Activities	Financing Activities
2022			
GERI	**P 243,620,711**	**(P 1,749,326,023)**	**(P 87,887,407)**
EELHI	**400,808,553**	**29,440,184**	**(390,683,984)**
MCTI	**(925,743,293)**	**79,931,609**	**1,051,104,773**
MREIT	**2,513,336,874**	**(76,983)**	**(2,466,539,438)**
MBPHI	**(2,404,894,633)**	**(539,213,308)**	**(367,097,566)**
LFI	**249,491,046**	**7,488**	**(200,000,000)**
NWPI	**(28,229,018)**	**-**	**31,866,113**
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)	-	-

In 2022, only MREIT and LFI have declared and paid dividends amounting to P2,466.5 million and P200.0 million, respectively. In 2021, only MREIT and LFI have declared and paid dividends amounting to P607.7 million and P100.0 million, respectively.

1.3 Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as at and for the year ended December 31, 2022 (including the comparative consolidated financial statements as at December 31, 2021 and for the years ended December 31, 2021 and 2020) were authorized for issue by the Group's BOD on February 27, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), 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 detail 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

The Group has availed of several financial reporting reliefs granted by the SEC relating to several implementation issues of PFRS 15, *Revenue from Contracts with Customers,* affecting the real estate industry under following Memorandum Circular (MC):

- 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*
- 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*

MC No. 08-2021, A*mendment to SEC MC No. 14-2018, MC No. 03-2019, MC No. 04-2020, and MC No. 34-2020 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 below and 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 consolidated financial statements. The Group opted to avail the reliefs until the end of the deferment period as provided under the relevant MC.

(i) IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry (until December 31, 2023)

The IFRIC concluded that any inventory (work-in-progress) for unsold units under construction that the entity recognizes is not a qualifying asset, as the asset is ready for its intended sale in its current condition (i.e., the developer intends to sell the partially constructed units as soon as it finds suitable customers and, in signing a contract with a customer, will transfer control of any work-in-progress relating to that unit to the customer). Accordingly, no borrowing costs can be capitalized on such unsold real estate inventories.

Had the Group elected not to defer the IFRIC Agenda Decision, it would have the following impact in the consolidated financial statements:

- interest expense would have been higher;
- cost of real estate inventories would have been lower;
- total comprehensive income would have been lower;
- retained earnings would have been lower; and,
- the carrying amount of real estate inventories would have been lower.

(ii) PIC Q&A No. 2018-12-D, *Concept of the Significant Financing Component in the Contract to Sell* and PIC Q&A No. 2020-04, *Addendum to PIC Q&A 2018-12-D: Significant Financing Component Arising from Mismatch between the Percentage of Completion and Schedule of Payments (until December 31, 2023)*

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

There is no significant financing component if the difference between the promised consideration and the cash selling price of the good or service arises for reasons other than the provision of finance to either the customer or the entity, and the difference between those amounts is proportional to the reason for the difference. Further, the Group does not need to adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception that the timing difference of the receipt of full payment of the contract price and that of the completion of the project, are expected within one year and significant financing component is not expected to be significant.

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 percentage of completion (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 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 the year of adoption and in comparative periods presented. Should the Group elect to apply the modified retrospective approach as allowed by MC No. 2021-08, this will impact the opening retained earnings in the year of adoption.

(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 2022 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, 2022:

PAS 16 (Amendments)	:	Property, Plant and Equipment – Proceeds Before Intended Use
PAS 37 (Amendments)	:	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to PFRS (2018-2020 Cycle)		
PFRS 9 (Amendments)	:	Financial Instruments – Fees in the '10 percent' Test of Derecognition of Liabilities
PFRS 16 (Amendments)	:	Leases – Lease Incentives

Discussed below are the relevant information about these pronouncements.

(i) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use.* The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The application of these amendments had no significant impact on the Group's consolidated financial statements as there were no sales of such items produced by property, plant and equipment made before being available for use on or after the beginning of the earliest period presented.

(ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract.* The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services. Costs that relate directly to a contract include both incremental costs of fulfilling that contract (e.g., direct labor and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments resulted in a revision in the Group's policy to include both incremental costs and an allocation of other costs when determining whether a contract was onerous.

The amendments apply prospectively to contracts existing at the date when the amendments are first applied. Management assessed that there is no significant impact on the Group's consolidated financial statements as a result of the change since none of the existing contracts as of January 1, 2022 would be identified as onerous after applying the amendments.

(iii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments which do not have significant impact and which are effective from January 1, 2022, are relevant to the Group's consolidated financial statements:

- PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities.* The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives.* The amendments remove potential for confusion regarding lease incentives by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements as it had not been explained clearly enough as to whether the reimbursement would meet the definition of a lease incentive in accordance with PFRS 16.

(b) Effective Subsequent to 2022 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) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)

(ii) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)

(iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)

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

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, 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 arrangement. 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 Current and 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 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 for purchase of construction service and materials.

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 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.

All interest-related charges are recognized as expense in profit or loss under the caption Interest and other charges – net account in consolidated statement of income.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Financial liabilities are also derecognized when its terms are modified and the cash flows of the modified liability are substantially difference, in which case a new financial liability based on the modified terms is recognized at fair value. 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 income and costs, and foreign currency gains and losses;
- 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 in the year of cancellation, and 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

Borrowing costs, which consists of interest and other costs that the Company incurs in connection with borrowing of funds, 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 P1.4 billion and P2.3 billion in 2022 and 2021, 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) and Note 32.3(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 2022, 2021 and 2020 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 investment 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, 2022 and 2021 will be utilized in the succeeding years.

The carrying amount of the net deferred tax assets as at December 31, 2022 and 2021 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 2022, 2021 and 2020 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. 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 Presentation of Segment Information

In 2022, the Group modified the presentation and measure of the performance of its operating segments such that only income and costs directly attributable to the segments are included. Following this change, the comparable segment information in the prior periods presented were restated to conform with the current year presentation.

4.5 Analysis of Segment Information

The tables presented in the succeeding page present revenue and profit information regarding industry segments for the years ended December 31, 2022, 2021 and 2020 and certain asset and liability information regarding segments as at December 31, 2022 and 2021.

	2022			
	Sale of Goods – Real estate	**Sale of Services – Rental**	**Sale of Services – Hotel Operations**	**Total**
TOTAL REVENUES				
Sales to external customers	P 36,849,992,605	P 15,653,727,970	P 2,603,709,878	P 55,107,430,453
Interest income on real estate sales	799,056,815	-	-	799,056,815
Intersegment sales	-	532,327,818	-	532,327,818
	37,649,049,420	16,186,055,788	2,603,709,878	56,438,815,086
COSTS AND OTHER OPERATING EXPENSES				
Costs of sales and services	25,712,626,517	1,856,763,898	2,101,359,090	29,670,749,506
Depreciation and amortization	258,051,817	2,731,898,812	144,072,673	3,134,023,302
	25,970,678,334	4,588,662,710	2,245,431,763	32,804,772,808
SEGMENT OPERATING PROFITS	**P 11,678,371,085**	**P 11,597,393,078**	**P 358,278,115**	**P 23,634,042,278**
ASSETS AND LIABILITIES				
Segment assets	**P 249,662,958,994**	**P 136,205,789,990**	**P 5,859,552,165**	**P 391,728,301,149**
Segment liabilities	**P 112,314,538,777**	**P 48,232,117,701**	**P 1,569,242,763**	**P 162,115,899,242**

	2021			
	Sale of Goods – Real estate	Sale of Services – Rental	Sale of Services – Hotel Operations	Total
TOTAL REVENUES				
Sales to external customers	P 31,129,417,724	P 13,319,580,244	P 1,928,944,451	P 46,377,942,419
Interest income on real estate sales	641,593,186	-	-	641,593,185
Intersegment sales	-	501,620,089	-	501,620,089
	31,771,010,910	13,821,200,333	1,928,944,451	47,521,155,694
COSTS AND OTHER OPERATING EXPENSES				
Costs of sales and services	22,143,407,538	1,718,745,957	1,654,286,432	25,516,439,927
Depreciation and amortization	305,468,041	2,815,266,472	148,945,316	3,269,679,829
	22,448,875,579	4,534,012,429	1,803,231,748	28,786,119,756
SEGMENT OPERATING PROFITS	P 9,322,135,330	P 9,287,187,904	P 125,712,703	P 18,735,035,937
ASSETS AND LIABILITIES				
Segment assets	P 246,748,867,643	P 127,778,100,601	P 4,800,909,509	P 379,327,877,753
Segment liabilities	P 110,574,147,992	P 47,869,814,875	P 1,185,567,816	P 159,629,530,683

	2020			
	Sale of Goods – Real estate	Sale of Services – Rental	Sale of Services – Hotel Operations	Total
TOTAL REVENUES				
Sales to external customers	P 24,858,537,303	P 12,932,770,278	P 1,482,160,976	P 39,273,468,557
Interest income from real estate sales	408,339,844	-	-	408,339,844
Intersegment sales	-	467,049,014	-	467,049,014
	25,266,877,147	13,399,819,292	1,482,160,976	40,148,857,415
COSTS AND OTHER OPERATING EXPENSES				
Costs of sales and services	19,252,024,183	1,745,331,616	1,438,867,811	22,436,223,610
Depreciation and amortization	306,863,866	2,485,169,230	133,495,376	2,925,528,472
	19,558,888,049	4,230,500,846	1,572,363,187	25,361,752,082
SEGMENT OPERATING PROFITS	P 5,707,989,098	P 9,169,318,446	(P 90,202,211)	P 14,787,105,333

Total project and capital expenditures amounted to P45.9 billion, P38.2 billion and P27.9 billion in 2022, 2021 and 2020, respectively.

4.6 Reconciliations

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its consolidated financial statements.

	2022	2021	2020
Revenues			
Total segment revenues	**P 56,438,815,086**	P 47,521,155,694	P 40,148,857,415
Unallocated interest and other income	**3,620,769,383**	3,734,755,126	3,859,069,451
Elimination of intersegment sales	**(532,327,818)**	(501,620,089)	(467,049,014)
Revenues as reported in profit or loss	**P 59,527,256,651**	P 50,754,290,731	P 43,540,877,852
Profit or loss			
Segment operating profit	**P 23,634,042,278**	P 18,735,035,938	P 14,787,105,333
Unallocated interest and other income	**3,620,769,383**	3,734,755,126	3,859,069,451
Unallocated interest and other charges	**(5,628,116,793)**	(4,808,537,325)	(2,930,637,292)
Equity share in net losses	**(155,429,591)**	(176,548,383)	(69,879,672)
Other unallocated expenses	**(2,329,420,992)**	(2,541,395,012)	(1,709,186,268)
Profit before tax as reported in profit or loss	**P 19,141,844,285**	P 14,943,310,344	P 13,936,471,552

	2022	2021
Assets		
Segment assets	**P 391,728,301,149**	P 379,327,877,753
Investments in associates	**3,138,183,202**	3,287,474,516
Financial assets at fair value through other comprehensive income	**5,253,799,848**	5,760,368,447
Advances to other related parties	**6,378,875,057**	4,551,587,462
Other unallocated assets	**2,712,378,045**	5,049,942,930
Total assets reported in the consolidated statements of financial position	**P 409,211,537,300**	P 397,977,251,108
Liabilities		
Segment liabilities	**P 162,115,899,242**	P 159,629,530,683
Advances from associates and other related parties	**2,126,611,006**	3,243,336,539
Other unallocated liabilities	**3,948,504,100**	5,400,392,939
Total liabilities reported in the consolidated statements of financial position	**P 168,191,014,348**	P 168,273,260,161

5. CASH AND CASH EQUIVALENTS

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

	2022	2021
Cash on hand and in banks	**P 13,217,086,693**	P 10,751,423,572
Short-term placements	**14,537,481,753**	33,043,182,347
	P 27,754,568,446	P 43,794,605,919

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 0.50% to 5.70% in 2022, 0.05% to 4.50% in 2021, and 0.10% to 4.00% in 2020 (see Note 23).

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Notes	**2022**	2021
Current:			
Trade	15.3(h), 27.1	**P25,129,843,967**	P 25,298,080,162
Allowance for impairment		**(749,340,938)**	(761,550,836)
		24,380,503,029	24,536,529,326
Advances to associates and other related parties	27.2	**6,378,875,057**	4,551,587,462
Others	27.4	**5,146,909,136**	5,394,539,719
		35,906,287,222	34,482,656,507
Non-current:			
Trade	15.3(h)	**16,458,299,794**	7,878,577,198
Allowance for impairment		**(12,224,936)**	(12,224,936)
		16,446,074,858	7,866,352,262
Others	27.1	**4,589,496,313**	4,623,646,313
		21,035,571,171	12,489,998,575
		P56,941,858,393	P 46,972,655,082

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 P799.0 million, P641.6 million and P408.3 million in 2022, 2021 and 2020, 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).

Others include finance lease receivables arising from sublease transaction entered by the Group [see Note 31.1(b)]. As of December 31, 2022 and 2021, the current portion of the finance lease receivables amounted to P140.2 million and P49.7 million, respectively, while non-current portion amounted to P408.6 million and P523.3 million, respectively.

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

A reconciliation of the allowance for impairment losses on trade receivables at the beginning and end of 2022 and 2021 is shown below.

	Current	Non-current	Total
December 31, 2022:			
Balance at beginning of year	**P 761,550,836**	**P 12,224,936**	**P 773,775,772**
Reversal of impairment	**(12,147,563)**	**-**	**(12,147,563)**
Write off	**(62,335)**	**-**	**(62,335)**
Balance at end of year	**P 749,340,938**	**P 12,224,936**	**P 761,565,874**
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

In 2022 and 2021, based on management's reassessment of recoverability of receivables, the Group reversed a portion of allowance for impairment amounting to P12.1 million and P77.3 million, respectively. 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.

	2022	2021
Residential and condominium units	**P 99,244,736,147**	P 87,357,060,915
Raw land inventory	**11,823,319,249**	12,718,498,816
Property development costs	**9,509,115,059**	12,770,169,977
Golf and resort shares	**2,874,136,306**	2,895,779,113
	P 123,451,306,761	P 115,741,508,821

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 P727.2 million and P655.0 million in 2022 and 2021, 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 2022, 2021 and 2020; hence, inventories are recorded at cost as at December 31, 2022 and 2021.

8. PREPAYMENTS AND OTHER CURRENT ASSETS

The composition of this account is shown below.

	Notes	**2022**	2021
Input VAT		**P 3,620,500,726**	P 3,472,235,583
Prepaid rent and other prepayments		**2,151,545,978**	1,371,970,679
Deferred commission	20.3	**1,962,421,561**	1,552,396,393
Creditable withholding taxes		**1,949,539,045**	2,654,752,614
Derivative asset	30	**197,431,085**	-
Deposits		**72,579,834**	175,938,357
Others		**411,015,871**	384,684,730
		P 10,365,034,100	P 9,611,978,356

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	**2022**	2021
Equity securities:			
Quoted		**P 3,102,154,694**	P 3,098,501,606
Unquoted		**2,151,645,154**	2,661,866,841
	27.4	**P 5,253,799,848**	P 5,760,368,447

The Group's securities are investments from local entities.

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

	2022	2021
Balance at beginning of year	**P 5,760,368,447**	P 4,174,886,430
Additions and translation adjustments	**73,214,483**	238,089,875
Fair value gains (losses)	**(579,783,082)**	1,347,392,142
Balance at end of year	**P 5,253,799,848**	P 5,760,368,447

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 2022, 2021 and 2020, the Group received cash dividends amounting to P21.4 million, P24.5 million and P8.2 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, 2022 and 2021, 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:

	2022	2021
Total commitment for construction expenditures	**P 54,990,686,120**	P 43,260,563,281
Total expenditures incurred	**(36,794,191,122)**	(28,723,107,507)
Net commitment	**P 18,196,494,998**	P 14,537,455,774

The Group's interests in jointly-controlled operations and projects range from 57% to 90% in both 2022 and 2021. The listing of the Group's jointly-controlled projects are as follows:

Parent Company:
- McKinley West
- Manhattan Garden City
- Uptown Bonifacio
- Northill Gateway
- The Maple Grove
- Vion Tower
- Arden Botanical
- Arden West Park

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, 2022 and 2021, and income and expenses for each of the three years in the period ended December 31, 2022 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, 2022 and 2021, 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 2022 and 2021 amounted to P348.0 million and P333.2 million, respectively, is presented as part of Advances from 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:

	2022	2021
Acquisition costs:		
SUN	**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	**(399,719,957)**	(223,171,574)
Equity share in net losses of associates for the year	**(155,429,591)**	(176,548,383)
Balance at end of year	**(555,149,548)**	(399,719,957)
Accumulated equity in other comprehensive income:		
Balance at beginning of year	**69,120,911**	48,194,714
Share in other comprehensive income of associates	**6,138,277**	20,926,197
Balance at end of year	**75,259,188**	69,120,911
	P 3,138,183,202	P 3,287,474,516

The shares of stock of SUN are listed in the PSE which closed at P0.99 and P1.12 per share as of December 31, 2022 and 2021, respectively. The fair values of all other investments in associates are not available as at December 31, 2022 and 2021. 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.

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, 2022					
SUN	P 2,398,121,447	P 29,009,661,526	P 1,205,652,756	P 21,687,136,439	P 8,514,993,778
NPI	255,482,161	5,411,008,680	1,317,011,624	-	4,349,479,217
BWDC	1,164,689,219	1,561,088,561	882,400,998	49,000,000	1,794,376,782
PTHDC	1,134,973,333	107,914	1,010,203,132	-	124,878,115
	P 4,953,266,160	**P 35,981,866,681**	**P 4,415,268,510**	**P 21,736,136,439**	**P 14,783,727,892**
December 31, 2021					
SUN	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	1,692,037,903
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 14,050,316,279

	Revenues	Net Loss	Other Comprehensive Income
2022			
SUN	P 13,196	(P 557,052,537)	24,071,676
NPI	-	-	-
BWDC	150,838,321	73,823,084	-
PTHDC	5,978	(178,880)	-
	P 150,857,495	**(P 483,408,333)**	**P 24,071,676**
2021			
SUN	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
2020			
SUN	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

12. INVESTMENT PROPERTIES

The gross carrying amounts and accumulated depreciation of investment properties at the beginning and end of 2022 and 2021 are shown below.

	Land	Buildings	Total
December 31, 2022			
Cost	P 29,987,225,960	P 118,552,303,984	P 148,539,529,944
Accumulated depreciation	-	(20,437,685,406)	(20,437,685,406)
Net carrying amount	**P 29,987,225,960**	**P 98,114,618,578**	**P 128,101,844,538**
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
January 1, 2021			
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

A reconciliation of the carrying amounts at the beginning and end of 2022, 2021 and 2020 of investment properties is shown below.

	Land	Buildings	Total
Balance at January 1, 2022, net of accumulated depreciation	P 27,587,597,724	P 91,634,651,223	P 119,222,248,947
Additions	2,400,461,041	9,714,938,191	12,115,399,232
Transfer to PPE		(503,072,024)	(503,072,024)
Disposal	(832,805)	-	(832,805)
Depreciation charges for the year	-	(2,731,898,812)	(2,731,898,812)
Balance at December 31, 2022, net of accumulated depreciation	**P 29,987,225,960**	**P 98,114,618,578**	**P 128,101,844,538**
Balance at January 1, 2021, net of accumulated depreciation	P 27,000,062,823	P 87,982,426,606	P 114,982,489,429
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
Balance at January 1, 2020, net of accumulated depreciation	P 26,838,600,559	P 84,052,338,634	P 110,890,939,193
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

Rental income earned from these properties amounted to P15.7 billion, P13.3 billion and P12.9 billion in 2022, 2021 and 2020, 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 P937 million in 2022, P802.7 million in 2021, and P882.7 million in 2020. 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 2022, 2021 and 2020 amounted to P32.6 million, P29.6 million, and P37.2 million, respectively. The operating lease commitments of the Group as a lessor are fully disclosed in Note 31.1.

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).

Borrowing costs that are capitalized as part of investment properties amounted to P1,383.3 million and P1,607.2 million in 2022 and 2021, 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 2022 and 2021 are P464.8 billion and P464.5 billion as at December 31, 2022 and 2021, respectively, while the fair market value of idle land as of December 31, 2022 and 2021 is P55.5 billion. Other information about the fair value measurement and disclosures related to the investment properties are presented in Note 34.4.

As of December 31, 2022 and 2021, 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 2022 and 2021 are shown below and in the succeeding page.

	Buildings & Improvements	Furniture, Fixtures and Equipment	Office Improvements	Transportation Equipment	Land	Right-of-use Assets	Total
December 31, 2022							
Cost	P8,124,859,537	P 2,102,841,166	P 550,897,630	P 625,069,481	P 245,672,573	P 486,793,141	P 12,136,133,528
Accumulated depreciation and amortization	(2,081,008,650)	(1,580,869,769)	(405,958,248)	(570,229,582)	-	(301,156,695)	(4,939,222,944)
Net carrying amount	**P6,043,850,887**	**P 521,971,397**	**P 144,939,382**	**P 54,839,899**	**P 245,672,573**	**P 185,636,446**	**P 7,196,910,584**
December 31, 2021							
Cost	P7,382,669,895	P 1,772,495,392	P 465,326,962	P 576,330,596	P 245,672,575	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 245,672,575	P 212,220,296	P 6,530,887,796

	Buildings & Improvements	Furniture, Fixtures and Equipment	Office Improvements	Transportation Equipment	Land	Right-of-use Assets	Total
January 1, 2021							
Cost	P7,071,037,859	P 1,700,048,652	P 432,875,962	P 562,606,119	P 245,672,575	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 245,672,575	P 251,945,284	P 6,719,600,005

A reconciliation of the carrying amounts at the beginning and end of 2022, 2021 and 2020, of property and equipment is shown below.

	Buildings & Improvements	**Furniture, Fixtures and Equipment**	**Office Improvements**	**Transportation Equipment**	**Land**	**Right-of-use Assets**	**Total**
Balance at January 1, 2022, net of accumulated depreciation and amortization	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
Additions	239,117,618	351,338,233	86,571,155	56,054,796	-	-	733,081,802
Transfer from Investment Property	503,072,024						503,072,025
Disposals	-	(20,992,459)	(1,000,487)	(7,315,911)	-	-	(29,308,857)
Depreciation charges For the year	(250,505,916)	(175,902,578)	(47,101,421)	(40,728,416)	-	(26,583,850)	(540,822,182)
Balance at December 31, 2022, net of accumulated depreciation	**P6,043,850,887**	**P 521,971,397**	**P 144,939,382**	**P 54,839,899**	**P 245,672,573**	**P 185,636,446**	**P 7,196,910,584**
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
Balance at January 1, 2020, net of accumulated depreciation and amortization	P5,453,323,089	P 522,455,037	P 122,842,113	P 100,039,766	P 245,672,575	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 accumulated3 depreciation	P5,561,112,958	P 461,715,312	P 122,440,750	P 76,713,128	P 245,672,575	P 251,945,284	P 6,719,600,005

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**
2022					
Offices	6	1 – 12 years	4 years	3	1
Commercial lot	4	1 – 25 years	16 years	2	1
2021					
Offices	4	1 – 12 years	7 years	2	1
Commercial lot	3	1 – 26 years	14 years	2	1

The breakdown of the Group's right-of-use assets as at December 31, 2022 and 2021 and the movements during the years are shown below.

	Offices	Commercial Lot	Total
Balance at January 1, 2022	P 11,501,347	P 200,718,949	P 212,220,296
Depreciation and amortization	(3,522,160)	(23,061,690)	(26,583,850)
Balance at December 31, 2022	**P 7,979,187**	**P 177,657,259**	**P 185,636,446**
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

As of December 31, 2022 and 2021, 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	**2022**	2021
Goodwill		**P 1,385,124,597**	P1,385,124,597
Guarantee and other deposits		**1,050,101,840**	877,329,410
Deferred commission	20.3	**1,034,827,696**	2,022,525,348
Leasehold rights – net		**83,582,600**	90,547,817
Miscellaneous		**206,053,383**	205,005,800
		P 3,759,690,116	P4,580,532,972

Goodwill primarily relates to growth expectations arising from operational efficiencies that will be achieved by combining the resources, skills and expertise of the Parent 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 P76.6 billion, P445.5 million and P2.9 billion, respectively, at end of 2022 and P57.2 billion, P473.2 million and P4.6 billion, respectively, at end of 2021. These were computed using cash flows projections covering a five-year period and extrapolating cash flows using a conservative steady growth rate of 2.6% in 2022 and 3.6% in 2021. The aggregate recoverable amounts of the cash generating units assigned to other subsidiaries is P96.6 million and P93.3 million in 2022 and 2021, 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 8.2% in 2022 and 7.3% in 2021.

The discount rates and growth rates are the key assumptions used by management in determining the value in use 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 2022, 2021 and 2020 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 2022, 2021 and 2020, 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:

	2022	2021
Parent Company:		
Php-denominated	**P 31,382,744,047**	P 28,909,550,457
U.S. dollar-denominated	**2,341,894,555**	4,580,587,013
	33,724,638,602	33,490,137,470
Subsidiaries –		
Php-denominated	**15,933,857,618**	18,159,567,128
	P 49,658,496,220	P 51,649,704,598

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

	2022	2021
Current	**P 12,691,010,973**	P 12,685,534,491
Non-current	**36,967,485,247**	38,964,170,107
	P 49,658,496,220	P 51,649,704,598

The Group is required to maintain certain financial ratios to comply with its debt covenants with local banks. These include maintaining a minimum debt to equity ratio, current ratio and debt service coverage ratio.

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 P2,104.2 million, P2,251.7 million and P2,726.2 million in 2022, 2021 and 2020, respectively. Of these amounts, portion charged as expense amounted to P833.9 million, P788.9 million and P666.9 million in 2022, 2021 and 2020, 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 2022, 2021 and 2020 amounted to P1,270.3 million, P1,462.8 million and P2,059.3 million, respectively. The outstanding interest payable as of December 31, 2022 and 2021 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 3.11%, 3.01% and 4.25% in 2022, 2021 and 2020, respectively.

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

	2022	2021	2020
Balance at beginning of year	**P 151,754,133**	P 106,676,331	P 136,794,038
Additions	**75,000,000**	120,000,000	37,500,000
Amortization	**(73,429,132)**	(74,922,198)	(67,617,707)
Balance at end of year	**P 153,325,001**	P 151,754,133	P 106,676,331

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 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). In 2022, the Parent Company has paid in full its outstanding loan balance.

(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. In 2022, the Parent Company has paid in full its outstanding loan balance.

(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. In 2022, the Parent Company has paid in full its outstanding loan balance.

(d) 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.

(e) 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).

(f) 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. The interest rate is subject for review beginning the fourth year.

(g) 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 commenced in June 2022 and a floating interest is paid quarterly based on a five-day average reference rate plus a certain spread.

(h) *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 commenced in March 2022. Interest on the loan is fixed at 4.00% payable quarterly.

(i) *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.

(j) *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.

(k) *Philippine Peso, five year loan due 2027*

In September 2022, the Parent Company obtained an unsecured P10.0 billion loan from a local bank. Principal is payable in quarterly installments at the end of the 5th quarter from the drawdown date. The loan is payable quarterly beginning December 2023. 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. In 2022, EELHI has paid in full its outstanding loan balance.

(b) *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, seven-year loan due in 2029

In 2022, SPI obtained an unsecured long-term loan from a local bank amounting to P500.0 million. The principal amount is payable monthly after a grace period of three years from the date of availment. The loan bears fixed interest rate of 5%.

(g) Philippine Peso, various short-term loans

SPI obtained various unsecured short-term loans from different local banks. The loans bear fixed and floating interest ranging from 4.0% to 6.25%. The outstanding balances of the loans as of December 31, 2022 and 2021 amounted to P500.0 million in both years.

(h) Philippine Peso, liability on assigned receivables

In 2022 and prior years, SPI obtained various loans from a local bank through assignment of trade receivables with recourse (see Note 6). The local bank is given the right to collect the assigned receivables and apply the collections to the corresponding loan balances. 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, 2022 and 2021 amounted to P0.9 billion and P1.4 billion, respectively.

The assigned trade receivables have an average term between 10 to 15 years and bear interests between 10% to 15%. The carrying value of assigned receivables is equal to the outstanding balance of the loan as of December 31, 2022 and 2021 and none were found to be impaired.

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 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.

(d) 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.

(e) 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.

(f) 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 TLC

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.

15.6 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:

	2022	2021
Philippine peso	**P 11,989,962,729**	P 11,981,932,912
U.S. dollar	**33,249,112,781**	30,000,109,334
	P 45,239,075,510	P 41,982,042,246

The current and non-current classification of the Group's Bonds and Notes Payable is shown below.

	2022	2021
Current	**P 14,026,453,110**	P -
Non-current	**31,212,622,400**	41,982,042,246
	P 45,239,075,510	P 41,982,042,246

(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.

The total interest incurred on these bonds amounted to P2,139.4 million, P1,983.9 million and P1,496.5 million in 2022, 2021 and 2020, respectively. Of these amounts, the portion charged as expense amounted to P1,209.5 million, P1,103.1 million and P872.2 million in 2022, 2021 and 2020, 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, 2022 and 2021 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 P840.2 million, P799.4 million and P581.2 million in 2022, 2021 and 2020, respectively. Capitalization rate used in determining the amount of interest charges qualified for capitalization is 3.89% in 2022, 3.87% in 2021 and 2.89% in 2020.

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

	2022	2021	2020
Balance at beginning of year	**P 457,320,770**	P 538,744,014	P 48,903,571
Additions	**-**	-	533,014,807
Amortization	**(89,717,567)**	(81,423,244)	(43,174,364)
Balance at end of year	**P 367,603,203**	P 457,320,770	P 538,744,014

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	2022	2021
Trade payables		**P 14,927,714,758**	P 14,438,713,317
Retention payable		**5,198,564,149**	5,092,856,605
Refund liability		**1,495,318,078**	1,598,037,403
Accrued interest	15, 16	**765,943,568**	673,948,706
Miscellaneous		**1,771,225,658**	1,072,411,109
		P 24,158,766,211	P 22,875,967,140

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 as at December 31, 2021(nil in 2022) are presented as part of Other payables under Other Non-current Liabilities account in the 2021 consolidated statement of financial position (see Note 19). The related interest expense recognized amounting to P11.1 million and P16.9 million in 2022 and 2021, respectively, (nil in 2022) 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.

All preferred shares were redeemed in full in 2022.

19. OTHER LIABILITIES

This account consists of:

	Notes	2022	2021
Current:			
Unearned income		**P 3,242,781,577**	P 2,928,397,465
Commission payable		**2,077,980,412**	2,632,525,561
Advances from customers		**1,912,385,149**	1,558,113,579
Subscription payable	11.1(a), 27	**1,114,665,008**	1,114,665,008
Lease liabilities		**104,635,874**	72,195,557
Derivative liability	30	**-**	147,793,407
Other payables		**923,333,571**	1,022,705,897
		9,375,781,591	9,476,396,474
Non-current:			
Deferred rent - net		**3,160,203,687**	3,950,438,046
Retention payable	17	**1,676,303,061**	2,144,942,479
Lease liabilities		**506,110,406**	517,377,243
Other payables	18	**687,380,443**	479,905,536
		6,029,997,597	7,092,663,304
		P 15,405,779,188	P16,569,059,778

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, 2022 and 2021 are as follows:

	Note	2022	2021
Principal of lease liability		**P 18,840,748**	P -
Interest on lease liability	24	**38,577,068**	29,570,421
		P 57,417,816	P 29,570,421

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

	Lease Payment	Finance Charges	Net Present Value
2022			
Within one year	P 142,501,798	(P 37,865,924)	P 104,635,874
After one year but not more than two years	63,285,257	(36,173,595)	27,111,662
After two years but not more than three years	62,139,250	(34,454,513)	27,684,737
After three years but not more than four years	63,142,885	(32,679,378)	30,463,507
After four years but not more than five years	63,380,461	(30,872,412)	32,508,049
More than five years	750,707,596	(362,365,145)	388,342,451
	P 1,145,157,247	**(P 534,410,967)**	**P 610,746,280**
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

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 P114.8 million, P77.0 million and P181.1 million in 2022, 2021 and 2020, 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 and the types of products and services is presented below and in the succeeding page.

	Segments		
	Real Estate	Hotel Operations	Total
2022			
Residential and office units	P 31,476,429,945	P -	P 31,476,429,945
Lots only	5,373,562,660	-	5,373,562,660
Room accommodation	-	1,697,907,158	1,697,907,158
Food and beverages	-	828,253,238	828,253,238
Other hotel services	-	77,549,482	77,549,482
	P36,849,992,605	**P 2,603,709,878**	**P39,453,702,483**

	Segments		
	Real Estate	Hotel Operations	Total
2021			
Residential and office units	P 27,349,657,783	P -	P 27,349,657,783
Lots only	3,779,759,941	-	3,779,759,941
Room accommodation	-	1,427,615,363	1,427,615,363
Food and beverages	-	471,620,410	471,620,410
Other hotel services	-	29,627,308	29,627,308
	P 31,129,417,724	P 1,928,863,081	P 33,058,280,805
2020			
Residential and office units	P 21,667,844,909	P -	P 21,667,844,909
Lots only	3,190,692,394	-	3,190,692,394
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

20.2 Contract Accounts

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

	2022		2021	
	Contract Assets	**Contract Liabilities**	Contract Assets	Contract Liabilities
Balance at beginning of year	**P19,922,247,362**	**P7,403,695,808**	P19,380,726,313	P 5,843,629,303
Transfers from contract assets recognized at the beginning of year to trade receivables	**(8,200,052,415)**	**-**	(6,331,845,183)	-
Increase due to satisfaction of performance obligation over time, net of cash collections	**7,897,72,826**	**-**	6,873,366,232	-
Revenue recognized that was included in contract liability at the beginning of year	**-**	**(3,679,150,615)**	-	(1,704,149,276)
Increase due to cash received in excess of performance to date	**-**	**4,521,876,337**	-	3,264,215,781
Balance at end of year	**P19,619,923,773**	**P 8,246,421,530**	P19,922,247,362	P 7,403,695,808

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

	2022	2021
Current	**P 13,613,227,726**	P 11,970,852,843
Non-current	**6,006,696,047**	7,951,394,519
	P 19,619,923,773	P 19,922,247,362

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

	2022	2021
Current	**P 3,392,947,567**	P 2,447,089,883
Non-current	**4,853,473,963**	4,956,605,925
	P 8,246,421,530	P 7,403,695,808

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 P31.8 billion and P27.5 billion as of December 31, 2022 and 2021, 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 2022 and 2021 is presented below.

	2022	2021
Balance at beginning of year	**P 3,574,921,741**	P 3,360,073,323
Additional capitalized costs net of sales cancellations	**743,317,115**	1,035,710,361
Amortization for the year	**(1,320,989,599)**	(820,861,943)
Balance at end of year	**P 2,997,249,257**	P 3,574,921,741

20.4 Transaction Price Allocated to Unsatisfied Performance Obligations

The aggregate amount of transaction price allocated to partially or wholly unsatisfied contracts amounted to P43.7 billion and P47.1 billion as of December 31, 2022 and 2021, respectively, which the Group expects to recognize as follows:

	2022	2021
Within a year	**P23,100,331,580**	P21,139,283,515
More than one year to three years	**16,480,982,363**	19,761,215,172
More than three to five years	**4,155,242,262**	6,225,643,643
	P43,736,556,205	P47,126,142,330

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:

	2022	2021	2020
Contracted services	**P 15,157,644,269**	P 13,921,991,148	P 11,219,299,981
Land cost	**2,423,993,776**	1,870,060,652	1,884,946,036
Borrowing cost	**722,695,142**	792,405,811	462,338,695
Other costs	**250,422,205**	289,825,668	223,941,120
	P18,554,755,392	P16,874,283,279	P 13,790,525,832

21.2 Cost of Hotel Operations

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

	Note	**2022**	2021	2020
Salaries and employee benefits	25.1	**P 401,131,662**	P 272,425,884	P 294,423,195
Food and beverage		**320,804,080**	191,503,125	113,744,576
Rent		**271,757,384**	251,186,534	174,698,043
Utilities		**199,361,040**	246,934,596	145,490,772
Hotel operating supplies		**172,987,985**	74,716,451	46,365,836
Outside services		**47,380,779**	7,071,957	143,269,354
Miscellaneous		**49,028,505**	43,140,012	45,112,756
		P 1,462,451,435	P 1,086,978,559	P 963,104,532

22. OPERATING EXPENSES

Presented below are the details of this account.

