C O V E R   S H E E T

CS200411461

S. E. C. Registration Number

MEGAWIDE CONSTRUCTION CORPORATION

(Company's Full Name)

20 N.DOMINGO ST. BRGY. VALENCIA QUEZON CITY

(Business Address: No. Street City / Town / Province)

ANTHONY TOPACIO **JENNIFER C. LEE**	**8655-1111**
Contact Person	Company's Telephone Number

12	31	JUNE 30
Month	Day	Month Day
Fiscal Year		Annual Meeting

Definitive Information Statement

Secondary License Type, If Applicable

SEC

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

SEC Number: CS200411461
File Number: ____________

MEGAWIDE CONSTRUCTION CORPORATION
(Company's Full Name)

No. 20 N. Domingo Street
Barangay Valencia
Quezon City 1112
(Company's Address)

8655-1111
(Telephone Number)

December 31
(Calendar Year Ending)

PRELIMINARY INFORMATION STATEMENT
SEC Form 20-IS

December 31, 2019
Period Ended Date

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
   [ ] Preliminary Information Statement
   [X] Definitive Information Statement

2. Name of registrant as specified in its charter — **MEGAWIDE CONSTRUCTION CORPORATION**

3. Province, country or other jurisdiction of incorporation or organization — **Philippines**

4. SEC Identification Number — **CS200411461**

5. BIR Tax Identification Code — **232-715-069-000**

6. Address of principal office — **No. 20 N. Domingo Street, Barangay Valencia, Quezon City**

7. Registrant's telephone number, including area code — **(02) 8655-1111**

8. Date, time, and place of the meeting of security holders — **June 30, 2020**
   2:00 P.M.
   Through remote communication, using the following link: Please click here

9. Approximate date on which the Information Statement is first to be sent or given to stockholders — **June 8, 2020**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Stock	**2,013,409,717**
Preferred Stock	**40,000,000**

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

    Yes __X__ No _______

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

    Philippine Stock Exchange, Inc. - Common and Preferred Shares

A. GENERAL INFORMATION

Item 1. Date, Time and Place of Meeting of Security Holders

The Annual Stockholders' Meeting ("ASM") of Megawide Construction Corporation (hereinafter referred to as "Megawide", the "Corporation", or the "Company"), shall have the following details:

a) Date of Meeting — **June 30, 2020**

Time of Meeting — **2:00 P.M.**

Place of Meeting — **Through remote communication, using the following link: Please click here**

Registrant's Mailing Address — **No. 20 N. Domingo Street, Barangay Valencia Quezon City, Manila 1112**

b) Approximate date when the Information Statement is first to be sent or given to security holders: **June 8, 2020**

As described in the Procedure for Voting and Participation via Remote Communication, attached herein as **Exhibit** "**1**", stockholders shall submit their questions, comments, or concerns, prior to the ASM by emailing the same to Corporate Secetary of the Company at corporatesecretary@megawide.com.ph. Further, during the ASM, stokcholders may raise any questions or comments, through a chat box that will be available to them throughout the live broadcast of the ASM. The Company will, as far as practicable, acknowledge, read out loud, and answer all questions and comments raised.

Item 2. Dissenters' Right of Appraisal

A dissenting stockholder has the right to demand payment of the fair market value of his shares in the following instances provided under the Section 80 of the Revised Corporation Code, as stated below:

a) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
b) In case of sale, lease, exchange, transfer, mortgage, pledge, or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code;
c) In case of merger or consolidation; and
d) In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

In such instances, the right may be exercised by any stockholder who shall have voted against the proposed action by making a written demand to the corporation within thirty (30) days after the date on which the vote was taken for payment of the fair market value of his shares. Failure to make the demand shall be deemed a waiver of such right.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one (1) of whom shall be named by the stockholder, another by the corporation and the third by the two (2) thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made. Provided, that no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment and provided further, that upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation.

There are no corporate matters or actions that will entitle dissenting stockholders to exercise their right of appraisal as provided in Title X of the Revised Corporation Code.

Item 3. Interest of Persons In or Opposition to Matters to be Acted Upon

a) No current member of the Board of Directors of the Company (the "Board"), officer of the Company, nominee for election as a Director of the Company, nor any associate of such persons, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon in the ASM, other than election to office.

b) No Director of the Company has informed Megawide in writing that he intends to oppose any action to be taken by Megawide at the ASM.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

a) As of April 30, 2020, Megawide has 2,013,409,717 issued and outstanding common shares.[1] All the shares of stock are entitled to vote.

b) All stockholders of record at the close of business on May 13, 2020 are entitled to notice and to vote at the ASM.

c) Cumulative voting is allowed for election of members of the board in a stock corporation. Every stockholder is entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing in his own name on the stock and transfer books of Megawide. Each stockholder may vote such number of shares for as many persons as there are directors to be elected; or he may cumulate his shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of shares shall equal; or he may distribute these shares on the same principle among as many candidates as he shall see fit; provided that, the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Megawide multiplied by the total number of Directors to be elected.

d) Security Ownership of Certain Record and Beneficial Owners and Management

1. Security Ownership of Certain Record and Beneficial Owners

Owners of record of more than five percent (5%) of Megawide's common shares of stock as of April 30, 2020 are as follows:

Title of Class	Name & Address of Record Owner & Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner[2]	Citizen-ship	Number of Shares Held	Percent (%)
Common	Citicore Holdings Investment Inc. – Stockholder No. 20 N. Domingo Street, Barangay Valencia, Quezon City	Edgar B. Saavedra Mr. Saavedra is a majority stockholder of Citicore.	Filipino	712,925,501	35.41%
Common	Megacore Holdings, Inc.[3] – Stockholder No. 20 N. Domingo Street, Barangay Valencia, Quezon City	Edgar B. Saavedra Mr. Saavedra is a majority	Filipino	617,709,197	30.68%

[1] As of April 30, 2020, of the 2,013,409,717 shares, 234,169,047 common shares or 11.63% of the issued and outstanding common shares are owned by foreigners.
[2] Except for the Directors, officers, Citicore Holdings Investment Inc. and Megacore Holdings, Inc., other beneficial owners holding more than 5% of the outstanding capital stock are unknown to Megawide.
[3] Megacore Holdings, Inc.'s shares are lodged with the PCD Nominee Corporation.

		stockholder of Megacore.			
Common	PCD Nominee Corporation (Filipino) – Stockholder 37/F Tower I, The Enterprise Center, 6766 Ayala Avenue, corner Paseo de Roxas	Publicly-Held Shares	Filipino	1,779,240,670	88.37%
Common	PCD Nominee Corporation (Non-Filipino) – Stockholder 37/F Tower I, The Enterprise Center, 6766 Ayala Avenue, corner Paseo de Roxas	Publicly-Held Shares	Non-Filipino	234,169,047	11.63%

As of April 30, 2020, no other PCD participants have more than 5% of any class of Megawide's voting securities, except the following:

Title of Class	Name & Address of Record Owner & Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizen-ship	Number of Shares Held	Percent (%)
Common	Megacore Holdings, Inc. – Stockholder No. 20 N. Domingo Street, Barangay Valencia, Quezon City	Edgar B. Saavedra	Filipino	617,709,197	30.68%

The Board generally has the power to vote on behalf of their respective corporations. A proxy is usually designated to cast the vote for the corporation.

2. Security Ownership of Directors and Management

The following table sets forth security ownership of Megawide's Directors, officers and nominees for election as Director as of April 30, 2020:[4]

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Owner	Citizenship	Percentage of Ownership
Common	**Edgar B. Saavedra** Chairman of the Board, Chief Executive Officer, and President	1 (Direct) 2 (Indirect)	Filipino	Nil
Common	**Manuel Louie B. Ferrer** Director	1 (Indirect)	Filipino	Nil
Common	**Oliver Y. Tan** Director	18,767,852 (Indirect)	Filipino	0.91%
Common	**Leonilo G. Coronel** Independent Director	5 (Indirect)	Filipino	Nil
Common	**Hilario G. Davide, Jr.** Independent Director	1 (Direct)	Filipino	Nil
Common	**Celso P. Vivas** Independent Director	1 (Indirect)	Filipino	Nil
Common	**Alfredo E. Pascual** Independent Director	10,901 (Indirect)	Filipino	Nil
N/A	**Anthony G. Topacio** Corporate Secretary, and Corporate Information Officer	0	Filipino	Nil
N/A	**Jennifer C. Lee** Assistant Corporate Secretary and Corporate Information Officer	0	Filipino	Nil
N/A	**Charlotte Y. King** Assistant Corporate Secretary	0	Filipino	Nil
N/A	**Raymund Jay S. Gomez** Chief Legal Officer, Compliance Officer, and Data Privacy Officer	0	Filipino	Nil

[4] Majority of the shares of the Directors and officers are currently lodged with the PCD Nominee Corporation.

N/A	**Ramon H. Diaz** Chief Financial Officer	0	Filipino	Nil
N/A	**Christopher A. Nadayag** Treasurer and Deputy Chief Financial Officer	49 (Indirect)	Filipino	Nil
N/A	**Jessie N. Cruz**[5] Chief Information Technology Officer	0	Filipino	Nil
N/A	**Anthony B. Velasco** Chief Audit Executive	0	Filipino	Nil
Aggregate Shareholdings of Directors and Officers as a Group		**18,778,813**		**0.91%**

No Director or key officer of Megawide owns at least ten (10%) of Megawide's issued and outstanding shares of common stock.

The shareholdings of Edgar B. Saavedra, Manuel Louie B. Ferrer, Oliver Y. Tan, Hilario G. Davide, Jr., Leonilo G. Coronel, Celso P. Vivas, and Alfredo E. Pascual are classified as indirect shares because they are lodged with the PCD Nominee.

3. There are no voting trusts or similar agreements with respect to any portion of the outstanding shares, nor any agreement which may result in a change of control of Megawide.

Item 5. Directors and Executive Officers

The Governance, Nominations, and Compensation Committee ("GNCC")[6] processed and evaluated the nominations[7] for Directors in accordance with the guidelines required by law, last May 22, 2020. The GNCC resolved that the following nominees are qualified for election to the Board at the ASM on June 30, 2020:

a) Edgar B. Saavedra
b) Manuel Louie B. Ferrer
c) Oliver Y. Tan
d) Leonilo G. Coronel (Independent Director)
e) Hilario G. Davide, Jr. (Independent Director)
f) Celso P. Vivas (Independent Director)
g) Alfredo E. Pascual (Independent Director)

Directors and Executive Officers

As of April 30, 2020, Megawide is governed by a Board of seven (7) Directors composed of Edgar B. Saavedra, Manuel Louie B. Ferrer, Oliver Y. Tan, Leonilo G. Coronel, Hilario G. Davide, Jr., Celso P. Vivas, and Alfredo E. Pascual. Megawide's management team is headed by Edgar B. Saavedra who serves as the Company's Chairman of the Board, Chief Executive Officer, and President.

The Directors shall hold office for one (1) year or until their successors are elected and qualified. The annual meeting of the stockholders shall be held every June 30 of each year, or the next business day if June 30 falls on a weekend or a holiday.

The Board is ultimately responsible for the direction and control of the business affairs and management of Megawide, and the preservation of its assets and properties. No person can be elected as Director of Megawide unless he or she is a registered owner of at least one (1) voting share of the Company.

Section 38 of the Securities Regulation Code ("SRC") requires that at least two (2) members of the Board be Independent Directors. The Company's New Manual on Corporate Governance, which is based on the Code of Governance for Publicly-Listed Corporations,[8] recommends that Megawide should have at least three (3)

[5] The resignation of Jessie N. Cruz shall take effect on June 24, 2020.
[6] The Governance, Nominations, and Compensation Committee is composed of Hilario G. Davide, Jr. (Chairman), Alfredo E. Pascual (Vice-Chairman), Manuel Louie B. Ferrer, Leonilo G. Coronel, and Celso P. Vivas.
[7] Stockholder Aeternum Holdings, Inc. nominated Leonilo G. Coronel, former Chief Justice Hilario G. Davide, Jr., Celso P. Vivas, and Alfredo E. Pascual as independent directors. They are not related to the stockholder that nominated them.
[8] Securities and Exchange Commission Memorandum Circular No. 19, Series of 2016.

members who are Independent Directors, or such number as to constitute at least one-third (1/3) of the members of the Board, whichever is higher. Meanwhile, the Amended Articles and Incorporation and By-Laws of Megawide provide that the seven (7) Directors shall include such number of Independent Directors as may be required by law.

Selection of Nominees for Directors

The deadline for submission of nominations for election to the Board was on May 22, 2020, which was also the date of the meeting of the GNCC.

The GNCC screened and approved the seven (7) nominees for election to the Board in accordance with the Company's New Manual on Corporate Governance. The GNCC assessed the candidates' background, educational qualifications, work experience, expertise and stature as would enable them to effectively participate in the deliberations of the Board.

In the case of the Independent Directors, the GNCC reviewed their business relationships and activities to ensure that they have all the qualifications and none of the disqualifications for Independent Directors as set forth in the Company's New Manual on Corporate Governance, the SRC, and the SRC Implementing Rules and Regulations.

On May 22, 2020, the GNCC screened the nominees and determined that they have all the qualifications and none of the disqualifications for election to the Company's Board of Directors.

Below are information on the nominees for Directors, including their education, business experience and directorships in other reporting companies:

a) **EDGAR B. SAAVEDRA** – age 45; Filipino citizen; co-founder of the Company; first elected Director of Megawide on July 28, 2004; Chairman of the Board since September 18, 2017; Chairman of the Executive Committee; and Member of the Risk Oversight Committee.

Mr. Saavedra's engineering experience spans over twenty (20) years. He received his Bachelor's degree in Engineering from De La Salle University. After obtaining his license as a Civil Engineer, he pursued special studies in Foundation Formworks in Germany, through the Philippine Institute of Civil Engineers.

Mr. Saavedra is the Chairman of the Board, Chief Executive Officer, and President of the Company. He is also Chairman of the Board of MWM Terminals, Inc. ("MWMTI") and Megawide Terminals, Inc. ("MTI"). Moreover, he is a Director and President of Citicore Holdings Investment Inc. ("Citicore") and Megawide Land, Inc. ("MLI"). Finally, he is a Director of GMR Megawide Cebu Airport Corporation ("GMCAC"), MySpace Properties, Inc. ("MySpace"), Citicore Power Inc. ("CPI"), Citicore Infrastructure Holdings, Inc. ("CIHI"), Altria East Land Inc., and Megacore Holdings, Inc.

Mr. Saavedra is not a Director in other reporting companies.

b) **MANUEL LOUIE B. FERRER** – age 45; Filipino citizen; first elected Director of Megawide on September 18, 2017; Vice Chairman of the Executive Committee; and Member of the Governance, Nominations, and Compensation Committee.

Mr. Ferrer obtained his degree in Industrial Design from De La Salle University in 1996.

Mr. Ferrer has been Megawide's Chief Corporate Affairs and Branding Officer (previously called Chief Marketing Officer) since 2011. He serves as a Director and President of GMCAC, MWMTI, and MTI. He is also a Director of Citicore, MySpace, and CPI. Furthermore, Mr. Ferrer is the Chairman of the Board of Trustees and President of Megawide Corporate Foundation, Inc.

Mr. Ferrer is not a Director in other reporting companies.

c) **OLIVER Y. TAN** – age 42; Filipino citizen; first elected Director of Megawide on September 16, 2016; Vice Chairman of the Finance Committee; and Member of the Executive Committee and Audit and Compliance Committee.

Mr. Tan holds a degree in Business Administration from the Philippine School of Business Administration.

Mr. Tan serves as Director and Vice-President of Citicore, and a Director and Treasurer of MySpace, MTI, and MLI. Additionally, he is a Director of CPI, CIHI, Citicore, Citicore-Megawide Consortium Inc., and Megawatt Clean Energy Inc. Finally, he is a Director and Corporate Secretary of Future State Myspace Property, Inc. and IRMO Inc.

Mr. Tan is not a Director in other reporting companies.

d) **LEONILO G. CORONEL** – age 75; Filipino citizen; first elected Independent Director of Megawide on July 19, 2010; Lead Independent Director; Chairman of the Finance Committee; Vice Chairman of the Audit and Compliance Committee; and Member of the Governance, Nominations and Compensation Committee and Risk Oversight Committee.

Mr. Coronel obtained his Bachelor of Arts degree, Major in Economics from the Ateneo de Manila University.

Mr. Coronel is the Managing Director of BAP Credit Bureau Inc., an Advisor of the Philippine Clearing House Corporation, the Treasurer of PDS Holdings, and a Consultant of the Bankers Association of the Philippines. He also serves as Executive Director of RBB Micro Finance Foundation, and an Independent Director of DBP-Daiwa Securities and SMBC Philippines, Inc.

Mr. Coronel served as Project Director of Small & Medium Ents. Credit Program of the Philippine Business for Social Progress; a Consultant of the Land Bank of the Philippines; a Director of Software Ventures International Corporation; a Director at the Philippine Dealing System, Philippine Depository & Trust Corp., and Philippine Clearing House Corporation; and a Trustee/Treasurer and Member of the Capital Market Development Council Institute.

Mr. Coronel is a Non-Executive Director of Philippine National Bank since May 2013.

e) **HILARIO G. DAVIDE, JR.** – age 84; Filipino citizen; first elected Independent Director of Megawide on September 18, 2017; Chairman of the Governance, Nominations and Compensation Committee; and Member of the Finance Committee, Risk Oversight Committee, and Audit and Compliance Committee.

Mr. Davide obtained his Bachelor of Laws from the University of the Philippines.

Mr. Davide was the former permanent Representative of the Republic of the Philippines to the United Nations in New York from February 2007 to April 2010. He also served as Chief Justice of the Supreme Court of the Philippines from November 1998 to December 2005. Mr. Davide was also the Commissioner of the 1986 Constitutional Commission. He is currently an Independent Director and Vice Chairman of the Manila Bulletin Publishing Corporation and an Independent Director of the Philippine Trust Company. Lastly, Mr. Davide is a Trustee of the University of San Carlos in Cebu City.

f) **CELSO P. VIVAS** – age 73; Filipino citizen; first elected Independent Director of Megawide on July 02, 2018; Chairman of the Audit and Compliance Committee; Vice Chairman of the Risk Oversight Committee; and Member of the Governance, Nominations and Compensation Committee and Finance Committee.

Mr. Vivas is an Independent Director of Keppel Philippines Holdings, Inc. since June 2005 and is currently its Lead Independent Director and Chairman of its Audit and Risk Management Committee. He is an Independent Director and Chairman of the Audit and Risk Management Committee of Keppel Philippines Marine, Inc. He is also an Independent Director and member of the Audit Committee of

Keppel Philippines Properties, Inc. Lastly, he is an Independent Director of Republic Glass Holdings Corporation, Chairman of its Governance, Nomination, and Remuneration Committee, and member of its Audit and Risk Management Committee.

He was a Risk Consulting Partner and Assurance Business Advisory Partner of SGV & Co. until his retirement in 2001. Mr. Vivas obtained his Bachelor's Degree in Business Administration (*Cum Laude*) from the University of the East. He also obtained a Master's Degree in Business Management from the Asian Institute of Management (as an SGV & Co. Scholar). He is also a graduate of a Company Directors' Course from the Australian Institute of Company Directors (as an Institute of Corporate Directors' Scholar). Mr. Vivas is a Certified Public Accountant and has over fifty (50) years of experience in the areas of audit, finance, enterprise risk management and corporate governance.

g) **ALFREDO E. PASCUAL** – age 71; Filipino citizen; first elected Independent Director of Megawide on October 09, 2018; Chairman of the Risk Oversight Committee; Vice Chairman of the Governance, Nominations and Compensation Committee; and Member of the Audit and Compliance Committee and Finance Committee.

Mr. Pascual is the Lead Independent Director of SM Investments Corporation and an Independent Director of Concepcion Industrial Corporation and Asiabest Group International Inc. In 2018 and 2019, Mr. Pascual was the President and Chief Executive Officer of the Institute of Corporate Directors. He is now a Board Trustee at the Institute of Corporate Directors as well as at the Shareholders Association of the Philippines ("SharePHIL"). From 2011 to 2017, he led the University of the Philippines ("UP") System as President and Board Co-Chair. Before UP, Mr. Pascual worked at the Asian Development Bank ("ADB") for nineteen (19) years in such positions as Director for Private Sector Operations, Director for Infrastructure Finance, and Advisor for Public-Private Partnership (Infrastructure Development). At ADB, he had postings in the Philippines, India, and Indonesia, and represented ADB on the board of its investee companies in China, India, and Philippines. Earlier on, Mr. Pascual held executive positions in investment houses, such as, First Metro Investment Corporation, and was a finance professor at the Asian Institute of Management. He finished MBA and BS Chemistry (*Cum Laude*) at UP.

<u>*Executive Officers Who Are Not Directors*</u>

a) **RAYMUND JAY S. GOMEZ** – 48, Filipino citizen. Mr. Gomez is the Chief Legal Counsel, Compliance Officer, and Data Privacy Officer of the Company. He is also a Director of MLI and MySpace. Before joining Megawide, he was the Vice President of the Human Resources, Legal and Regulatory Affairs Department of Beneficial Life Insurance Company, Inc. Mr. Gomez also served as Assistant Vice President of the Legal and Corporate Services Department of Aboitiz Equity Ventures, Inc., as Director of the Corporate Legal Affairs and Litigation Department at JG Summit Holdings, Inc., as Legal Counsel for Cebu Air, Inc. (Cebu Pacific Air), and as an Associate Lawyer of Ledesma, Saludo and Agpalo Law Offices. He obtained his Bachelor of Laws degree from San Beda College.

b) **ANTHONY VERGEL B. VELASCO** – 44, Filipino citizen. Mr. Velasco is currently the Chief Audit Executive ("CAE") of Megawide. He was the former CAE of the 2GO Group. He was also an IT Audit Manager of Premiere Bank (now Security Bank Savings) and a Senior Audit Systems Specialist of the Philippine Health Insurance Corporation. Mr. Velasco is a Certified Internal Auditor and Certified Information Systems Auditor. He received his Bachelor's degree in Accountancy from San Beda College and earned his Masters of Business Administration – Major in Financial Management from the National College for Business and Arts.

c) **JESSIE N. CRUZ**[9] – 54, Filipino citizen. Mr. Cruz is the Chief Technology Officer of the Company. Previously, he was a Director at UST-Global and a Regional IT Director at Transitions Optical Philippines, Inc. Mr. Cruz received his Bachelor of Science in Electronics and Communications Engineering degree from the University of Santo Tomas.

[9] The resignation of Jessie N. Cruz shall take effect on June 24, 2020.

d) **RAMON H. DIAZ** – 61, Filipino citizen. Mr. Diaz is the Chief Financial Officer of the Company and a Director of GMCAC. Mr. Diaz was the President and Chief Operating Officer of Metro Pacific Zamboanga Hospital Corporation. He also served as Chief Finance Officer, PT Internux (Indonesia), East Manila Hospitals Managers Corporation, Mt. Kitanglad Agri Services, Inc., and Actron Industries, Inc. Furthermore, he was the Chief Operating Officer of PT Jababeka Infrastruktur and Tolamn Mfg., Inc.

e) **MARKUS HENNIG** – 39, German citizen. Mr. Hennig is the Executive Vice President of the Business Units of the Company. He has over 23 years' experience in the precast industry and has worked in several other countries such as Germany, United States of America, United Arab Emirates, Saudi Arabia, and Kazakhstan.

f) **CHRISTOPHER A. NADAYAG** – 36, Filipino citizen. Mr. Nadayag is the Treasurer and Deputy Chief Financial Officer. He is also a director of Citicore. Previously, he served as the Accounting Manager of Megawide. He worked for SGV & Co. as a Senior Associate Auditor. He received his Bachelor of Science in Accountancy degree from San Sebastian College.

g) **ANTHONY G. TOPACIO** – 38, Filipino citizen. Mr. Topacio is the Corporate Secretary and Corporate Information Officer of the Company. He is also the Corporate Secretary of MySpace and MTI. Prior to joining the Company, he served as Corporate Secretary, Compliance Officer, Data Protection Officer, and Acting Head of the Human Resources, Legal and Regulatory Affairs Department at Beneficial Life Insurance Company, Inc. He was also a Legal Manager at International Container Terminal Services, Inc., an Associate General Counsel at Aboitiz Equity Ventures, Inc., and a Tax Supervisor at KPMG Philippines Manabat San Agustin & Company. Mr. Topacio obtained his Bachelor of Laws degree from San Beda College.

h) **JENNIFER C. LEE** – 35, Filipino citizen. Ms. Lee is the Assistant Corporate Secretary and Corporate Information Officer of the Company. She is also the Assistant Corporate Secretary of GMCAC. She also serves as Corporate Secretary for Wagenborg Manila, Inc. Ms. Lee received her Juris Doctor degree from the University of the Philippines.

i) **CHARLOTTE Y. KING** – 32, Filipino citizen. Ms. King is the Assistant Corporate Secretary of the Company and of MTI. She obtained her Bachelor of Laws degree from San Beda College.

Significant Employees

No single person is expected to make a significant contribution to the business, since Megawide considers the collective efforts of all its employees as instrumental to the overall success of its performance.

Family Relationships

None of the Company's executive officers are related to each other or to its Directors and substantial shareholders.

Involvement in Certain Legal Proceedings

Megawide is not aware of the occurrence during the past five (5) years until present of any of the following events that are material to an evaluation of the ability or integrity of any Director or executive officer:

a) Any bankruptcy petition filed by or against any Director, or any business of a Director, nominee for election as Director, or executive officer who was a Director, general partner or executive officer of said business either at the time of the bankruptcy or within two (2) years prior to that time;

b) 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 to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

c) 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

d) 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 SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

Certain Relationship and Related Transactions[10]

Related Party Category	Amount of Transaction	Receivable (Payable)	Terms	Conditions
Ultimate Parent:				
Cash granted	2,923,049,503	3,069,371,725	Interest-bearing	Unsecured
Interest receivable	288,975,323	288,975,323	Normal credit terms	Unsecured
Minority shareholder and affiliates:				
Cash granted	(841,103)	-	On demand; noninterest-bearing	Unsecured
Associate:				
Revenue from services	313,577	905,413,727	Normal credit terms	Unsecured
Cash granted	6,000,000	6,000,000	On demand; non-interest bearing	Unsecured
Cash obtained	(20,000,000)	(20,000,000)	On demand; non-interest bearing	Unsecured
Rent income	53,571	57,321	Normal credit terms	Unsecured
Joint Arrangement:				
Revenue from services	598,911,864	298,184,597	Normal credit terms	Unsecured
Cash granted	4,329,601	5,404,267	On demand; non-interest bearing	Unsecured
Cash obtained	(14,883,628)	-	On demand; non-interest bearing	Unsecured
Common Ownership:				
Rent income	3,662,2984	3,703,186	Normal credit terms	Unsecured
Revenue from services	187,922,352	130,204,606	Normal credit terms	Unsecured
Rent expense	1,766,433	-	Normal credit terms	Unsecured
Cash granted	42,399,786	3,186,770,507	On demand; Interest-bearing and non-interest bearing	Unsecured
Cash obtained	44,683,199	-	On demand; non-interest bearing	Unsecured
Interest receivable	288,975,323	288,975,323	Normal credit terms	Unsecured
Retirement fund	295,910	4,384,701	Upon retirement of	Partially funded

[10] Note 28 of the Company's consolidated financial statements or **Exhibit** "**2**".

			beneficiaries	
Advances to Officers and Employees	17,323,250	51,503,789	Upon liquidation, noninterest-bearing	Unsecured
Key Management Compensation	310,903,975	-	On demand	Unsecured

The details of the above summary shall be reflected in the audited consolidated financial statements for year ended December 31, 2019.

There is no director who has declined to stand for re-election to the Board of Directors since the date of the last annual stockholders' meeting because of disagreement with Megawide on matters relating to operations, policies, and practices.

Item 6. Compensation of Directors and Executive Officers

All Officers and Directors as a Group

a) The aggregate annual compensation paid or accrued during the last two (2) fiscal years and to be paid in the ensuing calendar year (2020) to Megawide's Chief Executive Officer and four (4) most highly compensated executive officers as a group are as follows:

SUMMARY COMPENSATION TABLE
Annual Compensation
(In ₽ Millions)

Name and Position	Fiscal Year	Annual Salary	Bonus	Other Compensation
Edgar B. Saavedra *Chairman, CEO and President* **Manuel Louie Ferrer** *Chief Corporate Affairs and Branding Officer* **Markus Hennig** *EVP – Business Units* **Reynaldo Rodrin** *VP – Operations* **Renato Go** *VP – Human Resources and Admin for EPC*				
CEO & Most Highly Compensated Executive Officers	2020	91.77	6.92	2.74
	2019	89.10	6.72	2.66
	2018	85.43	6.32	1.74
Aggregate compensation paid to all other officers and directors as a group unnamed	2020	114.05	20.32	7.85
	2019	110.73	19.73	7.62
	2018	49.27	7.98	1.40

b) Under the By-Laws of Megawide, by resolution of the Board, each Director, shall receive a reasonable per diem allowance for his attendance at each Board meeting. As compensation, the Board shall receive and allocate an amount of not more than ten percent (10%) of the net income before income tax of the Corporation during the preceding year. Such compensation shall be determined and apportioned among Directors in such manner as the Board may deem proper, subject to the approval of stockholders representing at least majority of the outstanding capital stock at a regular or special meeting of the stockholders.

On November 4, 2011, the Board, upon recommendation of the GNCC, approved the giving of a Twenty Thousand Pesos (PhP 20,000.00) Director's per diem per Board meeting and a Thirty Thousand Pesos

(PhP 30,000.00) monthly allowance in the form of reimbursable expenses for each regular Director. Subsequently, on October 10, 2018, the Board resolved to increase the Director's per diem per Board meeting to Forty Four Thousand Pesos (PhP 44,000.00) for Executive Directors, Sixty Two Thousand Pesos (PhP 62,000.00) for Non-Executive Directors, and Fifty Eight Thousand Pesos (PhP 58,000.00) for Independent Directors.

c) There are no bonus, profit sharing, stock options, warrants, rights, other compensation plans or arrangements with Directors or officers that will result from their resignation, retirement, termination of employment or change in the control of Megawide.

The duties and responsibilities of the elected corporate officers are specified in Megawide's By-laws and New Manual on Corporate Governance.

d) There are no outstanding warrants or options held by Megawide's Chief Executive Officer, executive officers and Directors.

Item 7. Independent Public Accountants

The accounting firm of Punongbayan & Araullo served as Megawide's external auditor for the last fiscal year. The handling partner of Punongbayan & Araullo is Ms. Mailene Sigue-Bisnar.[11] There was no change in or disagreement with the external auditor on accounting and financial disclosures.

In accordance with Megawide's New Manual on Corporate Governance, the Audit and Compliance Committee recommends the appointment of the external auditor. The Audit and Compliance Committee is composed of Celso P. Vivas (Chairman), Oliver Y. Tan (Vice-Chairman), Leonilo G. Coronel, Hilario G. Davide, Jr., and Alfredo E. Pascual.

The approval of the re-appointment of Punongbayan & Araullo as external auditor, with Ms. Mailene Sigue-Bisnar as handling partner, for the current year will be undertaken during the ASM.

Representatives from Punongbayan & Araullo will be present during the stockholders' meeting and will have an opportunity to make a statement if they desire to do so. It is also expected that the attending representatives will be able to respond to appropriate questions.

Item 8. Compensation Plans

No action is to be taken during the ASM with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

To be discussed and voted in the ASM on June 30, 2020 is the amendment of Article Seventh of Megawide's Articles of Incorporation to increase the authorized capital stock by Fifty-Four Million Pesos (PhP 54,000,000.00) consisting of fifty-four million (54,000,000) preferred shares. The proposed amendment is to increase Megawide's authorized capital stock from Five Billion Pesos (PhP 5,000,000,000.00), divided into four billion nine hundred thirty million (4,930,000,000) common shares with the par value of One Peso (PhP 1.00) per share and seventy million (70,000,000) cumulative, non-voting, non-participating, non-convertible, perpetual preferred shares with the par value of One Peso (PhP 1.00) per share, to Five Billion Fifty-Four

[11] Pursuant to SRC Rule 68, Paragraph 3 (b) (iv) and (ix) (Rotation of External Auditors) which states that the signing partner shall be rotated after every five (5) years of engagement with a two-year (2-year) cooling off period for the re-engagement of the same signing partner, the Company engaged Ms. Mailene Sigue-Bisnar of Punongbayan & Araullo for the examination of the Company's financial statements for 2016. Previously, the Company engaged Mr. Leonardo D. Cuaresma, Jr. of Punongbayan & Araullo for the examination of the Company's financial statements from 2014 to 2015. Ms. Bisnar was also the signing partner for the Company from 2009-2013.

Million Pesos (PhP 5,054,000,000.00), divided into four billion nine hundred thirty million (4,930,000,000) common shares with the par value of One Peso (PhP 1.00) per share and one hundred twenty-four million (124,000,000) cumulative, non-voting, non-participating, non-convertible, perpetual preferred shares with the par value of One Peso (PhP 1.00) per share. The minimum subscription will be paid through cash.

The terms and conditions of the issuance of preferred shares pursuant to the increase in authorized capital stock will be determined by the Company at a later date. The Company expects to receive at least the par value of the preferred shares to be issued out of the increase in capital stock, in cash. The additional capital shall be used to fund Megawide's existing projects.

The increase in the authorized capital stock to Five Billion Fifty-Four Million Pesos (PhP 5,054,000,000.00) is to allow Megawide to issue at least Three Billion Pesos (Php3,000,000,000.00) worth of preferred shares to fund its existing and future projects.

Under the Articles of Incorporation, no shareholder shall be entitled to any pre-emptive right to subscribe or purchase any shares of Megawide.

a) Voting Rights

All the common shares have full voting and dividend rights. Preferred shares are cumulative, non-voting, non-participating, non-convertible, perpetual preferred shares. The rights of Megawide's stockholders include the right to receive notice of stockholders' meetings, the right of inspection of Megawide's corporate books and other stockholders' rights contained in the Corporation Code of the Philippines.

b) Fundamental Matters Requiring Stockholder Approval

The Revised Corporation Code considers certain matters as significant corporate acts that may be implemented only with the approval of shareholders, including those holding shares denominated as non-voting in a corporation's articles of incorporation. These acts, which require approval of the Board and the shareholders representing at least two-thirds (2/3) of the outstanding capital stock of Megawide, in a meeting duly called for the purpose (except for the amendment of the By-Laws and approval of management contracts in general, which require the approval of shareholders representing a majority of Megawide's outstanding capital stock), include:

i. amendment of Megawide's Articles of Incorporation;
ii. extension or shortening of its corporate term;
iii. an increase or decrease of its capital stock, and incurring, creating, or increasing bonded indebtedness;
iv. delegation to the Board the power to amend, repeal, or adopt new By-Laws;
v. sale, lease, exchange, mortgage, pledge, or other disposition of all or a substantial part of Megawide's assets;
vi. merger or consolidation of the Company with another corporation or corporations;
vii. investment of corporate funds in any other corporation, or for a purpose other than the primary purpose for which Megawide was organized;
viii. dissolution;
ix. declaration or issuance of stock dividends;
x. ratifying a contract between Megawide and its Director or officer where the vote of such Director or officer was necessary for the approval;
xi. entering into a management contract where: (a) a majority of the directors of the managing corporation constitutes the majority of the board of the managed company; or (b) stockholders of both the managing and managed corporations represent the same interest and own or control more than one third (1/3) of the outstanding capital stock entitled to vote;
xii. removal of the Company's Directors;
xiii. ratification of an act of disloyalty by a Director; and
xiv. ratification of contracts with corporations in which a Director is also a member of the board, where the interest of the Director is substantial in one corporation and nominal in the other.

c) Pre-emptive Rights

The Revised Corporation Code confers pre-emptive rights on shareholders of a Philippine corporation entitling such shareholders to subscribe for all issues or other dispositions of equity related securities by the corporation in proportion to their respective shareholdings, regardless of whether the equity related securities proposed to be issued or otherwise disposed of are identical to the shares held. A Philippine corporation may provide for the denial of these preemptive rights in its article of incorporation. Megawide's Amended Articles of Incorporation have denied preemptive rights on all classes of shares it issued and therefore further issues of shares (including treasury shares) can be made without offering such shares on a pre-emptive basis to the existing shareholders.

d) Derivative Suits

Philippine law recognizes the right of a shareholder to institute, under certain circumstances, proceedings on behalf of the corporation in a derivative action in circumstances where the corporation itself is unable or unwilling to institute the necessary proceedings to redress wrongs committed against the corporation or to vindicate corporate rights, as for example, where the directors themselves are the malefactors.

e) Appraisal Rights

The Revised Corporation Code grants a shareholder a right of appraisal in certain circumstances where he has dissented and voted against a proposed corporate action, including:

i. an amendment of the articles of incorporation which has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
ii. the sale, lease, exchange, transfer, mortgage, pledge, or other disposal of all or substantially all of the corporate property of the corporation, as provided in the Revised Corporation Code;
iii. a merger or consolidation; and
iv. the investment of corporate funds for any purpose other than the primary purpose of the corporation.

In these circumstances, the dissenting shareholder may require the corporation to purchase his shares at a fair value which, in default, is determined by three (3) disinterested persons, one (1) of whom shall be named by the stockholder, one (1) by the corporation, and the third (3^{rd}) by the two (2) thus chosen. In the event of a dispute, the Securities and Exchange Commission ("SEC") will resolve any question relating to a dissenting shareholder's entitlement to exercise the appraisal rights. The dissenting shareholder will be paid if the corporate action in question is implemented and the corporation has unrestricted retained earnings sufficient to support the purchase of the shares of the dissenting shareholders.

f) Dividends

Under Philippine law, a corporation can only declare dividends to the extent that it has unrestricted retained earnings. Unrestricted retained earnings represent the undistributed earnings of the corporation which has not been allocated for any managerial, contractual or legal purposes and which are free for distribution to the shareholders as dividends. A corporation may pay dividends in cash, by the distribution of property, or by the issuance of shares.

Board approval suffices for the payment of cash and property dividends. Stock dividends may be paid and distributed only upon the approval of the shareholders representing not less than two-thirds (2/3) of the outstanding capital stock at a regular or special meeting called for that purpose.

The Revised Corporation Code generally requires a corporation with surplus profits in excess of one hundred percent (100%) of its paid-in capital to declare and distribute such surplus to its shareholders in the form of dividends. Notwithstanding this general rule, a Philippine corporation may retain all or any portion of such surplus when: (i) justified by definite corporate expansion projects or programs approved by its board of directors; (ii) the corporation is prohibited under any loan agreement with financial institutions or creditors, whether local or foreign, from declaring dividends without their consent, and such consent has not yet been secured; or (iii) it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is a need for special reserve for probable contingencies.

g) Disclosure Requirements / Right of Inspection

Philippine stock corporations are required to file an annual general information sheet which sets forth data on their management and capital structure and copies of their annual financial statements with the SEC. Corporations must also submit their annual financial statements to the Bureau of Internal Revenue. Corporations whose shares are listed on the Philippine Stock Exchange ("PSE") are also required to file current, quarterly, and annual reports with the SEC and the PSE. Shareholders are entitled to require copies of the most recent financial statements of the corporation, which include a balance sheet as of the end of the most recent tax year and a profit and loss statement for that year. Shareholders are also entitled to inspect and examine the books and records that the corporation is required by law to maintain. The board is required to present to shareholders at every annual meeting a financial report of the operations of the corporation for the preceding year.

There are no existing provisions in the Amended Articles of Incorporation or the Amended By-Laws of Megawide which will delay, defer, or in any manner prevent a change in control of Megawide. However, because Megawide owns land, Philippine laws limit foreign shareholdings in Megawide to a maximum of forty percent (40%) of its issued and outstanding capital stock. Any transfer of Megawide's shares by Filipinos to non-Filipinos will be subject to the limitation that any such transfers will not cause foreign shareholdings in Megawide to exceed forty percent (40%) of its issued and outstanding capital stock. In the event that foreign ownership of Megawide's issued and outstanding capital stock will exceed forty percent (40%), Megawide has the right to reject a transfer request to persons other than Philippine nationals.

To maintain its Philippine Contractors Accreditation Board ("PCAB") license, Megawide, pursuant to the Implementing Rules and Regulations of Presidential Decree No. 1746, must ensure that at lease sixty percent (60%) of its issued and outstanding capital stock is held by Filipinos.

Item 10. Modification or Exchange of Securities

No action is to be taken during the ASM with respect to the modification of any class of securities of the Company, or the issuance or authorization for issuance of one (1) class of securities in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

Megawide's consolidated financial statements is to be incorporated in the Definitive Information Statement by reference as **Exhibit** "**2**".

For the Management's Discussion and Analysis and Changes in and Disagreements with Accountants on Accounting and Financial Disclosure, please refer to the Management's Report attached to this Information Statement.

Item 12. Mergers, Consolidation, Acquisitions and Similar Matters

No action is to be taken during the ASM with respect to any transaction involving: (i) merger or consolidation into or with any other person or of any other person into or with Megawide; (ii) acquisition by the Company or any of its security holders of securities of another person; (iii) acquisition of any other going business or of the assets thereof; (iv) sale or other transfer of all or any substantial part of the assets of the Company; or (v) liquidation or dissolution of the Company.

Item 13. Acquisition or Disposition of Property

No action is to be taken during the ASM with respect to acquisition or disposition of any property of Megawide.

Item 14. Restatement of Accounts

No action is to be taken during the ASM with respect to restatement of any asset, capital, or surplus account of the Company.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The approval of the minutes of the ASM held on July 2, 2019 will be taken up during the meeting.

The matters taken up during the ASM on July 2, 2019 were as follows:

a) Call to Order
b) Proof of Notice and Quorum
c) Approval of the Minutes of the Annual Stockholders' Meeting on July 2, 2018
d) Chairman's Address and President's Report
e) Election of Directors
f) Approval of the 2018 Audited Financial Statements
g) Appointment of External Auditor
h) Ratification of all acts of Management and the Board of Directors
i) Other Matters
j) Adjournment

Item 17. Amendment of Charter, By-Laws or Other Documents

Megawide will seek stockholders' approval for the increase of its authorized capital stock and amendment of Article Seventh of the Corporation's Amended Articles of Incorporation as discussed in Item 9. The Board approved the increase of authorized capital stock and amendment on April 13, 2020.

The proposed amendment shall read as follows:

"x x x

SEVENTH: That the authorized capital stock of the corporation is **FIVE BILLION FIFTY-FOUR MILLION PESOS (P5,054,000,000.00)** in lawful money of the Philippines, divided into the following classes:

1. FOUR BILLION NINE HUNDRED THIRTY MILLION (4,930,000,000) common shares with the par value of ONE PESO (P1.00) per share; and
2. **ONE HUNDRED TWENTY-FOUR MILLION (124,000,000)** cumulative, non-voting, non-participating, non-convertible, perpetual preferred shares with the par value of ONE PESO (P1.00) per share.

x x x.

Item 18. Other Proposed Action

Ratification of the Acts of Management and the Board of Directors

For ratification of the stockholders are the acts of the Board, its Committees and management up to June 30, 2020. The resolution to be adopted will be the ratification and approval of all acts of the Board of Directors, its Committees and management, including corporate officers and the Board in 2019 up to the date of the ASM.

Regular and Special Meetings of the Board were held on the following dates:

a) July 2, 2019
b) November 4, 2019
c) December 3, 2019
d) February 13, 2020
e) April 13, 2020
f) May 15, 2020

At these meetings, matters discussed included the presentation of detailed operations and financial reports. In addition to these reports, the Board approved acts pertaining to obtaining government permits and clearances, execution of contracts, availment of services from banks and other acts necessary for various construction projects of Megawide.

Item 19. Voting Procedures

Stockholders as of May 13, 2020 may vote during the Company's ASM on June 30, 2020.

a) The vote required for approval and/or election

  i. The vote required for the approval of the Amendment of the Articles of Incorporation to increase the authorized capital stock for preferred shares is the vote of shareholders representing at least two-thirds (2/3) of the outstanding capital stock.[12]

  ii. The vote required for the election of Directors and all other questions (except in cases otherwise provided by the Corporation) is the vote of at least a majority of the outstanding capital stock.[13]

b) The method by which votes will be counted

  Article II, Section 7 of the By-laws provides that at all meetings of stockholders, a stockholder may vote in person or by proxy. Section 23 of the Revised Corporation Code of the Philippines provides that in stock corporations, every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing, at the time fixed in the by-laws, in his own name on the stock books of the corporation, or where the by-laws are silent, at the time of the election.

  In accordance with SEC Memorandum Circular No. 06, Series of 2020, voting during the ASM will be done through remote communication. In this regard, the manner and procedure by shareholders may vote, is described in **Exhibit** "**1**".

  Each stockholder shall have one (1) vote for each share of stock entitled to vote and recorded in his name in the books of Megawide.

  Punongbayan & Araullo will assist in the counting of votes.

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[12] Section 15 of the Revised Corporation Code.
[13] Section 23 of the Revised Corporation Code.

Item 20. Other Requirements

The Agenda items are in compliance with the Revised Corporation Code. The Agenda includes the standard Agenda items for ASM: a) Approval of Previous ASM Minutes; b) Election of directors; c) approval of Audited Financial Statements for 2019; d) Appointment of Auditor for the ensuing year, 2020; and e) Ratification of Management's and the Board of Directors' Acts. For the 2020 ASM, the Agenda also includes the approval of the increase in authorized stock of the Corporation, and the amendment of the Articles of Incorporation, in compliance with the Revised Corporation Code.

E. SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Quezon City on June 2, 2020.

ANTHONY G. TOPACIO
Corporate Secretary

EXHIBIT "1"

MEGAWIDE CONSTRUCTION CORPORATION
ANNUAL STOCKHOLDERS' MEETING

PROCEDURE FOR VOTING AND PARTICIPATION
VIA REMOTE COMMUNICATION

Megawide Construction Corporation (the "Company") shall be conducting its 2020 Annual Stockholders' Meeting on June 30, 2020, at 2:00 P.M., via remote communication ("2020 ASM"). In this regard, stockholders of record as of May 13, 2020 ("Stockholders"), shall be entitled to attend, participate, and vote in the 2020 ASM, in accordance with the procedure outlined below:

I. VOTING *IN ABSENTIA*

1. The Stockholders who would like to vote *in absentia* shall register at Pre-Registration for 2020 ASM from ***June 10, 2020 to June 17, 2020***, where they will be asked to provide the following information:

   a. For individual Stockholders:
      i. Full name;
      ii. Address;
      iii. Birthdate;
      iv. Email address;
      v. Phone number;
      vi. Mobile number;
      vii. Current photograph, with face fully visible;
      viii. Scanned copy of valid government-issued ID; and
      ix. For Stockholders with joint accounts, a scanned copy of an authorization letter signed by the other Stockholders, indicating who among them is authorized to cast the vote for the account.

   b. For corporate Stockholders
      i. Corporate Name;
      ii. Address;
      iii. Email address;
      iv. Phone number;
      v. Mobile number;
      vi. Scanned copy of the Secretary's Certificate or Board Resolution authorizing the representative of the corporation to cast the vote;
      vii. Current photograph of the representative authorized to cast the vote for the corporation, with face fully visible; and
      viii. Scanned copy of valid government-issued ID of the authorized representative.

   The submissions of Stockholders shall immediately be validated by the Stock and Transfer Agent of the Company, BDO Unibank, Inc., in coordination with the Corporate Secretary.

2. Upon validation, a Stockholder shall be sent a username and password to the email address he/she has provided during registration. The Stockholder shall use this username and password to log in to the voting page at Voting for 2020 ASM to be able to cast his/her vote in all the matters included in the agenda of the Company's 2020 ASM.

   When a Stockholder has finished voting, he/she shall be a shown a summary of the votes he/she has cast. If the Stockholder is satisfied, he/she may click the "Submit" button; otherwise, the Shareholder may click the "Back" button to make any desired changes in his/her votes.

Registered Stockholders shall be allowed to vote until 11:59 p.m. of June 22, 2020. The votes shall be considered cast for all the shares of the Stockholder.

3. The Stockholders who register and vote *in absentia* are deemed to have given their permission to the collection, use, transfer, disclosure, sharing, storage, and other forms of processing (collectively "Processing"), by the Company or any relevant third party, of the personal data they have provided. The Processing of the Stockholders personal data shall be used for the purpose of voting *in absentia* during the 2020 ASM, including for any reason necessary or incidental thereto.

II. VOTING BY PROXY

The Stockholders of the Company may also vote by completing the proxy form downloadable at Megawide 2020 ASM. The completed and signed proxy form shall be submitted by the Stockholder to the Company's Stock and Transfer Agent, through electronic mail and/or personal service, from ***June 10, 2020 until June 22, 2020.*** Please refer to the details provided below:

Through Electronic Mail:
BDO SECURITIES SERVICES AND CORPORATE AGENCIES
Ms. Gigi Arcaba – bdo-stock-transfer@bdo.com.ph

Through Personal Service:
BDO SECURITIES SERVICES AND CORPORATE AGENCIES
15th Floor, South Tower, BDO Corporate Centre
Makati Avenue, Makati City
Telephone. : (632) 878-4963 / 878-4052

Fax : (632) 878-4056
Contact Persons : **Ms. Oliver Galves** – galvez.oliver@bdo.com.ph
Ms. Gigi Arcaba – bdo-stock-transfer@bdo.com.ph

For the purpose of validation, the Stockholder must include the following in transmitting the completed and signed proxy form:

a. Full name of contact person;
b. Phone number of contact person;
c. Mobile number of contact person;
d. Scanned copy of valid government-issued ID of the Stockholder and his/her appointed proxy (if not the Chairman of the Company); and
e. For corporate Stockholders, scanned copy of Secretary's Certificate or Board Resolution authorizing the representative to act as the proxy.

III. TABULATION OF VOTES

Thereafter, the Stock and Transfer Agent of the Company shall tabulate the votes cast *in absentia* and by proxy. The results shall be confirmed by the Company's independent auditors, Punongbayan & Araullo.

The total votes made *in absentia* and by proxy, as well as the number of shares represented by the same, shall be announced during the 2020 ASM.

IV. PARTICIPATION IN THE 2020 ASM THROUGH REMOTE COMMUNICATIONS

1. The Stockholders may attend the meeting on ***June 30, 2020, at 2:00 P.M.***, through the following link: Megawide 2020 Virtual ASM. The 2020 ASM shall be broadcasted live via Microsoft Teams, which may be accessed either through a web browser or the Microsoft Teams mobile application.

2. The Stockholders who have not voted *in absentia* or submitted their proxies may still attend the 2020 ASM through the link provided above. However, to be included in the determination of the quorum, they must notify the Stock and Transfer Agent of the Company of their intention to attend the 2020 ASM by emailing him/her at bdo-stock-transfer@bdo.com.ph by ***2:00 p.m. of June 29, 2020***. Such Stockholders must provide or attach in the email the requirements listed in Section I (1) (a) or I (1) (b), as the case may be, in order to be validated.

3. In view of the foregoing, the quorum for the 2020 ASM shall be determined based on the following:

   a. The Stockholders who were validated and voted *in absentia*;
   b. The Stockholders who submitted their proxy forms and were validated; and
   c. The Stockholders who notified the Corporate Secretary of their intention to attend the 2020 ASM and were validated.

4. During the 2020 ASM, Stockholders will be given the opportunity to raise any questions or comments, by submitting the same in a chat box that will be made available to them throughout the live broadcast. The Company shall acknowledge, read out loud, and address such questions or comments.

   The Stockholders are, however, encouraged to furnish all questions, concerns, or comments to the Company prior to the 2020 ASM, by emailing the same to the Stock and Transfer Agent of the Company at bdo-stock-transfer@bdo.com.ph and/or to the Corporate Secretary at corporatesecretary@megawide.com.ph by ***2:00 p.m. of June 29, 2020***. These questions, concerns, or comments shall be answered during the 2020 ASM. Any unanswered questions shall be addressed via email.

MANAGEMENT REPORT
(UNDER RULE 20.4, AMENDED IRR OF THE SRC)

Management's Discussion and Analysis

Review of results for the three (3) months ended March 31, 2020 as compared with the results for the three (3) months ended March 31, 2019 and **Material Changes in Megawide's Unaudited Balance Sheet as of March 31, 2020 compared with the Audited Balance Sheet as of December 31, 2019.**

RESULTS OF OPERATIONS

Revenues increased by 42% or P1.50 billion
Megawide Construction Corp.'s (Megawide's or the Company's) consolidated revenues for the period increased by 42% or P1.50 billion to P5.06 billion. The construction segment revenue amounted to P3.91 billion, P1.34 billion or 52% higher from year ago levels and contributed 77% to the consolidated revenue. Since the first quarter of 2019, construction segment continued to recover its business as it delivered from its growing construction orderbook.

Airport operations delivered P803 million in revenues for the period, and contributed 16% to total, as passenger volumes slowed down. International passenger arrivals from COVID19-affected countries like China, Japan and Korea went down beginning February while domestic volumes declined as the government declared a state of public emergency and placed Luzon under enhanced community quarantine (ECQ). Airport merchandising segment, which is ancillary to airport operations, likewise experienced a slowdown in sales beginning February and generated revenue of P65 million, which accounted for 1% of the consolidated revenue.

Landport operations delivered revenue of P287 million for the period, an increase of P267 million from the previous year, and contributed 6% to the total as office towers and commercial spaces started operations in latter half of 2019. Terminal operations were temporarily suspended upon the imposition of the ECQ in March 2020 but has been serving as a transportation convergence point for healthcare workers and frontliners.

Direct Costs increased by 46% or P1.18 billion
The movement in direct cost was consistent with the movement in revenue across all three segments taking in consideration the cost related to the operation of PITX terminal and decline in fixed cost of the airport segment due to reduced passenger volume.

Gross Profit increased by 32% or P315 million
Consolidated gross profit amounted to P1.30 billion in the first quarter of 2020, translating to a consolidated gross profit margin of 26%. The construction business contributed P588 million or 45% of the Group's gross profit. Airport operations accounted for P454 million or 35%. Meanwhile, terminal operations contributed P212 million or 16% of the consolidated gross profit. The balance came from the airport merchandising segment.

Other Operating Expenses increased by 58% or P150 million
Net Other Operating Expenses for the three-month period amounted to P407 million, mainly related to the costs associated with the issuance of the P5 billion corporate note facility in February 2020 and cost to ramp up the landport operations.

Other Income (Charges) increased by 108% or P306 million
Other income (charges), which consists of finance cost, finance income and other income (expenses), increased due to recognition of mark-to-market loss amounting to P94 million on the airport segment's interest rate swap and the interest cost on loans availed by the terminal operations segment towards third quarter of 2019.

Consolidated Net Profit for the first three months of 2020 amounted to P209 million
Consolidated net profit amounted to P209 million and is mainly attributed to the impact of the recognition of mark-to-market loss amounting to P94 million on the airport segment's interest rate swap.

Review of financial conditions as of March 31, 2020 as compared with financial conditions as of December 31, 2019

ASSETS

Current Assets decreased by 5% or by P1.63 billion

The following discussion provides a detailed analysis of the decrease in current assets:

Cash and Cash Equivalents decreased by 30% or P1.96 billion
The decrease in cash & cash equivalents was due to payment of dividends declared in 2019 on common shares (taken from Retained Earnings as of December 2018), working capital requirements as collections were limited at the start of the ECQ when most businesses were closed, and share buyback program.

Trade and Other Receivables decreased by 9% or by P1.64 billion
The contract receivables decreased due to the P2 billion collection from the Clark airport project representing the first milestone payment. Meanwhile, retention receivables increased relative to accomplishments for the period. Retention receivables pertain to progress billings, which is withheld by the project owner equivalent to 5% to 10% of the contract cost, but are collected upon issuance of the certificate of completion by the project owner. Terminal operations receivables increased due to recognition of additional lease income of P53 million in accordance with PAS 17 and uncollected billings from tenants of P114M, which were not received on time due to the suspension of terminal operations under ECQ guidelines.

Construction Materials decreased by 11% or by P136 million
The decrease is due to the timing of placing the orders for materials to suppliers and usage of materials at the project sites.

Contract assets increased by 42% or P1.68 billion
The increase is mainly due to newly awarded contracts, which are on mobilization phase.

Other Current Assets increased by 7% or by P424 million
The increase is mainly due to advances made by the Parent to its suppliers and subcontractors for its new projects entered in late part of 2019 to lock in most of the material cost. The related input VAT also increased as a result of payments made to subcontractors.

Non-Current Assets increased by 1% or by P540 million

The following discussion provides a detailed analysis of the increase in non-current assets:

Investments in Associates and Joint Ventures increased by 1% or by P10 million
The increase is a result of share in the net gains taken up on the Group's investment in various joint ventures.

Concession Assets increased by P43 million
The increase is due to capital investments of GMCAC related to capacity augmentation of the airport. Meanwhile, amortization charges for the year amounted to P149 million.

Property, Plant and Equipment decreased by 2% or by P124 million
The Group recognized depreciation charges on property, plant and equipment amounting to P333 million and procured certain construction equipment to support specification requirement of the ongoing projects.

Investment Properties decreased by P17 million
The decrease is due to depreciation charges for the period.

Other Non-Current Assets increased by 21% or by P632 million
The increase is mainly due to the additional placement funds to GMCAC's "Cash Flow Waterfall Accounts" as required under the Omnibus Loan and Security Agreement.

LIABILITIES AND EQUITY

Current Liabilities decreased by 4% or by P1.25 billion

The following discussion provides a detailed analysis of the decrease in current liabilities:

Interest-Bearing Loans and Borrowings-Current decreased by 11% or by P1.55 billion
The decrease is due to the payment of short-term loans for the Clark project upon collection of the portion of receivables from the said project. Payment was made in accordance with the terms of the loan agreement.

Trade and Other Payables increased by 2% or by P127 million
The increase is mainly due to unprocessed subcontractor and supplier billings towards the end of March as the ECQ has been declared by the government, enabling employees to process limited modes of payments.

Contract liabilities increased by 2% or P107 million
The increase in contract liabilities was a result of unreceived subcontractor billings towards the end of March despite related work accomplishment billed to clients. This also includes receipts of downpayments for new projects, reduced by the recoupment against billings to clients.

Other Current Liabilities increased by 32% or by P71 million
The increase is due to the increase in tax liabilities of the Group such as withholding taxes and output Vat.

Non-Current Liabilities increased by 2% or by P738 million

The following discussion provides a detailed analysis of the increase in non-current liabilities:

Interest-Bearing Loans and Borrowings-Non-Current increased by 2% or by P681 million
The increase is due to loan availments of the Parent from its newly issued corporate note facility.

Deferred tax liabilities increased by 7% or P42 million
The increase is due to impact on taxes of the recognition of additional revenue and finance cost in accordance with PFRS 15.

Other non-current liabilities increased by 2 or by P13 million
The increase is mainly due to the increase in security deposits received during the year from its landport operations.

Equity attributable to Parent decreased by 4% or by P557 million
The decrease is mainly the function of the share buyback program of the Parent and dividend payment to preferred stock shareholders.

***Review of results for the year ended December 31, 2019 as compared with the results for the year ended December 31, 2018 and* Material Changes in Megawide's Audited Balance Sheet as of December 31, 2019 compared to the Audited Balance Sheet as of December 31, 2018**

RESULTS OF OPERATIONS

Review of results for the year ended December 31, 2019 as compared with the results for the year ended December 31, 2018

Megawide Construction Corp. (Megawide or the Company) generated consolidated revenues of P19.88 billion for the year 2019, 24% higher than P15.99 billion posted in 2018. Megawide also recorded consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) of P4.81 billion, 9% more than the previous year. This was driven by airport operations, which recorded a 10% growth to P2.33 billion and contributed 48% to total, and construction, which grew to P2.25 billion from P2.18 billion last year and comprised 47% of the total. The remaining 5% came from the combined terminal and merchandising operations. The Company's net profit came in at P1.11 billion, of which 55% or P609 million was delivered by airport operations and merchandising segments, while the remaining 45% was from the construction and terminal businesses. Overall, the 2019 results were fueled by the recovery in construction, sustained momentum from airport operations, and initial contribution from landport operations.

Revenues increased by 24% or by P3.89 billion

The Company's consolidated revenues increased by P3.89 billion or 24% in 2019 due to improving contributions across all business segments.

Construction

The construction segment contributed 77% of the Group's total revenue amounting to P15.31 billion against P12.69 billion in the previous year. Revenues for the year increased by P2.62 billion or 21% as a result of ramp up in construction activities in 2019. Major projects undertaken during the year includes Clark International Airport, 8990's Housing Development's Ortigas and Tondo, Araneta's Gateway Mall, Megaworld's Worldwide Plaza, Albany Luxury Residences, One Fintech, 8 Sunset Boulevard, International Finance Center and Double Dragon projects.

The new contracts secured in 2019 reached P19.42 billion, which included Megaworld's Gentry Manor, One Fintech Tower, Eight Sunset District, Empire East Skymall, House Project, Suntrust Finance Center, Two Mcwest, Newport Link and La Victoria Project, 8990 Holdings' 8990 Cubao project and Emerald Rich Properties' the Corner House Project.

At end of the year, order book remained very healthy and stood at P52.40 billion which provides revenue visibility for the next 2 to 3 years. In terms of mix, residential projects comprised 50%, office and commercial at 47%, while infrastructure projects and facilities contributed the remaining 3%, mostly attributable to the Clark International Airport EPC contract.

Airport Operations

Airport operations delivered revenues of P3.69 billion and contributed 19% to the total consolidated revenue in 2019. Revenues for the year increased by 23% or P695 million compared with 2018, driven largely by the 10% growth in total passenger volume to 12.66 million passengers, with international and domestic passengers growing 11% and 9%, respectively. Domestic passengers comprised 66% of the total passenger mix while international passengers comprised 34%. Air traffic volume likewise increased by 6% with international traffic increasing by 12% and domestic traffic improving by 4%.

The over-all increase in passenger and air traffic was attributed to new airline partners as well as new routes in both international and domestic segments. Thirteen new international destinations such as China Southern's Guangzhou, Juneyao Airlines' Shanghai, Philippine AirAsia's Macau, Kaohsiung and Taipei, Philippine Airline PR's Nagoya, Cebu Pacific Air's Shanghai, Cathay Pacific's Hongkong, Xiamen Air's Chengdu and Quanzhou, Silk Air's Singapore, Jeju Air's Daegu and Air Busan's Incheon. Meanwhile, six new domestic destinations were added this year such ash Royal Air Philippines' Manila, Davao, Puerto Princesa, Cagayan and Boracay and Cebu Pacific's Busuanga.

Airport Merchandising

Meanwhile, airport merchandising contributed 2% to consolidated revenue last year with a year-on-year growth of 13% or P36 million. The additional space from the partial completion of Terminal 1 and existing presence in Terminal 2 are expected to improve the airport merchandising contribution moving forward.

Terminal Operations

The terminal operations posted a revenue P555 million from an almost insignificant amount of P18 million in 2018. Revenue mainly came from leases received from concessioners in the terminal area and office tower tenants. As of end of 2019, 71% of the terminal space were leased out to concessionaires, of which 30% had already commenced operations. In 2019, PITX completed the construction of four-tower, 5-storey office complex, each with a gross leasable area of 19,225 square meters, for a total of 76,903 square meters. All towers have been contracted for a period of five years.

Since its opening last November 2018, passenger foot traffic in the terminal grew to an average of 67,968 passengers daily by the end of 2019 from less than 5,000 at the start of operations. In addition, the number of trips originating from the terminal increased from less than 500 daily in November 2018, which were limited only to buses, to almost 5,200 trips daily, now comprised of city, provincial and long-haul buses, modern and traditional jeepneys, and domestic shuttle services.

Direct Costs increased by 29% or by P3.41 billion
The movement in direct cost was consistent with the movement in revenue across all three segments, taking into consideration the higher construction revenue and full year impact on the take up of depreciation on the opening of MCIA's Terminal 2 and additional costs to operate it.

Gross Profit increased by 11% or by P476 million
Consolidated gross profit amounted to P4.65 billion in 2019 and translated to a consolidated gross profit margin of 23%. Construction gross profit increased by P113 million or 6% to P2.02 billion. Airport operations grew by P100 million or 5% to P2.15 billion while airport merchandising grew by P18 million or 8% to P238 million. Terminal operations gross profit accelerated to P244 million as revenue stream from concessionaires and office towers commenced last year.

Other Operating Expenses increased by 41% or P531 million
Other operating expenses amounted to P1.81 billion in 2019 and was largely attributable to overhead expenses associated with the full year of MCIA's Terminal 2 operations, which opened in July 2018, and the PITX terminal operation, which were consolidated beginning August 2018 only.

Other Income (Charges) increased by P897 million or 175%
Other income (charges), which consists of finance cost, finance income and other income (expenses), increased due to higher finance costs related to loan availments of the airport segment, which can no longer be capitalized after completion of Terminal 2 in 2018, and rehabilitation of Terminal 1 in 2019. In 2019, PITX and Clark Airport Project likewise made additional drawdowns totaling to P6 billion. Also, the Parent Company availed loans to finance its working capital and capital expenditure program.

Tax Expense decreased by P169 million or 34%
Consolidated tax expenses declined primarily due to reversal of temporary difference in construction segment as a result of write-off of its receivables in which doubtful accounts expense were recognized in the previous years.

FINANCIAL CONDITION

Review of financial conditions as of December 31, 2019 as compared with financial conditions as of December 31, 2018

ASSETS
Current Assets increased by 43% or by P10.68 billion

The following discussion provides a detailed analysis of the increase in current assets:

Cash and Cash Equivalents increased by 14% or P784 million
The increase in cash & cash equivalents is due to higher operating cash inflow from the airport and terminal operations segments and financing availments during the period.

Trade and Other Receivables increased by 70% or by P7.16 billion
The construction receivables increased by P3.27 billion mainly related to the increase in Clark Airport project's receivable amounting to P3 billion, which payment terms is based on milestones as indicated in the contract. Airport operations recorded an increase in receivables by P293 million in line with the increase in revenue. Terminal operations posted higher receivables by P524 million (of which P382 million is related to Philippine

Accounting Standard (PAS) 17 adjustment on leases). Advances to affiliates increased in 2019 to incubate new businesses and support the Group's overall long-term growth programs and objectives, with related fees charged on and accrued to the outstanding advances.

Construction Materials increased by 49% or by P422 million
The increase is due to work-in-progress materials in site that were released to subcontractors but were not yet installed as of the end of year.

Contract assets increased by 30% or P915 million
The increase is in line with increased order book and typical of most projects considered at its early phase, which started in 2019.

Other Current Assets increased by 29% or by P1.42 billion
The increase is mainly due to downpayments made to suppliers during the year for newly started projects and the increase in prepaid taxes of the parent due to application of P406 million write-off of receivables against its taxable income. Deferred fulfillment costs decreased as contracts have been executed or partially fulfilled in 2019.

Non-Current Assets increased by 10% or by P4.18 billion

The following discussion provides a detailed analysis of the increase in non-current assets:

Investments in Associates increased by 4% or by P33 million
The increase is due to equity share in earnings on the Group's investment.

Concession Assets increased by 4% or P1.15 billion
The increase is due to capital investments of GMCAC related to rehabilitation of the Terminal 1 of MCIA.

Property, Plant and Equipment increased by 45% or by P2.47 billion
The Group procured new construction equipment, mobilized new batching plants, and expanded precast capacity in 2019 to support the internal requirements of the construction segment and expand its external market in the future. In addition, the Company acquired the property lot where its N. Domingo head office is located.

Investment Properties increased by 12% or by P427 million
The increase is mainly due to additional capital investment for commercial spaces in 2019 in PITX. MWMTI has a Concession Agreement with the government to build and operate the PITX for 35 years, which also allows for the construction and development of office buildings and commercial establishments recorded as investment in properties in the books of MWMTI. The terminal was inaugurated and started operations in November 2018, with commercial spaces and office towers were completed in 2019.

Other Non-Current Assets increased by 2% or by P60 million
The increase is due to the additional placement of unrestricted cash in the restricted funds of GMCAC's "Cash Flow Waterfall Accounts" as required under the Omnibus Loan and Security Agreement to match the new loan availments of GMCAC.

LIABILITIES AND EQUITY

Current Liabilities increased by 69% or by P11.43 billion

The following discussion provides a detailed analysis of the increase in current liabilities:

Interest-Bearing Loans and Borrowings-Current increased by 129% or by P8.27 billion
The increase is due to the availment of short-term loans of the Parent and MGCJV, Inc. to support working capital expenditures and the construction of the Clark Airport project, respectively. MGCJV, Inc. is the joint venture of the Parent and GMR Group established to construct the new Clark International Airport. In addition,

maturing portion of GMCAC's loan in 2020 amounting to P544 million was reclassified to current loan from long term debt.

Trade and Other Payables increased by 56% or P2.92 billion
The increase is mainly due to volume and timing of purchases and payments to suppliers and subcontractors as well as an increase in retention payable by the Parent. Certain invoices, mostly related to steel, have been delivered, invoiced or were recently processed by end of year. In addition, dividends payable amounting to P240 million were recorded upon declaration of cash dividends to common shareholders in December 2019.

Contract liabilities increased by 6% or P261 million
The increase is mainly related to additional P960 million net downpayments received by the Parent for its new projects like Mandani Bay, Double Dragon tower, Gentry Manor and International Finance Center. This was reduced by the decrease from o the catch-up of cost billing of subcontractors for certain projects, which were completed in 2019. This includes One Manchester project, Delta Phase 2 and BGC Flats.

Other Current Liabilities decreased by 6% or by P14 million
The decrease mainly relates to the decrease in withholding taxes.

Non-Current Liabilities increased by 11% or by P3.43 billion

The following discussion provides a detailed analysis of the increase in non-current liabilities:

Interest-Bearing Loans and Borrowings-Non-Current increased by 9% or by P2.70 billion
The increase is mainly due to loan availments of PITX to fund the construction of its terminal. This was reduced by reclassification of current portion of airport loans amounting to P544 million.

Post-employment defined benefit obligation increased by P163 million or 92%
The increase is due to the recognition of current service cost and interest cost amounting to P49 million and the recognition of re-measurement on actuarial losses based on changes in financial assumptions of the actuary.

Deferred tax liabilities increased by 46% or by P193 million
The increase is due to reversal of temporary difference on impairment losses on trade receivables and additional temporary differences for its post-employment defined benefit obligation, effect of significant financing component and amortization of concession assets.

Other non-current liabilities increased by 101% or by P373 million
The increase pertains to security deposits and advance rentals received by PITX from its concessionaire and office towers tenants and was reduced by payment of retention payable of GMCAC related to the construction of the MCIA Terminal 2.

Equity attributable to Parent decreased by 1% or P206 million
The decrease is the function of the Company's net profit attributable to the Parent recognized for the period offset by the Parent's share buyback program and dividend payments to common and preferred stock shareholders.

