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MEGAWIDE CONSTRUCTION CORPORATION

20 N. Domingo Street, Brgy. Valencia,
Quezon City, Metro Manila
Telephone No. +63 2 8655 1111

**Preliminary Prospectus relating to the Primary Offer in the
Philippines of 30,000,000 Non-Voting Perpetual
Series 2 Preferred Shares
with an Oversubscription Option for up to
20,000,000 Non-Voting Perpetual Series 2 Preferred Shares
consisting of
Series 2A Preferred Shares “MWP2A”
Series 2B Preferred Shares “MWP2B”
at an Offer Price of ₱100.00 per Preferred Share
to be listed and traded on the
Main Board of The Philippine Stock Exchange, Inc.**

Sole Issue Manager



Joint Lead Underwriters and Bookrunners



Selling Agents

Trading Participants of the Philippine Stock Exchange, Inc.

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PRELIMINARY PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.

This Preliminary Prospectus is dated November 4, 2020.

MEGAWIDE CONSTRUCTION CORPORATION
20 N. DOMINGO STREET, BRGY. VALENCIA,
QUEZON CITY, METRO MANILA
Telephone No. +63 2 8655 1111
<http://www.megawide.com.ph/>

This Preliminary Prospectus relates to the offer and sale of up to 50,000,000 cumulative, non-voting non-participating, non-convertible, redeemable (non-reissuable) perpetual preferred shares with a par value of One Peso (₱1.00) per share (the “**Series 2 Preferred Shares**” or “**Shares**”) of Megawide Construction Corporation (“**Megawide**” or “**MWIDE**” or the “**Company**” or the “**Issuer**”), a corporation incorporated and existing under Philippine laws (the “**Offer**”). The Offer is for a total of up to 50,000,000 Series 2 Preferred Shares (the “**Offer Shares**”) with a base offer of 30,000,000 Series 2 Preferred Shares (the “**Firm Shares**”) to be issued two (2) subseries: Series 2A Preferred Shares and/or Series 2B Preferred Shares. In the event of an oversubscription, the Joint Lead Underwriters and Bookrunners, with the consent of the Company, reserve the right but not the obligation to increase the size of the Offer by up to an additional 20,000,000 Series 2 Preferred Shares (the “**Oversubscription Option**”) and the Series 2 Preferred Shares pertaining to such option, the “**Oversubscription Option Shares**”), subject to the registration requirements of the Securities and Exchange Commission (“**SEC**”). The Offer Shares are to be issued in two subseries: Series 2A Preferred Shares and Series 2B Preferred Shares, at a subscription price of ₱100.00 per share (the “**Offer Price**”). The Offer Shares will be issued by the Company from its 70,500,000 unissued cumulative, non-voting, non-participating, non-convertible, perpetual preferred shares.

The distribution and sale of the Series 2 Preferred Shares shall be made solely in the Philippines through RCBC Capital Corporation (“**RCBC Capital**” or the “**Sole Issue Manager**”) and PNB Capital and Investment Corporation (“**PNB Capital**”), (RCBC Capital and PNB Capital, each a “**Joint Lead Underwriter and Bookrunner**”, and together, the “**Joint Lead Underwriters and Bookrunners**”) and the Selling Agents named herein who shall sell and distribute the Series 2 Preferred Shares to third party buyers/investors at the Offer Price.

In the event that Oversubscription Option is exercised, the Joint Lead Underwriters and Bookrunners, in consultation with the Issuer, have the discretion to allocate the Oversubscription Option Shares in either Series 2A Preferred Shares or Series 2B Preferred Shares at the end of the Offer Period based on actual demand.

The Series 2 Preferred Shares will be listed on the Main Board of the Philippine Stock Exchange, Inc. (“**PSE**”) on [November 27, 2020], (the “**Listing Date**”) under the trading symbol “**MWP2A**” for the Series 2A Preferred Shares and “**MWP2B**” for the Series 2B Preferred Shares.

Following the Offer, and assuming the Oversubscription Option is exercised in full, the Company will have 2,013,409,717 common shares and 386,016,410 common shares are held in treasury; 40,000,000 Series 1 Preferred Shares, and 50,000,000 Series 2 Preferred Shares, and 13,500,000 Series 3 Preferred Shares, issued and outstanding shares.

The holders of the Series 2 Preferred Shares do not have identical rights and privileges with holders of the existing common shares and existing Series 1 and Series 3 Preferred Shares of the Company. Any and all preferred shares of the Corporation shall have preference over common shares in dividend distribution and in case of liquidation or dissolution. For further discussion, please refer to “*Description of Shares*”.

The declaration and payment of Dividends on the Shares on each Dividend Payment Date will be subject to the sole and absolute discretion of the Issuer’s Board of Directors (the “**Board**”), to the extent permitted by law and subject to the covenants (financial or otherwise) in the loans and credit agreements to which Megawide is a party and the requirements under applicable laws and regulations. The declaration and payment of dividends (except stock dividends) do not require any further approval from the shareholders.

As and if declared by the Board, dividends on the Series 2A Preferred Shares and Series 2B Preferred Shares shall be at a fixed rate of [4.25%-4.75%] per annum, and [5.25%-5.75%] per annum, respectively, in all cases calculated in respect of each share by reference to the Offer Price thereof for each Dividend Period (as defined below) (each, the “**Initial Dividend Rate**” for the relevant subseries). Subject to the limitations described in this Preliminary Prospectus, cash dividends on the Shares will be payable on a [quarterly] basis in arrears on a Dividend Period (as defined herein).

Unless the Series 2 Preferred Shares have not been redeemed by the Company on, in respect of the Series 2A Preferred Shares, 2.5 years from the Listing Date (the “**Series 2A First Optional Redemption Date**”) and in respect of the Series 2B Preferred Shares, 5 years from the Listing Date (the “**Series 2B First Optional Redemption Date**”) or on the next Business Day in case each of the First Optional Redemption Date falls on a non-Business Day, the dividends on each subseries will be adjusted as follows:

- (a) For the Series 2A First Optional Redemption Date, the higher of (a) the sum of (i) the simple average of the closing per annum rates of 5-year BVAL rate, or if such interpolated 5-year BVAL rate is not available or cannot be determined, any such successor rate generally accepted by the Bankers Association of the Philippines (“**BAP**”) or the Bangko Sentral ng Pilipinas (“**BSP**”), as shown on the PDEX page (or such successor page) of Bloomberg (or such successor electronic service provider for three consecutive days ending on (and including) the day 2.5 years from Listing date and (ii) [4.00]% or (b) the floor rate of [8.00]% (the “**MWP2A Step Up Rate**”) and;
- (b) For the Series 2B First Optional Redemption Date, the higher of (a) the sum of (i) the simple average of the closing per annum rates of the 7-year BVAL rate, or if the 7-year BVAL rate is not available or cannot be determined, the interpolated 7-year BVAL rate, or if such interpolated 7-year BVAL rate is not available or cannot be determined, any such successor rate generally accepted by the BAP or the BSP, as shown on the PDEX page (or such successor page) of Bloomberg (or such successor electronic service provider for three consecutive days ending on (and including) the day 5 years from Listing date and (ii) [4.00]% or (b) the floor rate of [8.00]% (the “**MWP2B Step Up Rate**”);

Provided, that in the event the relevant Series 2A or Series 2B First Optional Redemption Date falls on day that is not a Business Day:

- (a) the rate setting will be done on the immediately succeeding Business Day using the average of the relevant BVAL rates for the three (3) consecutive Business Days preceding and inclusive of the said rate setting date; and
- (b) the applicable MWP2A Step Up Rate and the MWP2B Step Up Rate (the “**Step-Up Rate**”, see “*Summary of the Offering*”) will be applied commencing on the Step-Up Date (which is the 2.5 years from the Listing Date of the Series 2A Preferred Shares, and 5 years from the Listing Date of the Series 2B Preferred Shares).

Dividends on the Shares will be cumulative. If for any reason the Issuer’s Board does not declare a dividend on the Shares for a Dividend Period, the Issuer will not pay a dividend on the Dividend Payment Date for that Dividend Period. However, on any future Dividend Payment Date on which dividends are declared, holders of the Shares as of record date of such dividends must receive the dividends due them on such Dividend Payment Date as well as all dividends due and payable or dividends in arrears in respect of prior Dividend Periods (“**Dividends in Arrears**”) (see “*Description of the Shares*”).

As and if declared by the Board, the Issuer may redeem the Series 2 Preferred Shares as follows:

- (a) in whole (not in part), the Series 2A Preferred Shares on the Series 2A First Optional Redemption Date or on any Dividend Payment Date thereafter (each of the Series 2A First

Optional Redemption Date and the Dividend Periods thereafter, a “**Series 2A Optional Redemption Date**”; and

(b) in whole (not in part), the Series 2B Preferred Shares on the Series 2B First Optional Redemption Date or on any Dividend Payment Date thereafter (each of the Series 2B First Optional Redemption Date and the Dividend Periods thereafter, a “**Series 2B Optional Redemption Date**”

(each Series 2A Optional Redemption Date and Series 2B Optional Redemption Date, an “**Optional Redemption Date**”).

after giving not less than thirty (30) nor more than sixty (60) days prior written notice to the intended date of redemption, at a redemption price equal to the relevant Offer Price of the Series 2 Preferred Shares plus all dividends due them on such Optional Redemption Date as well as all Dividends in Arrears after deduction of transfer costs customarily chargeable to stockholders, as applicable, to effect the redemption (the “**Redemption Price**”). Such notice to redeem shall be deemed irrevocable upon issuance thereof.

For the avoidance of doubt, on the applicable Optional Redemption Date, the Issuer has the option to redeem, in whole but not in part, any or both of the subseries.

In the event an Optional Redemption Date which the Issuer has chosen as the date to redeem any or both of the subseries falls on a day that is not a Business Day, the redemption shall be made on the next succeeding day that is a Business Day, without adjustment as to the Redemption Price and the amounts of dividends to be paid.

The Issuer may also redeem the Series 2 Preferred Shares in whole but not in part, at any time prior to any Optional Redemption Date if an Accounting Event or a Tax Event (each as defined below) has occurred and is continuing, having given not less than thirty (30) nor more than sixty (60) days’ notice prior to the intended date of redemption. The redemption due to an Accounting Event or a Tax Event shall be made by the Issuer at the Redemption Price which shall be paid within five (5) Business Days after the exercise of the right to redeem the Series 2 Preferred Shares.

Each Series 2 Preferred Share has a liquidation right equal to the Offer Price of the Series 2 Preferred Share plus an amount equal to any dividends declared but unpaid in respect of the previous dividend period and any accrued and unpaid dividends for the then current dividend period to (and including) the date of commencement of the Company’s winding up or the date of any such other return of capital, as the case may be (the “**Liquidation Right**”).

Upon listing on the PSE, Megawide may purchase the Series 2 Preferred Shares at any time in the open market or by public tender or by private contract at any price through the PSE. The Series 2 Preferred Shares so purchased may either be redeemed (pursuant to their terms and conditions as set out in the Prospectus) and cancelled, or kept as treasury shares, as applicable.

All payments in respect of the Series 2 Preferred Shares are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of the Government of the Republic of the Philippines (the “**Government**”), including but not limited to, stamp, issue, registration, documentary, value added or any similar tax or other taxes and duties, including interest and penalties. If such taxes or duties are imposed, the Issuer will pay additional amounts so that holders of Series 2 Preferred Shares will receive the full amount of the relevant payment which otherwise would have been due and payable, provided, however, that the Issuer shall not be liable for (a) the final withholding tax applicable on dividends earned on the Series 2 Preferred Shares, (b) as applicable, any income tax (whether or not subject to withholding), percentage tax (such as stock transaction tax), and documentary stamp tax on the redemption or buy back of the Series 2 Preferred Shares or on the liquidating distributions as may be received by a holder of Series 2 Preferred Shares, (c) expanded value added tax which may be payable by any holder of the Series 2 Preferred Shares on any amount to be received from the Issuer under the Offer, (d) any withholding tax

on any amount payable to any holder of Shares or any entity which is a non-resident foreign corporation and (e) applicable taxes to any subsequent sale or transfer of the Series 2 Preferred Shares by any holder of the Series 2 Preferred Shares which shall be for the account of the said holder (or the buyer in case such buyer shall have agreed to be responsible for the payment of such taxes). If payments become subject to additional withholding or any new tax as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Shares in whole, but not in part, on any Dividend Payment Date (having given not more than thirty (30) nor less than sixty (60) days' notice) at the Redemption Price (Please see "*Summary of the Offer*"; the taxes applicable on the Series 2 Preferred Shares are discussed in the section on "*Taxation*").

Documentary stamp tax for the primary issue of the Series 2 Preferred Shares and the documentation, if any, shall be for the Issuer's account.

The Shares will constitute direct and unsecured subordinated obligations of the Issuer ranking at least *pari passu* in all respects and rateably without preference or priority among themselves and with all other preferred shares issued or to be issued by the Issuer.

The Shares will be issued in scripless form. Title to the Shares shall pass by endorsement and delivery to the transferee and registration in the registry of shareholders to be maintained by the Registrar and Depository Agent (as defined herein). Settlement of the Shares in respect of such transfer or change of title to the Shares shall be similar to the transfer of title and settlement procedures for listed securities in the PSE (see "*Summary of the Offer*").

Through the Offer and based on the Offer Price set forth above, the Company expects to raise gross proceeds of approximately ₱3,000,000,000.00, or if the Oversubscription Option is exercised in full, ₱5,000,000,000.00. The net proceeds from the Offer, estimated to be at ₱2,971,887,375.00 or if the Oversubscription Option is exercised in full ₱4,961,687,375.00, determined by deducting from the gross proceeds the SEC Registration fees, underwriting and selling fees, documentary stamp taxes and other related fees and out-of-pocket expenses, will be used by the Company primarily to partially finance its capital expenditure requirements and general corporate purposes. (See "*Use of Proceeds*"). No part of the proceeds will be used to reimburse the Company for the filing fees and expenses incurred in connection with the increase in capital stock to create the Series 2 Preferred Shares.

RCBC Capital acting as Sole Issue Manager, and RCBC Capital and PNB Capital, acting together as Joint Lead Underwriters and Bookrunners, shall receive underwriting fees of 0.50% of the gross proceeds of the Offer, inclusive of amounts to be paid to the Selling Agents. The commissions to be paid to the Selling Agent shall be equivalent to 0.125% of the total proceeds of the sale of Series 2 Preferred Shares by such Selling Agent. The 0.125% commissions shall be inclusive of VAT and will be paid to the Selling Agent less any applicable withholding tax.

No dealer, salesman, or any other person has been authorized to give any information or to make any representation not contained in this Preliminary Prospectus. If given or made, any such information or representation must not be relied upon as having been authorized by the Company, and the Joint Lead Underwriters and Bookrunners. The distribution of this Preliminary Prospectus and the offer and sale of the Series 2 Preferred Shares may, in certain jurisdictions, be restricted by law. The Company and Joint Lead Underwriters and Bookrunners require persons into whose possession this Preliminary Prospectus come, to inform them of and observe all such restrictions. This Preliminary Prospectus does not constitute an offer of any securities, or any offer to sell, or a solicitation of any offer to buy any securities of the Company in any jurisdiction, to or from any person to whom it is unlawful to make such offer in such jurisdiction.

Unless otherwise stated, the information contained in this Preliminary Prospectus has been supplied by the Company to the best of its knowledge and belief. The Company (which has taken all reasonable care to ensure that such is the case) confirms that the information contained in this Preliminary Prospectus is correct, and that there is no material statement or omission of fact which would make any statement in this Preliminary Prospectus misleading in any material respect. The Company hereby

accepts full and sole responsibility for the accuracy of the information contained in this Preliminary Prospectus. The Company and the Joint Lead Underwriters and Bookrunners have exercised due diligence in ascertaining that all material representations contained in the Preliminary Prospectus, its amendments and supplements, are true and correct, and that no material information was omitted which was necessary in order to make the statements contained in the aforementioned documents not misleading. The Joint Lead Underwriters and Bookrunners confirm that they have exerted reasonable efforts to verify the information contained herein but do not make any representation, express or implied, as to the accuracy or completeness of the materials contained herein. The Joint Lead Underwriters and Bookrunners, having made all reasonable enquiries, confirm that this document contains all information with respect to the Issuer, the Joint Lead Underwriters and Bookrunners, and the Series 2 Preferred Shares which is material in the context of the issue and offering of the Offer Shares, that the information contained herein is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed herein are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions, that there are no other facts, the omission of which would, in the context of the issue and offering of the Series 2 Preferred Shares, make this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect and that all reasonable enquiries have been made by the Issuer to verify the accuracy of such information. The Issuer accepts responsibility accordingly.

Unless otherwise indicated, all information in this Preliminary Prospectus is as of date hereof. Neither the delivery of this Preliminary Prospectus nor any sale made pursuant to this Preliminary Prospectus shall, under any circumstances, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Company and its subsidiaries since such date. Market data and certain industry forecasts used throughout this Preliminary Prospectus were obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Company, the Joint Lead Underwriters and Bookrunners make any representation as to the accuracy of such information. Each person contemplating an investment in the Series 2 Preferred Shares should make his own independent investigation and analysis of the creditworthiness of Megawide and his own determination of the suitability of any such investment. The risk disclosure herein does not purport to disclose all the risks and other significant aspects of investing in the Shares. A person contemplating an investment in the Series 2 Preferred Shares should seek professional advice if he or she is uncertain of, or has not understood any aspect of the securities to invest in or the nature of risks involved in trading of securities, especially those high-risk securities. Investing in the Series 2 Preferred Shares involves a higher degree of risk compared to debt instruments. For a discussion of certain factors to be considered in respect of an investment in the Series 2 Preferred Shares, see the section entitled "*Risk Factors*".

Megawide is incorporated under the laws of the Philippines. Its principal office address is at the 20 N. Domingo St, Quezon City, Metro Manila, Philippines, with telephone number +63 2 8655 1111.

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BEEN DECLARED EFFECTIVE. NO OFFER TO BUY THE SECURITIES CAN BE ACCEPTED AND NO PART OF THE PURCHASE PRICE CAN BE ACCEPTED OR RECEIVED UNTIL THE REGISTRATION STATEMENT HAS BECOME EFFECTIVE, AND ANY SUCH OFFER MAY BE WITHDRAWN OR REVOKED, WITHOUT OBLIGATION OF COMMITMENT OF ANY KIND, AT ANY TIME PRIOR TO NOTICE OF ITS ACCEPTANCE GIVEN AFTER THE EFFECTIVE DATE. AN INDICATION OF INTEREST IN RESPONSE HERETO INVOLVES NO OBLIGATION OR COMMITMENT OF ANY KIND. THIS PRELIMINARY PROSPECTUS SHALL

**NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER
TO BUY ANY SERIES 2 PREFERRED SHARES.**

MEGAWIDE CONSTRUCTION CORPORATION

By:

EDGAR B. SAAVEDRA

Chairman, Chief Executive Officer, and President

SUBSCRIBED AND SWORN to before me this _____ in _____, Philippines, by affiant who is personally known to me and exhibited to me his _____ issued on _____ at _____.

Doc. No.:

Page No.:

Book No.:

Series of 2020

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DEFINITION OF TERMS

Affiliate	A corporation that directly or indirectly, through one or more intermediaries, Controls, is Controlled by, or is under the common Control of, another corporation
Affordable Housing	Housing units with a price range of ₱400,000.00 to ₱2,000,000.00 per unit
Altria	Altria East Land, Inc.
Applicant	A person, whether natural or juridical, who seeks to subscribe to the Offer Shares by submitting an Application under the terms and conditions prescribed in this Preliminary Prospectus
Application	An application to subscribe for Offer Shares pursuant to the Offer
Banking Day	A day (except Saturdays, Sundays and holidays) on which banks in the Philippines are open for business in Metro Manila, Philippines
BBB	Build, Build, Build Program
BIR	Bureau of Internal Revenue
Board or Board of Directors	The Board of Directors of the Company
BOT	Build-Operate-Transfer Program
BSP	Bangko Sentral ng Pilipinas, the central bank of the Philippines
BT	Build-Transfer Program
Citicore	Citicore Holdings Investment, Inc.
CMCI	Citicore-Megawide Consortium Inc.
Company or Megawide	Megawide Construction Corporation
Construction Order Book	The value of construction contracts awarded to the Company during a specified period
COVID-19	A disease caused by a new strain of coronavirus. Formerly referred to as '2019 novel coronavirus' or '2019-nCoV'.
DENR	Department of Environment and Natural Resources
DepEd	Department of Education
Depository Agent	Philippine Depository and Trust Group
DOH	Department of Health
DOTC	Department of Transportation and Communication
DPWH	Department of Public Works and Highways

ECQ	Enhanced Community Quarantine
Eligible Investors	Applicants who are qualified to subscribe to the Offer Shares
EPC	Engineering, procurement, and construction
FIA	Foreign Investments Act of 1991, as amended
Firm Shares	30,000,000 Series 2 Preferred Shares each with a par value of ₱ 1.00
Formwork Systems	Temporary or permanent molds into which concrete or similar materials are poured
GDP	Gross domestic product, or the monetary value of all the finished goods and services produced within a country's borders, calculated on an annual basis
Government	The Government of the Republic of the Philippines
GMCAC	GMR-Megawide Cebu Airport Corporation, a joint venture between Megawide (60%) and GMR (40%)
GMR	GMR Infrastructure Limited
High Technology Building Systems	Pre-Cast Concrete and Formwork Systems currently employed by the Company in construction
Joint Lead Underwriters and Bookrunners	RCBC Capital Corporation and PNB Capital and Investment Corporation
Listing Date	The date on which the listing and trading of the Offer Shares on the PSE begin, expected to be on November 27, 2020
MCIA	Mactan Cebu International Airport
MWCCI	Megawide World Citi Consortium, Inc., a joint venture between Megawide and World Citi, Inc.
MWMTI	MWM Terminals Inc.
MySpace	MySpace Properties Inc.
NAIA	Ninoy Aquino International Airport
NIRC	Philippine National Internal Revenue Code
Offer	The offer for subscription of 30,000,000 Preferred Shares plus an additional oversubscription option of up to 20,000,000 Preferred Shares, if exercised, to Eligible Investors subject to the terms and conditions in this Preliminary Prospectus and in the Application
Offer Period	The period commencing 9:00 a.m. on November 10, 2020 and ending at 5:00 p.m. on November 17, 2020 within which the Eligible Investors may subscribe to the Offer Shares

Offer Price	₱100.00
Offer Shares	Up to 50,000,000 Series 2 Preferred Shares each with a par value of ₱1.00
Oversubscription Option Shares	Up to 20,000,000 Series 2 Preferred Shares each with a par value of ₱1.00
₱, P, or Php	Philippine Pesos, the lawful currency of the Republic of the Philippines
PCAB	Philippine Contractors Accreditation Board
PCD	The Philippine Central Depository
PCD Nominee	The PCD Nominee Corporation, a corporation wholly owned by the PDTC
P.D. No. 1746	Presidential Decree No. 1746, entitled “Creating the Construction Industry Authority of the Philippines”, as amended by R.A. No. 4566
PDS	The Philippine Dealing System
PDTC	The Philippine Depository and Trust Corporation, the central securities depository of, among others, securities listed and traded on the PSE
PFRS	Philippine Financial Reporting Standards
PIFITA	House Bill 304 or Passive Income and Financial Intermediary Taxation Act
PITX	Paranaque Integrated Terminal Exchange
PNB Capital	PNB Capital and Investment Corporation
Philippine Nationals	Pursuant to the FIA, any of the following: <ul style="list-style-type: none"> (a) a citizen of the Philippines; or (b) a domestic partnership or association wholly owned by citizens of the Philippines; or (c) a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines; or (d) a corporation organized abroad and registered as doing business in the Philippines under the Corporation Code of which 100% of the capital stock outstanding and entitled to vote is wholly owned by Filipinos; or (e) a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine national and at least 60% of the fund will accrue to the benefit of the Philippine nationals. Where a corporation and its non-Filipino stockholders own stocks in an SEC-registered enterprise, at least 60% of the capital stock outstanding and entitled to vote of both corporations

must be owned and held by citizens of the Philippines and at least 60% of the members of the Board of Directors of both corporations must be citizens of the Philippines, in order that the corporations shall be considered a Philippine national

Pursuant to SEC Memorandum Circular No. 8, Series of 2013, which generally applies to all corporations engaged in identified areas of activities or enterprises specifically reserved, wholly or partly, to Philippine nationals by the Philippine Constitution, the FIA and other existing laws, amendments thereto, and implementing rules and regulations of said laws, for purposes of determining compliance with the constitutional or statutory ownership requirement, the required percentage of Filipino ownership shall be applied to both:

- (i) the total number of outstanding shares of stock entitled to vote in the election of directors; and
- (ii) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors.

PPP	Public-Private Partnership
Pre-Cast Concrete System	A construction product resulting from casting concrete in a reusable mold which is then cured in a controlled environment, transported to the construction site and lifted into place
Preliminary Prospectus	This Preliminary Prospectus together with all its annexes, appendices and amendments
Project	Any one of the following projects, as the context may require: <ul style="list-style-type: none">(a) Mactan Cebu International Airport I(b) Mactan Cebu International Airport II(c) Metro Manila Subway Project; and(d) North South Commuter Rail.
PSE	The Philippine Stock Exchange, Inc.
Qualified Institutional Buyer	Any of the following: mutual funds, pension or retirement funds, commercial or universal banks, trust companies, investment houses, insurance companies, investment companies, finance companies, venture capital firms, government financial institutions, trust departments of commercial or universal banks, non-bank quasi banking institutions, Trading Participants of the PSE for their dealer accounts, non-stock savings and loan associations, educational assistance funds, and any other juridical persons that possesses at the time of registration with an authorized registrar: <ul style="list-style-type: none">(a) have gross assets of at least One Hundred Million Pesos (₱100,000,000.00) or(b) a total portfolio investment in securities registered with the SEC or financial instruments issued by the government of at least Sixty Million Pesos (₱60,000,000.00).
R.A. No. 4566	Republic Act No. 4566 or the "Contractor's License Law"
Registrar	Stock Transfer Service Inc.

Receiving and Paying Agent	Rizal Commercial Banking Corporation - Trust and Investments Group
Revised Corporation Code	Republic Act 11232 or the Revised Corporation Code of the Philippines
SEC	The Philippine Securities and Exchange Commission
Series 2 Preferred Shares	The Company's Series 2 Preferred Shares which are subject of the Offer, each with a par value of ₱1.00
Shares	Up to 50,000,000 Series 2 Preferred Shares of the Company being applied for listing with the PSE
Sole Issue Manager	RCBC Capital Corporation
SRC	Republic Act No. 8799, otherwise known as "The Securities Regulation Code"
Subsidiary	A corporation which is controlled, directly or indirectly, by another corporation which thereby becomes its Parent
Trading Day	Any day on which trading is allowed in the PSE
Underwriting Agreement	The agreement entered into by and between the Company and the Joint Lead Underwriters and Bookrunners, indicating the terms and conditions of the Offer and providing that the Offer shall be fully underwritten by the Joint Lead Underwriters and Bookrunners
VAT	Value Added Tax

FORWARD LOOKING STATEMENTS

This Preliminary Prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties and should not in any way be confused or considered as statements of historical fact. Some of these statements can be identified by forward looking terms such as, “anticipate”, “believe”, “can”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “should”, “will”, “and”, “would” or other similar words. These words, however, are not the exclusive means of identifying forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- (a) Known and unknown risks;
- (b) Uncertainties and other factors which may cause Megawide’s actual results, performance or achievements to deviate significantly from any future results;
- (c) Performance or achievements expressed or implied by forward-looking statements;
- (d) Megawide’s overall future business, financial condition and results of operations, including, but not limited to, its financial position or cash flow;
- (e) Megawide’s goals for or estimated of its future operational performance of results;
- (f) Megawide’s submission of proposal or planned participation in future projects;
- (g) Megawide’s dividend policy; and
- (h) Changes in Megawide’s regulatory environment including but not limited to, policies, decisions and determinations of governmental or regulatory authorities.

Such forward-looking statements are based on numerous assumptions regarding Megawide’s present and future business strategies and the environment in which Megawide will operate in the future. Important factors that could cause some or all of the assumptions not to occur or cause actual results, performance or achievements to differ materially from those in the forward-looking statements include, but are not limited to, those disclosed under “*Risk Factors*” and “*Additional Risk Factors*”. These forward-looking statements speak only as of the date of this Preliminary Prospectus. Megawide, the Joint Lead Underwriters and Bookrunners, expressly disclaim any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in Megawide’s expectations with regard thereto or any change in events, conditions, assumptions or circumstances on which any statement is based. In the light of all the risks, uncertainties and assumptions associated with forward-looking statements, investors should be aware that the forward-looking events and circumstances discussed in this Preliminary Prospectus might not occur in the way Megawide expects or even at all. Investors should not place undue reliance on any forward-looking information.

EXECUTIVE SUMMARY

The following summary is qualified in its entirety by the more detailed information, including the Company's financial statements and the notes relating thereto, appearing elsewhere in this Preliminary Prospectus. Prospective purchasers of the Series 2 Preferred Shares must read the entire Preliminary Prospectus carefully, including the section on "Risk Factors". Capitalized terms not defined in this summary are defined in the section "Definition of Terms".

COMPANY OVERVIEW

Megawide Construction Corporation ("**Megawide**" or the "**Company**") was registered with the Philippine Securities and Exchange Commission ("**SEC**") on July 28, 2004. The Company is one of the country's most progressive infrastructure conglomerates, with a portfolio in Engineering, Procurement and Construction ("**EPC**"), Airport Infrastructure and Progressive Property Development. The Company's revolutionary construction and engineering solutions continue to shape the industry by integrating its comprehensive EPC capabilities with innovative construction solution technologies such as precast, formworks, concrete batching, and specialized logistics systems. Its principal office is located at 20 N. Domingo Street, Valencia, Quezon City.

The Company's common shares were listed at the Philippine Stock Exchange ("**PSE**") on February 18, 2011 under the trading symbol "**MWIDE**" while the Company's Series 1 Preferred Shares were listed in the PSE on December 3, 2014 under the trading symbol ("**MWP**").