	Notes	**2022**	2021	2020
Salaries and employee benefits	25.1	**P 3,462,970,100**	P 2,878,758,053	P 2,774,714,292
Depreciation and amortization	12, 13, 14	**3,279,686,210**	3,467,925,032	3,104,661,233
Commission	20.3	**1,782,224,386**	1,220,192,387	1,211,294,878
Taxes and licenses		**1,078,623,548**	1,192,439,947	1,058,641,173
Advertising and promotions		**959,749,002**	764,372,156	551,242,571
Outside services		**894,576,529**	826,990,607	553,576,807
Utilities and supplies		**808,326,783**	494,027,066	470,914,537
Professional fees		**616,959,535**	594,801,585	511,233,774
Association dues		**402,711,876**	365,873,255	435,179,281
Transportation		**294,644,206**	194,751,215	154,786,603
Rent	19	**177,257,360**	76,988,707	181,081,217
Donation		**100,524,798**	149,743,170	252,789,709
Miscellaneous	11.2	**726,404,823**	637,769,661	590,142,897
		P 14,584,659,156	P 12,864,632,841	P 11,850,258,972

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	2022	2021	2020
Interest income	5, 6, 27.1	**P 2,942,288,364**	P 2,104,896,268	P 2,003,787,163
Property management, commission and construction income		**1,049,617,328**	1,617,611,176	1,269,150,213
Dividend income	9, 27.4	**21,420,750**	24,456,757	8,193,611
Gain on sale of property	12	**-**	136,206,674	-
Foreign currency gains – net	5, 15, 16	**-**	-	788,594,465
Miscellaneous – net	6	**406,499,756**	493,258,807	197,683,843
		P 4,419,826,198	P 4,376,429,682	P 4,267,409,295

24. INTEREST AND OTHER CHARGES

Presented below are the details of this account.

	Notes	2022	2021	2020
Interest expense	10.2, 15, 16, 18, 25.3	**P 2,258,100,909**	P 1,941,630,481	P 1,641,304,190
Other charges:				
Foreign currency losses – net	15, 16	**1,738,714,911**	1,265,498,741	-
Impairment and other losses	6	**777,544,878**	682,473,797	659,918,645
Day one loss	6	**543,289,914**	483,265,727	269,781,190
Miscellaneous – net		**310,466,180**	435,668,579	359,633,267
		P 5,628,116,792	P 4,808,537,325	P 2,930,637,292

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	2022	2021	2020
Short-term benefits		**P 3,764,816,906**	P 3,010,286,233	P 2,975,240,661
Employee share option benefit	25.2, 28.6	**16,372,411**	10,204,332	21,381,914
Post-employment benefits	25.3	**82,912,445**	130,693,372	72,514,912
	21, 22	**P 3,864,101,762**	P 3,151,183,937	P 3,069,137,487

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, 2022 and 2021, 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, 2022, 2021, and 2020, 60.0 million, 50.0 million, and 40.0 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 P16.4 million, P10.2 million and P21.4 million in 2022, 2021 and 2020, 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 2022 and 2021.

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

	2022	2021
Present value of the obligation	**P 972,939,970**	P1,121,810,503
Fair value of plan assets	**(623,365,103)**	(575,007,802)
Net defined benefit liability	**P 349,574,867**	P 546,802,701

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

	2022	2021
Balance at beginning of year	**P 1,121,810,503**	P1,345,331,303
Current service costs	**82,912,445**	130,693,372
Interest costs	**53,408,462**	49,827,794
Remeasurements –		
Actuarial gains		
arising from changes in:		
Financial assumptions	**(139,502,189)**	(134,104,864)
Experience adjustments	**(98,910,242)**	(202,235,817)
Benefits paid	**(46,779,009)**	(67,701,285)
Balance at end of year	**P 972,939,970**	P1,121,810,503

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

	2022	2021
Balance at beginning of year	**P 575,007,802**	P 525,575,607
Contributions received	**74,967,204**	82,108,139
Benefits paid	**(20,260,104)**	(42,322,863)
Interest income	**12,696,272**	20,862,500
Loss on plan assets (excluding amount included in net interest cost)	**(18,776,071)**	(11,215,581)
Balance at end of year	**P 623,365,103**	P 575,007,802

The fair value of plan assets is composed of the following (in millions):

	2022	2021
Cash and cash equivalents	**P 283.7**	P 184.4
Investment in marketable securities		
Equity securities	**51.0**	242.5
Debt securities	**289.7**	148.1
	P 623.4	P 575.0

Debt securities pertain to corporate and government securities while equity securities consist of investments in publicly listed corporations.

As of December 31, 2022 and 2021, the funds include investments in securities of its related parties (see Note 27).

The carrying amount and fair value of investments in debt securities of entities within the Group as of December 31, 2022 amounted to P99.1 million and P98.7 million, respectively, while the carrying amount and fair value as of December 31, 2021 amounted to P101.4 million and P101.4 million, respectively. Unrealized fair value losses on these securities as of December 31, 2022 amounted to P0.3 million.

The carrying amount and fair value of investments in equity securities of entities within the Group as of December 31, 2022 amounted to P40.0 million and P36.0 million, respectively, while the carrying amount and fair value as of December 31, 2021 amounted to P48.9 million and P36.0 million, respectively. Unrealized fair value losses on these securities as of December 31, 2022 and December 31, 2021 amounted to P4.0 million and P 13.0 million, respectively.

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 P34.6 million, P9.6 million and P23.7 million in 2022, 2021 and 2020, 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	**2022**	2021	2020
Reported in consolidated statements of income:				
Current service costs	25.1	**P 82,912,445**	P 130,693,372	P 72,514,912
Net interest costs	24	**24,843,870**	28,965,294	59,037,029
		P107,756,315	P159,658,666	P 131,551,941
Reported in consolidated statements of comprehensive income:				
Actuarial gains (losses) arising from changes in:				
Experience adjustments		**P 98,910,242**	P 202,235,817	P 100,470,130
Financial assumptions		**139,502,189**	134,104,864	(267,188,298)
Loss on plan assets (excluding amounts included in net interest expense)		**(18,776,071)**	(11,215,581)	(13,525,074)
		219,636,360	325,125,100	(354,133,354)
Tax expense	26	**(55,553,033)**	(62,880,238)	(106,240,006)
		P164,083,327	P262,244,862	(P 247,893,348)

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:

	2022	2021	2020
Discount rates	**3.60% - 7.54%**	3.58% - 5.20%	3.70% - 5.09%
Expected rate of salary increases	**1.00% - 4.00%**	3.00% - 7.00%	3.00% - 10.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 25 years for both males and females. These assumptions were developed by management with the assistance of independent actuaries. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bonds with terms to maturity approximating to the terms of the retirement benefit obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

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

(i) Investment and Interest Rate Risks

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

(ii) Longevity and Salary Risks

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

(d) Other Information

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

(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, 2022 and 2021:

	Impact on Retirement Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
December 31, 2022			
Discount rate	**0.50% - 1.00%**	(P 179,345,797)	P 194,947,571
Salary increase rate	**1.00%**	262,581,405	(207,885,450)
December 31, 2021			
Discount rate	0.50% - 1.00%	(P 134,872,845)	P 154,277,589
Salary increase rate	1.00%	192,679,302	(147,803,409)

The sensitivity analysis presented in the previous page 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 P112.3 million to the plan during the next reporting period.

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

	2022	2021
Within one year	**P 188,858,699**	P 183,023,171
More than one year to 5 years	**125,565,313**	169,124,514
More than 5 years to 10 years	**236,059,745**	426,063,067
More than 10 years to 15 years	**399,266,717**	375,319,675
More than 15 years to 20 years	**777,949,467**	642,769,942
More than 20 years	**3,716,837,078**	3,238,493,721
	P 5,444,537,019	P 5,034,794,090

The weighted average duration of the DBO at the end of the reporting period range from 6 to 17 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.

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

	2022	2021	2020
Reported in consolidated statements of income:			
Current tax expense:			
Regular corporate income tax (RCIT) at 25%, 20% and 10% in 2022 and 2021, and 30% and 10% in 2020	**P 2,543,749,490**	P 847,820,456	P 2,707,466,693
Adjustment in 2020 income taxes due to change in income tax rate	**-**	(188,097,109)	-
Final tax at 15% and 7.5%	**92,864,680**	38,763,811	58,700,066
Minimum corporate income tax (MCIT) at 1% in 2022 and 2021 and, 2% in 2020	**7,855,985**	275,179	33,058,126
Application of MCIT	**(6,637,583)**	-	-
Preferential tax rate	**4,080,128**	-	-
	2,641,912,700	698,762,337	2,799,224,885
Deferred tax expense relating to:			
Effect of the change in income tax rate	**-**	(1,893,077,651)	-
Origination and reversal of temporary differences	**1,125,645,191**	1,759,232,643	548,681,373
	P 3,767,557,891	P 564,917,329	P 3,347,906,258

	2022	2021	2020
Reported in consolidated statements of comprehensive income –			
Deferred tax expense (income) relating to:			
Origination and reversal of temporary differences	**P 90,455,063**	P 93,038,135	(P 101,774,635)
Effect of the change in income tax rate	**-**	(18,401,038)	-
	P 90,455,063	P 74,637,097	(P 101,774,635)

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:

	2022	2021	2020
Tax on pretax profit at 25% in 2022, and 2021, and 30% in 2020	**P4,580,423,997**	P 3,735,827,587	P 4,180,941,466
Effect of change in income tax rate	**-**	(2,081,174,760)	-
Adjustment for income subjected to lower income tax rates	**(36,561,436)**	(185,194,162)	(135,250,737)
Tax effects of:			
Non-taxable income	**(1,487,155,854)**	(1,156,058,029)	(1,062,695,429)
Non-deductible expenses	**348,829,998**	203,836,087	229,869,981
Unrecognized deferred tax assets (liabilities) on temporary differences	**(11,501,508)**	64,569,571	31,518,283
Miscellaneous	**373,522,694**	(16,888,965)	103,522,694
	P 3,767,557,891	P 564,917,329	P 3,347,906,258

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

	2022	2021
Deferred tax assets – net:		
NOLCO	**P 212,416,830**	P 51,712,686
Difference between the fair value and carrying value of net assets acquired	**114,104,045**	141,225,062
MCIT	**33,950,887**	43,703,007
Retirement benefit obligation	**24,540,446**	48,881,410
Allowance for impairment of receivables	**11,923,309**	92,800,723
Allowance for property development costs	**7,689,776**	7,689,776
Others	**(10,479,728)**	(8,565,089)
	P 394,145,565	P 377,447,575

	2022	2021
Deferred tax liabilities – net:		
Uncollected gross profit	**P 7,635,045,037**	P 7,095,801,281
Capitalized interest	**4,739,118,374**	3,873,011,389
Unrealized foreign currency losses – net	**(1,906,553,539)**	(715,939,540)
Difference between the tax reporting base and financial reporting base of rental income	**1,280,542,497**	1,037,372,316
Bond issuance costs	**124,819,699**	140,644,041
Uncollected rental income	**79,275,569**	65,973,836
Share options	**(54,993,884)**	(122,086,372)
Retirement benefit obligation	**(16,976,614)**	(155,553,920)
Others	**383,830,555**	322,565,856
	P 12,264,107,694	P 11,541,788,887

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 2021 and 2022 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
2022	P 14,584,217	2025
2021	17,464,096	2026
2020	26,458,789	2023
	P 58,507,102	

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

Year	Original Amount	Valid Until
2022	P 241,844,778	2025
2021	156,313,788	2026
2020	80,505,896	2025
	P 478,644,462	

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 2022, 2021 and 2020, the Group opted to continue claiming itemized deductions, except for MDC, MREIT and LFI 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 below.

The summary of the Group's transactions with its related parties as of December 31, 2022 and 2021, and for the years ended December 31, 2022, 2021 and 2020 are as follows:

Related Party Category	Notes	Amount of Transactions 2022	2021	2020	Outstanding Investment/ Receivable (Payable) 2022	2021
Ultimate Parent Company:						
Dividends paid	27.5	**(P 887,481,897)**	(P 609,361,023)	(P 535,472,192)	**P -**	P -
Investments in equity securities	27.4	**15,786,980**	563,303,640	(129,956,000)	**1,878,650,620**	1,862,863,640
Dividend income	27.4	**21,413,262**	10,127,290	6,130,000	**-**	10,127,290
Advances granted	27.2	-		-	**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	**155,104**	(89,575,460)	2,252,794	**1,009,892,937**	1,009,737,833
Subscription payable	19	**-**	-	-	**(1,114,655,008)**	(1,114,655,008)

Related Party Category	Notes	Amount of Transactions 2022	2021	2020	Outstanding Investment/ Receivable (Payable) 2022	2021
Related Parties Under Common Ownership:						
Reimbursement of construction costs	27.1	**P -**	P -	P -	**P 3,056,180,769**	P 3,056,180,769
Advances availed (paid)	27.3	**(1,116,725,533)**	739,639,479	(230,932,687)	**(2,126,611,006)**	(3,243,336,539)
Rendering of services	27.1	**261,499,284**	137,222,809	111,141,371	**127,460,076**	150,993,738
Advances granted	27.2	**1,827,132,491**	413,989,151	222,908,412	**4,438,982,120**	2,611,849,629
Dividend income	27.4	**-**	13,538,826	2,061,115	**-**	-
Investments in equity securities	27.4	**(494,554,541)**	992,357,068	(163,041,128)	**3,364,753,554**	3,859,308,095
Sale of investment properties	27.9	**-**	136,607,414	-	**-**	-
Key Management Personnel –						
Compensation	27.7	**377,635,099**	316,686,607	307,865,292	**-**	-
Retirement plan						
Investments in equity and debt securities	25.3(b)	**-**	-	-	**134,696,111**	137,411,428

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 2022, 2021 and 2020.

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, 2022 and 2021, and is presented under non-current Other Trade Receivables in the consolidated statements of financial position (see Note 6).

27.2 Advances to Ultimate Parent, Associates and Other Related Parties

The ultimate parent Company, 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).

	2022	2021
Advances to ultimate parent	**P 930,000,000**	P 930,000,000
Advances to associates	**1,009,892,937**	1,009,737,833
Advances to other related parties	**4,438,982,120**	2,611,849,629
	P6,378,875,057	P4,551,587,462

The movements in advances to associates are as follows:

	2022	2021
Balance at beginning of year	**P1,009,737,833**	P1,099,313,293
Advances granted	**155,104**	-
Advances collected	**-**	(89,575,460)
Balance at end of year	**P1,009,892,937**	P1,009,737,833

The movements in advances to other related parties under common ownership are as follows:

	2022	2021
Balance at beginning of year	**P2,611,849,629**	P2,197,860,478
Advances granted	**1,827,132,491**	413,989,152
Balance at end of year	**P4,438,982,120**	P2,611,849,629

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 ultimate parent Company, associates and other related parties were recognized in 2022, 2021 and 2020 based on management's assessment.

27.3 Advances from 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 Other Related Parties under Current Liabilities Section account in the consolidated statements of financial position.

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

	2022	2021
Balance at beginning of year	**P3,243,336,539**	P2,683,950,114
Advances availed	**1,317,261,209**	608,170,119
Advances paid	**(2,433,986,742)**	(48,783,694)
Balance at end of year	**P 2,126,611,006**	P3,243,336,539

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, nil in 2022 (see Note 6).

27.5 Dividends Paid to the Ultimate Parent Company

The Ultimate Parent Company received dividends from the Parent Company amounting to P0.9 billion, P0.6 billion and P0.5 billion in 2022, 2021 and 2020, respectively. There were no outstanding liabilities relating to this transaction as of December 31, 2022 and 2021 (see Note 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 on demand and is presented as part of Other Current Liabilities in the consolidated statements of financial position (see Note 19).

27.7 Key Management Personnel Compensation

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

	2022	2021	2020
Short-term benefits	**P 276,491,249**	P 258,281,464	P 222,375,207
Post-employment benefits	**84,771,439**	48,200,811	64,108,171
Employee share option benefit	**16,372,411**	10,204,332	21,381,914
	P 377,635,099	P 316,686,607	P 307,865,292

27.8 Post-employment Plan

The Group has formal retirement plans established separately for the Parent Company and each of the significant subsidiaries, particularly GERI, EELHI and PHRI. The Group's retirement funds for its post-employment defined benefit plan are administered and managed by trustee banks. The fair value and the composition of the plan assets as of December 31, 2022 and 2021 are presented in Note 25.3.

The Group's transactions with the fund mainly pertain to contribution, benefit payments and interest income.

The retirement funds neither provide any guarantee or surety for any obligation of the Group nor its investments covered by any restrictions or liens.

The retirement funds do not include investments in equity nor debt securities of the Group.

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. The consideration was fully paid in 2021. No similar transaction occurred in 2022 and 2020.

28. EQUITY

Capital stock of the Parent Company consists of:

	Shares			Amount		
	2022	2021	2020	**2022**	2021	2020
Preferred shares Series "A"- P0.01 par value						
Authorized	**6,000,000,000**	6,000,000,000	6,000,000,000	**P 60,000,000**	P 60,000,000	P 60,000,000
Issued and outstanding	**6,000,000,000**	6,000,000,000	6,000,000,000	**P 60,000,000**	P 60,000,000	P 60,000,000
Common shares – P1 par value						
Authorized	**40,140,000,000**	40,140,000,000	40,140,000,000	**P 40,140,000,000**	P 40,140,000,000	P 40,140,000,000
Issued	**32,370,865,872**	32,370,865,872	32,370,865,872	**P 32,370,865,872**	P 32,370,865,872	P 32,370,865,872
Treasury shares:						
Balance at beginning of year	**(513,795,000)**	(471,552,000)	(130,920,000)	**(1,268,862,277)**	(1,111,874,917)	(118,104,398)
Acquisitions during the year	**(372,831,000)**	(42,243,000)	(341,632,000)	**(916,099,229)**	(156,987,360)	(994,672,630)
Issuances during the year	**1,000,000**	-	1,000,000	**902,111**	-	902,111
Balance at end of year	**(885,626,000)**	(513,795,000)	(471,552,000)	**(2,184,059,395)**	(1,268,862,277)	(1,111,874,917)
Issued and outstanding	**31,485,239,872**	31,857,070,872	31,899,313,872	**P 30,186,806,477**	P 31,102,003,595	P 31,258,990,955
Total issued and outstanding shares	**31,485,239,872**	31,857,070,872	31,899,313,872	**P 30,246,806,477**	P 31,162,003,595	P 31,318,990,955

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, 2022, there are 2,395 holders of the listed shares, which closed at P2.0 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, 2022, 2021 and 2020, 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 2022, 2021 and 2020 (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 2022 and 2020, APIC amounting to P1.9 million, was recognized by the Parent Company from the exercise of 1,000,000 stock options.

28.4 Cash Dividends

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

	2022	2021	2020
Declaration date/date of approval by BOD	**October 17, 2022**	November 10, 2021	December 4, 2020
Date of record	**October 31, 2022**	November 24, 2021	December 18, 2020
Date of payment	**November 14, 2022**	December 10, 2021	January 8, 2021
Amounts declared			
Common	**P 1,910,507,946**	P 1,337,220,837	P 1,177,196,572
Preferred	**600,000**	600,000	600,000
	P 1,911,107,946	P 1,337,820,837	P 1,177,796,572
Dividends per share:			
Common	**P 0.06**	P 0.04	P 0.04
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 P2,699.2 million as at December 31, 2022.

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 2022 and 2020, the Company has reissued 1,000,000 treasury shares as a result of exercise of the same number of stock options (see Note 28.6). There was no similar transaction in 2021.

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 P16.4 million, P10.2 million and P21.4 million share option benefits expense in 2022, 2021 and 2020, 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 up to five years from the date of vesting of the option. 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 million common shares of the Parent Company at an exercise price of P2.33 per share. Additional 40 million share options were granted in 2014 at an average exercise price of P3.00 per share. In 2019, additional 10 million share options were granted at an exercise price of P1.77. There were no additional share options granted in 2022, 2021 and 2020.

In 2021, 15.0 million share options were forfeited due to resignation of certain key executive officers, respectively. There was no forfeiture due to resignation in 2022 and 2020.

A total of 10.0 million, 10.0 million and 5.0 million share options have vested in 2022, 2021 and 2020, respectively.

A total of 1.0 million share options were exercised at a price of P1.77 per share both in 2022 and 2020. 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 P16.4 million, P10.2 million and P21.4 million share-based executive compensation in 2022, 2021 and 2020, 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, 2022, 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, 2022.

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

The following principal assumptions were used in the valuation:

Average option life	7 years
Share price at grant date	P1.02 to P2.10
Exercise price at grant date	P1.00 to P1.93
Fair value at grant date	P0.24 to P2.27
Standard deviation of share price return	12.16% to 57.10%
Risk-free investment rate	2.14% to 2.59%

The underlying expected volatility was determined by reference to historical date of the GERI's shares over a period of time consistent with the option life.

There was no share-based compensation recognized in 2022, 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, 2022	(P 1,144,152,392)	P 536,021,236	(P 337,051,379)	(P 53,542,477)	P 8,626,592,277	P 7,627,867,265
Other comprehensive income (loss):						
Remeasurements of retirement benefit post-employment obligation	-	219,636,360	-	-	-	219,636,360
Fair value losses on financial assets at FVOCI	(579,783,082)	-	-	-	-	(579,783,082)
Fair value gain on cash flow hedge	-	-	-	91,147,190	-	91,147,190
Share of non-controlling interest	(2,057,533)	(10,010,223)	-	-	-	(12,067,756)
Share in OCI of associates	-	-	-	-	-	
Exchange difference on translating foreign operations	-	-	114,460,580	-	-	114,460,580
Other comprehensive income (loss) before tax	(581,840,615)	209,626,137	114,460,580	91,147,190	-	(166,606,708)
Tax income (expense)	-	(55,553,033)	(36,948,122)	-	-	(92,501,155)
Other comprehensive income (loss) after tax	(581,840,615)	154,073,104	77,512,458	91,147,190	-	(259,107,863)
Balance as of December 31, 2022	**(P1,725,993,007)**	**P 690,094,340**	**(P 259,538,921)**	**P 37,604,713**	**P8,626,592,277**	**P7,368,759,402**
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)
Other comprehensive income (loss):						
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
Other comprehensive income (loss) before tax	1,322,701,749	326,225,397	67,953,636	199,713,502	-	1,916,594,284
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	-	1,841,957,187
Effect of change in percentage of ownership	-	-	-	-	9,488,420,708	9,488,420,708
Balance as of December 31, 2021	(P 1,144,152,392)	P 536,021,236	(P 337,051,379)	(P 53,542,477)	P 8,626,592,277	P 7,627,867,265
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)
Other comprehensive income (loss):						
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)

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:

	2022	2021	2020
Net profit attributable to the Parent Company's shareholders	**P13,455,475,825**	P 13,434,466,763	P 9,885,989,490
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)
Profit available to the Parent Company's common shareholders	**P13,454,875,825**	P 13,281,903,325	P 9,350,130,865
Divided by weighted average number of outstanding common shares	**P 31,241,230,149**	P 31,447,978,960	P 31,662,256,883
Basic EPS	**P 0.431**	P 0.422	P 0.295
Divided by weighted average number of outstanding common shares and potential dilutive shares	**P31,297,654,542**	P 31,544,782,959	P 31,762,511,001
Diluted EPS	**P 0.430**	P 0.421	P 0.294

Unexercised share warrants have already expired; hence, were no longer included in the computation. In addition, the potentially dilutive outstanding share options totaling P232.5 million in 2022, 233.5 million in 2021, and 248.5 million in 2020 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%. As of December 31, 2022, the Parent Company fully paid the cross currency swap agreement.

In 2019, another cross currency swap was also agreed upon with the same bank. The Parent Company shall 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 Assets (Liabilities)
2022		
Cash flow hedge –		
Cross currency swaps	**$ 41,834,003**	**P 197,431,085**
2021		
Cash flow hedge –		
Cross currency swaps	$ 90,457,359	(P 147,793,407)

The hedging instruments have a positive fair value of P197.4 million in 2022 and a negative fair value of P147.8 million in 2021. These are presented as Derivative assets under Other Current Assets in the 2022 consolidated statement of financial position (see Note 8) and as Derivative liabilities under Other Current Liabilities in the 2021 and 2020 consolidated statements of financial position (see Note 19). The Parent Company recognized a total of P91.1 million and P199.7 million unrealized gain on cash flow hedges in 2022 and 2021, respectively, and P144.7 million unrealized loss on cash flow hedges in 2020. These are presented as part of other comprehensive income in the consolidated statements of comprehensive income.

As of December 31, 2022, 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:

	2022	2021	2020
Within one year	**P 16,954,000,233**	P 15,346,826,374	P 12,632,761,053
After one year but not more than two years	**18,969,350,475**	19,794,874,132	20,521,928,927
After two years but not more than three years	**20,073,548,227**	20,409,706,265	21,458,334,550
After three years but not more than four years	**20,902,530,811**	22,140,397,894	23,144,750,760
After four years but not more than five years	**22,417,321,069**	22,902,976,810	25,236,915,271
More than five years	**28,155,620,943**	28,951,568,529	29,407,145,172
	P127,472,371,758	P 129,546,350,004	P132,401,835,733

(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. 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 P38.4 million, P42.1 million and P45.5 million in 2022, 2021 and 2020, 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**
2022			
Within one year	P 146,533,703	(P 34,355,508)	P 112,178,195
After one year but not more than two years	89,346,871	(29,909,018)	59,437,853
After two years but not more than three years	90,014,054	(25,047,216)	64,966,838
After three years but not more than four years	26,281,499	(24,407,402)	1,874,097
After four years but not more than five years	24,301,659	(24,373,209)	(71,550)
More than five years	654,848,489	(344,409,554)	310,438,935
	P 1,031,326,275	**(P 482,501,907)**	**P 548,824,368**

	Lease Collection	Interest Income	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

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

The COVID-19 pandemic began to spread in the Philippines in early March 2020, and its impact has continued until the date of the approval of these financial statements. In 2022, the country's economic condition improved because of resumption of local and international travels as well as the easing of health restrictions brought about by the pandemic. Demand and supply have gradually returned to pre-pandemic levels. As a result, the impact of the COVID-19 pandemic to the Group has been lessened, and the Group's operations are already nearing the pre-pandemic levels.

Management will continue to take actions to continually improve the operations as the need arises. Based on the foregoing improvements, management expects that the Group will continue to report positive results of operations and will remain liquid to meet current obligations as they near maturity. Moreover, management is taking an optimistic stance in the Group's ability to sustain its growth momentum even amid concerns on the effects of the pandemic.

31.3 Others

As at December 31, 2022 and 2021, the Group has unused long-term credit facilities amounting to P30.0 billion and P16.8 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, 2022 and 2021, net foreign currency-denominated financial liabilities in U.S. dollar, translated into Philippine Peso at the closing rate, amounted to P27.9 billion and P29.1 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 6.29% and 4.11% in 2022 and 2021, respectively. If the exchange rate increased or decreased by such percentages, the profit before tax in 2022 and 2021 would have changed by P1,609.0 million and P1,006.7 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 1.44:1.00 and 1.68:1.00 as of December 31, 2022 and 2021, respectively.

The sensitivity of the consolidated net results in 2022 and 2021 to a reasonably possible change of 1.0% in floating rates is P364.8 million and P303.1 million, respectively. The sensitivity of the consolidated equity in 2022 and 2021 to a reasonably possible change of 1.0% in floating rates is P273.6 million and P227.3 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	**2022**	2021
Cash and cash equivalents	5	**P 27,754,568,446**	P 43,794,605,919
Trade receivables	6	**35,581,092,269**	25,554,518,598
Rent receivables	6	**5,245,485,618**	6,848,362,991
Other receivables	6	**9,736,405,449**	10,018,186,032
Advances to associates and other related parties	6	**6,378,875,057**	4,551,587,462
Contract assets	20.2	**19,619,923,773**	19,922,247,362
Guarantee and other deposits	14	**1,050,101,840**	877,329,410
		P105,366,452,452	P111,566,837,774

(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, 2022, 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 P761.6 million and P773.8 million as of December 31, 2022 and 2021, 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 in the succeeding page.

	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure
2022			
Real estate sales receivables	**P 35,581,092,269**	**P 54,507,205,178**	**P -**
Contract assets	**19,619,923,773**	**34,329,119,184**	**-**
Rental receivables	**5,245,485,618**	**26,120,508,183**	**-**
	P 60,446,501,660	**P 114,956,832,545**	**P -**
2021			
Real estate sales receivables	P 25,554,518,598	P 47,366,699,973	P -
Contract assets	19,922,247,362	39,245,568,476	-
Rental receivables	6,848,362,991	6,868,267,197	-
	P 52,325,128,951	P 93,480,535,646	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.

	2022	2021
Current (not past due)	**P 53,887,281,080**	P 43,932,107,669
Past due but not impaired:		
More than one month but not more than 3 months	**954,754,703**	974,190,192
More than 3 months but not more than 6 months	**586,514,889**	548,006,308
More than 6 months but not more than one year	**880,683,667**	819,948,803
More than one year	**632,624,054**	698,402,110
	P 56,941,858,393	P 46,972,655,082

(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, 2022 and 2021, 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, 2022 and 2021, the Group's financial liabilities have contractual maturities which are presented below.

	Notes	Within 1 Year	1 to 5 Years	More than 5 Years
2022:				
Interest-bearing loans and borrowings*	15	**P 13,998,449,902**	**P 31,701,384,571**	**P 10,023,845,002**
Trade and other payables	17	**23,874,659,281**	**-**	**-**
Bonds and notes payable*	16	**15,524,839,931**	**35,204,540,481**	**-**
Advances from other related parties	27.3	**2,126,611,006**	**-**	**-**
Subscription payable	19	**1,114,665,008**	**-**	**-**
Other liabilities	19	**2,077,980,412**	**1,676,303,061**	**-**
		P 58,717,205,540	**P 68,582,228,113**	**P 10,023,845,002**
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 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

**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, 2022 and 2021 are summarized in the succeeding page.

	Observed Volatility Rates	Impact on Equity Increase	Impact on Equity Decrease
2022			
Investment in equity securities:			
Holding company	**+/-6.41%**	**P 90,320,305**	**(P 90,320,305)**
Manufacturing	**+/-7.55%**	**68,653,600**	**(68,653,600)**
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)

The investments in listed equity securities are considered long-term strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilized in the Group's favor.

The Group is also exposed to other price risk in respect of its derivative financial assets and liabilities arising from foreign exchange margins trading spot and forward, and interest rate changes. These financial instruments will continue to be measured at fair value based on net present value computation.

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

33.1 Carrying Amounts and Fair Values by Category

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

	Notes	2022 Carrying Values	2022 Fair Values	2021 Carrying Values	2021 Fair Values
Financial Assets					
At amortized costs:					
Cash and cash equivalents	5	**P 27,754,568,446**	**P 27,754,568,446**	P 43,794,605,919	P 43,794,605,919
Trade and other receivables – net	6, 27.2	**56,941,858,393**	**56,478,631,731**	46,972,655,082	47,357,915,588
Guarantee and other deposits	14	**1,050,101,840**	**1,050,101,840**	877,329,410	877,329,410
		P 85,746,528,679	**P 85,283,302,017**	P 91,644,590,411	P 92,029,850,917
Financial assets at FVTPL – Derivative assets	9	**P 197,431,085**	**P 197,431,085**	P -	P -
Financial assets at FVOCI – Equity securities	9	**P 5,253,799,848**	**P 5,253,799,848**	P 5,760,368,447	P 5,760,368,447
Financial Liabilities					
At amortized costs:					
Interest-bearing loans and borrowings	15	**P 49,658,496,220**	**P 48,867,760,656**	P 51,649,704,598	P 51,056,234,787
Bonds and notes payable	16	**45,239,075,510**	**44,796,324,832**	41,982,042,246	42,567,948,736
Trade and other payables	17	**24,158,766,211**	**23,874,659,281**	22,593,431,337	22,593,431,337
Advances from other related parties	27.3	**2,126,611,006**	**2,126,611,006**	3,243,336,539	3,243,336,539
Subscription payable	19	**1,114,665,008**	**1,114,665,008**	1,114,665,008	1,114,665,008
Redeemable preferred shares	18	**-**	**-**	251,597,580	251,597,580
Other liabilities	19	**3,754,283,473**	**3,754,283,473**	4,777,468,040	4,777,468,040
		P 126,051,897,428	**P 124,534,304,256**	P 125,612,245,348	P 125,604,682,027
Financial liabilities at FVTPL – Derivative liabilities	19, 30	**P -**	**P -**	P 147,793,407	P 147,793,407

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 2022 and 2021 and does not have relevant offsetting arrangements, except as disclosed in Notes 27.2 and 27.3. Currently, all other financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties' BOD and shareholders. As such, the Group's outstanding receivables from and payables to the same related parties can be potentially offset to the extent of their corresponding outstanding balances. Further, certain trade receivables with carrying amount of P0.9 billion and P1.4 billion as of December 31, 2022 and 2021, respectively, were assigned on a with-recourse basis which may be offset against the related outstanding borrowings from local banks of the same amounts [see Note 15.3(h)].

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, 2022 and 2021 (see Notes 9 and 30).

	Level 1	Level 2	Level 3	Total
2022				
Financial assets –				
Equity securities	P 3,102,154,694	P -	P2,151,645,154	P 5,253,799,848
Derivatives	-	197,431,085	-	197,431,085
	P 3,102,154,694	**P 197,431,085**	**P2,151,645,154**	**P5,451,230,933**
2021				
Financial assets –				
Equity securities	P 3,098,501,606	P -	P2,661,866,841	P 5,760,368,447
Financial liability –				
Derivatives	P -	P 147,793,407	P -	P 147,793,407

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

(a) Equity Securities

As at December 31, 2022 and 2021, 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 2022 and 2021, the fair value of these equity securities is determined using discounted cash flows valuation technique with discount rate of 8.9% and 6.9% in 2022 and 2021, respectively, and growth rate of 3.0% and 3.6% in 2022 and 2021, 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 2022 and 2021 is shown below.

	2022	2021
Balance at beginning of year	**P 2,661,866,841**	P 2,272,177,173
Fair value gains (losses)	**(505,694,707)**	389,689,668
Balance at end of year	**P 2,156,172,134**	P 2,661,866,841

The Group recognized P258.5 million fair value losses and P957.7 million fair value gains in 2022 and 2021, respectively, on the Level 1 equity securities. For the Level 3 equity securities, the Group recognized P505.7 million fair value losses and P389.7 million fair value gains in 2022 and 2021, 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 their 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, 2022 and 2021, 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.

There were no transfers into or out of Level 3 fair value hierarchy in 2022 and 2021. The reconciliation of the carrying amount of investment properties included in Level 3 is presented in Note 12.

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:

	2022	2021
Interest-bearing loans and borrowings	**P 49,658,496,220**	P 51,649,704,598
Bonds and notes payable	**45,239,075,510**	41,982,042,246
	P 94,897,571,730	P 93,631,746,844
Total equity	**P 241,020,522,952**	P229,703,990,947
Debt-to-equity ratio	**0.39 : 1:00**	0.41 : 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, 2022	P51,649,704,598	P41,982,042,246	P 589,572,800	P 3,243,336,539	P97,464,656,183
Net cash flows:					
Proceeds	10,522,520,857	-	-	1,317,261,209	11,839,772,065
Repayments	(12,451,825,598)	-	(23,479,830)	(2,433,986,742)	(14,845,900,050)
Non-cash financing activities:					
Foreign currency exchange	(140,784,867)	3,167,315,697	15,330,995	-	3,032,828,736
Amortization of debt issue cost	78,881,230	89,717,567	-	-	104,202,756
Additional lease liabilities		-	-	-	
Interest amortization on lease liabilities	-	-	29,322,315	-	30,965,903
Balance as of December 31, 2022	**P49,658,496,220**	**P45,239,075,510**	**P 610,746,280**	**P 2,126,611,006**	**P97,634,929,016**
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 debt 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 debt 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

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 and a re-assessment audit every 3 years.