***Review of results for the year ended December 31, 2018 as compared with the results for the year ended December 31, 2017 and* Material Changes in Megawide's Audited Balance Sheet as of December 31, 2018 compared to the Audited Balance Sheet as of December 31, 2017**

RESULTS OF OPERATIONS

Megawide posted a consolidated EBITDA of P4.59 billion and a net profit of P1.87 billion for the full year 2018. EBITDA remained healthy with a year-on-year growth of 6% propelled by the airport business. 51% of EBITDA or P2.36 billion was delivered by the construction business while the balance was from the airport segment. In terms of net profit, P1.04 billion or 55% was brought by airport operations and merchandising segments while the remaining 45% was from the construction business. Overall, the results arose from the strong performance of airport operations and the varying stages of order book and one-off items related to the construction segment.

REVENUES

The Company posted consolidated revenues of P16.0 billion for the 12 months ended December 31, 2018, compared with the P19.2 billion of consolidated revenues for the same period of 2017.

Construction

The construction segment contributed 79% of the Group's total revenue amounting to P12.69 billion against P16.7 billion in the previous year. Lower revenues were recognized as a result of the varying stages of on-going construction projects where several projects are in the tail end while others were just mobilized in the 4th quarter of 2018. The projects that were substantially completed during the year were Cyber Park Tower 2, Arthaland Superstructure, BGC 5th Avenue, Project Delta Phase 1, The Hive Tower A, Landers Arcovia, and Landers Alabang while the projects that were mobilized towards the end of 2018 include Hampton O&P, Cold Storage Caloocan, 8990 Ortigas, Ascott-DD Meridian Park and Double Dragon Tower Phase 3.

The new contracts secured in 2018 reached P29.52 billion, some of which are Gateway Mall 2 Hotel, Golden Bay Tower, Taft East Gate, Space Ubelt, University Tower 5, International Finance Center, Cold Storage Caloocan, The Hive Tower C & D and Mandani Bay in Cebu City, and was 273% of the total new contracts booked in 2017. The 2018 order book also included the supply and installation of pre-cast materials to various external clients such as Phirst Park Homes owned by Tanza Properties, Inc., a subsidiary of Century Properties, Inc.

At end of the year, order book remained very promising and stood at P50.09 billion and provides revenue visibility for the next 2 to 3 years. In terms of mix, residential projects comprised 67%, office and commercial at 23%, while infrastructure projects contributed the remaining 10%, attributable to the Clark International Airport EPC contract.

Airport Operations

Airport operations delivered revenues of P3.00 billion and contributed 19% to the total consolidated revenue in 2018. This was driven largely by the 15% growth in total passenger volume to 11.5 million passengers, with international and domestic passengers growing 23% and 12% respectively. Domestic passengers comprised 67% of the total passenger mix while international passengers comprised 33%. Air traffic volume likewise increased by 15% with international traffic increasing by 19% and domestic traffic improving by 14%.

The over-all increase in passenger and air traffic was attributed to new airline partners as well as new routes in both international and domestic sectors. To date, the Company is serving 33 domestic and 24 international destinations, with 7 local and 19 international airline partners. MCIA Terminal 2 was inaugurated last June 7, 2018 and started commercial operations in July 1, 2018.

Per segment, share of Passenger Service Charge (PSC), representing 55% of airport revenues, increased by 29% to P1.66 billion driven by the double-digit growth in passenger throughput. On the other hand, non-aero or commercial revenues grew by 34% to P970 million and contributed 32% to airport operations. The remaining 12% is accounted for by aero-related revenues, which increased by 26% to P372 million.

Airport Merchandising

Meanwhile, airport merchandising contributed the remaining 2% to consolidated revenue last year. However, with the opening of Terminal 2 and expected influx of foreign tourists, coupled with the expansion of Terminal 1 by the end of 2019, airport merchandising is expected to improve its contribution moving forward.

COSTS AND EXPENSES

Direct Costs decreased by 20% or by P2.94 billion

Consolidated direct costs down by 20% to P11.61 billion in 2018 due to the lower construction revenues.

Gross Profit lower by 5% or by P228.50 million
Consolidated gross profit amounted to P4.39 billion in 2018 and translated to a consolidated gross profit margin of 27% versus 24% in 2017, despite the 5% drop from the previous year's P4.61 billion. Gross profit by the construction business reached P1.90 billion or 43% of the consolidated gross profit while the airport business delivered P2.26 billion or 52%. The balance came from the airport merchandising segment.

Operating Profit lower by 13% or by P427.75 million
Consolidated operating profit amounted to P2.90 billion in 2018 due to lower construction revenues generated. Airport operations contributed P1.80 billion which is 18% higher compared with P1.52 billion in 2017.

Finance Costs increased by 80% or by P591.64 million
The increase in finance costs was due to the loan availments of the airport segment in 2018 and recognizing half-year interest expenses in Terminal 2 of MCIA. Moreover, construction segment availed of working capital loans, recognized a one-time loss related to the impairment of disputed construction receivables, and adoption of the new accounting standard PFRS 15, Revenue from Contracts with Customers.

Finance Income rose by 19% or by P35.75 million
The improvement in finance income was mainly attributed to the interest hike in 2018.

Other Income, net increased by 942% or by P543.80 million
In 2018, other income of the Company, mainly from equipment rental, increased significantly due to a more active sales and marketing campaign. In addition, a revaluation gain amounting to P307 million on the Company's stake in MWMTI as a result of its acquisition of WMPMI, the vehicle that owns 49% of MWMTI.

Tax Expense decreased by 15% or by P86.21 million
Consolidated tax expenses declined by 11% to P492.84 million due to a decline in the operating profit of the Group.

Review of financial condition as of December 31, 2018 as compared with the financial condition as of December 31, 2017

<u>**Financial Condition**</u>

ASSETS

Current Assets increased by 33% or by P6.09 billion
The following discussion provides a detailed analysis of the increase in current assets:

Cash and Cash Equivalents increased by 16% or P803.78 million
The increase in cash & cash equivalents is basically due to the downpayments received by the construction business for its new projects and the increase in operating cash inflow of the airport operation segment as a result of higher revenues.

Financial Assets at fair value through profit or loss decreased by 99% or by P3.18 billion
The parent company terminated its placement to fund its equity infusion in MWMTI and its share buyback program.

Trade and Other Receivables increased by 56% or by P3.68 billion
The construction receivables increased by P400 million due to timing differences in the collection cycle of the trade receivables of the Group which is 45 to 60 days from invoice date while retention receivables increased by P258 million. Retention receivables pertain to progress billings which is withheld by the project owner equivalent to 5% to 10% of the project. Retention receivables are collected upon issuance of the certificate of completion by the project owner. In airport operations, receivables increased by P189 million basically due to an increase in revenue. The increase in other receivables is mainly due to the accrual of interest income of the

Group. Advances to affiliates also increased in 2018 due to bridge financing extended to affiliates for business expansion and diversification program.

Construction Materials increased by 50% or by P287.74 million
The increase is due to the timing of placing the orders for materials to suppliers and actual delivery to project sites and warehouses.

Costs in excess of billings on uncompleted contracts – net / Contract assets increased by 46% or P965.18 million
The increase is mainly due to the adoption of the new accounting standard PFRS 15, Revenue from Contracts with Customers, which recognizes actual constructions costs incurred and reclassifies unbilled progress billings to contract assets. The increase is mainly due to projects fulfillment cost in relation to MWMTI contract with the government and other newly awarded contract which are on mobilized phase.

Other Current Assets increased by 260% or by P3.53 billion
The increase is due to advances made by the Parent to its suppliers and subcontractors for its new projects that just started and the increase in prepaid taxes of the Group.

Non-Current Assets increased by 15% or by P5.40 billion

The following discussion provides a detailed analysis of the increase in non-current assets:

Investments in Associates and Joint Ventures decreased by 16% or by P177.39 million
The decrease is due to the elimination of the investments in MWMTI, as a result of the Parent's acquisition of the 49% stake of WMPMI in MWMTI in 2018. After the acquisition, the Parent owned 100% of MWMTI that resulted to a change in the accounting treatment from an investment in joint venture to an investment in subsidiary.

Concession Assets increased by 10% or P2.68 billion
The increase is due to capital investments of GMCAC related to the construction of the MCIA Terminal 2 and rehabilitation of the Terminal 1.

Property, Plant and Equipment increased by 5% or by P278.03 million
The Group procured new property, plant and equipment amounting to P942 million, which included the Parent's capital investments in land, warehouses, construction and transportation equipment, to support its expanding order book and GMCAC's investments in new systems and office equipment to support the growing airport operations.

Investment Properties increased by 2,450% or by P3.32 billion
In 2018, the Parent acquired the 49% stake of WMPMI in MWMTI that resulted to a change in the accounting treatment by the Parent of its investment in MWMTI from an investment in joint venture to an investment in subsidiary. The consolidation of the MWMTI in the books of the Parent resulted to the recognition of investment in properties amounting to P3.32 Billion. MWMTI has a Concession Agreement with the government to build and operate the PITX for 35 years and also allows for the construction and development of office buildings and commercial establishments which was recorded as investment in properties in the books of MWMTI.

Other Non-Current Assets increased by 8% or by P222.56 million
The increase is due to the additional placement of unrestricted cash amounting to P216.0 million in the restricted funds of GMCAC's "Cash Flow Waterfall Accounts" as required under the Omnibus Loan and Security Agreement to match the new loan availments of GMCAC.

LIABILITIES AND EQUITY

Current Liabilities increased by 76% or by P7.15 billion
The following discussion provides a detailed analysis of the increase in current liabilities:

Interest-Bearing Loans and Borrowings-Current increased by 150% or by P3.85 billion
The increase is due to the availment of short-term loans of the Parent and MGCJV, Inc. MGCJV Inc. is the joint venture of the Parent and GMR Group established to construct the new Clark International Airport.

Trade and Other Payables increased by P7.15 million
The increase is mainly due to volume and timing of purchases and payments to suppliers and subcontractors as well as an increase in retention payable by the Parent.

Advances from Customers increased by 561% or by P2.96 billion
The net increase is due to the new downpayments received by the Parent for its new projects.

Billing in excess of costs on uncompleted contracts – net/Contract liabilities increased by 26%or P246.06 million
Due to the adoption of PFRS 15, Revenues from Contracts with Customers, billings in excess of costs on uncompleted contracts is duly reclassified to contract liabilities. The increase in contract liabilities is due to the timing of cost billing of subcontractors for certain projects nearing completion.

Other Current Liabilities increased by 67% or by P93.81 million
The increase is due to the increase in taxes payables of the Group and unearned income of GMCAC for the advance payments received from customers and concessionaires.

Non-Current Liabilities increased by 17% or by P4.47 billion

The following discussion provides a detailed analysis of the increase in non-current liabilities:

Interest-Bearing Loans and Borrowings-Non-Current Increased by 15% or by P3.98 billion
The increase is the net of GMCAC's loan availments amounting P3.9 Billion and the Company's loan repayment amounting to P684.00 Million. In addition, MWMTI's current loan amounting to P825 million was also consolidated under the Parent.

Deferred tax liabilities increased by 495% or by P349.14 million
The increase is due to the timing brought about by the change from output to input method in recognizing construction revenue for the construction segment in conformance with the new accounting standard PFRS 15, Revenue from Contracts with Customers, and the impact of the difference in amortizing the concession asset per accounting and tax treatment.

Other non-current liabilities increased by 54% or by P129.81 million
The increase is mainly due to the retention payable of GMCAC related to the construction of the MCIA Terminal 2.

Equity attributable to Parent decreased by 4% or P557.34 million
The decrease is the function of the share buyback program of the Parent, dividend payments to common stock and preferred stock shareholders and decrease in earnings of the Parent.

***Review of results for the year ended December 31, 2017 as compared with the results for the year ended December 31, 2016 and* Material Changes in Megawide's Audited Balance Sheet as of December 31, 2017 compared to the Audited Balance Sheet as of December 31, 2016**

RESULTS OF OPERATIONS

Group Revenue increased by 9% or P1.50 billion
Diversified engineering and infrastructure conglomerate Megawide Construction Corporation posted a 9% increase in consolidated revenues for the full year of 2017 to Php19.2 billion from Php17.7 billion in the previous year, on the back of the stable growth of the construction business and the robust performance of

the airport segment. The Company still derives bulk of revenues from construction business at 87% while airport business accounted for 12% and the remaining balance is attributed to airport merchandising.

Construction revenues reached Php16.7 billion, a 6% growth from last year's Php15.8 billion, due to the private sector projects. Quarter on quarter, revenue grew by 24% to Php4.3 billion. New contracts booked coming from the private sector totaled to Php10.8 billion at the end of the year. This brought total order book to Php32.6 billion in 2017, providing earnings visibility for the next two years.

Airport operations generated Php2.3 billion of revenues, 23% higher year-on-year from Php1.9 billion, as a result of the double-digit increase in passenger throughput of 12%, with international passenger volume outpacing domestic passenger volume growth at 24% and 7%, respectively. For the fourth quarter of the year, revenue grew by 17% to Php575 million.

Non-aero revenues, which accounted for 31% of the total, increased by 36% to Php723 million. Passenger service charge went up by 16% to Php1.3 billion, representing 56% of airport revenues. The remaining 13% is coming from Aero related revenues, which grew by 27% to Php295 million.

At the end of 2017, MCIA handled 9.97 million passengers, with domestic passengers representing 69% while international passengers accounted for 31%. Similarly, air traffic volume increased by 19%, with 30% increase in international and 16% increase in domestic. The overall increase in passenger volume is brought about by new airlines and routes in both international and domestic sector as the Company continue to promote Mactan-Cebu airport as an alternative gateway to the country. In 2017, the Company was able to add twelve (12) international routes, with seven (7) destinations to and from Chinese cities, and twenty-three (23) domestic destinations. To date, the Company is serving 35 domestic and 22 international destinations, with seven domestic and 18 international airline partners. New international airlines include Juneyao Airlines, Sichuan Airlines, Lucky Air, Okay Airways, and Pan Pacific while AirJuan is the newly added domestic airline.

Direct Costs increased by 5% or P758 million
The movement in direct cost is paralleled with movement in revenue across all three segments.

Gross Profit increased by 19% or P743 million
The movements in operating revenues and expenses resulted in a consolidated gross profit of P4.61 in 2017, rising by 19% from last year's P3.87 billion. Gross profit earned by construction business is P2.63 billion or 57% of the Group's gross profit, with an increase of 11% from 2016 or P269 million while P1.88 billion or 41% is accounted for airport operation with an increase of 24% or P367 million. Increase in Group's gross profit in fueled by strong revenue contribution by both business segments ending up with an increase in Gross profit by P743 million.

Other Operating Expenses increased by 9% or P99 million
The modest increase in operating expenses is primarily attributable to the increase in manpower and other operating expenses such as utilities, outside services and repairs and maintenance of the airport operation to serve the increase in overall airport operation driven by a significant influx of passenger traffic. The increase in operating expenses is also attributable to the operating expense incurred by the airport merchandising operation amounting to P 53 million.

Finance cost increased by 23% or P152 million
Increase in finance costs due to realization of the one-time loss on sale of retail treasury bonds amounting to P78 million and impairment loss amounting to P95 million.

Finance income decreased by 9% or P16 million
Decrease in finance income is due decline in value of short-term placement of the Group in 2017.

Other income, net decreased by 22% or P16.65 million
In 2016, gain on disposal of property and equipment amounted to P51.75 million whereas in 2017 there is only minimal disposal with marginal gain amounting to P 5 million.

Tax expense increased by 29% or P131 million
Increase in tax expense is due to increase in profit of the Group.

Net income increased by 17% or P328 million
With revenue growth outpacing the rise in cost buoyed by robust performance of both construction and airport operations, net income increased by P328 million.

Review of financial condition as of December 31, 2017 as compared with the financial condition as of December 31, 2016

Financial Condition

Current Assets decreased by 11% or P2.28 billion

The following discussions provide a detailed analysis of the decrease in current assets:

Cash and cash equivalents decreased by 21% or P1.33 billion
The decrease in cash & cash equivalents is basically due to the cost incurred in the construction of Terminal 2 of Cebu Mactan International Airport amounting to P5.42 billion. Terminal 2 is already in the final stretch of its construction schedule and it is due to start operation in June 2018. Total cash used in investing activities by the Group amounted to P4.72 billion which also includes capital investment on land, warehouse, construction and transportation equipment by the Parent amounting to P498 million and investment in subsidiary amounting to P221 million. The Group's operating activities provided cash inflow amounting to P1.35 billion while financing activities provided cash inflow of P2 billion as a result of loan availment of GMCAC to fund the construction of Terminal 2.

Financial assets at fair value through profit or loss decreased by 31% or P1.46 billion
Decrease is due to termination of the short-term placements of the Parent to for working capital and investment purposes.

Trade and other receivables increased by 32% or P1.60 billion
Increase is mainly due to the timing difference in the collection cycle of trade receivable of the Group which is 30 to 45 days from invoice date. Quarter on quarter, revenue grew by 24% to Php4.3 billion in 2017. In addition, retention receivables increased by P972 million. Retention receivable pertain to progress billings which is withheld by the project owner equivalent to 5% to 10%. Retention receivable is collected upon issuance of certificate of completion by the project owner.

Construction materials increased by 28% or P126 million
The increase is due to voluminous purchases of construction materials as a result of the increase in projects' requirement for both current and new projects that were not yet delivered to construction sites from the central warehouse. In addition, finished goods of precast plant increased due to production requirement by its major projects.

Costs in excess of billings on uncompleted contracts – net decreased by 30% or P919 million
The decrease is typically due to realization of catch up of billings versus actual cost incurred to date for projects nearing completion like CyberPark Tower 1, Dep-Ed Phase 2, Philam Life, Arthaland Substructure, Proscenium Substructure, The Hive Tower A, Landers Otis and Balintawak and Le Grand Towers ABC and DEF, Mckinley Sales Office, Hampton M &N, Worldhotel, Annapolis, World Plaza, Southwoods, Shang Salcedo Place, One Townsquare and the Tower One Plaza Magellan.

Other current assets decreased by 17% or P279 million
The decrease is due to amortization of prepaid assets of the Group and decreased in input vat as a result of output vat payments and usage of creditable withholding tax to pay the Group's income tax expense. As a result of robust performance of the Group, both output vat payables and income tax expenses increased in 2017.

Non-current assets increased by 19% or P5.61 billion

The following discussions provide a detailed analysis of the increase in non-current assets:

Investments in associates and joint venture increased by 23% or P208 million
The Parent Company infused cash in MWM, Terminals Inc. (MWMTI) amounting to P204 million. MWMTI, the Consortium between Megawide and WM Property Management, will construct, operate and maintain the integrated transport southwest terminals, pursuant to the Concession Agreement that was signed on February 25, 2015 by MWMTI and DOTC. The Group also recognized its share in net earnings on its investments in associates amounting to P3.6 million.

Concession asset increased by 26% or P5.27 billion
Increase is due to capital investments of airport subsidiary GMCAC related to the construction of the new Terminal 2 of Mactan-Cebu International Airport. Terminal 2 is expected to open by June 2018.

Property, plant and equipment decreased by 1% or P49 million
The Group procured new property and equipment amounting to P595 which includes the Parents capital investments on land, warehouse, construction and transportation equipment while GMCAC's invested in new system and office improvements to support the passenger traffic growth and the opening of terminal 2 by 2018. Parent Company also reclassified parcels of land previously classified as property plant and equipment amounting to P135 million to investment property since these parcels of lands are not used by the Group in its ordinary course of business. The total depreciation of the Group, excluding the amortization of concession assets, amounted to P532 million as of end of December 31, 2017.

Deferred tax asset decreased by 100% or P34 million
The Group has net deferred tax liability as of December 31, 2017 compared with the P34 million asset from December 31, 2016. The decrease in deferred tax asset is due to the excess of actual cost over estimated cost on its on-going projects booked by Megawide at the end of the 2017. Deferred taxes are determined by the timing of the incurrence of cost of the projects.

Other non-current assets increased by 3% or P75 million
Increase is due to additional placement of unrestricted cash amounting to P216 million in the Restricted Funds of GMCAC's "Cash Flow Waterfall Accounts" as required under the Omnibus Loan and Security Agreement to match the new loans availments by GMCAC but offsetted by the recoupment of advances to contractors amounting to P278 million. Deferred input vat also increased by P143 million because of capital investment made by GMCAC related to its construction of the new terminal 2 of Mactan-Cebu International Airport.

Current liabilities decreased by 18% or P2.05 billion
The following discussions provide a detailed analysis of the decrease in current liabilities:

Interest-bearing loans and borrowings current decreased by 5% or P127 million
Decrease is due to payment of short-term loans and finance lease of the Parent. Lease payable pertains to service vehicles purchased through bank financing.

Trade and other payables decreased by 13% or P764 million
The decrease is mainly due to volume and schedule of purchases of materials and services that is directed by the cyclicality of construction accomplishment of every project. Timing of payments to suppliers and subcontractors also affects the movement of trade payables. Retention payable increased by P517 million as a result of the progress billings processed and accrued by the Group as of the end December 31, 2017.

Advances from customers decreased by 59% or P751 million
The decrease is due to the recoupment of downpayment from customers as a result of higher revenue generated by the Parent.

Billings in excess of costs on uncompleted contracts – net decreased by 31% or P429 million
Decrease is due to the closure of finished projects such as Dexterton, Hampton M&N, New Frontier Theater, One Townsquare, Philam Life Center Cebu, Le Grand ABC and Mckinley Sales Office.

Other current liabilities increased by 23% or P26 million
Due to voluminous purchases of materials and services and increase in salaries and wages as a result of robust performance of the Group, withholding taxes at year-end have increased. In addition, income tax payable for airport merchandising segment is recognized also at year-end.

Non-Current liabilities increased by 15% or P3.45 billion

The following discussions provide a detailed analysis of the increase in non-current liabilities:

Interest-bearing loans and borrowings - non-current increased by 14% or P3.31 billion
The increase is primarily due to GMCAC'S availment of P3.42 billion loan in 2017. The availment was made based on the drawdown schedule with the bank to finance the construction of Terminal 2.

Post-employment defined benefit obligation – increased by 54% or P60.77 million
This is due to accrual of retirement obligation of the Parent.

Deferred tax liabilities increased by 100% or P70.53 million
The increase is due to the timing difference of the actual cost and estimated cost of the construction segment.

Other non-current liabilities increased by 4% or P8.27 million
Retention payable of GMCAC related to the construction of the new terminal 2 of Mactan-Cebu International Airport increased by P115.30 million while security deposits decreased by P107M due to reclassification to current portion of deposits maturing in the following year.

Equity attributable to Parent increased by 11% or P1.46 billion
The increase is mainly the function of the Group's share in net income.

Review of results for the year ended December 31, 2016 as compared with the results for the year ended December 31, 2015

RESULTS OF OPERATIONS

Group Revenue increased by 14% or P2.22 billion
The Group has posted an all-time high revenue of P17.66 billion in 2016 which is 14% or 2.22 billion higher compared with the Group's revenue in 2015. Of the total revenue, construction segment contributed 89% at P15.79 billion while airport segment contributed 11% at P1.87 billion. Construction Segment is continuously outperforming its previous year's revenue production for the two consecutive years and has achieved a compounded annual growth rate of 15%. Meanwhile, has continued to deliver a strong growth of 26% on our second full year of operations and management.

The construction revenue increased by 13% or P1.83 billion due to revenue earned from numerous significant contracts won by the Megawide such as Meridian Park Phase 1 of Double Dragon, Le Grand BPO Cluster Phase 1 & 2 of Megaworld, 8990 Tower in Edsa and Tondo of 8990 Holdings Inc, Landers Warehouse Balintawak & Otis of Southeast Asia Retail, Inc., Proscenium Lincoln and Lorraine Towers of Rockwell, Cyber Park Tower 2 by Araneta Group, Southeast Asia Campus by Megaworld, Arthaland Towers by Arthaland Corp. and three Solar Power farm projects. Total booked new contract in 2016 amounted by the Parent amounted to P12.73 billion. As a result, total construction order book as of December 31, 2016 stands at P38.49 billion. These new contracts include Phase 2 of Meridian Park of Double Dragon, 10 West, St. Moritz, Southeast Asean Campus, One Manchester Cebu of Megaworld, and 8990 Tondo and Cubao by 8990 Holdings Inc.

Meanwhile, Megawide's airport subsidiary GMCAC posted an increase in revenues by 26% or P388 million due to increase in Aeronautical Revenues, Commercial Revenues and Rental Revenues as a result of year-on-year increase in passenger traffic by 12%. Domestic and international flights increased by 8% and 22%, respectively, due to introduction of Xiamen Airlines, China Eastern, Tiger Airway, Emirates, PAL Cebu to Los Angeles and Eva Air and additional domestic flights to Davao, Bacolod, Butuan, Iloilo, Roxas, Ormoc and CDO. Aero and aero-related revenues comprise 72% of the total airport revenues in 2016. Non-aero related revenues, which comprise 28% of the 2016 airport revenues, increased by P192 million or 57% in 2016 primarily due to new concessionaire contracts and advertisements from Jollibee, Suyen Corp., Starbucks, Bigby's Quality Food, Ulli's Streets of Asia and the revamping of contract with Cesar's Foodland Inc.

Gross Profit increased by 20% or P646 million
Gross profit earned from construction is P2.36 billion or 61% of the Group' gross profit while gross profit earned from airport operation amounted P1.51 million. Construction gross profit increased by 13% or P270 million while airport operations booked an increase in gross profit of P376 million, 33% higher than the gross profit earned in 2015. The increase in Group's gross profit is primarily attributable to the increase in construction and airport revenue contribution.

Other Operating Expenses increased by 23% or P201 million
The increase in other operating expenses is directly attributable to increase in revenues of the Group in 2016. As the airport facility is continuously renovated to meet capacity and service requirements mandated by the Concession Agreement, the airport segment procured more spares, worked and supervised contractors. In addition, supplemental agreements were contracted in 2016 to serve the additional headcounts and work shifts related to projects to serve to increase passenger capacity. The implementation of the Baggage Handling System, opening of new toilet facilities around the airport, strengthening of access points after the Transport Security Administration and Engineering service contractors and the mandatory labor cost rate adjustment all contributed to the increase in Group's operating expense. Meanwhile, construction segment overhead increased due to increase in manpower of the support group to ensure quality of product and on-time delivery of service to clients. The ratio of operating expenses to total revenues of the Group remained at 6% for both years.

Operating Profit increased by 19% or P445 million
The increase is a result of higher revenues from both construction and airport operations of the Group.

Finance Costs increased by 20% or P113 million
Increase in finance cost is mainly due to the interest on P3 billion loan availment by GMCAC in 2016 to fund the construction of terminal 2. The loan availment of GMCAC were made in accordance with its drawdown schedule with the banks.

Finance Income increased by 30% or P43 million
The Group's finance income increased due to higher value of short-term placements and cash in bank of the Group.

Other Income increased by 204% or P50 million
The increase is due to portion of the land sold in 2016 in which the Parent Company recorded a gain on P52 million and the increase in management fees to unconsolidated entities of the Group by P18 million.

Tax Expense decreased by 5% or P21 million
GMCAC's tax expense decreased by P196 million in 2016 due to its availment of its ITH. Upon completion of the BOI registration terms and condition on the renovation of terminal 1, GMCAC availed its ITH incentive. GMCAC is entitled to ITH for period of three years or until December 2018. Meanwhile, Parent's income tax has increased by 55% or P 140 million compared to 2015 income tax due to the expiration of the Parent's Income Tax Holiday (ITH) Incentive in May 30, 2015 and growth in construction earnings in 2016.

Net Income increased by 30% or P446 million
The Group's Consolidated Net Profit increased by P446 million compared to the same period in 2015 due to strong earnings from both construction and airport operations.

Review of financial condition as of December 31, 2016 as compared with the financial condition as of December 31, 2015

Financial Condition

Current Assets decreased by 7% or P1.52 billion

The following discussions provide a detailed analysis of the decrease in current assets:

Cash and cash equivalents increased by 91% or P2.99 million

Cash inflow from operating activities of the Group amounted to P5.61 billion, P3.869 billion of which pertains to the Parent Company and P1.92 billion from the airport operation. The increase in operating cash inflow of the Group is mainly attributable to increase in revenue, efficiency in collecting its receivables and cash management in paying its suppliers. For investing activities, total cash used up to fund the construction of Cebu Airport Terminal 2, procure construction equipment, temporarily place cash to higher yielding investments and infuse cash to unconsolidated entities such as Southwest terminal amounted to P3 billion. Meanwhile, cost to reacquire and sell treasury shares of the Parent amounted to P1.95 billion. In 2016, the Parent purchased 410,842,702 common shares held by Sybase Equity Investment Corporation for a total consideration of P4.12 billion. On October 2016, 150 million of the treasury shares were resold.

Financial assets at fair value through profit or loss decreased by 22% or P1.31 billion

The decrease is due to reclassification of placements which matured at end of year but were reinvested in the next banking day of 2017.

Trade and other receivables decreased by 37% or P2.88 billion

Decrease is primarily due to collection of progress billings of construction receivables as spike in revenue occurred towards the last quarter in 2015 while collection of which were received in early 2016.

Construction materials increased by 54% or P159 million

The increase is due to voluminous purchases of construction materials as a result of the increase in projects' requirement for both current and new projects. In addition, finished goods of the precast plant that were not yet delivered to the construction sites as of the end of 2016 also contributed to the increase in inventory.

Costs in excess of billings on uncompleted contracts – net decreased by 15% or P539 billion

The decrease is typically due to realization of catch up of billings versus actual cost incurred to date for projects nearing completion like BPO Araneta Phase 1, Shangrila, Mareic, The Rise, Philam Life, Arthaland Substructure, Proscenium Substructure, The Hive Tower 1, Landers Otis and Balintawak and LeGrand Towers ABC and DEF.

Other current assets increased by 4% or P57 million

The increase is mainly due to increase in input vat of the Parent as a result of its voluminous purchases of construction materials and services.

Non-current assets increased by 16% or P4.09 million

The following discussions provide a detailed analysis of the increase in non-current assets:

Available-for-sale financial assets (AFS) increased by P931M

The increase is due to the placement of the Parent Company's excess funds to Retail Treasury Bond with an interest rate of 3.5% per annum as part of the Group's cash management program.

Investments in associates and joint venture increased by 10% or P78 million

The Parent Company infused additional fresh cash in MWM, Terminals Inc. (MWMTI) in 2016. MWMTI is the Consortium between Megawide and WM Property Management who will undertake the Concession Agreement that was signed on February 25, 2015 by MWMTI and DOTC for the construction and operation of Southwest terminal. The Group also recognized its share in net losses on its various equity investments totaling to P10 million.

Concession asset increased by 24% or P3.97 billion

Increase is due to capital investments of airport subsidiary GMCAC related to the construction of the new terminal 2 of Mactan-Cebu International Airport. The terminal 2 is expected to be completed and operational by June 2018.

Property, plant and equipment increased by 6% or P319 million
In 2016, the Group purchased equipment totaling P909 million, of which P718 million is related to the construction segment to support the order book of the Parent. The Group's depreciation in 2016 amounted to P504 million.

Deferred tax asset increased by P34 million
The increase is due to the recognition of the Parent of deferred tax asset on the excess of actual cost over estimated cost on its on-going projects and on its retirement benefits in 2016.

Other non-current assets decreased by 32% or P1.24 billion
The decrease pertains to portion of Restricted Funds of GMCAC's "Cash Flow Waterfall Accounts" required under the Omnibus Loan and Security Agreement that was released and transferred to unrestricted fund for use in operations amounting to P930 million. The agreement provides that working capital and capital expenditures of the next succeeding quarter's budget shall be released by the bank from GMCAC Cash Flow Waterfall Accounts on a quarterly basis. Also, in 2016, recoupment of downpayment amounting to P391 million for the construction of Mactan-Cebu International Airport were applied against progress billings.

Current liabilities decreased by 9% or P1.19 billion

The following discussions provide a detailed analysis of the decrease in current liabilities:

Interest-bearing loans and borrowings current decreased by 25% or P903 million
The Parent Company paid portion of its short-term bank loans to manage the volatility of interest rates on Short-term loans in anticipation to the increase in interest rate in 2017.

Trade and other payables decreased by 10% or P655 million
The Parent paid its suppliers and subcontractors for its solar farm projects as these projects came into completion in 2016. The Parent also continue to benefit from the extended credit terms as a result of the Parent's growing business relationship with its suppliers.

Advances from customers decreased by 24% or P414 million
The decrease is due to the recoupment of downpayment from customers as a result of higher revenue generated by the Parent.

Billings in excess of costs on uncompleted contracts – net increased by 132% or P778 million
Increase is mainly due to new significant contracts booked last year which are at its early phase like Proscenium Towers Lincoln and Lorraine, Double Dragon, 10 West, South East Asian Campus and Araneta Phase 2. These projects also contributed a big portion of the Parent's total construction revenue. Increase is typical as billings are higher compared to cost during early to middle phase of the construction.

Other current liabilities increased by 5% or P5 million
Increase is only due to increase in withholding taxes of the Group.

Non-Current liabilities increased by 22% or P4.15 billion
The following discussions provide a detailed analysis of the increase in non-current liabilities:

Interest-bearing loans and borrowings - non-current increased by 22% or P4.12 billion
The increase is primarily due to GMCAC availment of P3.05 billion loan in 2016. The availment was made based on the drawdown schedule with bank to finance the construction of Terminal 2. Meanwhile, as a result of its cash management program, the Parent paid its short-term bank loan to avail its P1 billion ten-year corporate term loan.

Deferred tax liability decreased by 100% or P145 million
Decrease is due to recognition of additional deferred tax asset of the Parent on retirement benefit obligation and actual versus estimated construction costs. The net amount of deferred tax asset or deferred tax liability is presented in either deferred tax asset or deferred tax liability.

Other non-current liabilities increased by P136 million or 144%
The increase is due to the portion of the amount retained from the progress billings of Megawide GISPL Construction Joint venture (MGCJV), the construction arm created to facilitate construction of the airport terminal by GMCAC in 2016. MGCJV is 50% owned by Megawide and is accounted for as joint operations in the consolidated financial statements. Retention payable will be due upon final acceptance of the constructed facility. In addition, Security deposits related to lease of space in terminal 1 of GMCAC also increased by P43 million.

Equity decreased by 2% or P395 million
The decrease is mainly the function of the Megawide's treasury shares amounting to P1.96 billion, net of reissuance of treasury shares and it's the corresponding increase in APIC and payment of preferred shares dividend amounting to P281. Meanwhile, total equity of the Group increased by P1.92 billion as result of the recognition of the Group's net profit for 2016.

LIQUIDITY AND CAPITAL RESOURCES

As regards internal and external sources of liquidity, the Company's funding is sourced from internally generated cash flows, and also from borrowings or available credit facilities from other local and international commercial banks.

There is no material commitment for capital expenditures other than those performed in the ordinary course of trade or business.

There is no significant element of income not arising from continuing operations.

There have not been any seasonal aspects that had a material effect on the financial condition or results of operations of Megawide.

Cash Flows

The following table sets forth information from Megawide's pro forma statements of cash flows for the period indicated:

(Amounts in P millions)	For the years ended December 31	
Cash Flow	**2019**	**2018**
Net cash provided by operating activities	1,215	1,078
Net cash used in investing activities	(5,462)	(2,070)
Net cash provided by financing activities	5,036	1,619

Review of results for the period ended March 31, 2019 as compared with the results for the period ended March 31, 2018.

A. RESULTS OF OPERATIONS

Review of results for the three (3) months ended March 31, 2019 as compared with the results for the three (3) months ended March 31, 2018

Consolidated revenue stood strong at P3.6 billion for the three months ending March 31, 2019. Construction segment, which contributed 72% of the consolidated revenue started to ramp up from a sturdy order book of 2018. The trend is expected to move upwards in the succeeding quarters as major works from 2018's new projects started to commence. Meanwhile, airport operations, which contributed 25% of the consolidated revenue remained steadfast with 38% year-on-year growth which is due to the increase in passenger volume. Airport merchandising and terminal operations contributed 2% and 1% of the consolidated revenues, respectively, contributing diversified revenue streams.

REVENUES

The Company posted consolidated revenues of P3.56 billion for the three (3) months ended March 31, 2019.

Construction

The construction segment contributed 72% of the Group's total revenue amounting to P2.57 billion. The Company is now experiencing ramp up on its operations from the take-off of structural works on recently awarded contracts. Compared to the fourth quarter performance in 2018, revenue for the quarter increased by 10%. The Company is expected to increase its revenue volume in the coming quarters. On-going projects which contributed to the first quarter's revenue include Araneta's Gateway Mall, 8990 Holding's Ortigas and Tondo Projects and Midland's Taft East Gate.

The new contracts secured in 2019 reached P6.2 billion, which include Megaworld's Sunset BPO, Gentry Manor and Empire East Highland Mall. Order book as of the end of March 2019 is at P53.68 billion and provides revenue visibility for the next 2 to 3 years. In terms of mix, residential projects comprised 33%, office and commercial at 59%, while infrastructure projects contributed the remaining 8%, attributable to the Clark International Airport EPC contract.

Airport Operations

Airport operations delivered revenues of P892 million and contributed 25% to the total consolidated revenue in 2019. This was driven largely by the 13% growth in total passenger volume to 356,410 passengers, with international and domestic passengers growing 11% and 15% respectively. Domestic passengers comprised 66% of the total passenger mix while international passengers comprised 34%. Air traffic volume likewise increased by 5% with international traffic increasing by 10% and domestic traffic improving by 3%.

Per segment, share of Passenger Service Charge (PSC), representing 53% of airport revenues, increased by 32% to P470 million driven by the double-digit growth in passenger throughput. On the other hand, non-aero or commercial revenues grew by 16% to P246 million and contributed 28% to airport operations. The remaining 19% is accounted for by aero-related revenues, which increased by 129% to P176 million.

Airport Merchandising

Meanwhile, airport merchandising contributed 2% of the consolidated revenue. However, with the opening of Terminal 2 and expected influx of foreign tourists, coupled with the expansion of Terminal 1 by the end of 2019, airport merchandising is expected to improve its contribution moving forward.

Terminal Operations

Terminal Operations posted a revenue of P20 million representing cost recovery of terminal operations related expenses amounting to P15 million in compliance with IFRIC 12, *Service Concessionaire Arrangement,* and the P5 million lease income from commercial space.

COSTS AND EXPENSES

Direct Costs is at P2.5 billion

Consolidated direct costs paralleled movement of revenue for construction, airport merchandising and terminal operations segment. Meanwhile, airport operation cost increased by P168 million due to depreciation of terminal 2.

Gross Profit is at P1.1 billion

Consolidated gross profit amounted to P1,097.3 million in 2019 and translated to a consolidated gross profit margin of 31% versus 26% in 2018. Gross profit by the construction business reached P395.8

million or 15% of construction revenue and 36% of the consolidated gross profit while the airport business delivered P634.6 million or 71% of airport revenue and 58% of the consolidated gross profit. The balance came from the airport merchandising and terminal operations segments

Operating Expenses amounts to P366 million

Operating Expenses for the three-month period amounts to P366 million. Current period expenses now include overhead expenses relating to operation of terminal 2, which commenced operations last July 2018 and terminal operation cost, which were consolidated beginning August 2018.

Finance Costs amounts to P402 million

The increase in finance costs was due to the loan availments of the airport segment in 2019 and interest expenses on existing loan pertaining to Terminal 2 cost of MCIA which were previously treated as capitalized borrowing cost while the asset is under construction. Moreover, construction segment availed of working capital loans.

Finance Income amounts to P54 million.

The amount is consistent with March 2018.

Other Income amounts to P65 million

Other income for the year mainly pertains to equipment rental and sale.

B. FINANCIAL CONDITION

Review of financial conditions of March 31, 2019 as compared with financial conditions of December 31, 2018

ASSETS

Current Assets decreased by P135 million

The following discussion provides a detailed analysis of the decrease in current assets:

Cash and Cash Equivalents decreased by 27% or P1.5 billion

The decrease in cash & cash equivalents is basically due to payments made to suppliers and subcontractors for the construction of ongoing projects for which downpayments from client were received in 2018. In addition, payments were made for the rehabilitation of MCIA terminal, construction of commercial space for PITX project and acquisition of construction equipment.

Financial Assets at fair value through profit or loss decreased by 100% or by P26 million

The decrease is due to remeasurement of interest rate swap transaction to hedge the interest rate exposure on its floating rate US dollar-denominated loan maturing in June 2022, start date is on December 15, 2017. A notional amount of USD 75.0 million floating rate loan was swapped to fixed rate.

Trade and Other Receivables increased by 1% or by P95 million

The construction receivables increased due to timing differences in the collection cycle of the trade receivables of the Group which is 45 to 60 days from invoice date while retention receivables increased relative to accomplishment for the period. Retention receivables pertain to progress billings which is withheld by the project owner equivalent to 5% to 10% of the project. Retention receivables are collected upon issuance of the certificate of completion by the project owner. In airport operations, receivables increased basically due to an increase in revenue.

Construction Materials decreased by 4% or by P33 million

The decrease is due to the timing of placing the orders for materials to suppliers and actual delivery to project sites and warehouses.

Contract assets increased by 18% or P550 million

The increase is mainly due to newly awarded contracts which are on mobilization phase and contract asset related to terminal operations.

Other Current Assets increased by 17% or by P814 million
The increase is mainly due to advances made by the Parent to its suppliers and subcontractors for its new projects for which related downpayments were received from a customer in 2018 and the impact of the adoption of PFRS 16, Leases which increased prepaid rent during the period.

Non-Current Assets increased by 3% or by P1.1 billion

The following discussion provides a detailed analysis of the increase in non-current assets:

Investments in Associates and Joint Ventures decreased by P764,000
The change is a result of take up share in losses on the Group's investment in joint venture.

Concession Assets increased by P82 million
The increase is due to capital investments of GMCAC related to the rehabilitation of the Terminal 1 of MCIA.

Property, Plant and Equipment decreased by P22 million
The Group procured certain construction equipment in 2019 that will support specification requirement of the ongoing projects. The addition was offset by depreciation recognized during the period.

Investment Properties increased by 7% or by P254 million
The increase is due to capital investment of commercial space for 2019. MWMTI has a Concession Agreement with the government to build and operate the PITX for 35 years and also allows for the construction and development of office buildings and commercial establishments which was recorded as investment in properties in the books of MWMTI. The terminal started operations in 2018 while construction of commercial space on three towers is still in progress to date.

Other Non-Current Assets increased by 26% or by P751 million
The increase is due to the additional placement of unrestricted cash amounting to P1.5 billion in the restricted funds of GMCAC's "Cash Flow Waterfall Accounts" as required under the Omnibus Loan and Security Agreement to match the new loan availments of GMCAC.

LIABILITIES AND EQUITY

Current Liabilities increased by 3% or by P496 million

The following discussion provides a detailed analysis of the increase in current liabilities:

Interest-Bearing Loans and Borrowings-Current increased by 17% or by P1.1 billion
The increase is due to the availment of short-term loans of the Parent and MGCJV, Inc., the joint venture of the Parent and GMR Group established to construct the new Clark International Airport.

Trade and Other Payables increased by 5% or by P265 million
The increase is mainly due to volume and timing of purchases and payments to suppliers and subcontractors as well as an increase in retention payable by the Parent. In addition, interest related to loans of Clark Airport was accrued during the period.

Advances from Customers decreased by 13% or by P437 million
The decrease is due to recoupments for the period based on progress billings.
Contract liabilities decreased by 38%or P451 million
The decrease in contract liabilities is due to the catch up of cost billing of subcontractors with revenue billings to clients for ongoing projects particularly for projects nearing completion.

Other Current Liabilities increased by 12% or by P28 million

The increase is due to additional deferred output VAT of GMCAC as a result of increase in revenue from the previous quarter.

Non-Current Liabilities increased by 1% or by P321 million

The following discussion provides a detailed analysis of the increase in non-current liabilities:

Interest-Bearing Loans and Borrowings-Non-Current increased by 1% or by P203 million
The increase is due to GMCAC's loan availments during the period.

Deferred tax liabilities increased by 28% or by P116 million
The increase is due to treatment on amortization of concession asset of GMCAC for tax purposes.

Other non-current liabilities increased by P1 million
The increase is mainly due to the retention to subcontractors of GMCAC related to the construction of the MCIA Terminal 2.

Equity attributable to Parent increased by P69 million
The increase is the function of the share buyback program of the Parent, dividend payments to common stock and preferred stock shareholders and earnings of the Group.

C. MATERIAL EVENTS AND UNCERTAINTIES

There are no other material changes in Megawide's financial position by five percent (5%) or more or a condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would impact or change reported financial information and condition of Megawide.

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 Megawide's liquidity in any material way. Megawide does not anticipate having any cash flow or liquidity problems. It 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 transactions, arrangements, obligations (including contingent obligations), and other relationships of Megawide with unconsolidated entities or other persons created during the reporting period.

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

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

There are no explanatory comments on the seasonality of interim operations. There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements of the interim period.

There are no material amounts affecting assets, liabilities, equity, net income or cash flows that are unusual in nature. Neither are there changes in estimates of amounts reported in prior interim period of the current financial year.

D. LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The following table sets forth information from Megawide's pro forma statements of cash flows for the periods indicated:

(Amounts in P millions)	For three (3) months ended March 31	
Cash Flow	2020 (unaudited)	2019 (unaudited)
Net cash from (used in) by operating activities	**1,487**	**(1,044)**
Net cash used in investing activities	**(963)**	**(1,411)**
Net cash provided by (used in) financing activities	**(2,489)**	**921**

Indebtedness

As of March 31, 2020, Megawide has not been in default in paying interests and principal amortizations.

Megawide is not aware of any events that will trigger direct or contingent financial obligations that are material to it, including any default or acceleration of an obligation.

RISK MANAGEMENT OBJECTIVES AND POLICIES

Megawide is exposed to a variety of financial risks in relation to its financial instruments. Its risk management is coordinated with the Board of Directors, and focuses on actively securing Megawide's short-to-medium term cash flows by minimizing the exposure to financial markets.

Megawide does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which it is exposed to are market risk, credit risk and liquidity risk. The detailed discussion of the impact of these risk are discussed in the quarterly financial statements, attached as **Exhibit** "**1**".

KEY PERFORMANCE INDICATORS

Key Performance Indicators

Megawide's key performance indicators (KPIs) are listed below:

Amounts in billion P, except ratios and Earnings per Share	2019	2018	2017
Construction Order Backlog	52.40	50.09	32.60
Current Ratio[1]	1.27	1.50	1.99
Net Debt to Equity Ratio[2]	2.29	1.72	1.15
Book Value Per Share[3]	5.02	5.06	5.10
Earnings per Share[4]	.28	.56	.70
Return on Assets[5]	.02	.03	.04
Return on Equity[6]	.06	.10	.13
Gross Profit Margin[7]	.23	.26	.24

Notes:
1. Current Assets / Current Liabilities
2. Interest bearing loans and borrowings less cash and cash equivalents and financial assets valued through profit or loss / Stockholder's Equity
3. Total Equity / Issued and Outstanding Shares
4. Net Profit / Issued and Outstanding Shares

5. Net Profit / Average Shares
6. Net Profit / Average Equity
7. Gross Profit / Revenue

The KPIs were chosen to provide management with a measure of Megawide's sustainability on revenue growth (Construction Orders Backlog) financial strength (Current Ratio and Debt to Equity Ratio), and profitability (Earnings per Share, Return on Assets, Return on Equity, Gross Profit Margin).

Construction Orders Backlog corresponds to the value of any unfinished project phases. This provides a basis for near-term future source of production and revenues of Megawide. Construction Order Backlog tends to increase when booked construction contracts or orders increase. A larger Construction Order Backlog is indicative of higher profit in the future.

The KPIs for the period ending in March 31, 2020 as compared with the period ending March 31, 2019 are as follows:

LIQUIDITY RATIOS		
Key Indicators	**March 31, 2020**	**March 31, 2019**
Current ratio[1]	1.26	1.45
Acid test ratio[2]	0.76	0.85
Cash ratio[3]	0.17	0.25
Book value per share[4]	4.87	5.10
SOLVENCY RATIOS		
Key Indicators	**March 31, 2020**	**March 31, 2019**
Total Debt ratio[5]	0.59	0.57
Interest coverage ratio	1.53	2.12
Debt to equity ratio	2.69	2.10
Asset to equity ratio[6]	4.58	3.69
PROFITABILITY RATIOS		
Key Indicators	**March 31, 2020**	**March 31, 2019**
Earnings per Share[7]	.08	.08
Return on Assets[8]	.01	.02
Return on Equity	.01	.02
Net Profit Margin[9]	4%	8%

Notes:

1. Current Ratio (Current Assets / Current Liabilities)
   To test Megawide's ability to pay its short-term debts
2. Acid Test Ratio (Quick Assets/Current Liabilities)
   Measures Megawide's ability to pay its short-term debts from its most liquid assets without relying on inventory
3. Cash Ratio (Cash + Cash Equivalents + Marketable Securities / Current Liabilities)
   A more conservative variation of quick ratio. It measures Megawide's ability to pay its short-term debts from its most liquid assets without relying on receivables and inventory.
4. Book Value per Share (Equity / Shares Outstanding)
   Measures the amount of net assets available to stockholders of a given type of stock
5. Total debt ratio (Total Interest-bearing Debt / Total Assets)
   Measures the percentage of funds provided by creditors
6. Asset to equity ratio (Total Asset / Total Equity)
   Shows the relationship of the total assets to the portion owned by shareholders. Indicates Megawide's leverage, the amount of debt used to finance the firm.
7. Earnings per Share (Net Income / Average Outstanding Shares)
   Reflects Megawide's earning capability
8. Return on Assets (Net Income / Total Assets)
   Indicates whether assets are being used efficiently and effectively

9. Net Profit Margin (Gross Profit / Total Sales)
Measures the percentage of net income to sales

Information on Independent Accountant
External Audit Fees

External Audit Fees and Services

The following table sets out the aggregate fees billed for each of the last three (3) fiscal years for professional services rendered by Megawide's external auditors:

Particulars	Nature	Audit Fees (amounts in P) For the years ended December 31		
		2019	**2018**	**2017**
Punongbayan & Araullo	Audit of Financial Statements	2,875,000	2,600,000	2,440,000
Punongbayan & Araullo	Summary of Application of Proceeds on Preferred Shares	600,000	600,000	600,000
Punongbayan & Araullo	Benchmarking of accounting policies and procedures	900,000	-	-
Punongbayan & Araullo	Quarterly review of financial statements	300,000	-	-
Punongbayan & Araullo	Tax opinion on development projects	580,000		
SyCip Gorres Velayo & Co. (SGV)	Audit of financial statements of GMCAC	1,300,000	1,200,000	1,100,000

In addition to the audit opinion rendered on the financial statements of Megawide required for annual filing with the SEC and the review for the use of proceeds on Megawide's preferred shares, the afore-cited independent public accountants provides no other types of service.

Board's Audit and Compliance Committee (ACC) Pre-Approval Policy

The ACC is composed of the Chairman, Mr. Celso P. Vivas, Vice Chairman, Mr. Leonilo G. Coronel, and members: former Chief Justice Hilario G. Davide, Jr., Mr. Alfredo E. Pascual, and Mr. Oliver Y. Tan.

The ACC is required to pre-approve all audit and non-audit services to be rendered by independent accountants and approve the engagement fee and any other compensation to be paid to such independent accountants. When deciding whether to approve these items, the ACC takes into account whether the provision of any non-audit service is compatible with the independence standards under the guidelines of the SEC. To assist in this undertaking, the ACC communicates with the external auditors with regard to any relationship or services that may impact their objectivity and independence and, if appropriate, recommends that the Board take the necessary action to ensure their independence.

Changes in and Disagreements with External Accountants on Accounting and Financial Disclosure

The name of the handling partner for the auditor of Megawide is as follows:

Auditor	Year	Handling Partner
Punongbayan & Araullo	2018 and 2019	2017 to 2019 *– Mailene Sigue-Bisnar*

Megawide has not had any disagreements with its internal auditor/independent accountant on any matter of accounting principles or practices, financial statement of disclosure or auditing scope or procedure.

Financial Statements

The audited consolidated financial statements as of December 31, 2019 and the unaudited financial statements as of March 31, 2020 (or for the first quarter of 2020) of the Company are herein attached.

Description of the General Nature and Scope of the Business

Megawide Construction Corporation (Megawide) was registered with the Securities and Exchange Commission (SEC) on July 28, 2004 to exist for 50 years, or until July 28, 2054. Its primary purpose is to engage in the general construction business. It includes constructing, enlarging, repairing, or engaging in any work upon buildings, houses and condominium, roads, plants, bridges, piers, waterworks, railroads and other structures, and to own, use, improve, develop real estate of all kinds. Its registered principal office is located at 20 N. Domingo Street, Brgy. Valencia, Quezon City.

Major Customers

Megawide is currently servicing the majority of high-rise residential, commercial, office and mixed-use development projects in Metro Manila, for several major local developers. This is primarily due to the Company's use of High Technology Building Systems, and quality workmanship. While Megawide is constantly invited to bid for major domestic high-rise building projects, it opts to focus on a selected clientele that provides synergy in business operations and better risk management.

Megaworld Corporation (Megaworld)

Megaworld is one of the country's leading real estate developer, top BPO office developer, and landlord in the Philippines. Led by real estate magnate and visionary, Dr. Andrew L. Tan, Megaworld pioneered the LIVE-WORK-PLAY-LEARN township concept in the country. The company introduced the successful large-scale, master-planned, mixed-use developments such as Eastwood City in Libis, Quezon City; Newport City in Pasay; McKinley Hill, Forbes Town Center, McKinley West, and Uptown Bonifacio, all in Fort Bonifacio; Woodside City in Pasig; Iloilo Business Park in Mandurriao, Iloilo City; the Mactan Newtown in Lapu-Lapu City, Cebu; and the Davao Park District in Davao City.

8990 Holdings, Inc. (8990)

8990 is the largest mass housing developer in the Philippines in terms of units licensed under Batasang Pambansa (B.P.) Blg. 220 from 2011 to 2013, according to the HLURB. The company has been developing mass housing projects in high-growth areas across Luzon, Visayas, and Mindanao since 2003. 8990's "DECA Homes" and "Urban DECA Homes" have also gained a strong reputation in the market, resulting in 8990 garnering numerous awards such as Q Asia Magazine's Best Housing Developer for 2012 to 2013. 8990 has 8 projects in the pipeline which are scheduled to commence between 2015 and 2019 and in total are expected to provide approximately 64,000 units available for sale.

Double Dragon Properties Corp. (DD)

DD has undertaken several vertical and horizontal developments since it started its commercial operations in April 2010. DD's vision is to accumulate 1.0 million square meters of leasable space by 2020 primarily through the rollout of 100 community malls across provincial cities in the Philippines through its community mall chain brand "CityMall" under its subsidiary CityMall Commercial Centers Inc. and through the development of 2 major commercial office projects, DD Meridian Park and Jollibee Tower, both of which are located in prime properties in Metro Manila.

Araneta Center, Inc.

Araneta Center, Inc. is the owner, developer and manager of The Araneta Center. Built and developed on a 35–hectare (90 acre) property right at the heart of Metro Manila, The Araneta Center is a hub of retail, entertainment, residential, hospitality, and office developments that sees an estimated 1,000,000 visitors daily. Araneta Center, Inc. is the owner of the Kia Theater, a reborn classic 60's entertainment landmark, New

Frontier Theater and a multi-function venue. It is also the owner of the first building completed in the development (of the Araneta Group), the CyberPark Tower 1 (CPT1), a PEZA-registered tower, and the CyberPark Tower 2 (CPT2), also a PEZA-registered tower. It also sighted a future massive mall development of Gateway Mall 2 which encompasses one side of the Smart Araneta Coliseum whose target completion is in 2020.

HTLand, Inc.

HTLand, Inc. is a joint venture company of Hongkong Land and Taft Properties. Hongkong Land is one of Asia's leading property investment, management, and development groups, which owns and manages prime offices and luxury retail properties in key Asian cities, principally in Hongkong and Singapore. Taft Properties, on the other hand, is one of the leading property developers in the country, a sister company of Metro Gaisano Retail. Mandani Bay is HTLand's first project in Cebu, a world-class 20-hectare water development with a stunning view of the coast and encompassing cityscape.

Subsidiaries & Affiliates

As of date, Megawide holds 100% interest in Altria and MLI, 100% effective ownership in MWM through 100% interest in MTI, 60% in GMCAC, 50% in GMI, 70% in MCEI, 51% in MWCCI, 50% MGCJV, an unincorporated joint venture, 50% in MGCJV, Inc., a joint venture for Clark Aiport project, 10% CMCI, 60% indirect ownership interest over MCLI through MLI and holds 100% ownership in MCBVI and MIL. GMCAC, MLI, GMI, MCEI, MCLI, MCBVI and MIL are considered subsidiaries of the Group while MWCCI, MWM and CMCI are considered affiliates. Altria is accounted for as asset acquisition while MGCJV is accounted for as joint operations.

GMR Megawide Cebu Airport Corporation (GMCAC)

GMCAC was incorporated on January 13, 2014 and currently has an authorized capital stock amounting to P6.0 Billion and subscribed capital stock amounting to P5,067,410,273, with a par value of P1.0 per share. It is authorized to engage in the business of building, rehabilitating, renovating, constructing, developing, operating, and maintaining the MCIA, including its commercial assets and all allied businesses for the operation and maintenance of said airport facility, pursuant to the concession granted to GMCAC and in accordance with Republic Act (R.A.) No. 7718 and other applicable laws, rules and regulation.

Megawatt Clean Energy, Inc. (MCEI)

MCEI was incorporated on September 4, 2014 to engage in the development of clean or renewable energy sources for power generation, including the design, construction and installation, purchase, importation, commissioning, owning, management, and operation of relevant machinery, facilities, and infrastructure therefor, the processing and commercialization of by-products in the operations, and generally the carrying out of contracts and transactions of every kind and character that may be necessary or conducive to the accomplishment of the purposes of MCEI.

Globemerchants, Inc. (GMI)

GMI was incorporated on May 5, 2016 to engage in, conduct, and carry on the business of importing, exporting, buying, selling, distributing, marketing at wholesale goods, wares, and merchandise of every kind as permitted by law. GMI's major shareholders are Megawide and GHOSPL which each hold 50% ownership in the company.

Megawide Land, Inc. (MLI)

MLI was incorporated on October 28, 2016 to deal and engage in land or the real estate business, including housing projects, commercial, industrial, urban, and other kinds of real property.

Megawide Cold Logistics, Inc. (MCLI)

MCLI was incorporated on December 15, 2016 to engage in cold and dry storage business, to acquire, construct, own, lease, charter, establish, maintain and operate factories, plants, cold storage, refrigerators, refrigerated vehicles, warehouses, and other machineries and equipment. MCLI is 60% and 40% owned by MLI and Philware Magnate, Inc., respectively.

Megawide Construction (BVI) Corporation (MCBVI)

MCBVI was incorporated on June 20, 2017 in the British Virgin Islands, to primarily engage in buying and holding shares of foreign companies. MCBVI's registered address and principal place of business, is Marcy Building, 2nd floor, Purcell Estate, Road Town Tortola, British Virgin Islands.

Megawide International Limited (MIL)

MIL, whose registered office is at Marcy Building, 2nd Floor, Purcell Estate, P.O. Box 2416, Road Town Tortola, British Virgin Islands, was incorporated on July 26, 2019.

Megawide Terminals, Inc. (MTI)

MTI, previously WMPMI, is an entity incorporated and registered on November 11, 2011 to establish, own, manage, administer, operate, maintain, and carry the business of providing property management services, either directly or through third parties, but not limited to the services of rent collection, tenant and lease management, marketing and advertising, repair and maintenance, liaison, and other similar services.

MWM Terminals Inc. (MWMTI)

MWMTI was incorporated on February 3, 2015 to engage in the business of constructing, operating, and maintaining integrated transport system terminals, stations, hubs and all allied business in relation thereto, including the construction, operations, and maintenance of the commercial assets and establishments of PITX, pursuant to the CA that was signed on February 25, 2015 by MWMTI and DOTr.

Altria East Land, Inc. (Altria)

Altria was incorporated on April 16, 2010 to deal and engage in land or real estate business, such as to hold, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent or otherwise deal in and dispose of all kinds of housing projects, commercial, industrial, urban or other kinds of property.

Megawide World Citi Consortium, Inc. (MWCCI)

MWCCI was incorporated on January 16, 2014 to plan, construct, equip, operate, own, manage and maintain hospitals, medical facilities, clinical laboratories, and such other allied enterprises which may have similar or analogous undertakings or dedicated to services in connection with providing curative and rehabilitative care to sick, diseased or disabled persons; provided that purely professional medical and surgical services shall be performed by duly licensed physicians or surgeons who may or may not be connected with MWCCI and whose services shall be feely and individually contracted by the patients.

Citicore-Megawide Consortium, Inc. (CMCI)

CMCI was incorporated on October 15, 2012 to engage in the general construction business, including the construction, improvement, and repair of, or any other work upon, buildings, roads, bridges, plants, waterworks, and railroads.

Megawide – GISPL Construction Joint Venture (MGCJV)

MGCJV is an unincorporated joint venture and is not registered with SEC. It is engaged in construction works related to the concession for MCIA. It is jointly owned and managed by the Company and GISPL.

Megawide GMR Construction JV, Inc. (MGCJVI)

MGCJVI is a joint venture arrangement incorporated on January 31, 2018 by the Company, owning 50% interest, GISPL with 45% interest, and GHOSPL owning the remaining 5%. MGCJVI was established to provide general construction business including construction, improvement and repair of the Clark Airport project.

Parent Company and Other Affiliates

Citicore Holdings Investment Inc. (Citicore)

Citicore was incorporated on December 3, 2011 and operates primarily as a holding company with ownership interests in Megawide at 34.55%, MWCCI at 39%, My Space Properties, Inc. at 100%, and CMCI at 90%.

Megacore Holdings, Inc. (Megacore)

Megacore was incorporated on July 20, 2017 and is primarily organized to invest in or purchase or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose real or personal property including shares of stocks, subscriptions, bonds, debentures, evidences of indebtedness, and any securities of any corporations. Megacore has 29.93% ownership interests in Megawide.

My Space Properties, Inc. (MySpace)

MySpace was incorporated on February 6, 2010, and is presently engaged in real estate development. Its current project, "The Hive", is located at San Isidro Street, Ortigas Avenue Extension, Taytay, Rizal. MySpace is a wholly-owned subsidiary of Citicore.

Future State Myspace, Inc. (FSMI)

FSMI was incorporated on January 27, 2012 to primarily engage in purchasing, acquiring, leasing and selling properties. FSMI is 36% owned by Edgar Saavedra, and has 100% ownership interest over IRMO, Inc.

IRMO Inc. (IRMO)

IRMO was incorporated on August 13, 2008 to principally engage in the realty development business, including home building and development. Megawide constructed The Curve for IRMO which is a 32-storey office building in BGC designed by Skidmore, Ownings & Merrill.

Citicore Power Inc. (CPI)

CPI was incorporated on March 11, 2015 to engage in the development of renewable and non-renewable energy sources for power generation, including the design, construction and installation, commissioning, owning, management and operation of relevant facilities and infrastructure thereof and the processing and commercialization of by-products in its operations.

Silay Solar Power Inc. (SSPI)

SSPI was incorporated on August 7, 2015 and established for the development, construction, installation and other related services through contractors, and subcontractors of solar power and other clean or renewable energy infrastructure.

Next Generation Power Technology Corporation (Next Gen)

Next Gen was incorporated on December 11, 2013 primarily to explore, develop, utilize and commercialize renewable energy resources such as biomass, solar, wind, hydropower, geothermal, and ocean energy sources, including application of hybrid systems and other emerging renewable energy technologies for the generation, transmission, distribution, sale and use of electricity, and fuel generated from renewable energy resources.

First Toledo Solar Energy Corp. (First Toledo)

First Toledo was incorporated on January 26, 2015, which is primarily engaged to promote, market, distribute and sell renewable energy systems and solar energy products on wholesale basis and components, and to engage in energy generation, distribution, and development of energy and electricity systems using renewable energy and hybrid systems.

Citicore Infrastructure Holdings Inc. (CIHI)

CIHI was incorporated on March 11, 2015 and was established primarily to engage in buying and holding shares of other companies, either by subscribing to unissued shares of capital stock in public or private offering, or by purchasing the shares of other stockholders by way of assignment in private sale.

Completed Projects

The notable projects that Megawide has completed for the past 3 years are:

1. **SM Jazz Residences (Phases 1 and 2)** – SM Jazz Residences is composed of 4, 40-storey, towers on top of a 5-level shopping mall and parking basement. It is located along Jupiter Street, Bel-Air Makati. The project has a total floor area of 300,000 square meters in a lot area of 2-hectares.

2. **The Linear** – The Linear is an office and commercial building located at San Antonio, Makati City. Its total floor area is 7,400 square meters.

3. **IHUB 9 Building** – IHUB 9 is a business process outsourcing (BPO) building located in Northgate Cyberzone, FCC, Alabang, Muntinlupa City. Its total floor area is 28,898.04 square meters.

4. **IHUB 10 Building** – IHUB 10 is also a BPO building located in Northgate Cyberzone, FCC, Alabang, Muntinlupa City. Its total floor area is 28,898.04 square meters.

5. **BPO Complex Cebu** – BPO Complex Cebu is located in Phase 1 Lahug, Cebu City, which is a 14-storey commercial building for BPOs with lot area of 45,428.07 square meters.

6. **Dexterton** – A 15-storey commercial building with a floor area of 12,769.43 square meters, located in Fort Bonifacio, Taguig City.

7. **New Frontier Theater** – With a total floor area of approximately 10,813.23 square meters, over a lot of approximately 5,817.31 square meters, New Frontier Theater is a 2-storey commercial building owned by Araneta Center, Inc. and located at General Aguinaldo Avenue, Araneta Center, Cubao, Quezon City.

8. **B Hotel Quezon City** – A 10-storey hotel building located at Lot 5 and 6, Block S-31, No. 14 Scout Rallos Street, Barangay Laging Handa, Quezon City owned by Northbelle Properties, Inc. with a total lot area of 1,380 square meters and has a total floor area of 11,348 square meters.

9. **Camarin Project** – This is composed of 10, 5-storey, medium rise buildings with land development located in Camarin, Coloocan City. This is a low-cost housing project of the National Housing Authority. Its total lot area is 3,823.98 square meters.

10. **Cyber Part Tower 1** – A 29-storey BPO building with 3 basement parkings located in Araneta Center, Cubao, Quezon City, and owned by the Araneta Group. It has a total lot area of 4,072.65 square meters.

11. **One World Place** – A 34-storey commercial building with a floor area of 46,130.39 square meters, located in Fort Bonifacio, Taguig City.

12. **World Hotel & Residences** – A 38-storey hotel and condominium with total floor area of 44,011 square meters, located in Makati City.

13. **Rockwell Business Center** – A 15-storey building owned by Rockwell-Meralco BPO Venture, a joint venture between Rockwell Land Corporation and Manila Electric Company. The project is located in Meralco Compound, Ortigas Extension. This has a total leasable floor area of 30,287.91 square meters.

14. **SM Grass Residences Tower 4** – A 40-storey residential building owned by SM Development Corporation with a gross floor area of 135,000 square meters and a total lot area of 13,888.458 square meters, located at Nueva Viscaya corner Misamis and Nueva Ecija Streets, Sto. Cristo, Quezon City.

15. **Arthaland Tower Substructure** – A 6-level substructure owned by Arthaland Corporation with a total floor area of 12,000 square meters.

16. **Mactan Newtown STP** – A sewage treatment plant contract with Megaworld Corporation with a total lot area of 1,189.50 square meters and a gross floor area of 4,022.99 square meters.

17. **Landers Warehouse Balintawak** – A warehouse owned by Southeast Asia Retail, Inc. located at Balintawak, Caloocan City. It has a total floor area of 8,360 square meters.

18. **Landers Warehouse Otis** – A mixed-used complex warehouse developed by Southeast Asia Retail, Inc. located at Otis, Sampaloc, Manila, with a total floor area of 16,783.50 square meters.

19. **Bataan Solar Project** – This is for the construction and operation of an 8.986 MWdc and an expanded 9.018 MWdc ground-mounted photovoltaic power generation facility in Barangay Alas-Asin, Freeport Area of Bataan, Mariveles, Bataan, for a total generation capacity of 18 MWdc. The Bataan Solar Project is owned by Next Gen.

20. **Toledo Solar Project** – This involves the construction and operation of a 60 MWp ground-mounted photovoltaic power generation facility located at Toledo, Cebu Province. The project is owned by First Toledo.

21. **Silay Solar Project** – The construction and operation of an 18.3 MWdc and an expanded 6.7 MWdc ground-mounted photovoltaic power generation facility in Barangay Rizal, Silay City, Negros Occidental, for a total generation capacity of 25.0 MWdc, owned by SSPI.

22. **Le Grand Avenue ABC** – Composed of 2, 5-storey, office and commercial buildings developed by Megaworld Corporation. This is located at Lots 1-4, Mckinley West, Fort Bonifacio, Taguig City, with a gross floor area of 46,290.85 square meters and a total floor area of 13,500 square meters.

23. **Le Grand Avenue DEF** – Composed of 2, 5-storey, office and commercial buildings developed by Megaworld Corporation. With a total floor area of 46,324.18 square meters and a total lot area of 13,500 square meters, located at Lots 1-4, Mckinley West, Fort Bonifacio, Taguig City.

24. **Hampton M and N** – A 9-storey residential building owned by Dynamic Realty Resources Corporation with a total lot area of 1,600 square meters and a gross floor area of 8,971 square meters, located at C. Raymundo, Maybunga, Pasig City.

25. **Proscenium Substructure** – This composed of a 3-level basement for Phase 1A and a 2-level basement for Phase 1B owned by Rockwell Land Corporation, located in Estrella Corner J.P. Rizal St., Guadalupe Viejo, Makati City, with a total lot area of 35,995 square meters and gross floor area of 101,792.23 square meters.

26. **Plaza Magellan** – A 13-storey commercial building located at Mactan, Cebu City owned by Megaworld Corporation with a total lot area of 2,284.04 and a floor area of 28,890 square meters.

27. **Philam Life Center Cebu** – A 12-storey office building developed by The Philippine American Life and General Insurance Co. with a total floor area of 35,000 square meters and a total lot area of 3,427.11

square meters. The project is located at Cardinal Rosales Street, corner Samar Loop, Cebu Business Park, Cebu City.

28. **27 Annapolis** – A 44-storey residential building with 3 basements owned by Bayswater Realty and Development Corporation located at No. 27 Annapolis Street, Greenhills, San Juan City. 27 Annapolis has a total lot and floor areas of 1,129.60 square meters and 41,584.05 square meters, respectively.

29. **Southwoods Mall and Office Tower** – Developed by Southwoods Mall, Inc., with a gross floor area of 61,762.42 square meters and a total lot area of 18,984.71 square meters. A 52-storey mall and office with 1 basement located at Southwoods Eco-Centrum, Biñan, Laguna.

30. **One Town Square** – Owned by La Fuerza, Inc., One Town Square is 12-storey office building located at Alabang City with a gross floor area of 29,608.80 square meters and a total lot area of 3,729 square meters.