The Company's Board of Directors approved the increase in the authorized capital stock of the Company from ₱5,000,000,000.00 to ₱5,054,000,000.00 divided into the following: (i) ₱4,930,000,000 consisting of 4,930,000,000 common shares with a par value of ₱1.00 per share; (ii) from ₱70,000,000 consisting of 70,000,000 preferred shares, to ₱124,000,000 consisting of 124,000,000 preferred shares with a par value of ₱0.10 per share on April 13, 2020 and June 30, 2020. The foregoing resolution was approved and ratified by the stockholders at the Annual Stockholders Meeting held on June 30, 2020, whereby the stockholders likewise delegated to the Board of directors the power and authority to: (i) implement the issuance of the preferred shares in series, subseries or in tranches, and (ii) fix the terms and conditions of the preferred shares as they may be issued in series, sub-series or in tranches.

Pursuant to such delegated authority of the Board of Directors to issue the preferred shares in series, sub-series or in tranches, the Board of Directors, in its meeting on October 5, 2020, approved the creation of the series of preferred shares, as follows:

- (a) Series 1 Preferred Shares consisting of 40,000,000 existing, issued and outstanding preferred shares which are listed in the PSE;
- (b) Series 2 Preferred Shares consisting of not more than 50,000,000 shares to be allocated between Subseries 2A Preferred Shares and Subseries 2B Preferred Shares; and
- (c) Series 3 Preferred Shares consisting of 13,500,000 existing, issued, and outstanding preferred shares.

The Offer Shares will be coming from the Series 2 Preferred Shares.

The authorized capital stock of the Company is ₱5,054,000,000.00 divided into 4,930,000,000 common shares with a par value of ₱1.00 per share and 124,000,000 preferred shares with a par value of ₱1.00 per share. As of date, the Company has 2,452,926,127 issued shares of which 2,013,409,717 are issued and outstanding common shares and 386,016,410 common shares are held in treasury, and 40,000,000 are issued and outstanding Series 1 Preferred Shares, and 13,500,000 are issued and outstanding Series 3 Preferred Shares.

Following the Offer, and assuming the Oversubscription Option is exercised in full, the Company will have (a) 2,013,409,717 issued and outstanding common shares and 386,016,410 common shares are held in treasury; (b) 40,000,000 issued and outstanding Series 1 Preferred Shares; (c) 50,000,000 issued and outstanding Series 2 Preferred Shares; and (d) 13,500,000 issued and outstanding Series 3 Preferred Shares. Following the Offer, and assuming the Oversubscription Option is not exercised, the Company will have (a) 2,013,409,717 issued and outstanding common shares and 386,016,410 common shares are held in treasury; (b) 40,000,000 issued and outstanding Series 1 Preferred Shares; (c) 30,000,000 issued and outstanding Series 2 Preferred Shares; and (d) 13,500,000 issued and outstanding Series 3 Preferred Shares.

As of date of this Prospectus, Megawide is governed by a Board of 7 directors composed of Mr. Edgar B. Saavedra, Mr. Manuel Louie B. Ferrer, Mr. Oliver Y. Tan, former Chief Justice Hilario G. Davide, Jr., Mr. Leonilo G. Coronel, Mr. Celso P. Vivas and Mr. Alfredo E. Pascual. Its management team is headed by a licensed civil engineer who has been practicing for 17 to 18 years, namely, its President, Chief Executive Officer and Chairman of the Board, Mr. Edgar B. Saavedra.

As of date of this Prospectus, the Company's major shareholders are PCD Nominee Corporation (Filipino) 53.68% of the total issued and outstanding capital stock, Citicore Holdings Investment Inc. ("**Citicore**") at 35.41% and PCD Nominee Corporation (Non - Filipino) with 8.61%. Megacore has 30.67% ownership interests in Megawide lodged in the PCD Nominee Corporation (Filipino).

The Company is currently servicing the majority of high-rise residential, commercial, office and mixed-use development projects in Metro Manila for several major local developers, primarily for its 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. The Company's major clients include a variety of top and small property developers such as Megaworld Corporation, 8990 Holdings, Inc., Double Dragon Properties Corp., Araneta Center, Inc. and HTLand, Inc.

The Company's other major on-going and upcoming projects include the construction of the DepEd Phase 2, Urban Deca Tondo, Urban Deca Ortigas, and the Double Dragon Center East and West building to be located in EDSA Ext. cor. Macapagal Ave., Pasay City. For details of these projects, see "*Description of Business*" of this Preliminary Prospectus.

To support its contracts and to gear up for more projects in the upcoming years, the Company has a 12-hectare state-of-the-art Precast Concrete Manufacturing Complex in Taytay, Rizal. The facility is fully automated and is considered to be the largest and most advanced precast plant in the country as well as in Southeast Asia. Through this technology, Megawide will be able to realize the full potential and inherent benefits of pre-cast concrete building solutions such as shorter construction period, cost efficiency, increased productivity and enhanced operational capability.

The Company also operates the second-largest airport in country, the Mactan-Cebu International Airport, which serves as the gateway to Cebu and other top tourist destinations in the Southern Philippines. In addition, Megawide also operates the first and only landport, the Parañaque Integrated Terminal Exchange, which currently serves as the model for a safe, secure, and efficient public transport system in the Philippines. Both these assets were secured through separate concession agreements from the government.

COMPETITIVE STRENGTHS

The Company believes that its principal strengths are the following: (1) fully-integrated EPC services, utilizing the most modern and state-of-the-art building technologies and employing a young, modern and branded fleet of building equipment; (2) AAAA and Large B contractor's license; (3) largest and most advanced pre-cast system facility and capacity; (4) largest private sector airport operator; (5) operates the first and only landport in the Philippines; (6) strong brand

name and proven track record; and (7) organizational capability and flexibility. For a discussion of these strengths, see “*Description of Business*” of this Preliminary Prospectus.

BUSINESS STRATEGY

The Company sees various opportunities in the private domestic real estate construction, public infrastructure projects, and transport-oriented developments, specifically in terms of addressing and improving the infrastructure development in the country through the National Government’s initiative under its Modified BBB Program. Specifically, the Company is keen on the following business strategies: (1) expand its business into other segments, including but not limited to public infrastructure developments; (2) actively pursue value-accretive transport-oriented projects in the government pipeline; (3) capitalize on its fully-integrated EPC advantages; (4) leverage organizational competence and flexibility; and (5) constantly improve productivity and enhance operational efficiency in its on-going and future projects. For details of these strategies, see “*Description of Business*” of this Preliminary Prospectus.

RISK FACTORS

Before making an investment decision, investors should carefully consider the risks associated with an investment in the Series 2 Preferred Shares. These risks include:

1. Risks relating to the Company and its business

- The Company is exposed to the cyclical nature of a construction business coupled by risks associated with the Philippine’s property development market, including potential construction contract cancellations.
- The on-going situation of the COVID-19 pandemic could have negative effects on the Company’s business operations.
- The Company is exposed to credit risk on its receivables.

a. Risks relating to the Construction Segment

- The construction industry is facing a skilled labor shortage
- Significant competition in the construction industry could adversely affect the Company’s business
- The volatility in the price of construction materials could affect the Company’s profitability.
- The Company’s reputation will be adversely affected if its projects are not completed on time, or if projects do not meet customer requirements.
- The Company may be exposed to liquidity risk from delayed payments of progress billings.
- The availability of construction materials may affect the Company’s projects.

b. Risks relating to the Airport (MCIA) Segment

- Modernization of existing and opening of new airports in the country
- Slower tourism-related travel in the short-term due to global travel restrictions arising from the COVID-19 pandemic
- Reduced commercial travel in the near term as a result of limited movements due to community quarantines

c. Risks relating to the Landport (PITX) Segment

- People traffic in terminal may be impacted by social distancing protocols.
- Long-term contracts with office tenants may be affected by anti-POGO sentiments.

d. Risks relating to projects with Original Proponent Status

- Projects under Original Proponent Status may not necessarily be awarded to the Company.

2. Risks relating to the Company's Series 2 Preferred Shares

- The Series 2 Preferred Shares may not be a suitable investment for all investors.
- The market price of the Series 2 Preferred Shares may be volatile, which could cause the value of investors' investments in the Series 2 Preferred Shares to decline.
- The Dividends on the Series 2 Preferred Shares may not be paid in full, or at all.
- The Series 2 Preferred Shares are subordinate to the Issuer's other Indebtedness.
- There may be insufficient distributions upon liquidation.
- The ability of the Company to make payments under the Series 2 Preferred Shares is limited by terms of Megawide's other indebtedness.
- The Series 2 Preferred Shares have no fixed Maturity Date and Megawide has the Sole Right to Redemption.
- There may be a lack of public market for the Series 2 Preferred Shares.
- There may be a limited market for the Series 2 Preferred Shares, so there may be limited liquidity in the market.
- Non-payment of Dividends May Affect the Trading Price of the Series 2 Preferred Shares
- Holders of Series 2 Preferred Shares may not be able to reinvest at a similar return on investment.
- The Series 2 Preferred Shares have no Voting Rights.
- There are restrictions on foreign ownership of Megawide's Series 2 Preferred Shares by non-Philippine Nationals.
- The Series 2 Preferred Shares may be affected by the Passive Income and Financial Intermediary Taxation Act ("**PIFITA**")

3. Risks Relating to the Philippines

- The Company's business may be negatively affected by slowdown in the Philippine and Global economy.
- Political or social instability, acts of terrorism or military conflict or changes in laws and policies could adversely affect the financial results of the Company.
- If foreign exchange controls were to be imposed, the Company's ability to access foreign currency to purchase raw materials and equipment and to service foreign currency denominated debt obligations could be adversely affected.
- The occurrence of natural catastrophes or man-made catastrophes or electricity blackouts may materially disrupt the Company's disruptions.

CORPORATE INFORMATION

The Company has its principal place of business at 20 N. Domingo Street, Brgy. Valencia, Quezon City, Metro Manila. The Company's finance department, headed by its Chief Finance Officer, Mr. Ramon H. Diaz, and Assistant Vice President for Investor Relations, Mr. Rolando Bondoy, can be reached at +632 655 1111 loc. 803. Information on the Company may be obtained at www.megawide.com.ph.

SUMMARY OF FINANCIAL INFORMATION

The selected financial information set forth in the following table has been derived from Megawide's unaudited interim financial statements as of and for the period ended June 30, 2020 and June 30, 2019, and the Company's audited financial statements as of and for the years ended December 31, 2019, 2018, 2017 and 2016, and should be read in conjunction with the financial statements and notes thereto contained in this Preliminary Prospectus and the section entitled "Management's Discussion & Analysis of Financial Condition" and other financial information included herein.

The financial statements of the Company for the years ended December 31, 2019, 2018, 2017 and 2016 were audited by Punongbayan & Araullo. The summary of financial information set forth below does not purport to project the results of operations or financial conditions of Megawide for any future period or date.

(Amounts in ₱ thousands)	As of June 30		As of December 31			
	2020	2019	2019	2018	2017	2016
<u>ASSETS</u>						
CURRENT ASSETS						
Cash and cash equivalents	₱4,832,980	₱5,353,608	₱6,518,600	₱5,734,721	₱4,930,939	₱6,265,285
Trade and other receivables – net	14,813,942	10,646,890	17,373,477	10,212,127	6,527,753	4,929,489
Financial assets at fair value through profit or loss	-	-	-	26,290	3,209,482	4,673,052
Construction materials	1,470,288	980,800	1,287,128	865,035	577,294	451,307
Contract assets	4,119,674	3,577,588	3,975,734	3,060,771	-	-
Costs in excess of billings on uncompleted contracts	-	-	-	-	2,095,587	3,014,946
Other current assets	7,416,057	6,652,728	6,310,724	4,891,541	1,358,090	1,637,230
Total Current Assets	32,652,942	27,211,614	35,465,662	24,790,485	18,699,144	20,971,309
NON-CURRENT ASSETS						
Financial assets as fair value through other comprehensive income	3,544	3,544	3,544	3,544	-	-
Available-for-sale financial assets	-	-	-	-	933,318	932,581
Investments in associates	959,951	944,500	959,507	926,832	1,104,219	896,612
Concession assets	29,673,224	28,580,177	29,436,586	28,289,313	25,608,295	20,338,718
Property, plant, and equipment -net	7,695,891	5,955,711	7,968,156	5,496,096	5,218,064	5,267,044
Investment properties	3,861,143	4,074,013	3,884,575	3,457,716	135,610	-
Deferred tax assets - net	6,528	2,010	44,299	-	-	34,046
Other non-current assets	3,488,987	3,583,866	3,001,997	2,941,723	2,719,166	2,644,244
Total Non-current Assets	45,689,269	43,143,821	45,298,664	41,115,225	35,718,671	30,113,245
TOTAL ASSETS	₱78,342,211	₱70,355,436	₱80,764,326	₱65,905,710	₱54,417,816	₱51,084,555
<u>LIABILITIES AND EQUITY</u>						
CURRENT LIABILITIES						
Interest-bearing loans and borrowings	₱12,670,034	₱8,651,763	₱14,681,061	₱6,408,573	₱2,561,488	₱2,688,904
Trade and other payables	8,497,412	5,693,081	8,167,589	5,252,402	5,245,249	6,008,806
Contract liabilities	5,072,746	5,459,105	4,931,270	4,670,483	527,071	1,278,554
Billings in excess of costs on uncompleted contracts	-	-	-	-	939,418	1,368,558
Other current liabilities	232,365	527,740	220,062	233,818	140,006	113,850
Total Current Liabilities	26,472,558	20,331,689	27,999,982	16,565,276	9,413,232	11,458,672

(Amounts in ₱ thousands)	As of June 30			As of December 31		
	2020	2019	2019	2018	2017	2016
NON-CURRENT LIABILITIES						
Interest-bearing loans and borrowings	33,329,061	30,591,945	33,071,851	30,371,690	26,386,980	23,073,760
Post-employment defined benefit obligation	343,566	179,347	340,208	176,799	173,266	112,500
Deferred tax liabilities - net	547,388	578,746	612,630	419,677	70,534	-
Other non-current liabilities	943,799	203,612	741,142	368,166	238,359	230,088
Total Non-current Liabilities	35,163,815	31,553,650	34,765,831	31,336,332	26,869,140	23,416,348
Total Liabilities	61,636,372	51,885,339	62,765,814	47,901,609	36,282,372	34,875,020
EQUITY						
Equity attributable to shareholders of the Parent Company:						
Common stock	2,399,426	2,399,426	2,399,426	2,399,426	2,399,426	2,399,426
Preferred stock	40,000	40,000	40,000	40,000	40,000	40,000
Additional paid-in capital	8,776,359	8,776,359	8,776,359	8,776,359	8,776,359	8,776,359
Revaluation reserves	(63,384)	15,205	(63,384)	15,205	(3,950)	(67,125)
Other reserves	(22,475)	(22,400)	(22,475)	(22,475)	(22,475)	(22,475)
Treasury shares	(4,615,449)	(3,554,348)	(3,912,618)	(3,454,826)	(2,627,739)	(2,627,739)
Retained earnings	6,653,314	7,197,951	7,083,443	6,752,591	6,501,997	5,108,734
Total equity attributable to shareholders of the Parent Company	13,167,792	14,852,192	14,300,752	14,506,280	15,063,618	13,607,180
Non-controlling interests	3,538,047	3,617,904	3,697,761	3,497,821	3,071,826	2,602,355
Total Equity	16,705,839	18,470,097	17,998,513	18,004,101	18,135,444	16,209,535
TOTAL LIABILITIES AND EQUITY	₱78,342,211	₱70,355,436	₱80,764,326	₱65,905,710	₱54,417,816	₱51,084,555

Amounts in ₱ thousands	For the six months ended June 30		For the years ended December 31			
	2020	2019	2019	2018	2017	2016
REVENUES						
Construction operation revenues	₱4,861,282	₱6,183,745	₱15,309,069	₱12,688,462	₱16,712,639	₱15,786,163
Airport operations revenues	882,260	1,796,093	3,691,112	2,995,981	2,298,405	1,871,978
Terminal operations revenues	599,309	45,375	555,402	17,653	-	-
Trading operations revenues	69,345	158,319	326,221	289,895	148,100	-
	6,412,197	8,183,532	19,881,805	15,991,991	19,159,143	17,658,141
DIRECT COSTS						
Costs of construction operations	4,444,510	5,263,604	13,291,798	10,784,176	14,084,102	13,426,337
Costs of airport operations	450,303	754,262	1,536,617	941,830	420,246	360,951
Costs of terminal operations	84,399	37,022	311,650	17,653	-	-
Costs of trading operations	19,730	39,760	88,214	70,358	40,797	-
	4,998,942	6,094,647	15,228,278	11,814,017	14,545,145	13,787,288
GROSS PROFIT	1,413,255	2,088,885	4,653,527	4,177,974	4,613,998	3,870,853
OTHER OPERATING EXPENSES	784,683	630,367	1,810,239	1,279,655	1,191,277	1,091,658
OPERATING PROFIT	628,572	1,458,518	2,843,288	2,898,320	3,422,721	2,779,195
OTHER INCOME (CHARGES)						
Finance costs - net	(995,988)	(588,721)	(1,541,084)	(1,112,829)	(653,591)	(485,566)
Others - net	(83,315)	95,515	133,034	601,528	57,728	74,379
	(1,079,302)	(493,206)	(1,408,051)	(511,301)	(595,863)	(411,187)
PROFIT BEFORE TAX	(450,731)	965,312	1,435,238	2,387,018	2,826,858	2,368,008
TAX EXPENSE	(1,388)	234,369	324,203	492,844	579,049	448,313
NET PROFIT	(₱449,343)	₱730,943	₱1,111,035	₱1,894,174	₱2,247,809	₱1,919,696
Net Profit						
Attributable To:						
Shareholders of the Parent Company	(₱289,629)	₱585,860	₱859,487	₱1,469,434	₱1,781,192	₱1,559,091
Non-controlling interests	(159,714)	145,083	251,547	424,740	466,617	360,605
	(₱449,343)	₱730,943	₱1,111,035	₱1,894,174	₱2,247,809	₱1,919,696
Earnings per Share:	(₱0.21)	₱0.21	₱0.28	₱0.56	₱0.70	₱0.57

For more information on the Company's key performance indicators, please refer to the section entitled "Management's Discussion & Analysis of Financial Condition" and "Key Performance Indicators" of this Preliminary Prospectus.

SUMMARY OF THE OFFER

The following do not purport to be a complete listing of all the rights, obligations and privileges of the Series 2 Preferred Shares. Some rights, obligations or privileges may be further limited or restricted by other documents and subject to final documentation. Prospective shareholders are enjoined to perform their own independent investigation and analysis of the Issuer and the Series 2 Preferred Shares. Each prospective shareholder must rely on its own appraisal of the Issuer and the proposed financing and its own independent verification of the information contained herein and any other investigation it may deem appropriate for the purpose of determining whether to participate in the proposed financing and must not rely solely on any statement or the significance, adequacy or accuracy of any information contained herein. The information and data contained herein are not a substitute for the prospective shareholder's independent evaluation and analysis.

The following overview should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information in this Prospectus. This overview may not contain all of the information that prospective investors should consider before deciding to invest in the Series 2 Preferred Shares. Accordingly, any decision by a prospective investor to invest in the Series 2 Preferred Shares should be based on a consideration of this Prospectus as a whole. Should there be any inconsistency between the summary below and the final documentation, the final documentation shall prevail.

Issuer	Megawide Construction Corporation (“ Megawide ” or the “ Company ”)
Instrument	Cumulative, non-voting, non-participating, non-convertible, PHP-denominated preferred shares consisting of 30,000,000 preferred shares, and in case the oversubscription option is exercised, up to an additional 20,000,000 preferred shares (collectively, the “ Series 2 Preferred Shares ”)
Offer Size	30,000,000 Series 2 Preferred Shares (subject to the Oversubscription Option as provided below), to be issued in two (2) subseries: Series 2A Preferred Shares and/or Series 2B Preferred Shares. In the event that Oversubscription Option is exercised, the Joint Lead Underwriters and Bookrunners, in consultation with the Company, have the discretion to allocate the Oversubscription Option of up to 20,000,000 shares in either Series 2A Preferred Shares or Series 2B Preferred Shares at the end of the Offer Period based on actual demand.
Oversubscription Option	In the event of oversubscription, the Joint Lead Underwriters and Bookrunners, in consultation with the Issuer, reserve the right, but do not have the obligation, to increase the Offer Size by up to 20,000,000 Series 2 Preferred Shares, subject to the registration requirements of the SEC. The Oversubscription Option will be exercised if during the Offer Period, the amount of subscriptions exceed the base offer size of 30,000,000 Series 2 Preferred Shares.
Registration and Listing	To be registered with the SEC and listed on the PSE subject to compliance with SEC regulations and PSE listing rules. Upon listing, the Series 2A Preferred Shares and Series 2B Preferred Shares shall be traded under the symbols “MWP2A” and “MWP2B”, respectively
Sole Issue Manager	RCBC Capital Corporation (“ RCBC Capital ”)
Joint Lead Underwriters and Bookrunners	RCBC Capital Corporation (“ RCBC Capital ”) and PNB Capital and Investment Corporation (“ PNB Capital ”)

Use of Proceeds	The net proceeds of the Offer shall be used primarily for the partial funding of existing and future projects and for general corporate purposes. For further discussion, please refer to the section on “Use of Proceeds” of this Prospectus.
Par Value	The Series 2 Preferred Shares have a par value of ₱1.00 per share.
Offer Price	The Series 2 Preferred Shares shall be offered at a price of ₱100.00 per share.
Offer Period	The Offer period shall commence at 9:00 a.m. on [November 10, 2020] and end at 5:00 p.m on [November 17, 2020].The Company and the Joint Lead Underwriters and Bookrunners reserve the right to extend or terminate the Offer Period with the approval of the SEC and the PSE, as applicable.
Listing Date	On November 27, 2020, or such other date when the Series 2 Preferred Shares are listed in the PSE.
Dividend Rate	<p>The Series 2 Preferred Shares shall, subject to the Conditions for the Declaration and Payment of Dividends, bear cumulative non-participating cash dividends based on the Issue Price, payable quarterly in arrears every Dividend Payment Date, at the Dividend Rate per annum from Listing Date. Dividends will be calculated on a 30/360-day basis.</p> <p>The term (“Dividend Rate”) means (a) from the Listing Date up to the Step Up Date, the Initial Dividend Rate, and (b) from the Step Up Date, the applicable Step Up Rate. (Please see below relevant definitions)</p>
Initial Dividend Rate	<p>The initial dividend rate shall be at the fixed rate of:</p> <ul style="list-style-type: none"> • Series 2A Preferred Shares: 4.25%-4.75% per annum; • Series 2B Preferred Shares: 5.25%-5.75% per annum; <p>in all cases calculated for each share by reference to the Offer Price thereof in respect of each Dividend Period (each, the “Initial Dividend Rate” for the relevant series).</p>
Dividend Payment Dates	<p>Cash dividends will be payable on [February 27],[May 27],[August 27], and [November 27] of each year (each a “Dividend Payment Date”), being the last day of each 3-month period (a “Dividend Period”), as and if declared by the Board of Directors in accordance with the terms and conditions of the Preferred Shares.</p> <p>The first Dividend Payment Date will be on the 1st quarter after the Listing Date and the succeeding dates will the following 3-month periods after it.</p> <p>If the Dividend Payment Date is not a Banking Day, dividends will be paid on the next succeeding Banking Day, without adjustment as to the amount of dividends to be paid.</p> <p>A “Banking Day” means a day, except Saturday or Sunday or legal holidays, in which facilities of the Philippine banking system are open and available for clearing and the banks are open for business in Metro Manila, Philippines.</p>

<p>Conditions on Declaration and Payment of Cash Dividends</p>	<p>The declaration and payment of cash dividends on each Dividend Payment Date will be subject to the discretion of the Board of Directors, the covenants (financial or otherwise) in the loans and credit agreements to which the Issuer is a party and the requirements under applicable laws and regulations.</p> <p>If the profits available for distribution as cash dividends are, in the opinion of the Board of Directors, not sufficient to enable the Company to pay in full cash dividends on the Series 2 Preferred Shares and cash dividends that are scheduled to be paid on or before the same date on shares that have an equal right to dividends as the Series 2 Preferred Shares (“Comparable Shares”), the Company is required to pay cash dividends on the Series 2 Preferred Shares and any Comparable Shares pro rata to the amount of the cash dividends scheduled to be paid to the Series 2 Preferred Shares and the Comparable Shares, respectively. For purposes of this paragraph, the amount scheduled to be paid shall include all dividends due on such Dividend Payment Date as well as all accumulated dividends due and payable or dividends in arrears in respect of prior Dividend Periods (“Dividends in Arrears”).</p> <p>The profits available for distribution are, in general and with some adjustments pursuant to applicable laws and regulations, equal to the accumulated, realized profits of the Company less accumulated, realized loss.</p>
<p>Optional Redemption and Purchase</p>	<p>As and if declared by the Board of Directors of the Company and subject to the requirements of applicable laws and regulations, the Company may, at its sole option, redeem in whole (but not part), any subseries of the Series 2 Preferred Shares as follows:</p> <ol style="list-style-type: none"> a. in respect of Series 2A Preferred Shares, 2.5 years from the Listing Date (the “Series 2A First Optional Redemption Date” or on any Dividend Payment Date occurring thereafter (each of the Series 2A First Optional Redemption Date and the Dividend Payment Dates thereafter, a “Series 2A Optional Redemption Date”), and b. in respect of Series 2B Preferred Shares, 5 years from the Listing Date (the “Series 2B First Optional Redemption Date” or on any Dividend Payment Date occurring thereafter (each of the Series 2B First Optional Redemption Date and the Dividend Payment Dates thereafter, a “Series 2B Optional Redemption Date”) <p>(each Series 2A Optional Redemption Date and Series 2B Optional Redemption Date, an “Optional Redemption Date”)</p> <p>at a redemption price equal to the Issue Price of the Series 2 Preferred Shares plus all dividends due on such Optional Redemption Date as well as all Dividends in Arrears (“Redemption Price”). The Company shall give not less than thirty (30) nor more than sixty (60) days prior written notice of its intention to redeem the Series 2 Preferred Shares, which notice shall be irrevocable and binding upon the Company to effect such early redemption of the Series 2 Preferred Shares at the Optional Redemption Date stated in such notice.</p> <p>The Company may also redeem the Series 2 Preferred Shares, in whole but not in part, any or both of the subseries, at any time if an Accounting Event or a Tax Event (each as defined below) has occurred and is</p>

	<p>continuing, having given not less than thirty (30) nor more than sixty (60) days' written notice prior to the intended date of redemption, which notice shall be irrevocable and binding upon the Company to effect such redemption of the Series 2 Preferred Shares at the redemption date stated in such notice. The redemption due to an Accounting Event or a Tax Event shall be made by the Company at the Redemption Price, which shall be paid within five Banking Days of the exercise of the right to redeem the Series 2 Preferred Shares on the date of redemption set out in the notice.</p> <p>Upon listing on the PSE, the Company may purchase the Series 2 Preferred Shares at any time in the open market or by public tender or by private contract at any price through the PSE. The Series 2 Preferred Shares so purchased may either be redeemed (pursuant to their terms and conditions as set out in the Prospectus) and cancelled, or kept as treasury shares, as applicable.</p>
Dividend Rate Step Up	<p>If the Series 2 Preferred Shares shall not have been redeemed by the Company on the Series 2A First Optional Redemption Date for the Series 2A Preferred Shares and on the Series 2B First Optional Redemption Date for the Series 2B Preferred Shares the Initial Dividend Rate shall be adjusted as follows:</p> <ol style="list-style-type: none"> a. for Series 2A Preferred Shares, the higher of (a) the simple average of the closing per annum rate of 5-year BVAL or if the 5-year BVAL rate is not available or cannot be determined, any successor rate as determined by the <i>Bankers Association of the Philippines</i> (“BAP”) or the <i>Bangko Sentral ng Pilipinas</i> (“BSP”), as shown on the PDEX page (or such successor page of Bloomberg (or such successor electronic service provided) for the three (3) consecutive Business Days preceding and inclusive of the rate setting date, plus [4.00]%; or (b) the floor rate of [8.00]%; and b. for Series 2B Preferred Shares, the higher of (a) the simple average of the closing per annum rate of the 7-year BVAL or if the 7-year BVAL rate is not available or cannot be determined, any successor rate as determined by the BAP or the BSP, as shown on the PDEX page (or such successor page of Bloomberg (or such successor electronic service provided) for the three (3) consecutive Business Days preceding and inclusive of the rate setting date, plus [4.00]% or (b) the floor rate of [8.00]% <p>The date of the listing of Series 2A Preferred Shares and the Series 2B Preferred Shares is referred to as the “Listing Date”. The date 2.5 years from the Listing Date referred to in (a) and the date 5 years from the Listing Date referred to in (b) are each referred to as a “Step Up Date”. The adjusted rates referred to in (a) and (b) are each referred to as a “Step Up Rate”.</p> <p>In the event the relevant Step-up Date falls on a day that is not a Business Day:</p> <ol style="list-style-type: none"> a. the rate setting will be done on the immediately succeeding Business Day using the average of the relevant BVAL rates for the three (3) consecutive Business Days preceding and inclusive of the said rate setting date, and b. the higher of the applicable Initial Dividend Rate and the applicable Step-Up Rate will be applied commencing on the Step-Up Date (which

	<p>is 2.5 years from the Listing Date of the Series 2A Preferred Shares and 5 years from the Listing Date of the Series 2B Preferred Shares).</p> <p>In the event that BVAL is replaced by a new benchmark rate as determined by the BAP or the BSP, such new benchmark rate shall be adopted for purposes of determining the Dividend Rate (the “New Benchmark Rate”). In the absence of such new replacement benchmark rate as determined by the BAP or the BSP and there is a mandatory directive by the BAP or the BSP to no longer use of apply BVAL, the Company and the Joint Lead Underwriters and Bookrunners shall negotiate to adopt an alternative rate that will serve as the New Benchmark Rate.</p>
No Sinking Fund	The Company is not legally required to establish, has not established, and currently has no plans to establish, a sinking fund for the redemption of the Series 2 Preferred Shares.
Redemption by reason of an Accounting Event	In the event an opinion of a recognized accountancy firm authorized to perform auditing services in the Republic of the Philippines has been delivered to the Issuer stating that the Series 2 Preferred Shares may no longer be recorded as equity in the audited consolidated financial statements of the Company prepared in accordance with PFRS, or such other accounting standards which succeed PFRS as adopted by the Issuer for the preparation of its audited consolidated financial statements for the relevant financial year, and such event cannot be avoided by use of reasonable measures available to the Company, the Company having given not more than 60 nor less than 30 days’ notice, may redeem any subseries of the Series 2 Preferred Shares in whole, but not in part at the Redemption Price. See “ <i>Summary of the Offering</i> ” and “ <i>Description of the Preferred Shares</i> ” of this Prospectus.
Redemption by reason of a Tax Event	In the event payments in respect of the Series 2 Preferred Shares become subject to additional withholding or any new tax as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such tax cannot be avoided by use of reasonable measures available to the Company, the Company having given not more than 60 nor less than 30 days’ notice, may redeem any subseries of the Series 2 Preferred Shares at any time in whole but not in part, at the Redemption Price. See “ <i>Summary of the Offering</i> ” and “ <i>Description of the Preferred Shares</i> ” of this Prospectus.
Taxation	<p>All payments in respect of the Series 2 Preferred Shares are to be made free and clear of any deductions or withholding for or on account of any future taxes or duties imposed by or on behalf of Republic of the Philippines, including but not limited to, stamp, issue, registration, documentary, value added or any similar tax or other taxes and duties, including interest and penalties. If such taxes or duties are imposed, the Company will pay additional amounts so that holders of the Series 2 Preferred Shares will receive the full amount of the relevant payment which otherwise would have been due and payable. Provided, however, that the Company shall not be liable for, and the foregoing payment undertaking of the Company shall not apply to:</p> <p>(a) the final withholding tax applicable on dividends earned on the Series 2 Preferred Shares,</p> <p>(b) as applicable, any income tax (whether or not subject to withholding),</p>