P&A Grant Thornton

YEARS 35
Shaping a Vibrant Tomorrow
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Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Consolidated Financial Statements

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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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Megaworld Corporation and Subsidiaries (the Group) for the year ended December 31, 2022, on which we have rendered our report dated February 27, 2023. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Revised Securities Regulation Code Rule 68 and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards, as modified by the financial reporting reliefs issued and approved by the SEC. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 9566641, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 107805-SEC (until financial period 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-037-2022 (until Oct. 13, 2025)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

February 27, 2023

MEGAWORLD CORPORATION AND SUBSIDIARIES
List of Supplementary Information
December 31, 2022

Megaworld Corporation and Subsidiaries
Schedule A - Financial Assets
Financial Assets at Fair Value through Other Comprehensive Income
December 31, 2022

Name of issuing entity and association of each issue	*Number of shares or principal amount of bonds or notes*	*Amount shown on the balance sheet*	*Valued based on the market quotation at balance sheet date*	*Income received and accrued*
Alliance Global Group, Inc.	157,869,800	P 1,878,650,620	P 1,878,650,620	P 21,413,262
Emperador, Inc.	58,889,000	1,213,113,400	1,213,113,400	-
Various quoted equity securities	190,923	10,390,674	10,390,674	7,488
Various unquoted equity securities	510,088,162	2,151,645,154	2,151,645,154	-
		P 5,253,799,848	P 5,253,799,848	P 21,420,750

Megaworld Corporation and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders
(Other than Related Parties)
December 31, 2022

Name	*Beginning Balance*	*Additions*	*Deductions*	*Ending Balance*		*Total*
				Current	*Not current*	
Accounts Receivable	P 1,654,435	P 2,194,198	(P 1,540,498)	P 2,308,135	P -	P 2,308,135

Megaworld Corporation and Subsidiaries
Schedule C- Amounts Receivable/ Payable from/ to Related Parties which are Eliminated During the Consolidation of Financial Statements
December 31, 2022

Name and designation of debtor	Balance at the beginning of period	Additions	Deductions: Amounts collected	Deductions: Amounts written off	Current	Non current	Balance at the end of the period
Due from Related Parties:							
Suntrust Properties, Inc. (SPI)	4,352,326,595	538,408,215	-	-	4,890,734,810	-	4,890,734,810
Empire East Land Holdings, Inc. (EELHI)	3,093,182,139	316,095,130	-	-	3,409,277,269	-	3,409,277,269
Global Estate Resorts, Inc. (GERI)	1,181,909,305	1,025,694,190	-	-	2,207,603,495	-	2,207,603,495
Twin Lakes Corporation (TLC)	1,269,158,428	507,255,835	-	-	1,776,414,263	-	1,776,414,263
San Vicente Coast, Inc. (SVCI)	1,549,606,332	71,123,671	-	-	1,620,730,002	-	1,620,730,002
Megaworld Cebu Properties, Inc. (MCP)	1,507,524,068	2,301,372	-	-	1,509,825,440	-	1,509,825,440
Landmark Seaside Properties, Inc. (LSPI)	1,097,864,531	6,973,077	-	-	1,104,837,608	-	1,104,837,608
Manila Bayshore Property Holdings, Inc. (MBPHI)	505,790,550	85,172,033	-	-	590,962,583	-	590,962,583
Maple Grove Land, Inc. (MGLI)	477,746,532	26,553,350	-	-	504,299,882	-	504,299,882
Southwoods Malls, Inc (SMI)	421,813,471	-	75,000,000	-	346,813,471	-	346,813,471
Agile Digital Ventures, Inc. (ADVI)	225,460,806	75,000,000	-	-	300,460,806	-	300,460,806
Arcovia Properties, Inc. (API)	90,172,733	1,062,003	-	-	91,234,736	-	91,234,736
Townsquare Development, Inc. (TDI)	51,626,765	37,435,344	-	-	89,062,109	-	89,062,109
Savoy Hotel Mactan, Inc. (SHM)	48,935,780	29,444,698	-	-	78,380,478	-	78,380,478
MREIT, Inc. (MREIT)	-	57,826,014	-	-	57,826,014	-	57,826,014
Megaworld Newport Property Holdings, Inc. (MNPHI)	46,348,261	-	75,654	-	46,272,606	-	46,272,606
Kingsford Hotel Manila, Inc. (KHMI)	53,572,957	-	8,870,659	-	44,702,298	-	44,702,298
Belmont Hotel Mactan, Inc. (BHMI)	-	30,727,574.80	-	-	30,727,575	-	30,727,575
Megaworld Bacolod Properties, Inc. (MBPI)	69,647,536	-	40,068,406	-	29,579,130	-	29,579,130
Soho Café and Restaurant Group, Inc. (SCRGI)	12,129,005	8,110,245	-	-	20,239,251	-	20,239,251
Savoy Hotel Manila, Inc. (SHMI)	13,143,218	6,506,243	-	-	19,649,461	-	19,649,461
Hotel Lucky Chinatown, Inc. (HLC)	15,692,990	908,922	-	-	16,601,912	-	16,601,912
Megaworld Land, Inc. (MLI)	128,144	12,402,772	-	-	12,530,916	-	12,530,916
Eastwood Property Holdings, Inc. (EPHI)	14,435,601	-	5,024,322	-	9,411,279	-	9,411,279
Northwin Properties, Inc. (NPI)	-	5,374,888	-	-	5,374,888	-	5,374,888
Luxury Global Malls, Inc. (LGMI)	1,386,692	1,487,810	-	-	2,874,502	-	2,874,502
Global One Hotel Group, Inc. (GOHGI)	3,854,001	-	1,860,737	-	1,993,263	-	1,993,263
Global One Integrated Business Services, Inc. (GOIBSI)	3,506,790	-	1,681,094	-	1,825,695	-	1,825,695
Luxury Global Hotels and Leisure, Inc. (LGHLI)	1,656,391	5,354	-	-	1,661,745	-	1,661,745
Streamwood Property, Inc. (SP)	1,492,130	26,046	-	-	1,518,176	-	1,518,176
Megaworld Daewoo Corporation (MDC)	153,224,657	-	153,224,657	-	-	-	-
Oceantown Properties, Inc. (OPI)	14,918,152	-	14,918,152	-	-	-	-
Belmont Newport Luxury Hotels, Inc. (BNLHI)	4,762,174	-	4,762,174	-	-	-	-
Megaworld Resort Estates, Inc. (MREI)	1,130	-	1,130	-	-	-	-
Various subsidiaries	956,214	544,459	205,024	-	1,295,649	-	1,295,649
Due to Related Parties:							
Richmonde Hotel Group International, Ltd. (RHGI)	4,439,294,452	25,529,258	-	-	4,464,823,710	-	4,464,823,710
Megaworld Globus Asia, Inc. (MGAI)	240,579,082	-	-	-	240,579,082	-	240,579,082
Megaworld Central Properties, Inc. (MCPI)	201,724,876	907,395	-	-	202,632,272	-	202,632,272
Davao Park District Holdings, Inc. (DPDHI)	163,395,514	-	2,506,935	-	160,888,579	-	160,888,579
Prestige Hotels and Resorts, Inc. (PHRI)	76,651,401	68,919,568	-	-	145,570,969	-	145,570,969
Megaworld-Daewoo Corporation (MDC)	-	59,776,763	-	-	59,776,763	-	59,776,763
Megaworld Resort Estates, Inc. (MREI)	-	7,374,710	-	-	7,374,710	-	7,374,710
Gilmore Property Marketing Associates, Inc. (GPMAI)	3,125,100	-	2,080	-	3,123,020	-	3,123,020
Integrated Town Management Corporation (ITMC, formerly PIPI)	3,314,086	-	1,351,999	-	1,962,088	-	1,962,088
Oceantown Properties, Inc. (OPI)	-	439,205	-	-	439,205	-	439,205
Belmont Newport Luxury Hotels, Inc. (BNLHI)	-	134,976	-	-	134,976	-	134,976

Megaworld Corporation and Subsidiaries
Schedule D - Long-Term Debt
December 31, 2022

Title of issue and type of obligation		*Amount authorized by indenture*		*Amount shown under caption "Current portion of long-term debt" in related balance sheet*		*Amount shown under caption "Long-Term Debt" in related balance sheet*
Domestic borrowings	P	72,850,000,000	P	11,352,785,525	P	47,953,778,868
Foreign borrowings	$	695,620,000		15,364,678,557		20,226,328,780
			P	26,717,464,082	P	68,180,107,648

Megaworld Corporation and Subsidiaries
Schedule G - Capital Stock
December 31, 2022

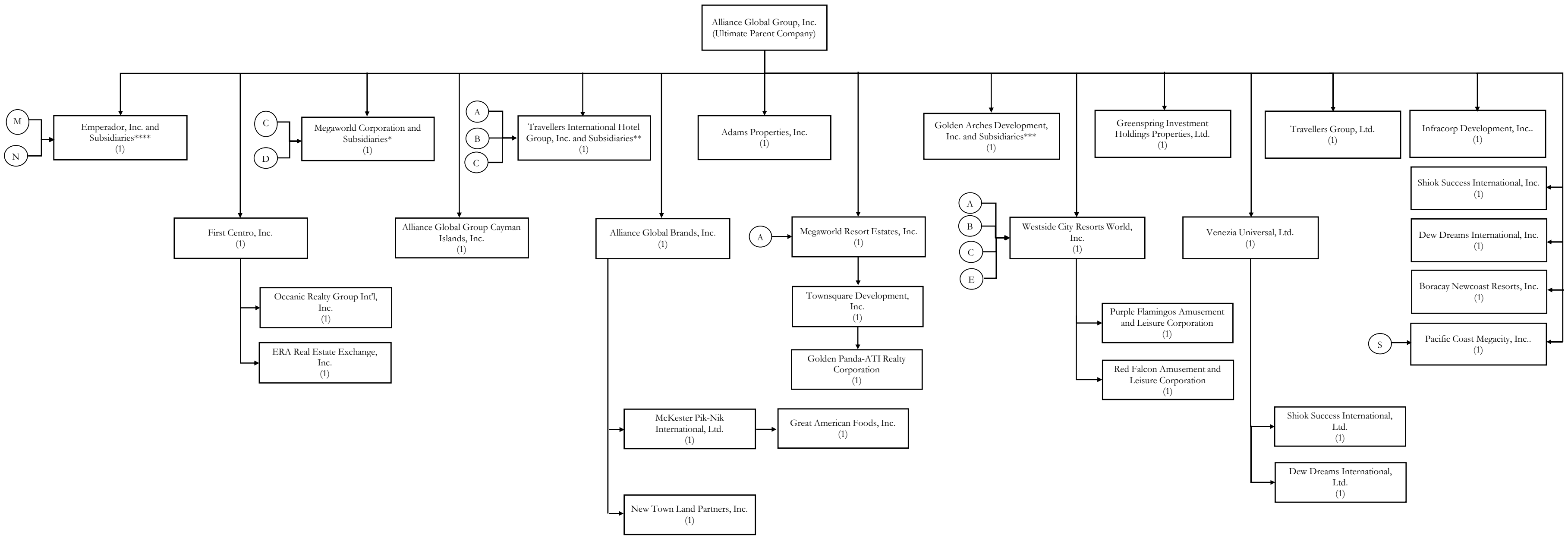
				Number of shares held by		
Title of Issue	***Number of shares authorized***	***Number of shares issued and outstanding as shown under the related balance sheet caption***	***Number of shares reserved for options, warrants, conversion and other rights***	***Related parties***	***Directors, officers and employees***	***Others***
Common shares - P1 par value	40,140,000,000	31,485,239,872	232,500,000	21,406,969,882	4,295,193	10,073,974,797
Preferred shares - P.01 par value	6,000,000,000	6,000,000,000		6,000,000,000		

MEGAWORLD CORPORATION
(A Subsidiary of Alliance Global Tower, Inc.)
30th Floor, Alliance Global Tower,
36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City

Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2022

Unappropriated Retained Earnings at Beginning of Year		P 158,500,444,308
Prior Years Outstanding Reconciling Items:		
Adjustment for rental income under PAS 17	(1,389,227,644)	
Deferred tax income	(808,218,568)	
Day-one gain from security deposits at amortized cost	(460,606,673)	
Day-one loss on intial measurement of trade receivables at amortized cost	385,260,502	
Adjustments to commission expense due to change in accounting policy	(227,361,472)	
Recognition of expected credit loss on financial assets	177,878,884	(2,322,274,971)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Period, as Adjusted		156,178,169,337
Net Profit Realized during the period		
Net profit per audited financial statements		10,825,120,654
Non-actual/unrealized income		
Deferred tax expense	(783,300,127)	
Adjustments to commission expense due to change in accounting policy	(9,032,380)	
Amortization of day-one gain from security deposits at amortized cost	185,739,051	
Recognition of day-one gain on initial measurement of security deposits at amortized cost	(354,955,450)	
Amortization of interest from trade receivables	(352,569,369)	
Recognition of expected credit loss on financial assets	(14,196,859)	
Recognition of day-one loss on intial measurement of trade receivables at amortized cost	436,019,884	
Rental income from straight-line amortization in excess of rental collections	(156,067,001)	(1,048,362,251)
Dividends declared during the year		(1,936,922,105)
Retained Earnings Restricted for Treasury Shares		(2,184,059,395)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year		**P 161,833,946,240**

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
Map Showing the Relationship Between Alliance Global Group, Inc.
and its Related Parties
December 31, 2022

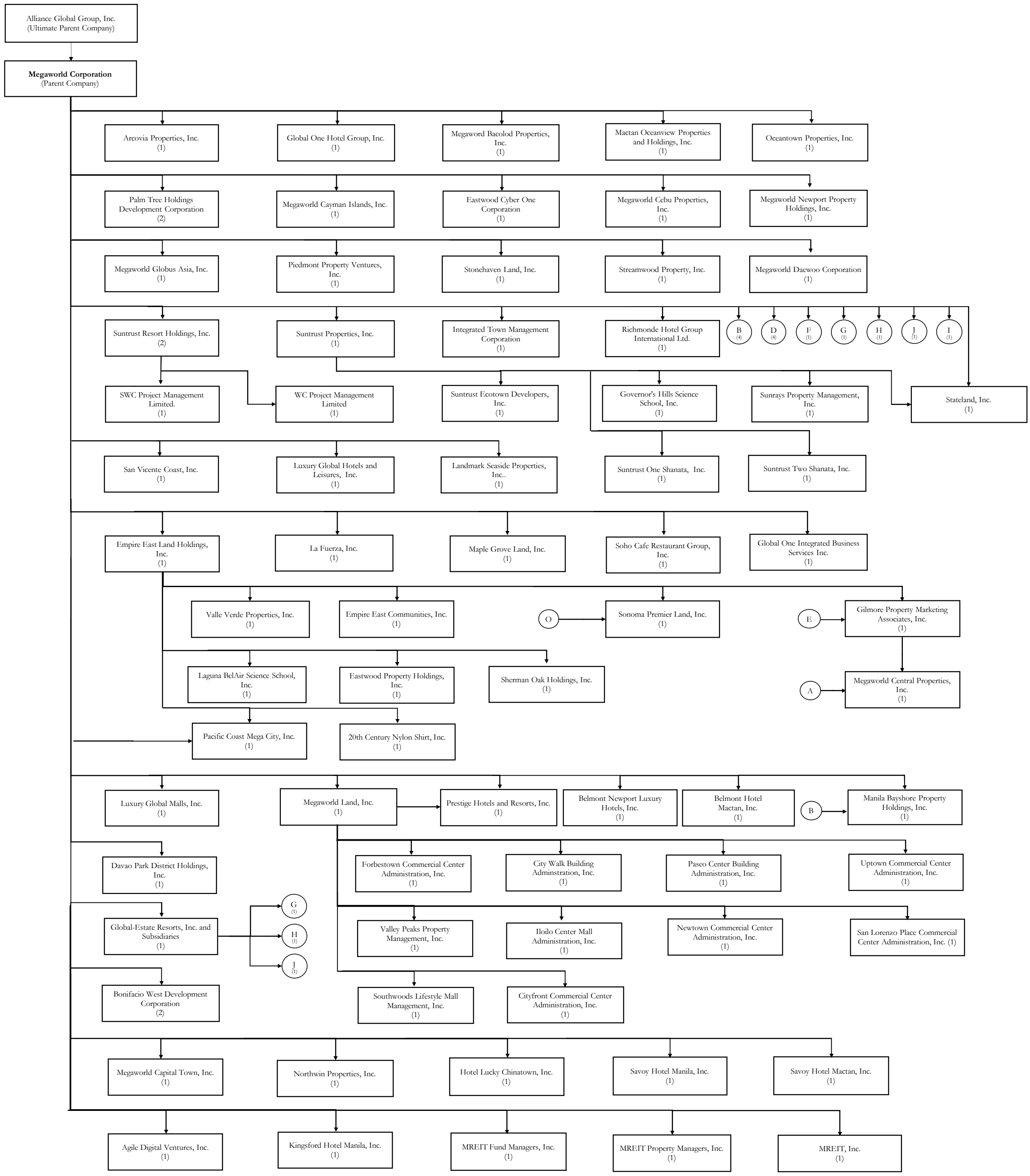


Legend

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

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES

Map Showing the Relationship Between Alliance Global Group, Inc.
and Megaworld Corporation Group
December 31, 2022



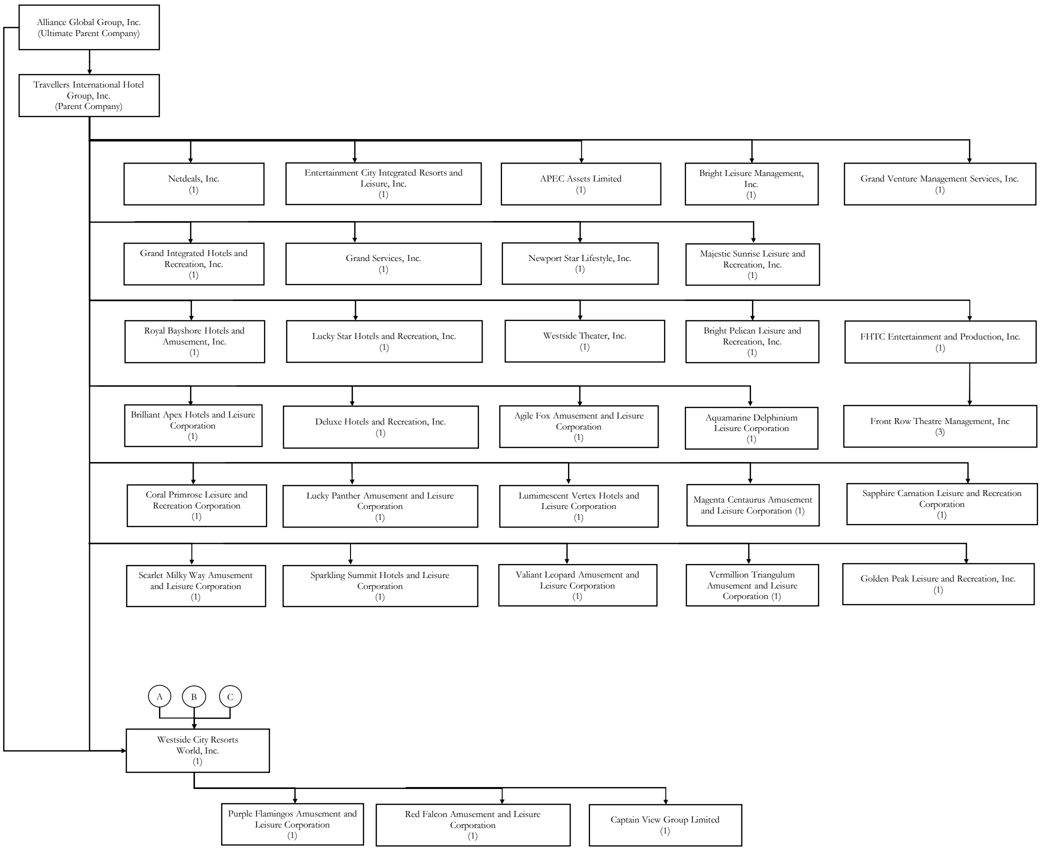
Legend

Relationship with Megaworld Corporation

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

A	Megaworld Corporation	E	Townsquare Development, Inc.	I	Megaworld Central Properties, Inc.	M	Empire East Land Holdings, Inc.
B	Travellers International Hotel Group, I	F	Megaworld Resort Estates, Inc.	J	Southwoods Mall, Inc.	N	Suntrust Resort Holdings, Inc.
C	Manila Bayshore Property Holdings, Ir	G	Twin Lakes Corporation	K	Sonoma Premier Land, Inc.	O	First Centro, Inc.
D	Westside City Resorts World, Inc.	H	Megaworld Global Estates, Inc.	L	Gilmore Property Marketing Associates, Inc.		

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
Map Showing the Relationship Between Alliance Global Group, Inc.
and Travellers Group
December 31, 2022



Legend

Relationship with Travellers International Hotel Group, Inc.

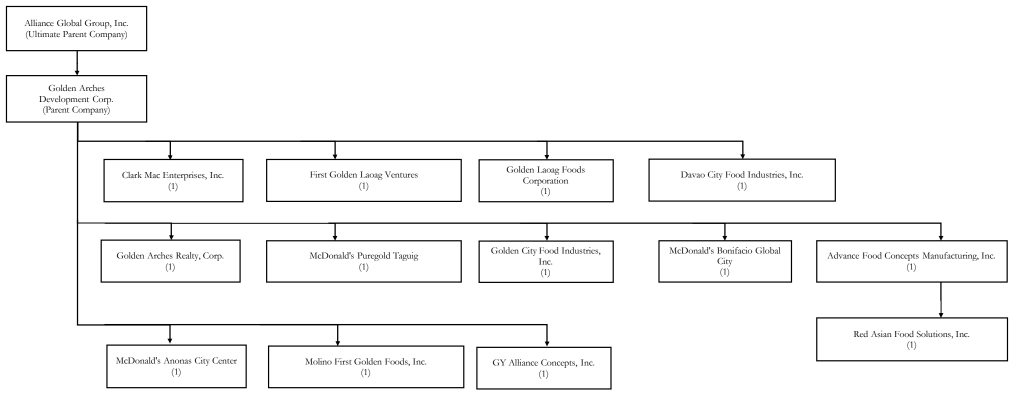
(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity
(4) FVOCI

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

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES

Map Showing the Relationship Between Alliance Global Group, Inc.
and Golden Arches Development Corporation Group

December 31, 2022



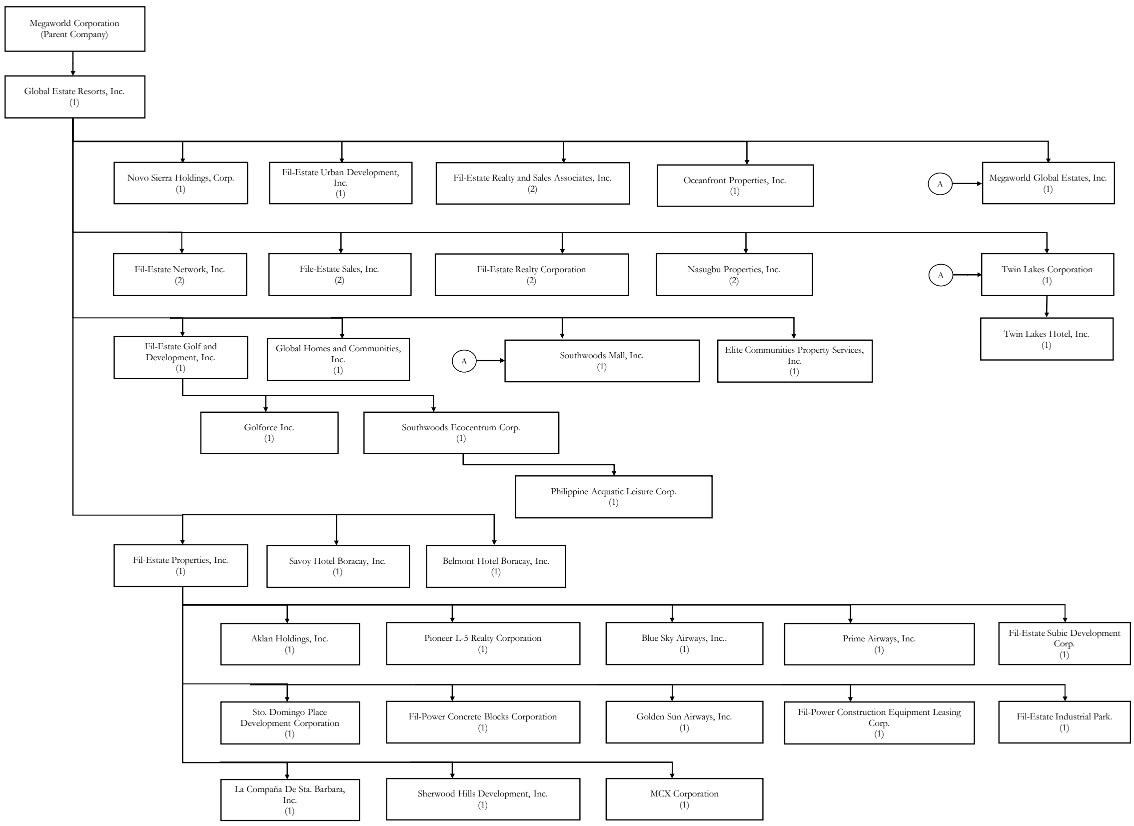
Legend

Relationship with Golden Arches Development Corporation

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

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

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
Map Showing the Relationship Between and
Among Megaworld and Global Estate Resorts Inc. Group
December 31, 2022

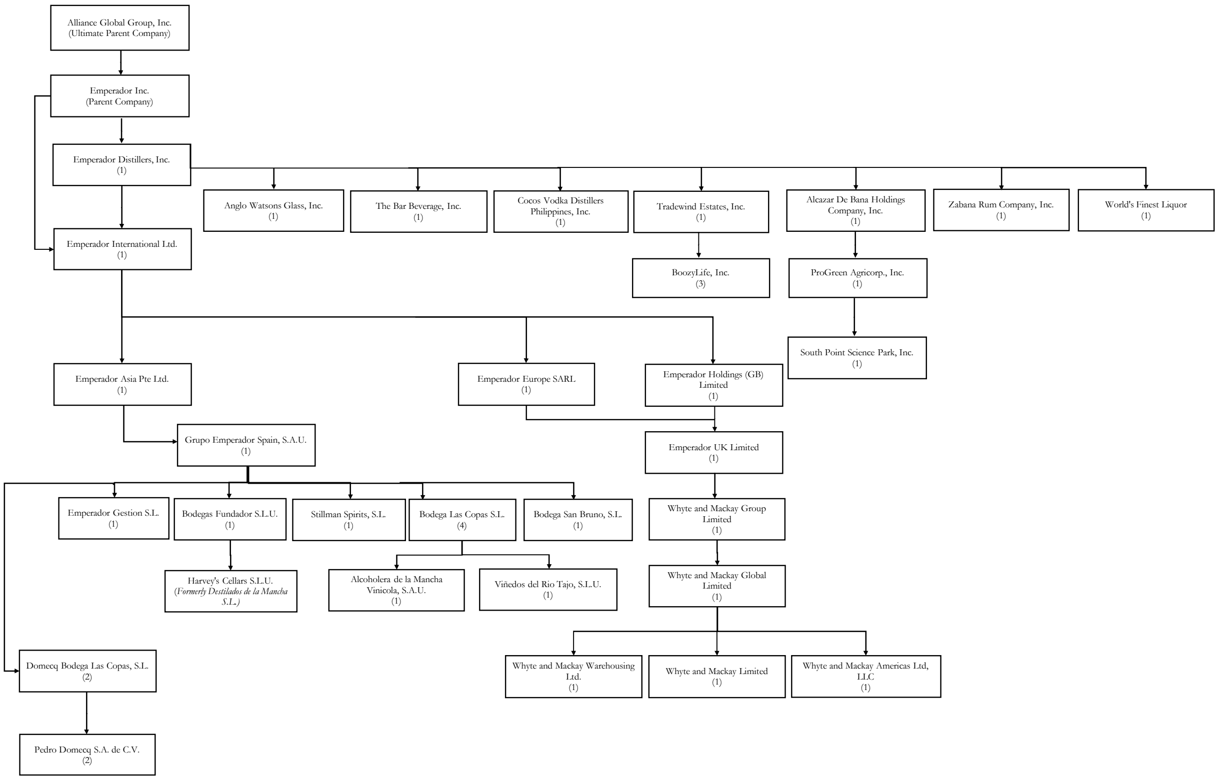


Legend

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

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

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
Map Showing the Relationship Between Alliance Global Group, Inc.
and Emperador Group
December 31, 2022



Legend
Relationship with Emperador Inc.
(1) Subsidiary (100%)
(2) Subsidiary (50%)
(3) Subsidiary (51%)
(4) Jointly Controlled Entity

Report of Independent Auditors on Components of Financial Soundness Indicator

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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Megaworld Corporation and Subsidiaries (the Group) as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated February 27, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS, as modified by the financial reporting reliefs issued and approved by the SEC. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

PUNONGBAYAN & ARAULLO

By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 9566641, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 107805-SEC (until financial period 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-037-2022 (until Oct. 13, 2025)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

February 27, 2023

MEGAWORLD CORPORATION AND SUBSIDIARIES
ANNEX 68-E - SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
December 31, 2022 and 2021

Ratio	Formula	Current Year	Prior Year
Current ratio	Current assets / Current liabilities	2.98	3.68
Acid test ratio	Quick assets / Current liabilities (Quick assets include current assets less inventories)	1.34	1.81
Solvency ratio	EBITDA / Total debt (Total debt includes interest-bearing loans and borrowings and bonds and notes payable)	0.29	0.24
Debt-to-equity ratio	Total debt / Total stockholders' equity (Total debt includes interest-bearing loans and borrowings and bonds and notes payable)	0.39	0.41
Asset-to-equity ratio	Total assets / Total stockholders' equity	1.70	1.73
Interest rate coverage ratio	EBIT / Total Interest (Total interest includes interest expense and capitalized interest)	5.46	4.51
Return on equity	Net profit attributable to Company's shareholders / Average total equity attributable to the Company's shareholders	0.07	0.07
Return on assets	Net profit/ Average total assets	0.04	0.04
Net profit margin	Net profit / Total revenues	0.26	0.28

MEGAWORLD CORPORATION AND SUBSIDIARIES
SUSTAINABILITY REPORT
Full Year 2022

MEGAWORLD

MEGAWORLD CORPORATION AND SUBSIDIARIES

SEC 17A - Annex A: Reporting Template

CONTEXTUAL INFORMATION

Name of Organization	Megaworld Corporation (Megaworld)
Location of Headquarters	Main Office: - Alliance Global Tower, Uptown Bonifacio, Taguig City Other Corporate Offices: - Global Corporate Plaza, Eastwood City, Quezon City - Two World Square, McKinley Hill, Taguig City
Location of Operations	Philippines (Megaworld currently has 11 international sales offices and is present in over 60 countries.)
Report Boundary: Legal entities (e.g., subsidiaries) included in this report	Megaworld Corporation (Megaworld) and subsidiaries, including the following listed companies: - Global Estate and Resorts, Inc. (Global-Estate) - Empire East Land Holdings, Inc. (Empire-East) - MREIT, Inc. (MREIT)
Business Model, Primary Activities, Brands, Products, and Services	The Company is one of the leading property developers in the Philippines and is primarily engaged in the development of large scale mixed-use planned communities, or community townships, that comprise residential, commercial and office developments and integrate leisure, entertainment, and educational/training components. Founded in 1989, the Company initially established a reputation for building high quality residential condominiums and commercial properties located in convenient urban locations with easy access to offices as well as leisure and entertainment amenities in Metro Manila. Beginning in 1996, in response to demand for the lifestyle convenience of having quality residences near office and leisure facilities, the Company began to focus on the development of mixed-use communities, primarily for the middle-income market, by commencing the development of its Eastwood City project. In addition, the Company engages in other property related activities such as project design, construction oversight and property management.

	The Company's real estate portfolio includes residential condominium units, subdivision lots and townhouses as well as office projects and retail space. The Company has the following three primary business segments: (i) real estate sales of residential developments (ii) leasing of office space, primarily to Business Process Outsourcing ("BPO") enterprises and retail space and (iii) management of hotel operations. and (iii) management of hotel operations
Reporting Period	01 January 2022 to 31 December 2022
Highest Ranking Person responsible for this report	Lourdes T. Gutierrez-Alfonso–Chief Operating Officer

MATERIALITY PROCESS

In 2022, Megaworld Corporation adopted the updated Global Reporting Initiative's (GRI) system for identifying material topics. In doing so, the Company evaluated whether its material topics for 2021 remain relevant for the current reporting period. The objective of Megaworld's review of its sustainability initiatives, risks, opportunities, and outcomes was to evaluate and determine the materiality of such topics. The Company then determined the potential positive and negative effects of each material topic on the economy, environment, and/or society.

Megaworld determined whether these impacts are positive or negative in accordance with the updated Global Reporting Initiatives Standards (GRI Standards) for identifying material topics. Therefore, the Company analyzed the impacts of its operations to accurately evaluate the listed material topics.

The following are the material topics identified by the Company:

1. Business Ethics and Integrity
2. Occupational Health & Safety
3. Customers
4. Economic Performance
5. Regulatory Compliance
6. Employee Welfare
7. Corporate Social Responsibility
8. Climate Change
9. Energy Management
10. Data Privacy
11. Waste Management
12. Diversity and Equal Opportunity
13. Water Management
14. Market Presence
15. Human Rights
16. Land Use
17. Open Spaces
18. Accessibility/Walkability
19. Procurement Practices
20. Tax
21. Air Quality
22. Greenhouse Gas Emissions

STAKEHOLDER ENGAGEMENT

At least once a month, face-to-face or virtual meetings are held to gather stakeholder feedback and inputs from its stakeholders, including community outreach in coordination with Megaworld Foundation, supporting Local Government Unit (LGU) programs, sending donations to the LGU in the event of disasters and emergencies, and participation in relevant functions, consultations, meetings, and seminars with its partners.

ECONOMIC

ECONOMIC PERFORMANCE

Direct Economic Value Generated and Distributed

Disclosure	Amount (in millions)		Unit
	2022	2021	
Direct Economic Value Generated (revenue)	**59,527.25**	50,754.29	Php
Economic Value Distributed			
Operating Costs	26,278.93	22,864.60	Php
Employee Wages and Benefits	3,864.10	3,151.18	Php
Payments to Providers of Capital	7,281.44	6,983.11	Php
Payments to Government by Country	3,720.54	2,079.30	Php
Community Investments	100.52	149.74	Php
Economic Value Retained	**18,281.73**	**15,526.36**	Php

Megaworld's consolidated revenues reached P59.5 billion in 2022, representing a significant 17% rise from the previous year. Businesses across the board all achieved exceptional achievements, which were supported by the increased completion of its real estate projects, the continued reduction of mall rent discounts in conjunction with better tenant sales, the improvement of hotel operations, and the growth of office rents and occupancy.

In 2022, the Company spent 44% of its revenues to its operations and suppliers, 12% is paid to its investors and creditors, 6% as compensation to its employees, 6% to the government in the form of taxes, and less than 1% to the community as donations.

Megaworld's Management Approach on Economic Performance

The Company's township developments contribute to the local economy of the city or province in which they are located. It enables a township to become a part of its own growth drivers by unlocking the value of land or property, assisting in reverse migration, and investing in local infrastructure projects in the communities through roads, water systems, and electrification, all of which promote connection.

In spite the effects on the Economy, Megaworld's real estate business continues to satisfy the need for decent homes across the country by constructing and maintaining its developments in a manner that caters to the requirements of its customers. The tenants of Megaworld Premier Offices continue to operate in its 1.4 million square meter office space which allows them to provide employment to thousands of workers. Additionally, Megaworld Lifestyle Malls continue to provide retail space to over 4,000 retail partners including newly established firms run by new venture entrepreneurs and other small and medium enterprises (SMEs). Megaworld Hotels and Resorts continue to partner with government entities in promoting local tourism through its homegrown hotel brands which altogether account for more than 4,700 hotel room keys.

As a result of the nature of its industry, the Company is aware that the construction activities it engages in have negative impacts on the environment. These consequences include an increase in the number of emissions, effluent discharges, waste generated, among others. Despite this, Megaworld has made the commitment to achieve carbon neutrality by the year 2035. The Company is continuing to work towards achieving this goal, and as such, it is keeping close watch on the progress being made towards its operational goals and objectives. Reexamining the Company's goals on a regular basis is one of the steps it may take to protect itself against or lessen the severity of any possible adverse effects. Budget variances are conducted monthly to understand the resources utilized and scorecards that have been achieved. A monthly comparison between the Company's performance and budget is conducted to measure the effectiveness of its initiatives.