31. **Urban Deca Tower EDSA** – A 44-storey residential building located at Sierra Madre and EDSA, Barangay Highways Hills, Mandaluyong City, owned by Foghorn, Inc. with a total lot area of 866.25 square meters and a total gross area of 27,527.50 square meters.

32. **University Tower 4** – Located in P. Noval, Sampaloc, Manila, a 46-storey condominium, with a roof deck and an estimated area of 43,320.21 square meters. This is another project of Prince Jun Development Corp.

33. **World Plaza** – A 27-storey office building owned by Real Property Innovative Solutions, Inc., located at 5th Avenue, Bonifacio Global City, Taguig, Metro Manila.World Plaza has a total lot area of 2,731 square meters and an approximate total floor area of 61,500 square meters.

34. **The Curve** – A 32-storey office building located at Lot 1, Block 7, Fort Bonifacio Global City, Taguig owned by IRMO. The Curve has a total floor area of 45,393.66 square meters and a total lot area of 1,585.20 square meters.

35. **Mareic Building** – Owned by Greenway Properties Realty Corporation, Mareic Building is a 40-storey office building, with 3 basement areas, located at 121 Tordesillas Street, Salcedo Village, Makati City and a total lot area of 911.26 square meters and a gross floor area of 29,422.74 square meters.

36. **Arthaland Tower Superstructure** – A 31-storey office building **o**wned by Arthaland Corporation. The project is located at the 7th Street, Bonifacio Global City, Taguig with a total floor area of 56,652 square meters and a total combined lot area of 2,231.94 square meters.

37. **Landers Warehouse Arcovia** – A mixed-used complex warehouse with a basement developed by Southeast Asia Retail, Inc., located at Pasig City. It has a total floor area of 17,000 square meters and lot area of 14,000 square meters.

38. **Landers Warehouse Alabang** – A 2-storey building for mixed use purposes owned by Southeast Asia Retail, Inc., located at Daang Hari Road, Almanza Dos Las Piñas City, with total floor area of 8,800 square meters and lot area of 20,926 square meters.

39. **Project Delta Phase 1** – A plant expansion project for Zenith Foods Corporation. This includes earthworks, substructure, superstructure, and roofing for the Red Ribbon Plant Expansion project at Productivity Avenue, Camelray Industrial Park 1, Barangay Canlubang, Calamba City, Laguna with gross lot area of 5.0 hectares.

40. **The Hive Buildings** – A 4-block, 12-level, residential tower owned by MySpace located at San Isidro Street, Ortigas Avenue Extension, Taytay, Rizal. Buildings A and B have a combined total floor area of 24,101.55 square meters and a total lot area of 27,306.11 square meters.

41. **Mactan-Cebu Airport Structural Works** – This project pertains to the site development, earthworks, and structural works of MCIA Terminal 2, with a total gross floor area of 66,544 square meters and a total lot area of 65,865 square meters.

42. **Proscenium Superstructure (Lincoln and Lorraine)** – Developed by Rockwell Land Corporation, Proscenium Superstructure, Lincoln and Lorraine, are 42 and 44-storey residential buildings, respectively, with 4 parking floors located at Estrella corner JP Rizal Streets, Guadalupe Viejo, Makati City. The project has an estimated total lot area of 36,000 square meters and a combined gross floor area of 88,337.16 square meters.

43. **PITX** – The country's 1st landport which is a 4.5-hectare development with transportation bays, commercial spaces, and office buildings. PITX has a capacity of 100,000 passengers daily and offers seamless connections to other modes of transportation from provincial to in-city buses, taxis, jeepneys, and UV express shuttles. It is located along Diosdado Macapagal Boulevard, and will be linked to the planned Light Rail Transit Line 1 (LRT1) Cavite extension.

44. **Double Dragon Plaza** – A 4-tower, 12-storey, office building with a mall and basement parking owned by DD-Meridian Park Development Corp. It has 230,130.58 square meters and 23,728.69 square meters gross floor area and total lot area, respectively, located at EDSA Extension corner Macapagal Avenue, Pasay City.

45. **Cyber Park Tower 2** – A 33-storey BPO building with 3 basements and a roof deck located in Araneta Center, Cubao, Quezon City and owned by the Araneta Group. It has a total gross floor area of 74,722.21 square meters and a total lot area of 3,678.63 square meters.

46. **Zenith Foods Plant Expansion 3** – A mixed use complex owned by Zenith Foods Corporation composed of a bun line, warehouse, and 4 other buildings – cold storage, process line, and administrative offices, with an aggregate floor area of 45,387.27 square meters. It is located in a 4-hectare land in Integrity Avenue, Carmelray Industrial Park 1, Barangay Canlubang, Calamba City, Laguna.

47. **Project Delta Phase 2** – This pertains to the architectural and site development of Red Ribbon Plant Expansion project of Zenith Foods Corporation. It includes a 2-storey industrial building located in a 5-hectare lot inside the Zenith Foods Complex at Productivity Avenue, Carmelray Industrial Park 1, Barangay Canlubang, Calamba City, Laguna.

48. **Southeast Asian Campus** – A 12-storey office owned by Megaworld Corporation with a gross floor area of 84,410.85 square meters and a total lot area of 8,387.47 square meters, located at Campus Avenue, Mckinley Hills, Taguig City.

49. **St. Moritz Private Estate Residences Clusters 1 and 2** – A 2-cluster, 9-storey, residential buildings with lower grounds located at McKinley Hill, Fort Bonifacio, Taguig City. St. Moritz Private Estate Residences, is owned by Megaworld Corporation, with a total gross floor area of 35,384 square meters and lot area of 5,695 square meters.

50. **BGC 5th Avenue Apartments** – A 17-storey residential building of Fort Bonifacio Development Corp., located at a 2,235 square meter lot at 5th Ave. Cor. 34th Street, Bonifacio Global City, Taguig City, with total floor area of 16,441.94 square meters.

51. **Edades Suites** – A high-end residential development of Rockwell Land Corporation composed of an 18-storey residential area, 3-storey podium, and a 3-level basement parking. It is located in a 3,158 square meters lot in Rockwell Center, Makati with a total floor area of 25,769 square meters.

52. **10 West Campus** – An 18-storey office building developed by Megaworld Corporation located at Block 16, Lot 4 McKinley West, Fort Bonifacio, Taguig City. 10 West Campus has a total gross floor area and lot area of 34,200 square meters and 3,466 square meters, respectively.

53. **One Manchester Place** – An 18-storey residential construction owned by Megaworld Corporation with a total gross floor area of 55,580.02 square meters and a lot area of 6,880.20 square meters located at Mactan, Newtown, Cebu City.

On-Going Projects

The following are the on-going projects of Megawide as of December 31, 2019:

1. **DEPED Phase 2** – Involves construction of school buildings in Regions I, II, III and the Cordillera Administrative Region (CAR) thru a direct contract with the Department of Education.

2. **Urban Deca Tondo** – A mass housing contract with Fog Horn, Inc. which initially focused on Buildings 9,10,12, and 13. In 2016, Buildings 1 and 2 were added. These 6 buildings have a total combined lot area of 162,067.37 square meters. Ultimately, there will be 14 clusters of 13-storey buildings in the residential complex located at Tondo, Manila. The project also includes a 2-storey commercial building located in the residential complex with floor area of 20,132.76 square meters.

3. **Urban Deca Ortigas** – A residential complex composed of 24 clusters of 13-storey buildings located at Ortigas Extension, Pasig City.

4. **Double Dragon Center East and West** – An 11-storey office and commercial building with a basement and roof deck developed by DD-Meridian Park Development Corp., located at EDSA Extension corner Macapagal Avenue, Pasay City. It has a total gross floor area and lot area of 51,956.61 square meters and 5,452.26 square meters, respectively.

5. **Hampton O and P** – Developed by Dynamic Realty Resources Corporation, Hampton O and P is a 12-storey residential building inside the Hampton Gardens residential complex at C. Raymundo, Maybunga, Pasig City. It has a total lot area of 1,400 square meters and a gross floor area of 26,045.64 square meters.

6. **Cold Storage Buildings** – An industrial complex project in Taguig and Caloocan which includes a cold storage warehouse and a 3-storey support building. Its total floor area is 11,276 square meters and lot area of 31,166.00 square meters.

7. **Worldwide Plaza** – An addition to the Uptown Bonifacio complex is this commercial and office building developed by Megaworld Corporation. This 24-storey building with a 3-level basement parking which will stand at a 7,800 square meter lot with total floor area of 114,310 square meters.

8. **Ascott Double Dragon Meridian** – A new addition to the Meridian Park of Double Dragon Properties Corp. which is a luxury residence developed in partnership with Ascott Singapore. It is composed of a 10-storey building with 1 basement and gross floor area of 49,541.67 square meters. It is located in a 5,657-square meter lot in DD Meridian Park, Bay Area corner Macapagal Avenue, EDSA Extension, Pasay City.

9. **Double Dragon Tower** – An office building composed of 11-storeys with a basement parking. Its gross floor area is 61,859.05 square meters. Total lot area is 5,257 square meters.

10. **88 MLD Las Piñas Water Reclamation Facility** – A design and construction project in partnership with UEM India Private LTD. and Link Energie Industries Co. for the Maynilad Water Services, Inc. - Las Piñas Water Reclamation Facility. The facility will have a gross floor and lot area of 25,470 square meters.

11. **Clark International Airport** – Involves general construction, including construction, improvement, and repair of the existing Clark Airport in Pampanga City. Clark Airport's construction is a joint venture arrangement by Megawide, GISPL and GHOSPL.

12. **Aspire Corporate Plaza** – A 10-storey office building with a gross construction floor area of 35,172 square meters located in Macapagal Bay Area, Pasig City. Golden Bay Tower is owned by Golden Bay Fresh Land Holdings, Inc.

13. **University Tower 5** – Owned by Prince Jun Development Corp., University Tower 5 is a 52-storey residential building located in Sampaloc, Manila, with a total floor area of 56,871.14 square meters.

14. **International Finance Tower** – A 25-storey office building developed by Megaworld Corporation, with a gross construction floor area of 114,000 square meters, located in BGC, Taguig City.

15. **Mandani Bay Quay** – A premiere waterfront development in Mandaue City, Cebu owned by HTLand, Inc., which is a joint venture company of Hongkong Land and Taft Properties. It has a total gross construction floor area of 328,581 square meters and consists of 3, 40-storey, residential towers and 1, 30-storey, office building.

16. **Taft East Gate** – A 4-tower mixed-use community, located in a 1.5-hectare property along Pope John Paul Avenue corner Cardinal Rosales Avenue in Mabolo, Cebu City. The development, which is owned by Taft Properties, consists of 2 high rise, mixed use towers, housing commercial and residential units.

17. **Gateway Mall & Hotel** – Consists of a 7-floor mall with gross floor area of 120,000 square meters, adjacent from the Ibis Styles 300 room, 24-storey, hotel. The property is located in Cubao, Quezon City and is owned by Araneta Center.

18. **Plumera Mactan** – The newest affordable project by Johndorf Ventures, strategically located at Basak, Lapu-lapu City. The project's size is 5 hectares and is composed of 20 buildings with around 4 to 10 floors each, for a total floor area of 98,338 square meters.

19. **Albany Luxury Suites** – A residential project of Megaworld Corporation, located in Mckinley West, Fort Bonifacio, Taguig City, with total floor area of 41,847.48 square meters for 2 buildings, which are 15-storeys each.

20. **Gentry Manor** – A residential project of Megaworld Corporation, located in South Beach District, Westside City, Parañaque City, whose 4 towers have a total floor area of 119,326.42 square meters.

21. **One Fintech & Eight Sunset District** – Another residential project of Megaworld Corporation, located in Sunset Boulevard, Sunset District, Parañaque City, with total floor area of 44,888.97 square meters for 2 buildings, which are 12-storeys each.

22. **Empire East Skymall** – A 4-storey commercial project of Megaworld Corporation located in Rosario, Pasig City, with total floor area of 127,99.71 square meters.

23. **The Corner house Project** – A residential project of Emerald Rich Properties located in P. Guevarra Street, San Juan City, with total floor area of 16,020.79 square meters. The construction includes a 3 level basement, a 3-storey commercial area, and a roof deck.

24. **Suntrust Finance Center** – A residential project of Megaworld Corporation located in Mckinley West, Fort Bonifacio, Taguig City, with total floor area of 41,847.48 square meters for 2 buildings, which are 15-storeys each.

25. **Two Mcwest** – A mixed-use project of Megaworld Corporation located in Mckinley West, Fort Bonifacio, Taguig City, with total floor area of 85,597.49 square meters. The construction includes a 3 level basement, a 12-storey commercial area, and a roof deck

26. **8990 Cubao** – A residential project of 8890 Holdings located in Cubao, Quezon City, with total floor area of 115,000 square meters. The construction includes a 2 level basement, a 45-storey residential area, and a roof deck

27. **Newport Link** – A commercial project of Megaworld Corporation located in Newport, Pasay City, which is a 7-storey building, with a total floor area of 50,174.27 square meters.

Directors and Officers

Please refer to Item 5 of the Information Statement.

Market Price and Dividends

Stock Prices

Megawide common shares are traded on the PSE under the symbol "MWIDE". The shares were listed on the PSE on February 18, 2011. The following table sets out the high and low prices for Megawide's common shares as reported to PSE:

2017		
First Quarter (Jan. – Mar.)	18.00	14.16
Second Quarter (April – June)	19.86	16.90
Third Quarter (July – Sept.)	18.94	14.90
Fourth Quarter (Oct. – Dec.)	19.00	15.42
2018		
First Quarter (Jan. – Mar.)	22.15	17.54
Second Quarter (April – June)	25.00	19.80
Third Quarter (July – Sept.)	20.60	15.30
Fourth Quarter (Oct. – Dec.)	19.40	14.02
2019		
First Quarter (Jan. – Mar.)	21.50	17.06
Second Quarter (April – June)	23.00	18.78
Third Quarter (July – Sept.)	19.52	17.60
Fourth Quarter (Oct. – Dec.)	19.00	16.32
2020		
First Quarter (Jan. – Mar.)	16.80	5.35

The closing price per share of Megawide's common shares as of June 3, 2020 is P6.38.

Dividends

Megawide declared dividends as follows during the past 3 years:

Date Approved	Record Date	Type	Amount	Date of Payment
March 1, 2017	March 1, 2017	Preferred Shares	P70,250,000.00	March 3, 2017
April 25, 2017	May 10, 2017	Preferred Shares	P70,250,000.00	June 3, 2017
July 24, 2017	August 9, 2017	Preferred Shares	P70,250,000.00	September 3, 2017
October 16, 2017	November 8, 2017	Preferred Shares	P70,250,000.00	December 3, 2017
December 11, 2017	December 26, 2017	Common Shares	P106,928,874.85	December 29, 2017
January 30, 2018	February 15, 2018	Preferred Shares	P70,250,000.00	March 3, 2018
May 3, 2018	May 18, 2018	Preferred Shares	P70,250,000.00	June 3, 2018
August 1, 2018	August 16, 2018	Preferred Shares	P70,250,000.00	September 3, 2018
October 1, 2018	October 15, 2018	Common Shares	P256,629,299.64	November 12, 2018
October 30, 2018	November 17, 2018	Preferred Shares	P70,250,000.00	December 3, 2018
January 8, 2019	February 13, 2019	Preferred Shares	P70,250,000.00	March 3, 2019
April 3, 2019	May 16, 2019	Preferred Shares	P70,250,000.00	June 3, 2019
July 8, 2019	August 14, 2019	Preferred Shares	P70,250,000.00	September 3, 2019
October 10, 2019	November 15, 2019	Preferred Shares	P70,250,000.00	December 3, 2019
December 26, 2019	January 15, 2020	Common Shares	P247,636,058.04	January 31, 2020

Holders

As of April 30, 2020, there were 2,013,409,717 common shares outstanding registered in the name of the following:

	Stockholder	Number Of Common Shares Held	Percentage Of Total Shares (%)
1.	Pcd Nominee Corporation (Filipino)	1,020,038,710	50.66%
2.	Citicore Holdings Investment, Inc.	712,925,501	35.41%
3.	Pcd Nominee Corporation (Non-Filipino)	234,146,047	11.63%
4.	Suyen Corporation	22,900,000	1.14%
5.	Aeternum Holdings, Inc.	21,389,904	1.06%
6.	Ellie Chan	1,666,901	0.08%
7.	John I. Bautista, Jr.	159,799	0.01%
8.	Regina Capital Dev. Corp. 000351	34,754	0.00%
9.	Jharna Chandnani	23,000	0.00%
10.	Pacifico Silla &/or Marie Paz Silla &/or Nathaniel Silla	20,000	0.00%
11.	Jose Emmanuel B. Salcedo	16,177	0.00%
12.	Juan Miguel B. Salcedo	16,177	0.00%
13.	Grace Q. Bay	15,243	0.00%
14.	Camille Patricia Dominique T. Ang	14,547	0.00%
15.	Pacifico Silla &/or Marie Paz Silla Sagum &/or Nathaniel Silla	9,456	0.00%
16.	Pacifico C. Silla &/or Catherine M. Silla &/or Alexander M. Silla	9,456	0.00%
17.	Myra P. Villanueva	8,900	0.00%
18.	Joyce M. Briones	7,868	0.00%
19.	Frederick E. Ferraris &/or Ester E. Ferraris	5,674	0.00%
20.	Demetrio D. Mateo	500	0.00%
21.	Julius Victor Emmanuel D. Sanvictores	379	0.00%
22.	Guillermo F. Gili, Jr.	246	0.00%
23.	Florentino A. Tuason, Jr.	246	0.00%
24.	Hector A. Sanvictores	190	0.00%
25.	Owen Nathaniel S. Au ITF: Li Marcus Au	38	0.00%
26.	Joselito T. Bautista	1	0.00%
27.	Michael C. Cosiquien	1	0.00%
28.	Hilario Gelbolingo Davide, Jr.	1	0.00%
29.	Edgar B. Saavedra	1	0.00%
	Total	**2,013,409,717**	**100.00%**
	Shares Owned By Foreigners	234,169,047	11.63%

The beneficial owners of the shares registered in the name of the PCD Nominee Corporation are PCD's participants who hold the shares on behalf of their clients, including the top 20 shareholders.

Compliance on Corporate Governance

Megawide has substantially complied with the provisions of its New Manual on Corporate Governance ("Manual").

Megawide commits to the principles and best practices of governance to attain its goals and objectives. To ensure good governance, a system has been established that monitors and evaluates the performance of Megawide and its Management. Megawide's Manual contains the specific principles which institutionalize good corporate governance in the organization.

Megawide has not deviated from its Manual since its adoption until present.

Continuous monitoring is being done by the Compliance Officer, the Board's Audit and Compliance Committee and Risk Oversight Committee, the President, and Chief Financial Officer to assure compliance.

UNDERTAKING

A copy of Megawide's annual report in SEC Form 17-A shall be provided free of charge to any stockholder upon his/her written request addressed to the Office of the Corporate Secretary, Megawide Construction Corporation, 20 N. Domingo St., Barangay Valencia, Quezon City.

MEGAWIDE CONSTRUCTION CORPORATION
20 N. Domingo Street, Barangay Valencia, Quezon City
Tel. No. (02) 8655-1111

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

To the Stockholders of **MEGAWIDE CONSTRUCTION CORPORATION ("Megawide")**:

Notice is hereby given that the Annual Stockholders' Meeting of Megawide will be held on June 30, 2020, at 2:00 p.m. The meeting will be conducted via remote communication and can be accessed through the following link: Please click here

The agenda of the meeting is as follows:

1. Call to Order

   - The Chairman will call the meeting to order.

2. Proof of Notice and Quorum

   - The Corporate Secretary will certify that notices of the meeting have been duly sent to stockholders of record date as required by the By-Laws. He will also attest to the attendance at the meeting and whether a quorum is present. Except as otherwise provided by law, a quorum shall consist of stockholders owning majority of the outstanding capital stock, (exclusive of treasury stock), in person or represented by proxy.

3. Approval of the Minutes of the Annual Stockholders' Meeting on July 2, 2019

   - The Minutes of the Annual Stockholders' Meeting will be submitted for approval. It contains the following matters: (a) approval of the minutes of the Annual Stockholders' Meeting on July 2, 2018; (b) Chairman's Address and President's Report; (c) Election of Directors; (d) Approval of the 2018 Audited Financial Statements; (e) Appointment of External Auditor; and (f) Ratification of all acts of Management and the Board of Directors. A copy of the Minutes is available in Megawide's website.

4. Chairman's Address and President's Report

   - The Chairman and President will give a welcome address and give the operational highlights of 2019.

5. Election of Directors

   - The stockholders will approve the election of the regular and independent directors to hold office until the next Annual Stockholders' Meeting and until their respective successors have been elected and qualified. The nominees were evaluated on the basis of all qualifications required by By-Laws, the New Manual on Corporate Governance and that no provision or disqualification would apply to them. The profile and qualifications of the nominees are available in the Definitive Information Statement and Annual Report.

6. Amendment of the Articles of Incorporation to Increase Authorized Capital Stock ("ACS") for Preferred Shares.

   - The increase in Megawide's ACS for preferred shares will be submitted for the approval of the stockholders.

7. Approval of the 2019 Audited Financial Statements

- The 2019 Audited Financial Statements (2019 AFS) will be submitted for approval of the stockholders.

8. Appointment of External Auditor

- The stockholders will approve the appointment of Punongbayan & Araullo as external auditor.

9. Ratification of all acts of Management and the Board of Directors

- For ratification of the stockholders are the acts of Management and the Board of Directors in the ordinary course of Megawide's business. A list of such acts is too voluminous to be included in the Information Statement. These acts pertain to obtaining government permits and clearances, execution of contracts, availment of services from banks, and other acts necessary for various construction projects of Megawide.

10. Other Matters

- The floor will be open for questions from the stockholders.

All stockholders of record at the close of business on May 13, 2020 are entitled to notice of and vote at the annual meeting and at any adjournment thereof. The stock and transfer books of Megawide will be closed from end of business day on May 14, 2020.

Please refer to **Exhibit** "**1**" of the Definitive Information Sheet (available at the PSE EDGE website) or visit Megawide 2020 ASM for the full details on the submission of proxies, procedure for voting, and participation in the Annual Stockholders' Meeting of Megawide.

Quezon City, Philippines, June 2, 2020.

ANTHONY G. TOPACIO
Corporate Secretary

PROXY

The undersigned stockholder of **MEGAWIDE CONSTRUCTION CORPORATION** (the "Company") hereby appoints ____________________________ or in his/her absence, the Chairman of the meeting, as attorney-in-fact or proxy, with power of substitution, to represent and vote all shares registered in his/her name as proxy of the undersigned stockholder, at the **Annual Stockholders' Meeting** of the Company to be held via videoconferencing/webinar on **June 30, 2020** at **2:00 p.m.,** and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Approval of minutes of annual stockholders' meeting held on July 2, 2019
   ☐ Yes ☐ No ☐ Abstain

2. Election of Directors
   ☐ Vote for all nominees listed below:
   - Edgar B. Saavedra
   - Oliver Y. Tan
   - Manuel Louie B. Ferrer
   - Leonilo G. Coronel (independent director)
   - Hilario G. Davide, Jr. (independent director)
   - Celso P. Vivas (independent director)
   - Alfredo E. Pascual (independent director)

   ☐ Withhold authority for all nominees listed above

   ☐ Withhold authority to vote for the nominees listed below:

   ________________________________ ________________________________
   ________________________________ ________________________________
   ________________________________ ________________________________

3. Amendment of the Articles of Incorporation to Increase Authorized Capital Stock
   ☐ Yes ☐ No ☐ Abstain

4. Approval of the 2019 Audited Financial Statements
   ☐ Yes ☐ No ☐ Abstain

5. Appointment of Punongbayan & Araullo as external auditor
   ☐ Yes ☐ No ☐ Abstain

6. Ratification of all acts of Management and the Board of Directors
   ☐ Yes ☐ No ☐ Abstain

7. At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the meeting.

______________________________ ____
Date Printed Name of Stockholder

____
Signature of Stockholder/ Authorized Signatory

This proxy should be received by the Corporate Secretary from **June 10 to June 22, 2020**, the deadline for submission of proxies.

This proxy, when properly executed, will be voted in the manner as directed herein by the stockholder(s). If no direction is made, this proxy will be voted "for" the election of all nominees and for the approval of the matters stated above and for such other matters as may properly come before the meeting in the manner described in the information statement and/or as recommended by management or the board of directors.

A proxy submitted by a corporation should be accompanied by a Corporate Secretary's Certificate quoting the board resolution designating a corporate officer to execute the proxy. Proxies executed by brokers must be accompanied by a certification under oath stating that the broker has obtained the written consent of the account holder.

A stockholder giving a proxy has the power to revoke it at any time before the right granted is exercised. A proxy is also considered revoked if the stockholder attends the meeting in person and expresses his intention to vote in person. This proxy shall be valid for five (5) years from the date hereof unless otherwise indicated in the box herein provided. ☐

No director or executive officer, nominee for election as director, or associate of such director, executive officer of nominee of the Company, at any time since the beginning of the last fiscal year, has any substantial interest, direct or indirect by security holdings or otherwise, in any of the matters to be acted upon in the meeting, other than election to office.

Republic of the Philippines)
City of Makati)S.S.

SECRETARY'S CERTIFICATE

I, **ANTHONY G. TOPACIO**, of legal age, being the duly elected and qualified Corporate Secretary of **MEGAWIDE CONSTRUCTION CORPORATION** (the "Corporation") with principal office address at 20 N. Domingo St., Barangay Valencia, Quezon City, after having been sworn according to law, hereby depose and state that:

1. The following are the current directors and officers of the Corporation:

   a. Edgar B. Saavedra – Chairman of the Board of Directors, President and Chief Executive Officer;
   b. Oliver Y. Tan – Director;
   c. Manue Louie B. Ferrer – Director and Chief Branding and Corporate Affairs;
   d. Hilario G. Davide, Jr. – Independent Director;
   e. Leonilo G. Coronel – Independent Director;
   f. Celso P. Vivas – Independent Director;
   g. Alfredo E. Pascual – Independent Director
   h. Anthony G. Topacio – Corporate Secretary and Assistant Compliance Officer;
   i. Jennifer C. Lee – Assistant Corproate Secretary;
   j. Charlotte Y. King – Assistant Corporate Secretary;
   k. Ramon H. Diaz – Chief Financial Officer
   l. Christopher A. Nadayag – Treasurer/ Deputy Chief Financial Officer;
   m. Anthony B. Velasco – Chief Audit Executive; and
   n. Raymund Jay S. Gomez – Chief Legal Officer, Compliance Officer, and Data Protection Officer.

2. The abovementioned directors are also nominees for directors in the upcoming Annual Stockholders' Meeting scheduled on June 30, 2020.

3. None of the current directors and officers are connected with or employees of the government.

WITNESS MY HAND this May 26, 2020 in Makati City.

ANTHONY G. TOPACIO
Corporate Secretary

SUBSCRIBED AND SWORN TO before me this May 26, 2020 in Makati City, affiant exhibiting to me his Driver's License with No. N01-02-007474, issued on 08 February 2017, at Metro Manila, Philippines..

Doc. No. 9;
Page No. 3;
Book No. 1;
Series of 2020.

KIMBERLY HOPE D. BISNAR
NOTARY PUBLIC
ROLL NO. 73945
MAKATI CITY, PHILIPPINES

KIMBERLY HOPE D. BISNAR
Commission No. M-295
Notary Public for Makati City
Until December 31, 2021
6th Floor Don Pablo Buiding
114 Amorsolo St., Legaspi Village, Makati City
PTR No. 8126579/01.07.2020/Makati City
IBP No. 103862/01.07.2020/Makati City
Admitted to the Bar 06.20.2019
Roll No. 73945

CERTIFICATE OF INDEPENDENT DIRECTOR

I, **HILARIO G. DAVIDE, JR.**, Filipino, of legal age and a resident of No. 2 H.C. Moncado Street, BF Homes, Brgy. Holy Spirit, Quezon City, after having been duly sworn to in accordance with law, do hereby declare:

1. I am a nominee for Independent Director of Megawide Construction Corporation ("Company") during its Annual Stockholders' Meeting on 30 June 2020, and have been its Independent Director since 16 September 2016.

2. I am affiliated with the following other companies and organizations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Philippine National Group of the Permanent Court of Arbitration	Former Member	9 years, more or less
Association of Retired Justices of the Supreme Court of the Philippines	President	9 years, more or less
Integrated Bar of the Philippines	Lifetime Member	17 years, more or less (regular member since 1976)
Knights of Columbus of the Philippines Foundation, Inc.	Former Chairman; now Trustee, Board of Trustees	7 years, more or less
Knights of Columbus Fr. George J. Willmann, SJ Charities, Inc.	Former Chairman; now Trustee, Board of Trustees	7 years, more or less
KOMPASS Credit and Financing Corporation	Director	4 years, more or less
Claudio Teehankee Memorial Foundation, Inc.	Chairman, Board of Trustees	7 years, more or less
Philippine Trust Company (Philtrust Bank)	Independent Director	7 years, more or less
Manila Bulletin Publishing Corporation	Vice Chairman and Independent Director	More than 7 years
Council of Elders of the Knights of Rizal	Member	12 years, more or less
Pi Gamma Mu International Social Science Honor Society, Philippine Alpha Chapter	Lifetime Member	12 years, more or less (regular member since 1958)
University of San Carlos, Cebu City	Trustee	7 years, more or less
Heart of Francis Foundation	Chairman, Board of Trustees	5 years, more or less

3. I possess all of the qualifications and none of the disqualifications to serve as Independent Director of the Company, as provided for in Section 38 of the Securities Regulation Code ("SRC") and its Implementing Rules and Regulations ("IRR"), the Company's New Manual of Corporate Governance based on the Securities and Exchange Commission's ("SEC") Code of Corporate Governance for Publicly-Listed Companies (the "New Manual"), and other issuances of the SEC.

4. I shall faithfully and diligently comply with my duties and responsibilities as an Independent Director under the SRC and its IRR, the New Manual, and other issuances of the SEC.

5. I shall inform the Corporate Security of the Company of any changes in the abovementioned information within five (5) days from its occurrence.

WITNESS MY HAND this JUN 02 2020 at CITY OF MAKATI

HILARIO G. DAVIDE, JR.
Affiant

SUBSCRIBED AND SWORN to before me this JUN 02 2020 at CITY OF MAKATI affiant personally appeared before me and exhibited his TIN ID NO. 118-014-622

Doc. No. 117;
Page No. 25;
Book No. I;
Series of 2020.

KEN R. GADOR NOTARY PUBLIC ROLL NO. 64538 MAKATI CITY, PHILIPPINES

KEN R. GADOR
Commission No. M-257
Notary Public for Makati City
Until December 31, 2021
6th Floor, Don Pablo Building
114 Amorsolo St., Legaspi Village Makati City
PTR No. 8126574 / 01-07-2020 / Makati City
IBP No. 103870 / 01-07-2020 / Makati City
MCLE No. VI-0017048/12-28-2018/Pasig City
Roll No. 64538

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **CELSO P. VIVAS**, Filipino, of legal age and a resident of No. 125 Greenhills Wilson Circle Village, San Juan City, Metro Manila, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of Megawide Construction Corporation (the "Company") during its Annual Stockholders' Meeting on June 30, 2020, and have been its Independent Director since July 2, 2018.

2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION / RELATIONSHIP	PERIOD OF SERVICE
Keppel Philippines Holdings, Inc. (Publicly-listed Company)	Lead Independent Director	June 2005 – present
Keppel Philippines Marine, Inc. (Public Corporation)	Independent Director	April 2005 – present
Keppel Philippines Properties, Inc. (Publicly-listed Company)	Independent Director	November 2004 – present
Republic Glass Holdings, Inc. (Publicly-listed Company)	Independent Director	June 2017 – present

3. I possess all of the qualifications and none of the disqualifications to serve as an Independent Director of the Company, as provided for in Section 38 of the Securities Regulation Code ("SRC") and its Implementing Rules and Regulations ("IRR"), the Company's New Manual on Corporate Governance based on the Securities and Exchange Commission's ("SEC") Code of Corporate Governance for Publicly-Listed Companies (the "New Manual"), and other issuances of the SEC.

4. I shall faithfully and diligently comply with my duties and responsibilities as an Independent Director under the SRC and its IRR, the New Manual, and other issuances of the SEC.

5. I shall inform the Corporate Secretary of the Company of any changes in the abovementioned information within five (5) days from its occurrence.

WITNESS MY HAND this June 3, 2020 at Makati City.

CELSO P. VIVAS
Affiant

SUBSCRIBED AND SWORN to before me this June 3, 2020 at Makati City, affiant personally appeared before me and exhibited to me his Passport No. EC7991272 valid until 09 June 2021

Doc. No. 43
Page No. 10
Book No. 1
Series of 2020.

KIMBERLY HOPE D. BISNAR
NOTARY PUBLIC
ROLL NO. 73945
MAKATI CITY, PHILIPPINES

KIMBERLY HOPE D. BISNAR
Commission No. M-295
Notary Public for Makati City
Until December 31, 2021
6th Floor Don Pablo Building
114 Amorsolo St., Legaspi Village, Makati City
PTR No. 8126579/01.07.2020/Makati City
IBP No. 103862/01.07.2020/Makati City
Admitted to the Bar 06.20.2019
Roll No. 73945

CERTIFICATION OF INDEPENDENT DIRECTOR

I, ALFREDO E. PASCUAL, Filipino, of legal age and a resident of No. 12 Penelope Lane, Acropolis, Quezon City, Metro Manila, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of Megawide Construction Corporation (the "Company") during its Annual Stockholders' Meeting on June 30, 2020, and have been its Independent Director since October 09, 2018.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/ Relationship	Period of Service
SM Investment Corporation	Lead Independent Director	2017 - present
Concepcion Industrial Corporation	Independent Director	2019 - present
Asiabest Group International Inc.	Independent Director	2019 - present
Enderun Colleges, Inc.	Independent Director	2018 - present
Institute of Corporate Directors	Board Trustee *	2019 - 2022
Institute for Solidarity in Asia	Board Trustee *	2018 - 2021
Center for Excellence in Governance	Board Trustee *	2018 - 2021
University of the Philippines (UP) System	Special Adviser *	2017 - 2020
University of the Philippines Foundation, Inc.	Board Trustee *	2018 - 2020
University of the Philippines Los Banos	Adjunct Professor *	2018 - 2020
Philippine Institute for Development Studies	Board Adviser *	2019 - 2020
Armed Forces of the Philippines Multi-Sector Governance Council (AFP-MSGC)	Council Member *	2014 - 2020
Shareholders' Association of the Philippines	Board Trustee *	2018-2021
Makati Rotary Club Foundation, Inc.	Chairman *	2019-2020

Note: * without compensation

3. I possess all of the qualifications and none of the disqualifications to serve as an Independent Director of the Company, as provided for in Section 38 of the Securities Regulation Code ("SRC") and its Implementing Rules and Regulations ("IRR"), the Company's New Manual on Corporate Governance based on the Securities and Exchange Commission's ("SEC") Code of Corporate Governance for Publicly-Listed Companies (the "New Manual"), and other issuances of the SEC.

4. I shall faithfully and diligently comply with my duties and responsibilities as an Independent Director under the SRC and its IRR, the New Manual, and other issuances of the SEC.

5. I shall inform the Corporate Secretary of the Company of any changes in the abovementioned information within five (5) days from its occurrence.

WITNESS MY HAND this June 3, 2020 at Makati City.

ALFREDO E. PASCUAL
Affiant

SUBSCRIBED AND SWORN to before me this June 3, 2020 at DFA NCR EAST, affiant personally appeared before me and exhibited to me his Passport No. EC6422586 valid until 06 Jan 2021

Doc. No. 42;
Page No. 10;
Book No. 1;
Series of 2020.

KIMBERLY HOPE D. BISNAR
NOTARY PUBLIC
ROLL NO. 73945
MAKATI CITY, PHILIPPINES

KIMBERLY HOPE D. BISNAR
Commission No. M-295
Notary Public for Makati City
Until December 31, 2021
6th Floor Don Pablo Buiding
114 Amorsolo St., Legaspi Village, Makati City
PTR No. 8126579/01.07.2020/Makati City
IBP No. 103862/01.07.2020/Makati City
Admitted to the Bar 06.20.2019
Roll No. 73945

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **LEONILO G. CORONEL**, Filipino, of legal age and a resident of No. 16 Avocado Street, Valle Verde I, Pasig City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of Megawide Construction Corporation (the "Company") during its Annual Stockholders' Meeting on June 30, 2020, and have been its Independent Director since July 19, 2010.

2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION / RELATIONSHIP	PERIOD OF SERVICE
Software Ventures International	Director	More than 11 years
DBP – Daiwa Securities	Independent Director	9 years
Philippine National Bank	Director	8 years
RBB Micro Finance Foundation	Trustee	6 years

3. I possess all of the qualifications and none of the disqualifications to serve as an Independent Director of the Company, as provided for in Section 38 of the Securities Regulation Code ("SRC") and its Implementing Rules and Regulations ("IRR"), the Company's New Manual on Corporate Governance based on the Securities and Exchange Commission's ("SEC") Code of Corporate Governance for Publicly-Listed Companies (the "New Manual"), and other issuances of the SEC.

4. I shall faithfully and diligently comply with my duties and responsibilities as an Independent Director under the SRC and its IRR, the New Manual, and other issuances of the SEC.

5. I shall inform the Corporate Secretary of the Company of any changes in the abovementioned information within five (5) days from its occurrence.

WITNESS MY HAND this June 3, 2020 at Makati City.

LEONILO G. CORONEL
Affiant

SUBSCRIBED AND SWORN to before me this June 3, 2020 at Makati City, affiant personally appeared before me and exhibited to me his TIN 130-190-655.

Doc. No. 45;
Page No. 10;
Book No. I;
Series of 2020.

KIMBERLY HOPE D. BISNAR
NOTARY PUBLIC
ROLL NO. 73945
MAKATI CITY, PHILIPPINES

KIMBERLY HOPE D. BISNAR
Commission No. M-295
Notary Public for Makati City
Until December 31, 2021
6th Floor Don Pablo Buiding
114 Amorsolo St., Legaspi Village, Makati City
PTR No. 8126579/01.07.2020/Makati City
IBP No. 103862/01.07.2020/Makati City
Admitted to the Bar 06.20.2019
Roll No. 73945

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Megawide Construction Corp. and its subsidiaries** (the Group) is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2019, 2018 and 2017, 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 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 Company or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Group'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 and Araullo, the independent auditors appointed by the stockholders, has audited the financial statements of the Group 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.

ENGR. EDGAR B. SAAVEDRA
President
195-661-064-000

ENGR. EDGAR B. SAAVEDRA
Chief Executive Officer
195-661-064-000

CHRISTOPHER NADAYAG
Deputy Chief Financial Officer
248-948-533-000

SUBSCRIBED AND SWORN TO before me this JUN 03 2020 at MAKATI CITY affiants exhibiting to me their valid Tax Identification Numbers stated above.

Signed this 3 day of June 2020.

Doc. No. 44;
Page No. 10;
Book No. 1;
Series of 2020.

KIMBERLY HOPE D. BISNAR
NOTARY PUBLIC
ROLL NO. 73945
MAKATI CITY, PHILIPPINES

KIMBERLY HOPE D. BISNAR
Commission No. M-295
Notary Public for Makati City
Until December 31, 2021
6th Floor Don Pablo Buiding
114 Amorsolo St., Legaspi Village, Makati City
PTR No. 8126579/01.07.2020/Makati City
IBP No. 103862/01.07.2020/Makati City
Admitted to the Bar 06.20.2019
Roll No. 73945

P&A
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Report of Independent Auditors

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

T +63 2 988 22 88

The Board of Directors and Stockholders
Megawide Construction Corporation and Subsidiaries
(A Subsidiary of Citicore Holdings Investment, Inc.)
20 N. Domingo Street
Brgy, Valencia
Quezon City

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Megawide Construction Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, 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, 2019, 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, 2019 and 2018, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Emphasis of a Matter

We draw attention to Note 31 to the consolidated financial statements, which describes the likely negative impact of the business disruption as a result of the coronavirus outbreak to the Group's financial condition and performance after the end of the reporting period. Our opinion is not modified with respect to 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 and Cost Recognition on Construction Contracts

Description of the Matter

The Group's revenue from construction contracts amounting to P14,401.9 million represents 72% of its total revenues in 2019. The Group uses the percentage of completion method to determine the appropriate amount of contract revenues to be recognized for the reporting period. It uses the input method (i.e., based on the Group's efforts or inputs to the satisfaction of a performance obligation) in determining the percentage-of-completion based on the PFRS 15, *Revenue from Contracts with Customers,* which was initially adopted by the Group as of January 1, 2018.

In our view, the revenue and cost recognition of construction contracts is significant to our audit due to the materiality of the contract revenues to the total revenues of the Group, the complexity of the application of PFRS 15 in construction contracts, and the application of significant management judgment in determining when to recognize construction revenue and proper recognition of costs in estimating the stage of completion of the construction. An error in the application of the requirements of PFRS 15 and of management judgment and estimate could cause a material misstatement in the consolidated financial statements.

The Group's disclosures on the impact of the adoption of PFRS 15, new accounting policy on revenue recognition of construction contracts, and basis of significant judgment and estimates are included in Notes 2 and 3 to the consolidated financial statements. In addition, the details of construction contract revenues and costs are disclosed in Notes 21 and 22 to the consolidated financial statements, respectively.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to revenue and cost recognition on construction contracts, which was considered to be a significant risk, included the following:

- Testing the design and operating effectiveness of the Group's processes and controls over the recognition and measurement of contract revenues and costs;

- Evaluating the appropriateness of the Group's revenue recognition on construction contracts based on the requirements of PFRS 15 which include the following:

  - reviewing and discussing with management significant construction contracts, including contractual terms and conditions to ensure these contracts are appropriately accounted for in accordance with PFRS 15;

  - evaluating whether the methodology by which management determines the percentage of completion (i.e., input method) is appropriate and consistent with the Group's satisfaction of its performance obligation;

  - determining proper accounting for contract costs whether these are considered as incremental costs of obtaining a contract, costs to fulfil the contract or mobilization costs; and,

  - determining whether performance obligation is distinct for proper allocation of transaction price.

- Testing the schedules of contracts completed and on-going projects as of the end of the reporting period such as, but not limited to, verifying the mathematical accuracy of the schedules, agreeing beginning balances on a per project basis, recalculating ending balances based on incurred contract costs for the current period; and agreeing contract prices, on a sample basis, to construction contracts;

- Examining, on a sample basis, contract costs incurred during the period by tracing these costs to supporting documents such as bill of materials, billing invoices and receipts;

- Performing cut-off procedures to determine whether contract revenues and costs are recognized in the correct period by examining billing and supplier invoices near the end of the reporting period;

- Testing completeness of costs recognized by agreeing costs incurred during the period to the trial balance and searching for unrecorded costs by examining subsequent disbursements related to the projects;

- Comparing the percentage of completion used by the Group to the percentage of total costs incurred to date over the total estimated costs on the project and following up variances;

- Recomputing total estimated cost as the product of total contract price and cost ratio derived from the examined contracts and comparing with project cost estimate certified by the Group's engineers;

- Performing analytical review procedures on contract revenues and costs, prior period estimates and consistency with the developments during the current period, stage of completion, and final forecast project results based on our expectations, and following up variances from our expectations; and

- Evaluating the sufficiency and appropriateness of disclosures in the Group's consolidated financial statements in accordance with PFRS 15.

(b) Impairment Assessment of Concession Assets

Description of the Matter

The Group identified that its Concession Agreement in relation to its Mactan Cebu International Airport (MCIA) Project is within the scope of IFRIC 12, *Service Concession Arrangements*, and shall be accounted under the intangible asset model as it receives the right (license) to charge users of the public service. As of December 31, 2019, the carrying values of the concession assets amounted to P29,436.6 million. As disclosed in Note 2 to the consolidated financial statements, the concession asset is recognized initially at cost and subsequently carried at cost less any accumulated amortization and accumulated impairment losses.

Under Philippine Accounting Standards (PAS) 36, *Impairment of Assets*, the Group is required to test for impairment intangible assets with finite useful life when there is an indication that the asset maybe impaired while intangible assets not yet available for use are tested at least annually for impairment.

In our view, this matter is significant to our audit because the amount of concession assets is material to the consolidated financial statements representing 36% of the Group's consolidated total assets. In addition, management's assessment process is highly judgmental and is based on significant assumptions, specifically in determining the recoverable amount of concession assets based on the value-in-use. The assumptions used by management are generally affected by expected future market and economic conditions.

The Group's accounting policies relating to the measurement of concession assets are disclosed in Note 2 while the carrying values of the concession assets are disclosed in Note 13 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our procedures related to the impairment assessment of Concession Assets included the following:

- Understanding the Group's process in making accounting estimates and determining whether there has been or ought to have been a change from the prior period in the method, judgment and assumptions used by the Group relating to the measurement of the concession assets;

- Involving the work of firm experts in testing the appropriateness of the assumptions and methodology used in determining the value-in-use of concession assets, which include the appropriateness of the pre-tax discount rate and growth rates, and reasonableness of the cash flow projections prepared by management with the assistance of third party consultants;

- Evaluating the qualification and competency of the third party consultants engaged by management to determine whether the results of their work can be relied upon; and
- Assessing the appropriateness and reasonableness of the underlying data and assumptions used by the Group in the sensitivity analysis performed on the calculation to determine whether a reasonably possible change in assumptions could cause the carrying amount of the concession assets to exceed the recoverable amount.

(c) Performing Significant Portion of Audit Remotely

Description of the Matter

As disclosed in Note 31 of the financial statements, a novel strain of coronavirus (COVID-19) started to become widespread in the Philippines in early March 2020 causing the government to declare the country in a state of public health emergency followed by implementation of enhanced community quarantine (ECQ) and social distancing measures and restrictions within the Luzon area with other cities and provinces in the country enacting similar measures thereafter. The ECQ and social distancing measures implemented by the government resulted in performing a significant portion of the engagement remotely.

The change in working conditions is relevant and significant to our audit since it creates an increased risk of misstatement due to less in-person access to the Group's management and personnel, and lack of access to the physical records and original documents. Given the changes in how the audit was performed, the audit required exercising enhanced professional skepticism.

How the Matter was Addressed in the Audit

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

- Considering the nature of the engagement and the engagement team's knowledge of the entity and its environment when determining whether it is possible to perform a significant portion, if not all of the engagement remotely;
- Following the requirements of the PSA including providing proper supervision and review, even when working remotely;
- Obtaining information through electronic means, which includes sending and receiving of confirmation electronically, obtaining calculations in electronic form to check the mathematical accuracy, scanning of hard-copy items for review and using real-time inspection technology such as video and screen-sharing;
- Determining the reliability of audit evidence provided electronically using enhanced professional skepticism;
- Used video conferencing in performing inquiries on areas where such procedure is appropriate in addition to other procedures to ensure more interactive and visible discussion with management and other personnel within the entity;
- Reviewing of workpapers of component auditors remotely through screen sharing and constant communication; and
- Examining critical hard copy documents (e.g., contracts, progress billings, billing invoices, purchases invoices and official receipts) physically in response to the risk in revenues and costs, which is considered to be significant.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A, and Annual Report for the year ended December 31, 2019, 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, 2019 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audits resulting in this independent auditors' report is Ms. Mailene Sigue-Bisnar.

PUNONGBAYAN & ARAULLO

By: Mailene Sigue-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 8116539, January 2, 2020, Makati City
SEC Group A Accreditation
Partner - No. 0396-AR-3 (until Oct. 1, 2021)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-20-2018 (until Jan. 25, 2021)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

May 26, 2020

P&A Grant Thornton
An instinct for growth™

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

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

T +63 2 988 22 88

The Board of Directors and Stockholders
Megawide Construction Corporation and Subsidiaries
(A Subsidiary of Citicore Holdings Investment, Inc.)
20 N. Domingo Street
Brgy, Valencia
Quezon City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Megawide Construction Corporation and Subsidiaries (the Group) for the year ended December 31, 2019, on which we have rendered our report dated May 26, 2020. 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 of the Philippine Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of 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: Mailene Sigue-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 8116539, January 2, 2020, Makati City
SEC Group A Accreditation
Partner - No. 0396-AR-3 (until Oct. 1, 2021)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-20-2018 (until Jan. 25, 2021)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

May 26, 2020

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes		2019		2018
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	5	**P**	**6,518,599,861**	P	5,734,720,648
Trade and other receivables - net	6		**17,373,476,547**		10,212,127,250
Financial assets at fair value through profit or loss	7		**-**		26,290,139
Construction materials	8		**1,287,127,532**		865,035,029
Contract assets	9		**3,975,734,097**		3,060,770,976
Other current assets	12		**6,310,724,077**		4,891,540,884
Total Current Assets			**35,465,662,114**		24,790,484,926
NON-CURRENT ASSETS					
Financial assets at fair value through other comprehensive income	10		**3,544,472**		3,544,472
Equity advances and investments in associates and joint ventures	11		**959,506,555**		926,832,112
Concession assets	13		**29,436,586,470**		28,289,313,079
Property, plant and equipment - net	14		**7,968,155,611**		5,496,096,209
Investment properties - net	15		**3,884,575,281**		3,457,715,588
Deferred tax assets - net	26		**44,298,557**		-
Other non-current assets	12		**3,001,997,171**		2,941,723,207
Total Non-current Assets			**45,298,664,117**		41,115,224,667
TOTAL ASSETS		**P**	**80,764,326,231**	P	65,905,709,593

	Notes	2019	2018
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	18	**P 14,681,061,253**	P 6,408,573,493
Trade and other payables	17	**8,167,589,445**	5,252,402,324
Contract liabilities	19	**4,931,269,957**	4,670,482,671
Other current liabilities	20	**220,061,764**	233,817,574
Total Current Liabilities		**27,999,982,419**	16,565,276,062
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	18	**33,071,851,424**	30,371,690,492
Post-employment defined benefit obligation - net	24	**340,207,630**	176,798,596
Deferred tax liabilities - net	26	**612,629,956**	419,677,416
Other non-current liabilities	20	**741,142,106**	368,165,977
Total Non-current Liabilities		**34,765,831,116**	31,336,332,481
Total Liabilities		**62,765,813,535**	47,901,608,543
EQUITY	27		
Equity attributable to shareholders of the Parent Company:			
Capital Stock		**2,439,426,127**	2,439,426,127
Additional paid-in capital		**8,776,358,765**	8,776,358,765
Revaluation reserves		**(63,383,647)**	15,204,702
Other reserves		**(22,474,837)**	(22,474,837)
Treasury shares - at cost		**(3,912,617,536)**	(3,454,826,462)
Retained earnings		**7,083,442,710**	6,752,591,330
Total equity attributable to shareholders of the Parent Company		**14,300,751,582**	14,506,279,625
Non-controlling interests		**3,697,761,114**	3,497,821,425
Total Equity		**17,998,512,696**	18,004,101,050
TOTAL LIABILITIES AND EQUITY		**P 80,764,326,231**	P 65,905,709,593

See Notes to Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	2019	2018	2017
REVENUES	21			
Construction operation revenues		P 15,309,069,383	P 12,688,462,210	P 16,712,638,593
Airport operations revenues		3,691,112,459	2,995,981,030	2,298,404,890
Airport merchandising revenues		326,221,179	289,894,795	148,099,539
Terminal operations revenue		555,401,827	17,653,392	-
		19,881,804,848	15,991,991,427	19,159,143,022
DIRECT COSTS	22			
Cost of construction operations		13,291,797,615	10,784,175,855	14,084,101,553
Costs of airport operations		1,536,616,861	941,829,853	500,488,526
Costs of airport merchandising operations		88,214,264	70,358,260	40,797,109
Costs of terminal operations		311,649,506	17,653,392	-
		15,228,278,246	11,814,017,360	14,625,387,188
GROSS PROFIT		4,653,526,602	4,177,974,067	4,533,755,834
OTHER OPERATING EXPENSES	23	1,810,238,513	1,279,654,500	1,207,686,899
OPERATING PROFIT		2,843,288,089	2,898,319,567	3,326,068,935
OTHER INCOME (CHARGES)	25			
Finance costs		(2,308,927,779)	(1,333,427,143)	(741,783,412)
Finance income		767,843,479	220,598,157	184,844,896
Others - net		133,033,747	601,527,749	57,727,980
		(1,408,050,553)	(511,301,237)	(499,210,536)
PROFIT BEFORE TAX		1,435,237,536	2,387,018,330	2,826,858,399
TAX EXPENSE	26	324,202,722	492,844,159	579,049,390
NET PROFIT		P 1,111,034,814	P 1,894,174,171	P 2,247,809,009
Net Profit Attributable To:				
Shareholders of the Parent Company		P 859,487,439	P 1,469,434,494	P 1,781,192,211
Non-controlling interests		251,547,375	424,739,677	466,616,798
		P 1,111,034,814	P 1,894,174,171	P 2,247,809,009
Earnings per Share				
Basic and Diluted	30	P 0.28	P 0.56	P 0.70

See Notes to Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	2019	2018	2017
NET PROFIT		**P 1,111,034,814**	P 1,894,174,171	P 2,247,809,009
OTHER COMPREHENSIVE INCOME				
Items that will be reclassified subsequently profit or loss				
Realized gain (loss) on fair value change of available-for-sale financial assets		**-**	(8,263,159)	70,963,642
Unrealized gain on fair value change of available-for-sale financial assets	10	**-**	-	8,263,159
		-	(8,263,159)	79,226,801
Item that will not be reclassified subsequently to profit or loss				
Remeasurements of post-employment defined benefit plan	24	**(114,672,272)**	40,962,085	(21,711,134)
Foreign currency translation adjustment		**74,555**	-	-
Tax income (expense)	26	**34,401,682**	(12,288,626)	6,513,340
		(80,196,035)	28,673,459	(15,197,794)
Other Comprehensive Income (Loss) – net of tax		**(80,196,035)**	20,410,300	64,029,007
TOTAL COMPREHENSIVE INCOME		**P 1,030,838,779**	P 1,914,584,471	P 2,311,838,016
Total Comprehensive Income Attributable To:				
Shareholders of the Parent Company		**P 780,899,090**	P 1,488,589,086	P 1,844,366,842
Non-controlling interests		**249,939,689**	425,995,385	467,471,174
		P 1,030,838,779	P 1,914,584,471	P 2,311,838,016

See Notes to Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

		Attributable to Shareholders of the Parent Company									
	Note	Common Stock	Preferred Stock	Treasury Shares - at cost	Additional Paid-in Capital	Revaluation Reserves	Other Reserves	Retained Earnings	Total	Non-controlling Interests	Total
Balance at January 1, 2019		P 2,399,426,127	P 40,000,000	(P 3,454,826,462)	P 8,776,358,765	P 15,204,702	(P 22,474,837)	P 6,752,591,330	P 14,506,279,625	P 3,497,821,425	P 18,004,101,050
Acquisition of treasury shares	27	-	-	(457,791,074)	-	-	-	-	(457,791,074)	-	(457,791,074)
Cash dividends	27	-	-	-	-	-	-	(528,636,059)	(528,636,059)	(50,000,000)	(578,636,059)
Total comprehensive income (loss) for the year		-	-	-	-	(78,588,349)	-	859,487,439	780,899,090	249,939,689	1,030,838,779
Balance at December 31, 2019		**P 2,399,426,127**	**P 40,000,000**	**(P 3,912,617,536)**	**P 8,776,358,765**	**(P 63,383,647)**	**(P 22,474,837)**	**P 7,083,442,710**	**P 14,300,751,582**	**P 3,697,761,114**	**P 17,998,512,696**
Balance at January 1, 2018											
As previously reported		P 2,399,426,127	P 40,000,000	(P 2,627,738,885)	P 8,776,358,765	(P 3,949,890)	(P 22,474,837)	P 6,501,996,949	P 15,063,618,229	P 3,071,826,040	P 18,135,444,269
Effect of adoption of PFRS 9 and 15		-	-	-	-	-	-	(681,210,813)	(681,210,813)	-	(681,210,813)
As restated		2,399,426,127	40,000,000	(2,627,738,885)	8,776,358,765	(3,949,890)	(22,474,837)	5,820,786,136	14,382,407,416	3,071,826,040	17,454,233,456
Acquisition of treasury shares	27	-	-	(827,087,577)	-	-	-	-	(827,087,577)	-	(827,087,577)
Cash dividends	27	-	-	-	-	-	-	(537,629,300)	(537,629,300)	-	(537,629,300)
Total comprehensive income for the year		-	-	-	-	19,154,592	-	1,469,434,494	1,488,589,086	425,995,385	1,914,584,471
Balance at December 31, 2018		P 2,399,426,127	P 40,000,000	(P 3,454,826,462)	P 8,776,358,765	P 15,204,702	(P 22,474,837)	P 6,752,591,330	P 14,506,279,625	P 3,497,821,425	P 18,004,101,050
Balance at January 1, 2017		P 2,399,426,127	P 40,000,000	(P 2,627,738,885)	P 8,776,358,765	(P 67,124,521)	(P 22,474,837)	P 5,108,733,613	P 13,607,180,262	P 2,602,354,866	P 16,209,535,128
Cash dividends	27	-	-	-	-	-	-	(387,928,875)	(387,928,875)	-	(387,928,875)
Change in effective ownership		-	-	-	-	-	-	-	-	2,000,000	2,000,000
Total comprehensive income for the year		-	-	-	-	63,174,631	-	1,781,192,211	1,844,366,842	467,471,174	2,311,838,016
Balance at December 31, 2017		P 2,399,426,127	P 40,000,000	(P 2,627,738,885)	P 8,776,358,765	(P 3,949,890)	(P 22,474,837)	P 6,501,996,949	P 15,063,618,229	P 3,071,826,040	P 18,135,444,269

See Notes to Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	Notes	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 1,435,237,536**	P 2,387,018,330	P 2,826,858,399
Adjustments for:				
Finance costs	25	**2,308,927,779**	1,333,427,143	725,364,859
Depreciation and amortization	23	**1,757,625,213**	1,023,451,211	695,964,736
Finance income	25	**(767,843,479)**	(220,598,157)	(184,844,896)
Unrealized mark-to-market loss (gain) in interest rate swap	25	**104,842,394**	(45,218,078)	18,927,939
Equity in net gains of associates and joint venture	25	**(32,674,443)**	(10,209,371)	(3,606,389)
Gain on disposals of property, plant and equipment	25	**(9,603,796)**	(2,876,025)	(5,248,792)
Gain on bargain purchase	25	**-**	(307,365,622)	-
Loss on fair value change of AFS financial assets		**-**	8,203,815	78,487,134
Operating profit before working capital changes		**4,796,511,204**	4,165,833,246	4,151,902,990
Increase in trade and other receivables		**(3,727,036,956)**	(221,393,350)	(1,466,007,218)
Increase in construction materials		**(422,092,503)**	(287,740,960)	(125,987,367)
Decrease in costs in excess of billings on uncompleted contracts		**-**	1,474,818,478	919,359,170
Increase in contract assets		**(914,963,121)**	(3,060,770,976)	-
Increase in other current assets		**(1,568,441,790)**	(3,478,911,678)	(80,002,361)
Increase (decrease) in trade and other payables		**2,766,510,754**	(535,244,430)	(845,214,605)
Decrease in advances from customers		**-**	-	(751,482,696)
Increase in non-current assets		**(49,938,920)**	(229,489,685)	(108,571,599)
Decrease in billings in excess of costs on uncompleted contracts		**-**	(939,417,541)	(429,140,004)
Increase in contract liabilities		**2,440,922**	3,978,063,088	-
Increase in other liabilities		**359,220,316**	223,617,847	34,427,819
Increase in post-employment defined benefit obligation		**70,736,626**	22,321,536	45,568,102
Cash generated from operations		**1,312,946,532**	1,111,685,575	1,344,852,231
Cash paid for income taxes		**(98,343,152)**	(33,392,637)	(98,908,449)
Net Cash From Operating Activities		**1,214,603,380**	1,078,292,938	1,245,943,782
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property, plant and equipment, and computer software license	12, 14	**(3,506,120,788)**	(941,566,129)	(609,663,808)
Additions to concession assets	13	**(1,885,869,964)**	(3,061,212,015)	(5,419,652,784)
Acquisitions of investment properties	15	**(470,408,696)**	(1,868,851,065)	-
Interest received		**308,468,924**	135,625,877	134,822,533
Proceeds from sale of property, plant and equipment	14	**92,128,142**	30,085,388	16,043,442
Proceeds from sale of financial assets at fair value through profit or loss	7	**-**	3,183,191,442	1,463,570,080
Proceeds from disposal of retail treasury bond	10	**-**	913,306,185	921,512,866
Assets acquired from subsidiary		**-**	(344,149,804)	-
Acquisition of investment in joint venture	11	**-**	(116,648,000)	(204,000,000)
Acquisition of available-for-sale financial asset	10	**-**	-	(921,510,000)
Net Cash Used in Investing Activities		**(5,461,802,382)**	(2,070,218,121)	(4,618,877,671)
Balance carried forward		**(P 4,247,199,002)**	(P 991,925,183)	(P 3,372,933,889)

	Notes	2019	2018	2017
Balance brought forward		(P 4,247,199,002)	(P 991,925,183)	(P 3,372,933,889)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from interest-bearing loans and borrowings	18	21,006,508,168	11,832,650,285	5,100,663,558
Repayment of interest-bearing loans and borrowings	18	(10,172,979,511)	(4,780,636,563)	(1,933,787,135)
Financing provided to related parties		(2,974,937,786)	(2,999,454,546)	-
Interest paid		(2,026,444,738)	(1,069,041,862)	(752,235,635)
Acquisition of treasury shares	27	(457,791,074)	(827,087,577)	-
Dividends paid	27	(338,698,201)	(537,629,300)	(387,928,875)
Net Cash From Financing Activities		5,035,656,858	1,618,800,437	2,026,711,913
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(4,578,643)	(22,884,808)	11,876,022
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		783,879,213	603,990,446	(1,334,345,954)
CASH ACQUIRED FROM SUBSIDIARY		-	199,791,025	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		5,734,720,648	4,930,939,177	6,265,285,131
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 6,518,599,861	P 5,734,720,648	P 4,930,939,177

Supplemental Information on Non-cash Investing and Financing Activities:

1) On January 1, 2019, the Group recognized additional right-of-use assets and lease liabilities amounting to P34.3 million, in relation to the adoption of PFRS 16, *Leases* (see Notes 2, 14 and 16).

2) In 2019, certain computer software license were reclassified from Other Current Assets to Property, Plant and Equipment amounting to P2.3 million in relation to the construction of the new T2 bulding and structural design (see Notes 12 and 14).

3) The Parent Company declared dividends in 2019 amounting to P528.6 million, of which P239.9 million remained unpaid as of year-end and are presented as dividends payable under Trade and Other Payables in the 2019 consolidated statement of financial position (see Note 17).

4) In 2019, GMI declared dividends to its non-controlling interests amounting to P50.0 million, of which P25.0 million remained unpaid as of year-end and are presented as non-trade payable under Trade and Other Payables in the 2019 consolidated statement of financial position (see Note 17).

See Notes to Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Incorporation and Operations

Megawide Construction Corporation (the Parent Company) was incorporated in the Philippines on July 28, 2004 and is engaged in the general construction business, including constructing, enlarging, repairing, or engaging in any work upon buildings, houses and condominium, roads, plants, bridges, piers, waterworks, railroads and other structures. It performs other allied construction business like the construction and sale of precast items, concrete production, and purchase sale and/or lease of formworks system and construction equipment.

On January 28, 2011, the Philippine Stock Exchange (PSE) and the Securities Exchange Commission (SEC) approved the Parent Company's application for the listing of its common stock. The approval covered the initial public offering (IPO) of 292.0 million unissued common shares of the Parent Company at P7.84 offer price per share and the listing of those shares in PSE's main board on February 18, 2012. On December 3, 2014, the Parent Company made a primary offer of 40.0 million preferred shares at an offer price of P100.0 per share. These preferred shares are also listed in the PSE (see Note 27.1).

On September 22, 2014, the SEC approved the Parent Company's amendment of articles of incorporation, which includes: (i) the Parent Company's power to extend corporate guarantees to its subsidiaries and affiliates; and, (ii) the increase in its authorized capital stock of P5,000.0 million divided into 4,930.0 million common shares and 70.0 million cumulative, non-voting, non-participating, non-convertible to common shares and redeemable, at the option of the Parent Company, perpetual preferred shares (see Note 27.1). Both common and preferred shares have a par value of P1.0 per share.

On August 16, 2017, Megacore Holdings, Inc. (Megacore) acquired 313,786,575 shares representing 14.7% ownership over the Parent Company from Citicore Holdings Investment, Inc. (Citicore). This resulted in a decrease in Citicore's ownership from 66.7% to 51.0%.

On December 22, 2017, Megacore further acquired additional shares from Citicore which resulted in an increase in Megacore's equity interest to the Parent Company equivalent to 28.9% or 617,709,197 as of December 31, 2017.

The Parent Company remains a subsidiary of Citicore which owns and controls 33.3% of the issued and outstanding capital stock of the Parent Company as of December 31, 2019 and 2018 because Citicore still directs the overall business operations of the Parent Company through its Chief Executive Officer and President, who is also the President of Citicore.

On December 20, 2017, the state-owned Social Security System acquired a total of 110,532,500 shares or equivalent to 5.2% interest of the Parent Company through purchase of 3.45% stake held by Megacore and the remaining interest from the public.

Citicore is a company incorporated in the Philippines and is engaged in the business of a holding company through buying and holding shares of other companies. The registered address of Citicore and the Parent Company, which is also their principal place of business, is at 20 N. Domingo Street, Brgy. Valencia, Quezon City.

1.2 Subsidiaries, Associates and Joint Arrangements

The Parent Company holds ownership interest in the following subsidiaries, associates and joint arrangements (together with the Parent Company, collectively hereinafter referred to as the Group):

Subsidiaries/Associates/Joint Operations/Joint Ventures	Notes	Percentage of Effective Ownership 2019	2018	2017
Subsidiaries:				
GMR Megawide Cebu Airport Corporation (GMCAC)	a	**60%**	60%	60%
Megawatt Clean Energy, Inc. (MCEI)	b	**70%**	70%	70%
Globemerchants, Inc. (GMI)	c	**50%**	50%	50%
Megawide Land, Inc. (MLI)	d	**100%**	100%	100%
Megawide Construction (BVI) Corporation (MCBVI)	e	**100%**	100%	100%
MWM Terminals, Inc. (MWMTI)	j	**100%**	100%	-
Megawide Terminals, Inc. (MTI) *(formerly WM Property Management, Inc.)*	i	**100%**	100%	-
Megawide International Limited (MIL)	h	**100%**	-	-
Megawide Cold Logistics, Inc. (MCLI)	d	**60%**	60%	60%
Megawide Construction DMCC (DMCC)	e	**100%**	100%	100%
Megawide Construction (Singapore) Pte. Ltd. (MC-SG)	h	**100%**	-	-
Accounted for as Asset Acquisition – Altria East Land, Inc. (Altria)	f	**100%**	100%	100%
Associates:				
Megawide World Citi Consortium, Inc. (MWCCI)	g	**51%**	51%	51%
Citicore Megawide Consortium, Inc. (CMCI)	g	**10%**	10%	10%
Joint Operations:				
Megawide GISPL Construction Joint Venture (MGCJV)	k	**50%**	50%	50%
Megawide GMR Construction Joint Venture, Inc. (MGCJVI)	l	**50%**	50%	-
***Joint Ventures*:**				
Mactan Travel Retail Group Corp. (MTRGC)	m	**25%**	25%	-
Select Service Partners Philippines Corp. (SSPPC)	n	**25%**	25%	-
MWMTI	j	**-**	-	51%

a) GMCAC

GMCAC was incorporated in the Philippines and registered in the SEC in 2014. GMCAC's primary purpose is to construct, develop, operate and maintain the Mactan Cebu International Airport (MCIA), including the commercial assets thereof and all allied businesses for the operation and maintenance of said airport facility (MCIA Project). GMCAC started commercial operations on November 1, 2014.

GMCAC was established for the purpose of implementing the provisions of the Concession Agreement (see Note 13) that was signed on April 22, 2014 between the Parent Company and GMR Infrastructure Limited (GIL), and the Department of Transportation and Communications (currently, the Philippine Department of Transportation or DOTr) and Mactan-Cebu International Airport Authority (MCIAA) (collectively, the Grantors).

GIL is an entity duly organized and registered in India. DOTr and MCIAA are the agencies of the Philippine Government vested with the power and authority to develop dependable and coordinated transportation systems and to principally undertake the economical, efficient, and effective control, management, and supervision of the MCIA Project. GMCAC's registered address, which is also its principal place of business, is located at Mactan-Cebu International Airport Passenger Terminal Building, Airport Terminal, Lapu-Lapu City.

b) MCEI

MCEI was incorporated in 2014 to engage in the development of clean or renewable energy sources for power generation. Its registered address, which is also its principal place of business, is located at 20 N. Domingo St. Brgy. Valencia, Quezon City. As of December 31, 2019, MCEI has not yet started operations.

c) GMI

GMI was incorporated in the Philippines in 2016 and is primarily engaged in general merchandise operations. GMI's registered address, which is also its principal place of business, is located at Mactan-Cebu International Airport Passenger Terminal Building, Airport Terminal, Lapu-Lapu City. GMI started its commercial operations in March 2017.

On March 15, 2017, the Parent Company sold 2,000,000 shares or 10% interest of GMI to GMR Holdings Overseas (Singapore) Pte. Ltd. (GHOSPL). As of December 31, 2017, GMI is 50% owned by the Parent Company. The Parent Company still consolidates its ownership in GMI after the sale as the management considers that the Group has de facto control over GMI even though it effectively holds 50% ownership interest [see Note 3.1(j)].

d) MLI

MLI was incorporated in 2016 primarily to engage in real estate and related business. MLI's registered address, which is also its principal place of business, is located at 20 N. Domingo St. Brgy. Valencia, Quezon City. MLI has not commenced its operations as of December 31, 2019.

MLI has a 60% ownership interest in MCLI, a company incorporated in the Philippines and was established to engage in cold and dry storage business. The registered office address of MCLI, which is also its principal place of business, is located at No. 20 N. Domingo Street, Brgy. Valencia, Quezon City.

e) MCBVI

On June 20, 2017, the Parent Company acquired 100% ownership interest in MCBVI, an entity incorporated in the territory of British Virgin Islands to primarily engage in buying and holding shares of other companies. MCBVI's registered address, which is also its principal place of business, is Marcy Building, 2nd floor, Purcell Estate, Road Town Tortola, British Virgin Islands. In 2018, MCBVI has commenced business operations.