	<p>percentage tax (such as stock transaction tax) and documentary stamp tax on the redemption of the Series 2 Preferred Shares or on the liquidating distributions as may be received by a holder of Series 2 Preferred Shares,</p> <p>(c) any expanded value added tax which may be payable by any holder of the Series 2 Preferred Shares on any amount to be received from the Company under the terms and conditions of the Series 2 Preferred Shares,</p> <p>(d) any withholding tax on any amount payable to any holder of Series 2 Preferred Shares or any entity which is a non-resident foreign corporation, and</p> <p>(e) applicable taxes to any subsequent sale or transfer of the Series 2 Preferred Shares by any holder of the Series 2 Preferred Shares which shall be for the account of the said holder (or the buyer in case such buyer shall have agreed to be responsible for the payment of such taxes).</p> <p>All sums payable by the Company to tax-exempt entries shall be paid in full without deductions for taxes, duties, assessments or governmental charges provided said entities present sufficient proof of such tax-exempt status from the tax authorities.</p> <p>Documentary stamp tax and all other costs and expenses for the issuance of the Series 2 Preferred Shares and the documentation, if any, shall be for the account of the Company.</p>
<p>Form, Title and Registration of the Preferred Shares</p>	<p>The Series 2 Preferred Shares will be issued in scripless form through the electronic book-entry system of Stock Transfer Service Inc. as Registrar for the Offer, and lodged with Philippine Depository and Trust Corporation as Depository Agent on Listing Date through PSE Trading Participants respectively nominated by the applicants. For this purpose, applicants shall indicate in the proper space provided for in the Application Form the name of a PSE Trading Participant under whose name their shares will be registered.</p> <p>After Listing Date, holders of the Series 2 Preferred Shares (the “Shareholders”) may request the Registrar, through their respective nominated PSE Trading Participants, to (a) open a scripless registry account and have their holdings of the Series 2 Preferred Shares registered under their name, or (b) issue stock certificates evidencing their investment in the Series 2 Preferred Shares. Any expense that will be incurred in relation to such registration or issuance shall be for the account of the requesting shareholder.</p> <p>Legal title to the Series 2 Preferred Shares will be shown in an electronic register of shareholders (“Registry of Shareholders”) which shall be maintained by the Registrar. The Registrar shall send a transaction confirmation advice confirming every receipt or transfer of the Series 2 Preferred Shares that is effected in the Registry of Shareholders (at the cost of the requesting shareholder). The Registrar shall send (at the cost of the Company) at least once every quarter a statement of account to all shareholders named in the Registry of Shareholders, except certificated shareholders and depository participants, confirming the number of shares held by each shareholder on record in the Registry of Shareholders. Such statement of account shall serve as evidence of ownership of the relevant</p>

	shareholder as of the given date thereof. Any request by shareholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting shareholder.
Selling and Transfer Restrictions	Initial placement and subsequent transfers of interests in the Series 2 Preferred Shares shall be subject to normal selling restrictions for listed securities as may prevail in the Philippines from time to time.
Governing Law	The Series 2 Preferred Shares will be issued pursuant to the laws of the Republic of the Philippines.
Features of the Series 2 Preferred Shares	
Status	<p>The Series 2 Preferred Shares rank or shall rank at least <i>pari passu</i> in all respects and ratably without preference of priority among themselves and with all other preferred shares issued or to be issued by the Company.</p> <p>The obligations of the Company in respect of the Series 2 Preferred Shares are subordinated to all indebtedness of the Company.</p> <p>The obligations of the Company under the Series 2 Preferred Shares are unsecured and will, in the event of the winding-up of the Company in rank junior in right of payment to all indebtedness of the Company and claims against the Company which rank or are expressed to rank senior to the Series 2 Preferred Shares. Accordingly, the obligations of the Company under the Series 2 Preferred Shares will not be satisfied unless the Company can satisfy in full all of its other obligations ranking senior to the Series 2 Preferred Shares.</p> <p>There is no agreement or instrument that limits the ability of the Company to issue preferred shares or other securities that rank <i>pari passu</i> with the Series 2 Preferred Shares.</p>
Cumulative Dividends	<p>Dividends on the Series 2 Preferred Shares will be cumulative. If for any reason the Board of Directors of the Company does not declare a dividend on the Series 2 Preferred Shares for a Dividend Period, the Company will not pay a dividend on the Dividend Payment Date for that Dividend Period. However, on any future Dividend Payment Date on which dividends is declared, holders of the Series 2 Preferred Shares shall receive the dividends due them on such Dividend Payment Date as well as all Dividends in Arrears. Holders of the Series 2 Preferred Shares shall not be entitled to participate in any other or further dividends, cash, property or stock, beyond the dividends specifically payable on the Preferred Shares.</p> <p>The Company covenants that, in the event (for any reason):</p> <ul style="list-style-type: none"> (a) any cash dividends due with respect to any Series 2 Preferred Shares then outstanding for any period are not declared and paid in full when due, (b) where there remains Dividends in Arrears on the Series 2 Preferred Shares, or (c) any other amounts payable in respect of the Series 2 Preferred Shares pursuant to the terms and conditions of the Series 2 Preferred Shares, are not paid in full when due,

	<p>then the Company will not:</p> <p>(i) declare or pay any dividends or other distributions in respect of shares ranking <i>pari passu</i> with or junior to the Series 2 Preferred Shares (unless such payment in respect of shares ranking <i>pari passu</i> with the Series 2 Preferred Shares shall be in accordance with “Conditions on Declaration and Payment of Cash Dividends”), or</p> <p>(ii) repurchase or redeem, securities ranking <i>pari passu</i> with, or junior to, the Series 2 Preferred Shares (or contribute any moneys to a sinking fund for the redemption of any securities ranking <i>pari passu</i> with, or junior to, the Series 2 Preferred Shares),</p> <p>until any and all the amounts described in (a), (b) and (c) have been paid in full to the holders of the Series 2 Preferred Shares.</p>
No Voting Rights	Holders of the Series 2 Preferred Shares will not be entitled to vote at the Company’s stockholders’ meetings, except as otherwise provided by law.
Non-Participating	Holders of the Series 2 Preferred Shares shall not be entitled to participate in any other or future dividends beyond the cash dividends specifically payable on the Series 2 Preferred Shares.
Non-Convertible	Holders of the Series 2 Preferred Shares shall have no right to convert the Series 2 Preferred Shares into any other preferred shares or common shares of the Company.
No Pre-emptive Rights	Holders of the Series 2 Preferred Shares will have no pre-emptive rights to subscribe to any shares (including, without limitation, treasury shares) that will be issued by the Company.
Liquidation Rights	In the event of a return of capital in respect of the liquidation, dissolution or winding up of the affairs of the Company but not on a redemption or purchase by the Company of any of its share capital, the holders of the Series 2 Preferred Shares at the time outstanding will be entitled to receive, in Philippine Pesos out of the assets of the Company available for distribution to shareholders, together with the holders of any other shares of the Company ranking, as regards repayment of capital, <i>pari passu</i> with the Series 2 Preferred Shares and before any distribution of assets is made to holders of any class of shares of the Company ranking after the Series 2 Preferred Shares as regards repayment of capital, liquidating distributions in an amount equal to the Redemption Price as of (and including) the date of commencement of the winding up of the Company or the date of any such other return of capital, as the case may be. If, upon any return of capital in the winding up of the Company, the amount payable with respect to the Series 2 Preferred Shares and any other shares of the Company ranking as to any such distribution <i>pari passu</i> with the Series 2 Preferred Shares are not paid in full, the holders of the Series 2 Preferred Shares and of such other shares will share proportionately in any such distribution of the assets of the Company in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount of the liquidating distribution to which they are entitled, the holders of the Series 2 Preferred Shares will have no right or claim to any of the remaining assets of the Company and will not be entitled to any further participation or return of capital in a winding up.

Other Terms of the Offer	
Offer Period	The Offer Period shall commence at 9:00 a.m. on [November 10, 2020] and end at 5:00 p.m. on [November 17, 2020]. The Company and the Joint Lead Underwriters and Bookrunners reserve the right to extend or terminate the Offer Period with the approval of the SEC and the PSE.
Minimum Subscription	Each Application shall be for a minimum of 500 Series 2 Preferred Shares, and thereafter, in multiples of 10 Series 2 Preferred Shares. No Application for multiples of any other number of Series 2 Preferred Shares will be considered.
Eligible Investors	<p>The Series 2 Preferred Shares may be owned or subscribed to by any person, partnership, association or corporation regardless of nationality (except U.S. Persons as defined below), provided that the Company may reject an Application or reduce the number of Series 2 Preferred Shares applied for subscription or purchase for purposes of complying with any applicable constitutional or statutory nationality requirement.</p> <p>In determining compliance with such nationality requirement, the required percentage of Filipino ownership shall be applied to both (a) the total number of outstanding shares of stock entitled to vote in the election of directors, and (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors, as set out in applicable regulations. In the case of Series 2 Preferred Shares, since these are non-voting, its determination of the compliance with the required percentage on nationality requirement will be based on test (b), the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors.</p> <p>The Offer Shares shall not be sold to persons classified as U.S. Persons under the Foreign Account Tax Compliance Act of the United States, as this may be amended from time to time. “U.S. Persons” means any of the following: (i) a U.S. citizen (including dual citizen); (ii) a U.S. resident alien for U.S. tax purposes; (iii) a US partnership; (iv) a U.S. corporation; (v) any U.S. estate; (v) any U.S. trust if: (y) a court within the United States is able to exercise primary supervision over the administration of the trust; or (z) one of more U.S. persons have the authority to control all substantial decisions of the trust; and (vi) any other person that is not a non-US person.</p> <p>Law may restrict subscription to the Series 2 Preferred Shares in certain jurisdictions. Foreign investors interested in subscribing for or purchasing the Series 2 Preferred Shares should inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. Foreign investors, both corporate and individual, shall warrant that their purchase of the Series 2 Preferred Shares will not violate the laws of their jurisdiction and that they are allowed to acquire, purchase and hold the Series 2 Preferred Shares.</p>
Procedure for Application	Application to Purchase for the subscription of Series 2 Preferred Shares may be obtained from any of the Joint Lead Underwriters and Bookrunners or Selling Agents. All applications shall be evidenced by the Application Form, duly executed in each case by an authorized signatory of the applicant and accompanied by two (2) completed signature cards, the

	<p>corresponding payment for the Series 2 Preferred Shares covered by the Application and all other required documents including documents required for registry with the registrar and depository agent (“Application”). The duly executed Application Form to Purchase and required documents should be submitted to the Joint Lead Underwriters and Bookrunners or Selling Agents on or prior to the deadline for submission of Applications for Joint Lead Underwriters and Bookrunners and Selling Agents, respectively.</p> <p>If the applicant is a corporation, partnership, or trust account, the Application must be accompanied by the following documents:</p> <ol style="list-style-type: none"> a. a certified true copy of the applicant’s latest articles of incorporation and by-laws and other constitutive documents, each as amended to date, duly certified by the corporate secretary (or equivalent officer); b. a certified true copy of the applicant’s SEC certificate of registration, duly certified by the corporate secretary (or equivalent officer); c. a duly notarized corporate secretary’s certificate setting forth the resolution of the applicant’s board of directors or equivalent body authorizing (i) the purchase of the Series 2 Preferred Shares indicated in the Application, and (ii) the designated signatories for the purpose, including their respective specimen signatures d. two (2) specimen signature cards fully completed and signed by the applicant, and certified by the corporate secretary (or equivalent officer); and e. one (1) government issued ID of an individual applicant or signatories for a corporation <p>If the applicant is an individual, two (2) specimen signature cards duly authenticated by Joint Lead Underwriters and Bookrunners or the Selling Agent which forwarded the Application.</p>
<p>Payment for the Preferred Shares</p>	<p>The Series 2 Preferred Shares shall be paid for in full upon submission of the Application. The purchase price must be paid in full in Pesos upon the submission of the duly completed and signed Application and signature cards together with the requisite attachments.</p> <p>Payment for the Series 2 Preferred Shares being subscribed for shall be made either by: (i) personal or corporate check drawn against an account with a Bangko Sentral ng Pilipinas (“BSP”) authorized bank at any of its branches located in Metro Manila, or (ii) manager’s or cashier’s check drawn against any of such authorized bank at any of its branches located in Metro Manila. The check shall be made to the order of “[Megawide Preferred Shares]”. The check must be dated on or about (but not later than) the date of the filing of the application and crossed “For Payee’s Account Only”. Checks should be deposited to any RCBC branch. Applications and the related payments shall be received by the Receiving Agent at a designated place during the Offer Period.</p> <p>Applicants may also remit payment for their Series 2 Preferred Shares</p>

	<p>through the RTGS facility of the BSP to the Receiving Agent to whom such Application was submitted or via direct debit to their deposit account maintained with such Joint Lead Underwriter and Bookrunner. The RTGS fees shall be for the Applicants' expense. The soft copies of the applications and the related proof of payments shall be received via email and hard copies shall be submitted to the office of the Stock Transfer Agent within 30 calendar days from Listing Date.</p> <p>Cash payments shall not be accepted.</p> <p>Should the Applicant elect to pay through RTGS, the Application should be accompanied by a proof of payment through RTGS in an amount equal to the total Offer Price of the Shares applied for.</p> <p>Should the Applicant elect to pay by a debit memo or instruction, the Application should be accompanied by an original signed debit memo or instruction issued by the Applicant in an amount equal to the total Offer Price applied for in favor of the Joint Lead Underwriters and Bookrunners to whom the Application is submitted, to be effected no later than 12:00 noon on [November 17, 2020].</p>
Acceptance/Rejection of Applications	<p>The actual number of Series 2 Preferred Shares that an applicant will be allowed to subscribe for is subject to the confirmation of the Joint Lead Underwriters and Bookrunners. The Company in consultation with Joint Underwriters and Bookrunners reserve the right to accept or reject, in whole or in part, or to reduce any application due to any grounds specified in the underwriting agreement to be entered into by the Company and the Joint Lead Underwriters and Bookrunners. Applications which were unpaid or where payments were insufficient and those that do not comply with the terms of the Offer shall be rejected. Moreover, any payment received pursuant to the Application does not constitute as approval or acceptance by the Company of the Application.</p> <p>An Application, when accepted, shall constitute an agreement between the applicant and the Company for the subscription to the Series 2 Preferred Shares at the time, in the manner and subject to terms and conditions set forth in the Application Form and those described in the Prospectus. Notwithstanding the acceptance of any Application by the Company, the actual subscription by the applicant for the Series 2 Preferred Shares will become effective only upon listing of the Series 2 Preferred Shares on the PSE and upon the obligations of the Joint Lead Underwriters and Bookrunners under the issue management and underwriting agreement/s becoming unconditional and not being suspended, terminated or cancelled, on or before the Listing Date, in accordance with the provision of the said agreement/s. If such conditions have not been fulfilled on or before the periods provided above, all Application payments will be returned to the applicants without interest.</p>
Refunds for Rejected Applications	<p>In the event that the number of Series 2 Preferred Shares to be allotted to an applicant, as confirmed by Joint Lead Underwriters and Bookrunners or Selling Agent, is less than the number covered by its Application, or if an Application is wholly or partially rejected by the Company, then the Company shall refund, without interest, within five (5) Banking Days from the end of the Offer Period, all or a portion of the payment corresponding to the number of Series 2 Preferred Shares wholly or partially rejected. All refunds shall be made through the Selling Agent with whom the applicant has filed the Application at the applicant's risk.</p>

	<p>The Selling Agents are strongly encouraged to process the refunds via RTGS. However, should the refund be made via check, an Applicant may retrieve such check refund at the office of the relevant Selling Agent with whom the Applicant has filed the Application. Refund checks that remained unclaimed after thirty (30) days from the date such checks are made available for pick-up shall be delivered through registered mail, at the Applicant's risk, to the address specified by the Applicant in the Application.</p> <p>The RTGS fees shall be at the Applicant's expense.</p>
<p>Process of distributing TP allocation between the Series 2A Preferred Shares and the Series 2B Preferred Shares</p>	<p>Mechanics of Distribution</p> <ol style="list-style-type: none"> 1. Upon preparation of the Firm Undertaking report, the Joint Lead Underwriters shall input the number of Offer Shares per series requested by each TP in a spreadsheet designed for the reservation and allocation of the Offer Shares. 2. The spreadsheet shall distribute the total number of Offer Shares to be allocated to each Participating TP in accordance with the following process: <ol style="list-style-type: none"> a) If the total number of Offer Shares requested by a Participating TP, based on its Firm Undertaking, does not exceed the allocation per TP, the assigned Joint Lead Underwriter shall fully satisfy the request of such Participating TP who signified its commitment to purchase Offer Shares less than or equal to the TP Allocation. The balance, if any, shall be re-distributed among those who have signified a commitment to purchase more than the Allocation per TP in their Firm Undertaking until all the Offer Shares allotted for distribution are fully allocated. b) If the total number of Offer Shares requested by a Participating TP exceeds the allocation per TP, additional Shares may be sourced from the Offer Shares not taken up by other TPs. The assigned Joint Lead Underwriter shall allocate the Offer Shares to Participating TPs by: (i) fully satisfying the orders of those TPs who have Firm Orders that are less than or equal to the allocation per TP, and (ii) distributing equitably the remaining TP Allocation to other TPs with orders for additional Shares, but only up to their respective Firm Order. c) The allocation will be done based on the total number of shares, regardless of the series. d) In no case shall any Participating TP be awarded more than the shares indicated in its Firm Undertaking. e) If the aggregate number of Offer Shares requested by Participating TPs who submitted a Firm Undertaking is less than the total Offer Shares allotted for distribution through the TPs, the balance shall be returned to the Joint Lead Underwriters and Bookrunners. 3. Unless otherwise determined by the Company, the final TP allocation shall be distributed between Series 2A and Series 2B in the same proportion as each Series bears to the TP's aggregate Firm Undertaking, rounded to the prescribed board lot requirement. The allotment per series will be based on actual demand. 4. The PSE Listings department will confirm and verify the final TP allocation report via email. 5. All deadlines indicated in these procedures shall be strictly followed.

Expected Timetable	The timetable of the Offer is expected to be as follows:	
	SEC en Banc approval and issuance of Pre-effective letter	October 27,2020
	PSE Board Approval	November 2, 2020
	Dividend Rate Setting	[November 5, 2020]
	Dividend Rate Announcement	[November 6, 2020]
	Issuance of Permit to Sell and Order of Registration	[November 6, 2020]
	Offer Period	[November 10, 2020 – November 17, 2020]
	PSE Trading Participants' Submission of Firm Undertaking	[November 12, 2020]
	PSE Trading Participants' Allocation	[November 12, 2020]
	Trading Participants Settlement Date	[November 17, 2020,] [12:00 p.m.]
	Listing Date and commencement of trading on the PSE	[November 27, 2020]
Any change in the dates included above may be subject to approval of the SEC and PSE, as applicable and other conditions.		
Depository Agent	Philippine Depository and Trust Corporation	
Registrar	Stock Transfer Service Inc.	
Receiving and Paying Agent	Rizal Commercial Banking Corporation- Trust and Investments Group	
Selling Agents	PSE Trading Participants	
Counsel to the Issuer	Picazo Buyco Tan Fider & Santos	
Counsel to the Joint Lead Underwriters and Bookrunners	Angara Abello Concepcion Regala & Cruz	

DESCRIPTION OF SHARES

Set forth below is the information relating to the Series 2 Preferred Shares. The description is qualified by reference to Philippine law and the Company's Articles of Incorporation ("Articles") and By-Laws ("By- Laws"), both as amended, copies of which are available at the SEC, and the Application to Purchase.

THE COMPANY'S SHARE CAPITAL

A Philippine corporation may issue common or preferred shares, or such other classes of shares with such rights, privileges or restrictions as may be provided for in its articles of incorporation and the by-laws.

The Company's Board of Directors approved the increase in the authorized capital stock of the Company from ₱5,000,000,000.00 to ₱5,054,000,000.00 divided into the following: (i) ₱4,930,000,000 consisting of 4,930,000,000 common shares with a par value of ₱1.00 per share; (ii) from ₱70,000,000 consisting of 70,000,000 preferred shares, to ₱124,000,000 consisting of 124,000,000 preferred shares with a par value of ₱0.10 per share on April 13, 2020 and June 30, 2020. The foregoing resolution was approved and ratified by the stockholders at the Annual Stockholders Meeting held on June 30, 2020, whereby the stockholders likewise delegated to the Board of directors the power and authority to: (i) implement the issuance of the preferred shares in series, subseries or in tranches, and (ii) fix the terms and conditions of the preferred shares as they may be issued in series, sub-series or in tranches.

Pursuant to such delegated authority of the Board of Directors to issue the preferred shares in series, sub-series or in tranches, the Board of Directors, in its meeting on October 5, 2020, approved the creation of the series of preferred shares, as follows:

- (a) Series 1 Preferred Shares consisting of 40,000,000 existing, issued and outstanding preferred shares which are listed in the PSE;
- (b) Series 2 Preferred Shares consisting of not more than 50,000,000 shares to be allocated between Subseries 2A Preferred Shares and Subseries 2B Preferred Shares; and
- (c) Series 3 Preferred Shares consisting of 13,500,000 existing, issued, and outstanding preferred shares.

The Offer Shares will be coming from the Series 2 Preferred Shares.

The authorized capital stock of the Company is ₱5,054,000,000.00 divided into 4,930,000,000 common shares with a par value of ₱1.00 per share and 124,000,000 preferred shares with a par value of ₱1.00 per share. As of date, the Company has 2,452,926,127 issued shares of which 2,013,409,717 are issued and outstanding common shares and 386,016,410 common shares are held in treasury, 40,000,000 are issued and outstanding Series 1 Preferred Shares, which are also listed in the PSE, and 13,500,000 Series 3 Preferred Shares, which are not listed in the PSE.

Following the Offer, and assuming the Oversubscription Option is exercised in full, the Company will have (a) 2,013,409,717 issued and outstanding common shares and 386,016,410 common shares are held in treasury; (b) 40,000,000 issued and outstanding Series 1 Preferred Shares; (c) 50,000,000 issued and outstanding Series 2 Preferred Shares; and (d) 13,500,000 issued and outstanding Series 3 Preferred Shares. Following the Offer, and assuming the Oversubscription Option is not exercised, the Company will have (a) 2,013,409,717 issued and outstanding common shares and 386,016,410 common shares are held in treasury; (b) 40,000,000 issued and outstanding Series 1 Preferred Shares; (c) 30,000,000 issued and outstanding Series 2 Preferred Shares; and (d) 13,500,000 issued and outstanding Series 3 Preferred Shares.

The holders of the Series 2 Preferred Shares do not have identical rights and privileges with holders of other series of preferred shares and the existing common shares of the Company.

THE PREFERRED SHARES

Under the Amended Articles of Incorporation, the preferred shares have the following features, rights and privileges:

- The Preferred Shares have a par value of ₱1.00 per share.
- The issue value of the Preferred Shares shall be determined by the Board at the time of the issuance of the shares.
- The Board shall declare a dividend rate equivalent to the 7-year benchmark rate or any other rate determined by the Board as of issue date, payable on a date to be set by the Board in accordance with Philippine laws, rules and regulations.
- The Preferred Shares shall be non-convertible into common shares.
- The holders of Preferred Shares shall have preference over holders of common stock in the distribution of corporate assets in the event of dissolution and liquidation of the Company and in the payment of the dividend at the rate specified at the time of issuance.
- Preferred Shares shall be cumulative.
- Preferred Shares shall be non-participating in any other or further dividends beyond that specifically payable on the shares.
- The Preferred Shares shall have no pre-emptive rights to any issue of shares, common or preferred; and
- The Preferred Shares may be redeemed by the Company at the sole option of the Board of at the price to be determined by the Board.

The Amended Articles of Incorporation further provides that the preferred shares shall be issued in series, sub-series or in tranches as the Board of Directors may determine, and authority is granted to the Board of Directors, to establish and designate the series, sub-series or tranches of the preferred shares, fix the issue price and the number of shares in each sub-series or tranche, establish the specific terms and conditions of each sub-series or tranche and determine the manner by which the preferred shares will be subscribed and paid for, such as but not limited to, a private placement transaction or public offering.

Specific to Offer Shares, please refer to the features of the Series 2 Preferred Shares in the Summary of Offer and the discussion below.

Issue Price

The Series 2 Preferred Shares shall be offered at a price of ₱100.00 per share (the “**Issue Price**”)

Dividend Policy In Respect of the Series 2 Preferred Shares

The Series 2 Preferred Shares shall, subject to the conditions for the declaration and payment of dividends as set out herein, bear cumulative non-participating cash dividends based on the Issue Price, payable quarterly in arrears on [February 27],[May 27],[August 27] and [November 27] of each year (each a “**Dividend Payment Date**”), being the last day of each 3-month period (a “**Dividend Period**”), at the Dividend Rate per annum commencing from the Listing Date. Dividends will be calculated on a 30/360-day basis. If the Dividend Payment Date is not a Banking Day, dividends will be paid on the next succeeding Banking Day, without adjustment as to the amount of dividends to be paid.

The term “**Dividend Rate**” means (a) from the Listing Date up to the Step Up Date, the Initial Dividend Rate, and (b) from the Step Up Date, the applicable Step Up Rate. (Please see below relevant definitions.)

As and if dividends are declared by the Board, dividends on the Shares shall be at the fixed rate of Series 2A: [4.25-4.75]% and Series 2B: [5.25-5.75]% ("**Initial Dividend Rate**"), in all cases calculated in respect of each Share by reference to the Offer Price thereof in respect of each Dividend Period.

If the Preferred Shares shall not have been redeemed by the Company on the Series 2A First Optional Redemption Date for the Series 2A Preferred Shares and on the Series 2B First Optional Redemption Date for the Series 2B Preferred Shares the Initial Dividend Rate shall be adjusted as follows:

(a) for Series 2A Preferred Shares, the higher of (a) the simple average of the closing per annum rate of 5-year BVAL or if the 5-year BVAL rate is not available or cannot be determined, any successor rate as determined by the *Bankers Association of the Philippines* ("**BAP**") or the *Bangko Sentral ng Pilipinas* ("**BSP**"), as shown on the PDEX page (or such successor page of Bloomberg (or such successor electronic service provided) for the three (3) consecutive Business Days preceding and inclusive of the rate setting date, plus [4.00]%; or (b) the floor rate of [8.00]%; and

(b) for Series 2B Preferred Shares, the higher of (a) the simple average of the closing per annum rate of the 7-year BVAL or if the 7-year BVAL rate is not available or cannot be determined, any successor rate as determined by the BAP or the BSP, as shown on the PDEX page (or such successor page of Bloomberg (or such successor electronic service provided) for the three (3) consecutive Business Days preceding and inclusive of the rate setting date, plus [4.00]%; or (b) the floor rate of [8.00]%;

The date of the listing of Series 2A Preferred Shares and the Series 2B Preferred Shares is referred to as the "**Listing Date**". The date 2.5 years from the Listing Date referred to in (a) and on the date 5 years from the Listing Date referred to in (b) are each referred to as a "**Step Up Date**". The adjusted rates referred to in (a) and (b) are each referred to as a "**Step Up Rate**".

In the event the relevant Step-up Date falls on a day that is not a Business Day,

- (a) the rate setting will be done on the immediately succeeding Business Day using the average of the relevant BVAL rates for the three (3) consecutive Business Days preceding and inclusive of the said rate setting date, and
- (b) the higher of the applicable Initial Dividend Rate and the applicable Step-Up Rate will be applied commencing on the Step-Up Date (which is 2.5 years from the Listing Date of the Series 2A Preferred Shares and 5 years from the Listing Date of the Series 2B Preferred Shares).

In the event that BVAL is replaced by a new benchmark rate as determined by the BAP or the BSP, such new benchmark rate shall be adopted for purposes of determining the Dividend Rate (the "**New Benchmark Rate**"). In the absence of such new replacement benchmark rate as determined by the BAP or the BSP and there is a mandatory directive by the BAP or the BSP to no longer use or apply BVAL, the Company and Joint Lead Underwriters and Bookrunners shall negotiate to adopt an alternative rate that will serve as the New Benchmark Rate.

The declaration and payment of cash dividends on each Dividend Payment Rate will be subject to the discretion of the Board of Directors, the covenants (financial or otherwise) in the loans and credit agreements to which Issuer is a party and the requirements under applicable laws and regulations.

The Board of Directors will not declare and pay dividends on any Dividend Payment Date where payment of the dividend would cause the Company to breach any of its financial covenants.

If the profits available for distribution as cash dividends are, in the opinion of the Board of Directors, not sufficient to enable Issuer to pay in full cash dividends on the Series 2 Preferred Shares and cash dividends that are scheduled to be paid on or before the same date on shares that have an

equal right to dividends as the Series 2 Preferred Shares (“**Comparable Shares**”), the Issuer is required to pay cash dividends on the Series 2 Preferred Shares and any Comparable Shares pro rata to the amount of the cash dividends scheduled to be paid to the Series 2 Preferred Shares and the Comparable Shares, respectively. For purposes of this paragraph, the amount scheduled to be paid shall include all dividends due on such Dividend Payment Date as well as all accumulated dividends due and payable or dividends in arrears in respect of prior Dividend Periods (“**Dividends in Arrears**”).