To keep its stakeholders informed and engaged, Megaworld conducts quarterly briefings and meetings with its investors. During these meetings, the company discusses its accomplishments and targets, as well as any challenges or setbacks that it may have encountered. Through these engagements, Megaworld ensures that its stakeholders are well-informed about the company's progress towards achieving its objectives and can offer feedback and suggestions for improvement. This dialogue between the company and its stakeholders promotes transparency and accountability, helping to build trust and confidence in Megaworld's sustainability efforts.

CLIMATE-RELATED RISKS AND OPPORTUNITIES

Megaworld's operations in the Philippines expose it to major climate-related hazards and catastrophes. The Company has witnessed several typhoons, floods, heat waves and other unusual weather patterns over the years. Megaworld acknowledges that this risk is inherent in the country and could have a material impact on the Company's operations. Likewise, damage to Megaworld properties resulting from such climate-related hazards could give rise to claims for physical injuries or loss of property from third parties or customers.

While some of these catastrophic events are covered by insurance, the Company has also implemented mitigations and controls to prepare for such occurrences and to limit the amount of time the business is disrupted. One such measure is distributing its employees across multiple sites to ensure business continuity. In addition, Megaworld incorporates climate-resilient architecture into its office buildings to withstand unusual and/or destructive weather phenomena, installs rainwater catchment facilities in its township developments as a flood-prevention measure, and preserves existing natural landscapes and flora to balance dense infrastructure development in its townships. At least 40% of each new township development will be allocated for open spaces, which will guarantee that the company's developments are both sustainable and resistant to the effects of climate change.

PROCUREMENT PRACTICES

Proportion of Spending on Local Suppliers

Disclosure	Quantity		Unit
	2022	2021	
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers.	98.00	97.04	%

The local procurement percentage is dependent on the total number of purchase orders awarded to local suppliers. The transactions in the year 2022 represents owner-supplied operations and excludes purchases made by contractors. The remaining 2%, on the other hand, were spent on foreign suppliers.

Megaworld's Management Approach on Procurement Practices

The procurement policy and procedures used by Megaworld are essential to ensuring that the Company's business partners and suppliers have reputable backgrounds. The Company also believes that supporting its local suppliers contribute to the enhancement of economic activity in the regions where it operates.

Megaworld places great importance in ensuring that all procurement activities are conducted according to high quality standards, establishing a well-defined process that ensures all suppliers and vendors pass the rigorous requirements set by the company, which is in line with its ISO 9001 Quality Management System certification.

To further enhance its procurement processes, Megaworld has also implemented partnering and multi-sourcing strategies. These strategies not only ensure the availability of essential materials needed in its construction and operating activities but also help the Company build stronger relationships with its suppliers and vendors. By working closely with these partners, Megaworld can identify and mitigate potential risks and issues that may arise during the procurement process, ensuring that the Company can continue to deliver its projects on time and within budget.

ANTI-CORRUPTION

Training on Anti-Corruption Policies and Procedures

Disclosure	Quantity		Unit
	2022	2021	
Percentage of employees to whom the organization's anti- corruption policies and procedures have been communicated to	100	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	100	%
Percentage of directors and management that have received anti-corruption training	100	100	%
Percentage of employees that have received anti-corruption training	100	100	%

An internal business memo, through the employee portal, was used to provide information to all Megaworld's employees, including those employed by its subsidiaries, regarding the anti-corruption policies and procedures that have been implemented by the organization.

Incidents of Corruption

Disclosure	Quantity		Unit
	2022	2021	
Number of incidents in which directors were removed or disciplined for corruption	0	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	0	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	0	#

Megaworld's Management Approach on Anti-Corruption

Integrity is highly valued at Megaworld, and the Company actively promotes regulations that safeguards its stakeholders, especially its employees, while interacting with its many customers and vendors. When engaging with its reliable partners and suppliers, the Company adheres to the following policies and protocols it has established, therefore mitigating the risks associated with corruption.

- **Money Laundering and Terrorist Financing Prevention Program** - adopted to ensure the prevention of money laundering and terrorist financing, considering the minimum requirements set by applicable laws, rules, and regulations, and international best practices;

- **Anti-corruption and non-acceptance of gift policy** - this prohibits any employee, officer, and director from soliciting or accepting gifts, regardless of value, from clients, suppliers and other parties who may have interests in the transactions of the company;

- **Conflict of Interest Policy** - All employees are expected to promote the Company's interests. No employee shall compete with Megaworld, nor shall he or she allow business dealing on behalf of the Company to be influenced, or even appear to be influenced, by personal or family interests;

- **Grievance mechanism** - has an Ethics Committee that receives reports of wrongdoing by the Company's directors, senior management, and employees and investigates them while ensuring the confidentiality of information and protection of the whistleblowers.

Megaworld is committed to ensuring the prevention of anti-corruption by adhering to the minimal standards mandated by relevant laws, rules, and regulations, as well as those established by international best practices. Because corruption may have a substantial influence on an organization's capacity to maintain its financial stability, the Company engages with both government and non-government organizations to establish an environment free of corruption.

After being aware of potentially material information that has not been disclosed to the public, Megaworld issues a Blackout Notices to its directors and executive officers. These notices prohibit the recipients from trading Company shares during the period prescribed in the notice.

ENVIRONMENTAL

RESOURCE MANAGEMENT

ENERGY CONSUMPTION

Energy Consumption within the Organization

Disclosure	Quantity		Unit
	2022	2021	
Energy Consumption (renewable sources - biodiesel)	0	89.75	GJ
Energy Consumption (Gasoline)	5,385.94	13,202.39	GJ
Energy Consumption (LPG)	39,207.53	Not Available	GJ
Energy Consumption (Diesel)	145,630.60	37,152.26	GJ
Energy Consumption (Electricity)	1,641,219.81	1,443,336.1	GJ
TOTAL ENERGY CONSUMPTION	**1,831,443.88**	1,492,112.04	GJ

Note: 2021 figures have been restated.

As restrictions were further loosened in 2022, workers started returning to the office, which resulted in a rise in demand for energy, as seen by the increase in the amount of power that was used. The return to office caused a scarcity of supplies, which resulted in power disruptions and necessitated the use of generator sets. As a result of this, there was a rise in the amount of fuel that was used to satisfy the need for energy at the BPO offices.

Since in-person meetings, events, and site visits were already permitted in 2022, this led to higher utilization of the company's cars, which in turn produced a rise in the consumption of diesel and gasoline throughout the course of the year.

Reduction of Energy Consumption

Disclosure	Quantity		Unit
	2022	2021	
Energy Consumption (Gasoline)	86.24	156	GJ
Energy Consumption (LPG)	0	0	GJ
Energy Consumption (Diesel)	105.98	42.07	GJ
Energy Consumption (Electricity)	1,985.87	1,480.23	GJ
TOTAL REDUCTION OF ENERGY CONSUMPTION	**2,178.09**	1,678.30	GJ

Note: 2021 figures have been restated.

In 2022, some of the methodologies used for energy consumption were the use of Fiber Reinforced Plastic (FRP) blades for cooling towers, as well as the use of LED lights.

The Company regularly monitors its facilities and equipment, through its property managers, to see areas where energy conservation initiatives can be applied. Megaworld likewise utilizes and continuously upgrades its equipment to energy-efficient complements, whenever applicable. High efficiency elevators, highly efficient LED lighting equipped with light and movement sensors, and power transformers and distribution systems are also being used across its properties.

As the Company's malls started to use solar panels while adopting an open layout plan for passive cooling and natural lighting in common spaces, more natural ventilation was provided while lowering the need for energy-consuming cooling and ventilation equipment as well as artificial lighting. Megaworld's ongoing township developments and projects also included the following:

1. Installation of solar panel systems on buildings
2. Double glazed and tinted windows
3. Use of LED lights as a standard in all properties
4. Use of occupancy sensors at hallways and parking areas
5. Requiring High EE rating for mechanical equipment
6. Green roofs, open spaces, and pocket garden features in its buildings

Megaworld's Management Approach on Energy Consumption

Megaworld is deeply committed to utilizing energy in an efficient and sustainable way. The company recognizes that achieving these goals requires constant monitoring and review of its corporate objectives, along with regular assessments of budget variances to understand how resources are being utilized and whether expected scorecards have been achieved.

To further highlight Megaworld's adherence to sustainability, the Company has been a champion to promote green developments through its township's green buildings, which is compliant with the Leadership in Energy and Environment Design (LEED) standards. Currently, Megaworld has the following certifications and accreditations:

GOLD CERTIFICATION		
Building Name	**Location**	**Year**
8 Campus A	McKinley Hill, Taguig City	2014
8 Campus B	McKinley Hill, Taguig City	2014
8 Campus C	McKinley Hill, Taguig City	2014
Southeast Asian Campus	McKinley Hill, Taguig City	2019
10 West Campus	McKinley West, Taguig City	2017
Worldwide Plaza	Uptown Bonifacio, Taguig City	2022
One Paseo	ArcoVia City, Pasig City	2022

SILVER CERTIFICATION		
Building Name	**Location**	**Year**
1 West Campus	McKinley West, Taguig City	2017
2 West Campus	McKinley West, Taguig City	2017
3 West Campus	McKinley West, Taguig City	2017
5 West Campus	McKinley West, Taguig City	2017
6 West Campus	McKinley West, Taguig City	2017
8 West Campus	McKinley West, Taguig City	2017
Uptown Tower Place 1	Uptown Bonifacio, Taguig City	2017
Uptown Tower Place 2	Uptown Bonifacio, Taguig City	2017
Uptown Tower Place 3	Uptown Bonifacio, Taguig City	2022
Alliance Global Tower	Uptown Bonifacio, Taguig City	2022

In keeping with its commitment to energy efficiency, Megaworld has set its focus on developing more convenient methods of conserving energy and measuring its effectiveness in energy conservation based on actual energy consumption and compares it to its targets. Through these efforts, the company has been able to optimize its use of energy resources, reducing waste and minimizing its carbon footprint.

Looking to the future, Megaworld remains steadfast in its commitment to sustainability. The company has set an ambitious target of becoming carbon neutral by 2035 and is actively pursuing a range of strategies to achieve this goal. These include the adoption of renewable energy sources, the implementation of energy-efficient technologies, and constant monitoring and optimization of its energy use across all operations.

WATER CONSUMPTION

Water Consumption within the Organization

Disclosure	Quantity		Unit
	2022	2021	
Water Withdrawal	18,802.74	20,883.58	Megaliters
Water Consumption	5,281.66	2,590.83	Megaliters
Water Recycled and Reused	Not Available	151.22	Megaliters

Note: 2021 figures have been restated.

The Company's activities continue to rely substantially on water as it is used in the day-to-day operation of its tenants, required for the functioning of its chiller and cooling systems, landscape watering, cleaning, housekeeping, sanitation, and maintenance of its water features such as fountains and pools.

Effluents

Disclosure	Quantity		Unit
	2022	2021	
Total Volume of Water Discharges	13,521.06	18,292.75	Megaliters
Percent of Wastewater Recycled	Not Available	Not Available	%

Note: 2021 figures have been restated.

Megaworld's Management Approach on Water and Effluents

The implementation of efficient monitoring and tracking technology to assure compliance with regulatory requirements demonstrates Megaworld's commitment to sustainable water management and effluent control. These technologies were developed to ensure that Megaworld complies with all applicable regulations. The provision of a high-quality water supply to the Company's clients as well as the assurance of proper wastewater treatment are both important to the Company. To encourage water conservation and consumption efficiency, Megaworld's project designs include low-flow rate fixtures, use water outflow for the water demands of cooling towers, and utilize water for flushing in comfort rooms.

To maintain the quality of the water that is delivered to Megaworld's customers at the highest quality, the company assures that its water storage facilities and holding tanks are subjected to routine cleaning and disinfection operations.

Another one of Megaworld's main concerns is the management of its effluents, and the company takes precautions to ensure that the water it releases conforms not just with water quality rules but also with general effluent standards. In addition, the Company has demonstrated that it is fully compliant with the regulations and requirements established by the government to acquire a Wastewater Discharge Permit (WWDP) from the Department of Environment and Natural Resources - Environmental Management Bureau (DENR-EMB) and the Laguna Lake Development Authority (LLDA). This is done to prevent any problems that may be associated to water, to motivate individuals to take efforts to minimize pollution, and to decrease waste produced by the society.

MATERIALS

Materials Used within Organization

Disclosure	Quantity		Unit
	2022	2021	
Materials Used by Weight or Volume			
Renewable Materials	96,037.47	86,686.39	kgs
Non-renewable Materials	35,403,058.24	43,801,969.11	kgs
TOTAL MATERIALS USED	**35,499,095.71**	43,888,655.50	
Percentage of recycled input materials used to manufacture the organization's primary products and services	21.69%	Not Available	%

Note: 2021 figures have been restated.

Megaworld's Management Approach on Materials

The Company recognizes its responsibility for the input materials used in its construction activities. Energy, water, and materials such as steel and cement, and other construction materials make up the resources used in property development. Bulk of materials used by the Company's ongoing projects is procured by its stable of accredited contractors and vendors that are ISO140001 compliant, thus guaranteeing that these contractors adhere to the highest environmental standards.

Megaworld's projects where most of its contractors have limited capacity, the Company sources its own materials. These materials are continuously monitored and managed as part of its commitment to use resources efficiently.

ECOSYSTEMS AND BIODIVERSITY

Ecosystems and Biodiversity (Upland/Watershed or Coastal/Marine)

Operational Sites	Area (Hectares)	Protected Area or Key Biodiversity Area Near the Sites	Species with habitats in areas affected by operations*
Metro Manila			
Eastwood City	18.5	Upper Marikina River Basin Protected Landscape Luneta Park Ninoy Aquino Parks and Wildlife Center LPPCHEA (aka Las Piñas-Parañaque Wetlands) Pamitinan Protected Landscape Manila Bay Beach Resort	Not Available
Arcovia City	12.4		
Forbes Town	5.0		
McKinley Hill	50.0		
McKinley West	34.5		
Uptown Bonifacio	15.4		
Alabang West	62.0		
Lucky Chinatown	3.0		
Newport City	25.0		
Westside City	31.0		
Winford Resort Estate	3.0		
Southern Luzon			
Highland City	24.0	Upper Marikina River Basin Protected Landscape Hinulugan Taktak Protected Landscape	Not Available
Eastland Heights	640.0		
Twin Lakes	1,200.0	Taal Volcano Protected Landscape	Not Available
The Hamptons Caliraya	300.0	Pagsanjan Gorge National Park	Not Available
Paragua Coastown	462.0	Entire Province of Palawan – Proc 2152	Not Available
Western Visayas			
Iloilo Business Park	72.0		Not Available

Sta. Barbara Heights	173.0	Maasin Watershed Forest Reserve	
Boracay Newcoast	150.0	Aklan River Watershed Forest Reserve Boracay Wetland Conservation Park	Not Available
The Upper East	34.0	Canlaon Natural Park	Not Available
Northill Gateway	53.0		

** International Union for Conservation of Nature (IUCN) Red List species and national conservation list species*

Megaworld's Management Approach on Biodiversity

As the leader in integrated tourism estate development, Megaworld places a great premium on the natural landscape and biodiversity in its townships. As a result, it is important for the Company to implement measures to protect and preserve the ecological integrity of its biodiversity-rich tourism estate developments. With the Company's commitment to the preservation of the environment, at least 40% of the township's land is set aside for green and open spaces. It has likewise been actively implementing green initiatives such as the use of solar-powered and LED streetlamps, as well as the use of e-jeepneys, and the continued compliance with the regulations by the Government such as the 'No Build' rule in beach areas, as well as the construction of its own sewage treatment plan.

As Megaworld continues to build more tourism estate developments, it not only transforming the land that it is developing, but it is also taking on the responsibility of considering methods to nurture and enhance the diverse natural environment of its tourism estates.

ENVIRONMENTAL IMPACT MANAGEMENT

AIR EMISSIONS

Green House Gas

Disclosure	Quantity		Unit
	2022	2021	
Direct (Scope 1) GHG Emissions – Fuel	13,679.13	3,567.79	Tonnes CO2e
Indirect (Scope 2) GHG Emissions – Electricity	324,687.99	285,539.99	Tonnes CO2e
Emissions of ozone-depleting substances (ODS)	Not Available	Not Available	

Note: 2021 figures have been restated.

Air Pollutants

Disclosure	Quantity		Unit
	2022	2021	
NOx	Not Available	Not Available	kg
SOx	Not Available	Not Available	kg
Persistent organic pollutants (POPs)	Not Available	Not Available	kg
Volatile organic compounds (VOCs)	Not Available	Not Available	kg
Hazardous air pollutants (HAPs)	Not Available	Not Available	kg
Particulate matter (PM)	Not Available	Not Available	kg

Megaworld's Management Approach on Emissions

Megaworld aims to significantly contribute to the achievement of its target to be carbon neutral by 2035. By setting targets and goals for reducing carbon emissions, the Company can identify initiatives that will allow it to reach its target in a timely and efficient manner. The Company's malls have begun to use solar roof panels while utilizing an open layout scheme for passive cooling and natural lighting in common areas, thus providing more natural ventilation and reducing the need for energy- consuming cooling and ventilation systems and artificial lights. Moreover, Megaworld also implements periodic upgrades for its mall and office equipment to increase energy efficiency and reduce consumption.

Included in the operations and project development planning are ways the Company can use its resources efficiently, thereby reducing consumption and GHG emissions. The Company's land development plans allow for better mobility and connectivity, like having biking network facilities, and transport terminals within the townships, thereby helping reduce carbon footprint and energy consumption among its locators and residents. Where appropriate, Megaworld's new developments seek to achieve a 40% ratio for green and open spaces. Also included in its project development plans is the preservation of centuries-old trees within its townships. The Company also uses endemic trees as part of the Company's efforts to maximize greenery in its townships and to contribute to the carbon offsets for Megaworld.

SOLID AND HAZARDOUS WASTE

Solid Waste

Disclosure	Quantity		Unit
	2022	2021	
Total Solid Waste Generated	39,878.63	34,207.45	Metric tonnes
Reusable	1.57	4.7	Metric tonnes
Recyclable	1,143.89	104.94	Metric tonnes
Composted	501.30	66.83	Metric tonnes
Incinerated	0.00	0	Metric tonnes
Other Recovery Operation	197.80	0	Metric tonnes
Residuals/Landfilled	38,034.07	34,030.98	Metric tonnes

Note: 2021 figures have been restated.

Hazardous Waste

Disclosure	Quantity		Unit
	2022	2021	
Total Weight of Hazardous Waste Generated	240.94	127.71	Metric tonnes
Total Weight of Hazardous Waste Transported	207.64	85.39	Metric tonnes

Note: 2021 figures have been restated.

Megaworld's Management Approach on Waste Management

The wastes generated by Megaworld properties are sent to DENR-Accredited third-party haulers and recyclers, as the Company is aware that Improper handling could lead to environmental pollution, waste accumulation resulting in obstruction of drainage systems, and health and sanitation risks.

Megaworld believes that waste generation must be controlled at various stages of the waste handling process to lessen the impact to the environment. The Company, through its property managers, ensures that waste generated by its properties are managed efficiently.

ENVIRONMENTAL COMPLIANCE

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity		Unit
	2022	2021	
Total Amount of Monetary Fines	None	None	Php
Number of non-monetary sanctions	None	None	#
Number of cases resolved	None	None	#

The Company maintains strict compliance with the codes and requirements of all regulatory agencies. Megaworld works with contractors to ensure that full compliance with the requirements of the regulatory bodies, such as the Environmental Compliance Certificate (ECC) issued by the DENR or LLDA, is implemented. These are laid out in the contracts of both their technical consultants and contractors.

SOCIAL

EMPLOYEE MANAGEMENT

EMPLOYEE HIRING AND BENEFITS

Employee Data

Disclosure	Quantity		Unit
	2022	2021	
Total number of employees	5,859	5,393	#
Total number female of employees	3,061	2,812	#
Total number of male employees	2,798	2,581	#
Attrition Rate			rate
Ratio of lowest paid employee against minimum wage	1.08:1	Not Available	rate

Employee Benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	39.43%	37.56%
Philhealth	Y	30.81%	31.31%
Pag-ibig	Y	41.69%	38.85%
Parental Leaves	Y	3.82%	1.93%
Vacation Leaves	Y	45.38%	49.68%
Sick Leaves	Y	38.78%	43.10%
Medical Benefits (Aside from PhilHealth)	Y	27.05%	30.99%

Retirement Fund (Aside form SSS)	Y	0.88%	1.29%
Further education support	Y	0.00%	0.00%
Company stock options	Y	0.00%	0.04%
Telecommunications (Work-From-Home)	Y	7.58%	7.83%
Flexible working hours	Y	7.64%	8.08%

Megaworld's Management Approach on Employment

Talent acquisition plays a vital role in its operations, as Megaworld recognizes its human resources as one of its most important assets. Thus, it places value on its talents by taking care of their well-being. Upon hiring, the Company covers for an employee's physical well-being through an HMO coverage, provides security through a life insurance coverage, and recognizes an employee's performance through annual appraisals and incentives. 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.

In addition, the Company offers a housing plan to qualified employees by providing them with significant discounts on all Megaworld properties, including its subsidiaries.

TRAINING AND DEVELOPMENT

Employee Training and Development

<table>
<tr><th rowspan="2">Disclosure</th><th colspan="2">Quantity</th><th rowspan="2">Unit</th></tr>
<tr><th>2022</th><th>2021</th></tr>
<tr><td>Total training hours provided to employees</td><td></td><td></td><td></td></tr>
<tr><td>Female of employees</td><td>34,786.37</td><td rowspan="2">272,125</td><td>Hrs</td></tr>
<tr><td>Male employees</td><td>36,127.98</td><td>Hrs</td></tr>
<tr><td colspan="4"></td></tr>
</table>

Average training hours provided to employees			
Female of employees	18.56	50.46	hrs/employee
Male employees	21.29		hrs/employee

Megaworld's Management Approach on Training and Development

Training and development are essential to retaining employees, helping improve skills, and sustaining the growth of the Company's talent pool. Megaworld believes that a successful training and development program would result in enhanced employee competency, spirit, and resilience in terms of overcoming challenges that they may face. The learning programs that the Company offers are highly inclusive, and everyone is given an equal opportunity to participate. Part of the Company's initiatives is to improve monitoring by including gender and other personal details in an individualized employee learning track record to ensure equitable training access for all its employees.

Training needs analyses are periodically conducted to determine and customize the training programs that are appropriate to their needs. Megaworld Learning Academy, HR Business Partners, Organizational Development, and other Training Groups collaborate to promote and manage the learning and development needs of its employees. The teams use a combination of Zoom/Google Meet for online learning sessions, Google suite for data/material management and tracking, and Facebook for live streams and learning and development-related postings.

The effectiveness of the training and development initiatives/programs is determined through post-training evaluation/feedback for the Company to understand what needs to be replicated, what needs to be modified, and what needs to be improved for a particular training program.

LABOR-MANAGEMENT RELATIONS

Labor-Management Relations

Disclosure	Quantity		Unit
	2022	2021	
% of employees covered with Collective Bargaining Agreements*	Not Available	Not Available	%

Number of consultations conducted with employees concerning employee-related policies	Not Available	Not Available	#

*The Company has no collective bargaining agreements.

DIVERSITY AND EQUAL OPPORTUNITY

Diversity and Equal Opportunity

Disclosure	Quantity		Unit
	2022	2021	
% of female workers in the workforce	52.24	52.14	%
% of male workers in the workforce	47.76	47.86	%
Number of employees from indigenous communities and/or vulnerable sector*	Not Available	Not Available	#

*Vulnerable sectors include elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).

Megaworld's Management Approach on Diversity and Equal Opportunity

Megaworld has not only consistently strengthened its workforce as well as its competitiveness in the property industry, but it has also been able to offer quality employment to a broad pool of qualified individuals. The inclusivity implemented by the Company in its work environment increases access to employment opportunities within the organization. Not only is Megaworld creating jobs, which is part of its mission, but it is also doing so in a way that values different characteristics, skill sets, knowledge, experience, and perspectives. Diversity and equal opportunity boost productivity, creativity, and innovation, and enhance employee engagement and retention—which also translates to improved business performance, longevity, and sustainability.

The Company's commitment to inclusivity encompasses its establishment of programs and initiatives that are beneficial to the diverse workforce and are geared towards each member's continued growth and development.

WORKPLACE CONDITION

Occupational Health and Safety

Disclosure	Quantity		Unit
	2022	2021	
Safe Man-Hours	52,127,835	12,339,184	Man-hours
No. of work-related injuries	215	0	#
No. of work-related fatalities	0	0	#
No. of work-related ill-health	338	0	#
No. of safety drills	54	2	#

Megaworld's Management Approach on Occupational Health and Safety

Megaworld's Occupational Safety and Health (OSH) Policy's focus is on maintaining a safe and healthy work environment across its supply chain. The Company is in the low-risk category relative to Occupational Safety and Health Assessment (OSHA) risk category. Risks include a decrease in productivity and healthcare financing for accidents and illness.

Safety Protocol Officers were assigned to each significant department and location to help address safety-related concerns and promote guidelines related to health and safety. A continuous review of OSH audits, monitoring, and reporting incidents of illness and accidents in the workplace is routinely done to acquire a more accurate representation of all recorded incidents of work-related accidents and ill-health for the reporting period.

LABOR STANDARDS

Labor Laws and Human Rights

Disclosure	Quantity		Unit
	2022	2021	
No. of legal actions or employee grievances involving forced or child labor	0	0	#

HUMAN RIGHTS

Do you have policies that explicitly disallow violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Yes or No	If Yes, cite reference in the company policy
Forced Labor	Yes	The Company conducts thorough audits on its vendors and contractors to ensure that underage workers are not employed in their operation.
Child Labor	Yes	
Human Rights	Yes	- Policy against Sexual Harassment - Policy for Supporting Breastfeeding Employees - Policy supporting the Magna Carta for Women - Policy in support of the Family Welfare Act - Special Leave Benefits for Women Employees - Workplace policy and program on Hepatitis B - Anti-discrimination policy

SUPPLY CHAIN MANAGEMENT

The Company has a broad base of contractors and suppliers from the construction stage up to the operation, maintenance, and upkeep of the Company's properties. The accreditation of these suppliers, conducted through third party accreditation firms, helps to ensure the quality and timeliness in the delivery of the projects. Having reputable accreditation firms helps ensure that suppliers and contractors chosen are compliant with all government regulations and standards. This, in turn, ensures the satisfaction of the customers of the Company.

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Yes or No	If Yes, cite reference in the company policy
Environmental Performance	Yes	The Company has a third-party accreditation firm that handles the screening process and ensures that these metrics are considered.
Forced Labor	Yes	
Child Labor	Yes	
Human Rights	Yes	
Bribery and Corruption	Yes	

RELATIONSHIP WITH THE COMMUNITY

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations	Township Development
Location	Philippines
Vulnerable groups, if applicable	Children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)

Does the particular operation have impacts on indigenous people (Y/N)?	Does not directly impact indigenous people as most projects are in developed area
Collective or individual rights that have been identified that or particular concern for the community	As the pioneer of township developments, it has always been Megaworld's pursuit to create game-changing property innovations that will improve the livelihood and positively impact the nation. By spurring stronger economic activity through its townships, Megaworld will be able to promote reverse migration and persuade those who have left their localities to come back and build a career in their own hometowns. This way, the Company also helps keep Filipino families intact.
Mitigating measures (if negative) or enhancement measures (if positive)	As the company expands into more locations, it is able to provide more employment and business opportunities for all sectors of the society.

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations	**Real Estate Development**
Location	Philippines
Vulnerable groups, if applicable	N/A
Does the operation have impacts on indigenous people (Y/N)?	Does not directly impact indigenous people as most projects are in developed area
Collective or individual rights that have been identified that or particular concern for the community	As Megaworld crafts a legacy of bringing value to people's lives through its real estate offerings, the Company is also pursuing opportunities that will allow it to become more transformative and impactful as a developer. Through its wholly-owned subsidiary, Suntrust Properties, Inc. (SPI), Megaworld acquired Stateland Inc., a company

	known for building affordable quality homes and communities in South Luzon and several parts of Metro Manila. This has allowed the Company to participate in the government's shelter programs, pioneering in areas with potential growth and conducive to economic development.
Mitigating measures (if negative) or enhancement measures (if positive)	As the company expands into more locations, it can provide more employment and business opportunities for all sectors of the society.

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations	**Office Development and Leasing**
Location	Philippines
Vulnerable groups, if applicable	N/A
Does the particular operation have impacts on indigenous people (Y/N)?	Does not directly impact indigenous people as most projects are in developed area
Collective or individual rights that have been identified that or particular concern for the community	Megaworld designs its buildings to adhere to Green building standards. This promotes employee well-being, which increases productivity in the workplace. Green developments also help reduce the carbon footprint of these buildings thus minimizing any unfavorable impact to the environment. These types of developments not only attract multinational corporations to locate their offices in the country, but also contribute over the long term to the government's efforts to provide more job opportunities in the country.
Mitigating measures (if negative) or enhancement measures (if positive)	As the company expands into more locations, it is able to provide more employment and business opportunities for all sectors of the society.

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations	Mall Development and Leasing
Location	Philippines
Vulnerable groups, if applicable	N/A
Does the particular operation have impacts on indigenous people (Y/N)?	Does not directly impact indigenous people as most projects are in developed area
Collective or individual rights that have been identified that or particular concern for the community	Megaworld Lifestyle Malls epitomizes the Philippines most inventive lifestyle centers that offer groundbreaking experiences to the metropolitan communities of the country. Each mall has a unique personality and story that takes its guests on a world-class adventure through pioneering design, state of the art facilities, and commercial establishments never seen in the Philippines. This way, Filipinos are exposed to world-class amenities and shopping experiences, while celebrating the country's local finest. Megaworld Lifestyle Malls likewise has converted several open spaces in its select lifestyle malls into outdoor farmers' markets to support Filipino farmers, fisherfolks and food entrepreneurs who have been directly impacted by the global pandemic to showcase and market their products while giving the mall-going public access to a wide range of fresh fruits, vegetables, seafood, meat products, and other food choices in a much safer shopping environment. This is part of the Company's continuing support to the government's thrust to help the economy recover fast.
Mitigating measures (if negative) or enhancement measures (if positive)	As the company expands into more locations, it is able to provide more employment and business opportunities for all sectors of the society.

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations	Hotel Development and Operations
Location	Philippines
Vulnerable groups, if applicable	N/A
Does the particular operation have impacts on indigenous people (Y/N)?	Does not directly impact indigenous people as most projects are in developed area
Collective or individual rights that have been identified that or particular concern for the community	Megaworld has been developing world-class hotels and resorts that befit the status of the Philippines as a prime haven for international travelers. The Company has been closely working with the Department of Tourism (DoT) to ensure that the Company is able to customize its developments and services to the needs and peculiarities of the local tourism market through Megaworld Hotels. More than just developing hotels, Megaworld enlivens its hotels with the warmth and hospitality inherent to the Filipino culture. This Filipino brand of hospitality has become Megaworld Hotel's signature brand of service, setting them apart from other hotel developers and operators in the country.
Mitigating measures (if negative) or enhancement measures (if positive)	As the company expands into more locations, it can provide more employment and business opportunities for all sectors of the society.

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available:

Certificates	Quantity	Unit

Properties owned by the organization are not located within ancestral domains and are mostly located in the central districts of localities.

Megaworld's Management Approach on Local Communities

The Company supports the government's thrust to promote economic development and intends to continue to pursue revenue and geographical diversification as it develops community townships embodying the "live-work-play-learn" concept in various stages and strategic locations both within and outside Metro Manila. Megaworld commits to create inclusive growth for its stakeholders and the communities around it by providing equal access to relevant resources and opportunities to promote shared prosperity and social harmony.

The Company's position as a leader in crafting and delivering community township developments has strengthened over the years and continues to be its key strategy in bringing new projects to the market and entering new joint venture developments. In the same manner, this strength is also used by the Company to create value to the communities that it operates in. The development of Megaworld townships has helped spur economic growth by providing job opportunities and creating new markets for the benefit of nearby communities.

CUSTOMER MANAGEMENT

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer Satisfaction	Not Available	N

Health and Safety

Disclosure	Quantity		Unit
	2022	2021	
No. of substantiated complaints on product or service health and safety*	0	0	#
No. of complaints addressed	0	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

Megaworld's Management Approach on Customer Health and Safety

Megaworld and its subsidiaries have been strictly and consistently following government guidelines in promulgating a secure, safe, and wonderful experience to its customers. The Company adheres to all relevant rules and regulations in the design, construction, and operations of all its properties.

Megaworld seeks to assure customers of their safety when entering the Company's establishments via the implementation of enhanced health and safety protocols. The Company has launched initiatives to enforce better health and safety protocols for its customers, such as regular monitoring and implementation of updated IATF Guidelines and allocation of venue, thermal cameras, Safety-on-Track System, health declaration forms, and hotline for Customer Services. The Company also ensures availability of critical services through online permits requests and approvals.

MARKETING AND LABELING

Marketing and Labeling

Disclosure	Quantity		Unit
	2022	2021	
No. of substantiated complaints on product or service health and safety*	0	0	#
No. of complaints addressed	0	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

Marketing and labeling were not identified as material to the organization.

CUSTOMER PRIVACY

Customer Privacy

Disclosure	Quantity		Unit
	2022	2021	
No. of substantiated complaints on customer privacy*	0	0	#
No. of complaints addressed	0	0	#
No. of customers, users and account holders whose information is used for secondary purposes	0	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

DATA SECURITY

Data Security

Disclosure	Quantity		Unit
	2022	2021	
No. of data breaches, including leaks, thefts and losses of data	0	0	#

Megaworld's Management Approach on Customer Privacy and Data Security

Megaworld gathers and processes a significant amount of data from its clients, partners, and vendors. As such, compliance with the promulgations of the National Privacy Commission and Data Privacy Act requirements are strictly observed to ensure that such private information from the Company's stakeholders is properly secured and managed.

Privacy impact assessments are periodically conducted with information processors and data handlers. Megaworld takes reasonable steps to securely destroy or permanently de-identify or anonymize personal information if it is no longer needed. Disposal is in a manner that the personal data is unreadable (for paper) or irretrievable (for digital records), disposal methods are adopted in accordance with the Company's data privacy policy.

UN SUSTAINABLE DEVELOPMENT GOALS

Key Products and Services	Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impacts
Real estate, Office rentals, Mall rentals, Hotel operations	**SDG 5: Gender Equality** Equal opportunities in employment, skills training, and career advancement **SDG 6: Clean Water and Sanitation** Proper handling of wastewater and effluents through STPs in Megaworld properties prior to being discharged. **SDG 7: Affordable and Clean Energy** Adapting DOE's Energy Efficiency Program **SDG 11: Sustainable Cities and Communities** Supported the Plastic Smart Cities Campaign. **SDG 12: Responsible Consumption and Production** Reallocation of excess materials from	Megaworld's operations on real estate and property development could potentially result in environmental risks and risks associated with health and safety.	The Company prides itself in being sustainable by maintaining an efficient system of handling natural resources and raw materials in its townships and development projects. Megaworld handles its environmental impacts through water management practices such as installing rainwater collection tanks to conserve water, as well as installing sewage treatment facilities that ensure all water discharged is within standard quality. On the other hand, the Company adapts DOE's Energy Efficiency program in its energy-saving initiatives. Furthermore, Megaworld puts an active stance on climate action with

	previous projects, use of natural materials **SDG 13: Climate Action** -Adopt-a-Forest program -Management of mangrove forest in Palawan		its Adopt-a-Forest program, as well as with its tree planting activities at the La Mesa Watershed and a 2035 carbon neutrality goal ever since the Company began tracking its GHG emissions.
Corporate Social Responsibility	**SDG 1: No Poverty** -Stitches to Riches Livelihood Program for families in Megaworld-GK Village in Mandaluyong -Livelihood for street families and for those who lost their jobs living in Makati & Manila **SDG 2: Zero Hunger** - Sustainable food source garden project (Cottolengo Filipino) - Rice Together Campaign: ● in 6 Barangays near Megaworld Projects (Donated 2,400 kgs of Rice in total) ● in Rizal that benefitted 200 families (Donation 2,000 kgs of Rice) - Feeding Program for 138 malnourished children (Negrense Volunteers for Change Foundation, Inc.)	Megaworld believes in bringing social change and opportunities to the communities that it supports. However, this could encourage a sense of dependence and complacency of the community to the Company's CSR programs.	Megaworld adapts CSR programs that have a strong focus on community development through livelihood and education. This promotes long-term benefits to the beneficiaries of its supported communities by becoming self-sufficient.