MCBVI has a wholly owned subsidiary, DMCC, which was registered on December 10, 2017 is an infrastructure conglomerate. Its registered office is located at Unit 4401-05, Mazaya Business Avenue BB2, Jumeriah Lake Towers, Dubai UAE.

f) Altria

The Parent Company's acquisition of Altria is accounted for as an asset acquisition since it does not constitute an acquisition of business (see Note 11.2).

g) MWCCI and CMCI

The Group's investments in MWCCI and CMCI are accounted for as investments in associates since the ownership of the Parent Company does not result to control over the entities' relevant activities [see Notes 3.1(e), 3.1(j) and 11.1].

h) MIL

MIL, whose registered office is at Marcy Building, 2nd Floor, Purcell Estate, P.O. Box 2416, Road Town Tortola, British Virgin Islands, was incorporated on July 26, 2019. MIL has a 100% owned subsidiary, MC-SG, which was registered on March 1, 2019 as a general building engineering design and consultancy services. Its registered office is located at 8 Cross St. #24-03/04 Manulife Tower Singapore.

i) MTI

On August 9, 2018, the Parent Company acquired 344.5 million shares or 100% ownership interest in MTI from existing shareholders of MTI for P344.1 million. MTI owns 49% interest over MWMTI.

MTI (previously WM Property Management, Inc.) is an entity incorporated and registered on November 11, 2011 to establish, own, manage, administer, operate, maintain, and carry the business of providing property management services, either directly or through third parties, but not limited to the services of rent collection, tenant and lease management, marketing and advertising, repair and maintenance, liaison and other similar services. MTI's registered address and principal place of business is at 20 N. Domingo St. Brgy. Valencia, Quezon City.

j) MWMTI

MWMTI is a joint venture arrangement formed on February 10, 2015 by the Parent Company and MTI, both exercising joint control to direct the relevant activities of MWMTI. The joint venture undertakes the development and implementation of the Parañaque Integrated Terminal Exchange (PITX) Project (formerly Southwest Integrated Transport System Project) granted by the Philippine Government to MWMTI under a Build-Operate-Transfer Agreement (BOT Agreement) through the DOTr (see Note 29.3.2). In November 2018, MWMTI commenced commercial operations.

With the Parent Company's acquisition of 100% ownership interest in MTI in 2018 [see Note 1.2(i)], the Parent Company's effective ownership interest in MWMTI increased from 51% to 100% as of December 31, 2018. Accordingly, the Parent Company consolidates its interest in MWMTI from the acquisition date. Prior to the acquisition, the Group's interest in MWMTI is accounted for as a joint venture as the Group exercises joint control over the joint venture's relevant activities [see Notes 3.1(j)].

k) MGCJV

MGCJV is an unincorporated joint venture formed in 2014 by the Parent Company and GMR Infrastructure (Singapore) PTE Limited – Philippines Branch (GISPL) each owning 50% interest and exercising joint control. MGCJV was established to provide construction of works for the renovation and expansion of the MCIA Project and other airport related construction projects of the Group (see Note 11.4).

l) MGCJVI

MGCJVI is an incorporated joint arrangement formed in January 2018 by the Parent Company owning 50% interest and GMR Infrastructure (Singapore) PTE Limited with 45% interest and GMR Holdings Overseas (Singapore) PTE Limited owning the remaining 5%. The Parent Company and GMR both exercising joint control. MGCJVI was established to provide general construction business including construction, improvement and repair of Clark Aiport project (see Note 11.4). MGJCVI began to operate in the same year it was formed.

m) MTRGC

MTRGC was incorporated and registered under the laws of the Republic of the Philippines with the SEC on March 21, 2018 to develop, set-up, operate, maintain and manage the duty paid outlets at the locations in the Mactan Cebu International Airport (see Note 11.3). It started operations in the same year of incorporation.

n) SSPPC

SSPPC was incorporated and registered under the laws of the Republic of the Philippines with the SEC on March 13, 2018 to develop, set-up, operate, maintain and manage food and beverage outlets at specified locations in Terminal 1 and Terminal 2 of Mactan Cebu International Airport and the provision of related services thereto (see Note 11.3). It started operations in the same year of incorporation.

1.3 Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2019 (including the comparative consolidated financial statements as of December 31, 2018 and for the years ended December 31, 2018 and 2017) were authorized for issue by the Parent Company's Board of Directors (BOD) on May 26, 2020, as endorsed by its Audit and Compliance Committee.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) Presentation of Consolidated Financial Statements

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

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

The Group reclassified the following prior period accounts to conform with the 2019 consolidated financial statement presentation and account classification:

(i) Other Operating Expenses including repairs and maintenance, outside services, supplies, and utilities amounting to P207.5 million and P80.2 million in 2018 and 2017, respectively, were reclassified to Direct Costs of airport operations (see Notes 22.2 and 23); and,

(ii) Advances from Customers in 2018 amounting to P3,485.0 million was reclassified to Contract Liabilities account (see Note 19).

The prior period reclassifications on expenses only represent 1.6% and 0.5% of the consolidated total operating expenses for the years ended December 31, 2018 and 2017, respectively, while the reclassification of the advances to customers represents only 7.3% of the total consolidated liabilities as of December 31, 2018. As such reclassifications did not have any material impact on the Group's consolidated financial statements, a third consolidated statement of financial position is not required to be presented.

(c) Functional and Presentation Currency

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

Items included in the consolidated financial statements are measured using its 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 2019 that are Relevant to the Group

The Group adopted for the first time the following PFRS, amendments, interpretations, and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2019:

PAS 19 (Amendments)	:	Employee Benefits – Plan Amendment, Curtailment or Settlement
PAS 28 (Amendments)	:	Investment in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures
PFRS 9 (Amendments)	:	Financial Instruments – Prepayment Features with Negative Compensation
PFRS 16	:	Leases
International Financial Reporting Interpretations Committee (IFRIC) 23	:	Uncertainty over Income Tax Treatments
Annual Improvements to PFRS (2015-2017 Cycle)		
PAS 12 (Amendments)	:	Income Taxes – Tax Consequences of Dividends
PAS 23 (Amendments)	:	Borrowing Costs – Eligibility for Capitalization
PFRS 3 and PFRS 11 (Amendments)	:	Business Combination and Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation

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

(i) PAS 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement*. The amendments clarify that past service cost and gain or loss on settlement is calculated by measuring the net defined benefit liability or asset using updated actuarial assumptions and comparing the benefits offered and plan assets before and after the plan amendment, curtailment or settlement but ignoring the effect of the asset ceiling that may arise when the defined benefit plan is in a surplus position. Further, the amendments now require that if an entity remeasures its net defined benefit liability or asset after a plan amendment, curtailment or settlement, it should also use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the change to the plan. The application of these amendments had no significant impact on the Group's consolidated financial statements.

(ii) PAS 28 (Amendments), *Investment in Associates and Joint Ventures – Long-term Interest in Associates and Joint Ventures*. The amendments clarify that the scope exclusion in PFRS 9 applies only to ownership interests accounted for using the equity method. Thus, the amendments further clarify that long-term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under PFRS 9, which shall also include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The application of these amendments had no significant impact on the Group's consolidated financial statements.

(iii) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation*. The amendments clarify that prepayment features with negative compensation attached to financial assets may still qualify under the "solely payments of principal and interests" (SPPI) test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at fair value through other comprehensive income (FVOCI). The application of these amendments had no significant impact on the Group's consolidated financial statements.

(iv) PFRS 16, *Leases*. The new standard replaced PAS 17, *Leases*, and its related interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, Standard Interpretations Committee (SIC) 15, *Operating Leases – Incentives* and SIC 27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. For lessees, it requires an entity to account for leases "on-balance sheet" by recognizing a "right-of-use" asset and lease liability arising from contract that is, or contains, a lease.

For lessors, the definitions of the type of lease (i.e., finance and operating leases) and the supporting indicators of a finance lease are substantially the same with the provisions under PAS 17. In addition, basic accounting mechanics are also similar but with some different or more explicit guidance related to variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures

Relative to the adoption of PFRS 16 in the Philippines, the FRSC also approved the issuance of the following:

- Philippine Interpretations Committee (PIC) Q&A 2019-11, *Determining the Current Portion of an Amortizing Lease Liability*. This Q&A provides guidance on determining the current portion of an amortizing lease liability for proper classification/presentation between current and non-current in the consolidated statement of financial position.

- PIC Q&A 2019-12, *Determining the Lease Term under PFRS 16*. This Q&A provides guidance in determining the lease term under the new leases standard. Such exercise may require significant judgment especially when the lease agreement contains an option to either extend or terminate the lease.

- PIC Q&A 2019-13, *Determining the Lease Term of Leases that are Renewable Subject to Mutual Agreement of the Lessor and the Lessee.* This Q&A is a supplement to PIC Q&A 2019-12, providing guidance on determining the lease term under PFRS 16. This focuses on lease contracts that are renewable subject to mutual agreement of the parties.

The Group has adopted PFRS 16 using the modified retrospective approach as allowed under the transitional provisions of the standard. The adoption of the standard has resulted in adjustments to the amounts recognized in the consolidated financial statements as at January 1, 2019, with no adjustment to the opening balance of the retained earnings. Accordingly, comparative information were not restated.

The effects of the adoption of PFRS 16 resulted in the recognition of right-of-use asset and lease liability amounting to P32.5 million on January 1, 2019. In addition, transportation and construction equipment amounting to P177.9 million as of January 1, 2019 that were previously presented under precast and construction equipment and transportation equipment under property, plant and equipment account in the consolidated statement of financial position were reclassified to right-of-use assets and are still presented under property, plant and equipment account in the 2019 consolidated statement of financial position. For Group's accounting policies as a lessor, PFRS 16 does not provide for any substantial change, as the lessor still recognizes its lease contracts as either an operating or finance lease.

The new accounting policies of the Group as a lessee are disclosed in Note 2.18(a), while the accounting policies of the Group as a lessor, as described in Note 2.18(b), were not significantly affected.

Discussed below and in the succeeding pages are the relevant information arising from the Group's adoption of PFRS 16 and how the related accounts are measured and presented on the Group's consolidated financial statements as at January 1, 2019.

a. For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from PAS 17 and IFRIC 4 and has not applied PFRS 16 to arrangements that were previously not identified as leases under PAS 17 and IFRIC 4.

b. The Group recognized lease liabilities in relation to leases which had previously been classified as operating leases under PAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of January 1, 2019. The Group's weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 6.98%.

c. The Group has elected not to include initial direct costs in the measurement of right-of-use assets at the date of initial application. The Group also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid lease payments and estimated cost to restore the leased asset that existed as at January 1, 2019.

d. For leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognize right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

e. For those leases previously classified as finance leases, the Group recognized the related right-of-use asset and lease liability at the date of initial application at the same amounts as the carrying amount of the capitalized asset and finance lease obligation under PAS 17 immediately before transition.

f. The Group has also used the following practical expedients, apart from those already mentioned above, as permitted by the standard:

   i. application of a single discount rate to a portfolio of leases with reasonably similar characteristics;

   ii. reliance on its historical assessments on whether leases are onerous as an alternative to performing an impairment review on right-of-use assets. As at January 1, 2019, the Group has no onerous contracts; and,

   iii. use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The following table shows the effects of the adoption of PFRS 16 in the carrying amounts and presentation of certain accounts in the consolidated statement of financial position as at January 1, 2019.

	Note	Carrying Amount (PAS 17) December 31, 2018	Remeasurement	Carrying Amount (PFRS 16) January 1, 2019
Assets –				
Property, plant and equipment	c	P5,496,096,2019	P 34,277,641	P 5,530,373,850
Liabilities:				
Interest-bearing loans and borrowings – current	b	(6,408,573,493)	(10,270,039)	(6,418,843,532)
Interest-bearing loans and borrowings – non-current	b	(30,371,690,492)	(24,007,602)	(30,395,698,094)
Impact on net assets			P -	

A reconciliation of the opening lease liabilities recognized at January 1, 2019 and the total operating lease commitments determined under PAS 17 at December 31, 2018 is shown below.

	Notes		
Operating lease commitments, December 31, 2018 (PAS 17)	29.1	P	40,737,545
Leases with remaining term of less than 12 months	2.2(a)(iv)(d)	(	2,381,991)
Operating lease liabilities before discounting			38,355,554
Discount using incremental borrowing rate	2.2(a)(iv)(b)	(	4,077,913)
Operating lease liabilities			34,277,641
Obligation from finance leases	2.2(a)(iv)(e)		157,923,257
Lease liabilities, January 1, 2019 (PFRS 16)		P	192,200,898

(v) IFRIC 23, *Uncertainty over Income Tax Treatments*. This interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Group to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above. The application of this interpretation had no significant impact on the Group's consolidated financial statements.

(vi) Annual Improvements to PFRS 2015-2017 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2019, are relevant to the Group but had no material impact on the Group's consolidated financial statements:

- PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends*. The amendments clarify that an entity should recognize the income tax consequence of dividend payments in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits.

- PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization*. The amendments clarify that if any specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, such borrowing is treated as part of the entity's general borrowings when calculating the capitalization rate

- PFRS 3 (Amendments), *Business Combinations*, and PFRS 11 (Amendments), *Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation*. The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

(b) *Effective Subsequent to 2019 but not Adopted Early*

There are amendments to existing standards effective for annual periods subsequent to 2019, 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* and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* (effective from January 1, 2020). The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's own circumstances).

The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendment has also been made in other Standards that contain definition of material or refer to the term 'material' to ensure consistency.

(ii) Revised Conceptual Framework for Financial Reporting (effective from January 1, 2020). The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised framework from January 1, 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised framework.

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

2.3 Basis of Consolidation, Investments in Subsidiaries and Associates, and Interests in Joint Arrangements

The Group's consolidated financial statements comprise the accounts of the Parent Company, its subsidiaries, associates and joint arrangements, as discussed in Note 1.2, after 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. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries, associates and joint arrangements are prepared for the same reporting period as the Parent Company, using consistent accounting principles.

The Parent Company accounts for its investments in subsidiaries, associates, interests in joint arrangements and non-controlling interests as follows:

(a) Investments in Subsidiaries

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

Distributions from subsidiaries are accounted for as dividend income which are eliminated at consolidation.

i) *Accounting for Business Combination Using the Acquisition Method*

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 recognized amounts of acquiree's identifiable 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 identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 2.12).

ii) *Accounting for 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 shareholder are accounted for under the pooling-of-interests method. Transfers of assets between commonly-controlled entities are accounted for under historical cost accounting. Under this method, the financial information of the acquired entities are included as if the acquisition occurred in the earliest period presented. The assets and liabilities of the acquired entities are combined using their respective carrying values and any difference is accounted for and recognized in Other Reserves account presented under the consolidated statement of changes in equity.

(b) *Investments in Associates*

Associates are those entities over which the Parent Company is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in associates 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 Parent Company's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Parent Company's share in the associate is included in the amount recognized as investment in an associate.

All subsequent changes to the ownership interest in the equity of the associates are recognized in the Parent Company's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged against the Equity in net profit (losses) of associates and joint venture as part of Others – net account under Other Income (Charges) section of 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 2.20).

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Parent Company, as applicable. However, when the Parent Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Parent Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, 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.

(c) Interests in Joint Arrangement

(i) Joint Operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint control arises from a contractually agreed sharing of control in an arrangement, which exist only when decisions about the relevant activities require unanimous consent of the parties sharing control. For interests in joint operation, the Group recognizes in its consolidated financial statements its assets including its share of any assets held jointly; its liabilities including its share of any liabilities incurred jointly; its revenue from sale of its share of the output arising from the joint operation; its expenses including its share of any expenses incurred jointly; and its share in the income from the sale of goods or services by the joint operation. 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 and are measured and recognized in accordance with the relevant financial reporting standards.

(ii) Joint Venture

A jointly controlled entity is a corporation, partnership, or other entity in which two or more venturers have an interest, under a contractual arrangement that establishes joint control over the entity. Each venturer usually contributes cash or other resources to the jointly controlled entity. Those contributions are included in the accounting records of the venturer and recognised in the venturer's financial statements as an investment in the jointly controlled entity.

Investments in joint venture are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in a jointly controlled entity is subject to the purchase method. The purchase method involves the recognition of the jointly controlled entity'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 venturer's share of the identifiable net assets of the joint venture at the date of acquisition. Any goodwill or fair value adjustment attributable to the venturer's share in the joint venture is included in the amount recognized as investment in joint venture.

All subsequent changes to the ownership interest in the equity of the joint venture are recognized in the venturer's carrying amount of the investments. Changes resulting from the profit or loss generated by the joint venture are credited or charged against the Equity in net profit (losses) of associates and joint venture as part of Others – net account under Other Income (Charges) section of the consolidated statement of income.

Impairment loss is provided when there is objective evidence that the investments in joint venture will not be recovered (see Note 2.20).

Changes resulting from other comprehensive income of the jointly controlled entity or items recognized directly in the jointly controlled entity's equity are recognized in other comprehensive income or equity of the venturer, as applicable. However, when the venturer's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the venturer does not recognize further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity. If the jointly controlled entity subsequently reports profits, the venturer 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 jointly controlled entity are accounted for as a reduction of the carrying value of the investments.

(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 as Other Reserves in equity. Disposals of equity investments to non-controlling interests result in gains and losses for the Group that are also recognized in equity.

When the Group 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 purpose of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The Parent Company holds interests in various subsidiaries, associates, and joint arrangements as presented in Notes 1.2 and 11.

2.4 Financial Assets

Financial assets are recognized when the Group 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. The classification and measurement of financial assets are described below and in the succeeding pages.

(i) Financial Assets at Amortized Cost

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

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

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

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, *Revenue from Contracts with Customers*, 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 as Cash and Cash Equivalents, Trade and Other Receivables (excluding Advances to officers and employees), Refundable security and bond deposits (presented under Other Current Assets account) and Investment in Trust fund (which pertains solely to cash) and Refundable security deposits (presented under Other Current and Non-current Assets account) in the consolidated statement of financial position.

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 statement of income as part of Finance Income.

(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 fair value through profit or loss (FVTPL). The Group has designated certain 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 are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of Revaluation Reserves account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves account is not reclassified to profit or loss but is reclassified directly to Retained Earnings account, except for those debt securities classified as FVOCI wherein cumulative fair value gains or losses are recycled to profit or loss.

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

Any dividends earned on holding equity instruments are recognized in profit or loss as part of Other Income (Charges) account, 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 debt securities which are held for trading purposes or designated as at FVTPL (see Note 7). Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by PFRS 9 (see Note 2.16).

Financial assets at FVTPL are measured at fair value with gains or losses recognized in profit or loss as part of Finance Income in the consolidated statement of income. The fair values of these financial assets are determined by reference to active market transactions or using a valuation technique where no active market exists.

Interest earned on these investments is included in the net fair value gains (losses) on these assets presented as part of Finance Income in the consolidated statement of income.

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*

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

The Group elected the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade and other 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. To calculate the ECL, the Group uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix. 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 32.2(b)].

On the other hand, the Group applies a general approach in relation to advances to and receivables from 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 debt instruments measured at amortized cost and at FVOCI, the Group recognizes lifetime ECL when there has been a significant increase in credit risk on a financial asset since initial recognition. Lifetime ECL represents the expected credit loss that will result from all possible default events over the expected life of a financial asset, irrespective of the timing of the default. However, if the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures and provides for credit losses that are expected to result from default events that are possible within 12-months after the end of the reporting period.

The Group determines whether there has been a significant increase in credit risk for financial asset since initial recognition by comparing the risk of default occurring over the expected life of the financial asset between the reporting date and the date of the initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that may indicate an actual or expected deterioration of the credit quality of the financial assets.

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

2.5 Construction Materials

Construction materials are valued at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of construction materials includes all costs directly attributable to acquisition such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities.

The net realizable value of construction materials is the current replacement cost.

2.6 Other Assets

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

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period, are classified as non-current assets.

2.7 Property, Plant and Equipment

Property, plant and equipment, except land and construction in progress, are carried at acquisition cost or construction cost less subsequent depreciation and any impairment losses. Land held for use in operations or administration is stated at cost less any impairment losses.

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; expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on straight-line basis over the estimated useful lives of the assets as follows:

Building	25 years
Precast factory	25 years
Precast and construction equipment	3-15 years
Office furniture, fixtures and equipment	3-10 years
Transportation equipment	5-8 years

Construction in progress represents properties under construction and is stated at cost. This includes cost of construction of the Group's building, batching plant and precast factory, and any applicable borrowing costs (see Note 2.22). The account is not depreciated until such time that the assets are completed and available for use.

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 2.20).

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

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

An item of property, plant and equipment, including the related accumulated depreciation and 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 profit or loss in the year the item is derecognized.

2.8 Acquisition of Asset

Acquisition of interest in an entity that holds investment property which does not constitute a business is accounted for as an asset acquisition. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members and participant. Under the asset purchase accounting, the purchase cost is allocated to identifiable assets and liabilities based on relative fair values of individual items; goodwill or gain on bargain purchase is not recognized; and, transaction costs are capitalized.

2.9 Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Pursuant to the Concession Agreement for the PITX Project, the Group is granted the exclusive right and obligation to construct and develop the commercial area of the PITX Project (see Notes 1.2 and 29.3.2), which shall be held for rentals and rendering of any incidental service or facility from the use of commercial areas. Accordingly, the Group accounts for the construction and development of commercial area as Investment Property.

Investment property comprising of asset under construction and development are measured initially at acquisition cost, including transaction costs. This includes cost of construction, any applicable borrowing costs (see Note 2.22) and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

Following initial recognition, investment properties are carried at cost less accumulated depreciation and any impairment in value (see Note 2.20).

In 2019, the Group started to depreciate the investment property using straight-line method as the asset is already readily available for its intended use. Depreciation is computed over the remaining concession period of 33 years.

The Group's investment properties also include land which is carried at cost less any impairment in value.

The carrying value of the investment properties are reviewed for impairment when changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the asset is written down to its recoverable amount and impairment losses are recognized in the consolidated statement of income.

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 consolidated statement of income in the year of retirement or disposal.

2.10 Intangible Assets

The Group's intangible assets currently include acquired software licenses and concession assets as described in more detail as follows:

(a) Concession Assets

The Group accounts for its Concession Agreement in relation to the MCIA Project [see Notes 1.2(a) and 13] under the intangible asset model as it receives the right (license) to charge users of the public service.

The concession asset is recognized initially at cost. It consists of:

(i) Upfront fees payments on the Concession Agreement, including the related borrowing costs;

(ii) Directly attributable costs related to the acquisition of the concession assets; and,

(iii) Cost of infrastructure constructed and under construction in accordance with the terms and conditions of the Concession Agreement. These are not recognized as property, plant and equipment of the Group but as an intangible asset.

Following initial recognition, concession assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The service concession asset is amortized using the unit-of-production method which reflects the asset's usage based on passenger volume and usage of their airport activities over the concession period. Management believes that usage-based method best reflects the pattern of consumption of the concession asset.

The period and method of amortization are reviewed at least at the end of each financial reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on the concession asset is recognized in the consolidated statement of income in the expense category consistent with the function of the concession asset.

Subsequent costs and expenditures related to infrastructures arising from the Group's commitments to the Concession Agreement are recognized as additions to the concession asset and are stated at cost. Capital expenditures necessary to support the Group's operation as a whole are recognized as property, plant and equipment and accounted for in accordance with the Group's accounting policy on Property, Plant and Equipment.

The concession asset will be derecognized upon turnover to the Grantors. There will be no gain or loss upon derecognition as the concession asset, which is expected to be fully amortized by then, will be handed over to the Grantors with no consideration.

Concession assets not yet in use are initially recognized at cost and assessed for impairment at least annually based on the asset's value-in-use. Amortization of the assets will commence only when it becomes available for use.

The Group's concession asset's available for use are tested for impairment if there are any indications of impairment. The related 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 2.20).

(b) Acquired Computer Software Licenses

Acquired computer software license (shown as part of Other Non-current Assets) is accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition or production. Capitalized costs are amortized on a straight-line basis over the estimated useful lives of three to five years as the lives of these intangible assets are considered finite. In addition, this is subject to impairment testing as described in Note 2.20.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred.

Costs that are directly attributable to the development phase of new customized software for information technology are recognized as intangible assets if, and only if, the Group can demonstrate all of the following recognition requirements:

(i) technical feasibility of completing the prospective product for internal use or sale;

(ii) the intangible asset will generate probable economic benefits through internal use or sale;

(iii) intention and ability to complete, i.e., availability of sufficient technical, financial and other resources necessary for completion, and use or sell the asset; and,

(iv) ability to measure reliably the expenditure attributable to the intangible asset during development.

Acquired computer software license is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition of an intangible asset is determined as the difference between the net disposal proceeds and carrying value of the asset, and is charged to profit or loss for the period.

2.11 Financial Liabilities

Financial liabilities, which include interest-bearing loans and borrowings, trade and other payables [except output value-added tax (VAT) and other taxes payable], security deposits and retention payable (under Other Non-current Liabilities) are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges incurred on a financial liability are recognized as an expense in profit or loss as part of Finance Costs in the consolidated statement of income.

Interest-bearing loans and borrowings are raised for support of funding of operations. Finance charges, including direct costs, are charged to profit or loss 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 are initially recognized at their fair value and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Lease liabilities and obligations under finance lease (included as part of Interest-bearing Loans and Borrowings account) are recognized at amounts equal to the fair value of the leased property or, if lower, at the present value of minimum lease payments, at the inception of the lease (see Note 2.18).

Dividend distributions to shareholders are recognized as financial liabilities upon declaration by the BOD.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of 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 end of the reporting period. Otherwise, these are presented as non-current liabilities.

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

2.12 Business Combinations

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

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition, except for lease liabilities which are measured based on the present value of the remaining lease payments as if the acquired lease were a new lease at acquisition date and right-of-use assets which are measured at an amount equal to the recognized lease liability, adjusted to reflect favorable or unfavorable lease terms compared with market terms. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.20).

Negative goodwill which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to income.

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

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

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

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

2.13 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's executive committee; its chief operating decision-maker. The executive committee 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 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:

- post-employment benefit expenses;
- expenses relating to share-based payments, if any;
- research costs relating to new business activities; and,
- revenue, costs and fair value gains from investment property, if any.

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

2.14 Offsetting of 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 there is a 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.

2.15 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 financial statements. Similarly, possible 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 Derivative Financial Instruments and Hedging

Derivative financial instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently re-measured and accounted for in the consolidated statement of financial position at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedge of an identified risk and qualifies for hedge accounting treatment or accounted for as derivative not designated for hedges.

The objective of hedge accounting is to match the impact of the hedged item and the hedging instrument in the consolidated statement of comprehensive income. To qualify for hedge accounting, the hedging relationship must comply with strict requirements such as the designation of the derivative as a hedge of an identified risk exposure, hedge documentation, probability of occurrence of the forecasted transaction in a cash flow hedge, assessment and measurement of hedge effectiveness, and reliability of the measurement bases of the derivative instruments.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The Group's derivative financial instruments are accounted for transactions not designated as hedges. Certain freestanding derivative instruments that provide economic hedges under the Group's policies either do not qualify for hedge accounting or are not designated as accounting hedges. Changes in the fair values of derivative instruments not designated as hedges are recognized immediately in the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. For bifurcated embedded derivatives in financial and non-financial contracts that are not designated or do not qualify as hedges, changes in the fair value of such transactions are recognized in the consolidated statement of income.

2.17 Revenue and Expense Recognition

Revenue arises mainly from rendering of construction services, airport operations, airport merchandising operations and terminal operations, above others.

To determine whether to recognize revenue, 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.

The Group determines whether a contract with customer exists by evaluating whether the following gating criteria are present:

(a) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
(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 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:

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
(b) the Groups performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
(c) 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 Group often enters into transactions involving construction services, airport operations, airport merchandising operations, terminal operations, and other contracts containing performance obligations with counterparties. The significant judgments used in determining the transaction price and the amounts allocated to the performance obligations are disclosed in Note 3.1(c). The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the asset 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's normal credit terms ranges from 35 to 60 days after billing.

In addition, the following specific recognition criteria for each identified performance obligation must also be met before revenue is recognized:

(a) *Construction operations revenue* – Revenue from construction activities such as construction works, sale of construction materials, management fee and rental of construction equipment.

i. *Contract revenues* – Revenue from construction services is recognized over time as the service is provided. The Group uses the percentage of completion method to determine the appropriate amount to recognize as contract revenue in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

ii. *Sale of construction materials* – is recognized at a point in time when the risks and rewards of ownership of the goods have been passed to the buyer. i.e., generally when the customer has acknowledged the delivery of goods.

iii. *Management fee* – This is recognized on a time-and-materials basis as the services are provided. Customers are invoiced monthly as work progresses, which are due upon receipt by the customers. Any amounts remaining unbilled at the end of a reporting period are presented in the consolidated statement of financial position as receivables as only the passage of time is required before payment of these amounts will be due.

(b) *Airport operations revenue* – Revenue from airport operations pertains to revenue from services related to aeronautical and non-aeronautical activities in the MCIA, which are further classified as follows:

i. *Aeronautical revenue* – Aeronautical revenues pertain mainly to passenger service charges which are recognized as revenue over time when the related airport services have been rendered, the rates for such fees are provided under Administrative Order (AO) No. 2, Series of 2011, issued by MCIAA. On the other hand, revenues from ancillary services such as parking, tacking, and lighting services are recognized at a point in time upon availment of service.

ii. *Concession revenue* – Concession revenues are generated through terminal concessionaires, tenants or airport service providers who pay monthly fees for the right to use or access airport facilities to offer their goods and services to the general public and air traveling community. Airport facilities and parking spaces are not specific in the license agreement and the Group still has control over which are available for rental. Payments are in accordance with the negotiated agreements with these parties, and are based on either a minimum monthly guarantee or on gross receipts as applicable. Concession revenue is recognized over time when the related sale of concessionaire is earned.

iii. *Commercial revenue* – Commercial revenues comprise advertising charges, car parking and car rental revenues. Car parking revenue comprises time-based charges from the operation of car parking services. Car rental revenue comprises concession charges from car rental companies. Revenue is recognized over time when the related services are provided.

(c) *Airport merchandising operations revenue* – Airport merchandising operations revenues relates to sale of food and non-food items within the premise of MCIA. Airport merchandising operations revenues are recognized at a point in time when the control over the goods have passed to the buyer.

(d) *Terminal operations revenue* – Terminal operations revenue is recognized under the cost-recovery method in accordance with PFRS 15. Rendering of operating services is one of the Group's performance obligations under the Concession Agreement. After the recovery of construction costs, revenues are recognized based on the terminal operations of the PITX Project up to the extent of the annual grantor payment (AGP).

(e) *Check-in counter revenue* – This comprises rental of check-in counter charged to airline companies and space rental charged to tenants. The Group bills the airlines based on the number of passengers. The rate per passenger varies on the annual number of passengers reached by each airline per cycle. Revenue from check-in counters is recognized over the period when the related services have been rendered.

(f) *Sale of goods* – is recognized at a point in time upon transferring control of the promised goods or services to a customer

The Group presents a contract asset when it transfers control of goods or performs services before the customer pays consideration or before payment is due. A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer.

The Group presents a contract liability when a customer pays the consideration, or the Group has the right to an amount of consideration that is unconditional (i.e., a receivable), before the Group transfers goods or performs services to the customer. 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.

Contract liability also includes cash received from customers which are applied to subsequent progress billings for construction contracts. The Group considers the effect of significant financing component in the contract which is recognized as part of Contract Revenues and Finance Cost in the consolidated statement of income [see Note 3.1(c)].

The Group incurs incremental costs in obtaining customer contracts (i.e., biddings costs on construction contracts). These costs are expensed when incurred as these are incurred regardless whether the contract is obtained.

The Group also incurs costs in fulfilling contracts with customers. These costs are divided into: (i) costs that give rise to an asset; and, (ii) costs that are expensed as incurred.

When determining the appropriate accounting treatment for such costs, the Group first considers any other applicable standards (see Notes 2.5 and 2.7). If other standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15. If other standards are not applicable to deferred fulfillment costs, the Group applies the following criteria, which, if met, result in capitalization:

(a) the costs directly relate to a contract or to a specifically identifiable anticipated contract;
(b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
(c) the costs are expected to be recovered.

Deferred fulfillment costs recognized as part of Other Current Assets in the consolidated statement of financial position are amortized using percentage of completion method consistent with construction revenue recognition policy of the Group. Furthermore, these are derecognized either upon disposal or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Group determines whether there is an indication that deferred fulfillment costs may be impaired. An impairment loss is recognized when the carrying amount of the assets exceeds the remaining amount of consideration that the Group expects to receive, less the costs of providing the services under the relevant contract (see Note 2.20).

In 2017 and prior periods, the Group recognized revenues based on the provisions of PAS 11, *Construction Contracts*, and PAS 18, *Revenue*, which is to the extent that such revenues and the related costs incurred or to be incurred can be measured reliably and it is probable that future economic benefits will flow to the Group. Generally, revenues are recognized when the customer has accepted the services that have been provided and the risks and rewards of ownership of the goods has been transferred to the customer. Where the outcome of the contract cannot be measured reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable.

In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) *Contract revenue* – Revenue from construction of buildings is recognized using the percentage of completion method based on the physical completion of the project, while revenues relating to construction or upgrade services of the concession assets is made by reference to the stage of completion of the contract.

(b) *Aeronautical revenue* – Aeronautical revenues comprise passenger service charges, tacking fees, parking fees, and lighting fees. Aeronautical revenues are recognized as revenue when the related airport services have been rendered, the rates for such fees are currently provided under Administrative Order (AO) No. 2, Series of 2011, issued by MCIAA.

(c) *Airport merchandising operations revenue* – Airport merchandising operations revenues relates to sale of food and non-food items within the premise of MCIA. Airport merchandising operations revenues are recognized when the risks and rewards of ownership of the goods have passed to the buyer.

(d) *Concession revenue* – Concession revenues are generated through terminal concessionaires, tenants or airport service providers who pay monthly fees for using or accessing airport facilities to offer their goods and services to the general public and air traveling community. Payments are based on negotiated agreements with these parties, or are based on either a minimum monthly guarantee or on gross receipts. Concession revenue is recorded as it is earned. Some tenant agreements require self-reporting of concession operations and/or sales. The timing of concessionaire reporting and when revenue earned is recorded will determine when accruals are required for each tenant.

(e) *Rental revenue* – Rental revenue comprise rental of check-in counter charged to airline companies and space rental charged to tenants. Rental from check-in counters is recognized when the related service have been rendered. Space rental is recognized on a straight-line basis over the lease term. Contingent revenue is recognized in the period in which the contingent event occurs.

(f) *Commercial revenue* – Commercial revenues comprise advertising charges, car parking and car rental revenues. Car parking revenue comprises time-based charges from the operation of car parking services. Car rental revenue comprises concession charges from car rental companies. Revenue is recognized when the related services are provided.

(g) *Management fee* – Fees are recognized when services are rendered.

(h) *Interest income* – Income is recognized as the interest accrues taking into account the effective yield on the asset.

Costs and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except for capitalized borrowing costs which are included as part of the cost of the related qualifying asset.

2.18 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

(i) Accounting for Leases in Accordance with PFRS 16 (2019)

For any new contracts entered into on or after January 1, 2019, 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:

- 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;

- 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,

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses 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 consolidated 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 depreciates 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 2.20).

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, Plant and Equipment and Interest-bearing Loans and borrowings, account respectively.

(ii) Accounting for Leases in Accordance with PAS 17 (2018 and 2017)

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

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

Finance lease obligations, net of finance charges, are included in Interest-bearing Loans and Borrowings account in the consolidated statement of financial position.

For sale and leaseback transactions resulting in a finance lease, any excess of sales proceeds over the carrying amount of the asset is not immediately recognized as income by the Group (as seller-lessee) but deferred and amortized over the lease term. However, if the carrying amount of the asset exceeds the sales proceeds, the loss is immediately charged to profit or loss in the consolidated statement of income.

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

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.

(b) Group as Lessor

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

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

Revenue from rentals also include revenue from lease of the Group's office and commercial spaces and various equipment which is recognized on the straight-line basis over the lease term based on the provision of the covering lease contracts, including any minimum rent free period therein, plus additional rent free period as mutually agreed by the contracting parties.

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

2.19 Foreign Currency Transactions and Translation

(a) Transactions and Balances

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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income.

(b) Translation of Financial Statements of Foreign Subsidiaries

The consolidated operating results and financial position of offshore subsidiaries (see Note 1), which are measured using the United States ("U.S.") dollar, are translated to Philippine pesos, 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 of the reporting period;

Income and expenses for each profit or loss account are translated at the monthly 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,

(ii) All resulting translation adjustments are recognized in other comprehensive income and as part of Revaluation Reserves in the consolidated statement of changes in equity

When a foreign operation is partially disposed of or sold, such exchange differences are recognized in the consolidated statement of income as part of the Other Income (Charges).

The translation of the financial statements into Philippine peso should not be construed as a representation that the foreign currency amounts could be converted into Philippine peso amounts at the translation rates or at any other rates of exchange.

2.20 Impairment of Non-financial Assets

The Group's investments in associates and joint ventures, property, plant and equipment, intangible assets, concession assets, investment properties, deferred fulfilment costs and other non-financial assets are subject to impairment testing. All non-financial assets, except intangible assets not yet available for use which are tested for impairment at least annually, 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 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 intangible assets not yet available for use, 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.

2.21 Employee Benefits

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

(a) Post-employment Defined Benefit Plan

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

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payment using a discount rate derived from the interest rates of a zero coupon government bonds [using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (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. BVAL provides 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 Finance Costs or Finance Income account in the consolidated statement income.

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

(b) Post-employment Defined Contribution Plans

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

(c) Bonus Plans

The Group recognizes a liability and an expense for bonuses based on a formula that takes into consideration the employees' performance evaluation attributable to a calendar year. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(d) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of each reporting period. They are included in 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.

2.22 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and 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.

2.23 Income Taxes

Tax expense recognized in profit or loss comprises the sum of current tax and deferred 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 period, that are uncollected or unpaid at the end of 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 carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences 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 in 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 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 profit or loss. Only changes in deferred tax assets or liabilities that relate to items recognized in other comprehensive income or directly in equity are 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.

2.24 Related Party Relationships and Transactions

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless of 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. These 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 and joint ventures; (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 retirement plan.

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

All material related party transactions and related party transactions involving directors and/or officers shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions and related party transactions involving directors and/or officers. In case that a majority of the independent directors' vote is not secured, the material related party transactions and related party transactions involving directors and/or officers may be ratified by the vote of the stockholders representing at least two-third of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of 1% of the Group's total consolidated assets, the same BOD approval would be required for the transaction/s that meet and exceeds the materiality threshold covering the same related party. Under SEC Memorandum Circular No. 10, Series of 2019, *Rules on Material Related Party Transactions for Publicly-listed Companies*, the minimum threshold to be considered as a material related party transaction is 10% of the total assets based on the latest audited consolidated financial statements.

Directors with personal interest in a certain related party transaction should abstain from participating in the discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

2.25 Equity

Capital stock represents the nominal value of common and preferred shares that have been issued.

Additional paid-in capital includes any premium received on the issuance of capital stock or reissuance of treasury shares. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, 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.

Revaluation reserves comprise actuarial gains and losses due to remeasurements of post-employment defined benefit plan, foreign currency translation of financial statements of foreign subsidiaries, and the mark-to-market valuation of its financial assets at FVOCI.

Other reserves represent GMCAC's equity transaction costs arising from the subscriptions to its shares of stocks.

Retained earnings, the appropriated portion of which is not available for dividend declaration, represent all current and prior period results of operations as reported in the consolidated statement of income, reduced by the amounts of dividends declared.

2.26 Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net profit attributable to shareholders of the Parent Company by the weighted average number of common shares issued and outstanding , adjusted retroactively for any stock dividend, stock split or reverse stock split declared in the current year.

Diluted EPS is computed by adjusting the weighted average number of common shares outstanding to assume conversion of dilutive potential shares. Currently, the Group does not have dilutive potential shares outstanding, hence, the diluted EPS is equal to the basic EPS.

2.27 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's consolidated 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 JUDGMENTS AND ESTIMATES

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect the 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 differ 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 judgments in the succeeding pages, 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 (2019)*

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated. If the renewal options and/or periods are not enforceable (i.e., if the lessee cannot enforce the extension without the agreement of the lessor), it would not be considered in determining the lease term.

For leases of precast and construction equipment and transportation equipment, the factors that are normally the most relevant are (a) if there are significant penalties should the Group pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Group is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The Group included the renewal period as part of the lease term for of precast and construction equipment and transportation equipment, due to the significance of these assets to its operations. These leases have a short, non-cancellable lease period (i.e., four to ten years) and there will be a significant negative effect on production if a replacement is not readily available. However, the renewal options for leases of transportation equipment were not included as part of the lease term because the Group has historically exercises its option to buy these transportation equipment at the end of the lease term.

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.

(b) *Determination of timing of Satisfaction of Performance Obligations*

(i) *Construction Operations Revenue*

The Group determined that its revenue from construction services shall be recognized over time in accordance with the percentage-of-completion method. 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 construction services that create or enhance an asset that the customer controls as the asset is created or enhanced. This demonstrates that the customer obtains the benefits of the Group's rendering of construction service as it performs.

In determining the best method of measuring the progress of the Group's rendering of construction services, management considers the input method (i.e., based on the Group's inputs to the satisfaction of a performance obligation) under PFRS 15 because of the direct relationship between the Group's effort, in terms of incurred labor hours, and the transfer of service to the customer.

(ii) Airport Operations Revenues

The Group determined that its revenue from airport services shall be recognized over time as the services are being rendered and a point in time for ancillary services (e.g., parking, tacking, and lighting services) that are provided for a short span of 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 aeronautical and non-aeronautical services as it performs.

(iii) Airport Merchandising Operations Revenues

In determining the appropriate method to use in recognizing the Group's revenues from airport merchandising operation revenues, which include sale of food and non-food items in the premises of MCIA, management determines 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.

(iv) Terminals Operation Revenues

The Group has the control over the terminal area and the right to collect concessionaire revenue. The Group determined that its revenue from terminal operation services shall be recognized using the cost-recovery method in accordance with PFRS 15 since services rendered is one of the Group's performance obligations under Concession Agreement. After the recovery of construction costs, revenues are recognized based on the terminal operations costs of the PITX Project (see Note 29.3.2) up to the extent of the AGP.

(c) Determination of Transaction Price and Amounts Allocated to Performance Obligations

The transaction price for a contract is allocated amongst the material right and other performance obligations identified in the contract based on their stand-alone contract prices. The transaction price for a contract excludes any amounts collected on behalf of third parties [e.g., value-added taxes (VAT)].

In determining the transaction price, the Group adjusts the amount of consideration for the effects of time value of money for payments received prior to rendering construction services when the construction period is more than one year. This circumstance indicates that the contract contains significant financing component. The Group uses the prevailing interest rate at the time of receipt of advance payments, which approximates the Group's borrowing rate.

(d) Determination of ECL on Trade and Other Receivables, Refundable Security and Bond Deposits, Equity advances and Contract Assets

The Group uses a provision matrix to calculate ECL for trade and other receivables and contract assets. 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). Details about the ECL on the Group's trade and other receivables and contract assets are disclosed in Note 32.2.

On the other hand, the Group applies a general approach in relation to equity advances. The maximum period over which ECL should be measured is the longest contractual period where an entity is exposed to credit risk. Management determines possible impairment based on the assessment of the recoverability of the investment based on the eventual conversion of these advances to shares (see Note 11.1).

With respect to refundable security and bond deposits, management does not expect significant risks of collectibility since the same can be applied to the last period rentals at the option of the Group.

(e) Evaluation of Business Model Applied in Managing Financial Instruments

The Group developed business models which reflect how it manages its portfolio of financial instruments. The Group's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Group) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Group evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Group (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Group's investment and trading strategies.

(f) Testing the Cash Flow Characteristics of Financial Assets and Continuing Evaluation of the Business Model

In determining the classification of financial assets under PFRS 9, the Group assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria.

In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Group assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Group considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

In addition, PFRS 9 emphasizes that if more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Group considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessary inconsistent with a held-to-collect business model if the Group can explain the reasons for those sales and why those sales do not reflect a change in the Group's objective for the business model.

(g) Distinction Between Business Acquisition and Asset Acquisition

The Group determines whether the acquisition of an entity constitute a business acquisition or an asset acquisition. The accounting treatment for the acquisition is determined by assessing whether the transaction involved a purchase of a "business" taking into consideration the substance of the transaction. Failure to make the right judgment will result in misstatement of assets.

Management has assessed that the acquisition of ownership in Altria is to be accounted for as asset acquisition (see Note 11.2) since it does not constitute a purchase of business. Conversely, the equity ownership in GMCAC, MCEI, GMI, MLI, MCBVI, MWMTI, MTI, and MIL are accounted for as investment in subsidiaries.

(h) Distinction Between Operating and Finance Leases for Contracts where the Group is the Lessor

The Group has entered into various lease agreements for check-in counters and space rental. 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 risks 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.

(i) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Accounting policies on recognition of provisions and contingencies are discussed in Note 2.15 and relevant disclosures are presented in Note 29.

(j) Determination of Control, Joint Control and Significant Influence

Judgment is exercised in determining whether the Group has joint control of an arrangement or significant influence over an entity. In assessing each interest over an entity, the Group 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 arrangement.

Management considers that the Group has de facto control over GMI even though it effectively holds 50% of the ordinary shares. The Parent Company exercises control over the entity because major decisions involving entering and negotiating Supply and Delivery Agreements with Duty Free Philippines Corporation still rests with the Parent Company. In line with this, the Parent Company retains control over GMI's operations [see Note 1.2(c)].

The Group believes that it does not have a control over MWCCI and CMCI but significant influence due to the ability to participate over the entity's relevant activities. Hence, the investees are treated as associates (see Note 11.1). In addition, the Group has determined that it does not have a significant influence, but has joint a control over MGCJV, MGCJVI, MTRGC and SSPPC due to the contractually agreed sharing of control over these investees wherein decision on relevant activities require unanimous consent between the Group and its co-venturers. The Group recognizes its interest in MTRGC and SSPPC as joint ventures, while its interests in MGCJV and MGCJVI are recognized as joint operations [see Notes 2.3(c) and 11.4]. On the other hand, the Group has determined that its ownership interest in Silar Solar Power Inc. (SSPI) does not result in control or significant influence over SSPI (see Note 10).

The related key assumptions on the estimation uncertainty of certain interests in MWCCI, CMCI, and SSPI are discussed in Note 3.2(e).

(k) Capitalization of Borrowing Costs

The Group determines whether the amount of borrowing costs qualify for capitalization as part of the cost of the qualifying asset, or expensed outright. The accounting treatment for the borrowing costs is determined by assessing whether the asset is a qualifying asset taking into consideration the period of time to get the asset ready for its intended use. Failure to make the right judgment will result in misstatement of assets and net profit.

(l) Accounting for Service Concession Arrangement

IFRIC 12 outlines an approach to account for contractual arrangements arising from entities providing public services. It provides that the operator or concessionaire should not account for the infrastructure under PAS 16 as property, plant and equipment, but recognized a financial asset and/or an intangible asset if the following conditions are met:

- The Grantor controls or regulates what services the operator or concessionaire must provide with the infrastructure, to whom it must provide them, and at what price; and

- The Grantor controls through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the term of the arrangement.

Mactan-Cebu International Airport Project

As discussed in Note 1.2(a), the Philippine Government, acting through the DOTr and MCIAA, executed a Concession Agreement with GMCAC whereby GMCAC was given an exclusive right to design, develop, and undertake the MCIA Project; and, enjoy complete and uninterrupted possession of the MCIA Project Assets for the purpose of implementing the MCIA Project.

At the end of the concession period, GMCAC shall hand-over the MCIA Project and the Project Assets to the Grantors without cost, free from any liens and encumbrances, including all improvements made to the airport facilities, commercial assets, works in progress, and right to receive revenues. In addition, GMCAC shall be entitled to collect and receive concession revenue consisting of revenues on account of passenger service charge, airport parking fees, and tacking fees; other apron charges; and, revenues from commercial charges. GMCAC may apply for an increase of such fees following the procedures as set forth in the Concession Agreement.

The Group has identified that the Concession Agreement is within the scope of IFRIC 12 and shall be accounted for using the intangible asset model, wherein the service concession asset is recognized as an intangible asset in accordance with PAS 38, *Intangible Assets*. The intangible asset is amortized using the usage based method over the life of the concession agreement as management believes that straight-line method best reflects the pattern of consumption of the concession asset.

In April 2014, GMCAC paid upfront fees to the Philippine Government amounting to P14,404.6 million to undertake the implementation and operation of the MCIA Project in accordance with the Concession Agreement (see Note 13). The Group identified certain significant and key activities related to the MCIA Project, as also set forth in the Concession Agreement. As such, the upfront fees were allocated among these key activities using proportionate rates based on the expected construction/renovation costs as follows: (i) existing Terminal 1 infrastructure; (ii) construction of new passenger Terminal; (iii) renovation and expansion of Terminal; and, (iv) capacity augmentation. Subsequent project development costs will be capitalized as incurred on the specific key activities related to the Project.

Parañaque Integrated Terminal Exchange Project

As discussed in Note 29.3.2, the Philippine Government acting through the DOTr executed a Concession Agreement on February 25, 2015 with MWMTI whereby the latter was given an exclusive right to design, develop, and undertake the PITX Project and enjoy complete and uninterrupted possession of the Project Assets for the purpose of implementing the PITX Project. At the end of the concession period, MWMTI shall hand over the PITX Project and Project Assets to the Grantor without cost, free from any liens and encumbrances, including all improvements made to the terminal facilities, commercial assets, works in progress, and right to receive revenue.

The PITX Project is composed of separately identifiable terminal and commercial areas under a certain development plan with different degrees of control between the Grantor and MWMTI. The terminal area is controlled by the Grantor while the commercial area is controlled by MWMTI. In addition, MWMTI shall be entitled to collect and receive the concessionaire revenue from the commercial area while it will be receiving fixed payments from the Grantor for the terminal area.

Consequently, MWMTI has identified that the Concession Arrangement with respect to the terminal area of the PITX Project is within the scope of Philippine Interpretation IFRIC 12 and shall be accounted for using the financial asset model, wherein the concession asset arising from the component of terminal area is recognized as financial asset in accordance with PFRS 9.

On the other hand, the Group determined that the component with respect to the commercial area of the PITX Project is not within the scope of IFRIC 12, and therefore, shall be accounted for using the applicable accounting standard based on the control and purpose of the operation, hence, PAS 40, *Investment Property* (see Notes 2.9 and 15).

The related concession asset accounted for under the financial asset model is presented as part of Contract Receivables in the consolidated statement of financial position, which includes the recoverable accumulated costs incurred for the development and construction of the PITX Project as determined in accordance with PFRS 15 and equivalent to the fair value of construction services and other considerations provided (see Notes 2.4 and 13).

(m) *Non-consolidation of Entities in which the Group Holds More than 50% Ownership*

The Parent Company's ownership interest in MWCCI was accounted for as an associate even though it holds 51% ownership interest. In making the assessment of whether the Parent Company has control over the relevant activities of MWCCI, management considers that Citicore has the ultimate control since it effectively owns 66% of MWCCI as of December 31, 2019 and 2018. Moreover, Citicore entered into a management agreement with MWCCI, whereby Citicore shall provide management services to MWCCI for the administration of its activities under the Modernization of the Philippine Orthopedic Center (MPOC) Project [see Note 11.1(a)].

The Parent Company's ownership interest in MWMTI in 2017 and prior years was accounted for as a joint venture even though it holds 51% ownership interest. In making the assessment of whether the Parent Company has control over the relevant activities of MWMTI, management considers that it has joint control with the other venturer, which holds 49% ownership, since both venturers have equal representations to MWMTI's BOD and all significant decisions and approvals to direct the relevant activities of MWMTI for the construction and eventual operation of the PITX Project with the DOTr require consensus of both parties (see Note 11.3). However, in 2018, MWMTI became a subsidiary of the Parent Company due to acquisition by the Parent Company of MTI.

(n) Distinction Between Investment Property and Owner Occupied Property

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the performance of the Group's construction activities and its supply process.

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) Determination of Appropriate Discount Rate in Measuring Lease Liabilities (2019)

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.

(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 32.2.

(c) Fair Value Measurement for Financial Instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

The carrying values of the Group's financial assets carried at FVTPL, investment in SSPI and other non-current financial assets, and the amounts of applicable fair value changes recognized on those assets are disclosed in Notes 7 and 10, respectively.

(d) Determination of Net Realizable Value of Construction Materials

In determining the net realizable value of construction materials, management takes into account the most reliable evidence available at the time the estimates are made. The Group periodically reviews its construction materials for possible damaged and obsolete items. Items identified as obsolete are provided with impairment allowance.

Management has assessed that no allowance for obsolescence is required to be recognized on construction materials in 2019, 2018 and 2017.

(e) *Accounting for Business Combinations*

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

(f) *Estimation of Useful Lives of Intangible Assets, Property, Plant and Equipment, and Investment Property*

The Group estimates the useful lives of intangible assets (other than service concession assets) and property, plant and equipment based on the period over which the assets are expected to be available for use. The related estimated useful lives 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 is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above.

The carrying amount of intangible assets is analyzed in Notes 12.5 and 13. The carrying amount of property, plant and equipment is analyzed in Note 14.

There were no changes in the estimated useful lives of property, plant and equipment and intangible assets in 2019 and 2018. Actual results, however, may vary due to changes in estimates brought about by the changes in factors mentioned above.

The service concession asset was previously amortized on a straight-line basis over the useful life of 25 years following the period covered by the Concession Agreement. In 2018, the Group changed its method of amortization from straight-line method to usage based method. The change of amortization method was accounted for prospectively as change in accounting estimate. The Group's new amortization policy is determined on the method reflecting the asset's usage based on passenger volume and usage of the airport activities over the concession period.

The Group believes that the usage-based method reflected the pattern in which the concession's future economic benefits are expected to be consumed by the Group and will be applied consistently from period to period, unless there is a change in the expected pattern of consumption of those future economic benefits [see Note 2.10(a)]. The change in amortization method resulted in a decrease in amortization expense of P730.0 million for 2018. In 2019 and 2018, amortization expense recognized relating to concession assets amounted to P738.6 million and P380.2 million, respectively.

(g) Principal Assumption for Estimation of Fair Value of Investment Properties

The Group's investment properties composed of land and commercial area of the PITX Project comprising of asset under construction and development are carried at cost less accumulated depreciation and any impairment in value. Although investment properties are measured using the cost model, the financial reporting standard requires the disclosure of its fair value.

The Group determined the fair value of the building through the cost approach, which is based on consideration of the cost to reproduce or replace the asset to its service capacity in accordance with current market prices for similar assets, for its investment property more appropriately reflects the highest and best use of the property based on market conditions and development. The Group uses assumption that are mainly based on market conditions existing at each reporting period.

The fair value of the investment property determined using the cost approach reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices.

On the other hand, the Group determines the fair value of the land 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 of December 31, 2019 and 2018, the management assessed that the cost of the Group's investment properties approximates its fair values.

(h) Determination of Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the deferred tax assets recognized as at December 31, 2019 and 2018 will be fully utilized in the coming years. The carrying value of deferred tax assets as of those dates is disclosed in Note 26.3.

(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 uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.20). 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.

PFRS requires non-financial assets to be assessed for any indication of impairment annually, especially those that have not been brought into use. The recoverable amount of the concession assets, including those not yet in use, has been determined based on a value in use calculation using cash flow projections from financial model approved by senior management covering a 21-year period, the remaining life of the concession period.

The pre-tax discount rate applied to cash flow projections is 10.9% and 9.9% as of December 31, 2019 and 2018. Pre-tax discount rate is based on weighted average cost of capital, adjusted for company-specific risks and reflects prevailing or current market conditions at year-end.

The growth rate applied after the completion of Airport Terminal 2 Building ranges from 5% to 10% with an increasing rate after completion of the required capacity augmentation.

The calculation of value in use of the concession assets is most sensitive to the following assumptions:

- Passenger traffic volume
- Discount rate
- Growth rates

The carrying value of the concession assets not yet available for use amounted to P8.7 billion and P10.0 billion as at December 31, 2019 and 2018, respectively (see Note 13).

Management has assessed that no impairment losses are required to be recognized on the Group's non-financial assets in 2019, 2018 and 2017.

(j) Valuation of Post-employment Defined Benefit

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by 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 and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment defined benefit obligation and expense and an analysis of the movements in the estimated present value of DBO, as well as the significant assumptions used in estimating such obligation are presented in Note 24.2.

4. SEGMENT REPORTING

The Group's operating businesses are recognized and managed separately according to the nature of services provided with a segment representing a strategic business unit. The Group's business segments follow:

4.1 Business Segments

(a) *Construction Operations*– principally refers to general construction business, including constructing and sale of precast items and concrete production and rental of construction equipment.

(b) *Airport Operations* – mainly relate to the business of building, rehabilitating, renovating, constructing, developing, operating, and maintaining the MCIA, including the commercial assets thereof and all allied businesses for the operation and maintenance of said airport facility. The Group also has merchandising operations of food and non-food items.

(c) *Landport Operations* – principally relates to the development and implementation of the Southwest Integrated Transport System Project (ITS Project), now known as PITX.

Other operations of the Group comprise the operations and financial control groups. These segments are also the basis of the Group in reporting to its executive committee for its strategic decision-making activities. Transactions between segments are conducted at estimated market rates on an arm's length basis.

Segment revenues and expenses that are directly attributable to business segment and the relevant portions of the Group's revenues and expenses that can be allocated to that business segment are accordingly reflected as revenues and expenses of that business segment.

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, receivables, inventories and property, plant and equipment, 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 liabilities do not include deferred taxes.

4.3 *Analysis of Segment Information*

Presented below are the relevant operating segment information about the results of operations and financial position of the Group's business segments as of December 31, 2019, 2018 and 2017, and for the years ended December 31, 2019, 2018 and 2017 (amounts in thousands).

	Construction			Airport			Landport			Total		
	2019	2018	2017	**2019**	2018	2017	**2019**	2018	2017	**2019**	2018	2017
Results of operations												
Sales to external customers	**P 15,309,069**	P 12,255,976	P 18,308,730	**P 4,017,334**	P 3,285,876	P 2,446,504	**P 555,402**	P 18,097	P -	**P 19,881,805**	P 15,559,949	P 20,755,234
Intersegment sales	**651,419**	1,566,655	1,596,091	**-**	-	-	**-**	-	-	**651,419**	1,566,655	1,596,091
Segment Revenues	**P 15,960,488**	P 13,822,631	P 19,904,821	**P 4,017,334**	P 3,285,876	P 2,446,504	**P 555,402**	P 18,097	P -	**P 20,533,224**	P 17,126,604	P 22,351,325
Cost and other operating expenses:												
Cost of construction and airport operations excluding depreciation and amortization	**P 13,033,918**	P 11,089,723	P 14,956,866	**P 886,235**	P 631,994	P 386,948	**P 211,473**	P 17,653	P -	**P 14,131,626**	P 11,739,370	P 15,343,814
Depreciation and amortization	**837,723**	595,696	552,423	**803,232**	425,438	177,559	**111,093**	1,956	-	**1,752,048**	1,023,090	729,982
Other income (charges) – net	**616,476**	235,889	274,847	**807,237**	566,557	323,417	**22,760**	(106)	-	**1,446,473**	802,340	598,264
Tax expense (income)	**127,526**	287,719	540,185	**219,818**	196,716	38,863	**(34,361)**	-	-	**312,983**	484,435	579,048
Other expenses	**706,711**	812,798	745,476	**691,819**	427,747	361,882	**250,647**	17,897	-	**1,649,177**	1,258,442	1,107,358
	P 15,322,354	P 13,021,825	P 17,069,797	**P 3,408,341**	P 2,248,452	P 1,288,669	**P 561,612**	P 37,400	P -	**P 19,292,307**	P 15,307,677	P 18,358,466
Segment Net Profit (loss)	**P 638,134**	P 800,806	P 2,835,024	**P 608,993**	P 1,037,424	P 1,157,835	**(P 6,210)**	(P 19,303)	P -	**P 1,240,917**	P 1,818,927	P 3,992,859
Consolidated Statements of Financial Position												
Total Segment Assets	**P 43,330,597**	P 33,198,176	P 27,951,292	**P 35,934,459**	P 35,137,295	P 30,908,254	**P 7,998,133**	P 4,326,878	P -	**P 87,263,189**	P 72,662,349	P 58,859,546
Total Segment Liabilities	**P 31,030,326**	P 20,473,361	P 14,010,357	**P 26,491,719**	P 26,184,165	P 23,248,315	**P 7,451,163**	P 3,749,546	P -	**P 64,973,208**	P 50,407,072	P 37,258,672

4.4 Reconciliation

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

	2019	2018	2017
Profit or loss			
Segment net profit	**P 1,240,917**	P 1,818,927	P 3,992,859
Other unallocated income (expense)	**(129,882)**	75,247	(1,745,050)
Net profit as reported in the consolidated statements of income	**P 1,111,035**	P 1,894,174	P 2,247,809
Assets			
Total segment assets	**P 87,263,189**	P 72,662,349	P 58,859,546
Elimination of intercompany accounts	**(9,031,919)**	(8,391,125)	(4,805,314)
Other unallocated assets	**2,533,056**	1,634,486	362,584
Total assets as reported in the consolidated statements of financial position	**P 80,764,326**	P 65,905,710	P 54,417,816
Liabilities			
Total segment liabilities	**P 64,973,208**	P 50,407,072	P 37,258,672
Elimination of intercompany accounts	**(4,083,754)**	(3,605,142)	(1,479,178)
Other unallocated liabilities	**1,876,360**	1,099,679	502,878
Total liabilities as reported in the consolidated statements of financial position	**P 62,765,814**	P 47,901,609	P 36,282,372

4.5 Other Segment Information

The Group has not identified any segment based on geographical location since the Group's operation is concentrated in one country of location.

Revenues from three major customers in 2019 and 2018 and two major customers in 2017 accounted for 35%, 28% and 31% of the total revenues as presented in the consolidated statements of income, respectively.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are as follows:

	Note	2019	2018
Cash on hand		**P 8,010,339**	P 13,539,520
Cash in banks	11.2	**4,047,584,897**	3,527,325,055
Short-term placements		**2,463,004,625**	2,193,856,073
		P 6,518,599,861	P 5,734,720,648

Cash in banks generally earn interest based on daily bank deposit rates.

Short-term placements are made for varying periods from 14 to 90 days and earn annual effective interest of 2.0% to 6.0% in 2019 and 2018, and 1.0% to 2.0% in 2017.

In 2018, certain financial assets previously classified as FVTPL was reclassified as part of cash equivalent (see Note 7). There was no similar transaction in 2019.

The interest income earned from these financial assets amounted to P110.6 million, P77.8 million and P66.1 million in 2019, 2018 and 2017, respectively, and is presented as part of Finance income under Other Income (Charges) account in the consolidated statements of income (see Note 25.2).

6. TRADE AND OTHER RECEIVABLES

This account consists of the following:

	Notes	2019	2018
Contract receivables:			
Third parties		**P 5,769,575,204**	P 2,598,635,628
Related parties	28.1	**498,607,908**	400,493,319
		6,268,183,112	2,999,128,947
Retention receivables:			
Third parties		**1,750,053,759**	2,740,820,924
Related parties	28.1	**835,195,022**	772,113,457
		2,585,248,781	3,512,934,381
Advances to:			
Related parties	28.4	**6,267,546,499**	3,292,608,712
Officers and employees	28.3	**51,503,789**	34,271,539
		6,319,050,288	3,326,880,251
Receivables from airport operations	21.2	**814,927,327**	522,312,868
Rental receivables:	21.4		
Lease receivable – effect of straight-line method		**382,476,437**	-
Lease receivable – per contract		**142,092,645**	-
		524,569,082	-
Balance carried forward		**P16,511,978,590**	P10,361,256,447

	Notes	2019	2018
Balance brought forward		**P16,511,978,590**	P10,361,256,447
Receivables from sale of goods	21.3	**60,380,697**	-
Accrued interest receivables	28.4	**577,950,645**	-
Other receivables	28.2	**234,122,687**	267,403,113
		17,384,432,619	10,628,659,560
Allowance for impairment		**(10,956,072)**	(416,532,310)
		P17,373,476,547	P10,212,127,250

Contract receivable amounting to P3.3 billion and P0.7 billion, respectively, includes 50% share in MGCJVI's receivable from Bases Conversion and Development Authority (BCDA) representing amount billed for the completion of a certain billing milestone as of December 31, 2019 and 2018, respectively.

Retention receivables pertain to progress billings which are withheld by the project owners equivalent to 5.0% or 10.0% as provided in the respective construction contract of each project. These will only be collected after a certain period of time upon acceptance by project owners of the certificate of completion.

Receivables from airport operations pertain to the Group's accrual of aeronautical, concession, rental and commercial revenues as authorized under the Concession Agreement (see Note 21.2).

Rental receivables include those uncollected from third party tenants of the Group, and the related rent receivables arising from the difference between the cash basis rent income and the straight-line rent income of all lease contracts with fixed payments as of the end of the reporting period. As of December 31, 2019, rent receivables arising from the effect of straight-lining method amounted to P382.5 million (see Note 21.4).

Certain advances to related parties are earmarked for potential investment opportunities being pursued by the said related party in line with the Parent Company's expansion and diversification plans (see Note 28.4).

Trade and other receivables except certain advances to related parties do not bear any interest.

All receivables, except advances to officers and employees, are subject to credit risk exposure [see Note 32.2(b)].

Allowance for Impairment

The Parent Company has been negotiating with a certain client in relation to its long outstanding receivable being disputed by such client. The Parent Company has observed the slowdown of its collections from the said client starting 2015 and has received its last collection in November of the same year and has not subsequently collected any of its receivables since then.

As early as 2013, the Parent Company has started the turn-over process until 2015 including time extensions but only two out of its seven projects were issued with actual related Certificates of Completion and Acceptance (COCAs). Notwithstanding the issuance of COCAs on these two projects, the related receivables have remained outstanding as of the end of 2018 and 2017. Further, despite numerous reconciliations and follow-ups made by the Parent Company in 2015 up to the end of 2017, no final settlement arrangement has been agreed with customer.

In 2018, the Parent Company had more clarity on the recoverability of the receivables based on ongoing negotiations. Hence, it provided additional estimated credit losses amounting to P305.5 million in 2018. In 2019, the Parent Company executed settlement agreement with the said customer and collected portion of the agreed amount in accordance to the provision of the settlement agreement. Consequently, uncollectible portion of the receivable and the related allowance provided in the previous years were fully written-off in 2019. The settlement agreement has been approved by the Parent Company's BOD.

All of the Group's trade and other receivables have been reviewed for impairment using the provision matrix as determined by the management [see Note 32.2(b)]. Total impairment losses recognized by the Group amounted to P38,591, P305,839,093 and P96,652,067 in 2019, 2018 and 2017, respectively.

Total allowance for impairment for long outstanding contract, retention and airport receivables provided by the Parent Company and GMCAC amounted to P11.0 million and P416.5 million as of December 31, 2019 and 2018, respectively.

A reconciliation of the allowance for impairment at the beginning and end of 2019 and 2018 is shown below.

	Note	**2019**	2018
Balance at beginning of year		**P 416,532,310**	P 110,693,217
Impairment losses	23	**38,591**	305,839,093
Write off		**(405,614,829)**	-
Balance at end of year		**P 10,956,072**	P 416,532,310

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

In November 2015, GMCAC entered into an interest rate swap transaction to hedge the interest rate exposure on its floating rate US dollar-denominated loan maturing in June 2022, start date is on December 15, 2017. A notional amount of US$75.0 million floating rate loan was swapped to fixed rate. Under the interest rate swap agreement, GMCAC pays annual fixed interest rate of a range of 1.79% to 2.65% and receives floating rate of six-month US$ LIBOR rate on Bloomberg Page on the notional amount.

As at December 31, 2019 and 2018, GMCAC recognized P78.6 million derivative liability shown under Trade and Other Payables (see Note 17) and P26.3 million derivative asset, respectively. GMCAC recognized in the consolidated statements of income under Other Income (Charges) unrecognized loss from change in fair value of the interest rate swap amounting to US$1.6 million or P104.8 million in 2019, unrecognized gain of US$0.5 million or P45.2 million in 2018 and unrecognized loss amounting to US$0.4 million or P18.9 million in 2017 (see Note 25.3). GMCAC entered into interest rate swap as economic hedges of underlying exposure arising from its foreign currency-denominated loan. Such interest swap agreement is accounted for as a derivate instrument not designated for hedges.

Prior to 2019, FVTPL also includes short-term commercial papers are unsecured, short-term debt instruments issued by a private corporation with high-quality debt ratings with interest rate of 1.2% to 1.8% in 2018 and 2017. These investments are designated by the Group to be carried at FVTPL upon initial recognition. Total interest income earned from these debt securities amounted to nil, P72.4 million and P94.1 million in 2019, 2018 and 2017, respectively, are presented under Other Income (Charges) in the consolidated statements of income (see Note 25.2). In 2018, the remaining financial asset whose fair value is P254.7 million was reclassified as part of cash equivalents (see Note 5). There was no similar transaction in 2019.

The fair value changes in 2018 and 2017 are not significant, hence, not recognized during the reporting periods.

8. CONSTRUCTION MATERIALS

At the end of 2019 and 2018, construction materials were stated at cost. This account consists of the following:

	2019	2018
Work in progress	**P 457,942,166**	P -
Consumables and spare parts	**297,630,728**	223,651,350
Mechanical electrical plumbing and fireproof materials	**221,448,225**	174,511,914
Hardware	**77,832,491**	98,926,621
Rebars	**52,724,034**	140,277,314
Precast	**38,330,842**	59,850,388
Others	**141,219,046**	167,817,442
	P 1,287,127,532	P 865,035,029

Certain scrap construction materials were sold for P7.3 million, P3.4 million and P0.6 million in 2019, 2018 and 2017, respectively. Proceeds from the sale are presented as part of Others – net account under the Other Income (Charges) section in the consolidated statements of income (see Note 25.3).

Work in progress pertains to precast and rebars inventories which are already issued in the project sites but are not yet installed or used for the respective projects.

Others pertain to construction materials which include painting materials, nails and adhesive items.

9. CONTRACT ASSET

The balance of contract assets presented in the consolidated statements of financial position as of December 31, 2019 and 2018 is P3.5 billion and P3.1 billion, respectively, which is net of allowance for impairment amounting to P288.2 million (see Note 32.2).

The significant changes in the contract asset balances during the reporting periods are as follows:

	2019	2018
Balance at beginning of year	**P 3,060,770,976**	P 2,095,587,099
Increase as a result of changes in measurement of progress	**16,207,809,210**	7,517,707,672
Decrease as a result of reversal to trade receivables	**(15,292,846,089)**	(6,552,523,795)
Balance at end of year	**P 3,975,734,097**	P 3,060,770,976

Contract asset pertain to the gross amount due from customers for contract works of all contracts in progress which are not yet billed (see Note 2.17). Contract assets in 2019 and 2018 also include the cost of the terminal area of the PITX Project amounting to P510.1 million and P456.9 million, respectively, which is to be recovered through the Grantor payments [see Notes 3.1(l) and 15].

The Group satisfies its performance obligation when the full completion of the project and benefit therefrom can be derived by the customers. Invoices are due once related accomplishments for the month is complete.