The profits available for distribution are, in general and with some adjustments, equal to the Issuer’s accumulated, realized profits less accumulated, realized loss. In general, 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 have not been allocated for any managerial, contractual or legal purposes and which are free for distribution to the shareholders as dividends.

Dividends on the Series 2 Preferred Shares will be cumulative. If for any reason the Issuer’s Board does not declare a dividend on the Shares for a Dividend Period, the Issuer will not pay a dividend on the Dividend Payment Date for that Dividend Period. However, on any future Dividend Payment Date on which dividends are declared, holders of the Shares must receive the dividends due them on such Dividend Payment Date as well as all accumulated dividends due and payable or dividends in arrears in respect of prior Dividend Periods (“**Dividends in Arrears**”).

Holders of Series 2 Preferred Shares shall not be entitled to participate in any other or further dividends beyond the dividends specifically payable on the Preferred Shares.

Redemption of the Series 2 Preferred Shares

As and if declared by the Board of Directors of the Company and subject to the requirements of applicable laws and regulations, the Company may, at its sole option, redeem in whole (but not part), any subseries of the Series 2 Preferred Shares as follows:

(a) in respect of Series 2A Preferred Shares, on 2.5 years from the Listing Date (the “**Series 2A First Optional Redemption Date**”) or on any Dividend Payment Date occurring thereafter (each of the Series 2A First Optional Redemption Date and the Dividend Payment Dates thereafter, a “**Series 2A Optional Redemption Date**”), and

(b) in respect of Series 2B Preferred Shares, on 5 years from the Listing Date (the “**Series 2B First Optional Redemption Date**”) or on any Dividend Payment Date occurring thereafter (each of the Series 2B First Optional Redemption Date and the Dividend Payment Dates thereafter, a “**Series 2B Optional Redemption Date**”)

(each Series 2A Optional Redemption Date and Series 2B Optional Redemption Date, an “**Optional Redemption Date**”)

at a redemption price equal to the Issue Price of the Series 2 Preferred Shares plus all dividends due on such Optional Redemption Date as well as all Dividends in Arrears (“**Redemption Price**”). The Company shall give not less than thirty (30) nor more than sixty (60) days prior written notice of its intention to redeem the Preferred Shares, which notice shall be irrevocable and binding upon the Company to effect such early redemption of the Series 2 Preferred Shares at the Optional Redemption Date stated in such notice.

The Company may also redeem the Series 2 Preferred Shares, in whole but not in part, any or both of the subseries, at any time if an Accounting Event or a Tax Event (each as defined below) has occurred and is continuing, having given not less than thirty (30) nor more than sixty (60) days’ written notice prior to the intended date of redemption, which notice shall be irrevocable and binding upon the Company to effect such redemption of the Series 2 Preferred Shares at the redemption date stated in such notice. The redemption due to an Accounting Event or a Tax Event

shall be made by the Company at the Redemption Price, which shall be paid within five Banking Days of the exercise of the right to redeem the Preferred Shares on the date of redemption set out in the notice.

Upon listing on the PSE, the Company may purchase the Series 2 Preferred Shares at any time in the open market or by public tender or by private contract at any price through the PSE. The Series 2 Preferred Shares so purchased may either be redeemed (pursuant to their terms and conditions as set out in the Prospectus) and cancelled, or kept as treasury shares, as applicable.

Early Redemption Due to Taxation

If a Tax Event occurs, the Issuer may redeem the Series 2 Preferred Shares in whole, but not in part, at any time after giving not less than thirty (30) nor more than sixty (60) days written notice prior to the intended date of redemption. The redemption shall be made by Megawide at the Redemption Price which shall be paid within five (5) Banking Days of the exercise of the right to redeem the Series 2 Preferred Shares on the date of redemption set out in the notice, which notice shall be irrevocable and binding upon Megawide to effect such redemption of the Preferred Shares at the redemption date stated in such notice.

Early Redemption Due to Changes in Accounting Treatment of the Shares

If an Accounting Event occurs the Issuer may redeem the Series 2 Preferred Shares in whole, but not in part, at any time after giving neither less than thirty (30) nor more than sixty (60) days written notice prior to the intended date of redemption. The redemption shall be made by Megawide at the Redemption Price which shall be paid within five (5) Banking Days of the exercise of the right to redeem the Series 2 Preferred Shares on the date of redemption set out in the notice, which notice shall be irrevocable and binding upon Megawide to effect such redemption of the Series 2 Preferred Shares at the redemption date stated in such notice.

An Accounting Event shall occur if an opinion of any reputable firm authorized to perform auditing services in the Republic of the Philippines has stated that there is more than an insubstantial risk that the funds raised through the issuance of the Series 2 Preferred Shares may no longer be recorded as “**equity**” pursuant to the Philippine Financial Recording Standards (“**PFRS**”), or such other accounting standards which succeed PFRS, as adopted by the Republic of the Philippines and applied by Megawide for drawing up its consolidated financial statements for the relevant financial year.

In General: No Voting Rights

Holders of the Series 2 Preferred Shares shall have no voting rights except as specifically provided by law. Thus, holders of the Series 2 Preferred Shares shall not be eligible, for example, to vote for or elect the Company’s Directors or to vote for or against the issuance of a stock dividend.

Holders of Series 2 Preferred Shares, however, may vote on matters which the Corporation Code considers significant corporate acts that may be implemented only with the approval of shareholders, including those holding shares denominated as non-voting in the articles of incorporation. These matters, which require the approval of shareholders representing at least two-thirds of the issued and outstanding capital stock of the Company in a meeting duly called for the purpose, are as follows:

- Amendment of the Articles of Incorporation;
- Adoption and amendment of the Company’s By-laws;
- Sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the Company’s assets;
- Incurring, creating or increasing bonded indebtedness;
- Increase or decrease of authorized capital stock;
- Merger or consolidation of the Company with another corporation or other corporations;

- Investment of corporate funds in another corporation or business or for any purpose other than the primary purpose for which the Company was organized; and
- Dissolution of the Company.

Status

The Series 2 Preferred Shares will constitute direct and unsecured subordinated obligations of the Issuer ranking at least *pari passu* in all respects and rateably without preference or priority among themselves with all other preferred shares issued or to be issued by the Issuer. The Series 2 Preferred Shares rank junior in right of payment to all indebtedness of the Issuer and claims against the Issuer which rank or are expressed to rank senior to the Preferred Shares. Accordingly, the obligations of the Issuer under the Series 2 Preferred Shares will not be satisfied unless the Issuer can satisfy in full all of its other obligations ranking senior to the Series 2 Preferred Shares.

There is no agreement or instrument that limits or prohibits the ability of the Megawide to issue preferred shares or other securities that rank *pari passu* with the Series 2 Preferred Shares.

Liquidation Rights In Respect of the Series 2 Preferred Shares

In the event of a return of capital in respect of the liquidation, dissolution or winding up of the affairs of the Issuer but not on a redemption or purchase by the Issuer of any of its share capital, the holders of the Series 2 Preferred Shares at the time outstanding will be entitled to receive, in Philippine Pesos out of the assets of the Issuer available for distribution to shareholders, together with the holders of any other shares of the Issuer ranking, as regards repayment of capital, *pari passu* with the Series 2 Preferred Shares and before any distribution of assets is made to holders of any class of shares of the Issuer ranking after the Series 2 Preferred Shares as regards repayment of capital, liquidating distributions in an amount equal to the Redemption Price as of (and including) the date of commencement of the winding up of the Issuer or the date of any such other return of capital, as the case may be. If, upon any return of capital in the winding up of the Issuer, the amount payable with respect to the Series 2 Preferred Shares and any other shares of the Issuer ranking as to any such distribution *pari passu* with the Series 2 Preferred Shares are not paid in full, the holders of the Series 2 Preferred Shares and of such other shares will share proportionately in any such distribution of the assets of the Issuer in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount of the liquidating distribution to which they are entitled, the holders of the Series 2 Preferred Shares will have no right or claim to any of the remaining assets of the Issuer and will not be entitled to any further participation or return of capital in a winding up.

Tax Payments in respect of the Series 2 Preferred Shares

All payments in respect of the Series 2 Preferred Shares are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of Republic of the Philippines, including but not limited to, stamp, issue, registration, documentary, value added or any similar tax or other taxes and duties, including interest and penalties. If such taxes or duties are imposed, the Issuer will pay additional amounts so that holders of the Series 2 Preferred Shares will receive the full amount of the relevant payment which otherwise would have been due and payable. Provided, however, that the Issuer shall not be liable for: (a) the final withholding tax applicable on dividends earned on the Series 2 Preferred Shares, (b) as applicable, any income tax (whether or not subject to withholding), percentage tax (such as stock transaction tax) and documentary stamp tax on the redemption or buy back of the Series 2 Preferred Shares or on the liquidating distributions as may be received by a holder of Series 2 Preferred Shares, (c) expanded value added tax which may be payable by any holder of the Series 2 Preferred Shares on any amount to be received from the Issuer under the terms and conditions of the Series 2 Preferred Shares, (d) any withholding tax on any amount payable to any holder of the Share or any entity which is a non-resident foreign corporation, and (e) applicable taxes to any subsequent sale or transfer of the Series 2 Preferred Shares by any holder of the Series 2

Preferred Shares which shall be for the account of the said holder (or the buyer in case such buyer shall have agreed to be responsible for the payment of such taxes).

No Pre-emptive Rights

The Amended Articles of Incorporation currently deny pre-emptive rights to subscribe to all issues or dispositions of any class of the Company, to all shareholders of the Company including the holders of Series 2 Preferred Shares. However, shareholders representing at least two-thirds of the Company's issued and outstanding capital stock voting at a shareholders' meeting duly called for the purpose may amend the Articles to grant pre-emptive rights to subscribe to a particular issue or other disposition of shares from Megawide's capital. Pre-emptive rights may not extend to shares to be issued in compliance with laws requiring stock offerings or minimum stock ownership by the public; or to shares to be issued in good faith with the approval of the shareholders representing two-thirds of the outstanding capital stock in exchange for property needed for corporate purposes or in payment of a previously contracted debt.

Transfer of Shares and Share Register

The Series 2 Preferred Shares will be issued in scripless form.

The legal title to the Series 2 Preferred Shares will be shown in the Registry of Shareholders which shall be maintained by the Registrar. The Registrar shall send (at the cost of the Issuer) at least once every quarter a Statement of Account to all Shareholders named in the Registry of Shareholders confirming the number of Shares held by each Shareholder on record in the Registry of Shareholders. Such Statement of Account shall serve as evidence of ownership of the relevant Shareholder as of a given date thereof. Any request by Shareholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Shareholder.

Initial placement of the Series 2 Preferred Shares and subsequent transfers of interests in the Series 2 Preferred Shares shall be subject to normal Philippine selling restrictions for listed securities as may prevail from time to time.

After the Listing Date, Shareholders of the Shares may request the Registrar and Depository Agent to issue stock certificates evidencing their investment in the Series 2 Preferred Shares. Any expense that will be incurred in relation to such issuance shall be for the account of the requesting shareholder.

Philippine law does not require transfers of the Series 2 Preferred Shares to be effected on the PSE, but any off-exchange transfers will subject the transferor to a capital gains tax that may be significantly greater than the stock transfer tax applicable to transfers effected on an exchange. See "*Taxation*". All transfers of shares on the PSE must be effected through a licensed stock broker in the Philippines.

Not Convertible into Common Shares

The Series 2 Preferred Shares shall not be convertible into Megawide's common shares.

Other Rights and Incidents Relating to the Series 2 Preferred Shares

Following are other rights and incidents relating to the Series 2 Preferred Shares, which may also apply to other classes of Megawide's stock.

Restrictions on Ownership of Megawide's Shares by Non-Philippine Nationals

Under the Philippine Constitution, no franchise, certificate, or any other form of authorization for the operation of public utility shall be granted except to citizen of the Philippines or to corporations or

associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens. The Philippine Constitution also limits ownership of land in the Philippines to Filipino citizens or to corporations the outstanding capital stock of which is at least sixty percent (60%) owned by Philippine Nationals. While the Philippine Constitution prescribes nationality restrictions on land ownership, there is generally no prohibition against foreigners owning building and other permanent structures. However, with respect to condominium developments, the foreign ownership of units in such developments is limited to forty percent (40%). Accordingly, the Series 2 Preferred Shares and Megawide's other shares may be owned or subscribed by or transferred to any person, partnership, association or corporation regardless of nationality, provided that it complies with the nationality requirement under the Philippine constitution and other applicable laws. Pursuant to SEC Memorandum Circular No. 8, Series of 2013, which generally applies to all corporations engaged in identified areas of activities or enterprises specifically reserved, wholly or partly, to Philippine nationals by the Philippine Constitution, the FIA and other existing laws, amendments thereto, and implementing rules and regulations of said laws, for purposes of determining compliance with the constitutional or statutory ownership requirement, the required percentage of Filipino ownership shall be applied to both:

Directors

Unless otherwise provided by law or the Company's By-Laws, the corporate powers of the Company are exercised, its business is conducted, and its property is controlled by the Board. Megawide has seven (7) directors who are elected by holders of shares entitled to voting rights under the Articles of Incorporation during each annual meeting of the shareholders for a term of one year. As mentioned, holders of Series 2 Preferred Shares are not entitled to vote for and elect the Company's directors.

Megawide's By-laws currently disqualify or deem ineligible for nomination or election to the Board any person who represents an interest adverse to or in conflict with those of the Company or said person is an officer or stockholder of a corporation engaged in the same business as that of the Company.

The Company conforms to the requirement to have at least three (3) independent directors or such number as to constitute at least one-third of the members of the board, whichever is higher. As of the date of this Preliminary Prospectus, the Company's four (4) independent directors are Leonilo G. Coronel, former Chief Justice Hilario G. Davide, Jr., Celso P. Vivas and Alfredo E. Pascual.

Directors may only act collectively; individual directors have no power as such. A majority of the directors constitutes a quorum for the transaction of corporate business and every decision of a majority of the quorum duly assembled as a board is valid as a corporate act. Any vacancy created by the death or resignation of a director prior to expiration of his term may be filled by the remaining members of the Board, if still constituting a quorum. Any director elected in this manner by the Board shall serve only for the unexpired term of the director whom he replaces. Any such vacancy may also be filled by the shareholders entitled to vote, by ballot, at any meeting or adjourned meeting held during such vacancy, provided that the notice of the meeting mentions such vacancy or expected vacancy.

Appraisal Rights

Philippine law recognizes the right of a shareholder to institute, under certain circumstances, proceedings on behalf of a 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.

In addition, 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:

- 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;
- the sale, lease, exchange, transfer, mortgage, pledge or other disposal of all or substantially all of the corporate property and assets of the corporation;
- the investment of corporate for any purpose other than the primary purpose of the corporation; and
- a merger or consolidation.

In these circumstances, the dissenting shareholder may require the corporation to purchase his shares at a fair value which, in default of agreement, is determined by three disinterested persons, one of whom shall be named by the stockholder, one by the corporation, and the third by the two thus chosen. The SEC will, in the event of a dispute, determine any question about whether a dissenting shareholder is entitled to this right of appraisal. The dissenting stockholder 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.

Shareholders' Meeting

At the annual meeting or at any special meeting of the Company's shareholders, the latter may be asked to approve actions requiring shareholder approval under Philippine law.

Quorum

The Revised Corporation Code provides that, except in instances where the assent of shareholders representing two-thirds of the outstanding capital stock is required to approve a corporate act (usually involving the significant corporate acts where even non-voting shares may vote, as identified above) or where the by-laws provide otherwise, a quorum for a meeting of shareholders will exist if shareholders representing a majority of the capital stock are present in person or by proxy.

Fixing Record Dates

The Board has the authority to fix in advance the record date for shareholders entitled: (a) to notice of, to vote at, or to have their votes voted at, any shareholders' meeting; (b) to receive payment of dividends or other distributions or allotment of any rights; or (c) for any lawful action or for making any other proper determination of shareholders' rights. The Board may provide that the stock and transfer book be closed for twenty (20) days in case of regular meeting, and ten (10) working days in case of special meeting, immediately preceding such shareholders' meeting.

Issues of Shares

Subject to applicable limitations, the Company may issue additional shares to any person for consideration deemed fair by the Board, provided that such consideration shall not be less than the par value of the issued shares.

Change in Control

There is no provision in the Company's Articles of Incorporation and By-Laws, as amended, which may delay, deter, or prevent a change in control in the Company. However, there may be provisions in contracts to which the Company is or shall be party which may delay, deter or prevent a change in control in the Company.

Mandatory Tender Offers

- Any person or group of persons acting in concert, who intends to acquire fifteen percent (15%) of equity securities in a public company in one or more transactions within a period of twelve (12) months, shall file a declaration to that effect with the Commission.
- Any person or group of persons acting in concert, who intends to acquire thirty five percent (35%) of the outstanding voting shares or such outstanding voting shares that are sufficient to gain control of the board in a public company through the PSE trading system shall not be required to make a tender offer even if such person or group of persons acting in concert acquire the remainder through a block sale if, after acquisition through the PSE trading system, they fail to acquire their target of thirty five percent (35%) or such outstanding voting shares that is sufficient to gain control of the board.
- Any person or group of persons acting in concert, who intends to acquire thirty five percent (35%) or more of the outstanding voting shares or such outstanding voting shares that are sufficient to gain control of the board in a public company in one or more transactions within a period of twelve (12) months, shall be required to make a tender offer to all holders of such class for the number of shares so acquired within the said period. If the tender offer is oversubscribed, the aggregate amount of securities to be acquired at the close of such tender offer shall be proportionately distributed across selling shareholders with whom the acquirer may have been in private negotiations and other shareholders.
- Any person or group of persons acting in concert, who intends to acquire thirty five percent (35%) of the outstanding voting shares or such outstanding voting shares that are sufficient to gain control of the board in a public company directly from one or more stockholders shall be required to make a tender offer for all the outstanding voting shares. The sale of shares pursuant to the private transaction or block sale shall not be completed prior to the closing and completion of the tender offer.
- If any acquisition of even less than thirty five percent (35%) would result in ownership of over fifty percent (50%) of the total outstanding equity securities of a public company, the acquirer shall be required to make a tender offer for all the outstanding equity securities to all remaining stockholders of the said company at a price supported by a fairness opinion provided by an independent financial advisor or equivalent third party. The acquirer in such a tender offer shall be required to accept any and all securities thus tendered.

The term “public company” refers to: (i) a corporation with a class of securities listed on an exchange, such as the PSE; or (ii) a corporation with assets of at least ₱50 million and having 200 or more shareholders with at least 100 shares each.

When the securities tendered pursuant to such an offer exceed the number of shares that the acquiring person or group of persons is willing to acquire, the securities shall be purchased from each tendering shareholder on a *pro rata* basis according to the number of securities tendered by each security holder. In the event that the tender offer is oversubscribed, the aggregate amount of securities to be acquired at the close of such tender offer shall be proportionately distributed to both the selling shareholders with whom the acquirer may have been in private negotiations with and the minority shareholders.

In a mandatory tender offer, the acquirer must offer the highest price paid by him for such shares during the past six months. Where the offer involves payment by transfer or allotment of securities, such securities must be valued on an equitable basis. However, if any acquisition of even less than 35% would result in ownership of 51% of the total outstanding equity, the acquirer shall make a tender offer for all the outstanding equity securities to all remaining shareholders of the said corporation at a price supported by a fairness opinion provided by an independent financial adviser or equivalent third party. The acquirer in such tender offer shall accept any and all securities thus tendered.

No mandatory tender is required in:

- purchases of shares from unissued capital shares unless it will result in a 50% or more ownership of shares by the purchaser;
- purchases from an increase in the authorized capital shares of the target company;
- purchases in connection with a foreclosure proceeding involving a pledge or security where the acquisition is made by a debtor or creditor;
- purchases in connection with a privatization undertaken by the government of the Philippines;
- purchases in connection with corporate rehabilitation under court supervision;
- purchases through an open market at the prevailing market price; or
- purchases resulting from a merger or consolidation.

Accounting and Auditing Requirements / Rights of Inspection

Philippine stock corporations are required to file copies of their annual financial statements with the SEC. Corporations whose shares are listed on the PSE are also required to file quarterly and annual reports with the SEC and the PSE. Shareholders are entitled to request 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. This report is required to include audited financial statements.

Summary of Features of Megawide Preferred Shares

Features	Series 1	Series 2		Series 3
		Series 2A	Series 2B	
Cumulative	Yes	Yes	Yes	Yes
Voting rights	None	None	None	None
Participating	Non-participating	Non-participating	Non-participating	Non-participating
Convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
Pre-emptive Rights	None	None	None	None
Initial Dividend Rates	7.025%	4.25%-4.75%	5.25%-5.75%	To be determined by the Board of Directors
Redeemable (non-reissuable)	At option of Issuer starting on the 5 th year from the Listing Date	At option of Issuer starting on the 2 nd year and 6 th month from	At option of Issuer starting on the 5 th year from the Listing Date	To be determined by the Board of Directors

		the Listing Date		
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The Company's Series 1 Preferred Shares were listed in the PSE on December 3, 2014 under the trading symbol ("**MWP**"). The Series 3 Preferred Shares will not be listed in the PSE.

RISK FACTORS

An investment in the Series 2 Preferred Shares, as described in this Preliminary Prospectus, involves a certain number of risks. The price of securities can and does fluctuate, and any individual security may experience upward or downward movements and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made, as a result of buying and selling securities. Past performance is not a guide to future performance and there may be a large difference between the buying price and the selling price of these securities. There may be a large difference between the buying price and the selling price of the Series 2 Preferred Shares.

Investors should carefully consider all the information contained in this Prospectus, including the risk factors described below, before deciding to invest in the Series 2 Preferred Shares. The occurrence of any of the following events, or other events not currently anticipated, may have an adverse effect on our business, financial condition, results of operations, the market price of the Series 2 Preferred Shares and our ability to make dividend distributions to our shareholders. All or part of an investment in the Series 2 Preferred Shares may be lost.

This section entitled "Risk Factors" does not purport to disclose all of the risks and other significant aspects of investing in these securities. The occurrence of any of the events discussed below and any additional risks and uncertainties not presently known to the Company or that are currently considered immaterial could have a material adverse effect on the Company's business, results of operations, financial condition and prospects and on the Series 2 Preferred Shares and the investors may lose all or part of their investment. Prospective investors may request publicly available information on the Series 2 Preferred Shares and the Company from the SEC. Prospective investors should undertake independent research and study the trading of these securities before commencing any trading activity. Prospective investors should seek professional advice if he or she is uncertain of, or has not understood any aspect of the Offer or the nature of risks involved in purchasing, holding and trading the Series 2 Preferred Shares. Each potential investor should consult its own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of an investment in the Series 2 Preferred Shares.

The risk factors discussed in this section are separated into categories for ease of reference, and within each category, are discussed in order of importance.

RISKS RELATING TO THE COMPANY AND ITS BUSINESS

The Company is exposed to the cyclical nature of a construction business coupled by risks associated with the Philippine's property development market, including potential construction contract cancellations.

Megawide's business is highly dependent on the ability of real estate developers to market, sell and dispose of condominium units to potential customers. In the event of a weak property market, developers may hold and/or cancel construction contracts and orders. Megawide seeks to minimize the possible effects of a weak property market by gradually diversifying into mid-rise affordable housing and socialized housing and infrastructure projects. Moreover, to ensure sustainable business growth and mitigate economic down cycles, Megawide has expanded and diversified into infrastructure development, an upstream integration that surely adds and creates greater value to Megawide in the short, medium and long term horizons. Not only will these infrastructure development projects provide construction revenues to its downstream business units, it will likewise become the source of future stable recurring income upon completion.

The existing Government administration is keen in developing the infrastructures in Philippines giving Megawide new avenues to explore and win significant projects with the Government. In line with this, Megawide is managing the possible effects of a weak property market.

Megawide seeks to minimize the possible effects of a weak property market by gradually diversifying into the affordable and socialized housing segments, where real consumer demand lies, and infrastructure projects, which the government is pushing due to its significant multiplier effect on the economy.

The on-going situation of the COVID-19 pandemic could have negative effects on the Company's business operations.

Recently, the world is experiencing a global pandemic that has negatively affected economies and industries to varying extent. The pandemic forced businesses to limit or stop their operations. Megawide experienced delays in their construction projects due to lack of raw materials and manpower. It has minimal operations in its Mactan-Cebu International Airport due to the imposed travel ban of the government. In addition, the operations of the Paranaque Integrated Terminal Exchange were temporarily suspended to restrict the movement of people and goods to contain the virus.

Due to uncertainty of when the pandemic will be contained, it will continuously affect the downturn of the Company's business operations and profitability. Megawide will rely on the operations ramp up of its business segments and the government's positive outlook on infrastructure projects to pull GDP growth and in turn, will help the Company sustain its operations and positive income for the year.

Across the organization, the Company has created and is implementing its own COVID-19 Response Manual, in accordance with Inter-Agency Task Force (IATF) guidelines, which outlines specific action plans and programs per business and operating unit to address occupational health and safety standards under the new normal. The COVID-19 Response Manual is part of the Company's overall business continuity plan and crisis management program.

In the construction business, the Company complies with the IATF guidelines on new occupational health and safety protocols in construction sites, such as establishment of barracks, prior COVID-testing, and stay-in policy for workers, among others, to ensure the safety of the project site and its employees.

In airport operations, the Mactan Cebu International Airport (MCIA) has put up and is currently operating the first RT-PCR COVID-Testing Facility, inside an airport complex, in the country. The laboratory can process up to 3,000 tests per day, with results released in less than 24 hours. The initiative intends to address the travel-related safety guidelines imposed by the IATF and aims to facilitate domestic and international air travel, once relaxed, as well as promote passenger safety.

The Paranaque Integrated Terminal Exchange (PITX), on the other hand, is serving its purpose as the prototype for safe, secure, and convenient public commuting system in the country. Aside from implementing IATF health and safety standards in the terminal and office towers, the PITX mobile app is also available to allow travelers to pre-book their trips based on available bus schedules, thus minimizing human interaction and reducing the risk of infection among passengers.

The Company exposed to credit risk on its receivables.

For on-going construction projects, Megawide is exposed to credit risk if project owners are unable to fully settle the unpaid balance of receivables under construction contracts, and other claims owed to Megawide. Credit risk is managed in accordance with Megawide's credit risk policy, which requires the evaluation of the creditworthiness of each project owner. Megawide can also enforce its contractor's lien over the project with varying degrees of effectiveness. Under Article 2242 (3) of the Civil Code of the Philippines, a contractor's lien is the claim of a contractor engaged in the construction, reconstruction or repair of buildings, canals or other works, upon said buildings, canals or other works.

Meanwhile, airport and terminal businesses is exposed to credit risk if the concessionaires, lessors and airlines are unable to fully settle the unpaid balance of its receivables. To manage this risk, careful evaluations of creditworthiness of its customers are being done in conjunction with the guidance from senior management.

RISKS RELATING TO THE CONSTRUCTION SEGMENT

The construction industry is facing a skilled labor shortage.

The construction industry has persistently experienced a shortage of skilled manpower due primarily to overseas employment and lack of institutional support leading to the sector's under development.

While Megawide is affected by this industry phenomenon, the Company has a natural mitigant due to its high technology and state-of-the-art building systems, particularly the use of pre-cast technology, which utilizes less human labor than traditional construction methodologies employed by other players.

The volatility in the price of construction materials could affect the Company's profitability.

Market supply and demand affects the pricing of construction materials, such as cement and steel rebars. In addition, the stricter implementation of environmental laws has affected mining and quarrying operations in the country, resulting in regulated supply of inputs, such as sand and concrete aggregates.

To address this, Megawide adopts a materials hedging program and enters into fixed purchase contracts with its suppliers, immediately upon award of contracts, to fix the unit cost and lock in supply of critical raw materials. These contracts typically range from 6 months to 1 year. No price escalation is charged until the estimated quantities have been delivered within the agreed period.

The Company's reputation will be adversely affected if its projects are not completed on time, or if projects do not meet customer requirements.

The Company's brand equity may be damaged if it fails to deliver the project on time or based on specifications. In addition, the required safety guidelines under the new normal may affect productivity and project timelines.

As a safeguard, Megawide has a project management team composed of well-trained and experienced technical managers that implement measures to supervise the project's progress, schedules, and quality and ensure a smooth workflow. In addition, contracts with suppliers and subcontractors are covered by warranties, through guarantee, surety, and performance bonds and liability insurance, for workmanship and requirements for timely completion.

Furthermore, the Company believes that its pre-cast technology and largely automated formworks and building systems are most suitable and highly functional under this new environment, minimizing the risk of project delays.

The Company may be exposed to liquidity risk from delayed payments of progress billings.

The construction business adopts progress billing and the Company is exposed to the risk of delayed collection on its completed works.

Megawide extends credit terms to its clients, which it strictly follows to ensure that receivables remain current as much as possible. In a worst-case scenario, the Company has a sound financial

position and has established credit lines with several financial institutions from which it is able to obtain loans to finance its working capital requirements.

The availability of construction materials may affect the Company's projects.

Lack of availability of construction materials may result in higher costs and/or result in delays in meeting project timelines. However it should be noted that the principal raw materials utilized by Megawide in its projects such as cement and steel, have historically been readily available in the market from a number of sources (i.e. Steel Asia Manufacturing Corporation and Pag-Asa Steel Corporation). Megawide also diversifies its sources of these raw materials so that it is not dependent on a limited number of suppliers.

RISKS RELATING TO THE AIRPORT (MCIA) SEGMENT

Modernization of existing and opening of new airports in the country

The Company is the largest private sector operator of airports in the country through the concession agreement of MCIA and is the primary gateway to the Southern Philippines. The government's privatization program and modernization of airport industry has attracted interest from other private sector players to participate in the program. This could result in the opening of smaller airports in other locations in the Visayas and Mindanao regions, which could host direct flights and potentially affect passenger throughput at the MCIA.

Given Megawide's concession agreement at MCIA, which serves as the primary gateway to the South, the emergence of smaller airports around Cebu will serve as feeder routes and naturally complement the operations of MCIA.

Slower tourism-related travel in the short-term due to global travel restrictions arising from the COVID-19 pandemic

MCIA is the primary gateway to the Southern Philippines, where most of the country's top international and local tourist attractions are located. Since Megawide and its partner took over operations at MCIA in 2014, international passenger volume has grown by an average of more than 20% annually for the past five years. However, the global travel restrictions arising from the COVID-19 pandemic may impact tourism-related travel in the near term and result in slower passenger volumes.