	SDG 4: Quality Education - Continuous Scholarship Programs through Megaworld Foundation -Donated materials and equipment to produce educational materials needed for DepEd's Modular Educational System amidst COVID (6 public schools nationwide; 7 printers and printing materials; year 2020-2021) - Education on Wheels (Tech Voc to Degree) - E-Learning Hubs (Donated 2 Learning hubs in total) - Supported the construction of Yellow School of Hope for Badjao students in Basilan - Supported 20 classes of public school students in Marinduque for 1 Whole S.Y - Supported 5 Learning Hubs in Camarines Sur that will benefit 125 preschool students		

	SDG 5: Gender Equality -Supported the education of the 10 abused girls in Cebu for 1 whole SY SDG 8: Decent Work and Economic Growth - Stitches to Riches Livelihood Program (Megaworld-GK residents in Mandaluyong) - Tinalak Weavers Livelihood Assistance Project: 10 IP weavers; South Cotabato (LASIWWAI Learning Institute) - Livelihood for street families or for those who lost their jobs (Makati & Manila) - Supported the Plastic Smart Cities Campaign. Livelihood (upcycle) for community in Dosol, Sorsogon **SDG 10: Reduced Inequalities** -Support to 1 Deaf student's college education **SDG 13: Climate Action** - Planted 500 native seedlings in Tanauan Quezon		

	SDG 14: Life Below Water - Supported the Plastic Smart Cities Campaign **SDG 15: Life on Land** - Planted 500 native seedlings in Tanauan Quezon		

Annex B: Topic Guide
In line with the Disclosure Topic and Management Approach discussion above, this Annex will provide a guide on what to disclose in the Topics provided in the Reporting Template. The guide is based on the GRI Standards, SASB Standards and Recommendations of the Task Force on Climate-related Financial Disclosures.

ECONOMIC

Economic disclosures relate to how the company directly increases the pool of economic resources that flows in the local and national economy. Included in the disclosures are the risks and opportunities due to climate change, procurement practices with respect to local suppliers and anti-corruption.

Economic Performance

Measuring the direct economic value generated, measured as revenue and distributed (costs) shows that an organization does not just create economic value for itself but also ensures that this value flows back to its various stakeholders such as stockholders, suppliers, employees, government, and the community. This also discloses the remaining value that is retained in the company for liquidity and for future investments. Figures for this disclosure can be derived using the audited financial statement with the revenue as the economic value generated for the reporting period.

This disclosure answers the questions:

- How much direct economic value (revenue) did you generate?
- How much of this flowed back to society (costs disaggregated according to stakeholders)?
- How much of this was retained in the company for liquidity and to fund future investments?

See *GRI 201-1* for more guidance on the disclosure.

Disclosure of an organization's climate-related issues helps stakeholders make sound and reasonable assessments of the impact climate change may have on the organization. Companies should disclose the climate-related risks and opportunities they have identified and how they assess and manage those issues. See *GRI 201-2* and *the Recommendations of the Task Force on Climate-related Financial Disclosures* for more guidance on the disclosure.

Procurement Practices

Disclosure on the proportion of spending on local suppliers show's an organization's support for local groups, including those owned by women or members of vulnerable sectors. Supporting local suppliers can indirectly attract additional investments to the local economy. The disclosure describes the policies and practices used to select locally-based suppliers and to promote economic inclusion when selecting suppliers. See *GRI 204* for more guidance on disclosures

Anti-corruption

Disclosures on training on anti-corruption policies and procedures show how the company ensures that it has the necessary capability to fight against corruption through proper training and awareness building for its directors, management, employees and business partners. Disclosures on incidents of corruption and how the company responded on the incidents show how serious an organization is on combatting corruption. See *GRI 205* and *SASB Standards General Issue Category: Business Ethics* for more guidance on the disclosures.

ENVIRONMENT

Environmental disclosures relate to how the company manages the natural resources it needs for its business, as well as how it minimizes its negative impacts to the environment, including biodiversity. The company's ability to access materials needed for its operations is critical to the company's long-term success.

Resource Management

Disclosures on resource management such as energy consumption, water consumption, and materials use show how efficiently an organization uses scarce natural resources, which has implications on reduction of environmental impacts from extraction and processing of these resources. The efficiency of managing resources relates to profitability of the organization. See *GRI 301*, *GRI 302*, *GRI 303* and *SASB Standards* *General Issue Categories: Energy Management; Water and Wastewater Management; Material Sourcing and Efficiency* for more guidance on the disclosures.

Ecosystems and Biodiversity

Disclosure on activities that show how an organization protects, conserves, or rehabilitates ecosystems and biodiversity therein such as in watersheds and coastal and marine areas gives an idea of how that organization appreciates the ecosystem and the services it gives that make business thrive. Ecosystems and Biodiversity is vital to human existence. Companies have the responsibility and clear business case for ensuring ecosystems and biodiversity around its sites are protected and restored. See *GRI 303*, *GRI 304* and *SASB Standards General Issue Category: Ecological Impacts* for more guidance on the disclosures.

Environmental Impact Management

Reporting on an organization's impact on air, soil, and water through emissions, wastes, and effluents provides a basis for companies to manage these impacts. Responsible companies take an effort to minimize such impacts through cleaner production and pollution prevention measures. Companies should disclose their performance on these topics including how well the organization mitigates, reduces, and/or prevents these impacts to the environment in compliance to Philippine Environmental Laws or on efforts beyond compliance. See *GRI 305*, *GRI 306* and *SASB Standards General Issue Categories: GHG Emissions; Air Quality; Water & Wastewater Management; Waste & Hazardous Materials Management* for more guidance on the disclosures.

Environmental Compliance

Disclosure on an organization’s compliance with environmental laws and/or regulations shows an organization’s ability to conform to certain performance parameters. The strength of an organization’s compliance indicates its concern for environmental protection. See *GRI 307* and *SASB Standards General Issue Categories: Ecological Impacts; Air Quality; Water & Wastewater Management; Waste and Hazardous Materials Management* for more guidance on the disclosures

SOCIAL

Disclosures on social topics relate to how the organization relates and manages its relationship with its stakeholders such as employees, communities, customers, and suppliers.

Employee Management

Disclosing on employee management indicates of how good an employer the organization is in engaging its employees. It also provides a sense on how the organization develops its employees and gives equal opportunity for all, such as indigenous people and those coming from vulnerable groups which include elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E). See *GRI 401*, *GRI 402*, *GRI 404*, *GRI 405*, *GRI 406*, *GRI 407*, *GRI 102-8*, *GRI 102-41* and
SASB Standards General Issue Categories: Labor Practices; Employee, Engagement Diversity & Inclusion
for more guidance on the disclosures.

Workplace Conditions,Labor Standards and Human Rights

Disclosures on workplace conditions and labor standards show how an organization gives importance to occupational health and safety and how it upholds labor standards and human rights in the workplace. See *GRI 403*, *GRI 408*, *GRI 409*, *GRI 412* and *SASB Standards General Issue Category: Employee Health & Safety* for more guidance on the disclosures.

Supply Chain Management

Disclosures on supply chain management is most relevant for companies with a significant portion of value creation carried out by suppliers. Organizations can report on how the reporting company ensures that supplier upholds with sustainability standards and practices including compliance to Philippine laws. The reporting company may also disclose how it influences its suppliers to be sustainable through supplier accreditation processes, among other approaches. See *GRI 308*, *GRI 414* and *SASB Standards General Issue Category: Supply Chain Management* for more guidance on the disclosures.

Relationship with Community

These disclosures show how an organization meaningfully engages the community around their sites and how it aims to create a net positive impact to its host or neighbors. These also includes how the company contributes in addressing issues of indigenous people and those coming from vulnerable groups [youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)] in its business operations. See *GRI 411*, *GRI 412*, *GRI 413* and *SASB Standards General Issue Category: Human Rights & Community Relations* for more guidance on the disclosures.

Customer Management

Disclosing on customer management shows how well an organization upholds the rights of its customers to privacy, safety, and security from probable negative impacts of its products and services. See *GRI 416*, *GRI 417*, *GRI 418* and *SASB Standards General Issue Categories: Product Quality & Safety; Customer Welfare; Selling Practices & Product Licensing* for more guidance on the disclosures.

Data Security

Reporting on the number of data breaches, including leaks, thefts and losses of data shows how much importance an organization places on keeping data secure. Organizations can indicate how they manage risks related to the collection, retention and use of sensitive information. See *SASB Standards General Issue* *Category: Data Security* for more guidance on the disclosure.

UN SUSTAINABLE DEVELOPMENT GOALS

The SDG Compass can be used as guidance for companies on how they can align their strategies as well as measure and manage their contribution to the realization of the SDGs. The SDG Compass can be accessed at https://sdgcompass.org/

Moreover, a recent publication with the title: *Integrating the SDGs into Corporate Reporting: A Practical Guide*,[20] helps companies of all sizes to prioritize SDG targets to act and report on, set related business objectives, and measure and report on progress. This is a co-production between GRI and UN Global Compact (UNGC).

Companies may also use the following framework to determine which area of sustainable development its company is contributing to improve people's quality of life.

For more information on how the private sector can contribute to sustainable development, companies may visit www.sdgsbiz.ph.

Your BIR AFS eSubmission uploads were received

From: eafs@bir.gov.ph
To: frgga_21@yahoo.com
Cc: frgga_21@yahoo.com
Date: Tuesday, March 14, 2023 at 11:06 AM GMT+8

Hi MEGAWORLD CORPORATION,

Valid files

- EAFS000477103TCRTY122022-03.pdf
- EAFS000477103ITRTY122022.pdf
- EAFS000477103OTHTY122022.pdf
- EAFS000477103TCRTY122022-02.pdf
- EAFS000477103RPTTY122022.pdf
- EAFS000477103TCRTY122022-01.pdf
- EAFS000477103AFSTY122022.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-2TSWZZV0QMP1VMRSP32YM34M04WMZRVYS**
Submission Date/Time: **Mar 14, 2023 10:46 AM**
Company TIN: **000-477-103**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

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** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2022, 2021 and 2020 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 27th day of February 2023

SUBSCRIBED AND SWORN to before me on this 01 day of MAR 2023 at MAKATI CITY, Philippines affiants exhibiting to me their Tax Identification Nos. as follows:

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

Doc. No. 235;
Page No. 48;
Book No. 257;
Series of 2023

ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-077
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2024
5 KALAYAAN AVENUE EXTENSION,
BARANGAY WEST REMBO 1215, MAKATI CITY
SC Roll No. 62179/04-26-2013
IBP NO. 258534/01-02-2023/Pasig City
PTR NO. MKT 9562350/01-03-2023/Makati City
MCLE Compliance No. VII-0020180/04-14-2025

P&A Grant Thornton

FOR SEC FILING

Financial Statements and
Independent Auditors' Report

Megaworld Corporation

December 31, 2022, 2021 and 2020

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

T +63 2 8988 2288

Report of Independent Auditors

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Megaworld Corporation (the Company), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared, in all material respects, 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 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 Financial Statements* section of our report. We are independent of the Company 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 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.

Emphasis of Matter

We draw attention to Note 2 to the financial statements, which indicates that the financial statements have been prepared in accordance with PFRS, as modified by the financial reporting reliefs issued and approved by the SEC. The impact of the financial reporting reliefs on the financial statements are disclosed in Note 2 to the financial statements. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, 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, 2022 are expected to be made available to us after the date of this auditors' report.

Our opinion on the 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 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 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, as modified by the application of the financial reporting reliefs issued and approved by the SEC, 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 but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company'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 Company'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 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 Company to cease to continue as a going concern.

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

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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

The supplementary information for the year ended December 31, 2022 required by the Bureau of Internal Revenue (BIR) is presented by the management of the Company in a supplementary schedule filed separately from the basic financial statements. The BIR requires the information to be presented in the notes to financial statements. The supplementary information is not a required part of the basic financial statements prepared in accordance with PFRS; it is also not a required disclosure under Revised Securities Regulation Code Rule 68 of the SEC. Such supplementary information is the responsibility of management. Our opinion on the basic financial statements is not affected by the presentation of the information in a separate schedule.

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

PUNONGBAYAN & ARAULLO

By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 9566641, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 107805-SEC (until financial period 2023)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-037-2022 (until Oct. 13, 2025)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

February 27, 2023

MEGAWORLD CORPORATION
(A Subsidiary of Alliance Global Group, Inc.)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2022	2021
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	4	**P 9,735,088,607**	P 23,642,792,763
Trade and other receivables - net	5	**34,119,786,134**	31,314,797,132
Contract assets	17	**4,818,064,482**	5,313,790,405
Inventories	6	**49,829,202,095**	45,040,706,339
Advances to contractors and suppliers	2	**4,662,075,060**	3,792,847,148
Prepayments and other current assets	12	**3,572,563,239**	3,995,592,572
Total Current Assets		**106,736,779,617**	113,100,526,359
NON-CURRENT ASSETS			
Trade and other receivables	5	**13,646,574,456**	8,193,293,609
Contract assets	17	**2,308,718,513**	3,937,673,174
Advances to landowners and joint operators	7	**4,969,630,572**	4,356,171,125
Advances to contractors and suppliers	2	**2,107,976,447**	2,772,884,907
Financial assets at fair value through other comprehensive income	11	**1,734,730,876**	2,039,709,582
Investments in subsidiaries and associates - net	8	**100,485,346,026**	97,859,379,687
Investment properties - net	9	**91,279,012,753**	81,862,841,945
Property and equipment - net	10	**2,288,852,656**	2,050,551,350
Other non-current assets	12	**1,012,150,184**	1,033,461,523
Total Non-current Assets		**219,832,992,483**	204,105,966,902
TOTAL ASSETS		**P 326,569,772,100**	P 317,206,493,261

	Notes	2022	2021
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	13	**P 9,747,436,493**	P 9,955,540,202
Bonds payable	14	**14,026,453,110**	-
Trade and other payables	15	**7,627,902,213**	7,662,005,369
Contract liabilities	17	**1,006,157,006**	1,008,768,310
Customers' deposits	2	**364,796,351**	1,158,657,745
Advances from subsidiaries	24	**5,287,305,374**	5,128,084,511
Other current liabilities	16	**4,924,627,931**	5,541,147,755
Total Current Liabilities		**42,984,678,478**	30,454,203,892
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	13	**23,977,202,135**	23,534,597,269
Bonds and notes payable	14	**31,212,622,400**	41,982,042,246
Contract liabilities	17	**1,811,447,741**	1,313,286,542
Customers' deposits	2	**1,111,974,095**	1,368,538,349
Deferred tax liabilities - net	23	**6,312,769,234**	6,612,425,637
Retirement benefit obligation	22	**40,496,672**	150,040,976
Other non-current liabilities	16	**5,517,714,070**	6,055,385,246
Total Non-current Liabilities		**69,984,226,347**	81,016,316,265
Total Liabilities		**112,968,904,825**	111,470,520,157
EQUITY	25	**213,600,867,275**	205,735,973,104
TOTAL LIABILITIES AND EQUITY		**P 326,569,772,100**	P 317,206,493,261

See Notes to Financial Statements.

MEGAWORLD CORPORATION
(A Subsidiary of Alliance Global Group, Inc.)
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes		2022		2021		2020
REVENUES							
Real estate sales	17	**P**	**17,459,124,190**	P	16,934,870,045	P	7,784,696,813
Rental income	9		**10,319,078,535**		9,901,027,502		10,674,541,622
Interest and other income - net	20		**4,848,088,834**		49,760,490,956		3,111,042,590
			32,626,291,559		76,596,388,503		21,570,281,025
COSTS AND EXPENSES							
Cost of real estate sales	18		**8,213,851,106**		8,517,476,127		4,013,554,137
Operating expenses	19		**6,572,446,732**		6,483,791,314		6,075,650,681
Interest and other charges - net	21		**4,804,118,954**		8,380,425,753		2,163,553,246
Tax expense	23		**2,210,754,113**		370,528,900		1,719,912,058
			21,801,170,905		23,752,222,094		13,972,670,122
NET PROFIT FOR THE YEAR		**P**	**10,825,120,654**	P	52,844,166,409	P	7,597,610,903
Earnings per Share	26						
Basic		**P**	**0.342**	P	1.651	P	0.220
Diluted		**P**	**0.341**	P	1.646	P	0.219

See Notes to Financial Statements.

MEGAWORLD CORPORATION
(A Subsidiary of Alliance Global Group, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
NET PROFIT FOR THE YEAR		**P 10,825,120,654**	P 52,844,166,409	P 7,597,610,903
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Fair value gains (losses) on financial assets at fair value through other comprehensive income	11	**(304,978,706)**	413,719,730	(217,707,443)
Actuarial gains on retirement benefit obligations	22	**117,974,537**	234,119,589	342,751,713
Tax expense	23	**(29,493,634)**	(45,530,838)	(102,825,514)
		(216,497,803)	602,308,481	22,218,756
Item that will be reclassified subsequently to profit or loss – Fair value gains (losses) on cash flow hedge	27	**91,147,189**	199,713,502	(144,749,961)
Total other comprehensive income (loss)		**(125,350,614)**	802,021,983	(122,531,205)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**P 10,699,770,040**	P 53,646,188,392	P 7,475,079,698

See Notes to Financial Statements.

MEGAWORLD CORPORATION

(A Subsidiary of Alliance Global Group, Inc.)

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

(Amounts in Philippine Pesos)

	Capital Stock (see Note 25)	Additional Paid-in Capital (see Note 25)	Treasury Shares — At Cost (see Note 25)	Perpetual Capital Securities (see Note 25)	Revaluation Reserves (see Notes 25)	Retained Earnings (see Notes 2 and 25)	Total Equity
Balance at January 1, 2022	P 32,430,865,872	P 16,660,844,348	(P 1,268,862,277)	P -	(P 587,319,147)	P 158,500,444,308	P 205,735,973,104
Exercise of stock options	-	1,902,623	902,111	-	-	(1,031,680)	1,773,054
Acquisition of treasury shares	-	-	(916,099,229)	-	-	-	(916,099,229)
Share-based employee compensation	-	-	-	-	-	16,372,411	16,372,411
Cash dividends	-	-	-	-	-	(1,936,922,105)	(1,936,922,105)
Total comprehensive income (loss) for the year	-	-	-	-	(125,350,614)	10,825,120,654	10,699,770,040
Balance at December 31, 2022	**P 32,430,865,872**	**P 16,662,746,971**	**(P 2,184,059,395)**	**P -**	**(P 712,669,761)**	**P 167,403,983,588**	**P 213,600,867,275**
Balance at January 1, 2021	P 32,430,865,872	P 16,660,844,348	(P 1,111,874,917)	P 10,237,898,577	(P 1,389,341,130)	P 106,762,084,835	P 163,590,477,585
Redemption of perpetual capital securities	-	-	-	(10,237,898,577)	-	484,257,436	(9,753,641,141)
Acquisition of treasury shares	-	-	(156,987,360)	-	-	-	(156,987,360)
Share-based employee compensation	-	-	-	-	-	10,204,332	10,204,332
Distribution to holders of perpetual securities	-	-	-	-	-	(244,585,015)	(244,585,015)
Cash dividends	-	-	-	-	-	(1,355,683,689)	(1,355,683,689)
Total comprehensive income for the year	-	-	-	-	802,021,983	52,844,166,409	53,646,188,392
Balance at December 31, 2021	P 32,430,865,872	P 16,660,844,348	(P 1,268,862,277)	P -	(P 587,319,147)	P 158,500,444,308	P 205,735,973,104
Balance at January 1, 2020	P 32,430,865,872	P 16,658,941,725	(P 118,104,398)	P 10,237,898,577	(P 1,266,809,925)	P 100,872,876,920	P 158,815,668,771
Exercise of stock options	-	1,902,623	902,111	-	-	(1,031,680)	1,773,054
Acquisition of treasury shares	-	-	(994,672,630)	-	-	-	(994,672,630)
Share-based employee compensation	-	-	-	-	-	21,381,914	21,381,914
Distribution to holders of perpetual securities	-	-	-	-	-	(535,258,625)	(535,258,625)
Cash dividends	-	-	-	-	-	(1,193,494,597)	(1,193,494,597)
Total comprehensive income (loss) for the year	-	-	-	-	(122,531,205)	7,597,610,903	7,475,079,698
Balance at December 31, 2020	P 32,430,865,872	P 16,660,844,348	(P 1,111,874,917)	P 10,237,898,577	(P 1,389,341,130)	P 106,762,084,835	P 163,590,477,585

See Notes to Financial Statements.

MEGAWORLD CORPORATION
(A Subsidiary of Alliance Global Group, Inc.)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 13,035,874,767**	P 53,214,695,309	P 9,317,522,961
Adjustments for:				
Depreciation and amortization	9, 10	**2,277,782,696**	2,489,328,151	2,370,250,490
Dividend income	20	**(2,063,883,332)**	(737,725,598)	(283,528,554)
Unrealized foreign currency losses (gains) - net		**1,792,398,061**	1,625,552,883	(1,086,285,035)
Interest expense	21	**1,750,580,419**	1,522,851,379	1,156,195,496
Interest income	20	**(1,581,784,008)**	(499,564,858)	(641,819,469)
Share option expense	22	**16,372,411**	10,204,332	21,381,914
Loss (gain) on sale of property and equipment		**348,373**	(1,225,627)	(592,954)
Gain on property-for-share swap	20	**-**	(38,979,440,909)	-
Gain on sale of investment properties	20	**-**	(7,476,081,969)	-
Loss on sale of investment in a subsidiary	21	**-**	4,279,437,568	-
Operating profit before working capital changes		**15,227,689,387**	15,448,030,661	10,853,124,849
Decrease (increase) in trade and other receivables		**(3,298,146,417)**	750,402,013	4,102,629,811
Decrease (increase) in advances to landowners and joint ventures		**(613,459,447)**	435,485,208	(370,175,456)
Decrease (increase) in contract assets		**2,124,680,584**	(2,215,042,805)	1,282,987,016
Increase in inventories		**(4,347,771,405)**	(7,553,219,591)	(2,069,301,908)
Decrease (increase) in prepayments and other current assets		**768,253,825**	(1,372,266,400)	514,276,145
Decrease (increase) in advances to contractors and suppliers		**(204,319,452)**	282,765,959	(924,042,386)
Decrease (increase) in other non-current assets		**21,311,339**	63,716,506	(34,381,789)
Increase in trade and other payables		**1,408,737,208**	328,784,827	1,535,986,274
Increase in contract liabilities		**495,549,895**	190,792,844	446,733,054
Increase (decrease) in customers' deposits		**(1,050,425,648)**	(2,493,324,192)	2,114,758,665
Increase (decrease) in other current liabilities		**(656,426,544)**	(484,311,258)	693,172,830
Decrease in other non-current liabilities		**(812,830,312)**	(218,691,023)	(53,947,976)
Cash generated from operations		**9,062,843,013**	3,163,122,749	18,091,819,129
Cash paid for income taxes		**(2,539,904,150)**	(350,714,134)	(1,518,009,339)
Net Cash From Operating Activities		**6,522,938,863**	2,812,408,615	16,573,809,790
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Investment property	9	**(11,415,364,164)**	(6,922,075,936)	(6,382,670,514)
Property and equipment	10	**(220,878,436)**	(124,363,128)	(154,618,000)
Advances to subsidiaries, associates and other related parties:	24			
Granted		**(2,867,436,301)**	(3,703,943,753)	(1,606,149,672)
Collected		**313,527,466**	906,759,464	464,124,736
Acquisition and additional investments in subsidiaries	8	**(2,625,966,339)**	(3,388,812,192)	(687,500)
Dividends received		**2,063,883,332**	737,725,598	283,528,554
Interest received		**203,960,994**	107,793,255	214,859,729
Proceeds from sale of investment in a subsidiary	8	**-**	14,717,312,432	-
Proceeds from disposals of:				
Investment property	9	**-**	9,116,000,000	-
Property and equipment	10	**-**	2,288,154	875,693
Additions to financial assets at fair value through other comprehensive income	11	**-**	(238,089,877)	-
Cash received for return of capital from a subsidiary	8	**-**	213,001,420	-
Net Cash From (Used in) Investing Activities		**(14,548,273,448)**	11,423,595,437	(7,180,736,974)
Balance carried forward		**(P 8,025,334,585)**	P 14,236,004,052	P 9,393,072,816

	Notes	2022	2021	2020
Balance brought forward		(P 8,025,334,585)	P 14,236,004,052	P 9,393,072,816
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from availments of interest-bearing loans and borrowings	33	10,000,000,000	16,000,000,000	5,000,000,000
Repayments of interest-bearing loans	33	(9,698,143,108)	(17,343,343,261)	(10,198,294,811)
Interest paid		(3,374,763,637)	(3,374,284,410)	(3,440,751,643)
Cash dividends paid	25	(1,936,922,105)	(2,549,178,286)	-
Acquisition of treasury shares		(916,099,229)	(156,987,360)	(994,672,630)
Payments of lease liabilities	16	(117,435,409)	(187,160,318)	(26,596,458)
Advances from subsidiaries	24			
Obtained		163,081,876	4,412,686,710	7,275,379
Paid		(3,861,013)	(30,122,551)	(4,718,258,458)
Proceeds from exercise of stock rights	25	1,773,054	-	1,773,054
Payments for redemption of perpetual capital securities	25	-	(9,753,641,141)	-
Distributions to holders of perpetual securities	25	-	(244,585,015)	(535,258,625)
Proceeds from issuance of notes	14, 33	-	-	16,692,935,192
Net Cash From (Used in) Financing Activities		(5,882,369,571)	(13,226,615,632)	1,788,151,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(13,907,704,156)	1,009,388,420	11,181,223,816
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		23,642,792,763	22,633,404,343	11,452,180,527
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 9,735,088,607	P 23,642,792,763	P 22,633,404,343

Supplemental Information for Non-cash Investing and Financing Activities:

1) In the normal course of business, the Company enters into non-cash transactions such as exchange or purchase on account of real estate and other assets and transfers of property between Inventories, Property and Equipment, and Investment Properties. These non-cash activities are not reflected in the statements of cash flows (see Notes 9 and 10).

2) In 2021, the Company and a certain subsidiary entered into a property-for-share swap transaction. Accordingly, the Company transferred investment properties with carrying amount of P9.2 billion in exchange for the equity shares of the subsidiary with a fair value of P49.2 billion. In addition, the Company leased back a portion of the transferred properties resulting to recognition of right-of-use assets and lease liabilities amounting to P0.4 billion and P1.4 billion, respectively. The related gain on exchange from the foregoing transactions amounting to P38.8 billion is presented as part of Interest and Other Income account in the 2021 statement of income (see Notes 8, 9 and 20). There was no similar transaction in 2022.

3) In 2021, the Company acquired additional investments in a certain subsidiary for a total price of P2.0 billion. The Company paid P1.0 billion upon execution of the deed of sale, while the remaining balance of P1.0 billion is payable in the succeeding year. The related outstanding balance is presented as part of Other Current Liabilities in the 2021 statement of financial position (see Note 16).

4) In 2022 and 2021, the Company entered into new lease agreements (apart from the sales and leaseback agreement mentioned above), and recognized right-of-use assets and lease liabilities at the commencement date of the lease amounting to P296.4 million and 15.8 million, respectively. There was no similar transaction in 2020.

5) On December 8, 2020, the Board of Directors of the Company approved the declaration of cash dividends amounting to P1.2 billion which was fully paid in 2021.

See Notes to Financial Statements.

MEGAWORLD CORPORATION
(A Subsidiary of Alliance Global Group, Inc.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

1.1 Corporate Information

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

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

The registered office address of the Company, 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.

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

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

	Effective Percentage of Ownership		
Subsidiaries	**2022**	2021	2020
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%

Subsidiaries	Explanatory Notes	Effective Percentage of Ownership 2022	2021	2020
Mactan Oceanview Properties				
and Holdings, Inc. (MOPHI)	(a)	**100%**	100%	100%
Megaworld Cayman Islands, Inc. (MCII)	(a)	**100%**	100%	100%
Piedmont Property Ventures, Inc. (PPVI)	(a)	**100%**	100%	100%
Stonehaven Land, Inc. (SLI)	(a)	**100%**	100%	100%
Streamwood Property, Inc. (SP)	(a)	**100%**	100%	100%
Global One Integrated Business Services, Inc. (GOIBSI)		**100%**	100%	100%
Luxury Global Malls, Inc. (LGMI)		**100%**	100%	100%
Davao Park District Holdings, Inc. (DPDHI)		**100%**	100%	100%
Belmont Newport Luxury Hotels, Inc. (BNLHI)		**100%**	100%	100%
Global One Hotel Group, Inc. (GOHGI)		**100%**	100%	100%
Landmark Seaside Properties, Inc. (LSPI)	(a)	**100%**	100%	100%
San Vicente Coast, Inc. (SVCI)		**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)	(h)	**100%**	100%	100%
Agile Digital Ventures, Inc. (ADVI)		**100%**	100%	100%
MREIT Fund Managers, Inc. (MFMI)	(f)	**100%**	100%	-
MREIT Property Managers, Inc. (MPMI)	(f)	**100%**	100%	-
MREIT, Inc. formerly Megaworld Holdings, Inc. (MREIT)	(f)	**62.09%**	62.09%	-
Belmont Hotel Mactan Inc. (BHMI)	(l)	**100%**	-	-
Megaworld Bacolod Properties, Inc. (MBPI)		**91.55%**	91.55%	91.55%
Megaworld Central Properties, Inc. (MCPI)	(b)	**76.55%**	76.55%	76.55%
Megaworld Capital Town, Inc. (MCTI)		**76.28%**	76.28%	76.28%
Soho Café and Restaurant Group, Inc. (SCRGI)		**75%**	75%	75%
La Fuerza, Inc. (LFI)		**66.67%**	66.67%	66.67%
Megaworld-Daewoo Corporation (MDC)	(j)	**60%**	60%	60%
Northwin Properties, Inc. (NWPI)		**60%**	60%	60%
Gilmore Property Marketing Associates, Inc. (GPMAI)	(a, c)	**52.14%**	52.14%	52.14%
Manila Bayshore Property Holdings, Inc. (MBPHI)	(d)	**68.03%**	68.03%	68.03%
Megaworld Globus Asia, Inc. (MGAI)		**50%**	50%	50%
Integrated Town Management Corporation (ITMC)		**50%**	50%	50%
Maple Grove Land, Inc. (MGLI)		**50%**	50%	50%
Megaworld Land, Inc. (MLI)		**100%**	100%	100%
City Walk Building Administration, Inc. (CBAI)	(e)	**100%**	100%	100%
Forbestown Commercial Center				
Administration, Inc. (FCCAI)	(e)	**100%**	100%	100%
Paseo Center Building				
Administration, Inc. (PCBAI)	(e)	**100%**	100%	100%
Uptown Commercial Center				
Administration, Inc. (UCCAI)	(e)	**100%**	100%	100%
Iloilo Center Mall Administration, Inc. (ICMAI)	(e)	**100%**	100%	100%
Newtown Commercial Center				
Administration, Inc. (NCCAI)	(e)	**100%**	100%	100%
Valley Peaks Property Management, Inc. (VPPMI)	(e)	**100%**	100%	100%
San Lorenzo Place Commercial Center				
Administration, Inc. (SLPCCAI)	(e)	**100%**	100%	100%
Southwoods Lifestyle Mall Management, Inc. (SLMMI)	(e)	**100%**	100%	100%
Cityfront Commercial Center				
Administration, Inc. (CCCAI)	(a, l)	**100%**	-	-

Subsidiaries	Explanatory Notes	Effective Percentage of Ownership 2022	2021	2020
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)	(i)	**98.41%**	98.31%	96.87%
Global-Estate Resorts, Inc. (GERI)		**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)		**89.39%**	89.39%	89.39%
Twin Lakes Corporation (TLC)		**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)		**82.32%**	82.32%	82.32%
Belmont Hotel Boracay, Inc. (BHBI)		**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)	(k)	**58.53%**	58.53%	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 2022	2021	2020
Bonifacio West Development Corporation (BWDC)		**46.11%**	46.11%	46.11%
Palm Tree Holdings and Development Corporation (PTHDC)	(a)	**40%**	40%	40%
Suntrust Resort Holding, Inc. [formerly Suntrust Home Developers, Inc.] (SUN)		**34%**	34%	34%
SWC Project Management Limited (SPML)		**34%**	34%	34%
WC Project Management Limited (WPML)		**34%**	34%	34%
First Oceanic Property Management, Inc. (FOPMI)	(g)	**-**	-	8.16%
Citylink Coach Services, Inc. (CCSI)	(g)	**-**	-	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, 2022.

(b) As at December 31, 2022, 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, 2022, 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, 2022, the Parent Company owns 68.03% of MBPHI, which consists of 67.43% direct ownership and 1.84% 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 Company through MLI, their immediate parent company.

(f) MFMI, MPMI and MREIT are newly incorporated subsidiaries in 2021. MFMI is engaged in the business of providing fund management services to real estate investment trust (REIT) companies. MPMI is engaged in the business of providing services in relation to property management, lease management, marketing and project management. MREIT is engaged in the business of a REIT, as provided under Republic Act (R.A.) No. 9856*, The Real Estate Investment Trust Act of 2009,* including its implementing rules and regulations, and other applicable laws.

(g) In 2021, SUN disposed its investments in FOPMI and CCSI.

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

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

(j) In 2021, the application of MDC for the decrease of its authorized capital stock was approved. The Company's effective ownership over MDC remains at 60%.

(k) PCMI is a subsidiary through EELHI. In 2021, certain number of shares owned by the Parent Company were transferred to the Company, increasing the effective ownership of the Company to 58.53%, which consists of 25.84% direct ownership and 32.69% indirect ownership from EELHI.

(l) Newly incorporated subsidiaries in 2022.

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 Company and its subsidiaries, except for entities which have not yet started commercial operations as at December 31, 2022, are presently engaged in the real estate business, hotel, condominium-hotel operations, construction, restaurant operations, business process outsourcing, educational facilities provider, property management operations, fund management operations, and marketing services.

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

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

1.2 Approval of Financial Statements

The financial statements of the Company as at and for the year ended December 31, 2022 (including the comparative financial statements as at December 31, 2021 and for the years ended December 31, 2021 and 2020) were authorized for issue by the Company's Board of Directors (BOD) on February 27, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Company 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 Company are disclosed in details 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 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 Company

The Company has availed of several financial reporting reliefs granted by the SEC relating to several implementation issues of PFRS 15, *Revenue from Contracts with Customers,* affecting the real estate industry under following Memorandum Circulars (MC):

- 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*
- 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*

MC No. 08-2021, A*mendment to SEC MC No. 14-2018, MC No. 03-2019, MC No. 04-2020, and MC No. 34-2020 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 below and in the succeeding page are the financial reporting reliefs availed of by the Company, including the descriptions of the implementation issues and their qualitative impacts to the financial statements. The Company opted to avail the reliefs until the end of the deferment period as provided under the relevant MC.

(i) IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23) for Real Estate Industry (deferred until December 31, 2023)

The IFRIC concluded that any inventory (work-in-progress) for unsold units under construction that the entity recognizes is not a qualifying asset, as the asset is ready for its intended sale in its current condition (i.e., the developer intends to sell the partially constructed units as soon as it finds suitable customers and, in 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 Company elected not to defer the IFRIC Agenda Decision, it would have the following impact in the financial statements:

- interest expense would have been higher;
- cost of real estate inventories would have been lower;
- total comprehensive income would have been lower;
- retained earnings would have been lower; and,
- the carrying amount of real estate inventories would have been lower.

(ii) PIC Q&A No. 2018-12-D, *Concept of the significant financing component in the contract to sell* and PIC Q&A No. 2020-04, *Addendum to PIC Q&A 2018-12-D: Significant Financing Component Arising from Mismatch between the Percentage of Completion and Schedule of Payments* (deferred until December 2023)

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

There is no significant financing component if the difference between the promised consideration and the cash selling price of the good or service arises for reasons other than the provision of finance to either the customer or the entity, and the difference between those amounts is proportional to the reason for the difference. Further, the Company 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

Had the Company elected not to defer this provision of the standard, it would have an impact in the financial statement as there would have been a significant financing component when there is a difference between the percentage of completion (POC) of the real estate project and the right to the consideration based on the payment schedule stated in the contract. The Company would have recognized an interest income when the POC of the real estate project is greater than the right to the consideration and interest expense when lesser. Both interest income and expense will be calculated using the effective interest rate method

This will impact the retained earnings, real estate sales, and profit or loss in the year of adoption and in comparative periods presented. Should the Company elect to apply the modified retrospective approach as allowed by MC No. 2021-08, this will impact the opening retained earnings in the year of adoption.