The Group recognizes contract assets, due to timing difference of billings and satisfaction of performance obligation, to the extent of satisfied performance obligation on all open contracts as of the end of the reporting period. Changes in the contract assets are recognized by the Group when a right to receive payment is already established.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

These financial assets pertain to the Group's investments in medium to long term retail treasury bond (RTB) in 2017, certain equity investment acquired in 2015 wherein the Parent Company does not exercise control or significant influence and golf club shares.

The details of the financial assets at FVOCI are shown below.

Investment securities at FVOCI:	
Investment in SSPI	P 2,500,000
Golf club shares	1,044,472
	P 3,544,472

The reconciliation of the carrying amounts of financial assets at FVOCI are as follows:

	2019	2018
Balance at beginning of year	**P 3,544,472**	P 933,317,631
Disposal of RTB	**-**	(929,773,159)
Balance at end of year	**P 3,544,472**	P 3,544,472

In 2018 and 2017, the Group sold RTBs with original face values of P921.5 million and P1,000.0 million for P913.3 million and P921.5 million, respectively. Consequently, the Group recognized a loss amounting to P8.2 million and P78.5 million, respectively, which is presented as Loss on sale of financial assets at FVOCI under Finance Costs in the consolidated statements of income (see Note 25.1).

The Group recognized gain amounting to P8.3 million in 2017 due to changes in fair value of AFS financial assets, which is recognized under Other Comprehensive Income in the 2017 statement of comprehensive income. The gain was reclassified to profit and loss in 2018 upon disposal (see Note 25.2).

The Group has equity interest of 1% in SSPI as of December 31, 2019 and 2018. SSPI was incorporated in the Philippines on August 7, 2015 and established for the operation of solar power and other clean or renewable energy infrastructure. SSPI has started commercial operations in 2016. Its registered office, which is also its principal place of business, is located at 20 N. Domingo Street, Barangay Valencia, Quezon City.

As of December 31, 2019 and 2018, the amounts of the Group's non-current financial assets approximate its fair values. Furthermore, in 2017, management has assessed that the carrying value of these investments is recoverable and that there is no indication or permanent decline in fair value; hence, no impairment loss is required. Starting 2018, upon adoption of PFRS 9, impairment assessment for equities is no longer applicable.

11. EQUITY ADVANCES AND INVESTMENTS IN ASSOCIATES AND JOINT VENTURE AND ACQUISITION OF ASSETS

The carrying values of Investments in Associates and Joint Venture account are shown below:

	Notes	2019	2018
Investments in:			
Associates	11.1	**P 813,771,562**	P 807,345,146
Joint ventures	11.3	**145,734,993**	119,486,966
		P 959,506,555	P 926,832,112

The significant commitments related to the associates and joint venture are discussed in Note 29.

These associates and joint venture are not listed in the local stock exchange; hence, the fair value of the shares cannot be determined reliably. However, management believes that the carrying amounts of the investments are fully recoverable based on either the prospect of the business or the recoverable amount from the net assets of these associates and joint ventures.

11.1 Equity Advances and Investments in Associates

The components of the carrying values of this account are as follows:

	Note	**2019**	2018
Acquisition cost:			
MWCCI		**P 580,890,000**	P 580,890,000
CMCI		**200,000,000**	200,000,000
		780,890,000	780,890,000
Equity advances in MWCCI		**23,572,864**	23,572,864
Equity share in net profit (losses):			
Balance at beginning of year		**2,882,282**	(4,488,123)
Equity in net profit for the year	25.3	**6,426,416**	7,370,405
Balance at end of year		**9,308,698**	2,882,282
		P 813,771,562	P 807,345,146

These associates do not have any other comprehensive income (losses) both in 2019 and 2018.

(a) MWCCI

MWCCI was incorporated in the Philippines on January 16, 2014 and is primarily established to undertake and implement the construction of a 700-bed capacity super-specialty tertiary orthopedic hospital (New Hospital Facility), under the MPOC Project. MWCCI's registered office, which is also its principal place of business, is at 20 N. Domingo Street, 1112 Valencia, Quezon City.

As of December 31, 2019 and 2018, the Parent Company has 51% ownership interest in MWCCI.

MWCCI sent a Notice of termination of its BOT Agreement with the Department of Health (DOH), which was accepted by DOH in 2016. MWCCI is undertaking measures to recover compensation costs from DOH and believes that that it will ultimately recover in full the costs it incurred relative to the MPOC Project. Accordingly, the Parent Company has not recognized any impairment losses for its investment in MWCCI.

(b) CMCI

The Parent Company, together with Citicore, formed CMCI as a consortium for the construction of classrooms in Regions 3 and 4 under the build-lease-transfer Public Private Partnership (PPP) agreement with the Philippine Department of Education (DepEd) ownership interest (see Note 29.2). CMCI was incorporated in the Philippines on October 15, 2012 and is primarily engaged in general construction business. CMCI's registered address, which is also its principal place of business, is located at 20 N. Domingo Street, Brgy. Valencia, Quezon City.

As of December 31, 2019 and 2018, the Parent Company owns 10% interest in CMCI as a joint venture partner. The rights and powers of the Parent Company over the management and control of CMCI are exercised through a seat in the BOD of CMCI. Taking this into consideration, the Group concluded that it has significant influence over the investee; accordingly, the investment is accounted for as an investment in an associate.

The table below presents the unaudited and audited financial information of MWCCI and CMCI, respectively, as of and for years ended December 31, 2019 and 2018 of the associates (amounts in thousands of PHP).

	Current Assets	Non-current Assets	Current Liabilities	Non-current Liabilities	Revenues	Net Income (Loss)
2019						
MWCCI	P 1,186,343	P -	P 87,447	P -	P -	(P 6,000)
CMCI	3,977,412	3,090,155	2,188,642	2,581,309	408,764	100,438
2018						
MWCCI	P 1,192,459	P -	P 87,522	P -	P -	(P 1,840)
CMCI	4,118,657	3,737,556	2,109,372	3,631,097	467,932	(89,885)

A reconciliation of the above summarized financial information to the carrying amount of the investments in associates is shown below (amounts in thousands of PHP).

	Notes	% Interest Held	Net Asset Value	Share in Net Asset	Carrying Value of Investments
2019					
MWCCI	a	51%	P 1,098,896	P 560,437	P 584,010
CMCI	b	10%	2,297,616	229,762	229,762
Total				**P 790,199**	**P 813,772**
2018					
MWCCI	a	51%	P 1,104,937	P 563,518	P 584,840
CMCI	b	10%	2,115,744	211,574	222,505
Total				P 775,092	P 807,345

Management determined that the difference between the respective share in the net assets of the associates and the carrying amount of the investment in CMCI is not material to the consolidated financial statements. The Group has not recognized any impairment of the investment in MWCCI as the associate expects to collect all its remaining receivables both from the Ultimate Parent Company and from DOH, a third party [see Note 11.1(a)].

As of December 31, 2019 and 2018, the Parent Company did not receive any dividends from its associates.

11.2 Acquisition of Assets of Altria

On December 26, 2012, pursuant to a memorandum of agreement dated December 17, 2012, the Parent Company acquired 100% ownership interest in Altria. Altria is a company incorporated in the Philippines and holds an investment property in the form of land. The registered office of Altria, which is also its principal place of business, is located at Coastal Road Bangiad, San Juan, Taytay, Rizal.

As of December 31, 2019 and 2018, Altria has no operations and its assets mainly pertain to the land where the Parent Company's precast and batching facilities are constructed (see Note 14). In accordance with Group's policy (see Note 2.8), the transaction is treated by the Group as an asset acquisition since the transaction does not constitute a business combination.

The purchase price upon acquisition was allocated among the following accounts based on their relative fair values:

	Notes	
Cash in bank	5	P 486,426
Bond deposits	12	1,500,958
Land	14	303,468,569
Accrued expenses	17	(100,000)
		P305,355,953

Subsequent to the date of acquisition, any changes in the carrying value of the net assets acquired in the books of Altria, including the expenses incurred in administering the property (i.e, property taxes), shall be updated in the books of the Parent Company on a line-by-line basis, as if they are consolidated into a single entity. The difference shall be charged directly to profit or loss as part of Others – net account under the Other Income (Charges) section in the consolidated statements of income (see Note 25.3). In 2019, 2018 and 2017, the Parent Company charged P0.05 million, P0.1 million and P1.1 million, respectively, to profit or loss to account for the expenses incurred by Altria, net of changes in cash in bank, bond deposits and accrued expenses.

11.3 Interest in Joint Ventures

This account includes the carrying values of the following components:

	Notes	**2019**	2018
Acquisition costs:			
MTRGC		**P 58,324,000**	P 58,324,000
SSPPC		**58,324,000**	58,324,000
		116,648,000	116,648,000
Equity share in net profit (losses):			
Balance at beginning of year		**2,838,966**	(5,723,264)
Equity in net profit for the year	25.3	**26,248,027**	2,838,966
Reclassification to investment in subsidiary	15	**-**	5,723,264
Balance at end of year		**29,086,993**	2,838,966
		P 145,734,993	P 119,486,966

These joint ventures do not have any other comprehensive income (losses) both in 2019 and 2018.

GMCAC has 41.66% interest in MTRGC and SSPPC, which are primarily engaged in the set-up, operation and management of duty paid retail, food and beverage outlets and provision of related services thereto in the airport terminals (T1 and T2).

The following are the summary of financial information related to the Group's interest in the joint ventures as of December 31, 2019 and 2018 (amounts in thousands of PHP):

	Current Assets	Non-current Assets	Current Liabilities	Non-current Liabilities	Revenues	Net Income (Loss)
2019						
MTRGC	P 184,489	P 97,359	P 139,996	P -	P 176,202	P 4,603
SSPPC	118,609	383,711	239,667	714	654,764	63,042
2018						
MTRGC	P 131,438	P 55,783	P 45,280	P -	P 73,507	P 1,888
SSPPC	131,146	134,833	120,337	714	180,651	4,927

A reconciliation of the above summarized financial information to the carrying amount of the investments in associates is shown below (amounts in thousands of PHP).

	Net Asset Value	Share in Net Assets	Carrying Value of Investments
2019			
MTRGC	P 141,852	P 59,096	P 59,107
SSPPC	207,939	86,627	86,627
Total		P 145,723	P 145,734
2018			
MTRGC	P 141,941	P 59,133	P 59,110
SSPPC	144,928	60,377	60,377
Total		P 119,510	P 119,487

11.4 Interest in Joint Operations

As discussed in Notes 1.2(k) and 1.2(l), MGCJV shall undertake the construction works for the renovation and expansion of the MCIA Project in Cebu, while, MGCJVI shall undertake the construction works of the Clark Airport. Also, as discussed Note 2.3(c)(i), the Parent Company's interests in MGCJV and MGCJVI are accounted for as joint arrangement – joint operation and, as such, the Parent Company accounts for its interest in the relevant assets, liabilities, revenues and expenses of MGCJV and MGCJVI.

As of and for the years ended December 31, 2019 and 2018, the relevant financial information of the Group's interest in MGCJV and MGCJVI which are included in the appropriate accounts in the Group's consolidated statements of financial position and consolidated statements of income is as follows:

	Before Elimination	Elimination	After Elimination
December 31, 2019			
Assets:			
Cash and cash equivalents	P 1,167,163,906	P -	P 1,167,163,906
Trade and other receivables	3,962,343,717	(224,587,759)	3,737,755,958
Other current assets	42,132,100	-	42,132,100
Property, plant, and equipment – net	10,624,220	-	10,624,220
	P 5,182,263,943	**(P 224,587,759)**	**P 4,957,676,184**

	Before Elimination	Elimination	After Elimination
Liabilities:			
Trade and other payables	P 927,731,006	P -	P 927,731,006
Due to related parties	9,082,068	-	9,082,068
Loans payable	3,750,000,000	-	3,750,000,000
	P 4,686,813,074	**P -**	**P 4,686,813,074**
Revenues and Expenses:			
Contract revenues	P 3,553,993,205	(P 548,512,385)	P 3,005,480,820
Contract costs	(3,095,397,238)	515,682,301	(2,579,714,937)
Other operating expenses	(130,291,134)	-	(130,291,134)
Finance income	(34,209,783)	-	(34,209,783)
	P 294,095,050	**(P 32,830,084)**	**P 261,264,966**
December 31, 2018			
Assets:			
Cash and cash equivalents	P 311,917,408	P -	P 311,917,408
Trade and other receivables	280,828,089	(280,828,089)	-
Other current assets	45,192,320	-	45,192,320
Property, plant, and equipment – net	1,240,564	-	1,240,564
	P 639,178,381	(P 280,828,089)	P 358,350,292
Liabilities:			
Trade and other payables	P 177,947,846	P -	P 177,947,846
Due to related parties	7,866,894	-	7,866,894
Contract Liability	244,412,257	-	244,412,257
Other liabilities	14,052,342	-	14,052,342
	P 444,279,339	P -	P 444,279,339
Revenues and Expenses:			
Contract revenues	P 1,298,357,224	(P 1,298,357,224)	P -
Contract costs	(1,048,183,269)	1,048,183,269	-
Other operating expenses	(67,718,124)	65,432,814	(2,285,310)
Finance income	38,733,362	-	38,733,362
	P 221,189,193	(P 184,741,141)	P 36,448,052

12. OTHER ASSETS

This account is composed of the following:

	Notes	2019	2018
Current:			
Advances to contractors and suppliers	12.1	**P 3,636,414,208**	P 1,776,206,219
Deferred fulfilment costs	12.8	**579,089,321**	1,633,221,503
Prepaid taxes	12.4	**723,415,162**	227,029,354
Input VAT	12.2	**591,350,448**	519,141,575
Deferred input VAT	12.2	**477,092,309**	361,498,527
Refundable security and bond deposits	11.2, 29.1.1	**164,136,039**	125,313,438
Prepaid rent		**17,505,228**	3,560,596
Prepaid insurance		**13,122,680**	128,646,584
Prepaid subscription		**9,402,172**	7,347,069
Deferred transaction cost	12.7	**7,252,715**	-
Miscellaneous		**91,943,795**	109,576,019
		6,310,724,077	4,891,540,884
Non-current:			
Deferred input VAT	12.2	**1,909,715,112**	2,097,455,330
Investment in trust fund	12.6	**862,704,457**	680,421,727
Deposits for condominium units	12.3	**136,301,359**	68,802,067
Computer software license – net	12.5	**47,315,840**	36,980,796
Refundable security deposits	29.1	**32,643,694**	36,422,529
Advances to contractors and suppliers	12.1	**13,316,709**	-
Deferred transaction cost	12.7	**-**	20,783,591
Miscellaneous		**-**	857,167
		3,001,997,171	2,941,723,207
		P 9,312,721,248	P 7,833,264,091

12.1 Advances to Contractors and Suppliers

Current portion of advances to contractors and suppliers pertain to down payments made by the Group based on a certain percentage of the contract price. The initial payment will eventually be recouped or deducted from the amount payable of the Group either in a pro-rated basis or in full once billed by the contractors and supplier. These advances are classified as current since it would be applied as payments for subcontractors. This also includes materials and supplies provided by the Group to subcontractors which will be deducted to the progress billings of the subcontractors upon installation. The risk of loss on these materials and supplies are borne by the subcontractors.

On the other hand, non-current portion of this is related to the down payments made by the Group for the construction of airport terminal building and acquisitions of property, plant and equipment.

12.2 Input VAT

Input VAT under other current assets pertains to the payment of VAT on purchases of services and goods that is recoverable within 12 months. Deferred input VAT pertains to the unamortized input VAT on purchases of capital goods exceeding P1.0 million. Deferred input VAT arising from purchase of capital goods exceeding P1.0 million is to be amortized and credited against output tax evenly over five years or the life of the asset, whichever is shorter.

Non-current portion of deferred input VAT amounting to P1,809.4 million and P2,022.0 million as of December 31, 2019 and 2018, respectively, represents GMCAC's deferred input VAT arising mainly from the acquisition of goods and equipment and payment of services in relation to the construction activities in the airport. The balance is to be transferred to input VAT under Other Current Assets systematically on the basis of the Group's projected output VAT payments over the term of the Concession Agreement (see Note 13).

12.3 Deposits for Condominium Units

Deposits for condominium units represent initial downpayments made for the purchase of condominium units. These will be reclassified to investment property upon execution of contract to sell and deed of sale.

12.4 Prepaid Taxes

Prepaid taxes pertain to the excess of quarterly income tax payments over the current tax due during the year and creditable withholding taxes.

12.5 Computer Software License

The details of this account are presented below.

	2019	2018	2017
Cost	**P 129,596,424**	P 104,219,678	P 100,211,532
Accumulated amortization	**(82,280,584)**	(67,238,882)	(56,298,746)
	P 47,315,840	P 36,980,796	P 43,912,786

A reconciliation of the carrying amounts of computer software license at the beginning and end of the reporting periods is shown below.

	Notes	**2019**	2018
Balance at beginning of year		**P 36,980,796**	P 43,912,786
Additions		**27,538,033**	2,066,511
Reclassification	14	**(2,264,142)**	-
Amortization expense for the year	23	**(14,938,847)**	(8,998,501)
Balance at end of year		**P 47,315,840**	P 36,980,796

In 2019, certain computer software license were reclassified under property, plant, and equipment in relation to the construction of the new T2 building and structural designs (see Note 13).

The related amortization charges were recorded as part of Depreciation and amortization under Other Operating Expenses account in the consolidated statements of income.

12.6 Investment in Trust Fund

On November 28, 2015, GMCAC's BOD authorized GMCAC to establish, maintain and operate trust and investment accounts with a local universal bank (Security Trustee). The investment in trust fund constitutes (i) Revenue Accounts; (ii) Future Major Maintenance Fund Account; (iii) Debt Service Reserve Accounts; (iv) Debt Service Payment Account; and, (v) Distribution Accounts, collectively referred to as "Cash Flow Waterfall Accounts" and Loan Disbursement Accounts under a certain Omnibus Loan and Security Agreement (OLSA) to ensure the prompt payment of the required amortization, interest and principal of the long-term loan. As of December 31, 2019 and 2018, the investment in trust fund is composed only of cash.

The OLSA provided that the Security Trustee shall invest and reinvest the monies in the collateral accounts [see Note 18.2(a)].

12.7 Deferred Transaction Cost

Deferred transaction cost represents legal and documentary stamp taxes paid and amount attributable to the undrawn borrowing facility scheduled for drawdown in the subsequent reporting periods. Upon drawdown, the deferred transaction cost will be accounted for as debt issuance cost which is treated as a discount on the related debt and amortized using the effective interest method over the term of the related debt (see Note 18.2).

12.8 Deferred Fulfilment Cost

Deferred fulfillment cost pertains to costs that are directly related to a specific contract, generate or enhance resources that will be used to fulfill a performance obligations of the Group in the future, and are recoverable under the contract. Such costs include, but are not limited to, mobilization costs of equipment and labor, engineering and design costs, insurance and depreciation of equipment related to a specific contract.

These costs are incurred prior to the transfer of control of goods or services to the customer. Hence, costs and revenues must be deferred. Amortization is based on a systematic and consistent basis, such as the percentage of completion.

The movement of deferred fulfillment costs is shown below:

	2019	2018
Balance at beginning of year	**P 1,633,221,503**	P 718,562,734
Additions	**2,691,241,931**	914,658,769
Amortization	**(3,745,374,113)**	-
Balance at end of year	**P 579,089,321**	P 1,633,221,503

13. CONCESSION ASSETS

Concession Agreement refers to the agreement entered into by the Parent Company and GIL with DOTr and MCIA by virtue of Revised Implementing Rules and Regulations of Republic Act (R.A.) No. 6957, "*An Act Authorizing the Financing, Construction, Operation and Maintenance of Infrastructure Projects by the Private Sector and for Other Purposes*", as amended by R.A. No. 7718 (referred to as the *"BOT Law"*). Under the said agreement, GMCAC was granted by DOTr and MCIA an exclusive right to design, develop, and undertake the MCIA Project; and, enjoy complete and uninterrupted possession of all movable and immovable assets for purposes of implementing the Project, whether tangible or intangible pertaining to concessionaire Operations and Maintenance (O&M) Facilities such as the existing assets, project land, assets produced, installed, built and created pursuant to the Concession Agreement, commercial assets, among others, (collectively referred as Project Assets) [see Note 1.2(a)]. The Concession Agreement is for a period of 25 years commencing on O&M start date unless further extended pursuant to the Concession Agreement.

The MCIA Project comprises the following undertaking:

- Construction of Terminal 2 (T2), along with all Associated Facilities;
- Renovation and expansion, but not the demolition of Terminal 1 (T1) and Associated Facilities;
- Complete reconstruction of Terminal 2 Apron (T2 Apron);
- Capacity Augmentation;
- Development of Commercial Assets; and,
- Operation and Maintenance of the Concessionaire O&M Facilities and Commercial Assets.

As of December 31, the breakdown of the capitalized concession assets is as follows:

	Airport Upfront Fees	Infrastructure	Total
December 31, 2019			
Cost			
Balance at beginning of year	P 17,899,920,545	P 11,165,494,142	P 29,065,414,687
Additions	399,758,404	1,486,111,560	1,885,869,964
Balance at end of year	18,299,678,949	12,651,605,702	30,951,284,651
Accumulated amortization			
Balance at beginning of year	(501,163,876)	(274,937,732)	(776,101,608)
Amortization for the year	(234,135,850)	(504,460,723)	(738,596,573)
Balance at end of year	(735,299,726)	(779,398,455)	(1,514,698,181)
Net carrying amount	**P 17,564,379,223**	**P 11,872,207,247**	**P29,436,586,470**

	Airport Upfront Fees	Infrastructure	Total
December 31, 2018			
Cost			
Balance at beginning of year	P 17,253,208,359	P 8,750,994,313	P 26,004,202,672
Additions	646,712,186	2,414,499,829	3,061,212,015
Balance at end of year	17,899,920,545	11,165,494,142	29,065,414,687
Accumulated amortization			
Balance at beginning of year	(318,597,798)	(77,309,411)	(395,907,209)
Amortization for the year	(182,566,078)	(197,628,321)	(380,194,399)
Balance at end of year	(501,163,876)	(274,937,732)	(776,101,608)
Net carrying amount	P 17,398,756,669	P 10,890,556,410	P 28,289,313,079
January 1, 2018			
Cost	P 17,253,208,359	P 8,750,994,313	P 26,004,202,672
Accumulated amortization	(318,597,798)	(77,309,411)	(395,907,209)
Net carrying amount	P 16,934,610,561	P 8,673,684,902	P 25,608,295,463

Upfront fees include P14,404.6 million bid premium paid by GMCAC to the Philippine Government for the MCIA Project. In addition, the capitalized borrowing costs amounted to P684.6 million and P870.0 million as at December 31, 2019 and 2018, respectively, at a capitalization rate of 4.99% to 9.69% in 2019 and 4.29% to 9.33% in 2018.

Cost of airport infrastructure pertains mainly to the design and renovation of passenger terminals and development works of the MCIA Project. Additions to airport infrastructure, include, among others, the rehabilitation of the existing T1, construction of the new T2 building, and structural design.

As of December 31, 2019 and 2018, concession assets not yet available for use amounted to P8,670.7 million and P9,970.1 million, respectively. The decrease is attributable to the completion of rehabilitation of the existing T1 in August 2019. The breakdown of concession assets not yet available for use are shown below.

	2019	2018
Capacity augmentation	**P 7,350,467,193**	P 6,806,805,734
Fuel hydrant	**808,000,392**	701,070,381
Variation order 4	**289,063,263**	-
Link bridge	**223,214,286**	223,214,286
Terminal 1 renovation	**-**	2,239,006,119
	P 8,670,745,134	P 9,970,096,520

Concession assets not yet available for use are not amortized but tested for impairment at December 31, 2019 and 2018 in accordance with GMCAC's accounting policy. The recoverable amounts of these were determined based on a value in use calculation using cash flow projections from financial model approved by the management covering a 21-year period, the remaining life of the concession. The pre-tax discount rate applied to cash flow projections is 10.9% and 9.9% as of December 31, 2019 and 2018. The growth rate applied after the completion of Airport Terminal 2 Building ranges from 5% to 10% with an increasing rate after completion of the required capacity augmentation. As a result of this analysis, management concluded that the concession assets not yet in use are not impaired.

14. PROPERTY, PLANT AND EQUIPMENT

The gross carrying amounts and accumulated depreciation at the beginning and end of December 31, 2019 and 2018 are shown below.

	Land	Building	Precast Factory	Office Furniture, Fixture and Equipment	Transportation Equipment	Precast and Construction Equipment	Construction in Progress	Right of Use Asset (See Note 16)	Total
December 31, 2019									
Cost	P1,291,654,461	P 481,860,502	P 675,212,912	P722,955,234	P 813,691,664	P 7,584,937,751	P 164,766,976	P 701,317,660	P12,436,397,160
Accumulated depreciation	-	(88,688,776)	(221,638,815)	(353,045,181)	(493,990,199)	(3,178,005,390)	-	(132,873,188)	(4,468,241,549)
Net carrying amount	**P1,291,654,461**	**P 393,171,726**	**P 453,574,097**	**P369,910,053**	**P 319,701,465**	**P 4,406,932,361**	**P 164,766,976**	**P 568,444,472**	**P 7,968,155,611**
December 31, 2018									
Cost	P1,005,320,584	P 283,116,297	P 549,726,531	P541,034,388	P 700,901,288	P 5,832,197,808	P 150,907,111	P -	P 9,063,204,007
Accumulated depreciation	-	(78,258,889)	(165,925,458)	(241,886,402)	(453,068,963)	(2,627,968,086)	-	-	(3,567,107,798)
Net carrying amount	P1,005,320,584	P 204,857,408	P 383,801,073	P 299,147,986	P 247,832,325	P 3,204,229,722	P 150,907,111	P -	P5,496,096,209
January 1, 2018`									
Cost	P 971,600,887	P 273,392,011	P 504,462,455	P 386,896,059	P 598,941,490	P 5,340,534,214	P 97,893,614	P -	P8,173,720,730
Accumulated depreciation	-	(63,937,512)	(129,532,649)	(175,646,147)	(372,818,156)	(2,213,722,001)	-	-	(2,955,656,465)
Net carrying amount	P 971,600,887	P 209,454,499	P 374,929,806	P211,249,912	P 226,123,334	P 3,126,812,213	P 97,893,614	P -	P 5,218,064,265

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

	Land	Building	Precast Factory	Office Furniture, Fixture and Equipment	Transportation Equipment	Precast and Construction Equipment	Construction in Progress	Right of Use Asset (See Note 16)	Total
Balance at January 1, 2019, net of accumulated depreciation	P 1,005,320,584	P 204,857,408	P 383,801,073	P 299,147,986	P 247,832,325	P 3,204,229,722	P 150,907,111	P -	P5,496,096,209
Effect of adoption of PFRS 16 [Note 2.2(iv)]	-	-	-	-	(43,014,177)	(134,891,630)	-	212,183,448	34,277,641
As restated	1,005,320,584	204,857,408	383,801,073	299,147,986	204,818,148	P 3,069,338,092	P 150,907,111	212,183,448	5,530,373,850
Additions	349,499,888	97,057,738	70,436,606	191,991,957	194,719,927	2,019,643,231	130,701,894	424,531,514	3,478,582,755
Disposal	(63,166,011)	(6,490,029)	-	(72,694)	(339,847)	(12,455,765)	-		(82,524,346)
Reclassification due to CIP Reversal	-	118,386,041	42,559,334	(20,241,007)	970,651	(22,568,848)	(116,842,029)	-	2,264,142
Depreciation charge for the year	-	(20,639,432)	(43,222,916)	(100,916,189)	(80,467,414)	(647,024,349)	-	(68,270,490)	(960,540,790)
Balance at December 31, 2019, net of accumulated depreciation	**P1,291,654,461**	**P 393,171,726**	**P 453,574,097**	**P369,910,053**	**P 319,701,465**	**P 4,406,932,361**	**P 164,766,976**	**P 568,444,472**	**P7,968,155,611**
Balance at January 1, 2018, net of accumulated depreciation	P 971,600,887	P209,454,499	P 374,929,806	P 211,249,912	P 226,123,334	P3,126,812,213	P 97,893,614	P -	P5,218,064,265
Additions	33,719,697	9,724,287	1,517,335	157,062,227	97,719,210	579,344,870	60,411,992	-	939,499,618
Reclassification	-	-	36,702,337	(1,163,934)	(225,000)	(27,914,908)	(7,398,495)	-	-
Disposal	-	-	-	(245,991)	-	(26,963,372)	-	-	(27,209,363)
Depreciation charges for the year	-	(14,321,378)	(29,348,405)	(67,754,228)	(75,785,219)	(447,049,081)	-	-	(634,258,311)
Balance at December 31, 2018, net of accumulated depreciation	P 1,005,320,584	P 204,857,408	P 383,801,073	P 299,147,986	P 247,832,325	P3,204,229,722	P 150,907,111	P -	P5,496,096,209

Construction in progress pertains to accumulated costs incurred in constructing a new precast warehouse, workers barracks and logistics department facility which are located in Taytay, Rizal.

In 2019, 2018 and 2017, certain property, plant and equipment were sold for P22.2 million, P30.1 million, and P16.0 million, respectively. As a result, the Group recognized gains amounting to P9.6 million, P2.9 million and P5.2 million in 2019, 2018 and 2017, respectively, and are presented as Gain (loss) on disposals of property and equipment as part of Others – net under Other Income (Charges) account in the consolidated statements of income (see Note 25.3).

As of December 31, 2019 and 2018, the gross carrying amounts of the Group's fully-depreciated property, plant and equipment that are still in use are P596.1 million and P468.1 million respectively. The Group has no idle properties in any of the years presented.

Depreciation expense is charged to the following accounts in the consolidated statements of income:

	Notes	**2019**	2018	2017
Contract costs	22.1	**P 773,562,002**	P 552,073,867	P 483,038,875
Cost of terminal operations	22.4	**56,627,495**	-	-
Other operating expenses		**130,351,293**	82,184,444	49,118,753
		P 960,540,790	P 634,258,311	P 532,157,628

15. INVESTMENT PROPERTIES

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

	Land	**Commercial Area**	**Total**
December 31, 2019			
Cost	P 160,270,935	P 3,767,853,349	P 3,928,124,284
Accumulated depreciation	-	(43,549,003)	(43,549,003)
Net carrying amount	**P 160,270,935**	**P 3,724,304,346**	**P 3,884,575,281**
December 31, 2018			
Cost	P 135,610,000	P 3,322,105,588	P 3,457,715,588
Accumulated depreciation	-	-	-
Net carrying amount	P 135,610,000	P 3,322,105,588	P 3,457,715,588
January 1, 2018			
Cost	P 135,610,000	P -	P 135,610,000
Accumulated depreciation	-	-	-
Net carrying amount	P 135,610,000	P -	P 135,610,000

Investment properties account includes parcels of land that are not used by the Group in the ordinary course of the business amounting to P160.3 million and P135.6 million as of December 31, 2019 and 2018, respectively. Based on management's assessment, the carrying amounts of these assets are fully recoverable, hence, no impairment loss is required in both years.

As discussed in Note 3.1(l), MWMTI was granted an exclusive right and obligation under the Concession Agreement. Relative to the arrangement, MWMTI incurred costs necessary to construct the facility. The separately identifiable accumulated costs incurred in the development of the PITX Project are allocated based on development and implementation plan for the terminal and commercial areas. Any change in the allocation arising from the necessary revisions in the implementation plan is accounted for prospectively in the consolidated financial statements.

The allocation of cost as of the end of the reporting periods are as follows:

	2019	2018
Terminal area (see Note 9)	**P 510,141,518**	P 456,867,131
Commercial area	**3,724,304,346**	3,322,115,588
	P4,234,445,864	P3,778,982,719

Costs incurred for the terminal area are presented as unbilled receivables under Contract Assets account in the consolidated statements of financial position (see Note 9). Unbilled receivable is recognized to the extent of actual cost incurred for the period. Meanwhile, cost incurred for the commercial area are presented as part of Investment Properties in the 2019 consolidated statement of financial position.

Also, in 2018, the Group identified that the increase in fair value of MWMTI by P307.4 million is attributed to its investment property. Accordingly, the Group recognized gain or bargain purchase from the acquisition of MTI of the same amount [see Notes 3.2(g) and 25.3]. The Group considers the entire portfolio which comprise the Contract Assets and Investment Property in determining the recoverability of the carrying amounts of these assets taking into consideration the potential cash flow earnings, discounted to its present value of the property.

In March 2019, the Group started to depreciate the investment property using straight-line method as the asset is already readily available for its intended use. Depreciation is computed over the concession period of 33 years.

A reconciliation of the carrying amounts of investment property at the beginning and end of the reporting periods is shown below.

	Land	**Commercial Area**	**Total**
Balance at January 1, 2019, net of accumulated depreciation and amortization	P 135,610,000	P 3,322,105,588	P 3,457,715,588
Additions	24,660,935	445,747,761	470,408,696
Depreciation and amortization charges for the year	-	(43,549,003)	(43,549,003)
Balance at December 31, 2019, net of accumulated depreciation and amortization	**P 160,270,935**	**P 3,724,304,346**	**P 3,884,575,281**

	Land		Commercial Area		Total
Balance at January 1, 2018, net of accumulated depreciation and amortization	P	135,610,000	P	-	P 135,610,000
Acquisition of asset from a subsidiary		-		1,145,888,901	1,145,888,901
Change in fair value		-		307,365,622	307,365,622
Additions		-		1,868,851,065	1,868,851,065
Balance at December 31, 2018, net of accumulated depreciation and amortization	P	135,610,000	P	3,322,105,588	P 3,457,715,588

16. LEASES

The Group has leases for construction equipment and transportation equipment. With the exception of short-term leases and leases of low-value underlying assets, each right-of-use asset and lease liability from leases are reflected on the 2019 consolidated statement of financial position as part of property, plant and equipment and interest-bearing loans and borrowings, respectively. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liability and asset.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying lease asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over warehouses and offices, the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

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

	Number of right-of-use assets leased	Range of remaining term	Number of average remaining lease term	Number of leases with extension options	Number of leases with options to purchase	Number of leases with termination options
Transportation equipment	140	1 – 5 years	3 years	-	49	-
Precast and construction equipment	54	2 – 10 years	6 years	-	54	-

16.1 Right-of-use Assets

The carrying amounts of the Group's right-of-use assets (see Note 14) as at December 31, 2019 and the movements during the period are shown below.

		Precast and Construction Equipment		Transportation Equipment		Total
Balance as of January 1, 2019	P	134,891,630	P	77,291,818	P	212,183,448
Additions		272,329,885		152,201,629		424,531,514
Depreciation and amortization	(	30,589,786)	(	37,680,704)	(	68,270,490)
Balance at end of year	P	376,631,729	P	191,812,743	P	568,444,472

16.2 Lease Liabilities

Lease liabilities are presented in the 2019 consolidated statement of financial position as part of Interest-bearing Loans and Borrowings (see Note 18) as at December 31, 2019 as follows:

Current	P 139,443,656
Non-current	334,907,047
	P 474,350,703

The use of extension and termination options gives the Group added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Group's business strategy and the economic benefits of exercising the option exceeds the expected overall cost.

As of December 31, 2019, the Group has not committed to any leases which had not commenced.

16.3 Lease Payments Not Recognized as Liabilities

The Group has elected not to recognize a lease liability for short-term leases or for leases of low value assets. 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.

The expenses relating short-term leases and low-value assets amounted to P47.4 million is presented as Rentals as part of Administrative expenses under Other Operating Expenses (Income) in the 2019 consolidated statement of income (see Note 23).

16.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases amounted to P102.1 million in 2019. Interest expense in relation to lease liabilities amounted to P22.1 million and is presented as part of Finance costs under Finance Income (Costs) in the 2019 consolidated statement of income (see Note 25.1).

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at December 31, 2019 is as follows :

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Total
Lease payments	P 173,754977	P 154,811,019	P 118,511,190	P 71,505,203	P 33,525,354	P 552,107,743
Finance charges	(34,311,321)	(23,107,246)	(13,427,038)	(6,162,507)	(748,928)	(77,757,040)
Net present value	P 139,443,656	P 131,703,773	P 105,084,152	P 65,342,696	P 32,776,426	P 474,350,703

17. TRADE AND OTHER PAYABLES

This account consists of the following:

	Notes	2019	2018
Trade payables		**P 3,954,928,198**	P 2,532,212,397
Retention payable		**2,166,300,006**	1,833,586,935
Accrued expenses	11.2	**1,235,331,916**	506,694,982
Dividends payables	27.2	**239,937,858**	-
Security deposits	29.1.3	**149,921,652**	142,147,175
Interest payable	18	**119,628,207**	126,709,868
Derivative liability	7	**78,552,254**	-
Non-trade payables	27.5	**25,000,000**	-
Due to stockholders and related parties	28.5	**20,000,000**	59,566,827
Others		**177,989,354**	51,484,140
		P 8,167,589,445	P 5,252,402,324

Retention payable pertains to amounts withheld from payments made to subcontractors to ensure compliance and completion of contracted projects ranging from 5% to 10% of every billing made by the contractor. Upon completion of the subcontracted projects, the amounts are returned to the subcontractors.

Non-trade payables pertains to dividends payable to non-controlling interests. On the other hand, dividends payables relates solely to the dividends declared by the Parent Company's.

Accrued expenses include unreleased checks and unpaid utilities.

Others include accrued salaries, government-related payables and other non-trade payables.

18. INTEREST-BEARING LOANS AND BORROWINGS

The details of short-term and long-term interest-bearing loans and borrowings are as follows:

	Notes	2019	2018
Current:			
Bank loans	18.2, 29.4	**P 10,791,617,597**	P 5,651,033,175
Notes payable	18.1, 29.4	**3,750,000,000**	693,711,241
Lease liability	16.2	**139,443,656**	-
Obligations under finance lease	14, 18.3, 29.1.2	**-**	63,829,077
		14,681,061,253	6,408,573,493
Balance carried forward		**P 14,681,061,253**	P 6,408,573,493

	Notes	2019	2018
Balance brought forward		**P 14,681,061,253**	P 6,408,573,493
Non-current:			
Bank loans	18.2, 29.4	**27,634,014,387**	25,124,805,081
Notes payable	18.1, 29.4	**5,102,929,990**	5,152,791,231
Lease liability	16.2	**334,907,047**	-
Obligations under finance lease	14, 18.3, 29.1.2	**-**	94,094,180
		33,071,851,424	30,371,690,492
		P 47,752,912,677	P 36,780,263,985

The total unpaid interest from the foregoing interest-bearing loans and borrowings as of December 31, 2019 and 2018 amounted to P119.6 million and P126.7 million, respectively, and is presented as Interest payable under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

18.1 Notes Payable

(a) Notes Payable – Current

As of December 31, 2019 and 2018, current portion of Notes Payables pertains to 50% share in loans availed by MGCJVI. On March 22, 2018, MGCJVI entered into a P7.50 billion Omnibus Loan and Security Agreement (OLSA) with Metropolitan Bank & Trust Company (MBTC) and Philippine National Bank (PNB) as Lenders, PNB Trust Banking Group as Facility Agent and Security Trustee, and PNB Capital and Investment Corp. and First Metro Investment Corp. as Lead Arrangers.

The proceeds from the loan shall be used to partially finance the capital expenditures and costs in relation to the Project.

Details of the loan follow:

1) Interest: Interest is the sum of the benchmark rate plus 100 basis points. Benchmark rate is the PDST-R2 benchmark tenor for three (3) months as published on the Philippine Dealing & Exchange Corp. page (or such successor page) of Bloomberg (or such successor electronic service provider) under the heading "PDST-R2" at approximately 4:15 pm on the Interest Rate Setting Date; provided, that, in the event that a new benchmark rate will be adopted by the Bankers' Association of the Philippines or the existing benchmark rate is no longer reflective of the prevailing market rates, as may be reasonably determined by the Lenders together with the MGCJVI, all parties shall adopt a new benchmark rate appropriate for the Loan. Such interest shall accrue from and including the first day of each interest period and excluding the last day of such interest period.

2) Repayment: The principal amount shall be paid in the following instalments, within three (3) banking days from the MGCJVI's receipt of the relevant milestone payments from BCDA for the construction services rendered.

Principal Repayment Schedule	Milestone payment from BCDA - at 100% (in Bn)	Principal repayment of the Loan amount
First	P5.58	85% of milestone payment
Second	1.66	100% of milestone payment
Third	2.12	remaining balance of loan

As of January 23, 2020, the MGCJVI paid the first milestone payment to MBTC and PNB amounting to P4,785 million. The full repayment of the Loan shall be made not later than the maturity date which is May 18, 2021. However, the management expects that the second and third milestone payments would be on March 31, 2020 and June 21, 2020, respectively.

3) Security: As security for timely payment of the loan and prompt observance of all provisions of the OLSA, the following are assigned as collateral on the Loan:

   - Project receivables and all monies standing in the MGCJVI's Payment Accounts amounting to P365.0 million
   - Project documents (EPC Contract, Notice of Award Certificate of Funds Availability and Bid Proposal)

4) Covenants: The OLSA provide certain restrictions and requirements which include among others, maintaining and preserving its corporate existence, complying with all of its material obligations under the project arrangements, restrictions on granting of loans or advances and disposal of major properties and restrictions on payment of dividends. The OLSA also provide financial covenants which include maintaining at each testing date a maximum debt-to-equity ratio of 80:20 after the first principal repayment date.

The total current portion of notes payable, which pertains to 50% share in loans availed by MGCJVI, amounted to P3,750.0 million in 2019 and P693.7 million in 2018.

(b) 2013 Notes Facility

On February 19, 2013, the Parent Company executed a notes facility agreement with a local universal bank. In this agreement, the Parent Company desired to offer and issue fixed-rate corporate notes in the aggregate principal amount of P4,000.0 million. The net proceeds of the notes after deducting direct issue costs, such as underwriting fees and commissions, documentary stamp tax and other expenses associated with the issuance, amounted to P3,957.3 million.

The notes constitute direct, unconditional, unsubordinated, general and unsecured obligation ranking at least pari passu with all other present and future direct, unconditional, unsubordinated and unsecured obligations of the Parent Company.

The notes are issued in three tranches with the following details:

	Principal	Term in Years	Interest Rate
Tranche A	P 650,000,000	5	5%
Tranche B	3,250,000,000	7	6%
Tranche C	100,000,000	10	6%
	P 4,000,000,000		

The nominal rates refer to the Philippine Dealing System Treasury (PDST) Fixing rates with respect to the term of each tranche plus an interest spread of 1.75% for Tranche A and B and 1.50% for Tranche C.

The notes, among other things, restrict the Parent Company's ability to:

1) incur any indebtedness to be secured by or to benefit from any lien, in favor of any creditor on, or in respect of any present or future assets or revenues or the right to receive income;
2) make any material change in the nature of its business from that being carried on as of the signing date;
3) enter into any merger or consolidation except if the issuer retains control of the surviving corporation, such merger or consolidation is required by law, and such merger does not result in material adverse effect;
4) amend its articles of incorporation and/or by-laws except as required by law;
5) declare or pay any cash dividend to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the notes are current and updated and provided that any such payment is made out of retained earnings and the debt to equity ratio of 2:1 are maintained;
6) sell, assign, lease, transfer, and/or dispose all or substantially all of its properties;
7) assign, transfer or otherwise convey any right to receive any of its income or revenues;
8) voluntarily suspend its business operations in a manner that will result in a material adverse effect;
9) extend any loan, advance or subsidy to any person (other than to its subsidiaries or affiliates, or transactions in the ordinary course of business, or financing or guarantees for the direct or indirect purchase or sale of the assets of the issuer, its subsidiaries or affiliates). Neither shall the issuer make any deposit, credit to, or investment in, any person, except for bank deposit, credit placements, and other transactions in the ordinary course of business;
10) permit its financial debt to equity ratio to exceed 2:1; and,
11) voluntarily prepay any indebtedness.

The Parent Company has complied with all the debt covenants set forth in the notes facility agreement as the transactions during the intervening periods are under the ordinary course of business.

In 2018, Tranche A has matured already, leaving tranche B and C outstanding, with a carrying value of P3,162.9 million and P3,192.8 million as at December 31, 2019 and 2018, respectively. The whole carrying amount is presented under non-current portion of notes payable.

(c) 2016 Various Notes Facility

In 2016, the Parent Company entered into various notes facility arrangement with a local bank to refinance the corporate note issued in 2011 and to finance its capital expenditure and general corporate requirements.

The notes are issued with the following details:

Date Issued	Principal	Term in years	Interest Rate
September 16, 2016	P 650,000,000	10	5.5%
December 5, 2016	350,000,000	10	6.37%
December 16, 2016	1,000,000,000	10	6.37%
	P 2,000,000,000		

These 10-year corporate notes bear an interest rate based on the closing per annum rates of a ten (10)-year PDST-R2 rate on the PDS Group website plus a certain spread. The Parent Company has to maintain a debt-to-equity ratio of not more than 2.33 and a debt service coverage ratio of at least 1.1.

The notes, among other things, restrict the Parent Company's ability to:

1) Engage in any business or make or permit any material change in the character of its business from that authorized on its amended articles of incorporation and by-laws;
2) Amendment of articles of incorporation and by-laws which would cause a material adverse effect or be inconsistent with the provisions of the finance document;
3) Change of ownership and management if as a result the stockholdings of Citicore Investments Holdings Inc. will fall below 51% or enter into profit sharing, partnership or joint venture whereby its profits are shared with any other person that may have a material adverse effect;
4) Sale of asset, transfer or dispose of all or substantially all of its properties and assets except in the ordinary course of business;
5) Declaration of dividends or retirement of capital if the issuer shall not be in compliance with the financial covenants or would result to an event of default;
6) Loans and advances to its directors, officers and stockholders (other than to its subsidiaries or affiliates, or transactions in the ordinary course of business, or financing or guarantees for the direct or indirect purchase or sale of the assets of the issuer, its subsidiaries or affiliates). Neither shall the issuer make any deposit, credit to, or investment in, any person, except for bank deposit, credit placements, and other transactions in the ordinary course of business;
7) Make a capital expenditure not in the ordinary course of business;
8) Incur additional debt or act as surety on behalf of third parties or incur monetary obligation which shall cause the issuer to breach the financial covenants;
9) Loans and advances to any person (other than to its subsidiaries or affiliates, or transactions in the ordinary course of business, or financing or guarantees for the direct or indirect purchase or sale of the assets of the issuer, its subsidiaries or affiliates). Neither shall the issuer make any deposit, credit to, or investment in, any person, except for bank deposit, credit placements, and other transactions in the ordinary course of business;
10) Directly or indirectly incur or suffer to exist any lien upon any assets and revenues, present and future of the issuer or enter into any loan facility agreement secured by or to be secured by a lien upon any assets and revenues, present and future whether registered or unregistered of the issuer;
11) Except for permitted investments, invest in or acquire any (i) share in or any security issued by any person, (ii) acquire directly or indirectly the business or going concern or all substantially all the properties and assets or business of any other corporation or entity or invest in a controlling entity therein; and,
12) It will not voluntarily suspend or discontinue its entire or a substantial portion of its business operation.

In 2018, all of the three tranches of the second corporate note remained outstanding, with a carrying value of P1,940.0 million and P1,960.0 million as at December 31, 2019 and 2018, respectively. The whole carrying amount is presented under non-current portion of notes payable.

As of December 31, 2019 and 2018, the carrying amount of all the corporate notes are P8,852.9 million and P5,846.5 million, respectively.

Total interest on these notes payable amounted to P304.8 million, P341.7 million and P354.2 million in 2019, 2018 and 2017, respectively, and is presented as part of Interest expense from notes payable under Finance Costs account (see Note 25.1). Unpaid interest as of December 31, 2019 and 2018 amounting to P29.8 million and P26.0 million, respectively, and is presented as part of Interest payable under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

On August 10, 2017, the Parent Company sent a letter to the bank requesting the waiver of one of the loan negative covenants that prohibits the stockholdings of Citicore in the Parent Company to fall below 51% or enter into profit sharing, partnership or joint venture whereby its profits are shared with any other person that may have a material adverse effect (see Note 1.1). In September 2017, the request was granted by the bank. The Parent Company is in compliance with all other covenants required to be observed under the loan facility agreement as of December 31, 2019 and 2018.

18.2 Bank Loans

(a) Omnibus Loan and Security Agreement – December 17, 2014

On December 17, 2014, GMCAC entered into a P20,000.0 million (which at GMCAC's option may be increased up to P23,300.0 million) OLSA with various local universal banks, as onshore lenders. On January 26, 2015, the parties amended the facility to include another universal bank as offshore lender to contribute US $75.0 million (or equivalent to P3,500.0 million) into the facility.

The facility has a term of 15 years, the repayment of which starts in 2019 and shall continue every year thereafter until 2030; and, interest requirements that are payable annually based on the following:

	First 7 Years	Last 8 Years
P20,000.0 million onshore loan	Sum of Base Rate 1 (PDST-R2 benchmark yield) and credit spread	Sum of Base Rate 2 (PDST-R2 benchmark yield) and credit spread
US$75.0 million offshore loan	LIBOR plus credit spread	LIBOR plus credit spread

As security for timely payment of the loan and prompt observance of all provision of the Omnibus Agreement, the following are pledge as collateral on this loan:

- all monies deposited and from time to time standing in the Cash Flow Waterfall Accounts;
- the Project receivables;
- the proceeds of any asset and business insurance obtained, except for the proceeds of insurance policies arising from damage of any Project Assets;

- the Project Documents (Accession Agreement, Technical Service Agreement and Engineering and Procurement Contract); and,
- the 100% of the total issued and outstanding capital stock of GMCAC.

As of December 31, 2019 and 2018, the carrying amount of the assets pledged as collateral amounted to P862.7 million and P680.4 million, respectively (see Note 12.6).

In addition, the OLSA provides certain restrictions and requirements which include, among others, maintaining and preserving its corporate existence, complying with all of its material obligations under the project arrangements, restrictions on granting of loans or advances and disposal of major properties and restrictions on payment of dividends. The OLSA also provides financial covenants which include maintaining a maximum debt to equity ratio of 70:30 and a debt service coverage ratio of at least 1.1 times following the Project completion date. As of December 31, 2019 and 2018, GMCAC has complied with the financial and non-financial covenants.

Moreover, GMCAC's BOD authorized GMCAC to establish, maintain and operate trust and investment accounts with a Security Trustee to ensure the prompt payment of the required amortization, interest and principal of the long-term loan, which was established and maintained by GMCAC during the reporting period (see Note 12.6).

The total drawdowns to date made for the onshore loan amounted to P20,850.0 million while drawdowns on the offshore loan amounted to US$75.0 million (or equivalent to P3.8 billion). As of December 31, 2019, the carrying amount of the total onshore and offshore loans amounted to P24,277.9 million, of which current and non-current portion are P543.9 million and P23,734.0 million, respectively. As of December 31, 2018, the carrying amount amounted to P24,299.8 million which is presented under non-current portion of bank loans.

The movements of debt issuance cost relating to drawn amounts follows:

	2019	2018
Beginning balance	**P 293,695,919**	P 264,384,563
Additions	**3,411,467**	44,064,887
Amortization during the year	**(30,747,898)**	(14,754,531)
Ending balance	**P 266,359,488**	P 293,694,919

The portion of the debt issue costs pertaining to the undrawn amount of the borrowing facility is recognized as part of Deferred transaction cost under Other Non-current Assets in the consolidated statements of financial position (see Note 12.7).

Total interest expense on these loans, including the amortization of debt issue costs, amounted to P946.2 million, P552. 9 million and P213.1 million in 2019, 2018 and 2017, respectively, and is presented as part of Interest expense from bank loans under Finance costs under Other Income (Charges) account in the consolidated statements of income (see Note 25.1). Total accrued interest amounting to P71.2 million and P83.8 million as of December 31, 2019 and 2018, respectively, is presented as part of Interest payable under Trade and Other Payables in the consolidated statements of financial position (see Note 17).

Provision in the loan indicates that the borrower shall pay to the lenders, a commitment fee equivalent to 0.3% per annum of the undrawn or uncancelled portion of the commitment that GMCAC does not draw in accordance with the drawdown schedule.

In order to hedge the interest rate exposure on this floating rate US dollar-denominated loan maturing in June 2022, GMCAC entered into an interest rate swap transaction. As at December 31, 2019 and 2018, GMCAC recognized P78.6 million derivative liability (see Note 17) and P26.3 million derivative asset (see Note 7), respectively.

The total amount of liability from bank loans of GMCAC as of December 31, 2019 is P24,277.9 million. The current and non-current portion of the liability on these bank loans are P543.9 million and P23,734.0 million, respectively.

(b) OLSA for PITX project

In 2015, the MWMTI entered into an Omnibus Loan and Security Agreement (OLSA) with a local universal bank for a loan facility amounting to P3,300.0 million to finance the construction of the ITS Project. In 2019, the MWMTI requested the lender to increase the loan by P600.0 million making the total principal loan to P3,900.0 million.

In 2017, the MWMTI made its first drawdown amounting to P825.0 million while the remaining loan facility was fully drawn in 2019 in tranches amounting to P3,075.0 million.

The loan principal shall be amortized quarterly over 15 years and the first principal repayment is due on January 16, 2021. The interest-bearing loan is secured by the Joint Venturers and bear annual interest of 4.62%-6.89% in 2019.

The interest-bearing loan requires the MWMTI to maintain a maximum debt-to-equity ratio of 70:30. In addition, the MWMTI is also required to observe at all times until full payment of the loan a debt service coverage ratio of at least 1.25.

With regard to the loans aforementioned, MWMTI has complied with affirmative and negative covenants, except that in 2019, MWMTI exceeded the agreed Debt-to-Equity Ratio and had lower than the stated Debt Service Coverage Ratio. Prior to December 31, 2019, MWMTI requested for the financial covenants not to be enforced during the grace period of the loan, which was conformed by one of the Bank's officers. MWMTI was also able to increase its credit line and drawdown such increase in 2019, has been up to date in its servicing of the loan and not received any written notice from the bank, as of the date of the issuance of the consolidated financial statements, that the loan is already due and demandable, which is provided in the loan agreement as basis to classify the loan as current.

The total carrying value of bank loans of MWMTI amounting to P3,900.0 million and P825.0 million as at December 31, 2019 and 2018 respectively are presented under the non-current portion of bank loans.

(c) Other Bank Loans

In addition, the Group also obtained various bank loans with total outstanding balance of P10,247.7 million and P5,651.0 million as of December 31, 2019 and 2018, respectively, representing unsecured short-term loans from other local banks. The loans bear fixed annual interest rates ranging from 5.13% to 7.0% in 2019, 2.6% to 2.8% in 2018, and 2.6% to 2.8% in 2017. Total interest on these bank loans amounted to P629.9 million, P160.9 million and P66.7 million in 2019, 2018 and 2017 respectively, and is presented as part of Interest expense from bank loans under Finance costs under Other Income (Charges) account in the consolidated statements of income (see Note 25.1). The unpaid portion of these interest amounted to P18.7 million and P18.9 million as of December 31, 2019 and 2018, respectively, and is presented as part of Interest payable under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

The total amount of various bank loans from the Parent Company amounting to P10,247.7 million and P5,651.0 million as at December 31, 2019 and 2018, respectively, are presented under the current portion of bank loans.

18.3 Lease Liabilities (previously Obligations under Finance Lease)

The obligations under finance lease have an effective interest rate of 6.0% both in 2018 and 2017. Lease payments are made on a monthly basis. Total interest from these obligations amounted to P11.0 million and P14.8 million in 2018 and 2017, respectively, and is presented as Interest expense from finance lease under Finance Costs account in the statements of income (see Note 25.1).

The Group's lease liabilities as at December 31, 2019 amounting to P474.2 million is further classified to the current and non-current portion amounting to P139.3 million and P334.9 million, respectively.

Obligations under finance lease as at December 31, 2018 amounting to P157.9 million pertain solely to leases of the Parent Company. Amounts of P63.8 million and P94.1 million, respectively, are presented under the current and non-current portion.

As at January 1, 2019, the Group reclassified obligations under finance leases amounting to P157.9 million to lease liabilities due to the adoption of PFRS 16 [see Note 2.2(a)(iv)].

19. CONTRACT LIABILITIES

The significant changes in the contract liability balances during the reporting periods are as follows:

	2019	2018
Balance at beginning of year	**P 4,670,482,671**	P 1,466,488,633
Increase due to billings excluding amount recognized as revenue during the year	**3,931,138,000**	3,976,398,693
Revenue recognized that was included in contract liability at the beginning of the year	**(3,765,451,114)**	(859,577,796)
Effect of financing component	**95,100,400**	87,173,141
Balance at end of year	**P 4,931,269,957**	P 4,670,482,671

20. OTHER LIABILITIES

The details of this account are as follows:

	Notes	2019	2018
Current:			
Withholding taxes		**P 80,913,142**	P 102,406,787
Deferred output VAT		**70,994,272**	38,907,666
Deferred revenue		**12,147,113**	25,928,897
Others		**56,007,237**	66,574,224
		P 220,061,764	P 233,817,574
Non-current:			
Security deposits	29.1.3	**P 586,498,441**	P 148,010,532
Unearned rent income		**154,643,665**	34,015,340
Retention payable	17	**-**	186,140,105
		P 741,142,106	P 368,165,977

Deferred revenue represents advance payments from customers and concessionaires that are subject to refund or future billing applications within 12 months from the end of the reporting period.

As of December 31, 2018, security deposits pertains mainly to the amounts received from lessees in relation to GMCAC's airport operations. In 2019, the Group received additional security deposits open full operations of MWMTI's PITX (see Note 29.1.3).

Unearned rent income pertains to the difference between the fair value and principal amount of security deposits received at the inception of the lease with concessionaires, which shall be amortized over the corresponding lease term.

Others under current liabilities significantly include government-related payables for employee benefits.

21. REVENUES

When the Group prepares its investor presentations and when the Group's Executive Committee evaluates the financial performance of the operating segments, it disaggregates revenue similar to its segment reporting as presented in Notes 2.13 and 4.

The Group determines that the categories used in the investor presentations and financial reports used by the Group's management can be used to meet the objective of the disaggregation disclosure requirement of PFRS 15, which is to disaggregate revenue from contracts with customers and other counterparties into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

A summary of additional disaggregation from the segment revenues and other unallocated income are shown below.

	Notes	Point in time	Over time	Short-term	Long-term	Total
2019:						
Construction revenues	21.1					
Contract revenues		P -	P 14,401,891,771	P -	P14,401,891,771	P 14,401,891,771
Sale of precast		-	690,145,856	690,145,856	-	690,145,856
Sale of ready mix concrete		48,707,959	-	48,707,959	-	48,707,959
Equipment rental		-	168,323,797	168,323,797	-	168,323,797
Airport operations:	21.2					
Aeronautical revenues		-	2,017,492,164	2,017,492,164	-	2,017,492,164
Aero related revenues		-	433,345,599	433,345,599	-	433,345,599
Non-aero related revenues		-	1,240,274,696	1,240,274,696	-	1,240,274,696
Airport merchandising operations:	21.3					
Food revenues		143,559,337	-	143,559,337	-	143,559,337
Non-food revenues		112,473,557	-	112,473,557	-	112,473,557
Consignment		70,188,285	-	70,188,285	-	70,188,285
Terminal operations	21.4					
Rental revenue – effect of straight-line method		-	382,476,437	-	382,476,437	382,476,437
Rental revenue – per contract		-	146,237,035	-	146,237,035	146,237,035
Construction revenue		-	26,688,355	-	26,688,355	26,688,355
						P 19,881,804,848
2018:						
Contract revenues	21.1					
Contract revenues		P -	P 12,381,076,732	P -	P12,381,076,732	P 12,381,076,732
Sale of precast		-	293,905,649	293,905,649	-	293,905,649
Sale of ready mix concrete		13,479,829	-	13,479,829	-	13,479,829
Airport operations:	21.2					
Aeronautical revenues		-	1,654,502,111	1,654,502,111	-	1,654,502,111
Aero related revenues		-	371,956,688	371,956,688	-	371,956,688
Non-aero related revenues		-	969,522,231	969,522,231	-	969,522,231
Airport merchandising operations:	21.3					
Food revenues		142,792,131	-	-	142,792,131	142,792,131
Non-food revenues		45,193,644	-	-	45,193,644	45,193,644
Consignment		101,909,020	-	-	101,909,020	101,909,020
Terminal operations	21.4	-	17,653,392	-	17,653,392	17,653,392
						P15,991,991,427

21.1 Contract Revenues

The details of this account for the years ended December 31, 2019, 2018 and 2017 are composed of the revenues from:

	2019	2018	2017
Contracts in progress	**P 15,140,197,972**	P12,097,586,683	P15,982,614,204
Completed contracts	**168,871,411**	590,875,527	730,024,389
	P15,309,069,383	P12,688,462,210	P16,712,638,593

About 7%, 3%, and 12% of the contract revenues for 2019, 2018 and 2017, respectively, were earned from contracts with an associate and certain related parties under common ownership (see Note 28.1).

21.2 Airport Operations Revenues

The details of this account are composed of the revenues from:

	Note	**2019**	2018	2017
Aeronautical		**P 2,017,492,164**	P 1,654,502,111	P 1,279,592,220
Concession		**606,495,158**	506,752,023	373,227,479
Rental	29.1.3	**514,492,251**	445,114,709	303,230,474
Others		**552,632,886**	389,612,187	342,354,717
		P 3,691,112,459	P 2,995,981,030	P 2,298,404,890

Others include non-aero related services like taxi and bus ticket collection, service charges, advertising license and fees, and the likes.

21.3 Airport Merchandising Operations Revenue

The details of this account for the years ended December 31, 2019, 2018 and 2017 are as follow:

	2019	2018	2017
Sale of food	**P 143,559,337**	P 142,792,131	P 86,297,920
Sale of non-food items	**112,473,557**	45,193,644	1,739,128
Consignment	**70,188,285**	101,909,020	60,062,491
	P 326,221,179	P 289,894,795	P 148,099,539

21.4 Terminal Operations Revenue

The PITX Project undertaken by the Group with the DOTr gives the Group the control over the terminal area and the right to collect concessionaire revenue. As disclosed in Note 9, contract assets include unbilled receivable in 2019 which pertains to the cost of the terminal area which is to be recovered through the Grantor payments.

The construction of the PITX Project was completed in 2019 and the Group has no unsatisfied performance obligations as of year-end.

For 2019 and 2018, the details of terminal operations revenue (see Note 29.1.3) are composed of the revenues from:

	2019	2018
Rental revenue – effect of straight-line method	**P 382,476,437**	P -
Rental revenue – per contract	**146,237,035**	-
Construction revenue	**26,688,355**	17,653,392
	P 555,401,827	P 17,653,392

22. DIRECT COSTS

22.1 Contract Costs

The following is the breakdown of contract costs for the years ended December 31:

	Notes	**2019**	2018	2017
Materials		**P 5,522,579,742**	P 3,918,321,688	5,685,402,272
Outside services		**4,731,572,291**	4,273,853,758	6,210,374,440
Salaries and employee benefits	24.1	**1,424,719,436**	1,019,472,422	860,277,769
Depreciation	14	**773,562,002**	552,073,867	483,038,875
Project overhead		**839,364,144**	1,020,454,120	845,008,197
	23	**P 13,291,797,615**	P 10,784,175,855	P 14,084,101,553

Project overhead includes insurance, repairs and maintenance, gas and oil, travel and transportation, professional fees, utilities, municipal permits, taxes, security services, office supplies and various rental expenses of staging areas.

22.2 Costs of Airport Operations

The following is the breakdown of cost of airport operations:

	Notes	2019	2018	2017
Amortization of concession asset	13	**P 738,596,573**	P 380,194,399	P 154,337,821
Utilities		**268,586,765**	194,614,309	125,742,781
Outside services		**147,038,962**	114,570,441	50,111,681
Repairs and maintenance		**133,298,432**	62,582,204	24,713,999
Salaries and employee benefits	24.1	**65,635,177**	52,363,844	45,045,096
Airport operator's fee	23, 29.3.1(b)	**47,585,582**	38,774,762	26,910,779
Airline collection charges	23	**44,826,143**	28,667,430	23,025,228
Insurance		**33,414,799**	27,171,465	21,185,125
Technical service charge		**29,567,996**	26,617,230	15,812,217
Others		**28,066,432**	16,273,769	13,603,799
	23	**P 1,536,616,861**	P 941,829,853	P 500,488,526

22.3 Costs of Airport Merchandising Operations

The following is the breakdown of cost of airport merchandising operations for the years ended December 31, 2019, 2018, and 2017:

	Note	2019	2018	2017
Cost of goods sold:				
Food		**P 37,059,400**	P 40,586,331	P 23,683,025
Consignment		**34,367,114**	-	16,701,545
Non-food		**16,474,013**	29,820,697	299,837
Spoilage and pilferages		**348,442**	11,163	162,758
Purchase discounts		**(34,705)**	(59,931)	(50,056)
	23	**P 88,214,264**	P 70,358,260	P 40,797,109

22.4 Cost of Terminal Operations

For 2019 and 2018, the following is the breakdown of cost of terminal operations:

	Note	2019	2018
Terminal costs		**P 176,099,593**	P -
Depreciation and amortization		**100,176,498**	-
Construction cost		**26,688,354**	17,653,392
Cost of property maintenance		**8,685,061**	-
	23	**P 311,649,506**	P 17,653,392

23. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature are shown below.

	Notes	**2019**	2018	2017
Materials, supplies and facilities		**P 5,551,240,778**	P 3,686,294,789	P5,696,914,274
Outside services		**5,215,333,898**	4,686,645,439	6,333,998,651
Salaries and employee benefits	24.1	**1,991,316,155**	1,477,935,003	1,371,232,087
Depreciation and amortization	12.5, 13, 14, 15	**1,757,625,213**	1,023,451,211	695,964,736
Project overhead		**866,052,497**	1,038,107,512	845,008,197
Utilities		**363,250,340**	229,536,350	153,923,584
Taxes and licenses		**276,163,672**	60,664,159	30,750,090
Repairs and maintenance		**189,924,853**	80,495,117	57,249,626
Professional fees		**146,976,840**	63,943,006	44,179,254
Cost of goods sold	22.3	**88,214,264**	70,358,260	40,797,109
Selling expense		**85,147,602**	73,730,322	38,550,315
Advertising		**56,363,309**	19,467,781	17,639,348
Travel and transportation		**48,771,300**	23,285,952	34,616,672
Airport operator's fee	22.2, 29.3.1(b)	**47,585,582**	38,774,762	26,910,779
Rentals	16.3, 28.2, 29.1.1	**47,439,832**	40,656,518	21,132,049
Airline collection charges	22.2	**44,826,143**	28,667,430	23,025,228
Insurance		**38,363,156**	26,681,266	21,209,381
Representation		**30,074,308**	15,756,881	28,598,072
Security services		**3,437,271**	8,278,781	9,321,858
Gas and oil		**859,601**	1,180,339	1,236,983
Impairment losses on receivables	6	**38,591**	305,839,093	96,652,067
Miscellaneous		**189,511,554**	93,921,889	244,163,727
		P17,038,516,759	P13,093,671,860	P15,833,074,087

Miscellaneous includes certain construction reworks and warranty cost for certain projects already completed.

These expenses are classified in the consolidated statements of income as follows:

	Notes	**2019**	2018	2017
Contract costs	22.1	**P 13,291,797,615**	P10,784,175,855	P14,084,101,553
Costs of airport operations	22.2	**1,536,616,861**	941,829,853	500,488,526
Cost of terminal operations	22.4	**311,649,506**	17,653,392	-
Costs of airport merchandising operations	22.3	**88,214,264**	70,358,260	40,797,109
Other operating expenses		**1,810,238,513**	1,279,654,500	1,207,686,899
		P 17,038,516,759	P13,093,671,860	P15,833,074,087

24. POST-EMPLOYMENT DEFINED BENEFIT OBLIGATION

24.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are presented below.

	Notes	**2019**	2018	2017
Short-term employee benefits		**P 1,954,902,308**	P1,443,324,841	P1,338,246,782
Post-employment benefit	24.2	**36,413,847**	34,610,162	32,985,305
	23	**P 1,991,316,155**	P1,477,935,003	P1,371,232,087

The expenses are allocated in the consolidated statements of income as follows:

	Notes	**2019**	2018	2017
Contract costs	22.1	**P 1,424,719,436**	P1,019,472,422	P 860,277,769
Costs of airport operations	22.2	**65,635,177**	52,363,844	45,045,096
Other operating expenses		**500,961,542**	406,098,737	465,909,222
	23	**P 1,991,316,155**	P1,477,935,003	P1,371,232,087

24.2 Post-employment Benefit

(a) Characteristics of Defined Benefit Plan

The Group maintains a partially funded and noncontributory post-employment defined benefit plan covering all regular full-time employees. The Group conforms to the minimum regulatory benefit under the R.A. No. 7641, *Retirement Pay Law*, which is of the defined benefit type and provides a retirement benefit in lump sum equal to 22.5-day pay for every year of credited service. The regulatory benefit is paid in a lump sum upon retirement. The normal retirement age is 60 with a minimum of 5 years of credited service.

(b) Explanation of Amounts Presented in the Consolidated 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 2019, 2018 and 2017.

The amounts of post-employment DBO in the consolidated statements of financial position are determined as follows:

	2019	2018
Present value of the DBO	**P 344,592,331**	P 180,733,570
Fair value of plan assets	**(4,384,701)**	(3,934,974)
	P 340,207,630	P 176,798,596

The movements in the present value of the DBO are as follows:

	2019	2018
Balance at beginning of year	**P 180,733,570**	P 177,245,984
Current service cost	**36,413,847**	34,610,162
Interest cost	**12,772,283**	10,111,154
Benefits paid directly from book reserve	**(153,459)**	-
Remeasurement/actuarial losses (gains) arising from:		
Changes in financial assumptions	**104,497,013**	(60,160,684)
Experience adjustments	**10,329,077**	20,082,761
Changes in demographic assumptions	**-**	(1,155,807)
Balance at end of year	**P 344,592,331**	P 180,733,570

Actuarial losses arising from experience adjustments pertain to the net effect of differences between previous actuarial assumptions and what actually incurred.

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

	2019	2018
Balance at beginning of year	**P 3,934,974**	P 3,979,771
Interest income	**295,909**	226,848
Return on plan assets (excluding amounts included in net interest)	**153,818**	(271,645)
Balance at end of year	**P 4,384,701**	P 3,934,974

The plan assets as of December 31, 2019 and 2018 consist of the Unit Investment Trust Fund (UITF) amounting to P4.1 million and P3.9 million, respectively. The Group has 2,070 participation units on UITF managed by the trust department of a certain universal bank [see Note 32.2(c)]. Actual return on plan assets amounted to P0.45 million in 2019. Actual loss on plan assets amounted to P0.04 million in 2018 while actual return on plan assets amounted to P0.05 million in 2017.