However, due to the highly domestic-driven passenger make-up at MCIA and the concentration of COVID-19 cases in the NCR and few urbanized centers in Luzon and Visayas, the domestic tourism market remains very attractive as soon as non-essential travels is allowed to resume across the country.

Reduced commercial travel in the near term as a result of limited movements due to community quarantines

The Province of Cebu is the second most populous and largest economy in the Philippines outside of the National Capital Region. It is also home to a world-class furniture business and one of the preferred Business Process Outsourcing ("BPO") locations across the globe. With the limited movement of goods and people due to community quarantines imposed to arrest the spread of the COVID-19 virus, trade and commerce will slow down and commercial travel will likely be reduced.

On the other hand, Cebu and its vicinities are also among the top tourist destinations in the country and around the world. This phenomenon provides MCIA a strong tourism market and allows it to offset the weakness in commercial travel that are largely concentrated in Cebu City.

RISKS RELATING TO THE LANDPORT (PITX) SEGMENT

People traffic in terminal may be impacted by social distancing protocols.

The PITX is designed to accommodate a passenger traffic of 100,000 daily that can provide a healthy source of demand and support the commercial establishments inside the terminal. However, people movement and normal consumer behavior may be affected by the pandemic and affect the commercial aspect of the terminal. To mitigate this, safety measures and contactless interaction through digitalization are being implemented inside the terminal through mobile phone apps to provide consumers with safer modes of purchases and avoid the spread of COVID-19 among passengers.

Long-term contracts with office tenants may be affected by anti-POGO sentiments.

The office complex on top of the terminal is currently leased out to the Philippine Online Gaming Operations (“**POGO**”) segment, which is allowed to operate under the GCQ guidelines. The continued presence of anti-POGO sentiments, however, coming from some sectors of society put pressure on the sustainability of the long-term contracts with these tenants.

Being located in one of the most valuable properties in Metro Manila, in addition to the multi-modal transport connectivity offered by the terminal in key destinations around the capital, PITX has a strong and natural demand and attraction for both traditional and non-traditional office locators, outside of the POGO industry.

RISK RELATING TO PROJECTS WITH ORIGINAL PROPONENT STATUS

Megawide has submitted several unsolicited and solicited proposals to the national and local governments and has been granted the Original Proponent Status (“OPS”). These projects under OPS are still under evaluation and will need to undergo the proper procedures, such as the Swiss Challenge, before being officially awarded to the Company. Until such process is completed, the projects remain at risk of not being awarded to Megawide

Megawide is closely coordinating with the government and all its agencies for the compliance of all the requirements relating to the OPS.

RISKS RELATING TO THE COMPANY’S SERIES 2 PREFERRED SHARES

The Series 2 Preferred Shares may not be a suitable investment for all investors.

Each potential investor in the Series 2 Preferred Shares must determine the suitability of that investment given its own features and circumstances. Each investor should:

- have sufficient knowledge and experience to make an evaluation of the Series 2 Preferred Shares, the merits and risks of relating to Series 2 Preferred Shares and the information contained in the Preliminary Prospectus;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Series 2 Preferred Shares;
- understand thoroughly the terms of the Series 2 Preferred Shares and be familiar with the behavior of any relevant financial markets;
- have access to and knowledge of, appropriate tools to evaluate an investment in the Series 2 Preferred Shares and the impact the Series 2 Preferred Shares will have on its overall investment portfolio; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate, foreign exchange rate and other factors that may affect its investment and its ability to bear the applicable risks

The market price of the Series 2 Preferred Shares may be volatile, which could cause the value of investors' investments in the Series 2 Preferred Shares to decline.

The market price of our Series 2 Preferred Shares may be affected by multiple factors, including:

- (a) volatility in stock market prices and volume;
- (b) fluctuations in our revenue, cash flow and earnings;
- (c) general market, political and economic conditions;
- (d) changes in earnings estimates and recommendations by financial analysts;
- (e) changes in market valuations of listed stocks in general and other stocks in similar industries;
- (f) the market value of our assets;
- (g) changes to government policies, legislation or regulations; and
- (h) general operational and business risks.

In addition, many of the risks described elsewhere in this Preliminary Prospectus could adversely affect the market price of the Series 2 Preferred Shares. As a result of recent global economic downturns, the global equity markets have historically experienced price and volume volatility that has affected the share prices of many companies. Share prices for many companies have experienced wide fluctuations that have often been unrelated to the operating performance of those companies. Fluctuations such as these could adversely affect the market price of our Shares.

The Dividends on the Series 2 Preferred Shares may not be paid in full or in part.

Dividends on the Series 2 Preferred Shares may not be paid in full or in part. Under the terms and conditions governing the Series 2 Preferred Shares, the Company may pay no dividends or less than full dividends on a Dividend Payment Date. Holders of the Series 2 Preferred Shares will not receive dividends on a Dividend Payment Date or for any period during which the Issuer does not have unrestricted retained earnings out of which the dividends will be paid.

If the profits available for distribution as cash dividends are, in the opinion of the Board of Directors, not sufficient to enable Megawide to pay in full cash dividends on the Series 2 Preferred Shares and cash dividends that are scheduled to be paid on or before the same date on Comparable Shares, Megawide is required to pay cash dividends on the Series 2 Preferred Shares and any Comparable Shares *pro rata* to the amount of the cash dividends scheduled to be paid to the Series 2 Preferred Shares and the Comparable Shares, respectively. For purposes of this paragraph, the amount scheduled to be paid shall include all dividends due on such Dividend Payment Date as well as all Dividends in Arrears.

The Series 2 Preferred Shares are subordinate to the Issuer's other Indebtedness.

Megawide's obligations in respect of the Series 2 Preferred Shares are subordinated to all of the Company's indebtedness, and it will not make any payments under the Series 2 Preferred Shares unless it can satisfy in full all of its other obligations that rank senior to the Series 2 Preferred Shares.

Megawide's obligations under the Series 2 Preferred Shares are unsecured and will, in the event of the winding-up of the Company, rank junior in right of payment to all indebtedness of the Company and junior in right of payment to securities of, or claims against, the Company which rank or are expressed to rank senior to the Series 2 Preferred Shares. Accordingly, Megawide's obligations under the Series 2 Preferred Shares will not be satisfied unless Megawide can satisfy in full all of its other obligations ranking senior to the Series 2 Preferred Shares.

There are no terms in the Series 2 Preferred Shares that limit Megawide's ability to incur additional indebtedness, including indebtedness that ranks senior to or *pari passu* with the Series 2 Preferred Shares.

There may be insufficient distributions upon liquidation.

In the event of liquidation, the Series 2 Preferred Shares shall rank ahead of the common shares.

Upon any voluntary or involuntary dissolution, liquidation or winding up of Megawide, holders of Series 2 Preferred Shares will be entitled only to the available assets of the Company remaining after the Company's indebtedness is satisfied. If any such assets are insufficient to pay the full amount due to the holders of the Series 2 Preferred Shares, then holders of Series 2 Preferred Shares shall share ratably in any such distribution of assets in proportion to the full distributions to which they would otherwise be respectively entitled.

The ability to make payments to the holders of Series 2 Preferred Shares is limited by the terms of Megawide's Other Indebtedness.

Under the Revised Corporation Code, the board of directors of a stock corporation may declare dividends out of the unrestricted retained earnings of such corporation. The SEC has issued regulations defining the term unrestricted retained earnings. Under such regulations, unrestricted retained earnings means the amount of accumulated profits and gains realized out of the normal and continuous operations of the company after deducting therefrom distributions to stockholders and transfer to capital stock or other accounts, and which is: (1) not appropriated by its Board of Directors for corporate expansion projects or programs; (2) not covered by a restriction for dividend declaration under a loan agreement; and (3) not required to be retained under special circumstances obtaining in the corporation such as when there is a need for a special reserve for probable contingencies.

In relation to item (2) of the preceding paragraph, Megawide has and will continue to have a certain amount of outstanding indebtedness. The current terms of Megawide's financing agreements contain provisions that could limit the ability of the Company to make payments on the Series 2 Preferred Shares. For example, if Megawide is in default on its payment obligations to one or more of its lenders, or if it is non-compliant with certain covenants and such non-compliance is uncured for a period of thirty (30) days, the Company may be prohibited from making cash payments in respect of the Series 2 Preferred Shares. Also, Megawide may in the future, directly or indirectly through its subsidiaries, enter into other financing agreements which may restrict or prohibit the ability of the Company to make payments on the Series 2 Preferred Shares. There can be no assurance that existing or future financing arrangements will not adversely affect Megawide's ability to make payments on the Series 2 Preferred Shares.

The Series 2 Preferred Shares have no fixed Maturity Date and Megawide has the Sole Right to Redemption.

The Series 2 Preferred Shares have no fixed maturity date, and the Series 2 Preferred Shares are not repayable in cash unless the Issuer, at its sole discretion, redeems them for cash. Furthermore, holders of the Series 2 Preferred Shares have no right to require the Issuer to redeem the Series 2 Preferred Shares. The Series 2 Preferred Shares are only redeemable at the option of the Issuer on the Optional Redemption Date, or at any time, if an Accounting Event or Tax Event has occurred and is continuing. Accordingly, if a Series 2 Preferred Share holder wishes to obtain the cash value of the investment, the holder will have to sell the Series 2 Preferred Shares in the secondary market.

There may be a lack of public market for the Shares.

The Philippine securities markets are substantially less liquid and more volatile than major securities markets in other jurisdictions and are not as highly regulated or supervised as some of

these other markets. The Company cannot guarantee that the market for the Series 2 Preferred Shares will always be active or liquid upon commencement of their trading on the PSE. The nationality restriction on ownership of the Series 2 Preferred Shares may also restrict the trading and liquidity of the Shares.

There may be a limited market for the Series 2 Preferred Shares so there may be limited liquidity in the market.

The Joint Lead Underwriters and Bookrunners are not obligated to create a trading market for the Series 2 Preferred Shares and any such market making will be subject to the limits imposed by applicable law, and may be interrupted or discontinued at any time without notice. Accordingly, the Company cannot predict whether an active or liquid trading market for the Series 2 Preferred Shares will develop or if such a market develops, if it can be sustained. Consequently, a holder may be required to hold his Series 2 Preferred Shares for an indefinite period of time or sell them for an amount less than the Offer Price.

Non-payment of Dividends may affect the Trading Price of the Series 2 Preferred Shares.

If dividends on the Series 2 Preferred Shares are not paid in full, or at all, the Series 2 Preferred Shares may trade at a lower price than they might otherwise have traded if dividends had been paid. The sale of Series 2 Preferred Shares during such a period by a holder of Series 2 Preferred Shares may result in such holder receiving lower returns on the investment than a holder who continues to hold the Series 2 Preferred Shares until dividend payments resume. In addition, because of the dividend limitations, the market price for the Series 2 Preferred Shares may be more volatile than that of other securities that do not have these limitations.

Holders of Series 2 Preferred Shares may not be able to reinvest at a similar return on investment.

On the Step Up Date, or any Dividend Payment Date thereafter, or at any time redemption due to a Tax Event occurs, Megawide may redeem the Series 2 Preferred Shares for cash at the redemption price, as described in "*Description of the Shares*". At the time of redemption, interest rates may be lower than at the time of the issuance of the Series 2 Preferred Shares and, consequently, the holders of the Series 2 Preferred Shares may not be able to reinvest the proceeds at a comparable rate of return or purchase securities otherwise comparable to the Series 2 Preferred Shares.

The Series 2 Preferred Shares have no voting rights.

Holders of Series 2 Preferred Shares will not be entitled to elect the Directors of the Company. Except as provided by Philippine law, holders of Series 2 Preferred Shares will have no voting rights (see "*Description of the Shares*").

There are restrictions on ownership of Megawide's shares by Non-Philippine Nationals.

Under Philippine law, no franchise, certificate, or any other form of authorization for the operation of public utility shall be granted except to citizen of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens. The Philippine Constitution also limits ownership of land in the Philippines to Filipino citizens or to corporations the outstanding capital stock of which is at least sixty percent (60%) owned by Philippine Nationals. While the Philippine Constitution prescribes nationality restrictions on land ownership, there is generally no prohibition against foreigners owning building and other permanent structures. However, with respect to condominium developments, the foreign ownership of units in such developments is limited to forty percent (40%). Accordingly, the Series 2 Preferred Shares may be owned or subscribed by or transferred to any person, partnership, association or corporation regardless of nationality, provided that at any time at least 60% of the Company's outstanding capital stock shall be owned by citizens of the Philippines or by partnerships,

associations or corporations, 60% of the voting stock or voting power, and 60% of the total number of outstanding shares of stock, of which is owned and controlled by citizens of the Philippines as set out in applicable regulations.

Moreover, as provided in the Eleventh Regular Foreign Investment Negative List promulgated on 29 October 2018, contracts for the construction and repair of locally funded public works shall be undertaken by Filipino individuals, or corporations, partnerships or associations, the capital of which is 60% owned by citizens of the Philippines, except (a) infrastructure/development projects covered in Republic Act 7718 (which amended Republic Act No. Build-Operate-Transfer (“**BOT**”) Law), and (b) projects that are foreign funded or assisted and required to undergo international competitive bidding (Section 2(a) of Republic Act No. 7718).

Finally, to the extent that one or more of the Company’s subsidiaries are engaged or will engage in partly nationalized activities (such as ownership of private land or engagement in the business of a public utility), at least 60% of our outstanding capital stock must be owned by Philippine nationals for our Company and such subsidiary or subsidiaries to be considered a Philippine national.

Our businesses accordingly subject our Company to foreign ownership limitations in our issued and outstanding capital stock. As such, we cannot allow the issuance or transfer our Shares to persons other than Philippine nationals, and cannot record transfers in our books, if such issuance or transfer would result in our Company ceasing to be a Philippine National for purposes of complying with the applicable nationality requirements. For more information, please refer to the section entitled “*Regulatory and Environmental Matters*” of this Preliminary Prospectus.

The Series 2 Preferred Shares may be affected by the Passive Income and Financial Intermediary Taxation Act (PIFITA).

On September 9, 2019, the House of Representatives passed House Bill 304 or the Passive Income and Financial Intermediary Taxation Act (“**PIFITA**”). The PIFITA delivers the fourth part of the Government’s comprehensive tax reform package. PIFITA aims to make passive income and financial intermediary taxes simpler, fairer, more efficient, and more competitive regionally. PIFITA is already approved by the House of Representative and is currently undergoing committee hearings in the Senate.

In case PIFITA is signed into law in its current form whereby taxes on dividends and interest will be harmonized at 15%, the prospective individual investors will see their net dividends decrease as a result of increase in dividend tax rate (10% to 15%). Further, while said increase in dividend tax is categorized as a Tax Event, the prospective investors cannot be assured that the Shares will be redeemed by the Issuer, as redemption is deemed optional on the part of the Issuer.

Furthermore, Package 2: Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, will have a favorable impact to the Company’s financial performance due to the reduction in the corporate income tax rate. Package 3: Real Property Valuation Reform, on the other hand, will have minimal impact on the Company’s financial position considering that the Company’s major business interests discussed in this Prospectus do not require significant or have limited real estate ownership.

RISKS RELATING TO THE PHILIPPINES

The Company’s business may be negatively affected by slowdown in the Philippine and Global economy.

In the past, the Philippine economy and securities of Philippine companies have been influenced to varying degrees by economic and market conditions in other countries especially in Southeast Asia, as well as investors’ responses to those conditions. The uncertainty surrounding the global economic outlook could cause economic conditions in the Philippines to deteriorate. Any downturn can negatively impact consumer sentiment and general business conditions,

This risk is beyond the control of Megawide but due to its infrastructure business segments, the effect of a weak economy is mitigated. Moreover, there can be no assurance that current or future Philippine government policies will continue to be conducive to sustaining economic growth.

Political or social instability, acts of terrorism or military conflict or changes in laws and policies could adversely affect the financial results of the Company.

From time to time, the Philippines has experienced political and military instability. In recent years, there are public and military protests arising from alleged misconduct from the previous and current administrations. There can be no assurance that acts of political violence will not occur in the future and such events could negatively impact the Philippine economy. An unstable political environment whether due to the impeachment of government officials, imposition of emergency executive rule, martial law or widespread popular demonstrations or rioting could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material adverse effect on the business, operations and financial condition of the Company.

To mitigate this, the Company ensures proper and adequate insurance coverages (such as such as Comprehensive General and Contractor All Risk Insurances, among others) for all its projects.

The Company's operations may also be affected by acts of insurgency and terrorism which could have an impact on financial results and performance.

The Philippines has been subject to a number of terrorist attacks. The army has been in conflict with various extremist groups which are responsible for terrorist activities in the country. An increase in the frequency, severity or geographic reach of these terrorist attacks, violent crimes, bombings and similar events could have a material adverse effect on investment and confidence in and the performance of, the Philippine economy. Any such destabilization could cause interruption to parts of the Company's businesses and materially and adversely affect its financial conditions, results of operations and prospects.

To mitigate this, the Company ensures proper and adequate insurance coverages (such as such as Comprehensive General and Contractor All Risk Insurances, among others) for all its projects.

If foreign exchange controls were to be imposed, the Company's ability to access foreign currency to purchase raw materials and equipment and to service foreign currency denominated debt obligations could be adversely affected.

Generally, Philippine residents may freely dispose of their foreign exchange receipts and foreign exchange may be freely sold and purchased outside the Philippine banking system. The Monetary Board of the BSP, with the approval of the President of the Philippines, has statutory authority in the imminence of or during a foreign exchange crisis or in times of national emergency to: (i) suspend temporarily or restrict sales of foreign exchange; (ii) require licensing of foreign exchange transactions; or (iii) require delivery of foreign exchange to the BSP or its designee banks. The Philippine government has, in the past, instituted restrictions on the conversion of Pesos into foreign currency and the use of foreign exchange received by Philippine residents to pay foreign currency obligations.

Any foreign exchange policy that may be imposed by the Government has minimal financial effect to Megawide because it only operates in the Philippines.

The occurrence of natural catastrophes or man-made catastrophes or electricity blackouts may materially disrupt the Company's business.

Natural catastrophes may disrupt Megawide's ability to deliver its services and impair the economic conditions in the affected areas, as well as the overall Philippine economy. The Philippines has also experienced power outages from power generation shortages and transmission problems, and

from disruptions such as typhoons and floods. These types of events may materially disrupt and adversely affect Megawide's business and operations. Prospective investors cannot be assured that the insurance coverage maintained by Megawide will adequately compensate for all damages and economic losses resulting from such natural catastrophes, blackouts or possible business interruptions.

To mitigate this, the Company ensures proper and adequate insurance coverages (such as Comprehensive General and Contractor All Risk Insurances, among others) for all its projects.

USE OF PROCEEDS

Megawide expects to raise gross proceeds amounting to ₱3,000,000,000.00 from the Offer. In the event that the Oversubscription Option is exercised in full, the Company expects to raise gross proceeds from the Offer of ₱5,000,000,000.00.

The following are the estimated expenses to be incurred in relation to the Offer:

	Without Oversubscription (in ₱)	With Oversubscription (in ₱)
SEC Registration Fees	1,830,625.00	1,830,625.00
PSE Processing and Listing Fees	5,600,000.00	5,600,000.00
Documentary Stamp Tax	300,000.00	500,000.00
Underwriting and Selling Fees	15,000,000.00	25,000,000.00
Professional and Other Expenses	4,832,000.00	4,832,000.00
Total Estimated Expenses	28,112,625.00	38,312,625.00

Note: Other related expenses are composed of marketing related expenses (e.g., publication fees, investors' presentations, etc.)

Megawide expects to use the net proceeds from the Offer, estimated to be ₱2,971,887,375.00 or ₱4,961,687,375.00 assuming the Oversubscription Option is fully exercised, after deducting the above expenses. In case the Offer does not materialize or the funds raised from the Offer are insufficient to fully fund the completion of the projects, the Company will use internally generated cash and other programmed funding to finance the completion of these projects.

Megawide intends to infuse the proceeds of the offering into the projects identified in this prospectus, either as direct equity contribution into a subsidiary or affiliate, subject to such subsidiary's or affiliate's dividend policy, or as loans to the said entities, on an arm's length basis and in accordance with the Company's Related Party Transactions Policy. The final structure will be evaluated and determined, subject to the most efficient and timely use of capital and consistency and alignment with the Company's overall long-term growth and strategic objectives.

The net proceeds from the issuance of Series 2 Preferred Shares will be used for the following purposes with their related percentage of completion before and after utilization of the proceeds:

- Partially finance the projects described below; and
- General corporate purposes.

WITH PROJECTS UNDER NEGOTIATION (OPS)			
Project Name	Amount Without Oversubscription (in P)	Amount With Oversubscription (in P)	Timing of Disbursements
<i>Existing Projects / Concession Agreements</i>			

<p>MCIA Multi-Use Development</p> <p>Development of 4.5 hectare property within MCIA compound into 400-room hotel with International brand, Meetings, Incentives, Conference, Exhibitions (MICE) center, and Travel retail</p> <p>Finalization of design with architect and other legal and documentary requirements</p> <p>Percentage of completion:As of date: 0% After utilization of the proceeds: 5%</p> <p>Megawide Ownership: 60%</p>	247,657,281.25	247,657,281.25	Q4 2020
<p>PITX Lot 2 Development</p> <p>Construction of bus staging area and commercial and office complex. Finalization of design concepts, initial groundworks, and other legal and documentary requirements</p> <p>Percentage of completion: As of date: 0% After utilization of the proceeds: 10%</p> <p>Megawide Ownership: 100%</p>	742,971,843.75	742,971,843.75	Q1 2021
<p>Pre-Cast Capacity Expansion</p> <p>Expansion of pre-cast plant capacity in selected locations across the country to take advantage of increased demand for pre-fabricated construction materials</p> <p>Percentage of completion: As of date: 25% After utilization of the proceeds: 45%</p> <p>Megawide Ownership: 100%</p>	297,188,737.50	430,856,823.70	Q1 2021
Unsolicited Proposals (Original Proponent Status)			
<p>NAIA Rehabilitation</p> <p>Redevelopment of existing NAIA Terminals to remove decongestion and increase total passenger-handling capacity.</p>	643,908,931.25	1,404,251,143.87	Q4 2020

MCIA Expansion (CA2) Rehabilitation of the existing runway and taxiways, construction of second parallel and independent instrument runway, and development of Terminal 3 (in various phases).	396,251,650.00	936,167,429.25	Q2 2021
Cebu Integrated Transport Hub Rehabilitation of existing Carbon Market into a new public market including, construction of transport and ferry terminals, new Sto. Niño Chapel and Park, and development of commercial complex (in various phases).	396,251,650.00	952,125,571.93	Q4 2020
General Corporate Purposes	247,657,281.25	247,657,281.25	2020-2021
TOTAL	2,971,887,375.00	4,961,687,375.00	

In case of partial exercise of the Oversubscription Option, the net proceeds on the partial exercise of oversubscription shall be allocated to the following projects in order of priority:

1. Covered by existing Concession Agreements
 - *MCIA Multi-Use Development*
 - *PITX Lot 2 Development*
2. Organic Projects
 - *Pre-Cast Plant Capacity Expansion*

Except for the MCIA Multi-Use and PITX Lot 2 Developments, which are covered by existing concession agreements, the above-mentioned projects are under Original Proponent Status (OPS), and subject of ongoing negotiations. Given this nature, the final structure, projected costs, and development timetables are yet to be finalized, thus the percentages of completion before and after disbursement as well as Megawide's ownership are not yet determinable as of date of this Prospectus. In the event that the official award of these projects to Megawide does not materialize, the Company intends to use the proceeds to the increased allotment and reallocation for the following projects:

1. Covered by existing Concession Agreements
 - *MCIA Multi-Use Development*
 - *PITX Lot 2 Development*
2. Organic Projects
 - *Pre-Cast Plant Capacity Expansion*

WITHOUT PROJECTS UNDER OPS			
Project Name	Amount Without Oversubscription (in P)	Amount With Oversubscription (in P)	Timing of Disbursements
<i>Existing Projects / Concession Agreements</i>			

<p>MCIA Multi-Use Development</p> <p>Development of 4.5 hectare property within MCIA compound into 400-room hotel with International brand, Meetings, Incentives, Conference, Exhibitions (MICE) center, and Travel retail</p> <p>Finalization of design with architect and other legal and documentary requirements</p> <p>Percentage of completion: As of date: 0% After utilization of the proceeds: 10%</p> <p>Megawide Ownership: 60%</p>	445,783,106.25	545,785,611.25	Q4 2020
<p>PITX Lot 2 Development</p> <p>Construction of bus staging area and commercial and office complex. Finalization of design concepts, initial groundworks, and other legal and documentary requirements</p> <p>Percentage of completion: As of date: 0% After utilization of the proceeds: 50%</p> <p>Megawide Ownership: 100%</p>	1,485,943,687.50	2,977,012,425.00	Q1 2021
<p>Pre-Cast Capacity Expansion</p> <p>Expansion of pre-cast plant capacity in selected locations across the country to take advantage of increased demand for pre-fabricated construction materials</p> <p>Percentage of completion: As of date: 25% After utilization of the proceeds: 90%</p> <p>Megawide Ownership: 100%</p>	594,377,475.00	993,106,232.50	Q1 2021
<p>General Corporate Purpose</p>	445,783,106.25	445,783,106.25	
<p>TOTAL</p>	2,971,887,375.00	4,961,687,375.00	

No amount of the proceeds is to be used to discharge debt, acquire assets or finance the acquisition of other business, or to reimburse any officer, director, employee, or shareholder, for services rendered, assets previously transferred, money loaned or advanced, or otherwise.

DESCRIPTION OF PROJECTS

A. Capital Expenditure for Existing Projects / Concession Agreements

MCIA Multi-Use Development

MCIA, the gateway to the Visayas and Southern Philippines, is the second largest airport facility in the country with a consistently growing number of passengers annually.

Under the existing Concession Agreement (“**CA1**”), GMCAC shall deliver a 2nd Terminal and rehabilitate the existing Terminal, which the company completed in July 2018 and September 2019, respectively, to reduce congestion as well as meet the growing passenger traffic into Cebu. The Capacity Augmentation, which is part of CA1 designed to further expand the airport’s capacity, remains in the balance. GMCAC is undertaking this capital extensive project to provide a world-class terminal airport with a welcoming ambiance that is distinctly Filipino. GMCAC is 60% owned by Megawide.

The MCIA mixed-use development project is envisioned to further accelerate the airport’s value creation. The initial plans involve the construction of a 400-room hotel, an MICE facility, and a Travel Retail concept to complement the airport’s features. Estimated cost of the MCIA mixed-use development project is ₱3,000,000,000.00.

While the Cebu hotel industry may have been affected by the COVID pandemic, long-term prospects remain sound given Cebu’s ideal location as both as a tourism and business hub. In addition, the project development timetable of 2-3 years provides enough time for the situation to revert back to pre-COVID environment.

The project has completed the final design and concept stages but is currently on push-button mode and will be re-evaluated on when initial development will commence, subject to resumption of normalcy of travel and airport operations and the project’s overall value creation to all its stakeholders.

PITX Lot 2 Development

The Paranaque Integrated Transport Exchange (“**PITX**”) is a flagship project under the government’s BBB infrastructure program, dubbed as the Philippines “first landport”. PITX is a 4.5 hectare development and currently Lot 1 (2.7 hectares) houses the transport terminal, commercial spaces, and office buildings under one roof. PITX is 100% owned by Megawide.

With a rated capacity of 100,000 passengers daily, PITX offers seamless connections to and from the Southwest portion of Metro Manila, via multiple modes of transportation, from provincial to in-city buses, taxis, jeepneys and UV Express shuttles.

The development of Lot 2 (1.8 hectares) will further improve terminal operations by providing a staging area for buses. It will also offer additional employment and business opportunities through the construction of office towers and retail establishments inside the facility.

The plan is to develop a similar structure to the existing terminal, to be comprised of four levels of office with approximately 70,000 sqms gross leasable area (“**GLA**”) of office space and two level of commercial area with an estimated 12,000 sqms of GLA. Estimated cost for the PITX Lot 2 Development project is around ₱5,000,000,000.00.

The PITX Lot 2 development project is currently undergoing initial design and conceptualization phase. The target completion will be 2-3 years from the start of construction date, which is initially projected to be by the first quarter of 2021, subject to necessary documentations and approvals.

Pre-Cast Capacity Expansion

Megawide is anticipating an increased demand for pre-fabricated construction materials under the New Normal, both for its traditional market (i.e. residential, office, and commercial / industrial) and new segments (horizontal infrastructure) it plans to expand and enter into. With the new occupational health and safety protocols arising from the COVID-19 pandemic, the Company believes that the pre-cast technology will be well-suited for the industry, given its less human labor requirement and faster turn-around compared with the traditional method.

In relation to this, the Company has finalized its plan to expand its pre-cast plant capacity to approximately 40,000 cu/m/month, from the current 13,000 cu/m/month, in various high growth locations across the country, including the existing plant in Taytay, Rizal. Estimated cost of the project is around ₱1,000,000,000.00.

The project is currently in progress, with around 25% of projected increase in capacity already completed as of end-2019. The targeted capacity of 40,000 cu/m/month is originally projected to be achieved by the end of 2024, subject to market conditions and operating environment.

B. Unsolicited Proposals (Original Proponent Status)

NAIA Rehabilitation

The Government's airport modernization and expansion program opened up exciting opportunities for the private sector to contribute to the country's infrastructure development program. Being the largest private sector airport operator, by virtue of its concession agreement at the Philippines' second busiest airport, Megawide is well positioned and has a unique advantage to participate in other airport development projects in the government's pipeline.

In a letter dated 15 July 2020, the Manila International Airport Authority ("**MIAA**") granted the consortium led by Megawide Construction Corporation with GMR as partner operator, the Original Proponent Status ("**OPS**") for the development of the Ninoy Aquino International Airport ("**NAIA**"). Under the Build-Operate-Transfer Law, the holder of the OPS will have the right to match any competing offer from another proponent under the Swiss Challenge scenario, subject to the terms and conditions of the Swiss Challenge process.

The project requires the redevelopment of existing NAIA Terminals to remove decongestion and increase annual total passenger-handling capacity from the existing 30 million passengers to 65 million. The deliverables also include expanding and interconnecting the existing terminals of NAIA, upgrading airside facilities, developing commercial facilities to increase airline and airport efficiencies, enhancing passenger comfort and experience and elevating the status of NAIA as the country's premier international gateway. The proposal is currently being evaluated by the government.