(c) *Presentation of Financial Statements*

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

The Company presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the 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 financial statements are presented in Philippine pesos, the Company's presentation and functional currency, and all values represent absolute amounts except when otherwise indicated.

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

2.2 Adoption of New and Amended PFRS

(a) *Effective in 2022 that are Relevant to the Company*

The Company adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2022:

PAS 16 (Amendments)	:	Property, Plant and Equipment – Proceeds Before Intended Use
PAS 37 (Amendments)	:	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to PFRS (2018-2020 Cycle)		
PFRS 9 (Amendments)	:	Financial Instruments – Fees in the '10 percent' Test of Derecognition of Liabilities
PFRS 16 (Amendments)	:	Leases – Lease Incentives

Discussed below are the relevant information about these pronouncements.

(i) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use.* The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The application of these amendments had no significant impact on the Company's financial statements as there were no sales of such items produced by property, plant and equipment made before being available for use on or after the beginning of the earliest period presented.

(ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract.* The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services. Costs that relate directly to a contract include both incremental costs of fulfilling that contract (e.g., direct labor and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments resulted in a revision in the Company's policy to include both incremental costs and an allocation of other costs when determining whether a contract was onerous. The amendments apply prospectively to contracts existing at the date when the amendments are first applied. Management assessed that there is no significant impact on the Company's financial statements as a result of the change since none of the existing contracts as of January 1, 2022 would be identified as onerous after applying the amendments.

(iii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments which do not have significant impact and which are effective from January 1, 2022, are relevant to the Company's financial statements:

- PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities.* The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives.* The amendments remove potential for confusion regarding lease incentives by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements as it had not been explained clearly enough as to whether the reimbursement would meet the definition of a lease incentive in accordance with PFRS 16.

(b) Effective Subsequent to 2022 but not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to 2022, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, none of these are expected to have significant impact on the Company's financial statements:

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

(ii) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)

(iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)

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

2.3 Separate Financial Statements, and Investments in Subsidiaries, Associates and Joint Operations

These financial statements are prepared as the Company's separate financial statements. The Company also prepares consolidated financial statements being a publicly-listed entity.

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

The Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above.

Associates are those entities over which the Company is able to exert significant influence but which are neither subsidiaries nor interests in a joint arrangement.

The Company's investment in subsidiaries and associates are accounted for in these separate financial statements at cost, less any impairment (see Note 2.16).

For interests in jointly-controlled operations, the Company recognized in its 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 of the joint operations. The amounts of these related accounts are presented as part of the regular asset and liability accounts and income and expense accounts of the Company.

2.4 Financial Assets

Financial assets are recognized when the Company becomes a party to the contractual terms of the financial instrument. 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 (FVTPL) and financial assets at fair value through other comprehensive income (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 Company'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 Company's financial assets at amortized cost are presented in the statement of financial position as Cash and Cash Equivalents, Trade and Other Receivables, and Guarantee deposits [presented under Other Non-current Assets account (see Note 12)].

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.

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

The Company's 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 Company 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 Company for trading or as mandatorily required to be classified as FVTPL. The Company has designated all investments in equity instruments as at FVOCI on initial recognition.

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.

Any dividends earned on holding equity instruments are recognized in the statements of income as part of Interest and Other Income, when the Company's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Company, 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 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 Company designates an equity investment that is not held for trading as at FVOCI at initial recognition. The Company's financial assets at FVTPL include derivatives with positive fair value and are presented 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 in the statements of income unless the Company 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 statement of changes in equity.

Interest income on financial assets measured at amortized cost and debt financial assets measured at FVOCI is recognized using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The Company calculates interest income 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 and or are purchased or originated credit-impaired assets.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, the calculation of interest income reverts to gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis even if the credit risk of the asset subsequently improves.

Interest income earned is recognized in the statement of income as part of Interest and Other Income.

The Company can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Company 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 Company'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 Company assesses its expected credit loss (ECL) on a forward-looking basis associated with its financial assets carried at amortized cost. 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 Company applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance, for trade receivables and contract assets. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In applying this approach, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

The Company 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 Company's receivables if demanded at the reporting date taking into consideration the historical defaults of the related parties. If the Company 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 Company 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 Company'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:

- *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.

- *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 Company would expect to receive, including the realization of any collateral or effect of any credit enhancement.

- *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 Company recognizes an impairment loss in profit or loss for all financial instruments subjected to impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt instruments measured at FVOCI, for which the loss allowance is recognized 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.5 Derivative Financial Instruments and Hedge Accounting

The Company 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 Company 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.

2.6 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 Company; related property development costs; and borrowing costs on certain loans incurred during the development of the real estate properties are also capitalized by the Company (see Note 2.19). 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 Company recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known. Any impairment loss from a real estate project is charged to operations during the period in which the loss is determined.

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

2.7 Prepayments and Other Assets

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

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Company 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. Advances to contractors and suppliers pertain to advance payments made by the Company which are for purchase of construction service and materials.

2.8 Property and Equipment

Property and equipment are carried at acquisition or construction cost less subsequent depreciation, amortization and any impairment losses. As no finite useful life for land can be determined, related carrying 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 replacements are capitalized while expenditures for repairs and maintenance are charged to expenses as incurred.

Depreciation and amortization is computed on the straight-line basis over the estimated useful lives as follows:

Buildings and improvements	5-40 years
Right-of-use assets (office spaces)	3-10 years
Office improvements	5 years
Transportation equipment	5 years
Office furniture, fixtures and equipment	5 years

Right-of-use asset pertaining to a lease of a parcel of land is amortized over its lease term.

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 2.16).

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 profit or loss in the year the item is derecognized.

2.9 Investment Properties

Investment properties include properties and right-of-use assets 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. Right-of-use assets are amortized using the straight-line method over the lease term where the Company is the lessee.

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 2.16).

The residual values, estimated useful lives and method of depreciation of investment properties 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 an investment property is recognized in the statement of income in the year of retirement or disposal.

2.10 Financial Liabilities

Financial liabilities of the Company include interest-bearing loans and borrowings, bonds and notes payable, trade and other payables [except tax-related liabilities], derivative liabilities, subscription payable, commission payable, lease liabilities and advances from subsidiaries (see Note 16).

Financial liabilities are recognized when the Company becomes a party to the contractual terms of the instrument. All interest-related charges, except for capitalized borrowing costs, are recognized as expense in profit or loss under the caption Interest and Other Charges account in the statement of income.

Interest-bearing loans and borrowings and bonds and notes payable 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.

Trade and other payables, advances from subsidiaries and an associate, commission payable and lease liabilities are initially recognized at their fair value and subsequently measured at amortized cost using the effective interest method for those with 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.

Dividend distributions to shareholders, if any, are recognized as financial liabilities when the dividends are approved by the BOD.

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 Company 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.

All interest-related charges are recognized as expense in profit or loss under Interest and other charges – net account in statement of income.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Financial liabilities are also derecognized when its terms are modified and the cash flows of the modified liability are substantially difference, in which case a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in statement of income.

2.11 Offsetting Financial Instruments

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

2.12 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 financial statements. Similarly, probable inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company 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.

2.13 Revenue and Expense Recognition

Revenue comprises revenue from sale of real properties and leasing activities.

To determine whether to recognize revenue from sale of real properties, the Company 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:

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

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

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

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

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

The Company develops real properties such as residential condominium units, commercial lot, and residential lot. The Company often enters into contracts to sell real properties as they are being developed. The significant judgment used in determining the timing of satisfaction of the Company'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 cost recognized on cancelled accounts are reversed in the year of cancellation, and any gain or loss on cancellation is charged to profit or loss.

(a) Real estate sales on pre-completed real estate properties – Revenue from real estate sales is recognized over time proportionate to the progress of the development. The Company 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 section in the statement of income.

(b) Real estate sales on completed real estate properties – Revenue from real estate sales is recognized at a 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 section in the statement of 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 Company.

(c) *Sale of undeveloped land* – Revenues on sale of undeveloped land are recognized at a point in time when control over the undeveloped land is transferred to the buyer and the amount of revenue can be measured reliably.

(d) *Management fees* – Revenue is recognized over time in the same amount to which the entity has the right of invoice. Any amounts remaining unbilled at the end of the reporting period are presented in the statement of financial position as receivables as only the passage of time is required before payment of these amounts will be due.

(e) *Forfeited collections and deposits* – Revenue is recognized at a point in time in the year the contract was cancelled.

(f) *Rendering of services* – Revenue is recognized over time when the performance of service have been rendered. Revenue from rendering of services includes rental income, property management, and others. Recognition and measurement of rental income is disclosed in Note 2.14(b).

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. Other costs and expenses 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 (see Note 2.19).

Contract assets pertain to rights to consideration in exchange for goods or services that the Company has transferred to a customer that is conditioned on something other than passage of time. Under its contracts with customers, the Company 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 Company as it develops the property are presented as Contract Assets in the statement of financial position. Contract assets are subsequently tested for impairment in the same manner as the Company assesses impairment of its financial assets [see Note 2.4(b)].

Cost of real estate sales include the acquisition cost of the land, development costs incurred to date, applicable borrowings costs (see Note 2.19) 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 2.19).

Any consideration received by the Company in excess of the amount for which the Company is entitled is presented as Contract Liabilities in the statement of financial position. A contract liability is the Company's obligation to transfer goods or services to a customer for which the Company 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 statement of financial position.

2.14 Leases

The Company accounts for its leases as follows:

(a) Company as Lessee

For any new contracts entered, the Company 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 Company assesses whether the contract meets three key evaluations which are whether:

- 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 Company;

- the Company 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,

- the Company has the right to direct the use of the identified asset throughout the period of use. The Company 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 Company 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 Company, 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 Company 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 Company also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.16).

On the other hand, the Company 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 Company's incremental borrowing rate.

Lease payments include fixed payments (including in-substance fixed payments) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

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

On the statement of financial position, right-of-use assets are presented as part of Property and Equipment account when the underlying assets are owner-occupied and as part of Investment Properties accounts when the underlying assets are held for lease. Lease liabilities are presented as part of Other Liabilities.

(b) Company as Lessor

Leases wherein the Company 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 Company's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Company'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.

For sublease of right-of-use assets, the Company as intermediate lessor, classifies sublease by reference to the right-of-use assets arising from the head lease.

(c) Sale and Leaseback - Company as Seller-Lessee

On transactions where the Company transfers an asset to another entity and leases the asset back from the buyer-lessor, the Company determines whether the transfer is considered a sale.

If the transfer is considered a sale, the Company measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Company. Gains or losses are recognized only on the portion of the rights transferred to the buyer-lessor. Conversely, if the transfer is not considered a sale, the Company continues to recognize the transferred asset and recognizes a financial liability equal to the transfer proceeds.

The Company determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific or identified asset or assets and the arrangement conveys a right to use the asset for a period of time in exchange for consideration.

2.15 Foreign Currency Transactions and Translation

The accounting records of the Company 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 and Interest and Other Charges accounts in the statement of income.

2.16 Impairment of Non-financial Assets

The Company's investments in subsidiaries and associates, investment properties, property and equipment and other non-financial assets are subject to impairment testing 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 amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

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

2.17 Employee Benefits

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

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Company, 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 Company's post-employment defined benefit pension plans covers all regular full-time employees. The pension plans are tax-qualified, non-contributory and administered by trustees.

The liability recognized in the 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 a independent actuary using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using a discount rate derived from the interest rates of zero coupon government bonds as published by Bloomberg Valuation Services (BVAL), that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the 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 or Interest and Other Income accounts in the statement of income.

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

(b) Post-employment Defined Contribution Plans

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

(c) Termination Benefits

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

(d) Compensated Absences

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

(e) 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 statement of financial position.

2.18 Share-based Employee Remuneration

The Company grants share options to qualified employees of the Company 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, if any, is recognized as an expense in profit or loss and the 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.

Upon exercise of share options, 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).

2.19 Borrowing Costs

Borrowing costs, which consists of interest and other costs that the Company incurs in connection with borrowing of funds, 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.

2.20 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in 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 periods, 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 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 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 assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to cover 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 profit or loss, except to the extent that it relates to items recognized in 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 Company 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.

2.21 Related Party Relationships and Transactions

Related party transactions are transfers of resources, services or obligations between the Company and its 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 Company; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual; and, (d) the Company's funded post-employment plan.

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

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

All individual material related party transactions shall be approved by at least two-thirds (2/3) vote of the Company's BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least 2/3 of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of ten percent of the Group's total consolidated 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.

2.22 Equity

Capital stock represents the nominal value of shares that have been issued.

APIC includes any premiums received on the issuance of capital stock and share-based remuneration, if any. 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 re-acquiring such shares and are deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued, or disposed of.

Revaluation reserves consist of:

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

(b) Net fair value gains or losses recognized due to changes in fair values of financial assets at FVOCI; and,

(c) The effective portion of gains and losses on hedging instrument in a cash flow hedge.

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

2.23 Earnings per Share

Basic earnings per share (EPS) is computed by dividing net profit by the weighted average number of shares issued and outstanding, adjusted retrospectively for any share dividend declared, 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 26).

2.24 Events After the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the 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 Company's accounting policies, management has made the following judgments presented below and in the succeeding pages, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements.

(a) Determination of Lease Term of Contracts with Renewal 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 are only included in the lease term if the lease is reasonably certain to be extended.

The lease term is reassessed if an option is actually exercised or not exercised or the Company 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 Company.

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

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

(b) Evaluation of Timing of Satisfaction of Performance Obligations

(i) Real Estate Sales

The Company exercises significant 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 Company considers the following:

- any asset created or enhanced as the Company 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 Company's enforceable right for payment for performance completed to date.

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

(ii) Forfeited Collections and Deposits

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

(iii) Property Management Services

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

(c) Determination of ECL on Trade and Other Receivables

The Company 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 Company's historical observed default rates. The Company'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 Company has considered impact of COVID-19 pandemic and revised its assumptions in determining the macroeconomic variables and loss rates in the computation of ECL. Details about the ECL on the Company's trade and other receivables are disclosed in Note 29.3.

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

The Company determines whether a property should be classified as investment property or owner-occupied property. The Company 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 Company 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 of a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the Company's main line of business or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Company 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 Company'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 Company considers each property separately in making its judgment.

(e) 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 Company, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. The Company considers management's intention over these assets in making its judgment.

(f) Distinction Between Operating and Finance Leases (As a Lessor)

The Company 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 Company's lease agreements are classified as operating lease.

(g) Determination of Joint Control and Significant Influence

Judgment is exercised in determining whether the Company has joint control of an arrangement or significant influence over an entity. In assessing each interest over an entity, the Company considers voting rights, representation on the BOD or equivalent governing body of the investee, participation in policy-making process and all other facts and circumstances, including terms of any contractual agreement.

(h) Distinction Between Joint Operations and Joint Ventures

The Company has entered into various joint arrangements. Critical judgment was exercised by management to distinguish each joint arrangement as either joint operations or joint ventures by looking at the rights and obligations held by an entity in relation to the arrangement.

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

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

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

The rent concessions granted by the Company for the years ended December 31, 2022 and 2021 amounted to P1.0 billion and P2.1 billion, respectively.

(j) Presentation of Perpetual Debt Securities

The Company exercises judgment in classifying its perpetual debt securities as financial liabilities or equity instrument. In making its judgment, the Company considers the terms of the securities including any restrictions on the Company's ability to defer interest payments. Based on management's assessment, the perpetual debt securities are classified as equity securities as the Company has the ability to defer payments of principal and interest indefinitely (see Note 25.7).

(k) 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 2.12 and disclosures on relevant provisions and contingencies are presented in Note 28.

3.2 Key Sources of Estimation Uncertainty

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

(a) Revenue Recognition for Performance Obligation Satisfied Over Time

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

(b) 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. The carrying value of inventories is disclosed in Note 6.

(c) Fair Value of Share Options

The Company 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 25.6 which include, among other things, the option's time of expiration, applicable risk-free interest rate, expected dividend yield, volatility of the Company's share price and fair value of the Company's common shares. Changes in these factors can affect the fair value of share options at grant date.

The fair value of share options recognized as part of Salaries and employee benefits in 2022, 2021 and 2020 is presented in Note 22.2.

(d) Fair Value Measurement of Investment Properties

Investment properties are measured using the cost model. The Company determines the fair value of investment properties earning rental income through discounted cash flows valuation technique. The Company uses assumptions that are mainly based on market conditions existing at the end of 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 Company 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.

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 31.4.

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

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

An analysis of the movement of the carrying amount of Investment Properties, and Property and Equipment is presented in Notes 9 and 10, respectively.

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

The Company 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 Company utilized different valuation methods and assumptions. Any change in fair value of these financial assets would affect equity.

The carrying amounts of financial assets at FVOCI and the amounts of fair value changes recognized during the years on those assets are disclosed in Note 11.

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

The Company measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using the effective interest rate on the most recent loan. Since the date of the availment is near the initial date of application, management is satisfied that the selected rate reflects the risks specific to the Company.

(h) Determination of Realizable Amount of Deferred Tax Assets

The Company 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, 2022 and 2021 will be utilized in the succeeding years.

The carrying amount of the net deferred tax assets as at December 31, 2022 and 2021 is disclosed in Note 23.

(i) Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainties relates to assumptions about future operating results and the determination of suitable discount rate. Also, the Company's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.16. Though management believes that the assumptions used in the estimation of fair values reflected in the 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 Company's non-financial assets required to be recognized in 2022, 2021 and 2020 based on management's assessment.

(j) Valuation of Retirement Obligation

The determination of the Company'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 22.3.

4. CASH AND CASH EQUIVALENTS

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

	2022	2021
Cash on hand and in banks	**P 1,204,206,977**	1,787,399,646
Short-term placements	**8,530,881,630**	21,855,393,117
	P 9,735,088,607	P23,642,792,763

Cash in banks generally earn interest based on daily bank deposit rates. Short-term placements are made between 30 to 36 days at prevailing market rates and earn effective interest ranging from 2.70% to 5.75% in 2022, 0.05% to 1.50% in 2021, and 0.10% to 1.40% in 2020 (see Note 20).

5. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Notes	2022	2021
Current:			
Trade receivables	17.2, 24.1	**P 13,063,574,073**	P 12,920,466,601
Allowance for impairment		**(163,682,025)**	(177,878,884)
		12,899,892,048	12,742,587,717
Advances to subsidiaries, associates and other related parties	24.3	**20,342,621,360**	17,788,712,525
Commission receivable		**23,805,307**	183,805,307
Others	24.1	**853,467,419**	599,691,583
		34,119,786,134	31,314,797,132
Non-current:			
Trade receivables		**9,484,985,750**	3,620,338,397
Others	24.1	**4,161,588,706**	4,572,955,212
		13,646,574,456	8,193,293,609
		P 47,766,360,590	P 39,508,090,741

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

The installment period of sales contracts averages one to five years. Noninterest-bearing trade receivables with maturity of more than one year after the end of the reporting period are remeasured at amortized cost using the effective interest rate of similar financial instruments. Interest income recognized amounted to P352.6 million, P227.0 million and P177.2 million in 2022, 2021 and 2020, respectively. These amounts are presented as part of Interest income under Interest and Other Income account in the statements of income (see Note 20).

Based on 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.

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

A reconciliation of the allowance for impairment at the beginning and end of 2022 and 2021 is shown below:

	2022	2021
Balance at beginning of year	**P 177,878,884**	P 256,312,383
Reversal of impairment	**(14,196,859)**	(78,433,499)
Balance at end of year	**P 163,682,025**	P 177,878,884

Reversal of impairment is presented as part of Miscellaneous – net under Interest and Other Income in the statements of income (see Note 20).

6. INVENTORIES

Residential and condominium units for sale mainly pertain to the accumulated land costs, contracted services, borrowing costs and other development costs incurred in developing the Company's residential lots and condominium projects.

	2022	2021
Residential and condominium units	**P 46,894,081,233**	P39,566,378,525
Property development costs	**1,982,327,670**	4,511,290,367
Raw land inventory	**952,793,192**	963,037,447
	P 49,829,202,095	P45,040,706,339

Residential and condominium units mainly pertain to the accumulated costs incurred in developing the Company's residential lots and condominium projects which are already being sold to customers.

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 undeveloped parcels of land which will be converted, developed, and eventually sold to customers.

Borrowing costs capitalized as part of inventories amounted to P440.7 million, P387.7 million and P525.2 million in 2022, 2021 and 2020, respectively, which represent the interest costs incurred on the general and specific borrowings obtained by the Company to fund their construction projects (see Notes 13 and 14).

Based on management's assessment, no allowance for inventory write-down is required to be recognized in 2022, 2021, and 2020; hence, inventories are recorded at cost as at December 31, 2022 and 2021.

The details of cost of real estate sales is presented in Note 18.

7. ADVANCES TO LANDOWNERS AND JOINT OPERATORS

The Company 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 Company's co-operator shall contribute parcels of land and the Company shall be responsible for the planning, conceptualization, design, demolition of existing improvements, construction, financing, and marketing of condominium units to be constructed on the properties. In addition, there were no separate entities created by these joint arrangements. Costs incurred by the Company for these projects are recorded under Inventories accounts in the statements of financial position (see Note 2.6). The amounts of other related accounts are presented as part of the regular asset and liability accounts and income and expense accounts of the Company.

The Company also grants noninterest-bearing, secured cash advances to a number of landowners and joint operators under agreements they entered into with landowners covering the development of certain parcels of land. Under the terms of the arrangements, the Company, in addition to providing a 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 relocation of existing occupants.

The total amount of advances made by the Company less amounts liquidated is presented as Advances to Landowners and Joint Operators account in the statements of financial position.

As at December 31, 2022 and 2021, management has assessed that the advances to joint operators are fully recoverable. Further, there has been no outstanding commitment for cash advances under the joint arrangements.

The net commitment for construction expenditures amounts to:

	2022	2021
Total commitment for construction expenditures	**P36,899,063,013**	P25,657,041,117
Total expenditures incurred	**(21,777,054,623)**	(13,930,284,226)
Net commitment	**P 15,122,008,390**	P11,726,756,891

The Company's interests in jointly-controlled operations and projects range from 57% to 90% as at December 31, 2022 and 2021. The listing and description of the Company's jointly-controlled projects are as follows:

- McKinley West
- Manhattan Garden City
- Uptown Bonifacio
- Northill Gateway
- The Maple Grove
- Vion Tower
- Arden Botanical
- Arden West Park

The aggregate amounts of the current assets, long-term assets, current liabilities, long-term liabilities, income and expenses as at and for the years ended December 31, 2022 and 2021 related to the Company's interests in joint arrangements are not presented or disclosed in the financial statements as the joint arrangements in which the Company is involved are not joint ventures (see Note 2.3).

As at December 31, 2022 and 2021, the Company 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.

8. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

8.1 Breakdown of Carrying Values

The components of the carrying values of investments in subsidiaries and associates accounted for under the cost method, and the details of advances made to these related parties are as follows:

	2022	2021
Acquisition cost		
Subsidiaries:		
MREIT	**P 31,455,655,620**	P31,455,655,620
GERI	**17,443,486,094**	17,443,486,094
EELHI	**12,225,214,373**	12,225,214,373
MCTI	**5,255,523,864**	4,204,419,092
ECOC	**4,800,418,103**	4,800,418,103
TLC	**3,687,982,891**	3,687,982,891
MBPHI	**3,371,674,056**	3,371,674,056
API	**3,263,516,911**	3,263,516,911
MBPI	**2,725,999,990**	2,725,999,990
NWPI	**2,624,844,125**	1,054,740,215
LFI	**2,379,897,147**	2,379,897,147
PCMI	**2,000,000,250**	2,000,000,250
SMI	**1,243,583,747**	1,243,583,747
SPI	**1,151,108,062**	1,151,108,062
OPI	**876,898,000**	876,898,000
RHGI	**588,470,681**	588,470,681
DPDHI	**495,408,000**	495,408,000
MGAI	**486,720,000**	486,720,000
STLI	**413,219,434**	409,086,777
MLI	**255,383,968**	255,383,968
SVCI	**206,250,000**	206,250,000
MGLI	**125,000,000**	125,000,000
MOPHI	**125,000,000**	125,000,000
MDC	**103,217,740**	103,217,740
MCP	**100,000,000**	100,000,000
MFMI	**53,499,970**	53,499,970
SP	**48,710,769**	48,710,769
SLI	**46,011,568**	46,011,568
PPVI	**46,002,958**	46,002,958
MREI	**31,875,000**	31,875,000
MNPHI	**25,183,079**	25,183,079
MCPI	**15,937,500**	15,937,500
GOIBSI	**14,250,000**	14,250,000
LSPI	**12,500,000**	12,500,000
GOHGI	**10,000,000**	10,000,000
BNLHI	**10,000,000**	10,000,000
SCRGI	**7,500,000**	7,500,000
PHRI	**6,000,000**	6,000,000
MGEI	**5,000,000**	5,000,000
LGMI	**4,725,000**	4,725,000
ITMC	**3,500,000**	3,500,000
MCII	**2,655,994**	2,655,994
BHMI	**625,000**	-
SHMI	**625,000**	625,000
Balance carried forward	**P 97,749,074,894**	P 95,123,108,555

	2022	2021
Acquisition cost		
Subsidiaries:		
Balance carried forward	**P 97,749,074,894**	P 95,123,108,555
LGHLI	**625,000**	625,000
HLCI	**625,000**	625,000
SHM	**625,000**	625,000
KHMI	**625,000**	625,000
MPMI	**499,970**	499,970
ADVI	**62,500**	62,500
	97,752,137,364	95,126,171,025
Allowance for impairment	**(150,468,372)**	(150,468,372)
	97,601,668,992	94,975,702,653
Acquisition cost		
Associates:		
SUN	**2,619,800,008**	2,619,800,008
BWDC	**199,212,026**	199,212,026
PTHDC	**64,665,000**	64,665,000
	2,883,677,034	2,883,677,034
	P100,485,346,026	P 97,859,379,687

The shares of EELHI, GERI, MREIT and SUN are listed in the PSE.

The related book values of the Company's holdings in all other investment in subsidiaries and associates either exceed or approximate their carrying values; hence, management deemed that the recognition of impairment loss is not necessary.

8.2 Investment in MREIT

In February 2021, the Company obtained control over MREIT by subscribing to 12,400,000 shares of MREIT's authorized capital stock with a par value of P100 per share. Accordingly, the Company acquired 99.2% direct ownership of MREIT.

In April 2021, MREIT amended its by-laws and changed the par value of its shares from P100 to P1, effectively increasing the total number of shares held by the Company from 12,400,000 to 1,200,000,000, the cost of the investments remained the same.

Also in April 2021, the Company entered into a property-for-share swap transaction with MREIT in which the Company transferred, assigned and conveyed absolutely in favor of MREIT all of its rights, title and interests in certain real properties, free from liabilities and debts and free from all liens and encumbrances, in exchange for 1,282,120,381 common shares with a par value of P1 per share. In June 2021, the SEC approved the valuation of the property-for-share swap at a price of P49.2 billion thereby increasing the interest held by the Company to 99.6%. The Company recognized a gain on exchange representing the difference between the fair value and the carrying value of the property transferred. The gain is recorded as Gain on property-for-share swap under Interest and Other Income account in the 2021 statement of income (see Note 20).

In October 2021, the Company sold 949,837,500 shares of MREIT at P16.10 per share to the public through a secondary offering when MREIT's shares were listed on the main board of the PSE. The sale decreased the Company's ownership to 62.09% and the loss on sale amounting to P4.3 billion is presented as Loss on sale of investment in a subsidiary under Interest and Other Charges account in the 2021 statement of income (see Note 21).

8.3 Investment in MFMI and MPMI

MFMI and MPMI were incorporated as the fund manager and property manager, respectively, of MREIT as required by R.A. 9856. The Company holds 4,999,995 and 49,995 shares of MFMI and MPMI, respectively, each representing 100% ownership of the companies.

8.4 Investments in PCMI

In 2021, the Company acquired 968,932,750 shares of PCMI from AGI for a total price of P2.0 billion. The 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 16). The additional acquisition represents 25.83% direct ownership over PCMI. The Company exercises control over PCMI through EELHI who holds 32.69% direct ownership and exercises de facto control over PCMI.

8.5 Investments in STLI

In 2022, the Company acquired additional common shares of STLI representing 0.1% direct ownership over STLI. The shares were purchased by the Company in cash for a total consideration of P4.1 million.

8.6 Investments in MCTI and NWPI

In 2022, the Company paid the existing upaid subscription over MCTI and NWPI amounting to P1.1 billion and P1.6 billion, respectively. There were no changes in ownership interests which remain at 76.28% and 60%, respectively.

8.7 Investment in MDC

In 2021, the SEC approved the application of MDC for the decrease of its authorized capital stock. As a result, the Company received cash from MDC amounting to P213.0 million for the return of capital. The Company's ownership interest over MDC remained at 60%.

9. INVESTMENT PROPERTIES

The gross carrying amounts and accumulated depreciation of investment properties at the beginning and end of 2022 and 2021 are shown below.

	Land	Buildings	Right-of-use Assets	Total
December 31, 2022				
Cost	P 5,570,276,378	P 97,135,100,965	P 244,804,454	P102,950,181,797
Accumulated depreciation and amortization	-	(11,655,664,762)	(15,504,282)	(11,671,169,044)
Net carrying amount	**P 5,570,276,378**	**P 85,479,436,203**	**P 229,300,172**	**P 91,279,012,753**
December 31, 2021				
Cost	P 3,084,763,142	P 88,205,250,036	P 244,804,454	P 91,534,817,632
Accumulated depreciation and amortization	-	(9,666,263,583)	(5,712,104)	(9,671,975,687)
Net carrying amount	P 3,084,763,142	P 78,538,986,453	P 239,092,350	P 81,862,841,945
January 1, 2021				
Cost	P 2,905,507,426	P 96,726,377,097	P -	P 99,631,884,523
Accumulated depreciation and amortization	-	(11,881,641,539)	-	(11,881,641,539)
Net carrying amount	P 2,905,507,426	P 84,844,735,558	P -	P 87,750,242,984

A reconciliation of the carrying amounts at the beginning and end of 2022, 2021 and 2020 of investment properties is shown below.

	Land	Buildings	Right-of-use Assets	Total
Balance at January 1, 2022, net of accumulated depreciation and amortization	P 3,084,763,142	P 78,538,986,453	P 239,092,350	P 81,862,841,945
Additions	2,485,513,236	8,929,850,928	-	11,415,364,164
Depreciation and amortization	-	(1,989,401,178)	(9,792,178)	(1,999,193,356)
Balance at December 31, 2022, net of accumulated depreciation and amortization	**P 5,570,276,378**	**P 85,479,436,203**	**P 229,300,172**	**P 91,279,012,753**
Balance at January 1, 2021, net of accumulated depreciation and amortization	P 2,905,507,426	P 84,844,735,558	P -	P 87,750,242,984
Additions	179,255,716	6,742,820,220	244,804,454	7,166,880,390
Transfers and disposals	-	(10,856,631,675)	-	(10,856,631,675)
Depreciation and amortization	-	(2,191,937,650)	(5,712,104)	(2,197,649,754)
Balance at December 31, 2021, net of accumulated depreciation and amortization	P 3,084,763,142	P 78,538,986,453	P 239,092,350	P 81,862,841,945
Balance at January 1, 2020, net of accumulated depreciation and amortization	P 2,888,069,849	P 80,566,495,875	P -	P 83,454,565,724
Additions	17,437,577	6,365,232,937	-	6,382,670,514
Depreciation and amortization	-	(2,086,993,254)	-	(2,086,993,254)
Balance at December 31, 2020, net of accumulated depreciation and amortization	P 2,905,507,426	P 84,844,735,558	P -	P 87,750,242,984

In 2021, the Company entered into a property-for-share swap agreement with MREIT (see Note 8.4). The related gain on exchange from the foregoing transactions is presented as Gain on property-for-share swap under Interest and Other Income account in the 2021 statement of income (see Note 20). The carrying amount of investment properties transferred in exchange for equity shares of MREIT amounted to P9.2 billion with a fair value of P49.2 billion. In addition, the Company leased back a portion of the transferred properties resulting in recognition of right-of-use assets related to the right of use retained by the Company. As of December 31, 2022, the right-of-use assets were presented as part of Investment Properties and Property and Equipment amounting to P229.3 million and P504.0 million, respectively (see Notes 9 and 10). The right-of-use assets classified under investment properties pertains to a lease of hotel property which is being subleased for a short term lease to certain subsidiary of the Company (see Note 24.2).

Also in 2021, the Company sold properties with carrying amount of P1.6 billion to MREIT for a total cash consideration of P9.1 billion. The resulting gain on sale of P7.5 billion is presented as Gain on sale of investment properties under Interest and Other Income account in the 2021 statement of income (see Note 20).

Rental income earned from these properties amount to P10.3 billion, P9.9 billion and P10.7 billion in 2022, 2021 and 2020, respectively, and is shown as Rental Income in the statements of income.

The direct operating costs, exclusive of depreciation, incurred by the Company relating to investment properties that generated rental income in 2022, 2021, and 2020 amounted to P668.6 million, P560.6 million, and P559.4 million, respectively. The direct operating costs, which mostly pertain to real property taxes, of investment properties that did not generate rental income in 2022, 2021, 2020 amounted to P11.6 million, P15.1 million, and P16.9 million, respectively. The operating lease commitments of the Company as a lessor are fully disclosed in Note 28.1.

Borrowing costs that are capitalized as part of investment properties amounted to P1,383.3 million, P1,607.2 million and P1,846.7 million in 2022, 2021 and 2020, respectively, which represent the interest costs incurred on the general and specific borrowings obtained by the Company to fund its construction projects (see Notes 13 and 14).

Depreciation of investment properties is presented as part of Operating expenses account in the statements of income (see Note 19).

The fair market values of the properties that generated rental income in 2022 and 2021 are P367.8 billion and P382.8 billion as at December 31, 2022, and 2021, respectively. These were determined by calculating the present value of the cash inflows anticipated until the end of the useful lives of the investment properties using a discount rate that reflects the risks and uncertainty in cash flows. Other information about the fair value measurement and disclosures related to the investment properties are presented in Note 31.4.

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

There are no contractual commitments for the acquisition of investment properties as at December 31, 2022 and 2021.

10. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2022 and 2021 are shown below.

	Buildings and Improvements	Office Furniture, Fixtures and Equipment	Office Improvements	Transportation Equipment	Right-of-use Assets	Total
December 31, 2022						
Cost	P2,766,769,681	P1,044,036,573	P 25,030,619	P 207,022,956	P 622,018,855	P 4,664,878,684
Accumulated depreciation and amortization	(1,276,482,143)	(778,932,356)	(22,454,886)	(180,092,519)	(118,064,124)	(2,376.026.028)
Net carrying amount	**P1,490,287,538**	**P 265,104,217**	**P 2,575,733**	**P 26,930,437**	**P 503,954,731**	**P 2,288,852,656**
December 31, 2021						
Cost	P 2,657,325,429	P 941,295,607	P 25,030,619	P 205,870,810	P 348,301,098	P 4,177,823,563
Accumulated depreciation and amortization	(1,159,234,813)	(695,988,915)	(21,304,124)	(169,274,778)	(81,469,583)	(2,127,272,213)
Net carrying amount	P 1,498,090,616	P 245,306,692	P 3,726,495	P 36,596,032	P 266,831,515	P 2,050,551,350
January 1, 2021						
Cost	P 2,589,430,868	P 889,869,988	P 25,030,619	P 208,702,235	P 218,078,553	P 3,931,112,263
Accumulated depreciation and amortization	(1,010,344,108)	(615,999,292)	(19,651,092)	(156,027,438)	(47,702,434)	(1,849,724,364)
Net carrying amount	P 1,579,086,760	P 273,870,696	P 5,379,527	P 52,674,797	P 170,376,119	P 2,081,387,899

A reconciliation of the carrying amounts at the beginning and end of 2022, 2021, and 2020 of property and equipment is shown below.