The components of amounts recognized in consolidated income and in the consolidated comprehensive income (loss) in respect of the defined benefit post-employment plan are as follows [see Note 24.2(b)]:

	2019	2018	2017
Recognized in consolidated profit or loss:			
Current service cost	**P 36,413,847**	P 34,610,162	P 32,985,305
Net interest expense	**12,476,374**	9,884,306	6,069,457
	P 48,890,221	P 44,494,468	P 39,054,762
Recognized in consolidated other comprehensive income (loss):			
Actuarial gains (losses) arising from:			
Changes in financial assumptions	**(P 104,497,013)**	P 60,160,684	(P 14,340,443)
Experience adjustments	**(10,329,077)**	(20,082,761)	(7,317,776)
Changes in demographic assumptions	**-**	1,155,807	112,241
Return on plan assets (excluding amounts included in net interest)	**153,818**	(271,645)	(165,156)
	(P 114,672,272)	P 40,962,085	(P 21,711,134)

Current service costs are included as part of Salaries and employee benefits under Other Operating Expenses account in the consolidated statements of income. The net interest expense is included as part of Finance Costs account in the consolidated statements of income (see Note 25.1).

Amounts recognized in other comprehensive income (loss) are presented under item that will not be reclassified subsequently to profit or loss.

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

	2019	2018	2017
Discount rate	**5.20%**	7.62%	5.74%
Expected return on plan assets	**5.00%**	5.00%	5.00%
Employee turn-over rate	**3.00%**	3.00%	3.00%

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 23.8 years. 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) Risks Associated with the Defined Benefit 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 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. As of December 31, 2019 and 2018, the plan has short-term investments managed through UITF.

(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 during their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

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

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the post-employment DBO as of December 31:

	Impact on Post-Employment Defined Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
2019:			
Discount rate	**+/- 1%**	**(P 48,502,483)**	**P 59,729,362**
Salary growth rate	**+/- 1%**	**58,622,237**	**(48,589,911)**
2018:			
Discount rate	+/- 1%	(P 23,812,091)	P 28,914,418
Salary growth rate	+/- 1%	29,069,377	(24,329,729)

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

The retirement plan trustee has no specific matching strategy between the plan assets and the plan liabilities.

The Group is not required to pre-fund the future defined benefits payable under the plan assets before they become due. For this reason, the amount and timing of contributions to the plan assets are at the Group's discretion. However, in the event a benefit claim, the shortfall will be due and payable from the Group to the plan assets.

The maturity profile of undiscounted expected benefit payments within 10 years from the end of the reporting periods follows:

	2019	2018
More than 1 year to 5 years	**P 53,612,047**	P 39,224,293
More than 5 years to 10 years	**122,066,472**	97,939,503
	P 175,678,519	P 137,163,796

The weighted average duration of the DBO at the end of the reporting period is 15.9 years.

25. OTHER INCOME (CHARGES)

25.1 Finance Costs

The breakdown of this account in is as follows:

	Notes	**2019**	2018	2017
Interest expense from:				
Bank loans	18.2	**P 1,696,106,457**	P 717,968,215	P 279,835,724
Notes payable	18.1	**304,778,086**	341,717,197	354,192,747
Lease liability	18.3	**22,133,682**	10,987,097	14,799,233
Accretion of security deposit		**2,164,623**	-	-
		P 2,025,182,848	P 1,070,672,509	P 648,827,704
Balance carried forward		**P 2,025,182,848**	P 1,070,672,509	P 648,827,704

	Notes	2019	2018	2017
Balance brought forward		**P 2,025,182,848**	P 1,070,672,509	P 648,827,704
Finance cost – PFRS 15	19	**258,346,364**	104,906,299	-
Interest expense on retirement obligation – net	24.2	**12,476,374**	9,884,306	6,069,457
Bank charges		**9,501,226**	4,381,750	8,399,117
Foreign currency losses – net		**3,420,967**	135,378,464	-
Loss on sale of financial assets at FVOCI (previously AFS financial assets)	10	**-**	8,203,815	78,487,134
		P 2,308,927,779	P 1,333,427,143	P 741,783,412

Finance cost – PFRS 15 pertains to the portion of the transaction price regarded as interest expense due to the significant financing components within contracts [see Notes 2.17 and 3.1(c)]. This is the adjustment to the transaction price due to the time value of money. A contract is considered to have a significant financing component if the timing of payments agreed to by the parties provides the customer or the entity with a significant benefit of financing the transfer of goods or services.

25.2 Finance Income

The details of finance income are the following:

	Notes	2019	2018	2017
Interest income from:				
Advances to related parties	28.4	**P 441,000,000**	P 70,429,966	P 8,263,465
Cash in banks	5	**105,406,640**	41,520,356	16,281,624
Short-term placements	5	**5,152,906**	36,258,500	49,786,941
Foreign currency gains – net	18.2(a)	**137,098,221**	-	16,418,553
Day one gain		**79,180,145**	-	-
Defaults		**5,567**	-	-
Financial assets at FVTPL	7	**-**	72,389,335	94,094,313
		P 767,843,479	P 220,598,157	P 184,844,896

Foreign currency gains – net resulted from the Group's foreign currency-denominated transactions especially its off-shore loan [see Note 18.2(a)].

Day one gain pertains to interest earned on security deposits collected from leases recorded by MWMTI at amortized cost using effective interest method.

25.3 Others – net

This consists of the following:

	Notes	2019	2018	2017
Unrealized gain (loss) on interest rate swap	7	**(P 104,842,394)**	P 45,218,078	(P 18,927,939)
Consultancy fee		**102,906,182**	-	-
Rental of equipment		**84,817,209**	157,368,150	19,645,974
Equity in net profit of associates and joint venture	11.1, 11.3	**32,674,443**	10,209,371	3,606,389
Gain on disposals of property and equipment	14	**9,603,796**	2,876,025	5,248,792
Income from scrap sales	8	**7,294,766**	3,369,824	622,850
Gain on bargain purchase	15	**-**	307,365,622	-
Others	11.2, 28.2	**579,745**	75,120,679	47,531,914
		P 133,033,747	P 601,527,749	P 57,727,980

Consultancy fee pertains to fees charged by the Group to its clients for the engineering and design services rendered.

In August 2018, the Parent Company bought 344.5 million shares with par value of P1.00 per share from various stockholders of MTI with a total purchase price of P344.1 million. This business combination is part of the Parent Company's plan to totally take control of the business pertaining to terminal operations. As a result of the transaction, the Parent Company obtained 100% ownership interest in MTI and increased its effective ownership interest in MWMTI from 51% to 100% [see Note 1.2(i)]. This granted the Parent Company control over MTI, thereby the latter becoming a subsidiary from being a joint venture in 2017. Preacquisition loss amounted to P3.6 million.

The fair values of the identifiable assets acquired and liabilities assumed in 2018 are as follows:

Fair value of assets acquired:	
Cash and cash equivalents	P 199,791,025
Trade and other receivables	376,390,685
Investment property	1,461,141,676
Other assets	164,847,111
	2,202,170,497
Fair value of liabilities assumed:	
Interest-bearing loan	(825,000,000)
Trade and other payables	(415,687,982)
	(1,240,687,982)
Fair value of net assets acquired	961,482,515

Balance brought forward	961,482,515
Fair value of consideration transferred –	
Cash	344,149,804
Previously-held interest in MWMTI	309,967,089
	654,116,893
Gain on bargain purchase	P 307,365,622

Trade and other receivables at date of acquisition is based on MWMTI's terminal construction and operations using the cost recovery method [see Note 2.17(d)].

The total excess of the consideration transferred over the acquisition date-fair value of the net assets acquired amounting to P307.4 million is presented as Gain on bargain purchase under Other Income (Charges) account in the 2018 consolidated statement of income. The gain on bargain purchase is due to the acquisition at par.

In 2018, Others also include penalty charges on late collections from customers amounting to P17.3 million.

26. TAXES

26.1 Registration with the Board of Investments

On May 29, 2015, the BOI approved the Parent Company's application for registration of its projects as PPP for School Infrastructure Project Phase 2 – Contract Package A pursuant to Build-Lease-Transfer Agreement with the Philippine DepEd on a nonpioneer status under the Omnibus Investment Code of 1987. Under such registration, the Parent Company is entitled of the following incentives:

(a) Income tax holiday (ITH) for a period of four years from May 30, 2015 or actual start of commercial operations, whichever is earlier;

(b) Importation of capital equipment, spare parts and accessories at zero duty for a period of five years from May 30, 2015;

(c) Additional deduction from taxable income of 50% of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment; and,

(d) Employment of foreign nationals which will hold supervisory, technical or advisory positions for five years from May 30, 2015.

On June 13, 2019, the BOI has approved the Parent Company's request for extension of the ITH incentive from May 28, 2019 to February 28, 2021 in relation to its PPP for School Infrastructure Project Phase 2.

On February 22, 2019, the BOI approved the Parent Company's application for registration as New Producer of Housing Components (Hollow Core Precast Pre-Stressed Slab) on a Non-Pioneer Status under the Omnibus Investments Code of 1987 (Executive Order No. 226). As such, the Parent Company is entitled to the following incentives:

(a) ITH for a period of four years from February 2019 or actual start of commercial operations, whichever is earlier;

(b) Importation of capital equipment, spare parts and accessories at zero-duty under Executive Order No. 57 and its Implementing Rules and Regulations:

(c) Additional deduction from taxable income of fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment; and

(d) Employment of foreign nationals which will hold supervisory, technical or advisory positions for five years from the date of registration.

On June 20, 2016, GMCAC was registered with the BOI as a PPP Project for the GMCAC Phase 2 – Operation and maintenance of Terminal 2 (Phase 2 O&M of T2) under the Concession Agreement with the DOTr and MCIAA as an expansion Project on a Non-pioneer status under the Omnibus Investment Code of 1987 (Executive Order No. 226).

Under the registration, GMCAC is entitled, among others, to ITH incentives for three years from December 2018 and July 2018 for Phase 1 and Phase 2, respectively, or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration. GMCAC has informed the BOI that the actual start of commercial operations of Phase I is on January 1, 2016 for ITH purposes.

Also, GMCAC is entitled to additional deduction from taxable income of 50% of the wages corresponding to the increment in number of direct labor in the year of availment as against the previous year, if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board. This may be availed for the first five years from date of registration but not simultaneously with ITH.

GMCAC voluntarily waived the ITH incentives for Phase 2 O&M of T2 for the taxable period July 2018 to December 2018 and for the taxable year 2019. GMCAC subjected all revenues and expenses of Phase 2 O&M T2 to RCIT in 2019.

26.2 Registration with Clark Freeport Zone

MGCJVI was registered as Clark Freeport Zone (CFZ) enterprise on April 12, 2018 with registration number C2018-169. On April 26, 2007, R.A. 9400 or "An Act Amending R.A. 7227 as Amended, otherwise known as the Bases Conversion and Development Act of 1992 and for Other Purposes" was approved.

One of the major amendments to R.A. 7227, now embodied in R.A. 9400, is the official declaration of Clark, which used to be a Special Economic Zone, as a Freeport Zone that would cover 4,400 hectares of the former Clark Air Base. Under R.A. 9400, the CFZ shall be operated and managed as a separate customs territory ensuring free flow or movement of goods and capital equipment within, into and exported out of Clark, as well as provide incentives such as tax and duty-free importation of raw materials and capital equipment. However, exportation or removal of goods from the territory of Clark to other parts of the country will also be subjected to customs duties and taxes under the Tariff and Customs Code of the Philippines, as amended by the National Internal Revenue Code. As a CFZ-registered enterprise, in lieu of paying the regular corporate income tax rate of 30%, MGCJVI shall pay 5% tax on gross income earned, divided as follows: 3% to the national government and 2% to the municipality or city where the zone is located. In addition, it is exempt from other internal revenue tax dues for its registered activities within the Freeport Zone, such as business tax, VAT and excise tax.

Under Revenue Regulation No. 02-01, enterprises registered pursuant to the Bases Conversion and Development Act of 1992 under R.A. 7227, as well as other enterprises duly registered under special economic zones declared by law which enjoy payment of special tax rate on their registered operations or activities in lieu of other taxes, are not subject to improperly accumulated earnings tax.

26.3 Current and Deferred Taxes

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

	2019	2018	2017
Reported in consolidated profit or loss			
Current tax expense:			
Regular corporate income tax (RCIT) at 30%	**P 34,250,758**	P 132,111,752	P 444,795,347
Minimum corporate income tax (MCIT) at 2%	**67,906,224**	-	-
BVI at 42% and 17%	**18,719,686**	-	-
Gross income tax (GIT) at 5%	**15,865,847**	-	-
Final tax at 20% and 7.5%	**3,872,695**	23,877,358	23,188,157
	140,615,210	155,989,110	467,983,504
Deferred tax expense (income) relating to origination and reversal of temporary differences	**183,587,512**	336,855,049	111,065,886
	P 324,202,722	P 492,844,159	P 579,049,390
Reported in consolidated other comprehensive income (loss)			
Deferred tax expense (income) relating to origination and reversal of temporary differences	**(P 34,401,682)**	P 12,288,626	(P 6,513,340)

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense for the year ended December 31 is as follows:

	2019	2018	2017
Tax on pretax profit at 30%	**P 430,571,261**	P 716,105,499	P 848,057,520
Adjustment for income subjected to lower tax rates	**(31,988,819)**	(32,502,891)	(12,843,737)
Tax effects of:			
Non-taxable income	**(128,453,670)**	(36,156,168)	(55,567,913)
Unrecognized deferred tax asset	**32,592,470**	-	-
Non-deductible expenses	**52,247,644**	208,679,709	58,865,143
Non-taxable net profit under ITH	**(30,766,164)**	(363,281,990)	(259,461,623)
	P 324,202,722	P 492,844,159	P 579,049,390

The net deferred tax assets and net deferred tax liabilities recognized in the consolidated statements of financial position as of December 31, 2019 and 2018 relate to the following:

	2019	2018
Deferred tax assets:		
Net operating loss carryover (NOLCO)	**P 111,051,212**	P -
Unrealized foreign currency losses – net	**(105,745,702)**	-
Advance payments from customers	**38,993,047**	-
	P 44,298,557	P -
Deferred tax liabilities:		
Amortization of concession assets	**(P 593,363,264)**	(P 351,766,039)
Excess of estimated costs over actual costs	**(224,534,781)**	(224,534,781)
Post-employment defined benefit obligation	**102,062,289**	54,460,610
Unrealized foreign currency gains	**52,060,207**	-
Effect of significant financing component	**34,025,156**	5,495,035
Uncollected non-taxable income*	**(29,576,382)**	(29,635,657)
Excess MCIT	**38,863,664**	1,237,944
Deferred revenue	**5,177,553**	2,117,065
Impaiment losses on trade receivables	**3,286,823**	124,959,694
Right of use assets – net	**(432,271)**	-
Fair value gains on financial assets at FVTPL	**(198,950)**	(198,950)
Unrealized foreign currency gains – net	**-**	(391,306)
Remeasurement gain on DBO	**-**	(1,421,031)
	(P 612,629,956)	(P 419,677,416)

**This pertains to the excess of revenue recognized under percentage of completion over collection of non-taxable revenues under ITH.*

The deferred tax expense (income) recognized in the consolidated statements of income and consolidated statements of comprehensive income for December 31 relate to the following:

	Profit or Loss			Other Comprehensive Income		
	2019	2018	2017	**2019**	2017	2016
Excess of actual over estimated cost	**P -**	P 331,989,735	P 67,769,182	**P -**	P -	P -
Amortization of concession assets	**241,597,225**	174,509,471	-	**-**	-	-
Impairment losses on trade receivables	**121,672,870**	(91,751,729)	(28,995,620)	**-**	-	-
Uncollected non-taxable income*	**114,683,656**	(56,603,445)	82,998,327	**-**	-	-
Net operating loss carryover (NOLCO)	**(111,051,212)**					
Post-employment defined benefit obligation	**(14,621,028)**	(13,273,078)	(11,716,429)	**(34,401,682)**	12,288,626	(6,513,340)
Construction revenue – PFRS 15	**(28,530,120)**	(5,495,035)	-	**-**	-	-
Deferred revenue	**(3,134,801)**	(2,117,065)	-	**-**	-	-
Advance payments from customers	**(38,993,047)**	2,055,875	324,358	**-**	-	-
Excess MCIT	**(38,512,489)**	(1,237,944)	-	**-**	-	-
Deferred charges on loans	**-**	(905,210)	-	**-**	-	-
Unrealized foreign currency gains (losses) – net	**(59,955,813)**	(321,932)	686,068	**-**	-	-
Leases – PFRS 16	**432,271**	-	-	**-**	-	-
Fair value gains on financial assets at FVTPL	**-**	5,406	-	**-**	-	-
Deferred tax expense (income)	**P 183,587,512**	P 336,855,049	P 111,065,886	**(P 34,401,682)**	P 12,288,626	(P 6,513,340)

The Parent Company, GMCAC and MWMTI are subject to the minimum corporate income tax (MCIT), which is computed at 2% of gross income as defined under the tax regulations, or RCIT, whichever is higher. In 2019, only the Parent Company and GMCAC reported MCIT. GMI and MLI will be subjected to MCIT in 2020.

In 2016, GMI and MLI have unrecognized deferred tax asset of P0.9 million each arising from their respective NOLCO, which can be claimed as deduction against future taxable income up to 2019. In addition, MCEI incurred NOLCO amounting to P0.1 million in 2016 and P0.4 million in 2015, which can be claimed as deduction against future taxable income until 2019 and 2018, respectively.

In 2019, 2018 and 2017, the Group opted to claim itemized deductions in computing for its income tax due.

27. EQUITY

27.1 Capital Stock

Capital stock consists of:

	Shares			Amount		
	2019	2018	2017	**2019**	2018	2017
Common shares – P1 par value						
Authorized	**4,930,000,000**	4,930,000,000	4,930,000,000	**P 4,930,000,000**	P4,930,000,000	P4,930,000,000
Subscribed and paid in:	**2,399,426,127**	2,399,426,127	2,399,426,127	**P 2,399,426,127**	P2,399,426,127	P2,399,426,127
Less:						
Treasury shares						
Balance at beginning of year	**309,660,510**	260,842,702	260,842,702	**P 3,454,826,462**	P2,627,738,885	P2,627,738,885
Reacquisition	**26,131,800**	48,817,808	-	**457,791,074**	827,087,577	-
Balance at end of year	**335,792,310**	309,660,510	260,842,702	**P 3,912,617,536**	P3,454,826,462	P2,627,738,885
Issued and outstanding	**2,063,633,817**	2,089,765,617	2,138,583,425			
Preferred – P1 par value						
Authorized	**70,000,000**	70,000,000	70,000,000	**P 70,000,000**	P 70,000,000	P 70,000,000
Issued and outstanding	**40,000,000**	40,000,000	40,000,000	**P 40,000,000**	P 40,000,000	P 40,000,000

As of December 31, 2019 and 2018, the Parent Company has 26 and 23 holders of its common equity securities owning at least one board lot of 100 shares listed in the PSE, respectively, and its share price closed as of such dates at P16.40 and P18.50 per share in 2019 and 2018, respectively. The Parent Company has 2,399.4 million common shares traded in the PSE both as of December 31, 2019 and 2018.

As of December 31, 2019 and 2018, the Parent Company has 40.0 million preferred shares traded in the PSE. The preferred share price closed at P96.0 and P98.0 per share as of December 31, 2019 and 2018, respectively.

27.2 Dividends

In 2019 and 2018, the Parent Company's BOD approved the declaration cash dividends of P1.76 per share or equivalent to P70.3 million per quarter (total of P281.0 million) to holders of preferred shares, which were taken out of the unrestricted earnings of the Parent Company as of December 31, 2018 and 2017, respectively. The series of record dates and payments are as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2019:				
Approval dates	January 8, 2019	April 3, 2019	July 8, 2019	October 10, 2019
Record dates	February 13, 2019	May 16, 2019	August 14, 2019	November 15, 2019
Payment dates	March 3, 2019	June 3, 2019	September 3, 2019	December 3, 2019
2018:				
Approval dates	January 30, 2018	May 3, 2018	August 11, 2018	October 30, 2018
Record dates	February 15, 2018	May 18, 2018	August 16, 2018	November 16, 2018
Payment dates	March 3, 2018	June 3, 2018	September 3, 2018	December 3, 2018

The dividends on preferred shares bear cumulative, non-participating cash dividends based on the issue price, payable quarterly in arrears every dividend payment date, at the fixed rate of 7.025% per annum from listing date.

On December 26, 2019, the Parent Company's BOD approved the declaration of cash dividends for common shares in the amount of P0.12 per share or equivalent to P247.6 million to all stockholders of record as of January 15, 2020, payable on January 31, 2020. Outstanding dividend payable amounting to P239.9 million is presented as part of Dividend payable under the Trade and Other Payables account in the 2019 consolidated statement of financial position (see Note 17). The dividend payable was subsequently paid in January 2020.

On October 1, 2018 and December 11, 2017, the BOD approved the declaration of cash dividends for common shares at P0.12 per share and P0.05 per share or equivalent to P256.6 million and P106.9 million, respectively. The cash dividends were paid on November 12, 2018 and December 29, 2017, respectively, to all common stockholders of record as of October 15, 2018 and December 26, 2017, respectively. The dividends were paid out of the unrestricted retained earnings of the Corporation distributable as dividends as of December 31, 2017 and 2016, respectively.

27.3 Treasury Shares

On July 20, 2016, the Parent Company's BOD approved the buy-back of 410.8 million common shares held by Sybase Equity Investment Corporation at a price equal to the 7-trading day volume weighted average price ending on July 28, 2016 or equivalent to P10.03 per share. Total purchase price of the treasury shares including incidental cost of the buy-back amounted P4,138.8 million.

On October 20, 2016, the Parent Company's BOD approved the sale of its 150.0 million treasury shares at P14.90 per share. Net proceeds of the sale of treasury share amounted to P2,181.7 million, net of incidental cost of the transaction. Outstanding balance of the treasury shares after the sale is 260.8 million treasury shares at cost of P2,627.7 million.

On October 1, 2018, the Parent Company's BOD approved a share buyback program worth up to P2.0 billion over a period of two years. Total cost to acquire treasury shares in 2019 and 2018 amounted to P457.8 million and P827.1 million, respectively, which is equivalent to 26.1 million and 48.8 million shares, respectively.

27.4 Retained Earnings

On April 8, 2013, the BOD of the Parent Company approved the declaration of dividends and gave management the authority to decide the type (cash, stock or mixed) and amount of any dividends to be declared subsequently.

The Parent Company's retained earnings are restricted to the extent of the cost of treasury shares (see Note 27.3).

27.5 Non-controlling Interest

Upon incorporation, the Parent Company acquired 15.0 million shares of GMCAC. The purchase of the shares is part of the shareholders' agreement to execute, undertake, and implement the Project in accordance with the concession agreement. The shares acquired represent 60% of the total issued and outstanding shares of GMCAC (see Note 1.2). The non-controlling interest representing 38.24% ownership of GMR Infrastructure (Singapore) Pte. Ltd. (GISPL) and 1.66% ownership of GIL in GMCAC is presented as part of Non-controlling Interest account in the consolidated statements of financial position (see Note 11.5).

Another non-controlling interest representing 30% ownership of Philcarbon, Inc. in MCEI is presented as part of Non-controlling Interest account in the consolidated statements of financial position (see Note 11.5).

In 2016, the Parent Company acquired 12.0 million shares of GMI representing 60% of the total issued and outstanding shares of GMI. On March 15, 2017, the Parent Company sold 2,000,000 shares or 10% interest of GMI to GHOSPL. As of December 31, 2017, GMI is 50% owned by the Parent Company. In 2019, GMI declared P50.0 million dividends to non-controlling shareholders which resulted to a decrease in the equity attributable to the non-controlling interests (see Note 11.5).

Also in 2016, the Group's controlling 60% ownership in MCLI resulted in 40% non-controlling interest of the other stockholder. The non-controlling interest representing 50% ownership of GHOSPL in GMI and 40% of other stockholder in MCLI are presented as part of Non-controlling Interest account in the consolidated statements of financial position (see Note 11.5).

The Group determined that only the minority interest in GMCAC is considered as a material non-controlling interest, and accordingly, presented the relevant financial information in the next page (see Note 27.5).

	2019	2018
Current assets	**P 2,484,974,268**	P 2,914,185,736
Non-current assets	**33,233,226,229**	32,032,618,992
Total assets	**P35,718,200,497**	P34,946,804,728
Current liabilities	**P 1,927,502,224**	P 979,143,408
Non-current liabilities	**24,468,439,808**	25,172,122,602
Total liabilities	**P26,395,942,032**	P26,151,226,010
Equity	**P 9,322,258,465**	P 8,795,538,717
NCI in equity	**3,626,345,966**	3,414,933,844
Net profit	**529,233,776**	939,650,075
Net income allocated to NCI	**211,693,510**	375,860,030

In 2019, GMI declared dividends amounting to P50.0 million to non-contolling interests. Outstanding dividends payable of GMI amounting P25.0 million is presented as part of Non-trade payables under Trade and Other Payables in the 2019 consolidated statement of financial position (see Note 17). In 2018, GMCAC, MCEI, and GMI have not declared nor paid any dividends.

27.6 Revaluation and Other Reserves

The movements of this account are as follows:

	Retirement Benefit Obligation (see Note 24)	**Foreign Currency Translation** (see Note 2)	**Other Reserves** (see Note 2)	**Total**
Balance as of January 1, 2019	P 15,204,702	P -	(P 22,474,837)	(P 7,270,135)
Remeasurements of post-employment defined benefit plan	(112,375,577)	-	-	(112,375,577)
Foreign currency translation	-	74,555	-	74,555
Other comprehensive income (loss) before tax	(112,375,577)	74,555	-	(112,301,022)
Tax expense	33,712,673	-	-	33,712,673
Other comprehensive income (loss) after tax	(78,662,904)	74,555	-	(78,588,349)
Balance as of December 31, 2019	(P 63,458,202)	P 74,555	(P 22,474,837)	(P 85,858,484)

	Retirement Benefit Obligation (see Note 24)	Non-current Financial Assets (see Note 10)	Other Reserves (see Note 2)	Total
Balance as of January 1, 2018	(P 12,213,049)	P 8,263,159	(P 22,474,837)	(P 26,424,727)
Remeasurements of post-employment defined benefit plan	39,168,216	-	-	39,168,216
Recycled to profit or loss	-	(8,263`,159)	-	(8,263,159)
Other comprehensive income (loss) before tax	39,168,216	(8,263,159)	-	30,905,057
Tax income	(11,750,465)	-	-	(11,750,465)
Other comprehensive income (loss) after tax	27,417,751	(8,263,159)	-	19,154,592
Balance as of December 31, 2018	P 15,204,702	P -	(P 22,474,837)	(P 7,270,135)
Balance as of January 1, 2017	P 3,839,121	(P 70,963,642)	(P 22,474,837)	(P 89,599,358)
Remeasurements of post-employment defined benefit plan	(22,931,671)	-	-	(22,931,671)
Recycled to profit or loss	-	70,963,642	-	70,963,642
Fair value gain on AFS financial assets	-	8,263,159	-	8,263,159
Other comprehensive income (loss) before tax	(22,931,671)	79,226,801	-	56,295,130
Tax income	6,879,501	-	-	6,879,501
Other comprehensive income (loss) after tax	(16,052,170)	79,226,801	-	63,174,631
Balance as of December 31, 2017	(P 12,213,049)	P 8,263,159	(P 22,474,837)	(P 26,424,727)

28. RELATED PARTY TRANSACTIONS

The Group's related parties include its ultimate parent company and other shareholders, subsidiaries, associates, joint venture, parties related to the Parent Company by common ownership and key management personnel.

The summary of the Group's transactions with related parties as of December 31, 2019 is as follows:

Related Party Category	Notes	Amount of Transaction	Outstanding Receivable (Payable)	Terms	Conditions
Ultimate Parent Company –					
Cash granted	5, 28.4	P 2,923,049,503	P 3,069,371,725	Interest-bearing	Unsecured; Unimpaired
Interest receivable	5,28.4	220,500,000	288,975,323	On demand; Noninterest-bearing	Unsecured; Unimpaired

Related Party Category	Notes	Amount of Transaction	Outstanding Receivable (Payable)	Terms	Conditions
Minority shareholders and their affiliates:					
Cash granted	5, 28.4	(P 841,103)	P -	On demand; Noninterest-bearing	Unsecured; Unimpaired
Associate:					
Revenue from services	6, 21.1, 28.1	313,577	905,413,727	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 28.4	6,000,000	6,000,000	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash obtained	17, 28.4, 28.5	(20,000,000)	(20,000,000)	On demand; Noninterest-bearing	Unsecured; Unimpaired
Rent income	28.2	53,571	57,321	Normal credit terms	Unsecured; Unimpaired
Joint Arrangement:					
Revenue from services	6, 21.1, 28.1	598,911,864	298,184,597	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 28.4	4,329,601	5,404,267	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash obtained	17, 28.4, 28.5	14,883,628	-	On demand; Noninterest-bearing	Unsecured; Unimpaired
Related Parties Under Common Ownership:					
Rent income	28.2	3,662,298	3,703,186	Normal credit terms	Unsecured; Unimpaired
Revenue from services	6, 21.1, 28.1	187,922,352	130,204,606	Normal credit terms	Unsecured; Unimpaired
Rent expense	22, 28.2	1,766,433	-	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 28.4	42,399,786	3,186,770,507	On demand; Interest-bearing and noninterest-bearing	Unsecured; Unimpaired
Cash obtained	17, 28.4, 28.5	44,683,199	-	On demand; Noninterest-bearing	Unsecured; Unimpaired
Interest receivable	5,28.4	220,500,000	288,975,322	On demand; Noninterest-bearing	Unsecured; Unimpaired
Retirement fund		295,910	4,384,701	Upon retirement of beneficiaries	Partially funded; Unimpaired
Advances to Officers and Employees	6, 28.3	17,232,250	51,503,789	Upon liquidation, Noninterest-bearing	Unsecured; Unimpaired
Key Management Personnel – Compensation	28.8	310,903,975	-	On demand	Unsecured; Unimpaired

The summary of the Group's transactions with related parties as of December 31, 2018 is as follows:

Related Party Category	Notes	Amount of Transaction	Outstanding Receivable (Payable)	Terms	Conditions
Ultimate Parent Company –					
Cash granted	5, 28.4	(P 148,848,438)	P 146,322,222	Interest-bearing	Unsecured; Unimpaired
Shareholders –					
Revenue from services	6, 21.1, 28.1	14,782,658	1,008,487	Normal credit terms	Unsecured; Unimpaired
Minority shareholders and their affiliates:					
Airport operator's fee	21.2	38,774,762	-	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash granted	5, 28.4	841,103	841,103	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash obtained	17, 28.4, 28.5	(172,939,978)	-	On demand; Noninterest-bearing	Unsecured; Unimpaired
Associate:					
Revenue from services	6, 21.1, 28.1	153,157,722	905,100,150	Normal credit terms	Unsecured; Unimpaired
Rent income	28.2	53,571	228,750	Normal credit terms	Unsecured; Unimpaired
Joint Arrangement:					
Revenue from services	6, 21.1, 28.1	769,940,008	29,082,652	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 28.4	(1,890,090)	1,074,666	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash obtained	17, 28.4, 28.5	(14,883,628)	(14,883,628)	On demand; Noninterest-bearing	Unsecured; Unimpaired
Related Parties Under Common Ownership:					
Rent income	28.2	160,714	606,786	Normal credit terms	Unsecured; Unimpaired
Revenue from services	6, 21.1, 28.1	172,643,575	237,415,487	Normal credit terms	Unsecured; Unimpaired
Rent expense	22, 28.2	2,811,703	-	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 28.4	3,144,351,971	3,144,370,721	On demand; Interest-bearing and noninterest-bearing	Unsecured; Unimpaired
Cash obtained	17, 28.4, 28.5	(44,222,623)	(44,683,199)	On demand; Noninterest-bearing	Unsecured; Unimpaired
Retirement fund		44,798	-	Upon retirement of beneficiaries	Partially funded; Unimpaired
Advances to Officers and Employees	6, 28.3	12,375,774	34,271,539	Upon liquidation, Noninterest-bearing	Unsecured; Unimpaired
Key Management Personnel –					
Compensation	28.8	209,941,711	-	On demand	Unsecured; Unimpaired

The summary of the Group's transactions with related parties as of December 31, 2017 is as follows:

Related Party Category	Notes	Amount of Transaction	Outstanding Receivable (Payable)	Terms	Conditions
Ultimate Parent Company – Cash granted	5, 28.4	(P 623,328,162)	P 290,170,659	On demand; Interest-bearing	Unsecured; Unimpaired
Minority shareholders and their affiliates:					
Airport operator's fee	21.2, 28.8	26,910,779	-	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash obtained	17, 28.4, 28.5	38,117,405	(172,939,978)	On demand; Noninterest-bearing	Unsecured; Unimpaired
Associates:					
Revenue from services	6, 21.1, 28.1	-	747,599,683	Normal credit terms	Unsecured; Unimpaired
Rent income	28.2	53,571	171,429	Normal credit terms	Unsecured; Unimpaired
Joint Arrangement:					
Revenue from services	6, 21.1, 28.1	1,303,585,007	174,362,420	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 28.4	2,964,756	2,964,757	On demand; Noninterest-bearing	Unsecured; Unimpaired
Related Parties Under Common Ownership					
Rent income	28.2	53,571	434,821	Normal credit terms	Unsecured; Unimpaired
Advances from customers	19, 28.1	7,507,271	7,507,271	Normal credit terms	Unsecured; Unimpaired
Revenue from services	6, 21.1, 28.1	724,464,404	278,600,608	Normal credit terms	Unsecured; Unimpaired
Rent expense	22, 28.2	(2,649,539)	-	On demand	Unsecured; Unimpaired
Cash granted	5, 28.4	(43,733)	18,750	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash obtained	17, 28.4, 28.5	4,720,879	(1,470,503)	On demand; Noninterest-bearing	Unsecured; Unimpaired
Sale of land		(33,902,500)	-	On demand; Noninterest-bearing	Unsecured; Unimpaired
Retirement fund		(3,933,315)	-	Upon retirement of beneficiaries	Partially funded; Unimpaired
Advances to Officers and Employees	6, 28.3	(3,723,622)	21,895,765	Upon liquidation; Noninterest-bearing	Unsecured; Unimpaired
Key Management Personnel – Compensation	28.8	182,781,767	-	On demand	Unsecured; Unimpaired

28.1 Rendering of Services

In the normal course of business, the Group provides construction services to its associate, a certain previous shareholder and other related parties. The related revenue from these transactions amounted to P787.1 million, P1,110.5 million and P2,028.0 million in 2019, 2018 and 2017, respectively, and is recorded as part of Contract Revenues account in the consolidated statements of income (see Note 21.1). Services rendered to the above related parties are based on normal terms similar to terms that would be available to non-related parties.

The outstanding contract receivables from these transactions, which are generally unsecured and settled through cash within three to six months, and the related retention receivables, which can only be collected after a certain period of time upon acceptance by project owners of the certificate of completion, are presented as part of Contract and Retention receivables under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

Through application of the ECL model based on the lifetime expected credit loss wherein the Group used its historical experience, external indicators and forward-looking information to calculate the ECL using the provision matrix, no significant amount of impairment losses was required to be recognized for the years 2019, 2018 and 2017.

28.2 Rental of Land and Building

The Group is a lessee of certain parcels of land and building owned by related parties under common ownership.

In 2019, 2018 and 2017, the Group recognized rent expense amounting P1.8 million, P2.8 million and P2.6 million, respectively, from the lease agreement with Megapolitan Realty and Development Corporation (Megapolitan) for the land where the Group's building is located (see Notes 23 and 29.1.1). The Group has no outstanding payables from the rental transaction with Megapolitan as of December 31, 2019 and 2018.

In 2019 and 2018, the Group also leases an office space where its registered address is located from Philwide Construction and Development Corporation (Philwide).

Megapolitan and Philwide are entities owned by the Group's stockholders and their close family members.

The Parent Company also leases out its office space to its associates and related parties under common ownership. As a result, the Group recognized rent income amounting to P3.7 million in 2019 and P0.3 in 2018 from the lease of its office building to several related parties. This is recorded as part of Other Income (Charges) – net account in the consolidated statements of income (see Note 25.3). The outstanding balances arising from these transactions are presented as part of Other receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

28.3 Advances to Officers and Employees

Advances to officers and employees represent unsecured, noninterest-bearing cash advances for business-related expenditures that are to be liquidated 60 days from the date the cash advances were received. The outstanding receivables from these transactions are presented as part of Trade and Other Receivables (see Note 6).

No impairment losses were recognized in 2019, 2018 and 2017 for these advances.

28.4 Advances to and from Related Parties

In 2019 and 2018, the Group obtained unsecured, noninterest-bearing cash advances from certain related parties to finance portion of its working capital requirement payable upon demand. Advances obtained amounted to P20.0 million in 2019 and P58.1 million in 2018, while advances settled amounted to P59.6 million and P172.9 million, respectively. The outstanding balance from these transactions is shown under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

	2019	2018
Due to stockholders and related parties		
Associates	**P 20,000,000**	P -
Related party under common ownership	**-**	44,683,199
Joint arrangement	**-**	14,883,628
	P 20,000,000	P 59,566,827

The Group has provided unsecured, interest-bearing and noninterest-bearing cash advances to its associates and certain related parties under common ownership for their working capital requirements. In 2019 and 2018, the Parent Company also provided bridge financing to its parent and associates for the Group's business expansion and diversification program.

In 2019 and 2018, the Group granted advances totaling P2,976.2 million and P3,145.2 million, respectively, while advances collected amounted to P0.8 million and P145.7 million, respectively. The outstanding balance from these transactions is shown under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

	2019	2018
Advances to related parties		
Related party under common ownership	**P 3,186,770,507**	P 3,144,370,721
Ultimate parent company	**3,069,371,725**	146,322,222
Associates	**6,000,000**	-
Joint arrangement	**5,404,267**	1,074,666
Minority shareholders and their affiliates	**-**	841,103
	P 6,267,546,499	P 3,292,608,712

Further, upon assessment of recoverability based on the capacity to pay and expected collectability of these advances, no impairment losses were recognized in 2019, 2018 and 2017.

The Group's outstanding receivables from and payables to the same related parties as presented can be potentially offset to the extent of their corresponding outstanding balances (see Note 32.2).

28.5 Advances to and from Minority Shareholders

The minority shareholders granted unsecured, noninterest-bearing cash advances to GMCAC to support its Project bid-related expenses. The minority interest shareholder also granted unsecured noninterest-bearing cash advances to MCEI to support its working capital operations. The outstanding balance from this transaction is shown under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

28.6 Others

The Parent Company's retirement plan is in the form of a bank-trustee managed account. The fair value of the retirement plan totalled P4.4 million and P3.9 million as of December 31, 2019 and 2018, respectively. The details of the retirement plan are presented in Note 24.2.

28.7 Key Management Compensation

The compensation of key management personnel is broken down as follows:

	2019	2018	2017
Short-term employee benefits	**P 293,002,231**	P 207,383,418	P 175,585,387
Post-employment benefits	**17,901,744**	2,558,293	7,196,380
	P 310,903,975	P 209,941,711	P 182,781,767

29. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Group:

29.1 Lease Commitments

29.1.1 Operating Lease Commitments - Group as Lessee (2018 & 2017)

The Group is a lessee under operating leases covering its office space, stockyards, and certain construction equipment with terms ranging from one year to two years subject to renewal options. Total rental expense from these operating leases, presented as Rentals under Other Operating Expenses amounted to P40.7 million and P21.1 million in 2018 and 2017, respectively (see Notes 23 and 28.2).

The related refundable security deposits amounting to P161.7 million as of December 31, 2018, are presented as part of Other Current Assets in the 2018 consolidated statement of financial position (see Note 12).
The future minimum lease payments under these non-cancellable operating lease as of December 31, 2018 are as follows:

Within one year	P 14,540,236
After one year but not more than five years	26,197,309
	P 40,737,545

29.1.2 Finance Lease Commitments – Group as Lessee (2018)

The Group has finance leases covering certain transportation and construction equipment with terms ranging from two to five years. Future minimum lease payments (MLP) under the finance leases together with the present value (PV) of the net minimum lease payments (NMLP) as of December 31 are as follows:

	2018	
	Future MLP	PV of NMLP
Within one year	P 146,602,196	P 138,983,535
After one year but not more than five years	351,722,951	333,444,521
Total MLP	498,325,147	472,428,056
Amounts representing finance charges	(25,897,091)	-
PV of MLP	P 472,428,056	P 472,428,056

The liabilities relating to the finance leases are shown as part of Interest-bearing Loans and Borrowings account (see Note 18.3).

29.1.3 Group as Lessor

The Group is also a lessor under operating leases covering rentals from lease of office and commercial spaces presented in the consolidated statements of financial position as Investment Properties. Rental income earned amounted to P468.4 million in 2019 which is recognized under Terminal Operations Revenues in the consolidated statements of income (see Note 21.2).

The future minimum lease receivables under the non-cancellable operating leases as of the end of 2019 are as follows:

Within one year	P 896,438,164
After one year but not more than five years	4,351,175,835
	P5,247,613,999

Variable rent, which pertains to a certain percentage share in the lessees' sales, is included as part of total rent income amounting to P40.0 million in 2019.

29.2 PPP with DepEd

On October 8, 2012, the Parent Company, together with Citicore (collectively referred to as proponent), executed a build-lease-transfer agreement with the Philippine Government, through DepEd under the PPP for school infrastructure project, which provides initiatives on the construction of classroom nationwide to address the current classroom backlog and future requirements for classrooms.

The agreement requires the construction, maintenance and lease of school buildings, whereby, the project proponent is authorized to finance and construct the school facility within 16 months from the execution date and upon its completion turns it over to the government agency or local government unit concerned on a lease agreement for a period of 10 years from the issuance of certificate of completion. After which, ownership of the facility is automatically transferred to the government agency or local government unit concerned.

During the lease period, the proponent shall be responsible for the maintenance works, which shall be performed twice, the first time at any point between the fourth and fifth years, and the second time at any point between the eighth and ninth years. At the end of the 10-year term, the proponent shall bear all costs incurred in connection with the transfer of rights to the Philippine Government.

Pursuant to the above agreements, the Parent Company and Citicore established CMCI (see Note 1) to handle the PPP school infrastructure project. In 2016, the construction of the school buildings has been maintained.

As of December 31, 2018 and 2017, the school infrastructure project is 100% complete for both Phases 1 and 2.

29.3 Build-Operate-Transfer Agreements

29.3.1 Mactan-Cebu International Airport Project

(a) BOT Agreement

In 2014, GMCAC entered into a BOT agreement with the Grantors relative to the MCIA Project. GMCAC was established to undertake the Project involving, among others, the construction of a world-class airport passenger terminal (along with associated infrastructure and facilities), the renovation and expansion of the existing airport terminal and the operation and maintenance of both airport passenger terminals for a period of 25 years.

On April 8, 2014, the Parent Company entered into Shareholders' Agreement with GMR setting forth the terms and conditions governing their participation in the share capital of GMCAC, their rights and obligations as shareholders in relation to GMCAC. Under the said Shareholders' Agreement, the parties defined the business of GMCAC, the required manpower support from each shareholder, the composition of the board, formation of committees and the management team for the orderly management of the Project, conduct of board and shareholder meetings as well as restrictions on the transfer rights of the stockholders and issuance of additional shares.

GMCAC is a pioneer in the privately operated airport space in the Philippines when it took over the Mactan Cebu International Airport on the scheduled take over date of November 1, 2014.

(b) Technical Service Agreement

On August 19, 2014, GMCAC entered into a Technical Services Agreement (the Agreement) with GIL to provide for the services in compliance with the Concession Agreement are described below.

(i) The preparation of policies and procedures such as O&M Manual and the updating of such every January 30th of each calendar year, Fire Safety Manual, and any other additional systems, documentation and manuals to meet the Performance Standards under the Concession Agreement;

(ii) Provide training or technical services to key personnel of GMCAC so that GMCAC may undertake the O&M of the facilities;

(iii) Provide qualified experts, on a permanent or long-term basis; and,

(iv) Provide other staff on non-permanent basis either based on GIL's location or seconded to GMCAC.

As stated in the Agreement and as agreed by the parties, GIL may provide services through any of its offices, subsidiaries, or branches where the qualified experts may be located, which shall include GISPL and/or GISPL's or GIL's branch to be incorporated in the Philippines. GMCAC also agreed to pay the relevant fees upon the invoice raised, directly and under the instructions of GIL, by such office, subsidiary or branch.

The service fee shall be 1.25% of the actual audited gross revenue. The Agreement is effective up to the expiry of the Concession Period unless terminated earlier upon mutual consent of the parties.

Airport operator's fee recognized for 2019, 2018 and 2017 amounted to P47.6 million, P38.8 million and P26.9 million, respectively (see Notes 22.2 and 23).

29.3.2 Parañaque Integreated Terminal Exchange Project

On February 25, 2015, MWMTI entered into a BOT agreement with the DOTr to undertake the PITX Project. Upon completion of the project, MWMTI shall operate and maintain the facility, which is divided into terminal and commercial areas, within the agreed concession period of 35 years from the date of the completion of the construction, which is equivalent to 18 months.

The development and implementation of the PITX Project is divided into terminal and commercial areas and related developments therein for a total lot area of 193.4 hectares (the Project Assets). Specifically, the PITX Project to be undertaken by MWMTI, as the concessionaire, consists of the following:

- The design, engineering and construction of the PITX Terminal, access road and the pedestrian connections between the PITX Terminal and Asia World Station concourse within 18 months from the construction date;
- From its completion until the end of the concession period, the operation and maintenance of the PITX Terminal in accordance with the Concession Agreement;
- The collection and remittance to the Grantor of terminal fee from users of the PITX Terminal;
- The financing of the above activities;

- The design, financing, engineering and construction of commercial assets, carrying out of the commercial business, and collection of any commercial revenue at the concessionaire's option; and,
- Turn-over of the Project Assets to the Grantor at the end of the Concession Period

Pursuant to the Concession Agreement, MWMTI shall be entitled to collect and receive the concessionaire revenue comprising of AGP, commercial revenue, and any applicable grantor compensation payments. The AGP is collectible from the Grantor at the end of every anniversary year from the construction completion date thereof. For commercial revenue, MWMTI is free to impose and collect commercial charges from the use of commercial areas. On the other hand, the Grantor shall be entitled to the terminal fee revenue from the users of the public service and other charges.

At the end of the concession period, MWMTI shall hand-over the PITX Project Assets to the Grantor without cost, free from any liens and encumbrances, including all improvements made to the terminal facilities, commercial assets, works in progress and right to receive commercial revenues.

On November 5, 2018, MWMTI opened the terminal while the construction of commercial areas and related developments were completed in 2019.

29.4 Credit Lines

The Group has existing credit lines with local banks totalling P45,400.0 million and $75.0 million (P3,778.6 million) for 2019, and P48,170.0 million and $75.0 million (P3,744.2 million) for 2018.

The Group availed of bank loans totalling P40,384.4 million and $75.0 million (P3,778.6 million) for 2019, and P33,831.0 million and $75.0 million (P3,877.5 million) for 2018 (see Note 18.2). Only the loan obtained by GMCAC was secured, as disclosed in Note 18.2. Unused credit lines as of December 31, 2019 amounted to P5,051.6 million.

29.5 Capital Commitments on Use of Proceeds

The Parent Company has capital commitments to utilize the proceeds from the issuance of its preferred shares amounting to P3,938.5 million for various PPP projects, development of renewable energy projects, and bid preparation and preliminary works for PPP projects that the Parent Company will bid for (see Note 29.2). As of December 31, 2019 and December 31, 2018, the balance of the unutilized proceeds amounted to nil and P309.3 million, respectively.

29.6 Legal Claims

There are pending claims, tax assessment, and other legal actions filed by the Group or against the Group arising from the normal course of business. There are no related provisions recognized in the consolidated financial statements as management believes that the Group has strong legal positions related to such claims. Moreover, management believes that the ultimate liability, if any, with respect to such litigations, claims and disputes will not materially affect the financial position and results of operations of the Group.

29.7 Others

Apart from the foregoing significant commitments, and the Group's construction commitments with various counterparties under the ordinary course of business, there are other commitments and contingent liabilities that arise in the normal course of the Group's operations which are not reflected in the consolidated financial statements. Management is of the opinion that losses, if any, from these commitments and contingencies will not have material effects on the Group's consolidated financial statements, taken as a whole.

30. EARNINGS PER SHARE

	2019	2018	2017
Net profit attributable to shareholders of the Parent Company	**P 859,487,439**	P 1,469,434,495	P 1,781,192,210
Dividends on cumulative preferred shares	**(281,000,000)**	(281,000,000)	(281,000,000)
Net profit available to common shareholders of the Parent Company	**578,487,439**	1,188,434,495	1,500,192,210
Divided by weighted average number of outstanding common shares	**2,081,168,982**	2,130,249,359	2,138,583,425
Basic and diluted EPS	**P 0.28**	P 0.56	P 0.70

The Group does not have dilutive potential common shares outstanding as of December 31, 2019, 2018 and 2017; hence, diluted EPS is equal to the basic EPS.

31. EVENTS AFTER THE END OF THE REPORTING PERIOD

31.1 Declaration of Dividends

On January 8, 2020, the Company's BOD approved the declaration cash dividends of P1.76 per share or equivalent to P70.3 million to holders of preferred shares on record as of February 6, 2020. The dividends which is payable on March 3, 2020, shall be taken out of the unrestricted earnings of the Company as of December 31, 2019.

31.2 Share Buy-Back Program

In 2019, pursuant to the share buyback program, the Company acquired treasury cost amounted to P99.25 million (equivalent to 4.65 million shares).

On March 3, 2020, the BOD approved an additional P3 billion to its Share buyback program (the "Program"), making it a total of P5 billion and removal of the period within which to execute the Program, making it open-ended.

31.3 Execution of Corporate Note Facility

On February 19, 2020, the Company signed a P5.0 billion corporate note facility, the proceeds of which will be used by the Company to (a) retire maturing debt obligations (b) to fund growth projects and (c) for general corporate purposes.

31.4 COVID-19 Outbreak

In December 2019, a novel strain of corona virus (COVID-19) was reported to have surfaced in China. The World Health Organization has declared the outbreak as a 'public health emergency of international concern.' COVID-19 started to become widespread in the Philippines in early March 2020. This caused the government to declare the country in a state of public health emergency followed by implementation of enhanced quarantine and social distancing measures and restrictions within the Luzon area with other cities and provinces in the country enacting similar measures thereafter. This resulted in a wide-ranging business suspension - disrupting the supply chains, affecting production and sales across a range of industries, and weakening the stock market.

The Enhanced Community Quarantine (ECQ), which suspended construction activities and PITX and MCIA terminal operations, imposed by the government on March 17, 2020 were relaxed beginning May 16, 2020 placing Metro Manila and Laguna in Luzon under modified ECQ (MECQ) as these areas are categorized as high-risk while moderate risk places are placed under General Community Quarantine (GCQ) which includes MCIA.

Under MECQ, public works and private construction projects are now allowed to operate subject to minimum health standards and measures. Although public transportation is suspended in PITX, operation of its office towers and retail groceries are allowed whereas restaurants are allowed to operate at 50% capacity provided service shall be limited to delivery or takeout. MCIA, on the other hand, which is placed under GCQ beginning May 16 are allowed to operate domestic flights provided incoming or outgoing flights are from GCQ area.

These circumstances are expected to delay activities during the ECQ period or for two months from its expected original schedule of 12 months, translating to delayed revenue recognition for the year. Meanwhile, revenues from airport operations and merchandising activities will be affected by the expected drop in international tourist arrivals, estimated by the government to fall by 30-40% this year, and the restricted travel within the Philippines due to the nationwide imposition of the ECQ. Recovery in revenue is contingent upon the lifting of travel bans imposed by the government and nearby countries as well as confidence of people to travel. Terminal or landport operations, being a new segment and went full swing in January 2020, is expected to contribute significantly and compensate for the slowdown in the airport segment and delay in construction activities. Cost, on the other hand, are expected to follow the revenue trajectory.

The Group does not foresee any impairment of its assets nor breaches from its existing loan covenant given its measures to address risk of losses and its healthy balance sheet. The Group foresees that the New Normal emerging from the COVID-19 pandemic presents several challenges in the businesses yet unlocks exciting opportunities in construction and infrastructure development, which the Group is in a very strong position to line up for. In the construction segment, the government's infrastructure acceleration under the modified Build, Build, Build program will be very attractive, considering our fully-integrated EPC capabilities, engineering technologies like precast, and track record in PPPs. The precast technology, in particular, is adaptive to social distancing and safety standards requirements for construction sites post-quarantine. As such, Megawide's precast business unit is now ramping up its capacity to deliver external sales orders.

The Group has determined that these events are non-adjusting subsequent events. Accordingly, their impact was not reflected in the Group's consolidated financial statements as of and for the year ended December 31, 2019.

32. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to its financial instruments. The Group's financial assets and financial liabilities by category are summarized in Note 33. The main types of risk are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated with the Group's Parent Company, in close cooperation with the BOD, and focuses on actively securing the Group's short-to-medium term cash flows by minimizing the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The relevant financial risks to which the Group is exposed to are described below and in the succeeding pages.

32.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from intercompany advances to and from foreign related parties, which are denominated in US dollars. The Group also holds US dollar-denominated cash.

Significant US dollar-denominated financial assets (liabilities), translated into Philippine pesos at the closing rates, are as follows:

	2019	2018
Cash in banks	**P 854,304,390**	P 960,840,991
Investment in trust fund	**106,182,000**	6,122,222
Trade and other payables	**(693,575,565)**	(2,507,534)
Long-term debt	**(3,778,637,000)**	(3,912,000,000)
	(P3,511,726,175)	(P2,947,544,321)

If the Philippine peso had strengthened by 12.93% and 11.16% in 2019 and 2018, respectively, against the US dollar, with all other variables held constant, profit before tax for the years ended December 31, 2019 and 2018 would have increased by P454.1 million and P328.9 million, respectively. If the Philippine peso had weakened by the same percentages against the US dollar, then profit before tax for 2019 and 2018 would have decreased by the same amounts, respectively. These percentages have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months, estimated at 99% level of confidence. The sensitivity analysis is based on the Group's foreign currency financial instruments held as at December 31, 2019 and 2018, with effect estimated from the beginning of the year.

Exposures to foreign exchange rates vary during the period depending on the volume of foreign currency transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

(b) Interest Rate Risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually made at fixed rates.

As at December 31, 2019 and 2018, the Group is exposed to changes in market rates through its cash in banks and short-term placements which are subject to monthly repricing intervals (see Note 5) and certain short-term interest-bearing loans which is subject to variable interest rate (see Note 18). All other financial assets and financial liabilities have fixed rates or are noninterest-bearing.

The sensitivity of the profit before tax is analyzed based on a reasonably possible change in interest rates of +/-248.0, +/-291.0 and +/-90.0 basis points in 2019, 2018 and 2017, respectively, based on observation of current market conditions with effect from the beginning of the year. The changes in interest rates have been determined based on the average market volatility in interest rates for each period using standard deviation and the financial instruments held at the end of each reporting period that are sensitive to changes in interest rates.

All other variables held constant, if the interest rates increased by 248.0 basis points, 291.0 basis points and 90.0 basis points profit before tax in 2019, 2018 and 2017, respectively, would have decreased by P194.4 million in 2019 and increased by P108.3 million and P11.9 million in 2018 and 2017, respectively. Conversely, if the interest rates decreased by the same basis points, profit before tax would have been higher and lower by the same amounts.

32.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, such as the granting of loans and receivables to customers and related parties and placing deposits with local banks and investment in bonds and UITF.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

The maximum credit risk exposure of financial assets and contract assets is the carrying amount of the related assets as shown in the consolidated statements of financial position or in the detailed analysis provided in the notes to the consolidated financial statements, as summarized in the below.

	Notes	**2019**	2018
Cash and cash equivalents	5	**P 6,510,589,522**	P 5,721,181,128
Trade and other receivables – net *(excluding advances to officers and employees)*	6	**17,321,972,758**	10,177,855,711
Refundable security and bond deposits	12	**196,779,733**	161,735,967
Investment in trust fund	12	**862,704,457**	680,421,727
Contract assets	9	**3,975,734,097**	3,060,770,976
		P 28,867,780,567	P 19,801,965,509

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents and trade and other receivables as described below and in the succeeding page.

(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 and Contract Asset

The Group applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables and other receivables and contract assets.

To measure the ECL, trade and other receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due (age buckets). The Group also concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other receivables as it shares the same credit risk characteristics.

The expected loss rates are based on the payment and aging profiles over a period of 36 months before December 31, 2019 or January 1, 2019, respectively, and the corresponding historical credit losses experienced within such period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the inflation rate in the Philippines to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

The Group identifies a default when the receivables become credit impaired or when the customer has not able to settle the receivables within the normal credit terms of 30 to 60 days, depending on the terms with customers; hence, these receivables were already considered as past due on its contractual payment. In addition, the Group considers qualitative assessment in determining default such as in instances where the customer is unlikely to pay its obligations and is deemed to be in significant financial difficulty.

On that basis, the loss allowance as at December 31, 2019 and January 1, 2019 (upon adoption of PFRS 9) was determined based on months past due, as follows for both trade and other receivables:

	Not more Than 3 months	More than 3 mos. but not more than 6 mos.	More than 6 mos. but not more than 1 year	More than 1 year	Total
December 31, 2019:					
Expected credit loss rate	-	-	-		*0.15%*
Receivables from airport operations	P 720,450,961	P 47,383,750	P 32,830,208	P 14,262,408	P 814,927,327
Lease receivables	131,964,053	10,128,592		-	142,092,645
Contract receivables	5,586,004,221	134,628,362	163,794,090	383,756,439	6,268,183,112
Receivable from sale of goods	-	60,193,641	187,056	-	60,380,697
Other receivables	234,122,687	-	-	-	234,122,687
	P 6,672,541,922	P 252,334,345	P 196,811,354	P 398,018,847	P7,519,706,468
Loss Allowance	-	-	-	10,956,072	10,956,072
January 1, 2019:					
Expected credit loss rate	-	-	-	-	*11.17%*
Receivables from airport operations	P 461,195,550	P 44,080,398	P 4,871,460	P 12,165,460	P 522,312,868
Contract receivables	1,933,411,827	30,356,539	131,296,894	844,063,687	2,939,128,947
Other receivables	267,403,113	-	-	-	267,403,113
	P 2,662,010,490	P 74,436,937	P 136,168,354	P 856,229,147	P3,728,844,928
Loss Allowance	-	-	-	416,532,310	416,532,310

(c) Financial Assets at FVTPL and Investment in Trust Fund

In 2018 and 2017, the Group is exposed to credit risk on its investments in UITF, short-term commercial papers and trust fund. However, the Group has assessed that such risk is minimal since the counterparties are reputable listed leasing company and financial institutions with high quality external credit ratings.

(d) Refundable Security and Bond Deposits, and Investments in RTB

The Group is not exposed to any significant credit risk exposures to its lessors as lease agreements were executed with reputable entities. The Group can negotiate, before the end of the lease term, to apply deposit to rentals due. Also, the investments in RTB and bond deposits are made with the Philippine Government, hence, the exposure on credit risk is assessed by the management to be not be significant.

32.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for six-month and one-year periods 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 placements. 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.

	2019		
	Current		Non-current
	Within 6 Months	6 to 12 Months	1 to 5 Years
Interest-bearing loans and borrowings	P 14,614,706,850	P 66,354,402	P33,882,124,037
Trade and other payables	8,167,589,445	-	-
Security deposits (gross of unearned income)	-	-	586,498,441
	P 22,782,296,295	P 66,354,402	P34,468,622,478

	2018		
	Current		Non-current
	Within 6 Months	6 to 12 Months	1 to 5 Years
Interest-bearing loans and borrowings	P 5,651,033,174	P 63,829,078	P31,065,401,733
Trade and other payables	5,252,402,324	-	-
Security deposits (gross of unearned income)	-	-	148,010,532
Retention payable (under other non-current liabilities)	-	-	186,140,105
	P10,903,435,498	P 63,829,078	P31,399,552,370

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the financial liabilities at the end of reporting periods.

33. CATEGORIES, OFFSETTING AND FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

33.1 Carrying Amounts and Fair Values by Category

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

		2019		2018	
	Notes	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets					
At amortized cost:					
Cash and cash equivalents	5	P 6,518,599,861	P 6,518,599,861	P 5,734,720,648	P 5,734,720,648
Trade and other receivables – net	6	17,373,476,547	17,373,476,547	10,212,127,250	10,212,127,250
Refundable security and bond deposits	12	196,779,733	196,779,733	161,735,967	161,735,967
Investment in trust fund	12	862,704,457	862,704,457	680,421,727	680,421,727
Contract assets	9	3,975,734,097	3,975,734,097	3,060,770,976	3,060,770,976
		28,927,294,695	28,927,294,695	19,849,776,568	19,849,776,568
Financial assets at FVOCI (previously AFS financial assets):	10				
Club shares		1,044,472	1,044,472	1,044,472	1,044,472
Investment in SSPI		2,500,000	2,500,000	2,500,000	2,500,000
		3,544,472	3,544,472	3,544,472	3,544,472
		P 28,930,839,167	P 28,930,839,167	P 19,853,321,040	P 19,853,321,040
Financial Liabilities					
At amortized cost:					
Interest-bearing loans and borrowings	18	P 47,752,912,677	P 48,563,185,289	P 36,780,263,985	P 36,223,346,073
Trade and other payables	17	8,167,589,445	8,167,589,445	5,252,402,324	5,252,402,324
Security deposits*	20	586,498,441	586,498,441	148,010,532	148,010,532
Retention payable*	20	-	-	186,140,105	186,140,105
		P 56,507,000,563	P 57,317,273,175	P 42,366,816,946	P 41,809,899,034

**Under Other Non-current Liabilities*

See Notes 2.4 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 2019 and 2018 and does not have relevant offsetting arrangements except as disclosed in Notes 28.4 and 32.2(b). 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 stockholders. As such, the Group's outstanding receivables from and payables to the same related parties as presented in Note 28 can be potentially offset to the extent of their corresponding outstanding balances.

33.3 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial 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 value 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 Group uses valuation technique, it maximizes the use of observable market data where it is available and rely 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.

33.4 Financial Instruments Measured at Fair Value

The short-term commercial papers amounting to P248.1 million as of December 31, 2017 (nil in 2018) are not quoted in an active market and are measured at amortized cost (see Note 33.5) since upon designation by the Group as financial assets at FVPTL and due to short term nature, approximates the fair value [see Note 32.1(c)]. This is classified under Level 3 of the fair value hierarchy.

Since the fair value of the Group's AFS financial assets approximates the cost amounting to P1.0 million as of December 31, 2017 (nil in 2018), the fair value change is deemed immaterial (see Note 10). The Group's AFS financial assets are under Level 2 of the fair value hierarchy. Moreover, certain equity investment classified as AFS financial asset is carried at cost (see Note 10); hence, such is no longer categorized in the fair value hierarchy.

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 statements of financial position on a recurring basis as of December 31, 2019 and 2018.

	Notes	Level 1	Level 2	Level 3	Total
December 31, 2019					
Financial assets:					
Equity securities –					
Golf club shares	10	**P -**	**P 1,044,472**	**P -**	**P 1,044,472**
Financial liabilities:					
Derivative liability	17	**P -**	**P 78,552,254**	**P -**	**P 78,552,254**
December 31, 2018					
Financial assets:					
Derivative asset	7	P -	P 26,290,139	P -	P 26,290,139
Equity securities –					
Golf club shares	10	-	1,044,472	-	1,044,472
		P -	P 27,334,611	P -	P 27,334,611

The Group has no financial liabilities measured at fair value as of December 31, 2018.

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years.

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

(a) Equity Securities

As of December 31, 2019 and 2018, instrument included in Level 2 comprise equity securities classified as financial assets at FVOCI. These securities were valued based on their fair market values by reference on published share prices of golf club shares and NAVPu for UITF investments as at December 31, 2019 and 2018, respectively. These are included in Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period.

(b) Debt Securities

The fair value of the Group's debt securities which consist of government bonds is estimated by reference to prices quoted in BVAL for 2019 and 2018 representing the net clean closing prices for outstanding government bonds.

33.5 Financial Instruments Measured at Amortized Cost

The table below summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed. Short-term commercial papers are included since these financial instruments are measured at amortized cost, which approximate their fair values upon designation as financial assets at FVTPL (see Note 33.4).

	Level 1	Level 2	Level 3	Total
2019:				
Financial assets:				
Cash and cash equivalents	P6,518,599,861	P -	P -	P 6,518,599,861
Trade and other receivables - net	-	-	17,373,476,547	17,373,476,547
Refundable security and bond deposits	-	-	196,779,733	196,779,733
Investment in trust fund	862,704,457	-	-	862,704,457
Contract assets	-	-	3,975,734,097	3,975,734,097
	P7,381,304,318	**P -**	**P 21,545,990,377**	**P28,927,294,695**
Financial liabilities:				
Interest-bearing loans and borrowings	P -	P -	P 48,563,185,289	P48,563,185,289
Trade and other payables	-	-	8,167,589,445	8,167,589,445
Security deposits	-	-	586,498,441	586,498,441
	P -	**P -**	**P 57,317,273,175**	**P57,317,273,175**
2018:				
Financial assets:				
Cash and cash equivalents	P5,734,720,648	P -	P -	P 5,734,720,648
Trade and other receivables - net	-	-	10,212,127,250	10,212,127,250
Refundable security and bond deposits	-	-	161,735,967	161,735,967
Investment in trust fund	680,421,727	-	-	680,421,727
Contract assets	-	-	3,060,770,976	3,060,770,976
	P6,415,142,375	P -	P 13,434,634,193	P19,849,776,568
2018:				
Financial liabilities:				
Interest-bearing loans and borrowings	P -	P -	P 36,223,346,073	P36,223,346,073
Trade and other payables	-	-	5,252,402,324	5,252,402,324
Security deposits	-	-	148,010,532	148,010,532
Retention payable (under other non-current liabilities)	-	-	186,140,105	186,140,105
	P -	P -	P 41,809,899,034	P41,809,899,034

33.6 Fair Value Measurement for Investment Property Carried at Cost

The table below shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis.

	Note	Level 1	Level 2	Level 3	Total
December 31, 2019	15				
Building for lease		P -	P -	P 3,724,304,346	P 3,724,304,346
Land		-	-	160,270,935	160,270,935
		P -	P -	P 3,884,575,281	P 3,884,575,281
December 31, 2018					
Building for lease		P -	P -	P 3,322,105,588	P 3,322,105,588
Land		-	-	135,610,000	135,610,000
		P -	P -	P 3,457,715,588	P 3,457,715,588

In estimating the fair value of investment property, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's non-financial assets indicated above is their current use.

There has been no change to the valuation techniques used by the Group during the for its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2019.

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Presented below and in the succeeding page is the reconciliation of the Group's liabilities arising from financing activities, which includes both cash and non-cash changes.

	Bank Loans (Note 18.2)	Notes Payable (Note 18.1)	Lease Liabilities (Note 18.3)	Total
Balance as of January 1, 2019	P 30,775,838,256	P 5,846,502,472	P 157,923,257	P 36,780,263,985
Cash flows from financing activities:				
Additional borrowings	17,552,773,199	3,056,288,759	397,446,210	21,006,508,168
Repayment of borrowings	(10,007,821,865)	(49,861,241)	(115,296,405)	(10,172,979,511)
Non-cash financing activities				
Unrealized loss on interest rate swap	104,842,394	-	-	104,842,394
Effect of adoption of PFRS 16	-	-	34,277,641	34,277,641
Balance at December 31, 2019	**P 38,425,631,984**	**P 8,852,929,990**	**P 474,350,703**	**P 47,752,912,677**

	Bank Loans (Note 18.2)	Notes Payable (Note 18.1)	Lease Liabilities (Note 18.3)	Total
Balance as of January 1, 2018	P 22,905,865,437	P 5,836,791,231	P 205,811,673	P 28,948,468,341
Cash flows from financing activities:				
Additional borrowings	11,109,657,723	693,711,241	29,281,321	11,832,650,285
Repayment of borrowings	(4,019,466,826)	(684,000,000)	(77,169,737)	(4,780,636,563)
Loans of acquired subsidiary	825,000,000	-	-	825,000,000
Non-cash financing activities				
Unrealized loss on interest rate swap	(45,218,078)	-	-	(45,218,078)
Balance at December 31, 2018	P 30,775,838,256	P 5,846,502,472	P 157,923,257	P 36,780,263,985

35. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing services commensurate with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position.

The Group sets the amount of capital in proportion to its overall financing structure, equity and liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, re-issuance of treasury shares or sell assets to reduce debt.

	Notes	**2019**	2018
Interest-bearing loans and borrowings	18	**P 47,752,912,677**	P 36,780,263,985
Cash and cash equivalents	5	**(6,518,599,861)**	(5,734,720,648)
Financial assets at FVTPL	7	**-**	(26,290,139)
Net debt		**41,234,312,816**	31,019,253,198
Total equity		**17,998,512,696**	18,004,101,050
		2.29: 1.00	1.72: 1.00

36. OTHER INFORMATION REQUIRED BY THE SECURITIES AND EXCHANGE COMMISSION

R.A. No. 11232, An Act Providing for the Revised Corporation Code of the Philippines (the Revised Corporation Code) took effect on March 8, 2019. The new provisions of the Revised Corporation Code or any amendments thereof have no significant impact to the Group's consolidated financial statements.