MCIA CA2

The Company has an existing CA2 proposal, which has an OPS status, which will extend its existing Concession Agreement in MCIA by another 25 years. Phase 1 involves the takeover of the airside facility, rehabilitation of the existing runway and taxiways, construction of an additional full-length parallel taxiway, development of additional rapid exit taxiways and runway holding positions. Phase 2 involves the construction of a second parallel and independent instrument runway and Phase 3 comprises the construction of Terminal 3.

Given the recent developments, the Company is currently in active discussion with the government and updating its proposal and revisiting the terms of the OPS based on the new operating landscape and requirements of the project. Under the Build-Operate-Transfer Law, the holder of

the OPS will have the right to match any competing offer from another proponent under the Swiss Challenge scenario, subject to the terms and conditions of the Swiss Challenge process.

Cebu Integrated Transport Hub

The Company submitted an unsolicited proposal to the local government of Cebu City for the redevelopment of the Carbon Market into a Multi-modal and Integrated Transport Hub. Phase 1 of the project involves the rehabilitation of the existing public, construction of a new night market, and other commercial establishments, transport and ferry terminals, among others. Phases 2 includes a mixed-use development plan (hotel, MICE, retail, etc.) envisioned to transform the property into one of Cebu's primary attractions. The Company has recently completed a successful negotiation with the local government of Cebu. Under the Build-Operate-Transfer Law, the holder of the OPS will have the right to match any competing offer from another proponent under the Swiss Challenge scenario, subject to the terms and conditions of the Swiss Challenge process.

Other Landport Locations

PITX's operations are proving to be the model for safe, secure, and efficient public land transport system in the country. With the demands of the new normal especially in terms of public transport, the Company has the prime-mover advantage and is seriously looking at replicating the same model in strategic locations around the country, which can serve as a blueprint for an effective and integrated transport system in the Philippines.

While awaiting disbursements, the Company may deposit the funds in time deposits or special deposit accounts and/or invest the same in Philippine government Peso-denominated securities. The Company will not use any portion of the proceeds to discharge any debt nor to reimburse any of its officers, directors, employees or shareholders for services rendered, asset previously transferred, or money loaned or advanced. Other than the fees relating to the underwriting and issue management of the Company, the Company will not use the proceeds to pay any financial obligations with the Joint Lead Underwriters and Bookrunners and its affiliates.

The foregoing discussion represents a best estimate of the use of proceeds of the Offer based on the Company's current plans and anticipated expenditures. In the event that there is any change in the Company's development plan, including *force majeure* and circumstances, such as (1) failure or delay to obtain requisite approvals, and (2) changes in government policies that would render any of the above plans not commercially viable, the Company will carefully evaluate the situation and may reallocate the proceeds for future investments and/or hold such funds on short term deposit whichever is better for the Company's and its shareholders' interest taken as a whole. In such event, the Company will issue a public disclosure if there is any change in the above proposed use of proceeds and shall accordingly inform the SEC, the PSE and its shareholders at least thirty (30) days prior to its implementation.

In the event that the actual expenses are more than the estimates, or the actual net proceeds are less than the projected net proceeds, the Company will utilize said net proceeds based on their order of priority and will use internally generated funds and bank loans to finance the shortfall, or delay or abandon one or more of the components of its plans. In such an event, the Company shall inform the SEC, the PSE and its shareholders at least thirty (30) days prior to its implementation.

In the event of any significant deviation, material adjustment or reallocation in the planned use of proceeds, the Company will secure the approval of its Board of Directors for such deviation, adjustment or reallocation and promptly make the appropriate disclosures to the SEC and the PSE. The Company shall regularly disclose to the PSE, through the PSE Electronic Disclosure Generation Technology ("**PSE EDGE**"), any disbursements from the proceeds generated from the Offer. In addition, the Company shall likewise submit via the PSE EDGE the following disclosure to ensure transparency in the use of proceeds:

- a. Any disbursements made in connection with the planned use of proceeds from the Offer;

- b. Quarterly Progress Report on the application of the proceeds from the Offer on or before the first fifteen (15) days of the following quarter;
- c. Annual Summary of the application of proceeds on or before January 31 of the year following the public offering;
- d. Approval by the Company's Board of Directors of any reallocation on the planned use of proceeds, or of any change in the work program. The actual disbursement or implementation of such reallocation will be disclosed by the Company at least thirty (30) days prior to the said actual disbursement or implementation;
- e. Certification by the Company's Chief Financial Officer or Treasurer and of an external auditor on the accuracy of the information reported by the Company to the PSE in the quarterly and annual reports; and
- f. A comprehensive report on the progress of its business plan on or before the first fifteen (15) days of the following quarter.

PLAN OF DISTRIBUTION

Megawide plans to issue the Series 2 Preferred Shares to institutional and retail investors through a public offering to be conducted through the Sole Issue Manager, Joint Lead Underwriters and Bookrunners.

THE OFFER

The offer by the Company of the Series 2 Preferred Shares is purely domestic and will not include an international offering. RCBC Capital and PNB Capital have been appointed by the Company to act as Joint Lead Underwriters and Bookrunners for the Offer. The Trading Participants, who are member-brokers of the PSE, shall act as Selling Agents for the Offer, pursuant to the PSE's rules and regulations.

However, there can be no assurance in respect of: (i) whether Megawide would issue such equity securities at all; (ii) the size or timing of any individual issuance or the total issuance of such equity securities; or (iii) the specific terms and conditions of such issuance. Any decision by Megawide to offer such equity securities will depend on a number of factors at the relevant time, many of which are not within Megawide's control, including but not limited to: prevailing interest rates, the financing requirements of Megawide's business and prospects, market liquidity and the state of the domestic capital market, and the Philippine, regional and global economies in general.

OBLIGATIONS OF THE JOINT LEAD UNDERWRITERS AND BOOKRUNNERS AND SELLING AGENTS

In accordance with the Underwriting Agreement to be entered into with Megawide, the Joint Lead Underwriters and Bookrunners, have agreed to underwrite 30,000,000 of Series 2 Preferred Shares at the Offer Price on a firm basis, and to distribute and sell the Series 2 Preferred Shares in the Offer, subject to the satisfaction of certain conditions, in consideration for certain fees and expenses.

The Joint Lead Underwriters and Bookrunners have committed to underwrite the Offer up to the amount indicated below

RCBC Capital	₱ 1,500,000,000.00
PNB Capital	₱ 1,500,000,000.00
Total	₱ 3,000,000,000.00

The underwriting and selling fees to be paid by the Company to the Joint Lead Underwriters and Bookrunners in relation to the Offer shall be equivalent to 0.50% of the gross proceeds of the Offer. This shall be inclusive of underwriting fees to be paid to the Joint Lead Underwriters and Bookrunners and Participating Underwriters, if any, and commissions to be paid to the Trading Participants of the PSE, which shall be equivalent to 0.125% of the total proceeds of the sale of Series 2 Preferred Shares by such Trading Participant. The 0.125% commissions of the Trading Participant shall be inclusive of VAT and will be paid to the Trading Participants less any applicable withholding tax.

The Joint Lead Underwriters and Bookrunners are duly licensed by the SEC to engage in underwriting or distribution of the Series 2 Preferred Shares. The Joint Lead Underwriters and Bookrunners may, from time to time, engage in transactions with and perform services in the ordinary course of its business for Megawide or any of its subsidiaries.

The Joint Lead Underwriters and Bookrunners have no direct relations with Megawide in terms of ownership by either of their respective major stockholders, and have no right to designate or nominate any member of the Board of Directors of Megawide. The Joint Lead Underwriters and Bookrunners do not have any direct or indirect interest in the Company or in any securities thereof including options, warrants or rights thereto.

The Joint Lead Underwriters and Bookrunners have no contract or other arrangement with Megawide by which it may return to Megawide any unsold Series 2 Preferred Shares.

The Joint Lead Underwriters and Bookrunners may enter into other sub-underwriting agreements with other underwriters who may want to participate in the issuance. There is no agreement for any of the Joint Lead Underwriters to put back to Megawide any unsold Series 2 Preferred Shares. Megawide further grants the Joint Lead Underwriters and Bookrunners an option, exercisable within the Offer Period, to subscribe, on a firm basis, up to an additional 20,000,000 Series 2 Preferred Shares, on the same terms and conditions set forth in this Preliminary Prospectus, solely to cover oversubscriptions, if any. In the event the Oversubscription Option is not exercised, it is deemed cancelled and the filing fee for that over-subscription is forfeited.

Sole Issue Manager, Joint Lead Underwriter and Bookrunner

RCBC Capital is a licensed investment house providing a complete range of capital raising and financial advisory services. Established in 1974, RCBC Capital has over 46 years of experience in the underwriting of equity, quasi-equity and debt securities, as well as in managing and arranging the syndication of loans, and in financial advisory. RCBC Capital is a wholly-owned subsidiary of the Rizal Commercial Banking Corporation and a part of the Yuchengco Group of Companies, one of the country's largest fully integrated financial services conglomerates.

Joint Lead Underwriter and Bookrunner

PNB Capital is a wholly owned subsidiary of the Philippine National Bank, offers a spectrum of investment banking services including loan syndications and project finance, bond offerings, private placements, public offering of shares, securitization, financial advisory and mergers & acquisitions. PNB Capital obtained its license from the SEC to operate as an investment house in 1997 and is licensed to engage in underwriting and distribution of securities to the public.

Prior approval from the SEC is required to effect a termination of the Underwriting Agreement.

SALE AND DISTRIBUTION

The distribution and sale of the Series 2 Preferred Shares shall be undertaken by the Joint Lead Underwriters and Bookrunners who shall sell and distribute the Series 2 Preferred Shares to third party buyers/investors. The Joint Lead Underwriters and Bookrunners are authorized to organize a syndicate of sub-underwriters, soliciting dealers and/or agents for the purpose of the Offer.

Of the 30,000,000 Series 2 Preferred Shares to be offered, 80% or 24,000,000 shares are being offered through the Joint Lead Underwriters and Bookrunners for subscription and sale to Qualified Institutional Buyers and the general public. The Company plans to make available 20% or 6,000,000 shares for distribution to the respective clients of the 128 Trading Participants of the PSE, acting as Selling Agents. Each Trading Participant shall be allocated 46,870 shares (computed by dividing the Shares allocated to the Trading Participants by 128), subject to reallocation as may be determined by the Receiving Agent. The balance of 640 shares shall be allocated by the Joint Lead Underwriters and Bookrunners among the Trading Participants with unserved demand after the allocation process. Trading Participants may undertake to purchase more than their allocation of [46,870] shares. Any requests for shares in excess of [46,870] shares may be satisfied via the reallocation of any Preferred Shares not taken up by other Trading Participants. Each participating Trading Participant shall accept the terms and conditions of the Offer as set out in this Prospectus.

There will be no allocation to Local Small Investors under the proposed offering.

Prior to the close of the Offer Period, any Series 2 Preferred Shares not taken up by the Trading Participants shall be distributed by the Joint Lead Underwriters and Bookrunners directly to their clients and the general public.

All Series 2 Preferred Shares not taken up by the Trading Participants, the general public and the Joint Lead Underwriters and Bookrunners' clients shall be purchased by the Joint Lead Underwriters and Bookrunners pursuant to the terms and conditions of the Underwriting Agreement. Nothing herein or in the Underwriting Agreement shall limit the rights of the Joint Lead Underwriters and Bookrunners from purchasing the Series 2 Preferred Shares for their own respective accounts.

The Joint Lead Underwriters and Bookrunners commit to underwrite, jointly and not solidarily, the Firm Shares and nothing in the Underwriting Agreement shall be deemed to create a partnership or joint venture between and among any of the Joint Lead Underwriters and Bookrunners. Unless otherwise expressly provided in the Underwriting Agreement, the failure by any Joint Lead Underwriter and Bookrunner to carry out its obligations thereunder shall not relieve any other Joint Lead Underwriter and Bookrunner of its obligations thereunder, nor shall any Joint Lead Underwriter and Bookrunner be responsible for the obligations of any other Joint Lead Underwriter and Bookrunner thereunder.

TERM OF APPOINTMENT

The engagement of the Joint Lead Underwriters and Bookrunners shall subsist so long as the SEC's permit to sell the Series 2 Preferred Shares remains valid, unless otherwise terminated by the Company and the Joint Lead Underwriters and Bookrunners.

The underwriting and selling fees to be paid by the Company to the Joint Lead Underwriters and Bookrunners in relation to the Offer shall be equivalent to 0.50% of the gross proceeds of the Offer. This shall be inclusive of underwriting fees to be paid to the Joint Lead Underwriters and Bookrunners and Participating Underwriters, if any, and commissions to be paid to the Trading Participants of the PSE, which shall be equivalent to 0.125% of the total proceeds of the sale of Series 2 Preferred Shares by such Trading Participant. The 0.125% commissions of the Trading Participant shall be inclusive of VAT and will be paid to the Trading Participants less any applicable withholding tax.

The Underwriting Agreement may be terminated by the Joint Lead Underwriters and Bookrunner prior to payment being made to the Company of the net proceeds of the Series 2 Preferred Shares under certain circumstances such as (a) a cancellation order from a Government authority, (b) a change or an impending change of law that would materially and adversely affect Megawide's profitability or (c) financial, political or economic conditions in the Philippines which would materially and adversely affect the Offer.

ALLOCATION PROCESS

Mechanics of Distribution

1. Upon preparation of the Firm Undertaking report, the Joint Lead Underwriters shall input the number of Offer Shares requested by each TP in a spreadsheet designed for the reservation and allocation of the Offer Shares,
2. The spreadsheet shall distribute the total number of Offer Shares to be allocated to each Participating TP in accordance with the following process:
 - a. If the total number of Offer Shares requested by a Participating TP, based on its Firm Undertaking, does not exceed the allocation per TP, the assigned Joint Lead Underwriter shall fully satisfy the request of such participating TP who signified its commitment to purchase Offer Shares less than or equal to the TP Allocation. The balance, if any, shall

be re-distributed among those who have signified a commitment to purchase more than the Allocation per TP in their Firm Undertaking until all the Offer Shares allotted for distribution are fully allocated.

- b. If the total number of Offer Shares requested by a Participating TP exceeds the allocation per TP, additional Shares may be sourced from the Offer Shares not taken up by the other TPs. The assigned Joint Lead Underwriter shall allocate the Offer Shares to Participating TPs by: (i) fully satisfying the orders to those TPs who have Firm Orders that are less than or equal to the allocation per TP; and (ii) distributing equitably the remaining TP Allocation to other TPs with orders for additional Shares, but only up to their respective Firm Order.
 - c. The allocation will be done based on the total number of shares, regardless of the series.
 - d. In no case shall any Participating TP be awarded more than the shares indicated in its Firm Undertaking
 - e. If the aggregate number of Offer Shares requested by Participating TPs who submitted a Firm Undertaking is less than the total Offer Shares allotted for distribution through the TPs, the balance shall be returned to the Joint Lead Underwriters and Bookrunners.
3. Unless otherwise determined by the Company, the final TP allocation shall be distributed between Series 2A and Series 2B in the same proportion as each Series bears to the TP's aggregate Firm Undertaking, rounded to the prescribed board lot requirement. The allotment per series will be based on actual demand.
 4. The PSE Listings department will confirm and verify the final TP allocation report via email.
 5. All deadlines indicated in these procedures shall be strictly followed.

The Joint Lead Underwriters and Bookrunners shall, at their discretion, determine the manner by which proposals for subscriptions to, and issuances of, Offer Shares shall be solicited, with the primary sale of the Offer Shares to be effected only through the Joint Lead Underwriters and Bookrunners and Selling Agents. No shares are designated to be sold to specific persons.

APPLICATION TO PURCHASE

All Applications to Purchase the Series 2 Preferred Shares shall be evidenced by a duly completed and signed Application to Purchase, together with two fully executed specimen signature cards authenticated by the Corporate Secretary with respect to corporate and institutional investors. The purchase price must be paid in full in Pesos upon the submission of the duly completed and signed Application to Purchase and specimen signature card together with requisite attachments. Payment for the Series 2 Preferred Shares shall be made by manager's check/cashier's check, corporate check or personal check drawn against any BSP authorized bank or any branch thereof. All checks should be made payable to [Megawide Preferred Shares], crossed "Payee's Account Only" and dated on or before the date of the submission of the Application. Checks should be deposited to any RCBC branch. The soft copies of the Applications and the related proof of payments shall be received via email and hard copies shall be submitted to the office of the Stock Transfer Agent within 30 calendar days from Listing Date. Cash payments shall not be accepted.

Should the Applicant elect to pay through RTGS, the Application should be accompanied by a proof of payment through RTGS in an amount equal to the total Offer Price of the Shares applied for.

Corporate and institutional purchases must also submit a copy of the SEC Certificate of Registration, Articles of Incorporation and By-laws, General Information Sheet or such other relevant organizational or charter documents duly certified as true and correct by the SEC and the

original signed and notarized Secretary's certificate confirming the resolution of the board of directors and/or committees or bodies authorizing the purchase of the Series 2 Preferred Shares and designating the authorized signatory/ies therefore. Individual Applicants must also submit a photocopy of any one of the following identification documents ("ID"): passport/driver's license, company ID, Social Security System/Government Service and Insurance System ID and/or Senior Citizen's ID or such other ID and documents as may be required by or acceptable to the selling bank.

An Applicant who is exempt from or is subject to withholding tax or who claims reduced tax rates under the Philippine National Internal Revenue Code, as amended ("**NIRC**") or tax treaty shall, in addition, be required to submit the following requirements to the relevant Joint Lead Underwriter and Bookrunner (together with their Applications) who shall then forward the same to the Registrar and Depository Agent, subject to acceptance by the Company as being sufficient in form and substance: (i) in the case of tax exemption, a certified true copy of the original tax exemption certificate, ruling or opinion on tax exemption issued by the BIR addressed to the Applicant as certified by its duly authorized officer; (ii) with respect to reduced tax rates if tax sparing applies, (a) an authenticated certification issued by the foreign tax authority that the dividends received by the non-resident foreign corporation from the domestic corporation were not among the items considered in arriving at the income tax due from the non-resident foreign corporation; (b) the income tax return of the non-resident foreign corporation for the taxable year when the dividends were received; and (c) an authenticated document issued by the foreign tax authority showing that the foreign Government allowed a credit on the tax deemed paid in the Philippines or did not impose any tax on the dividends; or (d) proof of filing of an application for ruling with the BIR; and (iii.) with respect to tax treaty relief, (a) prior to initial dividend payment, three (3) original copies of a duly accomplished Certificate of Residence for Tax Treaty Relief ("**CORTT**") Form or the prescribed certificate of residence of their country together with the CORTT Form as required under BIR Revenue Memorandum Order No. 8-2017 and three (3) originals of the duly notarized and consularized, if executed outside of the Philippines, Special Order of Attorney executed by the Applicant in favor of its authorized representative (if the CORTT Form and other documents are accomplished by an authorized representative) and confirmation acceptable to the Issuer that the Applicant to the Company no later than the 1st day of the month when such subsequent dividends fall due and, if applicable, including any clarification, supplement or amendment thereto; (iii) an original of the duly notarized undertaking to immediately notify the Company and the Registrar and Depository Agent of any suspension or revocation of its tax exempt status and agreeing to indemnify and hold the Company, the Registrar and Depository Agent and the Paying Agent free and harmless against any claims, actions, suits and liabilities resulting from the non-withholding or reduced withholding of the required tax; and (iv) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities.

The Joint Lead Underwriters and Bookrunners shall be responsible for accepting or rejecting any Application or scaling down the amount of Series 2 Preferred Shares applied for. The Application, once accepted, shall constitute the duly executed purchase agreement covering the amount of Series 2 Preferred Shares so accepted and shall be valid and binding on the Company and the Applicant. On the Business Day following the Closing Date, the Joint Lead Underwriters and Bookrunners shall advise all the Selling Agents, if any of any Applications that were rejected and/or scaled-down, with copy to the Company.

MINIMUM PURCHASE

A minimum purchase of 500 Series 2 Preferred Shares shall be considered for acceptance. Purchases in excess of the minimum shall be in multiples of 10 Series 2 Preferred Shares.

OFFER PERIOD

The Offer Period shall commence at 9:00 a.m. on [November 10, 2020] and end at 5:00 p.m. on [November 17, 2020]. The Company and the Joint Lead Underwriters and Bookrunners reserve the right to extend or terminate the Offer Period with the approval of the SEC and the PSE.

REFUNDS

In the event an Application is rejected or the amount of Series 2 Preferred Shares applied for is scaled down, the Joint Lead Underwriters and Bookrunners, upon receipt of such rejected and/or scaled down Application shall notify the Applicant concerned that his Application has been rejected or the amount of Series 2 Preferred Shares applied is scaled down. All refunds, without interest, shall be made through the Selling Agent with whom the Applicant has filed the Application within five (5) Business Days from the end of Offer Period.

SECONDARY MARKET

Megawide may purchase the Series 2 Preferred Shares at any time without any obligation to make pro rata purchases of Series 2 Preferred Shares from all Shareholders.

REGISTRY OF SHAREHOLDERS

The Series 2 Preferred Shares will be issued in scripless form through the electronic book-entry system of Stock Transfer Service Inc. as Registrar for the Offer, and lodged with PDTC as Depository Agent on Listing Date through PSE Trading Participants nominated by the Applicants. Applicants shall indicate in the proper space provided for in the Application to Purchase the name of the PSE Trading Participant under whose name their Series 2 Preferred Shares will be registered and the relevant PSE Trading Participants shall sign the Application to Purchase on the space provided therefor.

The legal title to the Series 2 Preferred Shares will be shown in an electronic register of shareholders (the “**Registry of Shareholders**”) which shall be maintained by the Registrar. The Registrar shall send a transaction confirmation advice confirming every receipt or transfer of the Series 2 Preferred Shares that is effected in the Registry of Shareholders (at the cost of the requesting Shareholder). The Registrar shall send (at the cost of the Company) at least once every quarter a Statement of Account to all Shareholders named in the Registry of Shareholders. Such Statement of Account shall serve as evidence of ownership of the relevant Shareholder as of a given date thereof. Any request by Shareholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Shareholder.

EXPENSES

All out-of-pocket expenses, including, but not limited to, registration with the SEC, printing, publication, communication and signing expenses incurred by the Sole Issue Manager, Joint Lead Underwriters and Bookrunners in the negotiation and execution of the transaction will be for Megawide’s account irrespective of whether the transaction contemplated herein is completed. Such expenses are to be reimbursed upon presentation of a composite statement of account. See “*Use of Proceeds*” of the Prospectus for details of expenses.

CAPITALIZATION

The following table sets out the unaudited consolidated long-term debt and capitalization of Megawide as of 30 June 2020 and as adjusted to give effect to the issuance of the Series 2 Preferred Shares. This table should be read in conjunction with Group's unaudited interim condensed consolidated financial statements and the related notes attached to this Preliminary Prospectus.

(Amounts in ₱ thousands)	Actual	Assuming ₱3 Billion Offer	Assuming ₱ 5 Billion Offer
<u>LIABILITIES AND EQUITY</u>			
Liabilities - net of issuance costs			
Interest-bearing loans and borrowings - current portion	12,670,034	12,670,034	12,670,034
Interest-bearing loans and borrowings - long term debt	33,329,061	33,329,061	33,329,061
Total Interest-bearing loans and borrowings	45,999,095	45,999,095	45,999,095
EQUITY			
Common stock	2,399,426	2,399,426	2,399,426
Preferred shares	40,000	73,375 ¹	93,375
Additional paid-in capital	8,776,359	13,126,359	15,126,359
Revaluation reserves	(63,384)	(63,384)	(63,384)
Other reserves	(22,475)	(22,475)	(22,475)
Treasury shares	(4,615,449)	(4,615,449)	(4,615,449)
Retained earnings	6,653,314	6,653,314	6,653,314
Non-Controlling Interests	3,538,047	3,538,047	3,538,047
Total Equity	16,705,838	21,089,213	23,109,213
Total Capitalization	62,704,933	67,088,308	69,108,308

¹ Preferred Shares includes Php40,000,000 Series 1 Preferred Shares, Php30,000,000 Series 2 Preferred Shares and the Php3,375,000 paid up portion of the subscribed Php13,500,000 Series 3 Preferred Shares

DILUTION

The Company is offering to the public 30,000,000 Series 2 Preferred Shares, with an Oversubscription Option of up to an additional 20,000,000 Series 2 Preferred Shares with a par value of ₱1.00 per share to be issued from unissued Non-Voting Preferred Share Capital. The issuance of the Shares will not have any dilutive effect on the earnings per common share ("**EPS**") of the Company, since the Preferred Shares are not convertible to common shares. Therefore, the outstanding number of common shares that will be used in computing the EPS will not change.

DETERMINATION OF THE OFFER PRICE

The Offer Price of ₱100.00 is at a premium to the Series 2 Preferred Shares' par value per share of ₱1.00. The Offer Price was arrived at by dividing the desired gross proceeds of up to ₱5,000,000,000 by the target Offer Shares.

At the same time, the Issuer in consultation with the Joint Lead Underwriters ("JLUs"), also took into consideration the offer price of the Series 1 Preferred Shares, which is currently listed in the Philippine Stock Exchange ("PSE"). These Series 1 Preferred Shares are listed and traded on the PSE under the stock symbol "MWP". The closing price of the outstanding Series 1 Preferred Shares as of September 30, 2020 is ₱101.50.

DIVIDEND POLICY

On June 26, 2013, the Board adopted a dividend policy of declaring annual cash dividends equivalent to 20% of the prior year's income for common shares, subject to the Company's contractual obligations. On April 3, 2019, the Board adopted a revised dividend policy increasing the maximum allowable annual dividend declaration from 20% to 30% (not to exceed 30%) of the prior year's net income, subject to the approval of the Board, and contractual obligations.

On November 13, 2014, the Board adopted a dividend policy for the Series 1 Preferred Shares equivalent to the 7-year benchmark rate determined by the Board. On issue date, the Series 1 Preferred Shares has an initial dividend rate fixed at 7.025% per annum payable quarterly as and if approved by the Board.

Megawide has entered into loan agreements restricting its ability to declare dividends unless certain conditions are met, such as all debt obligations are current and updated, availability of retained earnings while maintaining debt to equity ratios, and debt service cover ratios after dividend payments. *Please refer to the section "Loan Agreements" of this Preliminary Prospectus.* As of date, Megawide's subsidiaries, many of which are newly established and not yet income generating, have not formulated or adopted a dividend policy. Megawide shall cause these subsidiaries to adopt the appropriate dividend policies with the intention that each subsidiary shall regularly declare dividends in favor of Megawide, subject to capital requirements and other existing covenants/restrictions with its creditors.

Under the Revised Corporation Code, Megawide's Board is authorized to declare cash, property, stock dividends, or a combination thereof. Cash and property dividend declarations require only the approval of the Board. Meanwhile, stock dividend declarations require the approval of the Board and the shareholders representing at least two-thirds (2/3) of Megawide's outstanding capital stock. Such approval may be given at a general or special meeting duly called for such purpose. The holders of outstanding shares on a dividend record date for such shares will be entitled to the full dividend declared without regard to any subsequent transfer of shares. Moreover, in accordance with the Revised Corporation Code, Megawide may only distribute dividends out of its unrestricted retained earnings.

During the past three (3) years, Megawide has consistently declared and paid out cash dividends as follows:

SERIES 1 PREFERRED SHARES				
Date Approved	Record Date	Type	Amount	Date of Payment
March 1, 2017	March 1, 2017	Preferred Shares	₱70,250,000.00	March 3, 2017
April 25, 2017	May 10, 2017	Preferred Shares	₱70,250,000.00	June 3, 2017
July 24, 2017	August 9, 2017	Preferred Shares	₱70,250,000.00	September 3, 2017
October 16, 2017	November 8, 2017	Preferred Shares	₱70,250,000.00	December 3, 2017
January 30, 2018	February 15, 2018	Preferred Shares	₱70,250,000.00	March 3, 2018
May 3, 2018	May 18, 2018	Preferred Shares	₱70,250,000.00	June 3, 2018
August 1, 2018	August 16, 2018	Preferred Shares	₱70,250,000.00	September 3, 2018
October 30, 2018	November 16, 2018	Preferred Shares	₱70,250,000.00	December 3, 2018
January 8, 2019	February 13, 2019	Preferred Shares	₱70,250,000.00	March 3, 2019
April 3, 2019	May 16, 2019	Preferred Shares	₱70,250,000.00	June 3, 2019
July 8, 2019	August 14, 2019	Preferred Shares	₱70,250,000.00	September 3, 2019

October 10, 2019	November 15, 2019	Preferred Shares	₱70,250,000.00	December 3, 2019
January 8, 2020	February 6, 2020	Preferred Shares	₱70,250,000.00	March 3, 2020
May 8, 2020	May 25, 2020	Preferred Shares	₱70,250,000.00	June 3, 2020
July 27, 2020	August 10, 2020	Preferred Shares	₱70,250,000.00	September 3, 2020
Oct 5, 2020	Nov 6, 2020	Preferred Shares	₱70,250,000.00	December 3, 2020

COMMON SHARES				
Date Approved	Record Date	Type	Amount	Date of Payment
December 11, 2017	December 26, 2017	Common Shares	₱106,928,874.85	December 29, 2017
October 1, 2018	October 15, 2018	Common Shares	₱256,629,299.64	November 12, 2018
December 26, 2019	January 15, 2020	Common Shares	₱247,636,058.04	January 31, 2020

As of date, no dividends have been declared for Series 3 Preferred Shares.

Similarly, the Company, in its capacity as a holding company, is in the process of implementing an increased dividend policy from its operating subsidiaries to distribute up to 40% of previous year's net income as dividends to Parent's corresponding ownership of common shares, subject to restrictions on unappropriated retained earnings, and based on contractual obligations and approval of the Board of Directors of the respective subsidiaries.

RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES

Megawide has not sold any unregistered securities within the past 3 years, except for the Series 3 Preferred Shares which was issued in support of the application for the increase in authorized capital stock to create the Series 2 Preferred Shares.

DESCRIPTION OF BUSINESS

OVERVIEW OF THE COMPANY

Megawide Construction Corporation (“**Megawide**” or the “**Company**”) is one of the country’s most progressive infrastructure conglomerates, with a portfolio in EPC, Airport Infrastructure and Progressive Property Development. The Company’s revolutionary construction and engineering solutions continue to shape the industry by integrating its comprehensive EPC capabilities with innovative construction solution technologies such as precast, formworks, concrete batching, and specialized logistics systems.