	Buildings and Improvements	Office Furniture, Fixtures and Equipment	Office Improvements	Transportation Equipment	Right-of-use Assets	Total
Balance at January 1, 2022, net of accumulated depreciation and amortization	P 1,498,090,616	P 245,306,692	P 3,726,495	P 36,596,032	P 266,831,515	P2,050,551,350
Additions	109,444,252	103,218,646	-	8,215,538	296,360,583	517,239,019
Disposals	-	(153,150)	-	(195,223)	-	(348,373)
Depreciation and amortization	(117,247,330)	(83,267,971)	(1,150,762)	(17,685,910)	(59,237,367)	(278,589,340)
Balance at December 31, 2022, net of accumulated depreciation and amortization	**P 1,490,287,538**	**P 265,104,217**	**P 2,575,733**	**P 26,930,437**	**P 503,954,731**	**P2,288,852,656**
Balance at January 1, 2021, net of accumulated depreciation and amortization	P 1,579,086,760	P 273,870,696	P 5,379,527	P 52,674,797	P 170,376,119	P2,081,387,899
Additions	67,894,561	51,524,967	-	4,943,600	137,541,247	261,904,375
Disposals	-	(99,348)	-	(963,179)	-	(1,062,527)
Depreciation and amortization	(148,890,705)	(79,989,623)	(1,653,032)	(20,059,186)	(41,085,851)	(291,678,397)
Balance at December 31, 2021, net of accumulated depreciation and amortization	P 1,498,090,616	P 245,306,692	P 3,726,495	P 36,596,032	P 266,831,515	P2,050,551,350
Balance at January 1, 2020, net of accumulated depreciation and amortization	P 1,662,773,252	P 286,125,620	P 2,178,986	P 58,837,235	P 200,394,781	P2,210,309,874
Additions	64,829,141	67,555,471	5,427,137	16,806,251	-	154,618,000
Disposals	-	-	-	(282,739)	-	(282,739)
Depreciation and amortization	(148,515,633)	(79,810,395)	(2,226,596)	(22,685,950)	(30,018,662)	(283,257,236)
Balance at December 31, 2020, net of accumulated depreciation and amortization	P 1,579,086,760	P 273,870,696	P 5,379,527	P 52,674,797	P 170,376,119	P2,081,387,899

The table below describes the nature of the Company's leasing activities by type of right-of-use asset recognized as at December 31, 2022 and 2021 (including those which are presented as investment properties).

	Number of right-of-use assets leased	Range of remaining term	Average remaining lease term	Number of leases with extension options
2022				
Offices	9	1 – 9 years	4 years	9
Hotel	1	23 years	23 years	1
2021				
Offices	5	1 – 9 years	4 years	5
Hotel	1	24 years	24 years	1

The breakdown of the Company's right-of-use assets as at December 31, 2022 and 2021 (including those which are presented as investment properties) and the movements during the year are shown below.

	Offices	Commercial Lot	Hotel	Total
Balance at January 1, 2022	P 266,831,515	P -	P 239,092,350	P 505,923,865
Additions	296,360.583	-	-	296,360,583
Amortization	(59,237,367)	-	(9,792,178)	(69,029,545)
Balance at December 31, 2022	**P 503,954,731**	**P -**	**P 229,300,172**	**P 733,254,903**
Balance at January 1, 2021	P 166,912,703	P 3,463,416	P -	P 170,376,119
Additions	137,541,247	-	244,804,454	382,345,701
Amortization	(37,622,435)	(3,463,416)	(5,712,104)	(46,797,955)
Balance at December 31, 2021	P 266,831,515	P -	P 239,092,350	P 505,923,865

As of December 31, 2022 and 2021, outstanding lease liabilities in relation to the leases amounting to P1,691.1 million and P1,415.3 million, respectively, is presented under Other Current and Non-current Liabilities in the statements of financial position (see Note 16).

Depreciation and amortization of property and equipment is presented as part of Operating Expenses account in the statements of income (see Note 19).

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

There are no contractual commitments for the acquisition of property and equipment as at December 31, 2022 and 2021.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

	Note	**2022**	2021
Equity securities:			
Quoted		**P 419,710,620**	P 416,183,640
Unquoted		**1,315,020,256**	1,623,525,942
	30.1	**P 1,734,730,876**	P 2,039,709,582

The Company's securities are investments from local entities.

A reconciliation of the investments in financial instruments at beginning and end of 2022 and 2021 is shown below.

	Note	**2022**	2021
Balance at beginning of year		**P 2,039,709,582**	P 1,387,899,975
Additions		**-**	238,089,877
Fair value gains (losses)	25.8	**(304,978,706)**	413,719,730
Balance at end of year		**P 1,734,730,876**	P2,039,709,582

In 2022 and 2021, the Company received cash dividends from its investment securities amounting to P6.7 million and P1.5 million, respectively. The amount of dividend received is presented as part of Dividend income under Interest and Other Income account in the statements of income (see Note 20). There was no similar transaction in 2020.

12. OTHER ASSETS

The Company's other assets consist of the following:

	Notes	2022	2021
Prepayment and other current assets:			
Input VAT		**P 1,711,920,048**	P 1,889,568,710
Prepaid expenses		**1,137,467,360**	1,602,099,863
Deferred commission	17.3, 24.2	**520,227,583**	493,536,075
Derivative asset	27	**197,431,085**	-
Others		**5,517,163**	10,387,924
		3,572,563,239	3,995,592,572
Other non-current assets:			
Guarantee deposits		**707,913,319**	729,892,030
Deferred commission	17.3, 24.2	**266,039,560**	274,878,212
Others		**38,197,305**	28,691,281
		1,012,150,184	1,033,461,523
		P 4,584,713,423	P 5,029,054,095

Prepaid expenses include, among others, creditable withholding tax, advanced payments for insurance, rent, association dues, taxes and advertisements.

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

Other non-current assets include rental deposits and miscellaneous deposits.

13. INTEREST-BEARING LOANS AND BORROWINGS

The details of interest-bearing loans and borrowings are discussed below and in the succeeding pages.

	2022	2021
Philippine Peso	**P 31,382,744,043**	P 28,909,550,458
U.S. Dollar	**2,341,894,585**	4,580,587,013
	P 33,724,638,628	P 33,490,137,471

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

	2022	2021
Current	**P 9,747,436,493**	P 9,955,540,202
Non-current	**23,977,202,135**	23,534,597,269
	P 33,724,638,628	P 33,490,137,471

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

In March 2015, the Company signed a financing deal with a local bank in which the Company may avail of a P10.0 billion unsecured loan, divided equally into two tranches which the Company fully availed in 2015.

The proceeds of the loan were used to fund the development of the Company's various real estate projects and retire currently maturing obligations. The loan is payable quarterly for a term of seven years. The principal repayments of 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. There was no outstanding balance for the loan as of December 31, 2022.

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

In December 2017, the 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 commenced in March 2019 and a floating interest is paid quarterly based on a 3-month 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 27). There was no outstanding balance for the loan as of December 31, 2022.

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

In November 2015, the Company obtained an unsecured long-term loan from a local bank amounting to P5.0 billion. The loan is payable 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. There was no outstanding balance for the loan as of December 31, 2022.

(d) Philippine Peso, five-year loan due 2023

In December 2018, the 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 commenced in March 2021 and interest is paid quarterly based on a fixed 7.85% annual interest rate which was further negotiated to 6.3% effective September 4, 2020.

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

In September 2019, the Company obtained an unsecured long-term loan from a local bank amounting to U.S. $95.62 million. The loan is payable quarterly for a term of five years with a grace period of one year upon availment. The principal repayment on the loan commenced in December 2020 and a floating interest is paid quarterly based on a 3-month 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 27).

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

In December 2019, the 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. The interest rate is subject for review beginning on the 4th year.

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

In March 2020, the 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 commenced in June 2022 and a floating interest is paid quarterly based on a 5-day average reference rate plus a certain spread.

(h) *Philippine Peso, five-year loan due 2026*

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

(i) *Philippine Peso, five-year loan due 2026*

In May 2021, the 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.

(j) *Philippine Peso, five-year loan due 2026*

In August 2021, the 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.

(k) *Philippine Peso, five year loan due 2027*

In September 2022, the Company obtained an unsecured P10.0 billion loan from a local bank. Principal is payable in quarterly installments at the end of the 5th quarter from the drawdown date. The loan is payable quarterly beginning December 2023. The interest is payable quarterly at a floating rate.

The Company is required to maintain certain financial ratios to comply with its debt covenants with local banks. These include maintaining a minimum debt to equity ratio, current ratio and debt service coverage ratio.

The total interest costs attributable to these loans amounted to P1,325.0 million, P1,458.8 million and P1,987.4 million in 2022, 2021 and 2020, respectively. Of these amounts, portion charged as expense is presented as part of Interest expense under Interest and Other Charges account in the statements of income (see Note 21). The outstanding interest payable as at December 31, 2022 and 2021 is presented as part of Accrued interest payable under Trade and Other Payables account in the statements of financial position (see Note 15). Interest capitalized in 2022, 2021 and 2020 amounted to P983.9 million, P1,195.5 million and P1,790.8 million, respectively. Capitalization rate used in determining the amount of interest charges qualified for capitalization is 3.79%, 4.91%, and 5.27% in 2022, 2021 and 2020, respectively.

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

	2022	2021	2020
Balance at beginning of year	**P 151,754,133**	P 106,676,331	P 136,794,038
Additions	**75,000,000**	120,000,000	37,500,000
Amortization	**(73,429,132)**	(74,922,198)	(67,617,707)
Balance at end of year	**P 153,325,001**	P 151,754,133	P 106,676,331

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

14. BONDS AND NOTES PAYABLE

The details of bonds and notes payable with maturities of more than one year are discussed below and in the succeeding page.

	2022	2021
Philippine Peso	**P 11,989,962,729**	P 11,981,932,912
U.S. Dollar	**33,249,112,781**	30,000,109,334
	P 45,239,075,510	P 41,982,042,246

The current and non-current classification of the Company's Bonds and Notes Payable is shown below.

	2022	2021
Current	**P 14,026,453,110**	P -
Non-current	**31,212,622,400**	41,982,042,246
	P 45,239,075,510	P 41,982,042,246

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

On April 17, 2013, the Company issued ten-year term bonds totalling 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 Company for general corporate purposes. The bonds are listed in the Singapore Exchange Securities Trading Limited (SGX-ST).

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

On March 28, 2017, the Company issued seven-year term bonds totalling P12.0 billion. The bonds carry 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 in the Philippine Dealing & Exchange Corp.

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

On July 30, 2020, the Company issued seven-year senior unsecured notes totalling 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 July 30, 2027. The notes are listed in the SGX-ST.

The Company is required to maintain certain financial ratios to comply with its debt covenants on its bonds. These include maintaining a minimum debt to equity ratio, current ratio and debt service coverage ratio. As of the date of approval of financial statements, the 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 P2,139.4 million, P1,983.9 million and P1,496.5 million in 2022, 2021 and 2020, respectively. Of these amounts, portion charged as expense is presented as part of Interest expense under Interest and Other Charges account in the statements of income (see Note 21). The outstanding interest payable as at December 31, 2022 and 2021 is presented as part of Accrued interest payable under Trade and Other Payables account in the statements of financial position (see Note 15). Unrealized foreign currency losses in relation to these foreign bonds are presented as part of Foreign currency losses – net under Interest and Other Charges account in the statement of income (see Note 21).

Interest capitalized amounted to P840.2 million and P799.4 million in 2022 and 2021, respectively. Capitalization rate used in determining the amount of interest charges qualified for capitalization is 3.89% in 2022 and 3.87% in 2021.

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

	2022	2021	2020
Balance at beginning of year	**P 457,320,770**	P 538,744,014	P 48,903,571
Additions	**-**	-	533,014,807
Amortization	**(89,717,567)**	(81,423,244)	(43,174,364)
Balance at end of year	**P 367,603,203**	P 457,320,770	P 538,744,014

The amortization of bonds and notes issue costs is recognized as part of Interest expense under Interest and Other Charges account in the statements of income (see Note 21).

15. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	**2022**	2021
Trade payables		**P 3,225,361,551**	P 3,297,930,098
Retention payable		**2,614,440,523**	2,429,928,098
Refund liability		**1,010,881,978**	1,242,192,106
Accrued interest payable	13, 14	**759,585,818**	660,034,420
Others		**17,632,343**	31,920,647
		P 7,627,902,213	P 7,662,005,369

Trade payables mainly represent obligations to contractors for the development of the Company's projects.

Retention payable pertains to amount 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 remitted back to the contractors. The non-current portion of Retention payable is presented under Other Non-Current Liabilities in the statements of financial position (see Note 16).

Refund liability pertains to amounts payable to customers due to sales cancellation in respect of installment sales contracts as covered by R.A. No. 6552, *Realty Installment Buyer Protection Act,* otherwise known as the Maceda Law. Refer to losses on back-out sales in Note 21.

Others consist primarily of withholding taxes payable and accrual of salaries and wages.

16. OTHER LIABILITIES

This account consists of:

	Notes	2022	2021
Current:			
Deferred rental income		**P 2,457,743,453**	P 2,082,820,803
Commission payable	24.2	**1,171,173,031**	1,118,680,184
Subscription payable	8.4	**1,114,665,008**	1,114,665,008
Lease liabilities	10, 24.2	**181,046,439**	77,188,103
Derivative liabilities	27	**-**	147,793,407
Others	8.6	**-**	1,000,000,250
		4,924,627,931	5,541,147,755
Non-current:			
Deferred rental income	24.1	**2,514,942,282**	3,167,551,538
Retention payable	15	**1,492,746,257**	1,549,726,536
Lease liabilities	10, 24.2	**1,510,025,531**	1,338,107,172
		5,517,714,070	6,055,385,246
		P 10,442,342,001	P11,596,533,001

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.

Total cash outflows relating to lease liabilities for the years ended December 31, 2022 and 2021 are as follows:

	Notes	2022	2021
Principal of lease liabilities		**P 35,619,262**	P 137,980,170
Interest of lease liabilities	21	**81,816,147**	49,180,148
	33	**P 117,435,409**	P 187,160,318

The maturity analysis of lease liabilities as at December 31, 2022 and 2021 is as follows:

	Lease Payment	Finance Charges	Net Present Value
2022			
Within one year	P 263,597,630	(P 82,551,191)	P 181,046,439
After one year but not more than two years	209,604,005	(75,931,118)	133,672,887
After two years but not more than three years	210,367,047	(68,926,565)	141,440,482
After three years but not more than four years	218,379,071	(61,358,065)	157,021,006
After four years but not more than five years	219,578,787	(53,263,582)	166,315,205
More than five years	1,199,810,380	(288,234,429)	911,575,951
	P 2,321,336,920	**(P 630,264,950)**	**P 1,691,071,970**

	Lease Payment	Finance Charges	Net Present Value
2021			
Within one year	P 152,315,748	(P 75,127,645)	P 77,188,103
After one year but not more than two years	158,516,417	(70,563,473)	87,952,944
After two years but not more than three years	163,622,238	(65,669,111)	97,953,127
After three years but not more than four years	168,983,350	(60,239,185)	108,744,165
After four years but not more than five years	175,224,895	(54,217,868)	121,007,027
More than five years	1,250,881,948	(328,432,039)	922,449,909
	P 2,069,544,596	(P 654,249,321)	P 1,415,295,275

The Company has elected not to recognize a lease liability for short-term leases. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.

In 2022, 2021 and 2020, the expenses relating short term leases amounted to P64.2 million, P40.1 million and P53.7 million, respectively, and is presented as Rent under Operating Expenses under Cost and Expenses in the statements of income (see Note 19).

17. REAL ESTATE SALES

17.1 Real Estate Sales

The Company derives its revenues from contracts with customers through sale of real properties. The breakdown of revenue from real estate sales as reported in the statements of income is as follows:

	2022	2021	2020
Types of products:			
Residential and office development	**P 16,210,016,493**	P 15,989,503,383	P 7,171,677,105
Lots only	**1,249,107,697**	945,366,662	613,019,708
	P 17,459,124,190	P 16,934,870,045	P 7,784,696,813

17.2 Contract Accounts

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

	2022	2021
Current	**P 4,818,064,482**	P 5,313,790,405
Non-current	**2,308,718,513**	3,937,673,174
	P 7,126,782,995	P 9,251,463,579

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

	2022	2021
Current	**P 1,006,157,006**	P 1,008,768,310
Non-current	**1,811,447,741**	1,313,286,542
	P 2,817,604,747	P 2,322,054,852

The significant changes in the contract assets and contract liabilities balances for 2022 and 2021 are as follows:

	2022		2021	
	Contract Assets	**Contract Liabilities**	Contract Assets	Contract Liabilities
Balance at beginning of year	**P 9,251,463,579**	**P 2,322,054,852**	P 7,036,420,774	P 2,131,262,008
Transfers from contract assets recognized at the beginning of year to accounts receivables	**(6,724,447,141)**	**-**	(645,534,737)	-
Increase due to satisfaction of performance obligation over time, net of cash collection	**4,599,766,557**	**-**	2,860,577,542	-
Revenue recognized that was included in contract liability at the beginning of year	**-**	**(1,496,317,303)**	-	(1,704,160,445)
Increase due to cash received in excess of performance to date	**-**	**1,991,867,198**	-	1,894,953,289
Balance at end of year	**P 7,126,782,995**	**P 2,817,604,747**	P 9,251,463,579	P 2,322,054,852

The outstanding balance of trade receivables arising from real estate sales, presented as part of Trade receivables, amounted to P13.7 billion and P11.0 billion as of December 31, 2022 and 2021, respectively (see Note 5).

17.3 Direct Contract Cost

The Company incurs sales commissions upon execution of contracts to sell real properties to customers. Incremental costs of commission incurred to obtain contracts are capitalized and presented as Deferred commission presented under Prepayments and Other Current Assets, and Other Non-current Assets accounts in the statements of financial position (see Note 12). These are amortized over the expected construction period on the same basis as how the Company measures progress towards complete satisfaction of its performance obligation in its contracts. The total amount of amortization for 2022, 2021 and 2020 is presented as part of Commission under Operating Expenses (see Note 19).

The movement in balances of deferred commission in 2022 and 2021 is presented below (see Note 12):

	2022	2021
Balance at beginning of year	**P 768,414,287**	P 666,263,574
Additional capitalized cost	**803,584,256**	866,280,773
Amortization for the year	**(466,001,597)**	(749,943,020)
Reversal due to back-out	**(319,729,803)**	(14,187,040)
Balance at end of year	**P 786,267,143**	P 768,414,287

17.4 Transaction Price Allocated to Unsatisfied Performance Obligations

The aggregate amount of transaction price allocated to partially or wholly unsatisfied contracts as of December 31, 2022 and 2021 amounted to P18.6 billion and P18.2 billion, respectively, which the Company expects to recognize as revenue in the following manner:

	2022	2021
Within a year	**P 9,610,149,253**	P10,161,755,104
More than one year to three years	**8,215,113,163**	7,319,345,164
More than three years to five years	**785,051,349**	750,474,375
	P18,610,313,765	P18,231,574,643

18. COST OF REAL ESTATE SALES

The nature of the cost of real estate sales are as follows:

	2022	2021	2020
Contracted services	**P 7,061,139,977**	P 7,299,889,422	P 3,565,635,455
Land cost	**900,033,108**	903,571,709	341,956,898
Borrowing cost	**252,678,021**	314,014,996	105,961,784
	P 8,213,851,106	P 8,517,476,127	P 4,013,554,137

19. OPERATING EXPENSES

Presented below are the details of this account.

	Notes	**2022**	2021	2020
Depreciation and amortization	9, 10	**P 2,277,782,696**	P 2,489,328,151	P 2,370,250,490
Professional fees and outside services		**1,265,065,977**	1,034,155,042	1,028,345,078
Salaries and employee benefits	22.1	**948,186,698**	832,655,646	773,379,242
Commission	17.3, 24.2	**844,822,618**	769,469,109	428,022,382
Taxes and licenses		**513,495,809**	631,209,344	662,368,664
Association dues		**225,679,548**	184,450,806	168,745,451
Utilities		**104,430,635**	82,757,415	63,900,206
Donation		**100,524,798**	149,571,975	252,789,710
Rent	16, 28.2	**64,264,762**	40,085,612	53,735,753
Advertising and promotions		**54,141,434**	68,801,666	97,680,014
Transportation		**23,400,245**	11,672,364	12,750,316
Miscellaneous		**150,651,512**	189,634,184	163,683,375
		P 6,572,446,732	P 6,483,791,314	P 6,075,650,681

20. INTEREST AND OTHER INCOME

Presented below are the details of this account.

	Notes	**2022**	2021	2020
Dividend income	11, 24.7	**P 2,063,883,332**	P 737,725,598	P 283,528,554
Interest income	4, 5, 24.1 24.3	**1,934,353,377**	1,455,207,501	1,386,104,496
Commission income		**83,050,191**	155,656,412	90,982,519
Foreign currency gains – net	14	**-**	-	801,321,419
Gain on property-for-share swap	8.4, 9	**-**	38,979,440,909	-
Gain on sale of investment properties	9	**-**	7,476,081,969	-
Miscellaneous – net	5	**766,801,934**	956,378,567	549,105,602
		P 4,848,088,834	P 49,760,490,956	P 3,111,042,590

Substantial portion of dividend income earned came from the Company's subsidiaries. Miscellaneous income is mainly composed of management fees earned by the Company.

21. INTEREST AND OTHER CHARGES

Presented below are the details of this account.

	Notes	2022	2021	2020
Interest expense	13, 14, 16, 22.3	**P 1,936,319,470**	P 1,844,475,526	P 1,472,113,598
Foreign currency losses – net	14	**1,792,398,061**	1,291,071,519	-
Impairment and other losses	5	**639,058,463**	545,593,904	595,995,328
Day-one loss on trade receivables		**436,019,884**	418,621,609	94,851,365
Loss on sale of investment in a subsidiary	8.4	**-**	4,279,437,568	-
Miscellaneous – net		**323,076**	1,225,627	592,955
		P 4,804,118,954	P 8,380,425,753	P 2,163,553,246

Impairment and other losses include net losses from backout sales and impairment losses on trade receivables.

22. EMPLOYEE BENEFITS

22.1 Salaries and Employee Benefits

Expenses recognized for salaries and employee benefits are presented below (see Note 19).

	2022	2021	2020
Short-term benefits	**P 906,901,107**	P 786,422,362	P 749,029,336
Post-employment benefits	**24,913,180**	36,028,952	2,967,992
Employee share options	**16,372,411**	10,204,332	21,381,914
	P 948,186,698	P 832,655,646	P 773,379,242

22.2 Employee Share Option Plan (ESOP)

Share option benefits expense, included as part of Salaries and employee benefits under Operating Expenses account in the statements of income amounted to P16.4 million, P10.2 million and P21.4 million in 2022, 2021 and 2020, respectively (see Note 22.1) while the corresponding credit to Retained Earnings of the same amounts are presented under the Equity section in the statements of financial position (see Note 25.6).

22.3 Post-employment Defined Benefit Plan

(a) Characteristics of Defined Benefit Plan

The Company maintains a funded, tax-qualified, noncontributory post-employment benefit plan that is being administered by a trustee bank. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of 5 years of credited service. Normal retirement benefit is equal to a percentage of the employee's final monthly salary for every year of service, but shall not be less than the regulatory benefit under R.A. No. 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 report obtained from an independent actuary in 2022 and 2021.

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

	2022	2021
Present value of the obligation	**P 267,366,109**	P 365,261,574
Fair value of plan assets	**(226,869,437)**	(215,220,598)
Net defined benefit liability	**P 40,496,672**	P 150,040,976

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

	2022	2021
Balance at beginning of year	**P 365,261,574**	P 577,457,216
Current service costs	**24,913,180**	36,028,952
Interest costs	**18,299,605**	20,672,968
Remeasurements –		
Actuarial gains		
arising from changes in:		
Financial assumptions	**(87,155,951)**	(76,157,457)
Experience adjustments	**(49,594,657)**	(154,345,941)
Benefits paid	**(4,357,642)**	(38,394,164)
Balance at end of year	**P 267,366,109**	P 365,261,574

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

	2022	2021
Balance at beginning of year	**P 215,220,598**	P 218,187,460
Benefits paid	**(4,357,642)**	(38,394,164)
Contributions paid into the plan	**24,000,000**	24,000,000
Interest income	**10,782,552**	7,811,111
Return (loss) on plan assets (excluding amount included in net interest cost)	**(18,776,071)**	3,616,191
Balance at end of year	**P 226,869,437**	P 215,220,598

The fair value of plan assets is composed of the following (in millions):

	2022	2021
Cash and cash equivalents	**P 65.3**	P 17.1
Investment in marketable securities		
Debt securities	**125.6**	147.3
Equity securities	**36.0**	50.8
	P 226.9	P 215.2

Debt securities pertain to corporate and government securities while equity securities consist of investments in publicly listed corporations.

As of December 31, 2022 and 2021, the funds include investments in securities of the Company (see Note 24).

The carrying amount and fair value of investments in debt securities of the Company as of December 31, 2022 amounted to P99.1 million and P98.7 million, respectively, while the carrying amount and fair value as of December 31, 2021 amounted to P101.4 million and P101.4 million, respectively. Unrealized fair value losses on these securities as of December 31, 2022 amounted to P0.3 million.

The carrying amount and fair value of investments in equity securities of the Company as of December 31, 2022 amounted to P40.0 million and P36.0 million, respectively, while the carrying amount and fair value as of December 31, 2021 amounted to P48.9 million and P36.0 million, respectively. Unrealized fair value losses on these securities as of December 31, 2022 and December 31, 2021 amounted to P4.0 million and P 13.0 million, respectively.

The contributions to the retirement plan are made annually by the Company. The amount of contributions to the retirement plan is determined based on the expected benefit payments that the Company will incur within five years.

Actual loss on plan assets was P8.0 million in 2022, while actual return was P11.4 million and P4.6 million in 2021 and 2020, respectively.

The components of amounts recognized in profit or loss in respect of the post-employment defined benefit plan are as follows:

	Notes	**2022**	2021	2020
Reported in statements of income:				
Current service costs	22.1	**P 24,913,180**	P 36,028,952	P 78,629,360
Net interest costs	21	**7,517,053**	12,861,857	35,020,860
Past service costs	22.1	**-**	-	(75,661,368)
		P 32,430,233	P 48,890,809	P 37,988,852

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

	2022	2021	2020
Reported in statements of comprehensive income (loss):			
Actuarial gains (losses) arising from changes in:			
Financial assumptions	**P 87,155,951**	P 76,157,457	P 271,931,172
Experience adjustments	**49,594,657**	154,345,941	76,629,953
Return (loss) on plan assets (excluding amounts included in net interest cost)	**(18,776,071)**	3,616,191	(5,809,412)
	P 117,974,537	P 234,119,589	P 342,751,713

Current and past service costs are presented as part of Salaries and employee benefits under Operating Expenses account in the statements of income (see Note 19). The net interest cost is presented as part of Interest expense under Interest and Other Charges account in the statements of income (see Note 21).

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

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

	2022	2021	2020
Discount rates	**7.18%**	5.01%	3.58%
Expected rate of salary increases	**1.00%**	1.00%	1.00%

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 16 years for both males and females. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risk Associated with the Retirement Plan

The plan exposes the Company 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 defined benefit obligation 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 Company's long-term strategy to manage the plan efficiently.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during 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 Company's asset-liability matching strategies, and the timing and uncertainty of future cash flows related to the retirement plan are as follows:

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined post-employment benefit obligation as at:

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2022			
Discount rate	0.50%	(P 17,238,940)	P 15,830,305
Salary increase rate	1.00%	36,559,834	(31,221,543)
December 31, 2021			
Discount rate	0.50%	(P 22,335,814)	P 24,409,846
Salary increase rate	1.00%	50,763,787	(43,193,199)

The sensitivity analysis above is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the 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 Company, through its BOD, envisions that the investment positions shall be managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This aims to match the plan assets to the retirement obligations by investing in debt securities and maintaining cash and cash equivalents that match the benefit payments as they fall due and in the appropriate currency.

(iii) Funding Arrangements and Expected Contributions

The Company's objective is to maintain a level of funding sufficient to cover the projected retirement benefit obligation. While there is no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk in about 17 years' time when a significant number of employees is expected to retire.

The Company expects to make contributions of P24.0 million to the plan during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan as at December 31 are as follows:

	2022	2021
Within one year	**P 8,100,466**	P -
More than one year to five years	**65,130,103**	65,634,303
More than five years to 10 years	**169,587,354**	235,930,224
More than 10 years to 15 years	**319,760,493**	311,526,420
More than 15 years to 20 years	**398,030,750**	416,458,791
More than 20 years	**1,428,288,604**	1,209,721,927
	P 2,388,897,770	P 2,239,271,665

The weighted average duration of the defined benefit obligation at the end of the reporting period is 17 years.

23. TAXES

23.1 Current and Deferred Tax

On March 26, 2021, 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 Company:

- regular corporate income tax (RCIT) rate was reduced from 30% to 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.

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

	2022	2021	2020
Reported in statements of income:			
Current tax expense:			
RCIT at 25% and 30%	**P 1,943,630,920**	P 454,825,697	P 1,478,108,706
Final tax at 20% and 15%	**36,985,310**	21,246,877	34,118,984
	1,980,616,230	476,072,574	1,512,227,690
Adjustment in 2020 income taxes due to change in income tax rate	**-**	(127,016,343)	-
	1,980,616,230	349,056,231	1,512,227,690
Deferred tax expense relating to:			
Origination and reversal of temporary differences	**230,137,883**	1,099,377,298	207,684,368
Effect of change in income tax rate	**-**	(1,077,904,629)	-
	230,137,883	21,472,669	207,684,368
	P 2,210,754,113	P 370,528,900	P 1,719,912,058
Reported in statements of comprehensive income:			
Deferred tax expense relating to origination and reversal of temporary difference	**P 29,493,634**	P 58,529,897	P 102,825,514
Effect of change in income tax rate	**-**	(12,999,059)	-
	P 29,493,634	P 45,530,838	P 102,825,514

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

	2022	2021	2020
Tax on pretax profit at 25% and 30%	**P 3,258,968,692**	P 13,303,673,827	P 2,795,256,888
Adjustment for income subjected to lower income tax rates	**(14,004,939)**	(5,701,437)	(30,338,936)
Effect of change in income tax rate	**-**	(1,204,920,972)	-
Tax effects of:			
Non-taxable income	**(683,876,591)**	(174,579,605)	(943,871,695)
Dividend income	**(515,970,833)**	(184,431,400)	(85,058,566)
Non-deductible interest expense	**10,198,050**	-	-
Non-taxable gain on property-for-share swap	**-**	(11,613,880,720)	-
Taxable gain on redemption of perpetual capital securities	**-**	121,064,359	-
Deductible interest on perpetual bonds	**-**	(61,146,254)	(160,577,588)
Other non-deductible expenses	**155,439,734**	190,451,102	144,501,955
	P 2,210,754,113	P 370,528,900	P 1,719,912,058

The net deferred tax liabilities as at December 31 relate to the following:

	2022	2021
Capitalized interest	**P 3,991,178,608**	P 3,622,138,570
Uncollected gross profit from real estate sales	**2,864,226,147**	2,735,803,792
Unrealized foreign currency losses	**(1,533,953,600)**	(718,895,269)
Difference between tax reporting base and financial reporting base of rental income	**948,395,942**	904,141,754
Bond issuance cost	**124,819,699**	140,644,041
Deferred commission	**59,098,463**	(56,840,368)
Share options	**(54,993,884)**	(51,158,702)
Allowance for ECL	**(40,920,506)**	(44,469,721)
Difference between tax reporting base and financial reporting base of rent expense	**(24,382,467)**	(22,083,952)
Retirement benefit obligation	**(20,699,168)**	(50,535,244)
Uncollected commission	**-**	40,000,000
	P 6,312,769,234	P 6,498,744,901

Deferred tax expense (income) in relation to retirement benefit obligation recognized in other comprehensive income amounted to P20.7 million, P45.5 million and P102.8 million in 2022, 2021 and 2020, respectively.

The Company is subject to the MCIT which is computed at 1% to 2% of gross income net of allowable deductions, as defined under the tax regulations, or to RCIT, whichever is higher.

No MCIT was reported in 2022, 2021 and 2020 since the RCIT was higher than MCIT in those years. In 2022, 2021 and 2020, the Company opted to continue claiming itemized deductions in computing for its income tax due.

23.2 Supplementary Information Required by the Bureau of Internal Revenue

The BIR issued Revenue Regulations (RR) 15-2010 which require certain information to be disclosed as part of the notes to financial statements. The Company, however, decided to present this tax information required by the BIR in a supplementary schedule filed separately from the basic financial statements.

24. RELATED PARTY TRANSACTIONS

The Company's related parties include its parent company, subsidiaries, associates, other related parties under common ownership, the Company's key management personnel, its funded post-employment benefit plan and others as described below and in the succeeding pages.

The summary of the Company's transactions with its related parties as of and for the years ended December 31, 2022, 2021 and 2020 are as follows:

Related Party		Amount of Transaction			Outstanding Balance	
Category	Notes	**2022**	2021	2020	**2022**	2021
Parent Company:						
Dividends declared	24.8	**(P 887,481,897)**	(P 609,361,023)	(P 535,472,192)	**P -**	P -
Dividend income	24.7	**6,701,262**	1,545,290	-	**-**	-
Acquisition of PCMI shares	8.4	**-**	2,000,000,250	-	**-**	(1,000,000,250)
Subsidiaries:						
Granting of advances	24.3	**2,540,747,237**	2,677,737,160	(1,143,126,114)	**18,824,721,313**	16,283,974,075
Dividend income	24.7	**2,057,182,070**	736,180,308	283,528,554	**-**	-
Interest income	24.3	**1,022,867,564**	954,855,173	696,162,770	**-**	-
Obtaining services	24.2	**952,157,277**	659,576,481	400,568,232	**528,539,947**	(269,747,975)
Rendering of services	24.1	**690,072,753**	668,258,782	489,974,547	**26,788,928**	99,151,445
Availment of advances	24.4	**159,220,862**	4,412,686,710	4,543,891,031	**(5,287,305,374)**	(5,128,084,511)
Dividends declared	24.8	**(25,814,158)**	(17,862,852)	(15,698,025)	**-**	-
Property-for-share swap	9	**-**	49,202,440,620	-	**-**	-
Sale of real properties	9	**-**	9,116,000,000	-	**-**	-
Real estate sales	24.1	**-**	-	-	**-**	550,305,222
Security deposit received	24.1	**-**	55,000,000	-	**-**	(55,000,000)
Interest paid	24.8	**-**	(92,621,577)	-	**-**	-
Associates:						
Granting of advances	24.3	**155,104**	72,854,331	2,252,793	**1,009,892,937**	1,009,737,833
Subscription payable	8.2, 16	**-**	-	-	**1,114,665,008**	1,114,665,008
Rendering of services	24.1	**-**	-	7,161,534	**-**	-
Availment of advances	24.4	**-**	30,122,551	-	**-**	-
Interest income	24.3	**-**	787,470	787,470	**-**	-
Related parties Under Common Ownership:						
Granting of advances	24.3	**13,006,493**	192,301,459	3,353,971	**508,007,110**	495,000,617
Rendering of services	24.1	**6,156,528**	9,910,995	2,774,808	**1,770,429**	1,770,429
Availment of advances	24.4	**-**	2,740,537	(167,092,048)	**-**	-
Reimbursement of construction costs	24.1	**-**	-	-	**3,056,180,769**	3,056,180,769
Key Management Personnel –						
Compensation	24.5	**173,865,430**	146,914,975	159,464,000	**-**	-
Retirement plan						
Investments in equity and debt securities	22.3(b)	**-**	-	-	**134,696,111**	137,411,428

None of the entities under the Company is a joint venture. The Company is not subject to joint control and none of its related parties exercise control nor significant influence over it.

24.1 Real Estate Sales and Rendering of Services to Related Parties

The Company renders services to its related parties on a cost-plus basis, allowing a certain margin agreed upon by the parties at arm's length. The summary of services offered by the Company is presented below.

	Amount of Transactions		
	2022	2021	2020
Real estate sales and lease of properties	**P 193,780,968**	P 164,966,704	P 128,627,094
Management services	**502,448,315**	513,203,073	371,283,795
	P 696,229,283	P 678,169,777	P 499,910,889

The Company leases some of its investment properties to its subsidiaries, associates and other related parties under common ownership with rental payments generally agreed before commencement of the lease. The leases have terms ranging from one to twenty-five 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 statements of income. The related outstanding receivables from these transactions, which are collectible on demand, unsecured and noninterest-bearing, are presented as part of Trade receivables under the Trade and Other Receivables account in the statements of financial position (see Note 5).

The Company also handles administrative functions of various related parties for a fixed consideration. The amount of revenue earned from such transaction is recorded as part of Miscellaneous under Interest and Other Income account in the statements of income (see Note 20), while the outstanding balances, which are collectible on demand, unsecured and non-interest bearing, are recorded as part of Others under Trade and Other Receivables account in the statements of financial position (see Note 5).