P&A Grant Thornton
An instinct for growth™

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

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The Board of Directors and Stockholders
Megawide Construction Corporation and Subsidiaries
(A Subsidiary of Citicore Holdings Investment, Inc.)
20 N. Domingo Street
Brgy, Valencia
Quezon City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Megawide Construction Corporation and Subsidiaries (the Group) for the year ended December 31, 2019, on which we have rendered our report dated May 26, 2020. 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 of the Philippine Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of 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: Mailene Sigue-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 8116539, January 2, 2020, Makati City
SEC Group A Accreditation
Partner - No. 0396-AR-3 (until Oct. 1, 2021)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-20-2018 (until Jan. 25, 2021)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

May 26, 2020

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
LIST OF SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
Schedule A
Financial Assets - Fair Value Through Profit or Loss, Fair Value Through Other Comprehensive Income and Amortized Cost
December 31, 2019

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds or Notes	Amount Shown in the Statement Financial Positon as of Reporting Period	Valued Based on Market Quotation at End of Reporting Period	Income Received and Accrued (iii)
Fair Value through Profit of Loss (FVTPL)				
	-	-	-	
	-	-	-	
	-	-	-	
	-	-	-	-
TOTAL	**-**	**-**	**-**	**-**
Fair Value through Other Comprehensive Income (FVTOCI)				
Investment in Club shares - The City Club, Alphaland Makati Place	-	P 1,044,472	P 1,044,472	-
Investment in Silay Solar Power, Inc. (SSPI)	-	2,500,000	2,500,000	-
TOTAL	**-**	**P 3,544,472**	**P 3,544,472**	**-**
Financial Assets at Amortized Costs				
Cash and cash equivalents	-	P 6,518,599,861	P 6,518,599,861	**P** 62,418,789
Trade and other receivables - net		17,373,476,547	17,373,476,547	441,000,000
Refundable security and bond deposits		196,779,733	196,779,733	-
Investment in trust fund		862,704,457	862,704,457	48,140,757
TOTAL	**-**	**P 24,951,560,598**	**P 24,951,560,598**	**P 551,559,546**

Supplementary information on FVTPL and FVOCI

(i) *This investment represents equity instrument wherein the Group neither exercises control or significant influence as discussed in Note 10 to the consolidated financial statements*

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
Schedule B
Amounts Receivable from Directors, Officers, Employees,
Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2019

Name	Balance at Beginning of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
ABEGAIL CABIGAS	150,000	-	-		150,000	-	150,000
ABEGAIL VICENTE	7,400	-	-		7,400	-	7,400
ABNER CATACUTAN	8,447	10,000	18,447		-	-	-
ADRIAN KUCZMIK	141,259	-	-		141,259	-	141,259
AIKO B. TALORETE	25,000	-	-		25,000	-	25,000
ALBERTO DACUMA	1,238	-	-		1,238	-	1,238
ALEJANDRO MANALO	155,000	-	-		155,000	-	155,000
ALEXANDER UMALI	4,500	-	-		4,500	-	4,500
ALFRED JOSEPH MOLINA	-	297,200	197,600		99,600	-	99,600
ALFREDO C. CASASIS	12,500	-	-		12,500	-	12,500
ALLAN L. VALENZUELA	1,920	-	-		1,920	-	1,920
ALMA GARCIA	32,000	-	-		32,000	-	32,000
ALVIN ESGUERRA	94,400	6,000	-		100,400	-	100,400
ALVIN SOGUILON	3,241	-	-		3,241	-	3,241
ALVIN TORRES	147,232	-	5,682		141,550	-	141,550
ALYANA GRACE T. ROBLEZA	93,702	543,524	443,524		193,702	-	193,702
ANA CLARISSA D. ILAGAN	-	276,000	171,000		105,000	-	105,000
ANA LIZA MANLAPAZ	46,800	-	46,800		-	-	-
ANA LIZA MANLAPAZ	32,000	-	-		32,000	-	32,000
ANDREW ACQUAAH HARRISON	2,294,907	-	-		2,294,907	-	2,294,907
ANGELI A. CADORNA	9,316	-	-		9,316	-	9,316
ANGELICA FERRER	1,445	-	-		1,445	-	1,445
ANNA BHEL SIBUG	3,360	-	-		3,360	-	3,360
ANNA KARENINA M. SALGADO	102,873	-	-		102,873	-	102,873
ANNA KARENINA SALGADO	535,000	90,000	195,000		430,000	-	430,000
ANTHONY TOPACIO	492,266	-	-		492,266	-	492,266
APOLINARIO V. ARGUDO	43,200	-	-		43,200	-	43,200
ARCEL V. GUINOCOR	1,408	-	-		1,408	-	1,408
ARCHIBALD GARCIA	138,664	-	-		138,664	-	138,664
ARGIE C. GLENOGO	2,400	-	-		2,400	-	2,400
ARIA ROSARIO NOGRALES	220,000	-	-		220,000	-	220,000
ARIES BACUAJON	3,185	-	-		3,185	-	3,185
ARIES REGALADO	-	165,255	-		165,255	-	165,255
ARMANDO A. TRASADO	2,400	-	-		2,400	-	2,400
ARMANDO MANAOG	42,474	49,130	91,604		-	-	-
ARMARIE A. BORDEN	20,000	-	-		20,000	-	20,000
ARNOLD G. ANACAYA	2,388	-	-		2,388	-	2,388
ARNOLD I. VILLAFUERTE	3,000	-	-		3,000	-	3,000
ARNOLD R. BASISTER	15,449	-	-		15,449	-	15,449
ARON B. OGATIA	1,440	-	-		1,440	-	1,440
ARSENIO P. SENO	100	-	-		100	-	100
ARTHUR FERNANDEZ	117,540	-	-		117,540	-	117,540
AVIGAEL MANINGO	100,000	-	-		100,000	-	100,000
BANAG, AUDREY PRESA	9,738	-	-		9,738	-	9,738
BEJIE VILLON	6,000	-	6,000		-	-	-
BENA KRISTIE S. UDQUIN	2,528,696	-	-		2,528,696	-	2,528,696
BENJAMIN R. DELA CRUZ	50,000	50,000	-		100,000	-	100,000
BENJAMIN S. FABROA JR.	10,557	62,092	32,291		40,358	-	40,358
BENJAMIN VICENTE JR.	28,208	-	-		28,208	-	28,208
BERNADETTE LAURENTE	-	55,000	-		55,000	-	55,000
BOBBY FERNAN	-	24,000	15,561		8,439	-	8,439
BRYAN BALISI	14,025	-	-		14,025	-	14,025
BRYAN R. MALINAO	127,862	-	-		127,862	-	127,862
BUTCH CASTILLO	26,895	-	-		26,895	-	26,895
CAMELO BASCO	2,000	-	-		2,000	-	2,000
CARLOS L. TRECE	60,790	155,537	5,250		211,077	-	211,077
CARLOS LEITAO	182,396	-	-		182,396	-	182,396
CARLOS TRECE	50,000	-	-		50,000	-	50,000
CARLOS VILCHEZ	48,402	-	-		48,402	-	48,402
CARMEN ANNE LOUISE V. CONTEMPLO	38,240	-	-		38,240	-	38,240
CARMINA LEBOSADA	-	130,000	-		130,000	-	130,000
CAROLINE JEANEL C. LOPEZ	32,000	-	-		32,000	-	32,000
CATHERINE A. PANGANDOYON	41,600	-	-		41,600	-	41,600
CATHERINE C. CENA	7,000	-	-		7,000	-	7,000
CATHERINE LIM	1,800	-	-		1,800	-	1,800
CELSO C. ANCHETA	7,109	-	-		7,109	-	7,109
CEZAR V. MAYHAY	1,550	-	-		1,550	-	1,550
CHARMAINE DE LEON ESPINO	28,833	-	-		28,833	-	28,833
CHARTON BENZULANO	1,550	-	-		1,550	-	1,550
CHERYMAY T. DE TORRES	14,400	-	-		14,400	-	14,400
CHESTER NEIL R. CARBONELL	-	236,777	15,179		221,598	-	221,598
CHITO BILOG	10,000	217,229	169,817		57,412	-	57,412
Balance forwarded	P 8,439,103	P 2,367,743	P 1,413,754	-	P 9,393,093	-	P 9,393,093

Name	Balance at End of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
Balance carried forward	P 8,439,103	P 2,367,743	P 1,413,754	-	P 9,393,093	-	P 9,393,093
CHRISTIAN ALISANDAO	2,000	2,000	-		4,000	-	4,000
CHRISTIAN BIGUEJA	40,800	-	-		40,800	-	40,800
CHRISTIAN JOSEPH ARGOS	338	-	-		338	-	338
CHRISTINE CRISO S. ANGELES	32,000	-	-		32,000	-	32,000
CHRISTINE CRISOL ANGELES	9,600	1,040	-		10,640	-	10,640
CHRISTOPHER L. RUADO	9,000	-	-		9,000	-	9,000
CHRISTOPHER PACA	16,208	-	-		16,208	-	16,208
CRUZ, JESSE N.	-	99,500	-		99,500	-	99,500
CLARISSA CABALDA	29	-	-		29	-	29
CLAUDIA SORIANO	168,935	-	-		168,935	-	168,935
CRISANTO BERTOLDO	1,550	-	-		1,550	-	1,550
CRISANTO CALOS	1,550	-	-		1,550	-	1,550
CRISANTO LABE JR.	2,625	-	-		2,625	-	2,625
CRISMAR MENDEZ	2,000	2,000	-		4,000	-	4,000
CRISTINE A. FORTUNO	30,833	-	-		30,833	-	30,833
CYRIEL A. GAROLACAN	1,650	-	-		1,650	-	1,650
DANILO ANTONIO	2,800	-	-		2,800	-	2,800
DANILO DUMAS	57,000	-	57,000		-	-	-
DANILO N. MAGHANOY	1,650	-	-		1,650	-	1,650
DANILO R. MONTOYA JR.	1,650	-	-		1,650	-	1,650
DARA DEANNA OBIDO	31,329	-	-		31,329	-	31,329
DARLENE JOY MADAMBA	50,000	-	-		50,000	-	50,000
DARLYN PHEIA LOPEZ	41,600	-	-		41,600	-	41,600
DARRYL RAÑOLA	1,550	-	-		1,550	-	1,550
DENMARK P. NUIQUE	7,464	-	-		7,464	-	7,464
DENNIS BIASON	57,600	-	-		57,600	-	57,600
DENTOR P. CABRAL	1,650	-	-		1,650	-	1,650
DEWEY S. OLAYA	175,000	1,909	-		176,909	-	176,909
DEXTER SUAZO	2,625	-	-		2,625	-	2,625
DHANNY JEAN AUGUSTO	2,500	-	-		2,500	-	2,500
DIANA JOY D. VICTORIA	21,500	-	15,000		6,500	-	6,500
DIONISIO A. MAMUAD	1,475	-	-		1,475	-	1,475
DIONISIO M. DELFIN	40,800	-	-		40,800	-	40,800
DIONY D. CANTA	1,475	-	-		1,475	-	1,475
DOMINADOR Z. LUMONTOD	1,475	-	-		1,475	-	1,475
DOMINGO IBARLIN JR.	80	-	-		80	-	80
DONABELLE SISON	32,000	-	-		32,000	-	32,000
DONNA MAY VILLENA	-	389,585	140,988		248,598	-	248,598
DYAN KARLA S. SENO	32,000	-	-		32,000	-	32,000
EBENEZER G. JAMORA	4,000	-	-		4,000	-	4,000
EDDIE CORNELIO	3,200	-	-		3,200	-	3,200
EDELITO C. TAPIC	46,523	-	-		46,523	-	46,523
EDGAR NUGUIT	975	-	-		975	-	975
EDGAR VALERA	543,587	500,000	-		1,043,587	-	1,043,587
EDGAR VALERA	100,000	-	100,000		-	-	-
EDGARDO ABAD	7,380	-	-		7,380	-	7,380
EDGARDO D. MALIT	23,735	-	-		23,735	-	23,735
EDISON A. DOMINGUEZ	1,475	-	-		1,475	-	1,475
EDMAR F. FETALINO	1,650	-	-		1,650	-	1,650
EDMUNDO ALMARIO	50,000	-	-		50,000	-	50,000
EDUARD LANTACA	8,300	-	-		8,300	-	8,300
EDUARDO RAMIREZ	10,504	-	-		10,504	-	10,504
EDUARDO CARDINOZA JR.	1,550	-	-		1,550	-	1,550
EDUARDO DE LEON	4,650	-	-		4,650	-	4,650
EIGHT DRAGON METAL	14,509	-	-		14,509	-	14,509
EINSTEIN O. CHIU	452,970	-	-		452,970	-	452,970
ELGIN G. BARREDO	2,880	-	-		2,880	-	2,880
ELISON JOHN B. RAMOS	9,500	-	-		9,500	-	9,500
ELIZABETH B. LOPEZ	5,000	-	-		5,000	-	5,000
ELMAR MAQUILING	2,000	2,000	-		4,000	-	4,000
ELMER FLANDEZ	4,873	-	-		4,873	-	4,873
ELMER OFILAN	4,640	-	-		4,640	-	4,640
ELMER RIBAMBA	500	-	-		500	-	500
ELPIDIO BORJA I	6,000	-	-		6,000	-	6,000
ELSA AMAT	85,877	-	-		85,877	-	85,877
ELVIN GOLIMLIM	22,660	-	-		22,660	-	22,660
EMILIO GABRIEL S. PEREZ	2,997	-	-		2,997	-	2,997
EMMANUEL JOLEJOLE	3,190	-	-		3,190	-	3,190
ENRICO D. GAW	72,870	-	-		72,870	-	72,870
ENRIQUE RAMOS	19,704	-	-		19,704	-	19,704
EPHRAIM JOSE D. VALDEZ	60,000	110,000	110,000		60,000	-	60,000
ERIC N. GABRIEL	271,753	-	-		271,753	-	271,753
ERICSON BENITEZ BENITEZ	2,000	-	-		2,000	-	2,000
ERNESTH JORDAN ROMANO	6,000	-	-		6,000	-	6,000
ERNESTO N. CONDADA JR.	1,475	-	-		1,475	-	1,475
ERVIN LIMPAG	516	-	-		516	-	516
ERWIN AMARO	1,550	-	-		1,550	-	1,550
ERWIN HERANDOY	1,650	-	-		1,650	-	1,650
ERWIN I. OCHAQUE	1,650	-	-		1,650	-	1,650
ERWIN L. SISON	960	-	-		960	-	960
ESTELITO CENSON JR.	53,160	91,000	77,400		66,760	-	66,760
ESTELITO M. CENSON JR.	78,402	-	-		78,402	-	78,402
Balance forwarded	P 11,320,258	P 3,566,777	P 1,914,142	-	P 12,972,893	-	P 12,972,893

Name	Balance at End of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
Balance carried forward	P 11,320,258	P 3,566,777	P 1,914,142	-	P 12,972,893	-	P 12,972,893
ESTRELLA A. ALVARADO	95,421	-	-		95,421	-	95,421
EUTEMIO R. SARNO	28,800	-	-		28,800	-	28,800
EVELYN ALBARAN BEROU	41,600	-	-		41,600	-	41,600
FARRA MAE PUZON	10,064	-	-		10,064	-	10,064
FELINO CANAYA	15,950	-	-		15,950	-	15,950
FELIPE R. GARCIA JR.	1,550	-	-		1,550	-	1,550
FELIVIC LIGATUB	44,500	53,471	44,313		53,657	-	53,657
FELLOWES, GRANT LEE	-	539,000	-		539,000	-	539,000
FERDINAND A. PADDAYUMAN	74,963	-	-		74,963	-	74,963
FERDINAND B. RODRIGUEZ	15,099	-	-		15,099	-	15,099
FERMIN CHAVEZ JR.	25,700	248,027	273,027		700	-	700
FERNANDO L. PAGATPATAN	1,119	-	-		1,119	-	1,119
FIDEL P. CUERDO	15,664	-	-		15,664	-	15,664
FLORANTE C. PACTAO	1,475	-	-		1,475	-	1,475
FLOREVAR BALDOZA	2,223	-	-		2,223	-	2,223
FRANCESCA MICAELA SANTECO	11,273	-	-		11,273	-	11,273
FRANCIS LUIS C. DE GUZMAN	10,500	-	-		10,500	-	10,500
FRANCISCO B. BELLEZA JR.	1,550	-	-		1,550	-	1,550
FRANCISCO M. GILIG JR.	114	-	-		114	-	114
FRANCISCO M. GILIG, JR.	40,000	-	-		40,000	-	40,000
FRANCISCO RIOJA JR.	3,200	-	-		3,200	-	3,200
FRANKLIN AUSTRIA	4,200	-	-		4,200	-	4,200
FREDERICK B. EBREO	1,650	-	-		1,650	-	1,650
FREDERICK NICOLAS	-	68,500	-		68,500	-	68,500
FREDERICK TAN	68,942	-	-		68,942	-	68,942
FRIDAY TUERES	85,000	12,000	-		97,000	-	97,000
FRITZ LIM	26,895	-	-		26,895	-	26,895
GAURAV AGGARWAL	65,138	-	-		65,138	-	65,138
GEEVERGHESE MATHEW -. JOHN	13,674	-	-		13,674	-	13,674
GENEROSO LLAGONO JR.	2,000	2,000	-		4,000	-	4,000
GENNA C. MIJARES	26,591	-	-		26,591	-	26,591
GEORGE L. BERMUDO	18,200	-	-		18,200	-	18,200
GERALD ROXAS	3,000	-	-		3,000	-	3,000
GIL AZARCON	1,500	-	-		1,500	-	1,500
GIL DONATO	6,086	-	-		6,086	-	6,086
GILBERT L. ZAMORA	1,650	-	-		1,650	-	1,650
GILBERT NEPOMUCINO	1,550	-	-		1,550	-	1,550
GINO TALIBONG	2,000	2,000	-		4,000	-	4,000
GIOVANNI D. RUIZ	61,800	-	-		61,800	-	61,800
GLADYS RETUERTO	54,285	-	-		54,285	-	54,285
GLENDA L. RATUM	-	197,600	-		197,600	-	197,600
GRETCHEN SALDAVIA CACHO	10,000	-	-		10,000	-	10,000
HAYDEE CHUA	57,000	-	-		57,000	-	57,000
HAYDEE MAYOR	3,359	-	-		3,359	-	3,359
HAZELLE A.SILVERIO	-	51,071	27,074		23,998	-	23,998
HEHERSON AGCAOILI	624,832	206,360	221,368		609,824	-	609,824
HERMIE CORNELIO	1,550	-	-		1,550	-	1,550
HERMINIGILDO BAUTISTA JR.	1,550	-	-		1,550	-	1,550
HESOLER RANDY JEMAR	2,000	2,000	-		4,000	-	4,000
IRENEO NARCISO JR.	3,200	-	-		3,200	-	3,200
IRINEO AGUIHAP	39,700	738,650	735,750		42,600	-	42,600
ISIDRO BURAYAG	1,550	-	-		1,550	-	1,550
ISRAEL K. BONAVENTE	6,936	-	-		6,936	-	6,936
IVY MACABALITAO	32,000	-	-		32,000	-	32,000
JAIME BAMBALAN	1,550	-	-		1,550	-	1,550
JAIME M. LOPEZ	56,400	-	-		56,400	-	56,400
JAKE S. ESTEVES	5,005	-	-		5,005	-	5,005
JAN B. DENAGA	2,729	-	-		2,729	-	2,729
JANICE HONORIDEZ	-	745,621	316,264		429,357	-	429,357
JANINE MORAL	28,833	-	-		28,833		28,833
JASPER NOEL CABRERA	89,927	-	-		89,927	-	89,927
JAY ARR LIBATON	2,550	-	-		2,550	-	2,550
JAY CRISOLOGO	18,549	-	-		18,549	-	18,549
JAY GERAND SANTIAGO	1,550	-	-		1,550	-	1,550
JAYCEL ADINA	11,400	3,500	3,400		11,500	-	11,500
JAYPEE C. BELENCIO	16,400	-	-		16,400	-	16,400
JAYSON APOSTOL	1,550	-	-		1,550	-	1,550
JAYSON DELOS SANTOS	43,200	-	-		43,200	-	43,200
JAYSON SOMBRENO	1,550	-	-		1,550	-	1,550
JEAY O. PORTES	41,600	-	-		41,600	-	41,600
JEFE MAHUSAY	1,550	-	-		1,550	-	1,550
JEFEY MANGABON	1,550	-	-		1,550	-	1,550
JEFFERSON R. AREVALO	1,650	-	-		1,650	-	1,650
JEFFREY BAJA	52	-	-		52	-	52
JEFFREY OCAMPO	420,687	-	-		420,687	-	420,687
JEFFREY MIRANDILLA	-	601,430	320,000		281,430	-	281,430
JEFFRY QUICAY	1,550	-	-		1,550	-	1,550
JEIFLYN ALEXIS C. DIZON	42,000	-	-		42,000	-	42,000
JEMIMAH NAOMI DE LOS SANTOS	2,000	2,000	-		4,000	-	4,000
JENEFER G. ALBA	-	1,090,071	384,000		706,071	-	706,071
JENELYN S. GURROBAT	28,667	-	-		28,667	-	28,667
JENER B. TOLOSA	1,920	-	-		1,920	-	1,920
JENNY D. GUITA	26,412	-	-		26,412	-	26,412
JERALBINE NUGUID	63,302	20,000	-		83,302	-	83,302
JERALBINE R. NUGUID	131	-	-		131	-	131
JEREMIAH CARL ALCERA	45	-	-		45	-	45
JEREMIAH JO	1,419	-	-		1,419	-	1,419
JERICHA JAN M. IGNACIO	32,000	-	-		32,000	-	32,000
JERMYN LEAL	76,357	5,000	-		81,357	-	81,357
JEROME C. CABAÑES	1,650	-	-		1,650	-	1,650
JEROME MALUPAY	9,891	-	-		9,891	-	9,891
JERRUIN SALINAS	1,550	-	-		1,550	-	1,550
Balance forwarded	P 14,026,036	P 8,155,079	P 4,239,338	-	P 17,941,777	-	P 17,941,777

Name	Balance at End of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
Balance carried forward	P 14,026,036	P 8,155,079	P 4,239,338	-	P 17,941,777	-	P 17,941,777
JERRY B. HERNANDEZ	14,400	-	-		14,400	-	14,400
JESSIE CORONEL	4,800	-	-		4,800	-	4,800
JESSIE SIGGAOAT	1,550	-	-		1,550	-	1,550
JESUS ARIMBUYUTAN	160,000	160,000	7,000		313,000	-	313,000
JESUS C. IBANEZ, JR.	4,800	-	-		4,800	-	4,800
JESUS GONZALO C. VERGARA JR.	31,850	-	-		31,850	-	31,850
JETON M. COMENDADOR	1,475	-	-		1,475	-	1,475
JHOMER F. PELAEZ	120,000	-	-		120,000	-	120,000
JHORABEL O. ALCANTARA	4,500	-	-		4,500	-	4,500
JIMBO L. MILLARES	2,154	-	-		2,154	-	2,154
JIMMY BANDONG	1,550	-	-		1,550	-	1,550
JIMMY D. DURANGO	975	-	-		975	-	975
JIMMY M. TIMPINA	-	28,393	13,393		15,000	-	15,000
JIMSON D. CUEVAS	3,498	-	-		3,498	-	3,498
JINGO CAOL-OLAN	1,550	-	-		1,550	-	1,550
JO R. AQUINO	9,600	-	-		9,600	-	9,600
JOAN CECILIA L. CARICARI	2,339	-	-		2,339	-	2,339
JOANA MANGAHAS	-	244,050	192,784		51,266	-	51,266
JOANNE CLAIRE S. SIMBAJON	99	-	-		99	-	99
JOEL B. ARNADO	6,000	-	-		6,000	-	6,000
JOEL H. GALANG	6,500	-	-		6,500	-	6,500
JOEL P. MORA JR.	3,300	-	-		3,300	-	3,300
JOEL ROCA	2,890	-	-		2,890	-	2,890
JOEM C. FLOJO	1,650	-	-		1,650	-	1,650
JOEY ALBERT CEREZO	114	-	-		114	-	114
JOEY YAP	16,540	-	-		16,540	-	16,540
JOHN DICK QUITOS	1,550	-	-		1,550	-	1,550
JOHN ENRIQUE V. MADRIGAL II	90,250	248,590	105,250		233,590	-	233,590
JOHN HAROLD B. MANUEL	149,238	-	-		149,238	-	149,238
JOHN HENRY JAY G. MANAIT	52,875	-	-		52,875	-	52,875
JOHN KALVIN CARREON	112,792	240,000	106,000		246,792	-	246,792
JOHN PAUL CADAY	-	333,169	-		333,169	-	333,169
JOHN REY DANIEL	3,200	-	-		3,200	-	3,200
JOHN RONALD RENDON	3,000	-	-		3,000	-	3,000
JOHN VALENTINE S. BINAMIRA	6,000	-	-		6,000	-	6,000
JOHNREL VIDAL	1,550	-	-		1,550	-	1,550
JOMEL ZACARIAS	1,550	-	-		1,550	-	1,550
JOMER DARAMAN	2,525	-	-		2,525	-	2,525
JON PHILIP DONAIRE	27,264	-	-		27,264	-	27,264
JONATHAN F. SALUDEZ	4,850	-	-		4,850	-	4,850
JONATHAN FUGOSO	2,500	-	-		2,500	-	2,500
JORDAN JOEL ORTIZ	3,973	-	-		3,973	-	3,973
JOSE C. RAMIREZ	6,875	-	-		6,875	-	6,875
JOSE C. SAMPANG	97,529	-	-		97,529	-	97,529
JOSE M. GORPIDO, JR.	1,475	-	-		1,475	-	1,475
JOSE RENE D. ESCOMEN	1,027	-	-		1,027	-	1,027
JOSEPH CABOL	1,550	-	-		1,550	-	1,550
JOSEPH CORTEZ	1,000	-	-		1,000	-	1,000
JOSEPH HAYES F. HONORIO	1,762	-	-		1,762	-	1,762
JOSEPH N. IMPERIAL	4,407	-	-		4,407	-	4,407
JOSEPH PAYURAN	1,550	-	-		1,550	-	1,550
JOSUE G. GA	1,650	-	-		1,650	-	1,650
JOUIE V. LEE OLIVER	503,454	-	-		503,454	-	503,454
JOVANIE PASCULADO	1,550	-	-		1,550	-	1,550
JR. S. LLANO	1,650	-	-		1,650	-	1,650
JUAN TIMO	4,750	-	-		4,750	-	4,750
JULIANA ARENAS	49,939	-	-		49,939	-	49,939
JULIEN STEINER	7,810	-	-		7,810	-	7,810
JULIUS BATAYOLA	56,600	-	56,600		-	-	-
JULIUS C. MANDAWE	1,650	-	-		1,650	-	1,650
JUSTINE C. RIVERA	14,400	-	-		14,400	-	14,400
KARA MAE MENDIOLA	41,600	-	-		41,600	-	41,600
KARL JOSEPH A. DEINLA	100,779	30,779	-		131,558	-	131,558
KARRI, LACHA REDDY	1,460	-	-		1,460	-	1,460
KATHERINE DUGTONG	3,148	-	-		3,148	-	3,148
KATHERINE P. VIENA	1,300,000	1,300,000	-		2,600,000	-	2,600,000
KATHLEEN M. TAPIA	32,000	-	-		32,000	-	32,000
KATHY ROSE S. BACANI	99,725	249,625	-		349,351	-	349,351
KEESHELY M. DE VERA	35,331	-	-		35,331	-	35,331
KEITH ANTHONY CALIMAG	1,012,771	584,471	721,971		875,271	-	875,271
KEN REQUER B. PEGALAN	120,771	-	-		120,771	-	120,771
KENETTE MENOR	1,550	-	-		1,550	-	1,550
KENNY MYKELL M. MADRID	43,200	-	-		43,200	-	43,200
KHAREN C. ALFUENTE	41,600	-	-		41,600	-	41,600
KIM BESMONTE	1,550	-	-		1,550	-	1,550
KIM DE LOS SANTOS	4,850	-	-		4,850	-	4,850
KIMBERLY L. BONGHANOY	31,833	-	-		31,833	-	31,833
KIRK ALEXIS B. CABREROS	2,400	-	-		2,400	-	2,400
KRISTINA JERRYLYN T. SALAZAR	32,000	-	-		32,000	-	32,000
KRISTOFFER JAN V. SERIOSA	24,304	-	-		24,304	-	24,304
LALAINE ANN R. ROSALES	6,300	-	-		6,300	-	6,300
LARA MAE A. LOLARGA	15,000	-	-		15,000	-	15,000
LARRY APOSTOL	1,550	-	-		1,550	-	1,550
LARRY NOCEJA	57,600	-	-		57,600	-	57,600
LAUDENCIO DANGIW	1,550	-	-		1,550	-	1,550
LAURITO CABUAL	134	-	-		134	-	134
LAWRENCE F. HARDER	31,561	-	-		31,561	-	31,561
LEOBERT RAMOS	99,999	99,999	-		199,998	-	199,998
LEOBERT RAMOS	29,312	-	-		29,312	-	29,312
LEONARD SANGUENZA	1,550	-	-		1,550	-	1,550
LEONIL FERNIN	1,550	-	-		1,550	-	1,550
LETECIA QUILES	18,500	-	-		18,500	-	18,500
LIBERATO MELICIO JR.	-	395,824	-		395,824	-	395,824
LIBERTY BAYON	41,600	-	-		41,600	-	41,600
LIMWEL P. JUGO	1,650	-	-		1,650	-	1,650
LLORIEN MARIE CRISOSTOMO	20,000	20,000	-		40,000	-	40,000
LLOYD NIÑO A. MASCARIÑAS	73,828	-	-		73,828	-	73,828
LORNA C. LLIDO	90	-	-		90	-	90
LORNA SANTOS	9,600	-	-		9,600	-	9,600
LUCENA B. BAUTISTA	20,389	-	-		20,389	-	20,389
LUCILA FAMILIAR	1,694	-	-		1,694	-	1,694
LUCKY LEBRILLA	1,550	-	-		1,550	-	1,550
LUIGIE LLANO	975	-	-		975	-	975
LUTHER S. GERONIMO	975	-	-		975	-	975
LYMAR MELGAZO	1,550	-	-		1,550	-	1,550
LYNARD G. BARREDO	1,650	-	-		1,650	-	1,650
LYNNIE TEVES	150,000	-	-		150,000	-	150,000
Balance forwarded	P 19,172,943	P 12,089,979	P 5,442,336	-	P 25,820,586	-	P 25,820,586

Name	Balance at End of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
Balance carried forward	P 19,172,943	P 12,089,979	P 5,442,336	-	P 25,820,586	-	P 25,820,586
MA. ABIGAEL JANE LIBRANDO	85,317	266,700	216,700	-	135,317	-	135,317
MA. CECILIA TRABALLO	5,245	-	-	-	5,245	-	5,245
MA. CRISTINA STEPHANIE DAGANTA	-	4,300	-	-	4,300	-	4,300
MA. DARREN CORRE	169,140	171	-	-	169,311	-	169,311
MA. ELOISA ORACION	24,167	-	-	-	24,167	-	24,167
MA. JACINTA VICTORIA T. LUALHATI	402,985	-	-	-	402,985	-	402,985
MA. JANIKA ALCANTARA	11,000	-	-	-	11,000	-	11,000
MA. JONAH PEREYRA	41,729	-	-	-	41,729	-	41,729
MA. LOURDES VALERA	22,647	-	-	-	22,647	-	22,647
MA. ROXANNE A. PAGUIO	2,875	-	-	-	2,875	-	2,875
MA. TERESA D. PACIENTE	160,730	-	-	-	160,730	-	160,730
MA. THERESA PASCUAL	138,840	-	-	-	138,840	-	138,840
MADHU SUDHAN RAO CHERUKURI	8,729	-	-	-	8,729	-	8,729
MAE ANN A. FORCADILLA	61,147	-	-	-	61,147	-	61,147
MAGESH NAMBIAR	268	-	-	-	268	-	268
MAGESH PERAYIL KANNETH	66,273	-	-	-	66,273	-	66,273
MAGESH PERAYIL KANNOTH	49,807	-	-	-	49,807	-	49,807
MAGNUS ALBERTUS CATBAGAN	2,400	-	-	-	2,400	-	2,400
MAILA COROCOTO	49,400	1,300	7,800	-	42,900	-	42,900
MANDY DE VENECIA	4,320	-	-	-	4,320	-	4,320
MANUEL DIAMOS	6,764	-	-	-	6,764	-	6,764
MANUEL LOUIE B. FERRER	830,000	-	-	-	830,000	-	830,000
MANUEL M. ABECO JR.	894	-	-	-	894	-	894
MANUEL MELCHOR BONGULTO	214,644	10,000	10,000	-	214,644	-	214,644
MARCELINO LAQUINDANUM JR.	1,550	-	-	-	1,550	-	1,550
MARCELINO MANGAYA-AY JR.	2,703	-	-	-	2,703	-	2,703
MARCIANO AVENIDO	2,000	-	-	-	2,000	-	2,000
MARCOS PALAPAL	37,750	54,000	91,750	-	-	-	-
MARIA APRIL C. MAN-ON	5,552	-	-	-	5,552	-	5,552
MARIA CELNA BERNARDO	90,000	-	-	-	90,000	-	90,000
MARIA CHRISTINA PELPENOSAS	35,202	-	-	-	35,202	-	35,202
MARIA ELENA O. DEMECILLO	10,004	-	-	-	10,004	-	10,004
MARIA LOURDES M. MOZO	702	-	-	-	702	-	702
MARIA ROWENA MARCELLANO	192,000	-	192,000	-	-	-	-
MARIA SULPICIA POLINGA	157,622	33,000	181,057	-	9,566	-	9,566
MARIA THERESA PASCUAL	160,000	382,720	473,200	-	69,520	-	69,520
MARIBETH J. MONTERO	30,000	-	-	-	30,000	-	30,000
MARICAR V. CRUZ	9,533	-	-	-	9,533	-	9,533
MARICEL CO	116,375	46,375	65,000	-	97,750	-	97,750
MARICEL LUNA	-	54,000	36,500	-	17,500	-	17,500
MARICEL REYES	12,327	-	-	-	12,327	-	12,327
MARICOR AMATA	-	177,928	21,928	-	156,000	-	156,000
MARIE ARCIE ANNE SERCADO	32,000	-	-	-	32,000	-	32,000
MARIE CRISTINA NUQUE	139,668	-	-	-	139,668	-	139,668
MARIE STEPHANIE M. NOLIDO	10,250	-	-	-	10,250	-	10,250
MARILAG LATORRE	8,211	3,997	-	-	12,208	-	12,208
MARILYN ORDENIS	180,000	20,000	-	-	200,000	-	200,000
MARIO LOPE PAR	87,542	578,415	566,853	-	99,105	-	99,105
MARISSA C. GORRE	90,000	-	-	-	90,000	-	90,000
MARJORIE BALINOYOS	30,334	-	-	-	30,334	-	30,334
MARJORIE R. VENTOSO	32,000	-	-	-	32,000	-	32,000
MARK ANTHONY AMORES	-	21,100	-	-	21,100	-	21,100
MARK ANTHONY VALDEZ	10,000	-	-	-	10,000	-	10,000
MARK COPER	4,155	-	-	-	4,155	-	4,155
MARK DANIEL MATA	4,000	-	-	-	4,000	-	4,000
MARK JASON L. GARRERO	1,650	-	-	-	1,650	-	1,650
MARK JOSEPH DIMAYUGA	1,550	-	-	-	1,550	-	1,550
MARK JOSEPH T. OBO	15,527	-	-	-	15,527	-	15,527
MARK LESTER T. GALLEPOSO	14,100	-	-	-	14,100	-	14,100
MARK LLOYD A. RAMIREZ	1,550	-	-	-	1,550	-	1,550
MARK NICKSON P. GARCIA	131,221	1,879,397	333,631	-	1,676,987	-	1,676,987
MARK NIEVERA	45,255	618,967	304,857	-	359,365	-	359,365
MARK U. VILLAGONZALO	3,273	-	-	-	3,273	-	3,273
MARKUS HENNIG	748,057	-	-	-	748,057	-	748,057
MARLA REMEDIOS AVILA	33,524	-	-	-	33,524	-	33,524
MARRY CHRIS MARPA	106,569	-	-	-	106,569	-	106,569
MARTIN MIGUEL FLORES	213,685	197,856	55,000	-	356,541	-	356,541
MARTIN SIMON GIORDAN	18,411	-	-	-	18,411	-	18,411
MARVIN GLORIA	10,489	-	-	-	10,489	-	10,489
MARVIN M. ENCARNACION	1,650	-	-	-	1,650	-	1,650
MARY ANN ZACARIAS	62,876	-	-	-	62,876	-	62,876
MARY GRACE GONZAGA	41,600	-	-	-	41,600	-	41,600
MARY HILDA R. SERRANO	1,162	-	-	-	1,162	-	1,162
MARY JANE T. CAJAYON	41,600	-	-	-	41,600	-	41,600
MARY JOY FAMI	86,892	-	-	-	86,892	-	86,892
MARY JOY S. FAMI	41,600	54,000	-	-	95,600	-	95,600
MARY ROSE HOPE PATRICIO	963	-	-	-	963	-	963
MARYCON SALAZAR	1,905	65,200	65,200	-	1,905	-	1,905
MASASHI WATANABE	-	813,334	193,905	-	619,428	-	619,428
MAURO SAN JOSE	130,000	75,554	143,500	-	62,054	-	62,054
MELCHOR V. HERRERA	1,650	-	-		1,650	-	1,650
MELISSA P. DAVID	140,000	-	30,000		110,000	-	110,000
MELONA DABLO	891	1,005,000	-		1,005,891	-	1,005,891
MELVIN GRAY E. DELA CRUZ	32,000	-	-		32,000	-	32,000
MELVIN LOZANO	15,050	-	-		15,050	-	15,050
MELVINO FAUSTINO	-	115,991	-	-	115,991	-	115,991
MENCHIE C. CADAMPOG	75,000	-	75,000		-	-	-
MENCHIE DIASEN	-	68,664	35,144		33,520	-	33,520
MIA GRACE PAULA S. CORTEZ	53,367	-	-		53,367	-	53,367
MICHAEL BERMUDO	40,000	-	-	-	40,000	-	40,000
MICHAEL JOSEPH PEREYRA	-	75,200	58,800		16,400	-	16,400
MICHELE A. BARROZO	10,000	-	-	-	10,000	-	10,000
Balance forwarded	P 25,146,811	P 18,713,148	P 8,600,160	-	P 35,259,798	-	P 35,259,798

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Balance carried forward	P 25,146,811	P 18,713,148	P 8,600,160	-	P 35,259,798	-	P 35,259,798
MISCHIEL U. ENRIQUEZ	36,905	-	-	-	36,905	-	36,905
MOTHI LAL	3,800	-	-	-	3,800	-	3,800
MYLENE TIBON	335	-	-	-	335	-	335
NELSON LEGARDE	150,000	-	-	-	150,000	-	150,000
NELSON M. CASADO	17,640	-	-	-	17,640	-	17,640
NEMIA M. CORILLA	854,167	-	-	-	854,167	-	854,167
NESTOR C. ABRIAL	8,925	-	-	-	8,925	-	8,925
NESTOR L. SIERVO JR	20,117	-	-	-	20,117	-	20,117
NICANOR NICKIE B. ARENAS	13,875	-	-	-	13,875	-	13,875
NIKKO F. DEL ROSARIO	7,609	-	-		7,609	-	7,609
NIÑO DELOS REYES	124,195	-	-		124,195	-	124,195
NOE G. GERAPUSO	1,027	-	-		1,027	-	1,027
NOEL CADIENTE	1,550	-	-		1,550	-	1,550
NONILON F. MUDLONG	1,650	-	-		1,650	-	1,650
NORMAN N. ESCOBAR	214,450	2,659,262	-		2,873,712	-	2,873,712
NORMAN RESURECCION	3,000	-	-		3,000	-	3,000
PANFILO MARTIN, JR.	140,000	1,736,654	-		1,876,654	-	1,876,654
PEDRO PISUEÑA	3,200	-	-		3,200	-	3,200
PENNYLANE CARAVANA	50,000	-	-		50,000	-	50,000
PETER ENRILE	8,000	-	-		8,000	-	8,000
PHILIP ROMULO FRANCIA	365,519	315,519	-		681,038	-	681,038
PHOEBE KATHERINE B. REYES	29,554	-	-	-	29,554	-	29,554
POLICARPIO VEGA JR.	15,000	-	-	-	15,000	-	15,000
PREMIER C. SEMILLA	41,600	6,720	-	-	48,320	-	48,320
PRINCESS DELOS SANTOS	5,367	-	-	-	5,367	-	5,367
PRINCESS GUMIRAN	5,000	9,000	-	-	14,000	-	14,000
RACHELLE E. CUYOS	525	-	-	-	525	-	525
RAFFY FELICIANO	8,000	-	-	-	8,000	-	8,000
RAIZA JACKIE LOUISE ESPINO	19,974	-	-	-	19,974	-	19,974
RALPH LIM	237,496	-	-		237,496	-	237,496
RAMON LOR	2,950	61,833	8,500	-	56,283	-	56,283
RAMON PACHECO III	17,300	2,600	-	-	19,900	-	19,900
RANDY ADRIANO	11,900	16,970	-	-	28,870	-	28,870
RANDY ESGUERRA	3,000	-	-	-	3,000	-	3,000
RANDY RETES	1,550	-	-	-	1,550	-	1,550
RANIEL ASUELO MONTEROLA	2,000	2,000	-	-	4,000	-	4,000
RAQUEL VERZOSA	26,500	-	-	-	26,500	-	26,500
RAUL B. GOLEZ	15,345	-	-	-	15,345	-	15,345
RAUL SAPIANDANTE	2,400	-	-	-	2,400	-	2,400
RAVISHANKAR SARAVU	61,169	-	-	-	61,169	-	61,169
RAY ALEXIS C. VALINO	66,295	125,088	145,088	-	46,295	-	46,295
RAYMUNDO LAYSON	346,188	-	-	-	346,188	-	346,188
RAYMUNDO P. PRONDA	246,794	-	-	-	246,794	-	246,794
REA G. RUBION	3,845	-	-	-	3,845	-	3,845
REALINO MONTEMOR	6,463	-	-	-	6,463	-	6,463
RECILE POSECION	12,158	-	-	-	12,158	-	12,158
REDINTO M. OLIVERAS	1,475	-	-	-	1,475	-	1,475
REGAN A. TACANDONG	6,720	-	-	-	6,720	-	6,720
REGAN TACANDONG	773,775	51,729	-	-	825,504	-	825,504
REGGIE DASALLA	1,550	-	-	-	1,550	-	1,550
REGIE DELOS NIÑOS	1,650	-	-	-	1,650	-	1,650
REGINA CARMELLI TOLOSA	20,000	-	-	-	20,000	-	20,000
REGOR TITO	-	497,857	-	-	497,857	-	497,857
REJEAN VALENZUELA	41,600	-	-	-	41,600	-	41,600
RENATO ALEGADO	3,255	-	-	-	3,255	-	3,255
RENATO C. ALEGADO	3,360	-	-	-	3,360	-	3,360
REY C. RAMIREZ	19,010	-	-	-	19,010	-	19,010
REYMOND DALAOYAN	2,000	2,000	-	-	4,000	-	4,000
REYNALDO CANDO	3,200	-	-	-	3,200	-	3,200
REYNALDO RODRIN	573,350	115,640	-	-	688,990	-	688,990
REYNOLD JAZARENO	2,600	-	-	-	2,600	-	2,600
RHEA A. TANEO	3,000	-	-	-	3,000	-	3,000
RHODA M. GUCILATAR	2,240	-	-	-	2,240	-	2,240
RHODESSA MALLARI	243,701	-	-	-	243,701	-	243,701
RICARDO AMOTO JR.	1,550	-	-	-	1,550	-	1,550
RICARDO MANUEL	202,165	26,427	153,592	-	75,000	-	75,000
RICARDO SABANAL	2,525	-	-	-	2,525	-	2,525
RICHARD ORTEGA	2,400	-	-	-	2,400	-	2,400
RICHARD PELOTOS	-	18,000	10,000	-	8,000	-	8,000
RICHEL BORDE	41,600	-	-	-	41,600	-	41,600
RICHEL PAGAWITAN	3,800	-	-	-	3,800	-	3,800
RICHIE R. MANLAPAZ	-	211,800	50,200	-	161,600	-	161,600
RICIA VINELLI MONTEJO	37,033	-	-	-	37,033	-	37,033
RICKY DOMONDON	761,061	-	-	-	761,061	-	761,061
ROBERT JASON TORRES	151,388	-	-	-	151,388	-	151,388
ROBERTSON G. QUIRES	1,475	-	-	-	1,475	-	1,475
ROBY CHARLIE G. MALLARI	15,631	-	-	-	15,631	-	15,631
RODERIC CORPORAL	1,650	-	-	-	1,650	-	1,650
RODNEY ANDRE MORALES	5,000	-	-	-	5,000	-	5,000
RODNEY C. GARCIA	3,000	-	-	-	3,000	-	3,000
RODNEY DELICANO	1,550	-	-	-	1,550	-	1,550
RODRIGO S. PAMAHOY	22,292	-	-	-	22,292	-	22,292
ROGELIO RAMOS JR.	-	1,225,000	-	-	1,225,000	-	1,225,000
ROGILYN PONES	29,667	-	-	-	29,667	-	29,667
Balance forwarded	P 31,347,423	P 25,797,246	P 8,967,541	-	P 48,177,128	-	P 48,177,128

Name	Balance at End of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
Balance carried forward	P 31,347,423	P 25,797,246	P 8,967,541	-	P 48,177,128	-	P 48,177,128
ROHSAN ARIEL N. LUCES	1,150	-	-	-	1,150	-	1,150
ROLAND N. RIÑA	1,950	-	-	-	1,950	-	1,950
ROLANDO C. SUAZO	12,600	-	-	-	12,600	-	12,600
ROLEN L. JALIMBAWA	1,650	-	-	-	1,650	-	1,650
ROMAR B. CARNIYAN	1,650	-	-	-	1,650	-	1,650
ROMEO B. BOBILES	1,650	-	-	-	1,650	-	1,650
ROMEO C. SAKAY	1,444	-	-	-	1,444	-	1,444
ROMEO DIAZ	1,000	-	-	-	1,000	-	1,000
ROMEO FURIGAY	636,008	-	-		636,008	-	636,008
ROMMEL ONDONG	104,801	46,000	-	-	150,801	-	150,801
ROMMEL PINEDA	39,914	-	39,914	-	-	-	-
ROMMEL S. OBISPO	988	-	-	-	988	-	988
ROMNICK T. LLENADO	1,650	-	-	-	1,650	-	1,650
RONALD ALLAN M. NICOLAS	15,687	15,687	-	-	31,374	-	31,374
RONALD ROSELLER B. MANGAHAS	127,092	-	-	-	127,092	-	127,092
RONALDO A. NOEL	1,838	-	-	-	1,838	-	1,838
RONALDO PALIN	2,625	-	-	-	2,625	-	2,625
RONIEL ROLDAN	53,006	-	53,006	-	-	-	-
RONILO C. PONSICA	1,650	-	-	-	1,650	-	1,650
RONNIE SALINGAY	1,550	-	-	-	1,550	-	1,550
ROSE ANN ENRIQUEZ	200,000	4,310	-	-	204,310	-	204,310
ROSE CELINE CASTRO	-	524,000	-	-	524,000	-	524,000
ROWENA B. TRILLANA	21,637	-	-	-	21,637	-	21,637
ROY GARCHITORENA	2,000	2,000	-	-	4,000	-	4,000
ROYCE MILTON CATACUTAN	20,159	-	-	-	20,159	-	20,159
RUBEN PEÑALOSA	2,525	-	-	-	2,525	-	2,525
RUBIELIZA ALBAY	124,716	3,856	-	-	128,572	-	128,572
RUFINO DIZO	290,330	-	290,330	-	-	-	-
RUSKY L. FERRER	30	-	-	-	30	-	30
RUSTOM ESTROPIA	37,241	-	-	-	37,241	-	37,241
RYAN ERMAC	40	-	-	-	40	-	40
RYAN GALINDEZ	1,550	-	-	-	1,550	-	1,550
RYAN JAY LAI	238	-	-	-	238	-	238
RYAN P. ERMAC	200,000	-	-	-	200,000	-	200,000
SALVADOR DE GUZMAN	6,350	-	-	-	6,350	-	6,350
SAMUEL A. ELLE	5,000	-	-	-	5,000	-	5,000
SATURNINO D. OLIVER JR.	1,550	-	-	-	1,550	-	1,550
SERGIO S. MALIGRO JR.	7,200	-	-	-	7,200	-	7,200
SHARON D. PEREZ	9,600	-	-	-	9,600	-	9,600
SHEILA G. ANGELES	330	330	-	-	660	-	660
SHEILA MAY V. LLUVIDO	855	-	-	-	855	-	855
SHERRY LEE L. HATAGUE	3,360	-	-	-	3,360	-	3,360
SHERWIN ELOPRE	1,550	-	-	-	1,550	-	1,550
SHERWIN GATBONTON	50,000	-	-	-	50,000	-	50,000
SHERWIN SEGUI	95,000	-	-	-	95,000	-	95,000
SHIELA NEPOMUCENO	5,734	-	-	-	5,734	-	5,734
SONNY BOY G. ENRIQUEZ	51,460	-	-	-	51,460	-	51,460
STEPHANIE GRACE G. MANAL	10,887	-	-	-	10,887	-	10,887
STEPHANIE M. LIM	3,340	-	-	-	3,340	-	3,340
SUDARSHAN MADHAV DODDATHOTA	34,982	-	-	-	34,982	-	34,982
SULPICIA POLINGA	5,750	-	-	-	5,750	-	5,750
SULPICIO A. GARCIA	36,766	-	-	-	36,766	-	36,766
TARCYZJUSZ FROEHLICH	87,328	-	-	-	87,328	-	87,328
TECSON, ULYSSES P.	33,478	-	-	-	33,478	-	33,478
TEDY L. VALLESTERO	480	-	-	-	480	-	480
TIMOTHY JIM ALTONAGA	46,200	-	-	-	46,200	-	46,200
TRACELLE ANNE A. BASILISCO	33,586	-	-	-	33,586	-	33,586
TRACELLE ANNE B. NAVARRO	35,360	-	-	-	35,360	-	35,360
TRISTAN JOHN Y. SANTOS	480	-	-	-	480	-	480
VALERIE AYRA RAMOS	68,676	-	68,676	-	-	-	-
VEN ROGER GOCOTANO	1,650	-	-	-	1,650	-	1,650
VENER TEOPE	-	12,100	-	-	12,100	-	12,100
VENUS V. LOGDAT	32,000	-	-	-	32,000	-	32,000
VICTOR L. ASPA, JR.	2,625	-	-	-	2,625	-	2,625
VILMA P. LUMAPAS II	4,320	-	-	-	4,320	-	4,320
VIRGILIO CARSIDO JR.	41,537	-	-	-	41,537	-	41,537
VIRGILIO UMALI JR.	350	50,202	-	-	50,552	-	50,552
WENNIE S. PALACIO	14,352	-	-	-	14,352	-	14,352
WILLIE G. RUFINO	16,192	-	-	-	16,192	-	16,192
WILTON DY	62,500	-	-	-	62,500	-	62,500
WINSTON V. JIMENEZ	63,515	363,966	167,980	-	259,500	-	259,500
YASMIN LAMBATAN	56,000	-	-	-	56,000	-	56,000
YOLANDA D. SURIO	32,000	-	-	-	32,000	-	32,000
YUNICE C. PRADHAN	2,500	-	-	-	2,500	-	2,500
ZANDY BAUIT	48,906	-	-	-	48,906	-	48,906
TOTAL ADVANCES TO OFFICERS AND EMPLOYEES	P 34,271,539	P 26,819,697	P 9,587,447	-	P 51,503,789	-	P 51,503,789
Advances to related parties under common ownership							
Future State Myspace, Inc.	26,702.00	3,555.00	-	-	30,257.00	-	**30,257.00**
MySpace Properties Inc.	-	10,160,923.00	(16,089.00)	-	10,144,834.00	-	**10,144,834.00**
ISOC Holdings, Inc.	-	757,143.00	-	-	757,143.00	-	**757,143.00**
ESA Group of Companies Inc.	-	30,805.00	-	-	30,805.00	-	**30,805.00**
Altria East Land, Inc.	-	3,779.00	-	-	3,779.00	-	**3,779.00**
Citicore Power Inc.	3,144,344,020.00	31,459,669.00	-	-	3,175,803,689.00	-	**3,175,803,689.00**
TOTAL ADVANCES TO RELATED PARTIES UNDER COMMON OWNERSHIP	3,144,370,722.00	42,415,874.00	(16,089.00)	-	3,186,770,507.00	-	3,186,770,507.00
ULTIMATE PARENT COMPANY	146,736,123.00	2,922,635,602.00	-	-	3,069,371,725.00	-	**3,069,371,725.00**
Advances to non-controlling interest							
Others	1,501,868.00	10,743,502.00	(841,103.00)	-	11,404,267.00	-	11,404,267.00
TOTAL ADVANCES TO MINORITY INTEREST	1,501,868.00	10,743,502.00	(841,103.00)	-	11,404,267.00	-	11,404,267.00
	3,326,880,252.00	**3,002,614,675.00**	**8,730,255.00**	**-**	**6,319,050,288.00**	**-**	**6,319,050,288.00**

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
Schedule C
Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
December 31, 2019

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
MWM Terminals, Inc. (MWMTI)	P 1,450,311,790	P 67,435,354	-	P -	P 1,517,747,144	P -	P 1,517,747,144
Megawide Construction (BVI) Corporation (MCBVI)	45,829,514	102,523,920			148,353,434		148,353,434
Megawide Terminals, Inc. (MTI)	526,604,034		46,425,326		480,178,708		480,178,708
Globemerchants, Inc.	-	25,000,000		-	25,000,000	-	25,000,000
Megawide Land Inc. (MLI)	-	2,643,495		-	2,643,495	-	2,643,495
Megawide International Limited (MIL)	-	102,906,182		-	102,906,182	-	102,906,182
GMR Megawide Cebu Airport Corporation (GMCAC), Subsidiary	314,527,460	5,399,990	89,939,701	-	229,987,749	-	229,987,749

Supplementary information –

Megawide has receivables from MWMTI and MIL for construction and engineering services provided.

MSPI paid certain expenses related to the development of SJDM Prima Casa Project and audit fee in behalf of MLI.

In November 2019, Globemerchants, 50% owned by Megawide, declared P50 million dividends. The dividends declared remained unpaid as of December 31, 2019.

Megawide, through its share in assets of the Megawide GISPL Construction Joint Venture (MGCJV), has a receivable to GMCAC for the billings of completed works at the end of the year.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
Schedule D
Intangible Assets
December 31,2019

Description	Beginning Balance, net of accumulated amortization	Additions at Cost	*Deduction*			Ending Balance, net of accumulated amortization
			Charged to Cost and Expenses (iii)	Charged to Other Accounts	Other Changes Additions (Deductions)	
(i) Computer software license	P 36,980,796	P 27,538,033	(P 14,938,847)	(P 2,264,142)	P -	P 47,315,840
(ii) Concession assets	28,289,313,079	1,885,869,964	(738,596,573)	-	-	29,436,586,470
TOTAL	**P 28,326,293,875**	**P 1,913,407,997**	**(P 753,535,420)**	**(P 2,264,142)**	**P -**	**P 29,483,902,310**

Supplementary information on Intangible Assets:

(i) *Computer software license and system are presented as part of other non-current assets in the consolidated statement of financial position. Its additions during the period represent software customization fees, new human resource system and various installation fees. Charged to other accounts pertains to reclassification of certain computer software license to property, plant and equipment in relation to the construction of the new T2 bulding and structural design.*

(ii) *Concession assets pertain to GMR Megawide Cebu Airport Corp.'s payment for bid premium and other related expenditures pertaining to the Cebu-Mactan Internation Airport Project.*

(iii) Computer license software and system are amortized on a straight-line basis over the estimated useful lives of five years. Concession assets are amortized over 25 years, the concession period using the units of production method.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
Schedule E
Long-Term Debt
December 31, 2019

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown Under Caption"Current Portion of Long-term Debt" in Related Statement of Financial Position	Amount Shown Under Caption"Long-Term Debt" in Related Statement of Financial Position
Bank loans (i)	P 38,425,631,984	P 10,791,617,597	P 27,634,014,387
Note payable (ii)	8,852,929,990	3,750,000,000	5,102,929,990
Lease liabilities (iii)	474,350,703	139,443,656	334,907,047
Total	**P 47,752,912,677**	**P 14,681,061,253**	**P 33,071,851,424**

Supplementary information on Long-term Debt

(i) *Total bank loans represent certain omnibus loan security agreement (OLSA) and other bank loans that were entered into with various local universal banks comprising of P17,200.0 million drawdown from the OLSA with maturity of 15 years, and P2,500.0 million short-term unsecured bank loans.*

(ii) *Total notes payable represents unsecured availments from two notes facility agreement with a local bank for private placement amounting to P4,000.0 million in 2013 and P1,000.0 million in 2016. These notes have maturity term that ranges from five to ten years from date of issue.*

In September 2016 and December 2016, the Parent Company availed an unsecured corporate 10-year corporate loans amounting to P650.0 million and P350.0 million to refinance the 5-year corporate note issued in 2011. Also, the Parent Company availed another P1,000.0 million unsecured 10-year corporate note for capital expenditures and general corporate requirments.

(iii) *Lease liabilities have an effective interest rate of 7.0% and 6.0% in 2019 and 2018 with maturity of three to five years from the date of transaction.*

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
Schedule F
Indebtedness to Related Parties
December 31, 2019

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
Advances from other related party under common ownership	P 44,683,199	P -
Advances from Megawide GMR Construction Joint Venture, Inc.	14,883,628	-
Advances from Citicore-Megawide Consotium, Inc. (CMCI)	-	20,000,000
Total	**P 59,566,827**	**P 20,000,000**

Supplementary information on Indebtedness to Related Parties

[1] *The Group obtained unsecured, noninterest-bearing cash advances from its associate, CMCI, for working capital requirements, which are payable on demand. its working capital requirements, which are payable on demand. Citicore paid for the Parent Company's agreed subscription of MWCCI in 2014 and CMCI in 2012. These advances are noninterest-bearing and payable on demand.*

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
Schedule G
Guarantees of Securities of Other Issuers
December 31, 2019

Name of Related Party	Amount	
Citicore Holdings, Inc. (CHI)	P	4,500,000,000
Total	**P**	**4,500,000,000**

Supplementary information on Guarantees of Securities and Other Issuers

[1] *On December 26, 2019, the Group's Board of Directors approved the issuance of corporate guaranty infavour of CHI as part of the governance initiative of the Group to provide assistance, as needed, to new and other businesses to help them mature and produce strong and predictable cash flows to become stable and consistend to the Group.*

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
Schedule H
Capital Stock
December 31, 2019

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown Under the Related Statement of Financial Postion Caption (i)	Number of Shares Reserved for Options, Warrants, Coversion and Other Rights	Number of Shares Held By		
				Related Parties	Directors, Officers and Employees	Others
Common	4,930,000,000	2,063,633,817	-	1,330,634,698	18,775,289	714,223,830
Preferred	70,000,000	40,000,000.00	-	-	-	40,000,000

(i) On July 20, 2016, the Parent Company's BOD approved the buy-back of 410.8 million common shares held by Sybase Equity Investment Corporation at a price equal to the 7-trading day volume weighted average price ending on July 28, 2016 or equivalent to P10.03 per share. Total purchase price of the treasury shares including incidental cost of the buy-back amounted P4.138.8 million.

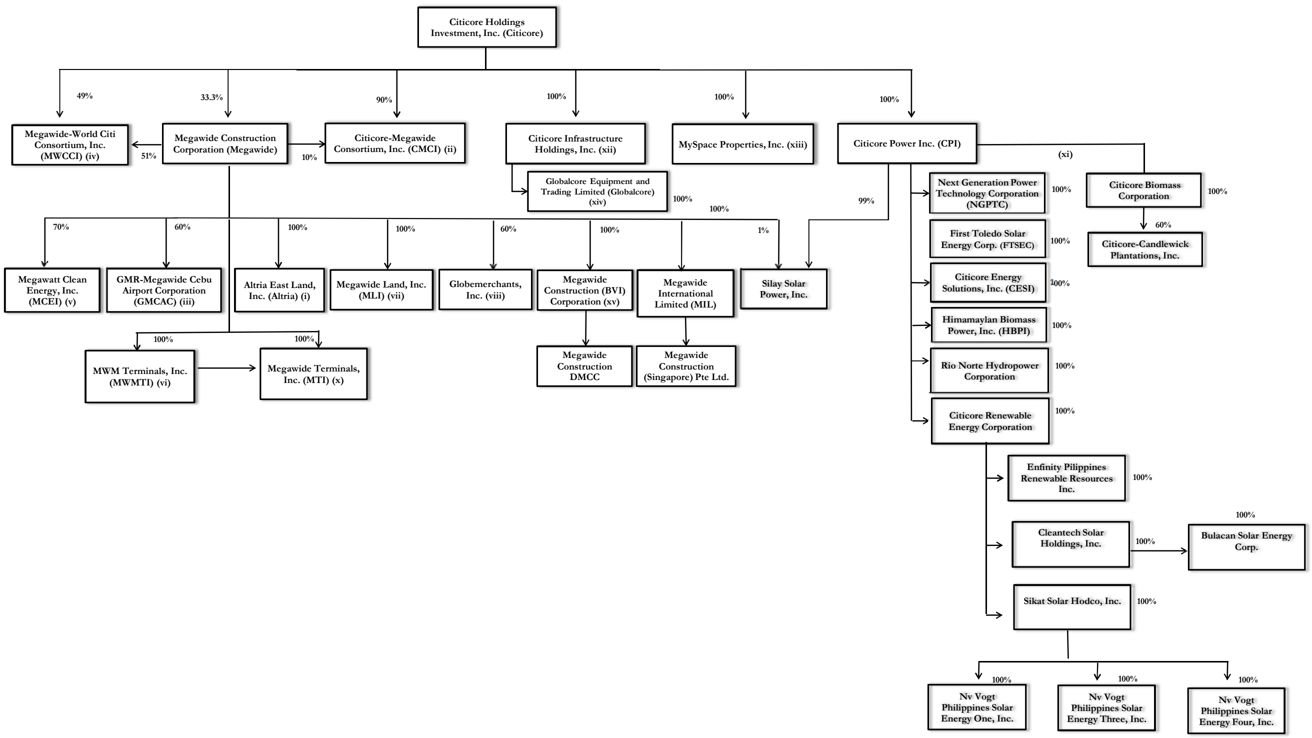
On October 20, 2016, the Parent Company's BOD approved the sale of its 150.0 million treasury shares at P14.90 per share. Net proceeds of the sale of treasury share amounted to P2,181.7 million, net of incidental cost of the transaction. Outstanding balance of the treasury shares after the sale is 260.8 million treasury shares at cost of P2,627.7 million.

On October 1, 2018, the Parent Company's BOD approved a share buyback program worth up to P2.0 billion over a period of two years. Total cost to acquire treasury shares in 2018 amounted to P824.77 million which is equivalent to 48.81 shares. In 2019, pursuant to the share buyback program, the Company acquired treasury cost amounted to P458 million (equivalent to 26 million shares). On March 3, 2020, the BOD approved an additional P3 billion to its Share buyback program (the "Program"), making it a total of P5 billion and removal of the period within which to execute the Program, making it open-ended.

MEGAWIDE CONSTRUCTION CORPORATION
Reconciliation of Retained Earnings Available for Dividend Declaration
For Year Ended December 31, 2019

Unappropriated Retained Earnings of the Parent Company at Beginning of Year	**[A]**	P	1,495,814,755
Prior Periods' Outstanding Reconciling Item			
Deferred tax income			178,158,144
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted	**[D]**		1,673,972,899
Net Profit of the Parent Company Realized During the Year			
Net profit per audited financial statements			638,133,955
Non-actual/unrealized income			
Deferred tax income related to deferred tax assets recognized in the profit or loss during the year	**[C]**		102,224,710
Other Transaction During the Year			
Treasury shares - at cost		(	457,791,074)
Cash dividends to preferred and common shareholders		(	528,636,059)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year		**P**	**1,427,904,431**

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
MAP SHOWING THE RELATIONSHIP BETWEEN THE COMPANY AND ITS RELATED ENTITIES
December 31, 2019



Supplementary information:

(i) Megawide's acquisition of Altria is treated as an acquisition of asset and not a business acquisition. Hence, Altria is not considered a subsidiary of the Megawide.

(ii) The rights and powers of Megawide over the management and control of the CMCI are exercised through a seat in the Board of Directors (BOD). Taking this into consideration, the Megawide concluded that it has significant influence over the investee; accordingly the investment is accounted for as an investment in associate.

(iii) Megawide acquired 15.0 million shares of stock of GMCAC which represent 60% of GMCAC's issued and outstanding capital stock, giving Megawide control over the financial and operations of GMCAC.

(iv) Megawide acquired 51% ownership interest in MWCCI, but accounted for the investment as an associate since it does not have control over MWCCI's relevant activities. Citicore acquired 68% effective ownership interest over MWCCI, hence, obtained the control over MWCCI.

(v) On September 4, 2014, the Company acquired 70% of the issued and outstanding capital stock of MCEI. The investment in MCEI is accounted for as an investment in subsidiary.

(vi) MWMTI was accounted for as a subsidiary due to the acquisition of 100% ownership in MTI, resulting to the increase in effective ownership of Megawide in MWMTI from 51% to 100%.

(vii) On October 28, 2016, the Parent Company acquired a 100% ownership interest in MLI, an entity incorporated in the Philippines. MLI is incorporated primarily to engage in real estate and related business.

(viii) On May 5, 2016, the Parent Company acquired a 60% ownership interest in Globemerchants, a company incorporated in the Philippines, primarily engaged in exporting, buying, selling, distributing, marketing at a wholesale in so far as may be permitted by law all kinds of goods, wares and merchandise of every kind and description.

(ix) In February 2016, SSPI's unissued shares of stock were acquired by CPI resulting in a 75% equity interest over SSPI and diluting Megawide's equity interest over SSPI from 100% to 25%. Hence, SSPI ultimatley became a subsidiary of CPI. In 2016, the Megawide's equity interest was reduced from 100% to 1% upon acquisition of a related party under common ownership.

(x) In August 2018, Megawide acquired the outstanding shares of MTI representing 100% ownership, making it a wholly owned subsidiary of Megawide.

(xi) In 2016, the following newly incorporated entities: HBPI, CESI, BGESSI, NGESSI, LGESSI and CGESSI, become wholly owned subsidiaries of the CPI upon subscription on their common shares.

In 2015, CPI acquired NGPTC. CPI acquired additional shares of NGPTC through conversion of advances to equity investments.

In November 2015, CPI entered into a share purchase agreement (SPA) for the acquisition of FTSEC for $12.0 million. CPI paid the former stockholder of FTSEC amounting to P40.1 million. The agreement was subsequently amended and reduced the purchased price to $9.6 million. CPI gained control on FTSEC in May 2016 upon significant compliance of the parties to the SPA. CPI then recognized FTSEC as its subsidiary.

(xii) In March 2015, CHI acquired 100% ownership to CIHI. CIHI was established primarily to engage in buying and holding shares of other companies, either by subscribing to unissued shares of capital stock in public or private offering or by purchasing the shares of other stockholders by way of assignment in private sale.

(xiii) In January 2012, upon execution of Deed of assignment between CHI and Myspace's stokholders, the 100% ownership of Myspace was transferred to CHI.

(xiv) Globalcore is a foreign registered and domiciled in Hong Kong, which is primarilty engaged in buying, selling, importing, and exporting of general equipment.

(xv) On June 20, 2017, the Parent Company acquired a 100% ownership interest in MCBVI, an entity incorporated in the territory of British Virgin Islands, a primarily engage in buying and holding shares of other companies.

(xvi) MIL, whose registered office is at Marcy Building, 2nd Floor, Purcell Estate, P.O. Box 2416, Road Town Tortola, British Virgin Islands, was incorporated on July 26, 2019.

MEGAWIDE CONSTRUCTION CORPORATION
Schedule of Preferred Shares Proceeds
Under SRC Rule 68, as amended
December 31, 2019
(Amounts in Philippine Pesos)

Preferred Shares Proceeds			P	4,000,000,000
Less: Issuance related expenses				
Underwriter fees	P	53,598,978		
Professional fees		5,189,714		
Registration and taxes		2,535,625		
Bank charges		201,400		61,525,717
Net Preferred Shares Proceeds				3,938,474,283
Less: Disbursements				
Mactan-Cebu International Airport	P	1,184,173,963		
Southwest Integrated Transport System		1,492,086,981		
Clark Airport		553,054,645		
Public School Infrastructure Project (PSIP) Phase II		542,878,283		
Privatization of Airports		110,542,553		
Project Development of Renewable Energies		31,775,538		
Regional Prison Facilities		23,962,320		3,938,474,283
Balance of Preferred Shares Proceeds as of December 31, 2019				-

P&A Grant Thornton
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Report of Independent Auditors on Components of Financial Soundness Indicators

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The Enterprise Center
6766 Ayala Avenue
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The Board of Directors and Stockholders
Megawide Construction Corporation and Subsidiaries
(A Subsidiary of Citicore Holdings Investment, Inc.)
20 N. Domingo Street
Brgy, Valencia
Quezon City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of of Megawide Construction Corporation and Subsidiaries (the Group) for the year ended December 31, 2019 and 2018, on which we have rendered our report dated May 26, 2020. Our audit was 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 purposes 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. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for each of the two years in the period ended December 31, 2019 and no material exceptions were noted.