The Company was incorporated in the Philippines on July 28, 2004 as a general construction business and has then expanded its business by creating a strong partnership with the Philippine government through the Public Private Partnership (“**PPP**”) program, with projects such as Mactan Cebu International Airport (“**MCIA**”), the Parañaque Integrated Terminal Exchange (“**PITX**”) and the PPP for School Infrastructure Project Phases 1 and 2. GMR Megawide Cebu Airport Corporation (“**GMCAC**”) was incorporated primarily to construct, develop, operate and maintain MCIA while MWM Terminals, Inc. (MWMTI) undertakes the development and implementation of the PITX Project.

On January 28, 2011, the PSE and the SEC approved the 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 Company at ₱7.84 offer price per share and the listing of those shares in PSE’s main board on February 18, 2012. On December 3, 2014, the Company made a primary offer of 40.0 million Series 1 Preferred Shares at an offer price of ₱100.0 per share. The Series 1 Preferred Shares are also listed in the PSE.

On April 22, 2014, the Company, together with its strategic partners, GMR Infrastructure (Singapore) Pte. Limited (“**GISPL**”) and GMR Infrastructure Limited (“**GIL**”), incorporated GMCAC for the purpose of implementing the provisions of the Concession Agreement for the MCIA.

On September 22, 2014, the SEC approved the amendment of the Company’s Articles of Incorporation (“**AOI**”), which includes (a) the Company’s power to extend corporate guarantees to its subsidiaries and affiliates, and (b) the increase in its authorized capital stock to ₱5.0 Billion 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 Company, perpetual preferred shares. Both common and preferred shares have a par value of ₱1.00 per share.

On February 10, 2015, MWM Terminal, Inc, (“**MWMTI**”), the joint venture of Megawide and then WM Property Management, Inc. (“**WMPMI**”) (which is now Megawide Terminals, Inc. (“**MTI**”), was incorporated primarily to develop and implement the PITX project, the first intermodal terminal in the Philippines, in accordance with the Concession Agreement signed with the Department of Transportation (“**DOTr**”) on February 25, 2015.

On 22 September 2020, the SEC approved the amendment of the Company’s AOI, which includes (a) the increase in its authorized capital stock to ₱5.054 Billion divided into 4,930.0 million common shares and 124.0 million cumulative, non-voting, non-participating, non-convertible to common shares and redeemable, at the option of the Company, perpetual preferred shares. Both common and preferred shares have a par value of ₱1.00 per share, and (b) the delegation to the Board of Directors to issue the Preferred Shares in series, sub-series, or in tranches and to fix the issue price and the number of shares in each sub-series or tranche, establish the specific terms and conditions of each sub-series or tranche and determine the manner by which the preferred shares will be subscribed and paid for.

Below are the significant business developments of Megawide for the past 3 fiscal years:

2017

2017 saw Megawide continue market leadership by booking new EPC contracts worth ₱10.8 Billion, bringing its total order book to ₱32.6 Billion. Private sector projects proved essential in growing construction revenue by 6% year-on-year. These include Megaworld's Worldwide Plaza and Albany Residences, Double Dragon's Ascott DD-Meridian Park and Double Dragon Tower, and Maynilad's 88MLD Water Reclamation Facility. Other key wins include the P9.6 Billion contract to build the new passenger terminal of the Clark International Airport together with its partner in airport operation GISPL. Also, in 2017, the Company secured an AAAA License from the Philippine Contractor's Accreditation Board ("**PCAB**").

Megawide's airport operations business, through GMCAC, continues its phenomenal growth, recording a double-digit passenger increase of 12% for 2017 at the MCIA. This is a key factor in GMCAC's 24% growth in net income. For 2017 alone, 12 international routes were added at the MCIA apart from the additional 23 domestic destinations. New international airlines include Juneyao Airlines, Sichuan Airlines, Lucky Air, Okay Airways, and Pan Pacific while AirJuan is the newly added domestic airline.

The MCIA received a commendation during the 2017 Routes Asia Conference for its excellence in airport marketing under the four (4) to twenty (20) million passengers per annum category. Established in 1997, the Routes Asia Marketing Awards recognizes the exemplary performance of various airports in marketing as voted by the airline community based on the best marketing services provided to industry players.

On March 15, 2017, the Company sold 2,000,000 shares or 10% of its interest in GMI to GHOSPL. As of December 31, 2017, GMI is 50% owned by the Company.

On June 20, 2017, the Company established Megawide Construction (BVI) Corporation ("**MCBVI**"), an entity incorporated 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. As of December 31, 2017, MCBVI has not yet started commercial operations.

On August 16, 2017, Megacore Holdings, Inc. ("**Megacore**") acquired 313,786,575 shares, representing 14.7% ownership of the Company from Citicore Holdings Investment, Inc. ("**Citicore**"). This resulted to a decrease in Citicore's ownership from 66.7% to 51.0%. 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.

On December 22, 2017, Megacore further acquired additional shares from Citicore which resulted in an increase in its total outstanding shares in the Company equivalent to 28.9% or 617,709,197 shares as of December 31, 2017.

2018

The Company completed the construction of and inaugurated the MCIA Terminal 2 on June 7, 2018, which commenced its operations on July 1, 2018.

The airport segment continues to improve air traffic volume from 86,600 in 2017 to 99,528 in 2018 and passenger volume from 9.97 million in 2017 to 11.51 million in 2018. The MCIA received various commendations and awards in 2018 such as Asia Pacific Medium Airport of the Year from CAPA Center of Aviation, Special Recognition for Public Facility from Property Guru Philippines Property Award and Kholer Bold Design Awards from Influencers Innovation, among others.

On August 9, 2018, the Company acquired 344.5 million shares of WMPMI (now MTI) in MWMTI, representing 100% ownership interest therein, for a total purchase price of P344.1 million. MTI owns 49% of the shares of MWMTI, thereby making MWMTI a 100% owned subsidiary of the Company effective August 2019.

On November 5, 2018, the Company also inaugurated the PITX, which started its operation on 10 November 2018.

Megawide's construction segment continues to bag new projects in 2018, thereby opening its doors to greenfield clients and projects that will position the Company in becoming a strategic leader in the construction and infrastructure industry. New projects for 2018 include the construction of Clark International Airport expansion, Golden Bay Properties' Aspire project located in Macapagal Bay Area, Taft East Gate in Cebu, Araneta's Gateway Mall, University Tower 5, Megaworld's International Finance Center project and Mandani Bay development in Cebu City.

Also, in 2018, the Company, through its airport subsidiary, acquired a 41.66% interest in Mactan Travel Retail Group Corp. ("**MTRGC**") and Select Service Partners Philippines Corporation ("**SSP**"), which are primarily engaged in the start-up operations and management of duty paid retail, food and beverage outlets and provision of related services at the MCIAs domestic and international passenger terminals, Terminals 1 and 2, respectively.

2019

Megawide persists in becoming a conglomerate with the completion of its infrastructure projects for MCIAs and PITX.

GMCAC completed the renovation of MCIAs Terminal 1, which commenced operations on August 28, 2019, and opened the new Airport Village. Post completion of the renovation, the gross retail area in Terminal 1 has increased from about 2,000 sqm to approximately 6,000 square meters, bringing the total gross retail area for both terminals to an estimated 9,800 square meters.

The airport segment continues to improve air traffic volume and passenger volume in 2019. 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 as Royal Air Philippines' Manila, Davao, Puerto Princesa, Cagayan and Boracay and Cebu Pacific's Busuanga. The MCIAs received various commendations and awards in 2019 such as Winner of the Completed Buildings: Transport category in the 2019 World Architecture Festival, Breastfeeding Friendly Public Place Award by Philippine Pediatric Society, 2019 International Architecture Awards, Airports and Transportation Centers Category for Terminal 2 by Chicago Athenaeum: Museum of Architecture and Design among others.

PITX completed the construction of its four five-story commercial towers with gross leasable area of 19,225 square meters for each tower or a total of 76,903 square meters. All towers have been contracted for a period of four years. Foot traffic started to peak up from an average daily foot traffic of 30,103 in January 2019 to 67,963 in December 2019. As of end of 2019, terminal concessionaires were leased out at 71% of total capacity while operational are 30%. Also, in 2019, MWMTI bagged the Maynilad Golden Kubeta Awards for Terminal and Stations Category.

Construction segment ramped up its construction activities for the 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. Order book remains to be at all time high at P52.86 million, with new contracts at P19.42 billion at the end of December 2019 and will provide sufficient revenue stream for the construction segment in the next three years. Construction continues to enter into partnership contracts with foreign entities in bidding for infrastructure related projects

such as Maynilad and Manila Water's sewage treatment plant, National Grid Corporation of the Philippines ("NGCP")'s transmission lines project and likes of Malolos Clark Railway Project, in which once it materializes, will boost up capability and technical experience of the Company. Construction for NGCP and Maynilad's 88 MLD Las Pinas project is already under way. In 2019, the construction segment broke ground for One Fintech, 8 sunset, Suntrust Financial, Two Mcwest, Newport Link, International Finance Center, Plumera, Empire East Highland Mall, Mandani Bay Phase 2, Gentry Manor, The Hive Tower C, University Tower 5 and The Corner House project. It also topped off the Albany Luxury Residences and Golden Bay Aspire projects.

The Company also received several prestigious awards from Finance Asia Best Managed Companies in 2019 namely; first place – Best Investor Relations; second place – Best Mid Cap Company; fourth place – Best ESG.

HISTORY

The Company traces its roots to an engineering firm founded in 1997 by two young civil engineers, Engr. Edgar B. Saavedra and Engr. Michael Cosiquien, with a start-up capital of ₱500,000.00. The engineering firm rendered construction services to private residential houses, commercial and industrial buildings. On July 28, 2004, the firm was formally incorporated under the name "Megawide Construction Corporation", with the primary purpose of engaging in general construction business.

2005 to 2010

In 2005, the Company entered the high-rise condominium market and constructed the 25-storey Residencia de Regina project located at Loyola Heights, Quezon City. It also inaugurated its Binangonan pre-cast fabrication plant and introduced high-strength pre-cast concrete façade walls in the Residencia de Regina project.

In 2007, Megawide qualified and secured its AAA Contractor's License, the highest classification and category then from the Philippine Contractors Accreditation Board. The Company also successfully negotiated and booked contracts with SMDC for Grass Residences and Berkeley Residences.

In 2008, the Company upgraded its fleet of tower cranes and earthmoving equipment, in anticipation of increase in demand for its contracting services and to support its expansion plans and programs. The Company also introduced key value engineering building systems into its construction process, the wall, slab and climbing Formwork System, purchased from the German company, Meva. These new systems enhanced the Company's competitiveness by reducing construction time and allowing earlier project turnover.

As a result of increasing demand for pre-cast concrete products, the Company in 2010, launched its satellite pre-cast concrete plant in the Mall of Asia Complex, Pasay City, fitted with European pre-cast machineries. In addition, two (2) experienced foreign engineers who are experts in precast concrete, and international building systems and standards joined Megawide's pool of senior managers.

In January 2010, the Company broke ground for its 10-storey corporate office tower in Quezon City. The Megawide Corporate Tower obtained a gold certification from the Leadership in Energy and Environmental Design ("LEED") of the United States Green Building Council. LEED is a third party certification program for the design, construction and operation of high performance green buildings. LEED is the predominant green building rating system in the U.S. and is used around the world. The Corporate Tower marks an important landmark for Megawide, as it strives to be at the forefront of green building technology in the country. The Company was also a recipient of the Construction Safety Award from the Occupational Safety and Health Administration ("OSHA") in May 2009 and September 2010. The OSHA is a Philippine government agency that

establishes protective and safety standards and enforces these standards in construction jobsites all over the country.

2011

On 2011, Megawide conducted its initial public offering and on February 18, 2011, Megawide was listed on the Main Board of the PSE.

In May 2011, Megawide broke ground for its 12-hectares State-of-the-Art Precast Concrete Manufacturing Complex in Taytay, Rizal. The facility is fully automated and considered to be the largest precast plant in the country. The Company intends to use the facility to mass-produce modular housing components to address the housing backlog of the nation; moreover, the same can also be used for school buildings, hospitals, and other infrastructure projects.

2012

In October 2012, Megawide entered into a joint venture agreement with its parent company, Citicore, and registered Citicore-Megawide Consortium Inc. ("**CMCI**") with the SEC. Ten percent (10%) of the issued and outstanding stock of CMCI is owned by Megawide while Ninety percent (90%) is owned by Citicore. The first project booked by CMCI was the Department of Education's PPP for school buildings. The Department of Education awarded to CMCI in 2012 the school buildings in Regions 3 and 4. CMCI commissioned Megawide to construct all the school buildings in both regions.

In December 2012, Megawide acquired One Hundred percent (100%) of the issued and outstanding stock of Altria, the owner of the property in Taytay, Rizal where the precast plant of Megawide is located.

The Company was awarded by Asia-Money as one of the Best Managed Companies in the Philippines.

2013

On May 15, 2013, Megawide issued 35,959,523 new common shares of stock for a total issue price of ₱305,655,945.50 to Citicore and three individual stockholders of Altria. Said issuance of shares was part of the series of transactions for the acquisition of Altria.

On October 17, 2013, CMCI signed the Build-Lease-Transfer Agreements for School Infrastructure Projects Phase II for Regions I, II, III and Cordillera Administrative Region, with the Department of Education.

On November 28, 2013, the Megawide-World Citi Consortium, Inc. ("**MWCCI**") was awarded the Modernization of the Philippine Orthopedic Center project by the Department of Health.

On December 12, 2013, the PBAC of the DOTC opened all proposals for the Mactan-Cebu International Airport project to reveal that the Megawide-GMR Consortium submitted the highest bid. The DOTC-MCIAA later issued the Notice of Award on April 4, 2014.

The International Organization for Standardization ("**ISO**") awarded Megawide with the ISO 9001:2008 and ISO 140001:2004 certifications for quality and environmental management respectively.

Finance Asia awarded Megawide as one of "**Asia's Best Managed Companies**" for its outstanding performance.

On top of the Company's AAA Contractor License it also secured Large B Contractor's License classification for government registration.

2014

In 2014, Megawide started to penetrate the upper market housing segments by winning the coveted Proscenium Project from Rockwell and Shang Salcedo Place from Shangri-La Properties, thus firmly establishing its ability to cater to wide market segments from upper to middle to Affordable Housing. The Company is also on track to complete and turnover PSIP I by the end of the year.

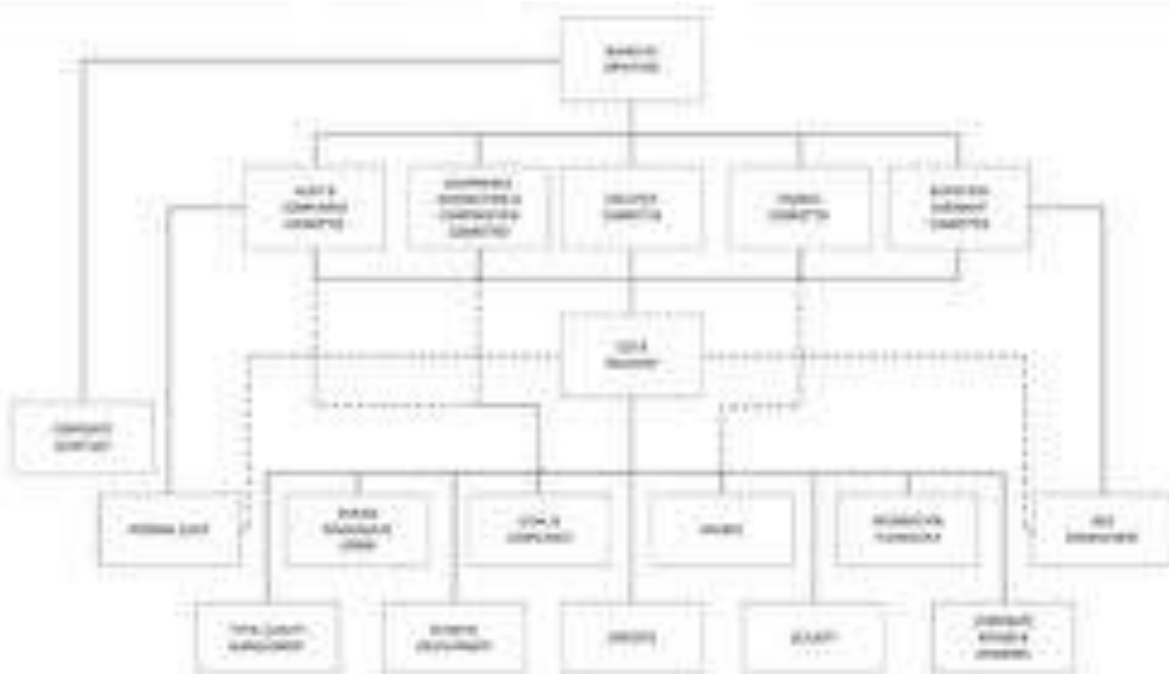
On April 22, 2014, the Company, along with its joint venture partner, GMR Infrastructure Limited, was officially awarded the MCIA project under a BOT agreement. Megawide and GMR incorporated GMR- Megawide Cebu Airport Corporation (“**GMCAC**”) was chosen to undertake said project which is one of the biggest PPP projects of the DOTC, 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 under a build-operate-transfer arrangement. GMCAC expects to take over the operations of the MCIA by the 4th quarter of 2014 and construction of the new passenger terminal to start early next year.

On September 4, 2014, Megawide incorporated a subsidiary named Megawatt Clean Energy Incorporated (“**MCEI**”) to pursue project development of Renewable Energies with particular focus on Wind, Solar, Hydro and Bio-mass power.

On November 1, 2014, terminal 1 of the Mactan International Airport was successfully turned over to GMCAC.

Additionally, the Occupational Health & Safety Advisory Services (“**OHSAS**”) awarded Megawide with the OHSAS 18001:2007 certification as recognition of the Company’s efforts to implement practices that create a healthy and safe working environment.

ORGANIZATIONAL STRUCTURE



SUBSIDIARIES & AFFILIATES

As of date, effective ownership percentage of Megawide on each subsidiary / affiliate is as follows:

Subsidiaries:

GMR Megawide Cebu Airport Corporation (GMCAC)	60%
Megawatt Power, Inc. (MPI, <i>formerly Megawatt Clean Energy, Inc.</i>)	70%
Globemercants, Inc. (GMI)	50%
Megawide Land, Inc. (MLI)	100%
Megawide Construction (BVI) Corporation (MCBVI)	100%
MWM Terminals, Inc. (MWMTI)	100%
Megawide Terminals, Inc. (MTI, <i>formerly WM Properties Management, Inc.</i>)	100%
Megawide International Limited (MIL)	100%
Megawide Construction (Singapore) Pte. Ltd (MC SG).	100%
Megawide Construction DMCC (DMCC)	100%
<i>Accounted for as Asset Acquisition –</i> Altria East Land, Inc. (Altria)	100%

Associates:

Megawide World Citi Consortium, Inc. (MWCCI)	51%
Citicore Megawide Consortium, Inc. (CMCI)	10%

Joint Arrangements:

Joint Operations –

Megawide GISPL Construction Joint Venture (MGCJV)	50%
Megawide GISPL Construction Joint Venture, Inc. (MGCJVI)	50%

Joint Venture –

Mactan Travel Retail Group Corp. (MTRGC)	25%
Select Service Partners Philippines Corp. (SSPPC)	25%

GMR Megawide Cebu Airport Corporation (“GMCAC”)

GMCAC was incorporated on January 13, 2014 and currently has an authorized capital stock amounting to ₱6 billion and subscribed capital stock amounting to ₱5,067,410,273 with ₱1 par value per share. It is authorized to engage in the business of building, rehabilitating, renovating, constructing, developing, operating and maintaining the MCI, including the commercial assets thereof and all allied businesses for the operation and maintenance of said airport facility pursuant to the concession granted to GMCAC and in accordance with R.A. No. 7718 and other applicable laws, rules and regulation.

Megawatt Power, Inc. (“MPI”, formerly, Megawatt Clean Energy, Inc. or “MCEI”)

MPI 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 MPI.

On March 7, 2019, the BOD approved the change in company name from Megawatt Clean Energy,

Inc. to Megawatt Power, Inc., and the change of principal address from 20 N. Domingo St., 1112 Valencia, Quezon City to 9/F, 45 San Miguel, 45 San Miguel Avenue, Ortigas Center, Pasig City. These changes were subsequently approved by the SEC on August 30, 2019.

Globemerchant 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 of the company.

Megawide Land, Inc. (“MLI”)

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

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.

MWM Terminals Inc. (“MWMTI”)

MWMTI was incorporated in the Philippines 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 the PITX, pursuant to the Concession Agreement that was signed on February 25, 2015 by MWMTI and DOTC.

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.

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 Construction (Singapore) Pte. Ltd (“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).

Megawide Construction DMCC (“DMCC”)

Megawide Construction DMCC was registered on December 10, 2017 as a turnkey projects contracting and project development consultant. The Company is 100% owned by Megawide Construction (BVI) Cora. Its registered office is located at Unit 4401-005 Mazaya Business Avenue BB2 Plot No JLTE-PH2-BB2 Jumeirah Lake Towers, Dubai, UAE.

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 project. 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.

Mactan Travel Retail Group Corp. (“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.

Select Service Partners Philippines Corp. (“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.

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 35.41%), 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 30.67% 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, Owings & 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, solar energy products, and components on wholesale basis 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.

COMPETITIVE STRENGTHS

Megawide believes that its principal strengths are the following: (1) fully-integrated EPC services, utilizing the most modern and state-of-the-art building technologies and employing a young, modern and branded fleet of building equipment; (2) AAAA and Large B contractor's license; (3) largest and most advanced pre-cast system facility and capacity; (4) largest private sector airport operator; (5) operates the first and only landport in the Philippines; (6) strong brand name and proven track record; and (7) organizational capability and flexibility.

1. Fully-integrated EPC services, utilizing the most modern and state-of-the-art building technologies and employing a young, modern and branded fleet of building equipment;

- Megawide was the first to extensively utilize advanced, modern and comprehensive European building systems that reduce construction time and allow for quicker project turn-over.
- Megawide employs Formwork Systems in its on-going projects, purchased from a German company, MEVA Schalungs-Systeme GmbH. Formwork Systems are the temporary or permanent moulds, into which concrete or similar materials are poured into, to form the structural elements of a building. The traditional construction process utilizes timber or plywood formworks. Megawide's Formwork Systems are 100% wood-free, all plastic facing. These are nailable like plywood, but maintain structural rigidity. These are also re-usable, putting an end to plywood wastage, and do not swell or shrink like plywood. Megawide utilizes the following Formwork Systems in its existing projects:
 - i. Slab Formworks
 - ii. Wall Formworks
 - iii. Column Formworks
 - iv. Circular Formworks
 - v. Climbing Formworks
- The Megawide Corporate Building in Quezon City obtained a gold certification from the LEED of the United States Green Building Council. LEED is a third-party certification program for the design, construction and operation of high performance green buildings. It is the predominant green building rating system in the United States and is used around the world.
- Megawide owns and maintains a young, modern and branded fleet of tower cranes and earthmoving equipment to ensure maximum efficiency and minimum down time during construction.

2. AAAA and Large B Contractor's License

- Megawide has an AAAA Contractor's License from the PCAB. This is the highest classification and category for a construction company, which qualifies Megawide to

bid for private projects with no limits on contract value. Likewise, Megawide obtained Large B classification for government registration which allows Megawide to participate in large infrastructure projects such as highways, roads and bridges, piers and airports, railroads, waterworks and power plants.

3. *Largest and most advanced pre-cast system facility and capacity*

- Megawide also uses Pre-Cast Concrete Systems purchased from Finnish company, Elematic. The European Pre-Cast Concrete Systems which Megawide employs in its current projects, has the inherent advantages of:
 - i. Reducing cost
 - ii. Shortening the construction period
 - iii. Improving quality
 - iv. Increasing project volume
 - v. Environmentally friendly
- Megawide's 16-hectare industrial complex in Taytay houses its 8-hectare automated pre-cast concrete manufacturing plant, which is the largest and most advanced in the country and is among the top in Southeast Asia in terms of size and technology employed. The use of pre-cast concrete is environmentally friendly and allows Megawide to reduce construction costs, shorten the construction period, and improve the overall quality of the work and increase project volume.

4. *Largest private sector airport operator*

- Megawide operates and maintains the second largest international airport, the MCI A, and is the largest private sector operator of such assets in the country. MCI A's ideal location at the heart of Cebu, which serves both as a tourist and business destination and gateway to the top global tourist attractions in the Southern Philippines, gives it a unique advantage for further portfolio expansion. Given the Company's experience and against the backdrop of the country's and region's rosy long-term economic and tourism prospects, Megawide is well positioned to participate in the government's airport modernization program, both in its existing facility and other assets across the country.

5. *Operates the first and only landport in the Philippines*

- Megawide developed and operates the first and only landport in the Philippines through the PITX, which currently serves as the prototype for a safe, secure, and organized public transport system in the country. The unique business model of operating a terminal alongside office and commercial properties can be replicated in several localities to eventually institute an integrated transport system across the country and provide significant value creation opportunities for the Company.

6. *Strong Brand Name and Proven Track Record*

- Megawide has a well-established reputation in the construction industry for its excellent project execution and customer service. On top of proving efficient construction methodology and systems, having successfully completed numerous low-rise to high-rise condominiums and industrial buildings, it also has a proven track-record of successfully executing PPP projects, like the Public School Infrastructure Program, MCI A CA1 and the PITX. This seal of good quality and reliable brand equity places it in a strong position to capitalize on future projects from both the private and public sector sides.

7. *Organizational Capability and Flexibility*

- Megawide has strengthened its organizational structure to be more technical, flexible and proactive in adapting to clients' requirements and market changes. It has a diverse work force of young, dynamic, committed and highly effective personnel, including experienced and well-trained professionals. It also has a disciplined and responsible management team that has effectively surpassed challenging business situations. Moreover, expatriates of different expertise are employed to help Megawide deliver quality service to its clients.

BUSINESS STRATEGY

The Company sees various opportunities in the private domestic real estate construction, public infrastructure projects, and transport-oriented developments, specifically in terms of addressing and improving the infrastructure development in the country through the National Government's initiative under its Modified BBB Program.

Specifically, the Company is keen on the following business strategies: (1) expand its business into other segments, including but not limited to public infrastructure developments; (2) actively pursue value-accretive transport-oriented projects in the government pipeline; (3) capitalize on its fully-integrated EPC advantages; (4) leverage organizational competence and flexibility; and (5) constantly improve productivity and enhance operational efficiency in its on-going and future projects.

The Company's goal is to diversify its portfolio and constantly enhance productivity and operational efficiency in its on-going and future projects through innovation, process improvements, and value engineering initiatives.

Expansion of existing portfolio

Megawide currently operates the MCIA and the PITX, which were awarded through PPP contracts. In addition, it is completing the construction of the new terminal of the CIA under the government's modified PPP. These projects are on top of the construction order book in its EPC portfolio, amounting to around ₱47.7 billion and comprised of 28 projects as of June 2020.

Actively pursue value-accretive transport-oriented projects in the government pipeline

The Company plans to further expand its portfolio by entering new segments to provide a strong, stable, and growing revenue stream in the long-run. The program includes foray into horizontal infrastructure by participating in government's various road and rail infrastructure projects to complement its order book from the private sector, expanding its existing airport operations (MCIA), participating in the government's airport infrastructure modernization and expansion program, and venturing into other transport-oriented assets (similar to PITX) to maximize the Company's value creation platform.

Capitalize on key strengths and competitive advantages

The Company operates biggest pre-cast plant and employs the most advanced and fully-integrated EPC platforms in the country. To capitalize on these unique differentiations, the Company is upgrading the capacity of its pre-cast plant and business units to support its bid for public infrastructure development and accommodate the expected demand for this technology from the private sector, including but not limited to socialized housing projects and vertical developments adapting to new occupational safety protocols.

Leverage organizational competence and flexibility

In addition, the Company believes it has talented, resilient and dedicated employees who contribute to its success. The Company will continue to have concerted and structured initiatives

for knowledge sharing and skills development through team-based programs across the organization. It will continue with its aggressive development and recruitment of young graduates with engineering, finance and business management backgrounds to sustain the quality of its management pool.

Constantly improve productivity and enhance operational efficiency in its on-going and future projects

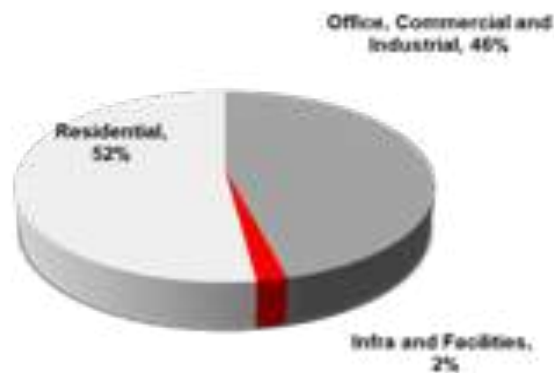
The Company's pursuit for excellence goes beyond its products and services and extends into the value it creates for shareholders. In line with this objective, Megawide will continuously improve its operational efficiencies through value engineering, innovation, and workforce up skilling, for both its existing portfolio and future projects. This will enable the Company to further stabilize and enhance earnings quality to offer consistent, sustainable, and attractive returns and value to all its stakeholders.

PROJECTS

Business Development

The Company's current order book as of June 30, 2020 is at ₱47.7 billion. It consists of a balanced in terms of project mix composed of 52% residential projects, 46% office and 2% infrastructure courtesy of the Clark International Airport development.

ORDER BOOK AS OF JUNE 2020



Recently Completed Projects

The notable projects that Megawide has completed are:

SM Jazz Residences Phase 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.

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.

IHUB 9 Building – IHUB 9 is a BPO building located in Northgate Cyberzone, FCC, Alabang, Muntinlupa City. Its total floor area is 28,898.04 square meters.

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.

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.

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

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. located at Gen. Aguinaldo Ave., Araneta Center, Cubao, Quezon City.

B-Hotel QC – A 10-storey hotel building located at Lot 5 and 6 Block S-31, No. 14 Scout Rallos St., Brgy. 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.

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

Cyber Part Tower 1 – A 29-storey BPO building with 3 basement parking 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.

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

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

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.

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 cor. Misamis and Nueva Ecija Sts., Sto. Cristo, Quezon City.

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

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

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

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.

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.

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.

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 25MWdc owned by SSPI.

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 46,290.85 square meters and 13,500 square meters gross floor area and total lot area, respectively.

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.

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.

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 and with a total lot area of 35,995 square meters and gross floor area of 101,792.23 square meters.

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.

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 St. Cor. Samar Loop, Cebu Business Park, Cebu City.