Occasionally, the Company sells real properties to its related parties in the normal course of business.

In 2018, the 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 Company amounting to P4.0 billion (see Note 9). The outstanding balance, which is collectible on demand, interest-bearing and unsecured, amounted to P3.1 billion as of both December 31, 2022 and 2021, and is presented under non-current Other Trade Receivables in the statements of financial position (see Note 5). The interest income earned and received by the Company amounted to P101.6 million, P164.2 million and P188.3 million in 2022, 2021 and 2020, respectively, and is presented as part of Interest income under Interest and Other Income account in the statements of income (see Note 20).

In 2021, the Company entered into a land lease agreement with MREIT over the land on which the latter's investment properties stood for a period of 25 years, renewable for another 25 years, at the option of the MREIT, on terms and conditions mutually acceptable to the parties. As consideration for the land lease, MREIT shall pay the Company rent equivalent to: (a) 2.5% of gross rental income for office, retail and commercial properties for the period July 1, 2023 and until June 30, 2025, and 5% thereafter; and, (b) 1.5% of gross rental income for hotel properties for the period July 1, 2023 and until June 30, 2025, and 3% thereafter.

Deposit received by the Company from the land lease agreement was presented as Deferred rental income under Other Non-current Liabilities in the 2021 statement of financial position. This deposit will be refunded at the end of the lease term at its face value amounting to P55.0 million (see Note 16).

There were no impairment losses recognized on its receivables from related parties.

24.2 Obtaining of Services and Lease of Properties from Related Parties

Certain subsidiaries act as real estate agents for the Company in exchange for commission. Commission expense is recorded as part of Commission under Operating Expenses account in the statements of income while the outstanding balances are presented as part of Commission payable under Other Current Liabilities account in the statements of financial position (see Notes 16 and 19). Certain amount of these commission expenses are capitalized and is presented as part Deferred commission under Prepayment and Other Current Assets and Other Non-current Assets in the statements of financial position (see Note 12).

The Company entered into lease agreements with certain subsidiaries for lease of land, offices, and hotel property for periods ranging from three to twenty-five years. The Company recognized right-of-use assets and lease liabilities for these lease agreements (see Notes 10 and 16). In relation to this, the Company incurred depreciation expense amounting to P50.2 million, P28.0 million and P7.6 million in 2022, 2021 and 2020, respectively. The Company also incurred interest expense amounting to P73.6 million, P41.3 million and P0.7 million in 2022, 2021 and 2020, respectively. The depreciation expense and interest expense are presented as part of Operating Expenses account and Interest expense under Interest and Other Charges account, respectively, in the statements of income (see Notes 19 and 21).

24.3 Advances to Subsidiaries, Associates and Other Related Parties

Certain subsidiaries, associates and other related parties under common ownership are granted interest-bearing, unsecured advances by the Company with no definite repayment terms for working capital purposes. These are generally collectible in cash on demand, or through offsetting arrangements with the related parties. The outstanding balances of Advances to Subsidiaries, Associates and Other Related Parties shown as part of Trade and Other Receivables account in the statements of financial position (see Note 5) is presented below.

	2022	2021
Advances to subsidiaries	**P 18,824,721,313**	P 16,283,974,075
Advances to associates	**1,009,892,937**	1,009,737,833
Advances to other related parties under common ownership	**508,007,110**	495,000,617
	P20,342,621,360	P 17,788,712,525

An analysis of movements of advances to subsidiaries, associates and other related parties are as follows:

	2022	2021
Balance at beginning of year	**P 17,788,712,525**	P 14,991,528,236
Advances granted	**2,867,436,301**	3,703,943,753
Advances collected	**(313,527,466)**	(906,759,464)
Balance at end of year	**P20,342,621,360**	P 17,788,712,525

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 subsidiaries, associates and other related parties were recognized in 2022, 2021 and 2020 based on management's assessment. Interest earned arising from these transactions are presented as part of Interest income under Interest and Other Income account in the statements of income (see Note 20).

24.4 Advances from Subsidiaries

Certain expenses of the Company are paid by other related parties on behalf of the former. The advances are noninterest-bearing, unsecured and with no repayment terms and are generally payable in cash on 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 subsidiaries under Current Liabilities Section account in the statements of financial position.

An analysis of movements of advances from related parties is as follows:

	2022	2021
Balance at beginning of year	**P 5,128,084,511**	P 745,520,352
Advances obtained	**163,081,876**	4,412,686,710
Advances paid	**(3,861,013)**	(30,122,551)
Balance at end of year	**P 5,287,305,374**	P 5,128,084,511

24.5 Key Management Personnel Compensation

The Company's key management personnel compensations include the following:

	2022	2021	2020
Short-term benefits	**P 147,711,367**	P 125,122,298	P 117,551,181
Employee share options	**16,372,411**	10,204,332	21,381,914
Post-employment benefit	**9,781,652**	11,588,345	20,530,905
	P 173,865,430	P 146,914,975	P 159,464,000

24.6 Retirement Fund

The Company has a formal retirement plan established separately from the Company. The Company's retirement fund for its post-employment defined benefit plan is administered and managed by a trustee bank. The fair value and the composition of the plan assets as at December 31, 2022 and 2021 are presented in Note 22.3.

The Company's transactions with the fund mainly pertain to contribution, benefit payments and interest income.

The retirement fund neither provides any guarantee or surety for any obligation of the Company nor its investments covered by any restrictions or liens.

The details of the contributions of the Company to the plan are also presented in Note 22.3.

24.7 Dividend Income

The Company earned cash dividends from its related parties are as follows:

	2022	2021	2020
MREIT	**P1,531,560,754**	P 377,347,891	P -
ECOC	**392,281,890**	292,163,517	247,143,764
LFI	**133,339,426**	66,668,900	20,000,000
AGI	**6,701,262**	1,545,290	-
MLI	**-**	-	16,384,790
	P2,063,883,332	P 737,725,598	P 283,528,554

Dividend income is presented under Interest and Other Income account in the statements of income (see Note 20).

24.8 Dividends Declared and Interest Paid to Related Parties

The Company declared cash dividends to the Parent Company and to a certain subsidiary of the Company, which holds a certain number of Company's shares, amounting to P0.9 billion, P0.6 billion and P0.5 billion in 2022, 2021 and 2020, respectively. Outstanding liability arising from these transactions amounted to P0.6 billion as of December 31, 2020 (nil as of December 31, 2022 and 2021).

In 2021, the Company distributed interest payments amounting to P92.6 million to a certain subsidiary, which held the Company's perpetual capital securities prior to its cancellation. There was no similar transaction in 2022 and 2020.

25. EQUITY

Capital stock consists of:

	Shares			Amount		
	2022	2021	2020	**2022**	2021	2020
Preferred shares Series "A"- P0.01 par value						
Authorized	**6,000,000,000**	6,000,000,000	6,000,000,000	**P 60,000,000**	P 60,000,000	P 60,000,000
Issued and outstanding	**6,000,000,000**	6,000,000,000	6,000,000,000	**P 60,000,000**	P 60,000,000	P 60,000,000
Common shares – P1 par value						
Authorized	**40,140,000,000**	40,140,000,000	40,140,000,000	**P 40,140,000,000**	P 40,140,000,000	P 40,140,000,000
Issued	**32,370,865,872**	32,370,865,872	32,370,865,872	**P32,370,865,872**	P 32,370,865,872	P 32,370,865,872
Treasury shares:						
Balance at beginning of year	**(513,795,000)**	(471,552,000)	(130,920,000)	**(1,268,862,277)**	(1,111,874,917)	(118,104,398)
Acquisitions during the year	**(372,831,000)**	(42,243,000)	(341,632,000)	**(916,099,229)**	(156,987,360)	(994,672,630)
Issuances during the year	**1,000,000**	-	1,000,000	**902,111**	-	902,111
Balance at end of year	**(885,626,000)**	(513,795,000)	(471,552,000)	**(2,184,059,395)**	(1,268,862,277)	(1,111,874,917)
Issued and outstanding	**31,485,239,872**	31,857,070,872	31,899,313,872	**P 30,186,806,477**	P 31,102,003,595	P 31,258,990,955
Total issued and outstanding shares	**31,485,239,872**	31,857,070,872	31,899,313,872	**P 30,246,806,477**	P 31,162,003,595	P 31,318,990,955

On June 15, 1994, the SEC approved the listing of the Company's shares totalling 140,333,333. The shares were initially issued at an offer price of P4.80 per share. As at December 31, 2022, there are 2,395 holders of the listed shares, which closed at P2.0 per share as of that date.

The following also illustrates the additional listings made by the Company: May 23, 1996 – 1.6 billion; January 8, 1997 – 2.1 billion; November 23, 1998 – 2.0 billion; August 19, 1999 – 3.0 billion; October 12, 2005 – 5.5 billion; November 21, 2006 – 10.0 billion; and July 17, 2007 – 3.9 billion and 2012 – 3.1 billion shares. The Company also listed 700.0 million shares in 2013, 300.0 million shares in 2014, 8.0 million shares in 2015. There were no additional issuances in the succeeding years.

25.1 Preferred Shares Series "A"

The preferred shares are cumulative, non-participating, non-convertible and non-redeemable with a par value of P0.01 per share. The shares earn dividends at 1.0% of par value per annum cumulative from date of issue. Dividends declared on cumulative preferred shares amounted to P0.6 million in 2022, 2021, and 2020 (see Note 25.4).

25.2 Common Shares

On May 23, 2013, the Company's BOD approved a P10.0 billion increase in authorized capital stock (ACS) consisting of 10 billion shares with par value of P1.0 per share. On November 20, 2013, the SEC approved the P10.0 billion increase in ACS, of which 2.5 billion shares were subscribed and paid by 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.

25.3 Additional Paid-in Capital

The APIC pertains to the excess of the total proceeds received from the Company's shareholders over the total par value of the common shares. There were no movements in the Company's APIC accounts in 2021. In 2022 and 2020, APIC amounting to P1.9 million was recognized by the Company from the exercise of 1,000,000 stock options.

25.4 Cash Dividends

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

	2022	2021	2020
Declaration date/approved by BOD	**October 17, 2022**	November 10, 2021	December 4, 2020
Date of record	**October 31, 2022**	November 24, 2021	December 18, 2020
Date of payment	**November 14, 2022**	December 10, 2021	January 8, 2021
Amounts declared			
Common	**P 1,936,322,105**	P 1,355,083,689	P 1,192,894,597
Preferred	**600,000**	600,000	600,000
	P 1,936,922,105	P 1,355,683,689	P 1,193,494,597
Dividends per share:			
Common	**P 0.06**	P 0.04	P 0.04
Preferred	**P 0.01**	P 0.01	P 0.01

25.5 Treasury Shares

In 2008, the Company's BOD approved the buy-back of up to P2.0 billion worth of common shares in the open market at prevailing market prices. The share buy-back program is made through the trading facilities of the PSE and the funds used for the buy-back were taken from internally-generated funds. As at December 31, 2022 and 2021, the Company has reacquired 371.8 million and 42.2 million shares costing P916.1 million and P157.0 million, respectively.

In 2022 and 2020, the Company has reissued 1,000,000 treasury shares as a result of exercise of the same number of stock options (see Note 25.6). There was no similar transaction in 2021.

Portion of the Company's retained earnings is restricted up to the cost of treasury shares at the end of each reporting period.

25.6 ESOP

In 2012, the Company's BOD approved and the shareholders adopted an ESOP for the Company's key executive officers.

The options shall generally vest on the 60^{th} birthday of the option holder and may be exercised up to five years from the date of vesting of the Options. The exercise price shall be at a 15% discount from the volume weighted average closing price of the Company's shares for nine months immediately preceding the date of grant.

Pursuant to this ESOP, on November 6, 2012, the Company granted share options to certain key executives to subscribe to 235 million common shares of the 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 million common shares of the Company at an exercise price of P2.33 per share. Additional 40 million share options were granted in 2014 at an average exercise price of P3.00 per share. In 2022, additional 10 million share options were granted at an exercise price of P1.77. There were no additional share options granted in 2021 and 2020.

In 2021, 15.0 million share options were forfeited due to resignation of certain key executive officers, respectively. There was no forfeiture due to resignation in 2022 and 2020.

A total of 10.0 million, 10.0 million and 5.0 million share options have vested in 2022, 2021 and 2020, respectively.

A total of 1.0 million share options were exercised at a price of P1.77 per share in both 2022 and 2020. 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 aggregated principal assumptions were used in the valuation:

Option life	6.08 to 30.17 years
Share price at grant date	P2.54 to P 4.52
Exercise price at grant date	P1.77 to P3.23
Fair value at grant date	P0.98 to P2.15
Average standard deviation of share price return	10.98 %
Average dividend yield	0.82 %
Average risk-free investment rate	3.93 %

The underlying expected volatility was determined by reference to historical date of the Company's shares over a period of time consistent with the option life.

A total of P16.4 million, P10.2 million and P21.4 million share-based executive compensation is recognized in 2022, 2021 and 2020, respectively, and presented as part of Salaries and employee benefits under Operating Expenses account in the statements of income, with a corresponding credit to Retained Earnings account in the statements of financial position (see Note 22.2).

25.7 Perpetual Capital Securities

On April 11, 2018, the Company issued bonds amounting U.S. $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 SGX-ST. The financial instruments are treated as equity securities. The bonds may be voluntarily redeemed by the Company on April 11, 2023 or on any distribution date thereafter [see Note 3.1(j)].

In 2021, the Company fully redeemed the 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 retained earnings as presented in the 2021 statement of changes in equity.

The Company distributed payments to holders of perpetual capital securities amounting to P244.6 million and P535.3 million in 2021 and 2020, respectively (nil in 2022).

25.8 Revaluation Reserves

The components and reconciliation of items of other comprehensive income presented in the statements 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 11)	**Retirement Benefit Obligation** (Note 22)	**Cross Currency Swaps** (Note 27)	**Total**
Balance as of January 1, 2022	(P 904,352,252)	P 370,575,582	(P 53,542,477)	(P 587,319,147)
Remeasurements of retirement benefit post-employment obligation	-	117,974,537	-	117,974,537
Fair value loss on FVOCI	(304,978,706)	-	-	(304,978,706)
Fair value gain on cash flow hedge		-	91,147,189	91,147,189
Other comprehensive income (loss) before tax	(304,978,706)	117,974,537	91,147,189	95,856,980
Tax expense	-	(29,493,634)	-	(29,493,634)
Other comprehensive income (loss) after tax	(304,978,706)	88,480,903	91,147,189	(125,350,614)
Balance as of December 31, 2022	**(P1,209,330,958)**	**P 459,056,485**	**P 37,604,712**	**(P 712,669,761)**
Balance as of January 1, 2021	(P1,318,071,982)	P 181,986,831	(P 253,255,979)	(P1,389,341,130)
Remeasurements of retirement benefit post-employment obligation	-	234,119,589	-	234,119,589
Fair value gain on FVOCI	413,719,730	-	-	413,719,730
Fair value gain on cash flow hedge	-	-	199,713,502	199,713,502
Other comprehensive income before tax	413,719,730	234,119,589	199,713,502	847,552,821
Tax expense	-	(45,530,838)	-	(45,530,838)
Other comprehensive income after tax	413,719,730	188,588,751	199,713,502	802,021,983
Balance as of December 31, 2021	(P 904,352,252)	P 370,575,582	(P 53,542,477)	(P 587,319,147)

	Financial Assets at FVOCI (Note 11)	Retirement Benefit Obligation (Note 22)	Cross Currency Swaps (Note 27)	Total
Balance as of January 1, 2020	(P1,100,364,539)	(P 57,939,368)	(P 108,506,018)	(P1,266,809,925)
Remeasurements of retirement benefit post-employment obligation	-	342,751,713	-	342,751,713
Fair value losses on FVOCI	(217,707,443)	-	-	(217,707,443)
Fair value losses on cash flow hedge	-	-	(144,749,961)	(144,749,961)
Other comprehensive income (loss) before tax	(217,707,443)	342,751,713	(144,749,961)	(19,705,691)
Tax expense	-	(102,825,514)	-	(102,825,514)
Other comprehensive income (loss) after tax	(217,707,443)	239,926,199	(144,749,961)	(122,531,205)
Balance as of December 31, 2020	(P1,318,071,982)	P 181,986,831	(P 253,255,979)	(P1,389,341,130)

26. EARNINGS PER SHARE

EPS amounts were computed as follows:

	2022	2021	2020
Net profit for the year	**P 10,825,120,654**	P 52,844,166,409	P 7,597,610,903
Dividends on cumulative preferred shares Series "A"	**(600,000)**	(600,000)	(600,000)
Distribution to holders of perpetual securities	**-**	(244,585,015)	(535,258,625)
Income available to common shareholders	**10,824,520,654**	52,598,981,394	7,061,752,278
Divided by weighted number of outstanding common shares	**31,661,230,149**	31,867,978,960	32,082,256,883
Basic EPS	**P 0.342**	P 1.651	P 0.220
Income available to common shareholders	**P 10,824,520,654**	P 52,598,981,394	P 7,061,752,278
Divided by weighted average number of outstanding common shares and potential dilutive shares	**31,717,654,542**	31,964,869,459	32,182,511,001
Diluted EPS	**P 0.341**	P 1.646	P 0.219

The potentially dilutive outstanding share options totalling 232.5 million in 2022, 233.5 million in 2021 and 248.5 million in 2020 were also considered in the computations (see Note 25.6).

27. CROSS CURRENCY SWAP ARRANGEMENT

In 2017, the Company entered into a cross currency swap agreement with a local bank. Under the agreement, the Company will receive a total of U.S. $98.87 million to be paid on a quarterly basis beginning March 2019 up to December 2022 plus interest based on 3-month LIBOR plus a certain spread. In exchange, the Company shall make fixed quarterly payments in Philippine pesos plus a fixed interest of 4.91% [see Note 13(b)]. As of December 31, 2022, the Company fully paid the cross currency swap agreement.

In 2019, another cross currency swap was also agreed upon with the same bank. The Company shall receive U.S. $95.62 million to be paid on a quarterly basis beginning December 2020 up to September 2024 plus interest based on 3-month LIBOR plus a certain spread. The Company shall make fixed quarterly payments in Philippine pesos plus a fixed interest of 4.82% [see Note 13(e)].

The 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.

The table below sets out information about the Company's hedging instruments and the related carrying amounts as of December 31:

	U.S. Dollar Notional Amount	Derivative Assets (Liabilities)
2022		
Cash flow hedge – Cross currency swap	**$ 41,834,003**	**P 197,431,085**
2021		
Cash flow hedge – Cross currency swap	$ 90,457,359	(P 147,793,407)

The hedging instruments have a positive fair value of P 197.4 million in 2022 and a negative fair value of P147.8 million in 2021. These are presented as Derivative assets under Other Current Assets in the 2022 statement of financial position (see Note 12) and as Derivative liabilities under under Other Current Liabilities in the 2021 statement of financial position (see Note 16). The Company recognized a total of P91.1 million and P199.7 million unrealized gain on cash flow hedge in 2022 and 2021, respectively, and P144.7 million unrealized loss on cash flow hedge in 2020. These are presented as part of other comprehensive income in the statements of comprehensive income (see Note 25.8).

As of December 31, 2022, the 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 Company expects to continuously use hedge accounting on the hedging relationship of its cross currency swaps and on its interest-bearing loans.

28. COMMITMENTS AND CONTINGENCIES

28.1 Operating Lease Commitments – Company as Lessor

The Company 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 Company'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 Company 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 Deferred rental income under Other Liabilities in the statements of financial position (see Note 16).

Future minimum lease receivable under these agreements as shown below.

	2022	2021	2020
Within one year	**P 12,637,855,544**	P 10,759,165,495	P 10,410,139,190
After one year but not more than two years	**15,670,861,365**	15,423,215,833	18,285,259,327
After two years but not more than three years	**17,531,417,455**	17,699,107,604	19,775,493,990
After three years but not more than four years	**19,334,579,826**	19,469,018,365	21,683,467,091
After four years but not more than five years	**21,262,046,665**	21,391,407,333	23,851,813,800
More than five years	**23,381,059,048**	23,255,017,703	26,211,109,592
	P 109,817,819,903	P 107,996,932,333	P 120,217,282,990

28.2 Operating Lease Commitments – Company as Lessee

The Company is a lessee under several short-term leases covering condominium units for administrative use.

Lease expense for the year ended December 31, 2022, 2021 and 2020 amounted to P64.2 million, P40.1 million and P53.7 million, respectively and is presented as Rent under Operating Expenses account in the statements of income (see Note 19).

28.3 Continuing Impact of COVID-19 Pandemic on the Company's Business

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020 and its impact has been continued until the date of the approval of these financial statements. In 2022, the country's economic condition improved because of resumption of local and international travels as well as the easing of health restrictions brought about by the pandemic. Demand and supply of have gradually returned to pre-pandemic levels. As a result, the impact of the COVID-19 pandemic to the Company has been lessened, and Company's operations are already nearing the pre-pandemic levels.

Management will continue to take actions to continually improve operations as the need arises. Based on the foregoing improvements, management expects that the Company will continue to report positive results of operations and will remain liquid to meet current obligations as they near maturity. Moreover, management is taking an optimistic stance in the Company's ability to sustain its growth momentum even amid concerns on the effects of the pandemic.

28.4 Others

As at December 31, 2022, the Company has unused long-term credit facilities amounting to P26.5 billion. There are other commitments and contingent liabilities that arise in the normal course of the operations of the Company which are not reflected in the financial statements. The management of the Company is of the opinion that losses, if any, from these items will not have any material effect on their financial statements.

29. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company has various financial instruments such as cash and cash equivalents, financial assets at FVOCI, intesrest-bearing loans and borrowings, bonds payable, trade receivables and payables which arise directly from the Company's business operations. The financial liabilities were issued to raise funds for the Company's capital expenditures.

The Company does not actively engage in the trading of financial assets for speculative purposes.

29.1 Foreign Currency Sensitivity

Most of the Company's transactions are carried out in Philippine peso, its functional currency. Exposures to currency exchange rates arise mainly from the Company's U.S. dollar-denominated cash and cash equivalents and bonds payable, which have been used to fund new projects and to refinance certain indebtedness for general corporate purposes.

As of December 31, 2022 and 2021, net foreign currency-denominated financial liabilities in U.S. dollar, translated into Philippine Peso at the closing rate amounted to P30.4 billion and P29.5 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 6.29% and 4.11% in 2022 and 2021, respectively. If the exchange rate increased or decreased by such percentage points, the profit before tax in 2022 and 2021 would have decreased or increased by P1,763.3 million and P1,022.5 million, respectively.

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions and mainly affect profit or loss of the Company. There are no material exposures on foreign exchange rate that affect the Company's other comprehensive income. Nonetheless, the analysis above is considered to be representative of the Company's currency risk.

29.2 Interest Rate Sensitivity

The Company interest risk management policy is to minimize interest rate cash flow risk exposures to changes in interest rates. The Company 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 are subject to variable interest rates.

The Company's ratio of fixed to floating rate debt stood at 1.79:1.00 and 2.14:1.00 as of December 31, 2022 and 2021, respectively.

The sensitivity of the net results in 2022 and 2021 to a reasonably possible change of 1.0% in floating rates is P259.1 million and P194.3 million, respectively. The sensitivity of the equity in 2022 and 2021 to a reasonably possible change of 1.0% in floating rates is P194.3 million and P145.7 million, respectively. The calculations are based on the Company's financial instruments held at each reporting date. All other variables are held constant.

29.3 Credit Risk

The Company's credit risk is attributable to trade receivables, rental receivables, other financial assets and contract assets. The Company maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate 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 Company's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

The maximum credit risk exposure of financial assets and contract assets is the carrying amount of the financial assets and contract assets as shown in the statements of financial position (or in the detailed analysis provided in the notes to financial statements), as summarized in below.

	Notes	**2022**	2021
Cash and cash equivalents	4	**P 9,735,088,607**	P 23,642,792,763
Real estate sales receivables	5	**18,764,290,773**	12,933,513,994
Rental receivables	5	**3,620,587,025**	3,429,412,120
Advances to subsidiaries, associates and other related parties	5	**20,342,621,360**	17,788,712,525
Other receivables	5	**5,038,861,432**	5,356,452,102
Guarantee deposits	12	**707,913,319**	729,892,030
Contract assets	17.2	**7,126,782,995**	9,251,463,579
		P 65,336,145,511	P 73,132,239,113

(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 equivalent are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum of P0.5 million for every depositor per banking institution.

(b) Trade and Other Receivables

The Company applies the simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables and other receivables.

To measure the ECL, 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 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, 2022 and 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 Company identifies headline inflation rate and consumer price index 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 as at December 31, 2022 and 2021 amounted to P163.7 million and P177.9 million, respectively (see Note 5).

The Company considers credit enhancements in determining the ECL. Trade receivables and contract assets 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.

The estimated fair value of collateral and other security enhancements held against trade receivables and contracts assets are presented below.

	Gross Maximum Exposure	**Fair Value of Collaterals**	**Net Exposure**
2022			
Real estate sales receivables	P 18,764,290,773	P 24,805,261,322	P -
Contract assets	7,126,782,995	27,780,219,910	-
Rental receivables	3,620,587,025	3,885,421,619	-
	P 29,511,660,793	**P56,470,902,851**	**P -**
2021			
Real estate sales receivables	P12,933,513,994	P 17,079,274,896	P -
Contract assets	9,251,463,579	23,207,862,107	-
Rental receivables	3,429,412,120	3,891,743,261	-
	P 25,614,389,693	P 44,178,880,264	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.

	2022	2021
Current (not past due)	**P 21,653,240,172**	P 15,729,972,007
Past due but not impaired:		
Not more than 3 months	**513,796,362**	446,583,317
More than 3 months but not more than 6 months	**98,626,648**	65,976,449
More than 6 months but not more than one year	**119,214,616**	120,394,341
	P22,384,877,798	P 16,362,926,114

(c) Advances to Subsidiaries, Associates and Other Related Parties

ECL for advances to subsidiaries, 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 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, 2022 and 2021, impairment allowance is not material.

(d) Guarantee Deposits

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

29.4 Liquidity Risk

The Company 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 6-month and one-year period are identified monthly.

The Company 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, 2022 and 2021, the Company's financial liabilities (except lease liabilities – see Note 16) have contractual maturities which are presented below.

	Within 1 Year	1 to 5 Years	More than 5 Years
2022			
Interest-bearing loans and borrowings*	P 11,679,349,738	P 25,145,706,184	P -
Trade and other payables	7,509,495,239	-	-
Bonds and notes payable*	15,524,839,931	35,204,540,481	-
Advances from subsidiaries	5,287,305,374	-	-
Subscription payable	1,114,665,008	-	-
Other liabilities	1,171,173,031	1,492,746,257	-
	P 42,286,828,321	**P 61,842,992,922**	**P -**
2021			
Interest-bearing loans and borrowings*	P 10,907,779,080	P 24,688,076,117	P -
Trade and other payables	7,581,766,426	-	-
Bonds and notes payable*	1,846,322,250	28,001,900,250	17,506,119,750
Advances from subsidiaries and an associate	5,128,084,511	-	-
Subscription payable	1,114,665,008	-	-
Other liabilities	1,118,680,184	1,549,726,536	-
	P 27,697,297,459	P 54,239,702,903	P 17,506,119,750

**Inclusive of future interest costs*

29.5 Other Price Risk Sensitivity

The Company's market price risk arises from its investments carried at fair value (financial assets at FVOCI). 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, an average volatility of 6.41% has been observed during 2022. If quoted price for these securities increased or decreased by that percentage, the equity would have increased or decreased by P20.2 million in 2022. With the current operations of the investee company, there was no volatility observed during 2021 based on discounted cash flow model.

The investments in listed equity securities in 2022 are considered long-term strategic investments. In accordance with the Company'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 Company's favor.

30. CATEGORIES, FAIR VALUES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

30.1 Carrying Amounts and Fair Value by Category

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

		2022		2021	
	Notes	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets					
Financial assets at amortized cost:					
Cash and cash equivalents	4	**P 9,735,088,607**	**P 9,735,088,607**	P 23,642,792,763	P 23,642,792,763
Trade and other receivables	5	**47,766,360,590**	**48,235,071,604**	39,508,090,741	39,893,351,242
Guarantee deposits	12	**707,913,319**	**707,913,319**	729,892,030	729,892,030
		P 58,209,362,516	**P 58,678,073,530**	P 63,880,775,534	P 64,266,036,035
Financial Assets					
Financial assets at fair value through other comprehensive income – Equity securities	11	**P 1,734,730,876**	**P 1,734,730,876**	P 2,039,709,582	P 2,039,709,582
Financial assets at fair value through profit or loss – Derivative Asset	12, 27	**P 197,431,085**	**P 197,431,085**	P -	P -
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	13	**P 33,724,638,628**	**P 33,455,155,341**	P 33,490,137,471	P 33,455,155,341
Bonds payable	14	**45,239,075,511**	**44,796,324,832**	41,982,042,246	42,567,948,736
Trade and other payables	15	**7,509,495,239**	**7,851,780,923**	7,581,766,426	7,530,356,301
Advances from subsidiaries	24.4	**5,287,305,374**	**5,287,305,374**	5,128,084,511	5,128,084,511
Subscription payable	16	**1,114,665,008**	**1,114,665,008**	1,114,665,008	1,114,665,008
Lease liabilities	16	**1,691,071,969**	**1,691,071,969**	1,415,295,275	1,415,295,275
Other liabilities	16	**2,663,919,288**	**2,663,919,288**	2,668,406,720	2,668,406,720
		P 97,572,456,701	**P 94,631,846,639**	P 93,380,397,657	P 93,879,911,892
Financial liabilities at fair value through profit or loss – Derivative liabilities	16, 27	**P -**	**P -**	P 147,793,407	P 147,793,407

See Notes 2.4 and 2.10 for a description of the accounting policies for each category of financial instruments. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 29.

30.2 Offsetting of Financial Assets and Financial Liabilities

The Company has not set-off financial instruments in 2022 and 2021 and does not have relevant offsetting arrangements, except as disclosed in Notes 24.3 and 24.4. 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 Company's outstanding receivables from and payables to the same related parties can be potentially offset to the extent of their corresponding outstanding balances.

The Company has cash in certain local banks to which it has outstanding loans (see Note 13). In case of the default on loan amortization, the Company's cash in banks can be applied against its outstanding loan.

31. FAIR VALUE MEASUREMENT AND DISCLOSURE

31.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurements*, 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 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.

31.2 Financial Instruments Measured at Fair Value

The following table shows the fair value hierarchy of the Company's classes of financial assets and financial liabilities measured at fair value in the statements of financial position as at December 31, 2022 and 2021 (see Notes 11 and 27).

	Level 1	Level 2	Level 3	Total
2022				
Financial asset –				
Equity securities				
FVOCI securities	**P 419,710,620**	**P -**	**P1,623,525,942**	**P2,043,236,562**
Financial Asset –				
Derivatives	**P -**	**P 197,431,085**	**P -**	**P 197,431,085**
2021				
Financial asset –				
Equity securities				
FVOCI securities	P 416,183,640	P -	P1,623,525,942	P 2,039,709,582
Financial liability –				
Derivatives	P -	P 147,793,407	P -	P 147,793,407

Described below is the information about how the fair values of the Company's classes of financial assets and financial liabilities are determined.

(a) *Equity Securities*

As at December 31, 2022, 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 2022 and 2021, the fair value of equity securities include in Level 3 is determined using discounted cash flows valuation technique with discount rate of 8.85% and 6.9% in 2022 and 2021, respectively, and growth rate of 3.0% and 3.9% in 2022 and 2021, 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 2022 and 2021 is shown below.

	2022	2021
Balance at beginning of year	**P 1,623,525,942**	P 1,387,899,975
Fair value gains (losses)	**(308,505,686)**	235,625,967
Balance at end of year	**P 1,315,020,256**	P 1,623,525,942

The Company recognized P178.1 million fair value gains in 2021 on the Level 1 equity securities (nil in 2022). For the Level 3 equity securities, the Company recognized P308.5 million fair value losses and P235.6 million fair value gains in 2022 and 2021, respectively (see Notes 11 and 25.8).

(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 27). 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.

31.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The Company's financial instruments measured at amortized cost include financial assets such as cash and cash equivalents, trade and other receivables and guarantee deposits (see Note 2.4). This also include financial liabilities such as interest-bearing loans and borrowings, bonds payable, trade and other payables and advances from subsidiaries and an associate (see Note 2.10).

The fair values of the financial assets and financial liabilities are included in Level 3, which 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. As at December 31, 2022 and 2021, management considers that the carrying amounts of these financial instruments are equal to or approximate their fair values; hence, no fair value hierarchy is presented.

31.4 Fair Value of Investment Properties Measured at Cost for which Fair Value is Disclosed

The fair value of the Company's investment properties earning rental income was determined through discounted cash flows valuation technique. The Company 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 Company 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.

As at December 31, 2022 and 2021, the fair value of the Company'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.

There were no transfers into or out of Level 3 fair value hierarchy in 2022 and 2021. The reconciliation of the carrying amount of investment properties included in Level 3 is presented in Note 9.

32. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company'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 Company 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 computed as follows:

	2022	2021
Interest-bearing loans and borrowings	**P 33,724,638,628**	P 33,490,137,471
Bonds payable	**45,239,075,510**	41,982,042,246
Total debt	**P 78,963,714,138**	P 75,472,179,717
Total equity	**P213,600,867,275**	P 205,735,973,104
Debt to equity ratio	**0.37: 1.00**	0.37 : 1.00

The Company has complied with its covenant obligations, including maintaining the required debt-to-equity ratio for both years.

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Presented below is the reconciliation of the Company's liabilities arising from financing activities, which includes both cash and non-cash changes.

	Interest-bearing Loans and Borrowings (See Note 13)	**Bonds and Notes Payable** (See Note 14)	**Advances from Subsidiaries, and an Associate** (See Note 24)	**Lease Liabilities** (See Note 16)	**Total**
Balance as of January 1, 2022	P33,490,137,471	P41,982,042,246	P 5,128,084,511	P 1,415,295,275	P82,015,559,503
Net cash flows:					
Proceeds	10,000,000,000	-	163,081,876	-	10,163,081,876
Repayments	(9,698,143,108)	-	(3,861,013)	(117,435,409)	(9,797,771,118)
Non-cash financing activities:					
Translation adjustments	(140,784,867)	1,777,067,066	-	15,330,995	1,651,613,194
Amortization of interest	-	1,390,248,631	-	-	1,393,429,548
Additional lease liabilities	-	-	-	296,360,583	296,360,583
Amortization of debt issue cost	73,429,132	89,717,567	-	-	138,297,371
Interest amortization on lease liabilities	-	-	-	81,816,147	81,816,147
Balance as of December 31, 2022	**P33,724,638,628**	**P45,239,075,511**	**P 5,287,305,374**	**P 1,691,367,591**	**P85,942,387,104**
Balance as of January 1, 2021	P34,422,961,200	P40,282,855,986	P 745,520,352	P 156,886,808	P75,608,224,346
Net cash flows:					
Proceeds	16,000,000,000	-	4,412,686,710	-	20,412,686,710
Repayments	(17,343,343,261)	-	(30,122,551)	(187,160,318)	(17,560,626,130)
Non-cash financing activities:					
Translation adjustments	410,519,532	1,617,763,016	-	7,789,867	2,036,072,415
Amortization of debt issue cost	-	81,423,244	-	-	81,423,244
Additional lease liabilities	-	-	-	1,388,598,770	1,388,598,770
Interest amortization on lease liabilities	-	-	-	49,180,148	49,180,148
Balance as of December 31, 2021	P33,490,137,471	P41,982,042,246	P 5,128,084,511	P 1,415,295,275	P82,015,559,503
Balance as of January 1, 2020	P39,992,115,354	P24,623,883,690	P 5,456,503,431	P 183,461,648	P70,255,964,123
Net cash flows:					
Proceeds	5,000,000,000	16,692,935,192	7,275,379	-	21,700,210,571
Repayments	(10,198,294,811)	-	(4,718,258,458)	(26,596,458)	(14,943,149,727)
Non-cash financing activities:					
Translation adjustments	(370,859,343)	(1,077,137,260)		(9,147,775)	(1,457,144,378)
Amortization of debt issue cost	-	43,174,364	-	-	43,174,364
Interest amortization on lease liabilities	-	-	-	9,169,393	9,169,393
Balance as of December 31, 2020	P34,422,961,200	P40,282,855,986	P 745,520,352	P 156,886,808	P75,608,224,346