PUNONGBAYAN & ARAULLO

By: Mailene Sigue-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 8116539, January 2, 2020, Makati City
SEC Group A Accreditation
Partner - No. 0396-AR-3 (until Oct. 1, 2021)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-20-2018 (until Jan. 25, 2021)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

May 26, 2020

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
Supplemental Schedule of Financial Soundness Indicators
December 31, 2019 and 2018

Ratio	Formula	2019	Formula	2018
Current ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets 35,465,662,114 Divide by: Total Current Liabilities 27,999,982,419 Current ratio 1.27	1.27	Total Current Assets divided by Total Current Liabilities Total Current Assets 24,790,484,826 Divide by: Total Current Liabilities 16,565,276,062 Current ratio 1.50	1.50
Acid test ratio	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities Total Current Assets 35,465,662,114 Less: Inventories (1,287,127,532) Other Current Assets (6,310,724,077) Contract Assets (3,975,734,097) Quick Assets 23,892,076,408 Divide by: Total Current Liabilities 27,999,982,419 Acid test ratio 0.85	0.85	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities Total Current Assets 24,790,484,926 Less: Inventories (865,035,029) Other Current Assets (4,891,540,884) Contract Assets (3,060,770,976) Quick Assets 15,973,138,037 Divide by: Total Current Liabilities 16,565,276,062 Acid test ratio 0.96	0.96
Solvency ratio	Total Liabilities divided by Total Assets Total Liabilities 62,765,813,535 Divide by: Total Assets 80,764,326,231 Solvency ratio 0.78	0.78	Total Liabilities divided by Total Assets Total Liabilities 47,901,608,543 Divide by: Total Assets 65,905,709,593 Solvency ratio 0.73	0.73
Debt-to-equity ratio	Total Liabilities divided by Total Equity Total Liabilities 62,765,813,535 Divide by: Total Equity 17,998,512,696 Debt-to-equity ratio 3.49	3.49	Total Liabilities divided by Total Equity Total Liabilities 47,901,608,543 Divide by: Total Equity 18,004,101,050 Debt-to-equity ratio 2.66	2.66
Assets-to-equity ratio	Total Assets divided by Total Equity Total Assets 80,764,326,231 Divide by: Total Equity 17,998,512,696 Assets-to-equity ratio 4.49	4.49	Total Assets divided by Total Equity Total Assets 65,905,709,593 Divide by: Total Equity 18,004,101,050 Assets-to-equity ratio 3.66	3.66
Interest rate coverage ratio	Earnings before interest and taxes (EBIT) divided by Interest expense EBIT 3,458,255,761 Divide by: Interest expense 2,023,018,225 Interest rate coverage ratio 1.71	1.71	EBIT divided by Interest expense EBIT 3,457,690,839 Divide by: Interest expense 1,070,672,509 Interest rate coverage ratio 3.23	3.23
Return on equity	Net Profit divided by Total Equity Net Profit 1,111,034,814 Divide by: Average Equity 18,001,306,873 Return on equity 0.06	0.06	Net Profit divided by Total Equity Net Profit 1,894,174,171 Divide by: Average Equity 18,069,772,660 Return on equity 0.10	0.10
Return on assets	Net Profit divided by Total Assets Net Profit 1,111,034,814 Divide by: Average Assets 73,335,017,912 Return on assets 0.02	0.02	Net Profit divided by Total Assets Net Profit 1,894,174,171 Divide by: Average Assets 60,161,762,699 Return on assets 0.03	0.03
Net profit margin	Net Profit divided by Total Revenue Net Profit 1,111,034,814 Divide by: Total Revenue 19,881,804,848 Net profit margin 0.06	0.06	Net Profit divided by Total Revenue Net Profit 1,894,174,171 Divide by: Total Revenue 15,991,991,427 Net profit margin 0.12	0.12

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2020 AND DECEMBER 31, 2019
(Amounts in Philippine Pesos)

	(Unaudited) **March 31, 2020**	(Audited) December 31, 2019
A S S E T S		
CURRENT ASSETS		
Cash and cash equivalents	**P 4,553,976,841**	P 6,518,599,861
Trade and other receivables - net	**15,737,222,425**	17,373,476,547
Construction materials	**1,150,878,425**	1,287,127,532
Contract assets	**5,655,664,762**	3,975,734,097
Other current assets	**6,734,906,827**	6,310,724,077
Total Current Assets	**33,832,649,280**	35,465,662,114
NON-CURRENT ASSETS		
Financial assets at fair value through other comprehensive income	**3,544,472**	3,544,472
Investments in associates	**969,878,589**	959,506,555
Concession assets	**29,479,723,827**	29,436,586,470
Property, plant and equipment - net	**7,844,490,196**	7,968,155,611
Investment properties	**3,867,291,586**	3,884,575,281
Deferred tax assets - net	**39,701,473**	44,298,557
Other non-current assets	**3,634,337,703**	3,001,997,171
Total Non-current Assets	**45,838,967,846**	45,298,664,117
TOTAL ASSETS	**P 79,671,617,126**	P 80,764,326,231

		(Unaudited) March 31, 2020		(Audited) December 31, 2019
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Interest-bearing loans and borrowings	P	13,129,763,660	P	14,681,061,253
Trade and other payables		8,294,543,631		8,167,589,445
Contract liabilities		5,038,027,572		4,931,270,019
Other current liabilities		291,470,412		220,061,764
Total Current Liabilities		26,753,805,275		27,999,982,481
NON-CURRENT LIABILITIES				
Interest-bearing loans and borrowings		33,752,645,242		33,071,851,424
Post-employment defined benefit obligation		341,841,233		340,207,630
Deferred tax liabilities - net		655,145,803		612,629,934
Other non-current liabilities		754,011,112		741,142,106
Total Non-current Liabilities		35,503,643,390		34,765,831,094
Total Liabilities		62,257,448,665		62,765,813,575
EQUITY				
Equity attributable to shareholders of the Parent Company:				
Common stock		2,399,426,127		2,399,426,127
Preferred stock		40,000,000		40,000,000
Additional paid-in capital		8,776,358,765		8,776,358,765
Revaluation reserves	(	63,458,200)	(	63,458,200)
Other reserves	(	22,400,287)	(	22,400,287)
Treasury shares	(	4,635,582,713)	(	3,912,617,536)
Retained earnings		7,249,444,082		7,083,442,672
Total equity attributable to shareholders of the Parent Company		13,743,787,775		14,300,751,541
Non-controlling interests		3,670,380,686		3,697,761,116
Total Equity		17,414,168,461		17,998,512,656
TOTAL LIABILITIES AND EQUITY	P	79,671,617,126	P	80,764,326,231

See Notes to Consolidated Condensed Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(UNAUDITED)
(Amounts in Philippine Pesos)

	March 31, 2020	March 31, 2019
REVENUES		
Construction operation revenues	P 3,907,809,279	P 2,567,727,559
Airport operations revenues	803,318,810	891,994,561
Trading operations revenues	64,794,831	84,918,604
Terminal operations revenue	286,947,160	20,003,363
	5,062,870,080	3,564,644,086
DIRECT COSTS		
Cost of construction operations	3,319,400,872	2,171,979,201
Costs of airport operations	348,889,214	366,841,747
Costs of trading operations	16,519,606	22,031,831
Costs of terminal operations	74,839,609	15,927,021
	3,759,649,302	2,576,779,800
GROSS PROFIT	1,303,220,779	987,864,287
OTHER OPERATING EXPENSES	407,346,673	257,118,581
OPERATING PROFIT	895,874,105	730,745,705
OTHER INCOME (CHARGES)		
Finance costs - net	(540,871,163)	(347,442,908)
Others - net	(46,949,626)	65,403,834
	(587,820,789)	(282,039,075)
PROFIT BEFORE TAX	308,053,316	448,706,631
TAX EXPENSE	99,182,334	167,049,268
NET PROFIT	P 208,870,982	P 281,657,362
Net Profit Attributable To:		
Shareholders of the Parent Company	P 236,251,410	P 239,255,164
Non-controlling interests	(27,380,429)	42,402,198
	P 208,870,981	P 281,657,362
Earnings per Share	P 0.08	P 0.08

See Notes to Consolidated Condensed Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(UNAUDITED)
(Amounts in Philippine Pesos)

	Common Stock	Preferred Stock	Treasury Shares	Additional Paid-in Capital	Revaluation Reserves	Other Reserves	Retained Earnings	Total	Non-controlling Interests	Total
Balance at January 1, 2020	P 2,399,426,127	P 40,000,000	(P 3,912,617,536)	P 8,776,358,765	(P 63,458,199)	(P 22,400,287)	P 7,083,442,672	P 14,300,751,542	P 3,697,761,116	P 17,998,512,658
Acquisition of treasury shares	-	-	(722,965,177)	-	-	-	-	(722,965,177)	-	(722,965,177)
Cash dividends	-	-	-	-	-	-	(70,250,000)	(70,250,000)	-	(70,250,000)
Total comprehensive income for the year	-	-	-	-	-	-	236,251,410	236,251,410	(27,380,430)	208,870,981
Balance at March 31, 2020	**P 2,399,426,127**	**P 40,000,000**	**(P 4,635,582,713)**	**P 8,776,358,765**	**(P 63,458,199)**	**(P 22,400,287)**	**P 7,249,444,082**	**P 13,743,787,775**	**P 3,670,380,687**	**P 17,414,168,461**
Balance at January 1, 2019	P 2,399,426,127	P 40,000,000	(P 3,454,826,462)	P 8,776,358,765	P 15,204,702	(P 22,474,837)	P 6,752,591,330	P 14,506,279,625	P 3,497,821,425	P 18,004,101,050
Acquisition of treasury shares	-	-	(99,521,677)	-	-	-	-	(99,521,677)	-	(99,521,677)
Cash dividends	-	-	-	-	-	-	(70,250,000)	(70,250,000)	-	(70,250,000)
Total comprehensive income for the year	-	-	-	-	-	-	239,255,161	239,255,161	42,402,198	281,657,359
Balance at March 31, 2019	**P 2,399,426,127**	**P 40,000,000**	**(P 3,554,348,139)**	**P 8,776,358,765**	**P 15,204,702**	**(P 22,474,837)**	**P 6,921,596,491**	**P 14,575,763,109**	**P 3,540,223,623**	**P 18,115,986,732**

See Notes to Consolidated Condensed Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(UNAUDITED)
(Amounts in Philippine Pesos)

	March 31, 2020	March 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	P 308,053,316	P 448,706,633
Adjustments for:		
Finance costs	577,357,530	401,720,449
Depreciation and amortization	481,868,097	349,326,060
Finance income	(134,480,250)	(54,277,541)
Equity in net losses (gains) on associates and joint venture	(7,312,068)	763,913
Gain on disposals of property, plant and equipment	(2,935,367)	-
Operating profit before working capital changes	1,222,551,258	1,146,239,514
Decrease (increase) in trade and other receivables	1,716,863,646	(94,525,047)
Decrease in construction materials	136,249,107	33,274,026
Increase in contract assets	(1,679,930,671)	(549,685,336)
Increase in other current assets	(377,069,797)	(698,168,237)
Increase in trade and other payables	374,590,244	143,745,684
Increase (decrease) in contract liabilities	106,757,553	(888,811,898)
Increase in other liabilities	84,277,658	29,593,875
Increase in post-employment defined benefit obligation	1,633,602	1,354,533
Cash generated from (used in) operations	1,585,922,600	(876,982,886)
Cash paid for income taxes	(99,182,334)	(167,049,268)
Net Cash From (Used in) Operating Activities	1,486,740,266	(1,044,032,154)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to concession assets	(192,211,149)	(221,384,503)
Investment properties	-	(331,289,620)
Increase in other non-current assets	(188,303,140)	
Acquisitions of property, plant and equipment,	(188,909,829)	(30,862,280)
Increase in investment in trust fund	(444,037,392)	(722,551,855)
Interest received	53,870,726	54,277,541
Acquisitions of sale of property, plant and equipment	-	(185,356,406)
Proceeds from sale (purchase) of financial assets at fair value through pr	-	26,290,139
Net Cash Used in Investing Activities	(962,650,750)	(1,410,876,984)
Balance carried forward	P 524,089,516	(P 2,454,909,138)

	March 31, 2020	March 31, 2019
Balance brought forward	**P 524,089,516**	(P 2,454,909,138)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (Repayment of) interest-bearing loans	**(870,503,772)**	1,294,096,945
Interest paid	**(577,357,530)**	(202,939,614)
Dividends paid	**(317,886,058)**	(70,250,000)
Acquisition of treasury shares	**(722,965,177)**	(99,521,677)
Net Cash From (Used In) Financing Activities	**(2,488,712,537)**	921,385,654
NET INCREASE IN CASH AND CASH EQUIVALENTS	**(1,964,623,020)**	(1,533,523,484)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**6,518,599,861**	5,734,720,648
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**P 4,553,976,841**	P 4,201,197,164

See Notes to Condensed Consolidated Financial Statements

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
SELECTED NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020, DECEMBER 31 AND MARCH 31, 2019
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Incorporation and Operations

Megawide Construction Corporation (the Parent Company) was incorporated in the Philippines on July 28, 2004 and is engaged in the general construction business, including constructing, enlarging, repairing, or engaging in any work upon buildings, houses and condominium, roads, plants, bridges, piers, waterworks, railroads and other structures. It performs other allied construction business like the construction and sale of precast items, concrete production, and purchase sale and/or lease of formworks system and construction equipment.

On January 28, 2011, the Philippine Stock Exchange (PSE) and the Securities Exchange Commission (SEC) approved the Parent Company's application for the listing of its common stock. The approval covered the initial public offering (IPO) of 292.0 million unissued common shares of the Parent Company at P7.84 offer price per share and the listing of those shares in PSE's main board on February 18, 2012. On December 3, 2014, the Parent Company made a primary offer of 40.0 million preferred shares at an offer price of P100.0 per share. These preferred shares are also listed in the PSE (see Note 27.1).

On September 22, 2014, the SEC approved the Parent Company's amendment of articles of incorporation, which includes: (i) the Parent Company's power to extend corporate guarantees to its subsidiaries and affiliates; and, (ii) the increase in its authorized capital stock of P5,000.0 million divided into 4,930.0 million common shares and 70.0 million cumulative, non-voting, non-participating, non-convertible to common shares and redeemable, at the option of the Parent Company, perpetual preferred shares (see Note 27.1). Both common and preferred shares have a par value of P1.0 per share.

On August 16, 2017, Megacore Holdings, Inc. (Megacore) acquired 313,786,575 shares representing 14.7% ownership over the Parent Company from Citicore Holdings Investment, Inc. (Citicore). This resulted in a decrease in Citicore's ownership from 66.7% to 51.0%.

On December 22, 2017, Megacore further acquired additional shares from Citicore which resulted to an increase in Megacore's equity interest to the Parent Company equivalent to 28.9% or 617,709,197 as of December 31, 2017.

The Parent Company remains a subsidiary of Citicore which owns and controls 33.3% of the issued and outstanding capital stock of the Parent Company as of December 31, 2018 and 2017 because Citicore still directs the overall business operations of the Parent Company through its Chief Executive Officer and President, who is also the President of Citicore.

On December 20, 2017, the state-owned Social Security System acquired a total of 110,532,500 shares or equivalent to 5.2% interest of the Parent Company through purchase of 3.45% stake held by Megacore and the remaining interest from the public.

Citicore is a company incorporated in the Philippines and is engaged in the business of a holding company through buying and holding shares of other companies. The registered address of Citicore and the Parent Company, which is also their principal place of business, is at 20 N. Domingo Street, Brgy. Valencia, Quezon City.

1.2 Subsidiaries, Associates and Joint Arrangements

The Parent Company holds ownership interest in the following subsidiaries, associates and joint arrangements (together with the Parent Company, collectively hereinafter referred to as the Group), which are all incorporated in the Philippines:

		Percentage of Effective Ownership	
Subsidiaries/Associates/Joint Operations/Joint Ventures	Notes	**March 31, 2020**	December 31, 2019
Subsidiaries:			
GMR Megawide Cebu Airport Corporation (GMCAC)	a	**60%**	60%
Megawatt Clean Energy, Inc. (MCEI)	b	**70%**	70%
Globemerchants, Inc. (GMI)	c	**50%**	50%
Megawide Land, Inc. (MLI)	d	**100%**	100%
Megawide Construction (BVI) Corporation (MCBVI)	e	**100%**	100%
MWM Terminals, Inc. (MWMTI)	j	**100%**	100%
Megawide Terminals, Inc. (MTI) *(formerly WM Property Management, Inc.)*	i	**100%**	100%
Megawide International Limited (MIL)	h	**100%**	100%
Megawide Construction (Singapore) Pte. Ltd (MC SG).	o	**100%**	-
Megawide Construction DMCC (DMCC)	p	**100%**	100%
Accounted for as Asset Acquisition – Altria East Land, Inc. (Altria)	f	**100%**	100%
Associates:			
Megawide World Citi Consortium, Inc. (MWCCI)	g	**51%**	51%
Citicore Megawide Consortium, Inc. (CMCI)	g	**10%**	10%
Joint Operations:			
Megawide GISPL Construction Joint Venture (MGCJV)	k	**50%**	50%
Megawide GISPL Construction Joint Venture, Inc. (MGCJVI)	l	**50%**	50%
Joint Ventures:			
Mactan Travel Retail Group Corp. (MTRGC)	m	**25%**	25%
Select Service Partners Philippines Corp. (SSPPC)	n	**25%**	25%

a) GMCAC

GMCAC was incorporated in the Philippines and registered in the SEC in 2014. GMCAC's primary purpose is to construct, develop, operate and maintain the Mactan Cebu International Airport (MCIA), including the commercial assets thereof and all allied businesses for the operation and maintenance of said airport facility (MCIA Project). GMCAC started commercial operations on November 1, 2014. GMCAC was established for the purpose of implementing the provisions of the Concession Agreement (see Note 13) that was signed on April 22, 2014 between the Parent Company and GMR Infrastructure Limited (GIL), and the Department of Transportation and Communications (currently, the Philippine Department of Transportation or DOTr) and Mactan-Cebu International Airport Authority (MCIAA) (collectively, the Grantors). GIL is an entity duly organized and registered in India. DOTr and MCIAA are the agencies of the Philippine Government vested with the power and authority to develop dependable and coordinated transportation systems and to principally undertake the economical, efficient, and effective control, management, and supervision of the MCIA Project. GMCAC's registered address, which is also its principal place of business, is located at Mactan-Cebu International Airport Passenger Terminal Building, Airport Terminal, Lapu-Lapu City.

b) MCEI

MCEI was incorporated in 2014 to engage in the development of clean or renewable energy sources for power generation. Its registered address, which is also its principal place of business, is located at 20 N. Domingo St. Brgy. Valencia, Quezon City.

c) GMI

GMI was incorporated in the Philippines in 2016 and is primarily engaged in general merchandise operations. GMI registered address, which is also its principal place of business, is located at Mactan-Cebu International Airport Passenger Terminal Building, Airport Terminal, Lapu-Lapu City. GMI started its commercial operations in March 2017.

On March 15, 2017, the Parent Company sold 2,000,000 shares or 10% interest of GMI to GMR Holdings Overseas (Singapore) Pte. Ltd. (GHOSPL). As of December 31, 2017, GMI is 50% owned by the Parent Company. The Parent Company still consolidates its ownership in GMI after the sale as the management considers that the Group has de facto control over GMI even though it effectively holds 50% ownership interest.

d) MLI

MLI was incorporated in 2016 primarily to engage in real estate and related business. MLI's registered address, which is also its principal place of business, is located at 20 N. Domingo St. Brgy. Valencia, Quezon City.

e) MCBVI

On June 20, 2017, the Parent Company acquired 100% ownership interest in MCBVI, an entity incorporated in the territory of British Virgin Islands to primarily engage in buying and holding shares of other companies. MCBVI's registered address, which is also its principal place of business, is Marcy Building, 2nd floor, Purcell Estate, Road Town Tortola, British Virgin Islands.

f) Altria

The Parent Company's acquisition of Altria is accounted for as an asset acquisition since it does not constitute an acquisition of business.

g) MWCCI and CMCI

The Group's investments in MWCCI and CMCI are accounted for as investments in associates since the ownership of the Parent Company does not result to control over the entities' relevant activities.

h) MIL

MIL, whose registered office is at Marcy Building, 2nd Floor, Purcell Estate, P.O. Box 2416, Road Town Tortola, British Virgin Islands, was incorporated on July 26, 2019.

i) MTI

On August 9, 2018, the Parent Company acquired 344.5 million shares or 100% ownership interest in MTI from existing shareholders of MTI for P344.1 million (see Note 24.3). MTI owns 49% interest over MWMTI.

MTI (previously WM Properties Management, Inc.) is an entity incorporated and registered on November 11, 2011 to establish, own, manage, administer, operate, maintain, and carry the business of providing property management services, either directly or through third parties, but not limited to the services of rent collection, tenant and lease management, marketing and advertising, repair and maintenance, liaison and other similar services. MTI's registered address and principal place of business is at Waltermart Building, 8001 Epifanio de los Santos Avenue, Veterans Village, Quezon City, Metro Manila.

j) MWMTI

MWMTI is a joint venture arrangement formed on February 10, 2015 by the Parent Company and MTI, both exercising joint control to direct the relevant activities of MWMTi. The joint venture undertakes the development and implementation of the Paranaque Integrated Terminal Exchange (PITX) Project (formerly Southwest Integrated Transport System Project) granted by the Philippine Government to MWMTI under a Build-Operate-Transfer Agreement (BOT Agreement) through the DOTr.

k) MGCJV

MGCJV is an unincorporated joint venture formed in 2014 by the Parent Company and GMR Infrastructure (Singapore) PTE Limited – Philippines Branch (GISPL) each owning 50% interest and exercising joint control. MGCJV was established to provide construction of works for the renovation and expansion of the MCIA Project and other airport related construction projects of the Group.

l) MGCJVI

MGCJVI is an incorporated joint arrangement formed in January 2018 by the Parent Company owning 50% interest and GMR Infrastructure (Singapore) PTE Limited with 45% interest and GMR Holdings Overseas (Singapore) PTE Limited owning the remaining 5%. The Parent Company and GMR both exercising joint control. MGCJVI was established to provide general construction business including construction, improvement and repair of Clark Aiport project. MGJCVI began to operate in the same year it was formed.

m) MTRGC

MTRGC was incorporated and registered under the laws of the Republic of the Philippines with the SEC on March 21, 2018 to develop, set-up, operate, maintain and manage the duty paid outlets at the locations in the Mactan Cebu International Airport. It started operations in the same year of incorporation.

n) SSPPC

SSPPC was incorporated and registered under the laws of the Republic of the Philippines with the SEC on March 13, 2018 to develop, set-up, operate, maintain and manage food and beverage outlets at specified locations in Terminal 1 and Terminal 2 of Mactan Cebu International Airport and the provision of related services thereto. It started operations in the same year of incorporation.

o) **MC SG**

Megawide Construction (Singapore) Pte. Ltd was registered on March 1, 2019 as a general building engineering design and consultancy services. The Company is 100% owned by Megawide International Limited (SG). Its registered office is located at 8 cross street #24-03/04 Manulife Tower Singapore (048424).

p) **DMCC**

Megawide Construction DMCC was registered on December 10, 2017 as . The Company is 100% owned by Megawide Construction (BVI) Cora porject develpment consultant and turnkey projects contracting. Its registered office is located at Unit 4401-005 Mazaya Business Avenue BB2 Plot No JLTE-PH2-BB2 Jumeirah Lake Towers, Dubai, UAE.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these interim condensed consolidated financial information are consistent with those of the annual consolidated financial statements for the year ended December 31, 2018.

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) Presentation of Consolidated Financial Statements

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

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

(c) Functional and Presentation Currency

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

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

2.2 Adoption of New and Amended PFRS

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

The Group adopted for the first time the following PFRS, amendments, interpretations and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2020:

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

(i) PAS 1 (Amendments), *Presentation of Financial Statements* and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* (effective from January 1, 2020). The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendment has also been made in other Standards that contain definition of material or refer to the term 'material' to ensure consistency.

(ii) Revised Conceptual Framework for Financial Reporting (effective from January 1, 2020). The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised framework from January 1, 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised framework.

(a) *Effective Subsequent to 2020 but not Adopted Early*

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

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

3. SEGMENT REPORTING

The Group's operating businesses are recognized and managed separately according to the nature of services provided with a segment representing a strategic business unit. The Group's business segments follow:

3.1 Business Segments

(a) *Construction* – principally refers to general construction business, including constructing and sale of precast items and concrete production.

(b) *Airport* – mainly relate to the business of building, rehabilitating, renovating, constructing, developing, operating, and maintaining the MCIA, including the commercial assets thereof and all allied businesses for the operation and maintenance of said airport facility. Also included is importing, exporting, buying, selling and distributing goods, wares and merchandise within the airport facility.

(c) *Landport* – relate to the business of building and developing the transport model system in Parañaque Integrated Terminal Exchange (PITX) and operating the commercial assets within the facility.

Other operations of the Group comprise the operations and financial control groups. These segments are also the basis of the Group in reporting to its executive committee for its strategic decision-making activities. Transactions between segments are conducted at estimated market rates on an arm's length basis.

Segment revenues and expenses that are directly attributable to business segment and the relevant portions of the Group's revenues and expenses that can be allocated to that business segment are accordingly reflected as revenues and expenses of that business segment.

3.2 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, receivables, inventories and property, plant and equipment, 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 liabilities do not include deferred taxes.

3.3 Analysis of Segment Information

Presented below are the relevant operating segment information about the results of operations as of March 31, 2020 and 2019 and financial position as of March 31, 2020 and December 31, 2019 of the Group's business segments (amounts in thousands).

	Construction		Airport		Landport		Total	
	(Unaudited) March 31, 2020	(Unaudited) March 31, 2019	**(Unaudited) March 31, 2020**	(Unaudited) March 31, 2019	**(Unaudited) March 31, 2020**	(Unaudited) March 31, 2019	**(Unaudited) March 31, 2020**	(Unaudited) March 31, 2019
Results of operations								
Segment Revenues	**P 3,907,809**	P 2,567,728	**P 868,114**	P 976,913	**P 286,947**	P 20,003	**P 5,062,870**	P 3,564,644
Cost and other operating expenses:								
Cost of construction and airport operations excluding depreciation and amortization	**3,085,546**	2,024,561	**216,335**	215,093	**1,831**	13,810	**3,303,712**	2,253,464
Depreciation and amortization	**242,340**	147,418	**162,865**	191,645	**75,919**	4,377	**481,124**	343,440
Finance cost, income and other charges – net	**232,219**	44,074	**337,944**	247,110	**41,788**	(730)	**611,951**	290,454
Tax expense	**33,765**	89,238	**65,246**	77,810	**-**	-	**99,011**	167,048
Other expenses- net	**181,458**	85,200	**158,355**	145,790	**33,076**	5,850	**372,889**	236,840
	3,775,328	2,390,491	**940,745**	877,448	**152,614**	23,307	**4,868,687**	3,291,246
Segment Net Profit (loss)	**P 132,481**	P 177,237	**(P 72,631)**	P 99,465	**P 134,333**	(P 3,304)	**P 194,183**	P 273,398

	Construction		Airport		Landport		Total	
	(Unaudited) March 31, 2020	(Audited) December 31, 2019	**(Unaudited) March 31, 2020**	(Audited) December 31, 2019	**(Unaudited) March 31, 2020**	(Audited) December 31, 2019	**(Unaudited) March 31, 2020**	(Audited) December 31, 2019
Consolidated Statements of Financial Position								
Total Segment Assets	**P 41,048,613**	P 43,330,597	**P 36,451,523**	P 35,934,459	**P 8,055,495**	P 7,998,133	**P 85,555,631**	P 87,407,268
Total Segment Liabilities	**P 29,409,077**	P 31,030,326	**P 27,082,076**	P 26,491,719	**P 7,374,193**	P 7,451,163	**P 63,865,346**	P 65,074,652

3.4 Reconciliation

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

	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
Profit or loss		
Segment net profit	**P 194,183**	P 273,398
Other unallocated income (expense)	**14,688**	8,259
Net profit as reported in the interim condensed consolidated statements of income	**P 208,871**	P 281,657

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Assets		
Total segment assets	**P 85,555,631**	P 87,263,189
Elimination of intercompany accounts	**(9,427,434)**	(9,031,919)
Other unallocated assets	**3,543,420**	2,533,057
Total assets as reported in the interim condensed consolidated statements of financial position	**P 79,671,617**	P 80,764,326
Liabilities		
Total segment liabilities	**P 63,865,346**	P 64,973,208
Elimination of intercompany accounts	**(4,487,667)**	(4,083,754)
Other unallocated liabilities	**2,879,770**	1,876,360
Total liabilities as reported in the interim condensed consolidated statements of financial position	**P 62,257,449**	P 62,765,814

3.5 Other Segment Information

The Group has not identified any segment based on geographical location since the Group's operation is concentrated in one country of location.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are as follows:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Cash on hand	**P 7,272,519**	P 8,010,339
Cash in banks	**2,313,607,336**	4,047,584,897
Short-term placements	**2,233,096,986**	2,463,004,625
	P 4,553,976,841	P6,518,599,861

Cash in banks generally earn interest based on daily bank deposit rates.

Short-term placements are made for varying periods from 14 to 90 days and earn annual effective interest of 2.0% to 6.0% in 2020 and 2019.

5. TRADE AND OTHER RECEIVABLES

This account consists of the following:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Contract receivables:		
Third parties	**P 3,650,722,800**	P5,769,575,204
Related parties	**556,251,402**	498,607,908
	4,206,974,202	6,268,183,112
Retention receivables:		
Third parties	**1,837,126,624**	1,750,053,759
Related parties	**683,596,094**	835,195,022
	2,520,722,718	2,585,248,781
Advances to:		
Related parties	**6,267,546,499**	6,267,546,499
Officers and employees	**69,541,725**	51,503,789
	6,337,088,224	6,319,050,288
Receivables from airport operations	**815,842,773**	814,927,327
Lease Receivable	**256,107,351**	142,092,645
Lease Receivable – PFRS 16	**435,660,473**	382,476,437
Receivables from lease	**691,767,824**	524,569,082
Balance carried forward	**P14,572,395,741**	P16,511,978,590

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance brought forward	**P14,572,395,741**	P16,511,978,590
Receivables from sale of goods	**72,570,211**	60,380,697
Accrued interest receivables	**689,154,323**	577,950,645
Other receivables	**414,058,222**	234,122,687
	15,748,178,497	17,384,432,619
Allowance for impairment	**(10,956,072)**	(10,956,072)
	P 15,737,222,425	P17,373,476,547

Retention receivables pertain to progress billings which are withheld by the project owners equivalent to 5.0% or 10.0% as provided in the respective construction contract of each project. These will only be collected after a certain period of time upon acceptance by project owners of the certificate of completion.

Receivables from airport operations pertain to the Group's accrual of aeronautical, concession, rental and commercial revenues as authorized under the Concession Agreement.

Certain advances to related parties are earmarked for potential investment opportunities being pursued by the said related party in line with the Parent Company's expansion and diversification plans.

Trade and other receivables except advances to related parties do not bear any interest. All receivables, except Advances to officers and employees are subject to credit risk exposure.

6. EQUITY ADVANCES AND INVESTMENTS IN ASSOCIATES AND JOINT VENTURE AND ACQUISITION OF ASSETS

The carrying values of Investments in Associates and Joint Venture account are shown below:

	Note	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Investments in:			
Associates	6.1	**P 822,041,638**	P 813,771,562
Joint ventures	6.3	**147,836,951**	145,734,993
		P 969,878,589	P 959,506,555

These associates and joint venture are not listed in the local stock exchange; hence, the fair value of the shares cannot be determined reliably. However, management believes that the carrying amounts of the investments are fully recoverable based on either the prospect of the business or the recoverable amount from the net assets of these associates and joint ventures.

6.1 Equity Advances and Investments in Associates

The components of the carrying values of this account are as follows:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Acquisition cost:		
MWCCI	**P 580,890,000**	P 580,890,000
CMCI	**200,000,000**	200,000,000
	780,890,000	780,890,000
Equity advances in MWCCI	**23,572,864**	23,572,864
Equity share in net profit (losses):		
Balance at beginning of period	**9,308,698**	2,882,282
Equity in net profit for the period	**8,270,076**	6,426,416
Balance at end of period	**17,578,774**	9,308,698
	P 822,041,638	P 813,771,562

(a) MWCCI

MWCCI was incorporated in the Philippines on January 16, 2014 and is primarily established to undertake and implement the construction of a 700-bed capacity super-specialty tertiary orthopedic hospital (New Hospital Facility), under the MPOC Project. MWCCI's registered office, which is also its principal place of business, is at 20 N. Domingo Street, 1112 Valencia, Quezon City. The Parent Company has 51% ownership interest in MWCCI.

(b) CMCI

The Parent Company, together with Citicore, formed CMCI as a consortium for the construction of classrooms in Regions 3 and 4 under the build-lease-transfer Public Private Partnership (PPP) agreement with the Philippine Department of Education (DepEd) ownership interest (see Note 28.3). CMCI was incorporated in the Philippines on October 15, 2012 and is primarily engaged in general construction business. CMCI's registered address, which is also its principal place of business, is located at 20 N. Domingo Street, Brgy. Valencia, Quezon City.

The Parent Company owns 10% interest in CMCI as a joint venture partner. The rights and powers of the Parent Company over the management and control of CMCI are exercised through a seat in the BOD of CMCI. Taking this into consideration, the Group concluded that it has significant influence over the investee; accordingly, the investment is accounted for as an investment in an associate.

Management determined that the difference between the respective share in the net assets of the associates and the carrying amount of the investment is not material to the consolidated financial statements.

The Parent Company did not receive any dividends from its associates in both reporting periods.

6.2 Acquisition of Assets of Altria

On December 26, 2012, pursuant to a memorandum of agreement dated December 17, 2012, the Parent Company acquired 100% ownership interest in Altria. Altria is a company incorporated in the Philippines and holds an investment property in the form of land. The registered office of Altria, which is also its principal place of business, is located at Coastal Road Bangiad, San Juan, Taytay, Rizal.

As of the reporting periods, Altria has no operations and its assets mainly pertain to the land where the Parent Company's precast and batching facilities are constructed. In accordance with Group's policy (see Note 2.8), the transaction is treated by the Group as an asset acquisition since the transaction does not constitute a business combination.

The purchase price upon acquisition was allocated among the following accounts based on their relative fair values:

Cash in bank	P 486,426
Bond deposits	1,500,958
Land	303,468,569
Accrued expenses	(100,000)
	P305,355,953

Subsequent to the date of acquisition, any changes in the carrying value of the net assets acquired in the books of Altria, including the expenses incurred in administering the property (i.e, property taxes), shall be updated in the books of the Parent Company on a line-by-line basis, as if they are consolidated into a single entity.

6.3 Interest in Joint Ventures

This account includes the carrying values of the following components:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Acquisition costs:		
MTRGC	**P 58,324,000**	P 58,324,000
SSPPC	**58,324,000**	58,324,000
	116,648,000	116,648,000
Equity share in net profit (losses):		
Balance at beginning of year	**29,086,993**	2,838,966
Equity in net profit (losses) for the year	**2,101,958**	26,248,027
Balance at end of year	**31,188,951**	29,086,993
	P 147,836,951	P 145,734,993

GMCAC has 41.66% interest in Mactan Travel Retail Group Corp. (MTRGC) and Select Service Partners Philippines Corporation (SSPPC), which are primarily engaged in the set-up, operation and management of duty paid retail, food and beverage outlets and provision of related services thereto in the airport terminals (T1 and T2).

6.4 Interest in Joint Operations

As discussed in Notes 1.2(j) and 1.2(k), MGCJV shall undertake the construction works for the renovation and expansion of the MCIA Project in Cebu, while, MGCJVI shall undertake the construction works of the Clark Airport. Also, as discussed in Note 2.3(c)(i), the Parent Company's interests in MGCJV and MGCJVI are accounted for as joint arrangement – joint operation and, as such, the Parent Company accounts for its interest in the relevant assets, liabilities, revenues and expenses of MGCJV and MGCJVI.

The relevant financial information of the Group's interest in MGCJV and MGCJVI which are included in the appropriate accounts in the Group's interim condensed consolidated statements of financial position and interim condensed consolidated statements of income are as follows:

	Before Elimination	Elimination	After Elimination
March 31, 2020			
Assets:			
Cash and cash equivalents	P 1,083,700,075	P -	P 1,083,700,075
Trade and other receivables	1,660,469,309	(225,687,509)	1,434,781,800
Other current assets	39,875,365	-	39,875,365
Property, plant, and equipment – net	10,552,018	-	10,552,018
	P 2,794,596,767	**(P 225,687,509)**	**P 2,568,909,258**
Liabilities:			
Trade and other payables	P 903,766,611	P -	P 903,766,611
Due to related parties	6,510,946	-	6,510,946
Loans payable	1,379,115,693	-	1,379,115,693
	P 2,289,393,250	**P -**	**P 2,289,393,250**
Revenues and Expenses:			
Contract revenues	P 562,233,302	P -	P 562,233,302
Contract costs	(493,239,853)	-	(493,239,853)
Other operating expenses	(20,780,817)	-	(20,780,817)
Finance income	(13,775,859)	-	(13,775,859)
	P 34,436,773	**P -**	**P 34,436,773**

	Before Elimination	Elimination	After Elimination
December 31, 2019			
Assets:			
Cash and cash equivalents	P 1,167,163,906	P -	P 1,167,163,906
Trade and other receivables	3,962,343,717	(224,587,759)	3,737,755,958
Other current assets	42,132,100	-	42,132,100
Property, plant, and equipment – net	10,624,220	-	10,624,220
	P 5,182,263,943	**(P 224,587,759)**	**P 4,957,676,184**
Liabilities:			
Trade and other payables	P 927,731,006	P -	P 927,731,006
Due to related parties	9,082,068	-	9,082,068
Loans payable	3,750,000,000	-	3,750,000,000
	P 4,686,813,074	**P -**	**P 4,686,813,074**
Revenues and Expenses:			
Contract revenues	P 3,553,993,205	(P 548,512,385)	P 3,005,480,820
Contract costs	(3,095,397,238)	515,682,301	(2,579,714,937)
Other operating expenses	(130,291,134)	-	(130,291,134)
Finance income	(34,209,783)	-	(34,209,783)
	P 294,095,050	**(P 32,830,084)**	**P 261,264,966**

7. OTHER ASSETS

This account is composed of the following:

	Notes	**March 31, 2020 (Unaudited)**	December 31, 2019 (Audited)
Current:			
Advances to contractors and suppliers	7.1	**P 4,049,142,525**	P 3,636,414,208
Input VAT	7.2	**855,242,599**	591,350,448
Prepaid taxes	7.4	**690,485,087**	723,415,162
Deferred fulfilment costs		**579,089,321**	579,089,321
Refundable security and bond deposits		**160,131,828**	164,136,039
Deferred input VAT		**121,634,063**	477,092,309
Prepaid subscription		**119,679,566**	9,402,172
Prepaid rent		**35,895,088**	17,505,228
Prepaid insurance		**21,892,732**	13,122,680
Deferred transaction cost		**-**	7,252,715
Miscellaneous		**101,714,018a**	91,943,795
		6,734,906,827	6,310,724,077

	Note	**March 31, 2020 (Unaudited)**	December 31, 2019 (Audited)
Non-current:			
Input VAT	7.2	**1,965,083,595**	1,909,715,112
Investment in trust fund	7.5	**1,432,695,136**	862,704,457
Deposits for condominium units	7.3	**136,301,359**	136,301,359
Computer software license – net		**52,001,781**	47,315,840
Refundable security deposits		**32,643,694**	32,643,694
Advances to contractors and suppliers	7.1	**15,612,138**	13,316,709
		3,634,337,703	3,001,997,171
		P10,369,244,530	P 9,312,721,248

7.1 Advances to Contractors and Suppliers

Advances to contractors and suppliers pertain to down payments made by the Group for the construction of airport terminal facilities and purchase of property and equipment based on a certain percentage of the contract price. The initial payment will eventually be recouped or deducted from the amount payable of the Group either in a pro-rated basis or in full once billed by the contractors and supplier. These advances are classified as current if it would be applied as payments for construction of assets to be classified as inventories, while payments for construction of assets to be classified as property, plant and equipment and investment properties are classified as non-current.

7.2 Input VAT

Input VAT under other current assets pertains to the payment of VAT on purchases of services and goods that is recoverable within 12 months. Deferred input VAT pertains to the unamortized input VAT on purchases of capital goods exceeding P1.0 million and bid premium. Deferred input VAT arising from purchase of capital goods exceeding P1.0 million is to be amortized and credited against output tax evenly over five years or the life of the asset, whichever is shorter.

Non-current portion of input VAT represents GMCAC's input VAT, pertaining mainly to VAT from the payment of bid premium in 2014, which will be recovered in future years. The balance is to be transferred to input VAT under Other Current Assets systematically on the basis of the Group's projected output VAT payments over the term of the Concession Agreement.

7.3 Deposits for Condominium Units

Deposits for condominium units represent initial down payments made for the purchase of condominium units. These will be reclassified to investment property upon execution of contract to sell and deed of sale.

7.4 Prepaid Taxes

Prepaid taxes pertain to the excess of quarterly income tax payments over the current tax due during the year and creditable withholding taxes.

7.5 Investment in Trust Fund

On November 28, 2014, GMCAC's BOD authorized GMCAC to establish, maintain and operate trust and investment accounts with a local universal bank (Security Trustee). The investment in trust fund constitutes (i) Revenue Accounts; (ii) Future Major Maintenance Fund Account; (iii) Debt Service Reserve Accounts; (iv) Debt Service Payment Account; and, (v) Distribution Accounts, collectively referred to as "Cash Flow Waterfall Accounts" and Loan Disbursement Accounts under a certain Omnibus Loan and Security Agreement (OLSA) to ensure the prompt payment of the required amortization, interest and principal of the long-term loan.

The OLSA provided that the Security Trustee shall invest and reinvest the monies in the collateral accounts.

8. CONCESSION ASSETS

Concession Agreement refers to the agreement entered into by the Parent Company and GIL with DOTr and MCIA by virtue of Revised Implementing Rules and Regulations of Republic Act (R.A.) No. 6957, "*An Act Authorizing the Financing, Construction, Operation and Maintenance of Infrastructure Projects by the Private Sector and for Other Purposes*", as amended by R.A. No. 7718 (referred to as the *"BOT Law"*). Under the said agreement, GMCAC was granted by DOTr and MCIA an exclusive right to design, develop, and undertake the MCIA Project; and, enjoy complete and uninterrupted possession of all movable and immovable assets for purposes of implementing the Project, whether tangible or intangible pertaining to concessionaire Operations and Maintenance (O&M) Facilities such as the existing assets, project land, assets produced, installed, built and created pursuant to the Concession Agreement, commercial assets, among others, (collectively referred as Project Assets) [see Note 1.2(a)]. The Concession Agreement is for a period of 25 years commencing on O&M start date unless further extended pursuant to the Concession Agreement.

The MCIA Project comprises the following undertaking:

- Construction of Terminal 2 (T2), along with all Associated Facilities;
- Renovation and expansion, but not the demolition of Terminal 1 (T1) and Associated Facilities;
- Complete reconstruction of Terminal 2 Apron (T2 Apron);
- Capacity Augmentation;
- Development of Commercial Assets; and,
- Operation and Maintenance of the Concessionaire O&M Facilities and Commercial Assets.

9. INVESTMENT PROPERTIES

MWMTI was granted an exclusive right and obligation under the Concession Agreement. Relative to the arrangement, MWMTI incurred cost necessary to construct the facility. The separately identifiable accumulated costs incurred in the development of the PITX Project are allocated based on development and implementation plan for the terminal and commercial areas.

Investment properties also includes parcels of land that are not used by the Group in the ordinary course of the business amounting to P160.3 million in both periods presented.

Based on management's assessment, the carrying amounts of these assets are fully recoverable, hence, no impairment loss is required in both years.

10. TRADE AND OTHER PAYABLES

This account consists of the following:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Trade payables	**P 3,435,975,921**	P 3,954,928,198
Retention payable	**2,170,681,376**	2,166,300,006
Accrued expenses	**1,570,853,041**	1,235,331,916
Interest payable	**555,918,626**	119,628,207
Derivative liability	**172,209,424**	78,552,254
Security deposits	**151,140,555**	149,921,652
Accrued salaries	**128,797,040**	77,545,697
Due to stockholders and related parties	**34,690,344**	20,000,000
Dividend payable	**-**	239,937,858
Non-trade payable	**-**	25,000,000
Others	**74,277,304**	100,443,657
	P 8,294,543,631	P 8,167,589,445

Retention payable pertains to amounts withheld from payments made to subcontractors to ensure compliance and completion of contracted projects ranging from 5% to 10% of every billing made by the contractor. Upon completion of the subcontracted projects, the amounts are returned to the subcontractors.

Accrued expenses include unreleased checks and unpaid utilities, while accrued salaries pertains to unclaimed salaries and wages of resigned employees.

11. INTEREST-BEARING LOANS AND BORROWINGS

The details of short-term and long-term interest-bearing loans and borrowings are as follows:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Current:		
Bank loans	**P 11,039,468,909**	P 10,791.617.597
Notes payable	**1,923,028,367**	3,750,000,000
Obligations under finance lease	**167,266,384**	139,443,656
	P 13,129,763,660	P 14,681,061,253

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Non-current:		
Bank loans	**P 27,647,025,049**	P 27,634,014,387
Notes payable	**5,614,429,990**	5,102,929,990
Obligations under finance lease	**491,190,203**	334,907,047
	33,752,645,242	33,071,851,424
	P 46,882,408,902	P 47,752,912,677

11.1 Notes Payable

On February 19, 2020, the Company signed a P5.0 billion corporate note facility, the proceeds of which will be used by the Company to (a) retire maturing debt obligations (b) to fund growth projects and (c) for general corporate purposes.

(a) 2013 Notes Facility

On February 19, 2013, the Parent Company executed a notes facility agreement with a local universal bank. In this agreement, the Parent Company desired to offer and issue fixed-rate corporate notes in the aggregate principal amount of P4,000.0 million. The net proceeds of the notes after deducting direct issue costs, such as underwriting fees and commissions, documentary stamp tax and other expenses associated with the issuance, amounted to P3,957.3 million.

The notes constitute direct, unconditional, unsubordinated, general and unsecured obligation ranking at least pari passu with all other present and future direct, unconditional, unsubordinated and unsecured obligations of the Parent Company.

The notes are issued in three tranches with the following details:

	Principal	Term in Years	Interest Rate
Tranche A	P 650,000,000	5	5%
Tranche B	3,250,000,000	7	6%
Tranche C	100,000,000	10	6%
	P 4,000,000,000		

The nominal rates refer to the Philippine Dealing System Treasury Fixing (PDST-F) rates with respect to the term of each tranche plus an interest spread of 1.75% for Tranche A and B and 1.50% for Tranche C.

The notes, among other things, restrict the Parent Company's ability to:

(a) incur any indebtedness to be secured by or to benefit from any lien, in favor of any creditor on, or in respect of any present or future assets or revenues or the right to receive income;

(b) make any material change in the nature of its business from that being carried on as of the signing date;

(c) enter into any merger or consolidation except if the issuer retains control of the surviving corporation, such merger or consolidation is required by law, and such merger does not result in material adverse effect;
(d) amend its articles of incorporation and/or by-laws except as required by law;
(e) declare or pay any cash dividend to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the notes are current and updated and provided that any such payment is made out of retained earnings and the debt to equity ratio of 2:1 are maintained;
(f) sell, assign, lease, transfer, and/or dispose all or substantially all of its properties;
(g) assign, transfer or otherwise convey any right to receive any of its income or revenues;
(h) voluntarily suspend its business operations in a manner that will result in a material adverse effect;
(i) extend any loan, advance or subsidy to any person (other than to its subsidiaries or affiliates, or transactions in the ordinary course of business, or financing or guarantees for the direct or indirect purchase or sale of the assets of the issuer, its subsidiaries or affiliates). Neither shall the issuer make any deposit, credit to, or investment in, any person, except for bank deposit, credit placements, and other transactions in the ordinary course of business;
(j) permit its financial debt to equity ratio to exceed 2:1; and,
(k) voluntarily prepay any indebtedness.

The Parent Company has complied with all the debt covenants set forth in the notes facility agreement as the transactions during the intervening periods are under the ordinary course of business.

In 2018, Tranche A has matured already, leaving tranche B and C outstanding, with a carrying value of P3,159.3 million as at March 31, 2020 and December 31, 2019.

(b) 2016 Various Notes Facility

In 2016, the Parent Company entered into various notes facility arrangement with a local bank to refinance the corporate note issued in 2011 and to finance its capital expenditure and general corporate requirements. The notes are issued with the following details:

Date Issued	Principal	Term in years	Interest Rate
September 16, 2016	P 650,000,000	10	5.5%
December 5, 2016	350,000,000	10	6.37%
December 16, 2016	1,000,000,000	10	6.37%
	P 2,000,000,000		

These 10-year corporate notes bear an interest rate based on the closing per annum rates of a ten (10)-year PDST-R2 rate on the PDS Group website plus a certain spread. The Parent Company has to maintain a debt-to-equity ratio of not more than 2.33 and a debt service coverage ratio of at least 1.1.

The notes, among other things, restrict the Parent Company's ability to:

(a) Engage in any business or make or permit any material change in the character of its business from that authorized on its amended articles of incorporation and by-laws;

(b) Amendment of articles of incorporation and by-laws which would cause a material adverse effect or be inconsistent with the provisions of the finance document;
(c) Change of ownership and management if as a result the stockholdings of Citicore Investments Holdings Inc. will fall below 51% or enter into profit sharing, partnership or joint venture whereby its profits are shared with any other person that may have a material adverse effect;
(d) Sale of asset, transfer or dispose of all or substantially all of its properties and assets except in the ordinary course of business;
(e) Declaration of dividends or retirement of capital if the issuer shall not be in compliance with the financial covenants or would result to an event of default;
(f) Loans and advances to its directors, officers and stockholders (other than to its subsidiaries or affiliates, or transactions in the ordinary course of business, or financing or guarantees for the direct or indirect purchase or sale of the assets of the issuer, its subsidiaries or affiliates). Neither shall the issuer make any deposit, credit to, or investment in, any person, except for bank deposit, credit placements, and other transactions in the ordinary course of business;
(g) Make a capital expenditure not in the ordinary course of business;
(h) Incur additional debt or act as surety on behalf of third parties or incur monetary obligation which shall cause the issuer to breach the financial covenants;
(i) Loans and advances to any person (other than to its subsidiaries or affiliates, or transactions in the ordinary course of business, or financing or guarantees for the direct or indirect purchase or sale of the assets of the issuer, its subsidiaries or affiliates). Neither shall the issuer make any deposit, credit to, or investment in, any person, except for bank deposit, credit placements, and other transactions in the ordinary course of business;
(j) Directly or indirectly incur or suffer to exist any lien upon any assets and revenues, present and future of the issuer or enter into any loan facility agreement secured by or to be secured by a lien upon any assets and revenues, present and future whether registered or unregistered of the issuer;
(k) Except for permitted investments, invest in or acquire any (i) share in or any security issued by any person, (ii) acquire directly or indirectly the business or going concern or all substantially all the properties and assets or business of any other corporation or entity or invest in a controlling entity therein; and,
(l) It will not voluntarily suspend or discontinue its entire or a substantial portion of its business operation.

On August 10, 2017, the Parent Company sent a letter to the bank requesting the waiver of one of the loan negative covenants that prohibits the stockholdings of Citicore in the Parent Company to fall below 51% or enter into profit sharing, partnership or joint venture whereby its profits are shared with any other person that may have a material adverse effect. In September 2017, the request was granted by the bank. The Parent Company is in compliance with all other covenants required to be observed under the loan facility agreement in both periods.

(a) Notes Payable – Current

The current portion of Notes Payables pertains to 50% share in loans availed to MGCJVI. On March 22, 2018, MGCJVI entered into a P7.50 billion Omnibus Loan and Security Agreement (OLSA) with Metropolitan Bank & Trust Company (MBTC) and Philippine National Bank (PNB) as Lenders, PNB Trust Banking Group as Facility Agent and Security Trustee, and PNB Capital and Investment Corp. and First Metro Investment Corp. as Lead Arrangers.

The proceeds from the loan shall be used to partially finance the capital expenditures and costs in relation to the Project.

Details of the loan follow:

i) Interest: Interest is the sum of the benchmark rate plus 100 basis points. Benchmark rate is the PDST-R2 benchmark tenor for three (3) months as published on the PDEx page (or such successor page) of Bloomberg (or such successor electronic service provider) under the heading "PDST-R2" at approximately 4:15 pm on the Interest Rate Setting Date; provided, that, in the event that a new benchmark rate will be adopted by the Bankers' Association of the Philippines or the existing benchmark rate is no longer reflective of the prevailing market rates, as may be reasonably determined by the Lenders together with the MGCJVI, all parties shall adopt a new benchmark rate appropriate for the Loan. Such interest shall accrue from and including the first day of each interest period and excluding the last day of such interest period. ii.

ii) Repayment: The principal amount shall be paid in the following instalments, within three (3) banking days from the MGCJVI's receipt of the relevant milestone payments from BCDA for the construction services rendered.

Principal Repayment Schedule	Milestone payment from BCDA - at 100% (in Bn)	Principal repayment of the Loan amount
First	P5.58	85% of milestone payment
Second	1.66	100% of milestone payment
Third	2.12	remaining balance of loan

As of January 23, 2020, the MGCJVI paid the first milestone payment to MTBC and PNB amounting to P4,785 million. The full repayment of the Loan shall be made not later than the maturity date which is May 18, 2021.

iii) Security: As security for timely payment of the loan and prompt observance of all provisions of the OLSA, the following are assigned as collateral on the Loan:

- Project receivables and all monies standing in the MGCJVI's Payment Accounts

- Project documents (EPC Contract, Notice of Award Certificate of Funds Availability and Bid Proposal)

iv) Covenants: The OLSA provide certain restrictions and requirements which include among others, maintaining and preserving its corporate existence, complying with all of its material obligations under the project arrangements, restrictions on granting of loans or advances and disposal of major properties and restrictions on payment of dividends. The OLSA also provide financial covenants which include maintaining at each testing date a maximum debt-to-equity ratio of 80:20 after the first principal repayment date.

11.2 Bank Loans

(a) Omnibus Loan and Security Agreement – December 17, 2014

On December 17, 2014, GMCAC entered into a P20,000.0 million (which at GMCAC's option may be increased up to P23,300.0 million) OLSA with various local universal banks, as onshore lenders. On January 26, 2015, the parties amended the facility to include another universal bank as offshore lender to contribute US $75.0 million (or equivalent to P3,500.0 million) into the facility.

The facility has a term of 15 years, the repayment of which starts in 2019 and shall continue every year thereafter until 2030; and, interest requirements that are payable annually based on the following:

	First 7 Years	Last 8 Years
P20,000.0 million onshore loan	Sum of Base Rate 1 (PDST-R2 benchmark yield) and credit spread	Sum of Base Rate 2 (PDST-R2 benchmark yield) and credit spread
US$75.0 million offshore loan	LIBOR plus credit spread	LIBOR plus credit spread

As security for timely payment of the loan and prompt observance of all provision of the Omnibus Agreement, the following are pledge as collateral on this loan:

- all monies deposited and from time to time standing in the Cash Flow Waterfall Accounts;
- the Project receivables;
- the proceeds of any asset and business insurance obtained, except for the proceeds of insurance policies arising from damage of any Project Assets;
- the Project Documents (Accession Agreement, Technical Service Agreement and Engineering and Procurement Contract); and,
- the 100% of the total issued and outstanding capital stock of GMCAC.

In addition, the OLSA provides certain restrictions and requirements which include, among others, maintaining and preserving its corporate existence, complying with all of its material obligations under the project arrangements, restrictions on granting of loans or advances and disposal of major properties and restrictions on payment of dividends. The OLSA also provides financial covenants which include maintaining a maximum debt to equity ratio of 70:30 and a debt service coverage ratio of at least 1.1 times following the Project completion date. GMCAC has complied with the financial and non-financial covenants in both periods.

Moreover, GMCAC's BOD authorized GMCAC to establish, maintain and operate trust and investment accounts with a Security Trustee to ensure the prompt payment of the required amortization, interest and principal of the long-term loan, which was established and maintained by GMCAC during the reporting period (see Note 12.6).

The total drawdowns to date made for the onshore loan amounted to P20,850.0 million while drawdowns on the offshore loan amounted to US$75.0 million (or equivalent to P3.8 billion).

Provision in the loan indicates that the borrower shall pay to the lenders, a commitment fee equivalent to 0.3% per annum of the undrawn or uncancelled portion of the commitment that GMCAC does not draw in accordance with the drawdown schedule.

In November 2015, the Group entered into an interest rate swap transaction to hedge the interest rate exposure on its floating rate US dollar-denominated loan maturing in June 2022, start date is on December 15, 2017. A notional amount of US$75.0 million floating rate loan was swapped to fixed rate. Under the interest rate swap agreement, the Group pays annual fixed interest rate of a range of 1.79% to 2.65% and receives floating rate of six-month US$ LIBOR rate on Bloomberg Page on the notional amount. As at December 31, 2019 and 2018, the market valuation gain on the outstanding interest rate swap amounted to US$ or P104.84 million and US$0.9 million or P45.2 million, respectively and is presented as part of Others – net under Other Income (Charges) account in the consolidated statements of income.

(b) OLSA for PITX project

In 2015, the MWMTI entered into an Omnibus Loan and Security Agreement (OLSA) with a local universal bank for a loan facility amounting to P3.3 billion to finance the construction of the ITS Project. In 2019, the MWMTI requested the lender to increase the loan by P600 million making the total principal loan to P3.9 billion. In 2017, MWMTI made its first drawdown amounting to P825 million while the remaining loan facility was fully drawn in 2019 in tranches amounting to P3,075 million.

The loan principal shall be amortized quarterly over 15 years and the first principal repayment is due on January 16, 2021. The interest-bearing loan is secured by the Joint Venturers and bear annual interest of 4.62%-6.89% in 2019.

The interest-bearing loan requires the MWMTI to maintain a maximum debt-to-equity ratio of 70:30. In addition, the MWMTI is also required to observe at all times until full payment of the loan a debt service coverage ratio of at least 1.25. Compliance to the ratios is monitored on a quarterly basis.

(c) Other Bank Loans

In addition, the Group also obtained various bank loans in 2020 and 2019, representing unsecured short-term loans from other local banks. The loans bear fixed annual interest rates ranging from 5.13% to 7.0% in 2020 and 2019. Total interest on these bank loans is presented as part of Interest expense from bank loans under Finance costs under Other Income (Charges) account in the consolidated statements of income. The unpaid portion of these interest is presented as part of Interest payable under Trade and Other Payables account in the consolidated statements of financial position.

12. OTHER LIABILITIES

The details of this account are as follows:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Current:		
Withholding taxes	**P 89,470,125**	P 80,913,142
Deferred output VAT	**67,624,404**	70,994,272
Deferred revenue	**5,326,520**	12,147,113
Others	**129,049,363**	56,007,237
	P 291,470,412	P 220,061,764
Non-current:		
Security deposits	**P 595,038,911**	P 586,498,441
Unearned rent income	**156,671,701**	154,643,665
Retention payable	**2,300,500**	-
	P 754,011,112	P 741,142,106

Deferred revenue represents advance payments from customers and concessionaires that are subject to refund or future billing applications within 12 months from the end of the reporting period.

Unearned rent income pertains to the difference between the fair value and principal amount of security deposits received at the inception of the lease with concessionaires, which shall be amortized over the corresponding lease term.

Others under current liabilities significantly include government-related payables for employee benefits.

13. REVENUES

13.1 Contract Revenues

This account pertains to construction revenue for the period.

13.2 Airport Operations Revenues

The details of this account are composed of the revenues from:

	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
Aeronautical	**P 422,603,527**	P 485,063,920
Aero related	**287,628,270**	302,602,993
Non-aero related	**93,087,013**	104,327,648
	P 803,318,810	P 891,994,561

13.3 Airport Merchandising Operations Revenues

The details of this account are composed of the revenues from:

	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
Food revenues	**P 36,519,974**	P 47,547,120
Non-food revenues	**28,274,857**	37,371,484
	P 64,794,831	P 84,918,604

13.4 Terminal Operations Revenue

The details of this account are composed of the revenues from:

	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
Rental revenue - contractual	**P 233,763,124**	P -
Rental revenue - PFRS	**53,184,036**	-
Construction revenue	**-**	20,003,363
	P 286,947,160	P 20,003,363

14. DIRECT COSTS

14.1 Contract Costs

The following is the breakdown of contract costs for the period ended March 31:

	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
Outside services	**P 1,261,784,556**	P 703,320,311
Materials	**1,327,348,125**	857,350,662
Salaries and employee benefits	**413,609,804**	290,068,434
Depreciation and amortization	**233,855,260**	147,417,789
Project overhead	**82,803,127**	173,822,005
	P 3,319,400,872	P 2,171,979,201

Project overhead includes insurance, repairs and maintenance, gas and oil, travel and transportation, professional fees, utilities, municipal permits, taxes, security services, office supplies and various rental expenses of staging areas.

14.2 Costs of Airport Operations

The following is the breakdown of cost of services:

	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
Amortization of concession asset	**P 149,073,792**	P 173,780,681
Utilities	**56,684,787**	65,620,472
Repairs and maintenance	**35,432,924**	33,332,728
Airline collection charges	**17,490,796**	8,277,510
Salaries and other benefits	**15,051,660**	14,828,419
Airport operator's fee	**10,398,054**	13,350,225
Insurance	**9,404,169**	8,317,761
Others	**55,353,032**	49,333,951
	P 348,889,214	P 366,841,747

14.3 Costs of Airport Merchandising Operations

The following is the breakdown of cost of trading:

	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
Cost of food	**P 9,547,385**	P 9,599,930
Cost of non-food	**6,943,584**	12,431,901
Freight-in	**28,637**	-
	P 16,519,606	P 22,031,831

15. EQUITY

15.1 Dividends

In 2020 and 2019, the Parent Company's BOD approved the declaration cash dividends of P1.76 per share or equivalent to P70.3 million per quarter (total of P281.0 million) to holders of preferred shares, which were taken out of the unrestricted earnings of the Parent Company as of December 31, 2019 and 2018, respectively. The series of record dates and payments are as follows:

	1st Quarter	**2nd Quarter**	**3rd Quarter**	**4th Quarter**
2020:				
Approval dates	January 8, 2020			
Record dates	February 6, 2020			
Payment dates	March 3, 2020			
2019:				
Approval dates	January 30, 2018	May 3, 2018	August 11, 2018	October 30, 2018
Record dates	February 15, 2018	May 18, 2018	August 16, 2018	November 16, 2018
Payment dates	March 3, 2018	June 3, 2018	September 3, 2018	December 3, 2018

The dividends on preferred shares bear cumulative, non-participating cash dividends based on the issue price, payable quarterly in arrears every dividend payment date, at the fixed rate of 7.025% per annum from listing date.

On December 26, 2019, the Company's BOD approved the declaration of cash dividends for common shares in the amount of P0.12 per share to all stockholders of record as of January 15, 2020, payable on January 31, 2020.

15.2 Treasury Shares

On July 20, 2016, the Parent Company's BOD approved the buy-back of 410.8 million common shares held by Sybase Equity Investment Corporation at a price equal to the 7-trading day volume weighted average price ending on July 28, 2016 or equivalent to P10.03 per share. Total purchase price of the treasury shares including incidental cost of the buy-back amounted P4,138.8 million.

On October 20, 2016, the Parent Company's BOD approved the sale of its 150.0 million treasury shares at P14.90 per share. Net proceeds of the sale of treasury share amounted to P2,181.7 million, net of incidental cost of the transaction. Outstanding balance of the treasury shares after the sale is 260.8 million treasury shares at cost of P2,627.7 million.

On October 1, 2018, the Parent Company's BOD approved a share buyback program worth up to P2.0 billion over a period of two years. Total cost to acquire treasury shares in 2018 amounted to P827.1 million which is equivalent to 48.8 million shares.

On March 3, 2020, the BOD approved an additional P3 billion to its Share buyback program (the "Program"), making it a total of P5 billion and removal of the period within which to execute the Program, making it open-ended.

15.3 Retained Earnings

On April 8, 2013, the BOD of the Parent Company approved the declaration of dividends and gave management the authority to decide the type (cash, stock or mixed) and amount of any dividends to be declared subsequently.

The Parent Company's retained earnings are restricted to the extent of the cost of treasury shares.

16. RELATED PARTY TRANSACTIONS

The Group's related parties include its ultimate parent company and other shareholders, subsidiaries, associates, joint venture, parties related to the Parent Company by common ownership and key management personnel.

16.2 Rendering of Services

In the normal course of business, the Group provides construction services to its associate, a certain previous shareholder and other related parties. The related revenue from these transactions amounted to P185.7 million in 2020 P53.8 million in 2019 and is recorded as part of Contract Revenues account in the consolidated statements of income. Services rendered to the above related parties are based on normal terms similar to terms that would be available to non-related parties.

The outstanding contract receivables from these transactions, which are generally unsecured and settled through cash within three to six months, and the related retention receivables, which can only be collected after a certain period of time upon acceptance by project owners of the certificate of completion, are presented as part of Contract and Retention receivables under Trade and Other Receivables account in the consolidated statements of financial position.

16.2 Rental of Land and Building

The Group is a lessee of certain parcels of land and building owned by related parties under common ownership.

In 2019, the Group recognized rent expense amounting P0.75 million from the lease agreement with Megapolitan Realty and Development Corporation (Megapolitan) for the land where the Group's building is located. The Group has no outstanding payables from the rental transaction with Megapolitan. There were no such transaction in 2020.

16.3 Advances to Officers and Employees

Advances to officers and employees represent unsecured, noninterest-bearing cash advances for business-related expenditures that are to be liquidated 60 days from the date the cash advances were received. The outstanding receivables from these transactions are presented as part of Trade and Other Receivables.

16.4 Advances to and from Related Parties

The Group obtained unsecured, noninterest-bearing cash advances from certain related parties to finance portion of its working capital requirement payable upon demand. The outstanding balance from these transactions is shown under Trade and Other Payables account in the consolidated statements of financial position.

The Group has provided unsecured, interest-bearing cash advances to its associates and certain related parties under common ownership for their working capital requirements. The outstanding balance from these transactions is shown under Trade and Other Receivables account in the consolidated statements of financial position.

Further, upon assessment of recoverability based on the capacity to pay and expected collectability of these advances, no impairment losses were recognized in both periods.

The Group's outstanding receivables from and payables to the same related parties as presented can be potentially offset to the extent of their corresponding outstanding balances.

16.5 Others

The Parent Company's retirement plan is in the form of a bank-trustee managed account. The fair value of the retirement plan totalled P4.4 million as of March 31, 2020 and December 31, 2019.

17. COMMITMENTS AND CONTINGENCIES

There are commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying interim condensed consolidated financial information. Management is of the opinion, that losses, if any, from these items will not have any material effect on its interim condensed consolidated financial information.

18. SEASONAL OR CYCLICALITY OF OPERATIONS

Due to the seasonal nature of the airport operation business, higher revenues and operating profits are usually expected in the months of January, April, May, July and December. Higher revenues from these months are mainly attributed to the increased traffic during the peak holiday season in the Philippines and other neighbouring countries.

19. CHANGES IN ACCOUNTING ESTIMATES

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

20. EARNINGS PER SHARE

Basic and diluted EPS were computed as follows:

	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
Net profit attributable to shareholders of the Parent Company	**P 236,251,410**	P 239,255,164
Dividends on cumulative preferred shares	**(70,250,000)**	(70,250,000)
Income available to shareholders of the Parent Company	**166,001,410**	169,005,164
Divided by weighted average number of outstanding common shares	**2,069,058,291**	2,088,843,960
Basic and diluted EPS	**P .08**	P .08

The Group does not have dilutive potential common shares outstanding as of March 31, 2020, and 2019; hence, diluted EPS is equal to the basic EPS.

21. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to its financial instruments. The Group's financial assets and financial liabilities by category are summarized below. The main types of risk are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated with the Group's Parent Company, in close cooperation with the BOD, and focuses on actively securing the Group's short-to-medium term cash flows by minimizing the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The relevant financial risks to which the Group is exposed to are described below and in the succeeding pages.

21.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from its US dollar-denominated cash and cash equivalents and loans payable which have been used to fund the Cebu Mactan Airport project. The principal and interest of the loans payable will be funded by the US dollar-denominated sales generated by the airport operation. Exposures to foreign exchange rates vary during the period depending on the volume of foreign currency transactions.

(b) Interest Rate Risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually made at fixed rates.

The Group is exposed to changes in market rates through its cash in banks and short-term placements which are subject to monthly repricing intervals and some short-term working capital loans which are subject to variable interest rate. Any increase in finance costs due to changes in interest rates will be mitigated by the finance income on cash and cash equivalents and short-term placements.

21.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, such as the granting of loans and receivables to customers and related parties and placing deposits with local banks and investment in bonds and UITF.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

The maximum credit risk exposure of financial assets and contract assets is the carrying amount of the related assets as shown in the consolidated statements of financial position or in the detailed analysis provided in the notes to the consolidated financial statements, as summarized below.

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Cash and cash equivalents	**P 4,553,976,841**	P 6,518,599,861
Trade and other receivables-net *(excluding advances to officers and employees)*	**15,737,222,425**	17,373,476,547
Refundable security and bond deposits	**192,775,522**	196,779,733
Investment in trust fund	**1,432,695,136**	862,704,457
Contract assets	**5,655,664,762**	3,975,734,097
	P 27,572,334,686	P 28,867,780,567

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents and trade and other receivables as described below.

(a) Cash and Cash Equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) Trade and Other Receivables and Contract Asset

The Group applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables and other receivables and contract assets.

To measure the ECL, trade and other receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due (age buckets). The Group also concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other receivables as it shares the same credit risk characteristics.

The expected loss rates are based on the payment and aging profiles over a period of 36 months before March 31, 2020 or December 31, 2019, respectively, and the corresponding historical credit losses experienced within such period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the inflation rate in the Philippines to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

The Group identifies a default when the receivables become credit impaired or when the customer has not able to settle the receivables within the normal credit terms of 30 to 60 days, depending on the terms with customers; hence, these receivables were already considered as past due on its contractual payment. In addition, the Group considers qualitative assessment in determining default such as in instances where the customer is unlikely to pay its obligations and is deemed to be in significant financial difficulty.

As the reporting period, none of the outstanding receivables and contract assets were found to be impaired using the provision matrix as determined by the management; hence, no amount of allowance for impairment have been recognized.

(c) Investment in Trust Fund

The Group is exposed to credit risk on its investments in UITF, short-term commercial papers and trust fund. However, the Group has assessed that such risk is minimal since the counterparties are reputable listed leasing company and financial institutions with high quality external credit ratings.

(d) Refundable Security and Bond Deposits, and Investments in RTB

The Group is not exposed to any significant credit risk exposures to its lessors as lease agreements were executed with reputable entities. The Group can negotiate, before the end of the lease term, to apply deposit to rentals due. Also, the investments in RTB and bond deposits are made with the Philippine Government, hence, the exposure on credit risk is assessed by the management to be not be significant.

21.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for six-month and one-year periods 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 placements. 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.

	2020		
	Current		**Non-current**
	Within 6 Months	**6 to 12 Months**	**1 to 5 Years**
Interest-bearing loans and borrowings	**P13,063,409,258**	**P 66,354,402**	**P33,752,645,242**
Trade and other payables	**8,294,543,631**	-	-
Security deposits (gross of unearned income)	-	-	**595,038,911**
Retention payable (under other non-current liabilities)	-	-	**2,300,500**
	P20,814,040,215	**P 66,354,402**	**P34,349,984,653**

	2019		
	Current		Non-current
	Within 6 Months	6 to 12 Months	1 to 5 Years
Interest-bearing loans and borrowings	P14,614,706,850	P 66,354,402	P33,882,124,037
Trade and other payables	8,167,589,445	-	-
Security deposits (gross of unearned income)	-	-	586,498,441
	P22,782,296,295	P 66,354,402	P34,468,622,478

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the financial liabilities at the end of reporting periods.

22. CATEGORIES, OFFSETTING AND FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

	2020		2019	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets				
At amortized cost:				
Loans and receivables:				
Cash and cash equivalents	**P 4,553,976,841**	**P 4,553,976,841**	P 6,518,599,861	P 6,518,599,861
Trade and other receivables – net	**15,737,222,425**	**15,737,222,425**	17,373,476,547	17,373,476,547
Refundable security and bond deposits	**192,775,522**	**192,775,522**	196,779,733	196,779,733
Investment in trust fund	**1,432,695,136**	**1,432,695,136**	862,704,457	862,704,457
Contract assets	**5,655,664,762**	**5,655,664,762**	3,975,734,097	3,975,734,097
	27,572,334,686	**27,572,334,686**	28,927,294,695	28,927,294,695
Financial assets at FVOCI (previously AFS financial assets):				
Club shares	**1,044,472**	**1,044,472**	1,044,472	1,044,472
Investment in SSPI	**2,500,000**	**2,500,000**	2,500,000	2,500,000
	3,544,472	**3,544,472**	3,544,472	3,544,472
	P 27,575,879,158	**P 27,575,879,158**	P 28,930,839,167	P 28,930,839,167
Financial Liabilities				
At amortized cost:				
Interest-bearing loans and borrowings	**P 46,882,408,902**	**P 46,882,408,902**	P 47,752,912,677	P 47,752,912,677
Trade and other payables	**8,294,543,631**	**8,294,543,631**	8,167,589,445	8,167,589,445
Security deposits	**595,038,911**	**595,038,911**	586,498,441	586,498,441
Retention payable	**2,300,500**	**2,300,500**	-	-
	P 55,774,291,944	**P 55,774,291,944**	P 56,507,000,563	P 56,507,000,563