27 Annapolis – A 44-storey residential building with 3 basements owned by Bayswater Realty and Development Corporation located at No. 27 Annapolis St., 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.

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 one basement located at Southwoods Eco-Centrum, Biñan, Laguna.

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.

Urban Deca Tower EDSA – A 44-storey residential building located at Sierra Madre and EDSA, Brgy. 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.

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

World Plaza – A 27-storey office building owned by Real Property Innovative Solutions, Inc. located at 5th Ave., 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.

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.

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

Arthaland Tower Superstructure – A 31-storey office building owned by Arthaland Corporation. The project is located at the 7th St., 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.

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.

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.

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 Ave., Camelray Industrial Park 1, Brgy. Canlubang, Calamba City, Laguna with a gross lot area of 5 hectares.

The Hive Buildings – A 4-block 12-level residential tower owned by MySpace located at San Isidro St., Ortigas Ave. Ext., 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.

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

Proscenium Superstructure (Lincoln and Lorraine) – Developed by Rockwell Land Corporation, Proscenium (Lincoln and Lorraine) is 42 and 44-storey residential building, respectively with 4 parking floors located at Estrella Cor. JP Rizal Sts., 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.

PITX – The country's 1st landport which is a 4.5-hectare development with transportation bays, commercial spaces and office buildings. The 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 Blvd., and will be linked to the planned Light Rail Transit Line 1 ("LRT1") Cavite extension.

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 Ext. cor. Macapagal Ave., Pasay City.

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.

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 Ave., Carmelray Industrial Park 1, Brgy. Canlubang, Calamba City, Laguna

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 Ave., Carmelray Industrial Park 1, Brgy. Canlubang, Calamba City, Laguna.

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.

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.

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.

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.

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.

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 Company's on-going projects as of June 30, 2020:

DEPED Phase 2 – Involves construction of school buildings in Regions I, II, III and CAR thru a direct contract with the Department of Education.

Urban Deca Tondo – A mass housing contract with Fog Horn, Inc. which initially focuses on the first buildings which are 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.

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

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 Ext. cor. Macapagal Ave., 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.

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.

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.

Worldwide Plaza – An addition to 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.

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.

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.

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.

Clark 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.

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.

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.

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.

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.

Taft East Gate - A four-tower mixed-use community located in a 1.5 hectare property along Pope John Paul Avenue corner Cardinal Rosales Avenue in Mabolo. The development, which is owned by Taft Properties, consists of two high rise, mixed use towers, housing commercial and residential units with 40 storeys high.

Gateway Mall & Hotel - consists of a seven-floor mall with gross floor area of 120,000 square meters and adjacent to it is the Ibis styles 300 room 24 storey hotel. The property is located in Cubao, Quezon City and is owned by Araneta Center.

Plumera Mactan – is the newest affordable project by Johndorf Ventures strategically located at Basak, Lapu-lapu City. The project size is 5 hectares and is consist of 20 buildings with about four to 10 floors each for a total floor area of 98,338 squre meters.

Albany Luxury Suites – is a residential project of Megaworld located in Mckinley West, Fort Bonifacio, Taguig City with total floor area of 41,847.48 square meters for two buildings with 15-storeys each.

Gentry Manor – is a residential project of Megaworld located in South Beach District, West Side City, Paranaque City with total floor area of 119,326.42 square meters for four towers with 19-storeys each.

One Fintech & Eight Sunset District – is a residential project of Megaworld located in Sunset Boulevard, Sunset District Paranaque City with total floor area of 44,888.97 square meters for two buildings with 12-storeys each.

Empire East Skymall – is a four-storey commercial project of Megaworld located in Rosario, Pasig City with total floor area of 127,999.71 square meters.

The Corner House Project – is a residential project of Emerald Rich Properties located in P. Guevarra St., San Juan City with total floor area of 16,020.79 square meters. The construction includes three level basement, three-storey commercial area and roof deck.

Suntrust Finance Center – is a residential project of Megaworld located in Mckinley West, Fort Bonifacio, Taguig City with total floor area of 41,847.48 square meters for two buildings with 15-storeys each.

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

8990 Cubao – is a residential project of 8990 Holdings located in Cubao, Quezon City with total floor area of 115,000 square meters. The construction includes two level basement, 45-storey residential area and a roofdeck

Newport Link – is a residential project of Megaworld located in Newport, Pasay City with total floor area of 73,981.33 square meters. The construction includes three-level basement, nine-storey commercial area and a roof deck.

Recently Awarded Projects

The following table lists the Company's existing projects, with respective percentage completion as of June 30, 2020:

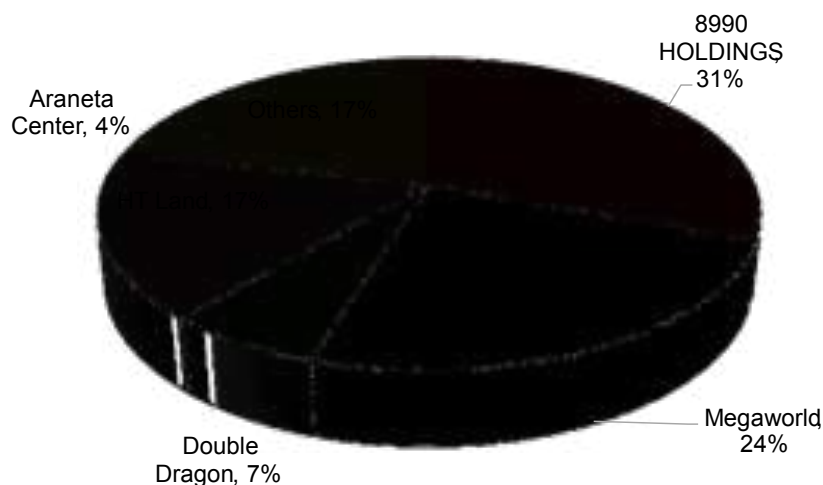
PROJECT NAME	DEVELOPER	% COMPLETION
Urban Deca Tondo	8990 Holdings	97%
Urban Deca Ortigas	8990 Holdings	15%
8990 Cubao	8990 Holdings	1%
Gateway Mall 2 & Hotel	Araneta Center, Inc.	51%
DD Tower Phase 3	DD Meridian Park	53%

Double Dragon Meridian Tower	DD Meridian Park	0%
Ascott - DD Meridian Park	DD Meridian Park	0%
Hampton Building O & P	Dynamic Resources Realty Corp.	46%
The Corner House Project	Emerald rich property inc	73%
Golden Bay Towers	Golden Bay land Holdings, Inc.	95%
Mandani Bay	HT Land	16%
Cold Storage	ISOC Holdings	95%
Plumera	John Dorf	5%
La Victoria	La Victoria	0%
Worldwide Plaza	Megaworld Corp.	89%
Albany Luxury Residences	Megaworld Corp.	66%
One Fintech Tower And Eight Sunset District	Megaworld Corp.	66%
Empire East Skymall	Megaworld Corp.	22%
IFC	Megaworld Corp.	14%
Genty Manor	Megaworld Corp.	9%
Suntrust Finance Center	Megaworld Corp.	0%
Two McWest	Megaworld Corp.	0%
Clark Airport	MGCJVI	92%
88 MLD Las Pinas Water Reclamation	MUL	37%
The Hive C & D	Myspace Property, Inc.	30%
Newport Link	Newport Link	34%
University Tower 5 (Ut5)	Prince Jun Dev't	14%
Taft East Gate	Taft Properties	39%

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, primarily for its 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.

The following graphs illustrate the percentage contributed by the Company's major customers to its Construction Order Book as of June 30, 2020



Megaworld Corporation (“Megaworld”)

Megaworld is one of the country’s leading real estate developer and 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 B.P. 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 1,000,000 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 who 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.

CUSTOMER AND PROJECT SELECTION

Megawide is frequently being invited to bid for major domestic low to high-rise building and even horizontal property development projects. The scope of work on these projects generally include, among others, site development, earthworks, structural and civil works, masonry works, architectural finishes, electrical works, plumbing and sanitary works, fire protection works and mechanical works.

In line with its risk policies, Megawide, while frequently invited to bid on projects, carefully selects which projects to participate in, based on the following criteria:

- Creditworthiness of the project owner determined through background checks with banks and financial community, business and trade associations, standing with the Housing and Land Use Regulatory Board (“**HLURB**”), and credit record of major suppliers; and
- Liquidity of the project owner determined through financial ratios and financial performances for the past 3 years.

In addition, Megawide also evaluates each potential project based on the following:

- Size of the over-all development blueprint of the project and its implementation timetable on phases;
- Complexities and limitations of the structural design of the high-rise building project;
- Project location, accessibility of heavy construction equipment and proximity to clusters of on-going project sites;
- Logistics difficulties and limitations;
- Procurement of necessary permits; and
- Profitability.

Terms Granted to Customers

Bids for construction projects typically include the particular material specifications and the kinds of finish to be used on the projects. Deviations from the same are subject to variation orders. Consistent with industry practice, Megawide normally requires the following key terms of payment in its construction contracts:

- A downpayment of 15% - 20% of the contract price prior to commencement of construction activities. Customers usually require that Megawide obtain a performance bond to guarantee that it will execute the work in accordance with the contract;
- Monthly progress billing (or interim billings). Progress billings are subject to pro-rata recoupment of downpayments, and retention monies equivalent to 10% of the billed amount, to be reduced to 5% upon 50% completion of the project; and
- The release of the 10% retention money upon certification of the approval of the punch list of items. Customers usually require that Megawide obtain a guarantee bond to guarantee the quality of the materials provided, the equipment installed and its workmanship.

The exposure of Megawide to credit risk on its receivables relates primarily to the inability of the customer to fully settle the unpaid balance of contract receivables and other claims owed to Megawide. Credit risk is managed in accordance with Megawide’s credit risk policy, which requires the evaluation of the creditworthiness of the customer.

HIGH TECHNOLOGY BUILDING SYSTEMS

The Company considers the use of High Technology Building Systems as a significant contributor in gaining advantage over its competitors. It employs Pre-Cast Concrete and Formwork Systems, purchased from various European companies, in its on-going projects.

Formwork Systems

Formworks are the temporary or permanent moulds, into which concrete or similar materials are poured into, to form the structural elements of a building. The traditional construction process utilizes timber or plywood formworks.

For its projects, the Company's Formwork Systems are 100% wood-free, all plastic facing. These are nailable like plywood, but maintain structural rigidity. These are also re-usable, putting an end to plywood wastage, and do not swell or shrink like plywood. The Company utilizes the following Formwork Systems in its existing projects:

- Slab Formworks
- Wall Formworks
- Column Formworks
- Circular Formworks
- Climbing Formworks

The Formwork Systems were purchased from MEVA Schalungs-Systeme GmbH, a German company founded in 1970 that designs, manufactures and supplies formwork systems, as well as provides consultancy services to its clients. MEVA serves contractors from all over the world, from forty (40) locations.

Pre-Cast Concrete Systems

Pre-Cast concrete is rapidly becoming one of the dominant ways to build in the modern world. Its core strength lies in its ability to keep up with the changing expectations of global construction, from market challenges to new performance and safety requirements.

The European Pre-Cast Concrete Systems which the Company employs in its current projects, has the inherent advantages of:

Reducing cost

Due to improved economies of scale, the technology enables mass production and fabrication of building frames and elements resulting in a decline of the average cost per unit. By manufacturing pre-cast panels in a controlled factory setting, less material is required because precise mixture proportions and tighter tolerances are achievable. The factory setting also allows waste materials to be readily recycled. Any spare component and materials can be recycled and re-used in another structure.

Shortening the construction period

1. The Pre-cast technology saves up to 40% to 50% in labor hours due to its fast-cycle, compared to conventional construction processes.
2. The manufacturing of pre-cast building members and site preparation can proceed simultaneously.
3. Pre-cast concrete products arrive at the job site ready to install, which can save weeks over cast-in-place construction.
4. Pre-cast reduces the need for skilled labor on site.
5. It is not necessary to order raw materials such as reinforcing steel and concrete, and no time is wasted setting up forms, placing reinforcements, pouring concrete and waiting for the concrete to cure.

Improving quality

Consistency is achieved because of the use of high precision machines. Pre-cast concrete products are produced in a controlled environment, and therefore are of high quality and uniformity. Among the variables typically affecting the quality of construction on a job site are temperature, humidity, and craftsmanship. These are closely controlled and monitored in a plant environment.

In addition, pre-cast concrete has excellent load-bearing capacities and structural efficiencies. Other materials can deteriorate, experience creep and stress relaxation, lose strength and deflect over time. The load carrying capacity of pre-cast concrete is derived from its own structural qualities and does not rely on the strength or quality of surrounding backfill materials.

Increasing project volume

Due to the shorter construction period, the Company can increase the number of projects it can deliver.

Environment friendly

Pre-cast concrete solutions leave a substantially smaller environmental footprint than other building construction methods due to the increased recycled content and proven production processes. Waste is minimized as less concrete waste is created due to careful control of quantities of constituent materials.

In addition, the pre-cast technology produces less dust and waste at the construction site, because only needed concrete elements are delivered. Moreover, fewer trucks and less time are required for pre-cast concrete construction. This is particularly beneficial in urban areas where minimal traffic disruption is critical.

The Pre-Cast Concrete Systems were purchased from Elematic, a Finnish company founded in 1959, and one of the world's leading suppliers of pre-cast concrete machinery and equipment, production lines and complete production plans. Elematic is currently at work in more than ninety (90) countries worldwide.

Machineries and equipment for the Pre-Cast Concrete Systems were purchased from Elematic through direct purchases and were paid in cash. Elematic, as part of its after sales support, provided technical assistance by deploying engineers tasked to brief the Company and its personnel how to operate the system.

World Class Pre-Cast Manufacturing Complex

The Company has also recently completed the construction of its world-class precast concrete manufacturing complex in a sprawling 15-hectare property in EPZA Taytay, Rizal. This facility is the country's largest precast facility, and is the second largest in Southeast Asia. The facility enables the Company to expand the production of its pre-cast products to include high strength concrete frames and elements, columns, beams, floor slabs and walls. The pre-cast facility can be used for both building construction, and infrastructure construction for beams, girders, cross beams, columns, culverts and railroad cross ties.

The following table is a summary of the advantages of Megawide's High Technology Building Systems over traditional construction methods:

Traditional Construction	Advantages
Formworks, Plywood, Plastic Face Formworks	<ul style="list-style-type: none"> • No swelling and shrinking • Stable flexural rigidity • Free from rippling and warping • Quality in concrete pouring • Fast cycle, simple assembly, early stripping, less manual

	labor employed <ul style="list-style-type: none"> • Even surfaces • Zero discoloration • Fast on-site cleaning • Zero waste • Reusable
Coco Lumber, Aluminum and Steel Scaffoldings	<ul style="list-style-type: none"> • More stable and robust • Longer lifespan • Easy assembly lock and formwork clamp

Pre-Cast

Concrete Hollow Blocks, Pre-Cast Walls	<ul style="list-style-type: none"> • Precise, smooth and even curing, high quality, energy saving and ecological
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Traditional Concrete

Beams, Columns, Slabs, Pre-cast Beams, Columns, Slabs, Toilets, Parapets, Wheel Guards	<ul style="list-style-type: none"> • Savings in steel and partition wall materials, extra-long spans for design flexibility, accurate dimensions and strand locations for less work-on site
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Green Construction

The Megawide Corporate Tower in Quezon City obtained a gold certification from the Leadership in Energy and Environmental Design (“**LEED**”) of the United States Green Building Council. LEED is a third-party certification program for the design, construction and operation of high performance green buildings. It is the predominant green building rating system in the U.S. and is used around the world.

Additionally, completed construction projects that are LEED pre-certified include the Bench HQ for Suyen and One Coral Way for Asya. One World Place, World Plaza and the Curve for IRMO are also going through the LEED certification process and are currently in the compliance phase.

LEED Certification

The LEED green building rating system, developed and administered by the U.S. Green Building Council, a Washington D.C.-based, non-profit coalition of building industry leaders -- is designed to promote design and construction practices that increase profitability while reducing the negative environmental impacts of buildings and improving occupant health and well-being.

LEED is the predominant green building rating system in the United States and is also used around the world.

The LEED rating system offers four certification levels for new construction — Certified, Silver, Gold and Platinum — that correspond to the number of credits accrued in five green design categories: sustainable sites, water efficiency, energy and atmosphere, materials and resources and indoor environmental quality.

Fleet of Construction Equipment

The Company invests heavily on new tower cranes and earthmoving equipment to ensure maximum efficiency and minimum down time during construction. These include:

Type	Quantity (as of June 30 2020)
EARTHMOVING EQUIPMENT	112
LIGHT EQUIPMENT	41
MOBILE CRANE EQUIPMENT	26
PUMPCRETE EQUIPMENT	30
TRANSPORT EQUIPMENT	70
VERTICAL EQUIPMENT	104
SERVICE VEHICLES	19
FACILITY EQUIPMENTS	9

SUPPLIERS

Construction

Megawide sources its raw materials, primarily steel, cement and aggregates from external suppliers who are reliable and known in the construction industry. In selecting its suppliers, it considers quality, pricing, and efficient delivery of raw materials. It also does not depend on a limited number of suppliers for raw materials and none of its major suppliers are its affiliates. Suppliers usually give Megawide a 30-120 day payment period. In order to mitigate the risk of price volatility in raw materials for its projects, Megawide, upon contract award, immediately purchases major materials such as steel and concrete for the entire project. All purchases are done centrally, at Megawide's head office, for all the requirements of its project sites.

Airport

The airport segment has minimal purchases, consisting of materials and labor related purchases, to maintain the airport facility, janitorial services, security services, professional and consultancy services, and some utility services which include internet, power and utilities. A purchase with a total value of ₱20,000.00 or more shall require a minimum of 3 comparative quotes (not older than 6 months). Quotations should indicate the vendor's name and should be attached at all times upon purchase order creation. In cases where the required number of comparable quotes cannot be observed, a written justification for the same has to be expressly indicated in the purchase approval form. In concluding payment conditions and terms with vendors, the minimum payment term is 30 days. In unavoidable cases where vendors would require a downpayment, a maximum 40% downpayment is allowed. A security bond is required for downpayments above 10%.

Landport

The terminal segment has minimal purchases, consisting of materials and labor related purchases, to maintain the terminal facility, janitorial services, security services, professional and consultancy services and some utility services, which include internet, power, and utilities.

When selecting its suppliers, it considers quality, pricing, technical experience (for consultants and professionals) and efficient delivery of materials. It also does not depend on a limited number of suppliers. All purchases are done centrally at Megawide's head office.

Quality Control and Quality Assurance

Megawide's quality of work is in accordance with applicable local and international standards such as PNS, ASTM, ANSI, ACI or AASHTO. The general specifications are based on project requirements considering local conditions, policies, available materials, local regulations and other special circumstances. In addition to on-site inspections, as a standard procedure, materials' samples are tested by specialized laboratories to verify compliance with applicable codes and standards.

Megawide's management system strictly adheres to the requirements of the ISO standards on Quality, Environmental, Safety and Health. As such, Megawide is committed to customer satisfaction, environmental protection and prevention of injury or ill health.

PROJECT IMPLEMENTATION

Upon receipt of an invitation to bid, the Company evaluates the proposed project in accordance with its credit risk policies and based on the following criteria:

- Creditworthiness of the project owner determined through background checks with banks and financial community, business and trade associations, standing with the Housing and Land Use Regulatory Board (HLURB), and credit record of major suppliers; and
- Liquidity of the project owner determined through financial ratios and financial performances for the past three (3) years.

In addition, Megawide also evaluates each potential project based on the following:

- Size of the over-all development blueprint of the project and its implementation timetable on phases;
- Complexities and limitations of the structural design of the high-rise building project;
- Project location, accessibility of heavy construction equipment and proximity to clusters of on-going project sites;
- Logistics difficulties and limitations;
- Procurement of necessary permits; and
- Profitability

Megawide negotiates the final construction price with the project owner. Upon being awarded the project, Megawide shall commence within seven (7) days from the latest of the following:

- a) Issuance of the Notice to Proceed;
- b) Release of the building permit;
- c) Release of the construction drawings; or
- d) Full release or downpayment

Moreover, the Company prepares a Project Execution Plan (“**PEP**”) which provides the details as to how the project will be executed by identifying all the necessary information. The parts of the PEP are the following:

- **Project Overview** – contains general project information such as the project name, location, scope of works, contract amount, and project duration. It also identifies third-party consultants that will be collaborating on each scope of works, if any. Moreover, it presents the number of towers that will be built, the level of each tower and the construction floor area.
- **Table of Organization** – identifies the human resources needs of the project such as the assistant vice president in-charge, the project manager/s, area manager/s, site manager, the safety officer, structural and finishing employees, mechanical, electrical, plumbing and fire (MEPF) engineers, and others necessary personnel. It also provides the required headcount for the project from rank and file to executive level.

- **Safety** – contains the plans on Health, Safety and Environment (“**HSE**”), specifically, Construction Safety and Health Programs (“**CSHP**”), usage of personal protective equipment, site ingress and egress during construction, evacuation plan, location of fire exits and fire extinguishers, waste management, fall protection plan, and procedures on emergency response, among others.
- **Quality** – contains the project’s quality policies, roles and responsibilities of each employee, work inspection process flow, material inspection process flow, punchlist & hand-over process, sequence and inspection of works, structural inspection test plan, among others.
- **Schedule** – includes the milestone dates, project schedules, s-curve, deliverables per quarter, technical and revenue schedule, cycle per floor, and manpower and equipment loading. Further, it identifies the specific dates for the following: project commencement, topping off, structural works, push pile works, site development, handover and project completion.
- **Methodology** – contains technical information on how the development plan will be carried out including the use of technologies, tools, and equipment.
- **Procurement** – contains the work package, or the list of all materials, tools, equipment, subcontracted works, and their procurement schedule.
- **Engineering Designs and Drawings** – contains all the required architectural works and when are they required to be secured.
- **Risk Assessments** – identifies the perceived risks on operation, as well as commercial, environmental, and social risks, and the proper responses to mitigate, resolve or eradicate such risks.
- **Communication Plan** – contains dates of regular meetings (for construction coordination, operations, technical support, safety and quality, and monitoring of subcontractors) and other communication strategies.

Once the PEP is approved, Megawide immediately mobilizes the construction equipment, manpower and materials needed for the project. Megawide secures the performance and surety bonds required in order to obtain the downpayment from the project owner, and contractor’s all-risk insurance and other necessary insurances. It also negotiates and finalizes the terms of its construction contract with the project owner. The responsibilities and warranties of Megawide under its construction contracts typically include on-time project turn-over and completion based on an agreed timetable, adherence to the agreed material specifications and construction methods, and warranty on workmanship and material defects. In the normal course of business, on a per project basis, Megawide sub-contracts to specialty or trade contractors the mechanical and electric works for its projects.

During construction, quality control procedures are strictly followed. The Quality Control Department is responsible for quality assurance and quality control during production and construction. The said department is composed of highly-trained inspectors and personnel who conduct on-site inspections to assure compliance with such quality control procedures. As standard procedure, concrete samples are tested by specialized laboratories to ensure compliance with the specifications of the American Society for Testing and Materials (“**ASTM**”), American National Standards Institute (“**ANSI**”) and Construction Specifications Institute (“**CSI**”).

To ensure that projects are on schedule, on-site project managers monitor and control the progress of projects, mindful of the completion date pursuant to the construction contract. The project

managers are responsible for accomplishing project objectives, developing the project plan and managing the project team and budget.

Meanwhile, the Planning Department tracks the progress of the project (both physical and financial) through site inspections (checking the physical output- how many levels and agreed milestones were finished) and by conducting operations and management committee meetings (analyzing financial and nonfinancial targets and actual accomplishments).

Upon project completion, the following activities are conducted as a condition to project turnover to the owner:

- Megawide submits a Notice of Turn-Over and Completion to the project owner;
- Megawide and the project owner conducts a joint inspection and punch listing;
- Should there be no pending items for completion, the project owner issues a Certificate of Completion;
- The project owner releases retention monies upon submission by Megawide of a guarantee bond. The guarantee bond is typically valid for up to 1 year from the project's turnover date and is required by project owners to guarantee the quality of the materials used, the equipment installed and the workmanship on the project.

LEASED PROPERTIES

Megawide also leases properties needed for its operations such as the following lease agreements with:

Date	Lease	Expiration	Location	Area	Monthly Rental
March 6, 2020	Primex Domains, Inc.	March 5, 2021	Aurora Blvd, New Manila, Quezon City		P206,416.37
March 1, 2013	Franpac Properties, Inc.	March 1, 2022	Ligid, Tipas, Taguig City	615 sqm	P250.00/sqm inclusive of VAT a total amount of P153,750
15 April 2019	Aguacate Marketing Corp.	October 31, 2022	Tipas St. Taguig City	1,450 sqm	P220.00/sqm inclusive of VAT and all applicable taxes or a total of P319,000
March 2, 2020	Cebu Prosperity Group Land, Inc.	March 1, 2021	Prosperity Warehouse Compound, Mandaue City	670 sqm (Warehouse) 7,150 sqm (Lot)	P1,114,512 per month, exc. of taxes.
	Retailscapes, Inc.	April 30, 2022	Santolan Town Plaza, Santolan Road, San Juan City	1,974 sqm	P1,395,100/mo

All of the above leases are subject to renewal upon mutual agreement of the parties. In addition, the Company enters into operating and finance lease agreements for its construction equipment and transportation vehicle for period of 3 to 5 years. For further details, please refer to section "Material Contracts", "Operating and Finance Lease" and "Leased Properties".

DEPENDENCE ON 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, strong design and engineering capabilities, and quality workmanship. Megawide is constantly invited to bid for major domestic real estate development projects but it opts to focus on projects that provide best synergies in business operations and offers the best value for the Company.

The Company likewise manages the concentration of its order book amongst several clients for better risk management. As of June 30, 2020, the Company continued to maintain a diverse set of clientele, with no one client comprising more than 31% of the total order book.

In the airport segment, Megawide serves both domestic and international passengers, with a current share of 70-30%, respectively. This diverse passenger base allows it maximize the potentials from increased travel tourism and commercial-related travel from both domestic and international sides, and effectively minimize the impact of either domestic or global downturns in the long-run.

COMPETITORS IN THE INDUSTRY

EEL Corporation ("**EEL**") and D.M. Consunji, Inc. ("**DMCI**") are among Megawide's major competitors. Both have on-going residential condominium projects in Metro Manila. DMCI dominates domestic infrastructure, while EEL, a publicly listed company, concentrates on heavy industry projects.

The principal areas of competition are pricing, service and quality of construction. Megawide believes, however, that it has an advantage over its competitors in the high-rise residential condominium market because of its use of High Technology Building Systems, value-added engineering services, technical competence and innovative ability. Furthermore, unit prices of Megawide's projects are competitive with those of EEL's and DMCI's.

PROPERTIES

Megawide owns a 1.0294-hectare property located in Taytay, Rizal, which is being used as an equipment stockyard for its machineries, equipment, and items such as tower cranes, backhoes, and other earthmoving equipment. The same was acquired by Megawide for ₱21 million. Megawide owns this property and all the equipment, machineries, and items found therein, free of any mortgage, lien or encumbrance.

In 2011, Megawide acquired land in Ortigas Extension, Barangay San Isidro, Taytay, Rizal with a lot area of 21,082 square meters for ₱104 million. Megawide owns this property free of any mortgages, liens, or encumbrances.

In 2012, another lot was purchased by the Company in Taytay, adjacent to Megawide's pre-cast plant with a lot area of 8,505 square meters for ₱50 million. Additionally, a 4,022 square meter lot adjacent to the stockyard of Megawide in Taytay was purchased for ₱9 million. On the same year, Megawide bought a 178 square meter property located in the same municipality for a total amount of ₱1.157 million. Megawide owns these properties free of any mortgages, liens, or encumbrances.

In 2013, Megawide has a total additional land acquisition amounting to ₱67 million in Taytay, Rizal, in relation to its pre-cast plant expansion. However, a small portion of this property with an area of 1,554 square meters is subject to an encumbrance, which is a notice of adverse claim dated 20 January 2014 filed by certain Spouses Tan who are claiming rights and interest over such portion.

In 2014 and 2015, Megawide invested on new tower cranes, earthmoving equipment and other construction equipment to ensure maximum efficiency and minimum down time during construction. The total investment amounted to ₱485 million and ₱369 million in 2015 and 2014, respectively. Megawide also acquired an additional lot adjacent to the pre-cast plant in 2014 with an area of 23,686 square meters for ₱148 million, and another lot with an area of 16,017 square meters near the pre-cast plant for ₱17 million in 2015. The Company has finance leases covering certain transportation and construction equipment with terms ranging from two to five years.

In 2017 and 2016, to cater to its growing order book Megawide also invested on new construction equipment amounting to ₱275 million and ₱470 million, respectively, which includes tower cranes, earth moving equipment, formworks, and pre-cast equipment. Transportation equipment was also procured amounting to ₱54 million and ₱57 million in 2017 and 2016, respectively, which includes service vehicles, truck mixers, light and medium duty trucks, and tractor trucks. The Company has finance leases shown as part of Interest-bearing Loans and Borrowings account covering certain transportation and construction equipment with terms ranging from two to five years as disclosed in the financial statements. Megawide also purchased parcels of land adjacent to its Taytay complex amounting to ₱82 million and ₱156 million in 2017 and 2016, respectively. The Taytay complex is currently expanding to house the formworks rehabilitation factory and all the construction equipment of Megawide. The parcels of land provide a bigger stockyard for the precast plant since its annual production is consistently increasing. Thereafter, in 2019, the Company purchased the land where it constructed its head office building located in Quezon City, with an area of 1,493 square meters. This property is subject to a restriction which merely provides that the land shall be used exclusively for residential, commercial, or educational purposes only.

Meanwhile, Megawide has purchased the following properties and equipment in relation to its airport and terminal segment:

Airport segment

Office and other equipment	MCIA	various	N/A
Transportation equipment	MCIA	various	N/A
Furniture and fixtures	MCIA	various	N/A
T2 Airport infrastructure	MCIA	2018	65,500 sqm
T1 Airport infrastructure	MCIA	2019	9,772 sqm

Terminal segment

Terminal infrastructure	PITX	2018	73,380 sqm
Tower & parking facility	PITX	2019	103,285 sqm
Office and other equipment	PITX	various	N/A
Transportation equipment	MCIA	various	N/A
Furniture and fixtures	MCIA	various	N/A

The Philippine Government, acting through the DOTr and MCIAA, executed a Concession Agreement last April 22, 2014 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, November 1, 2039, 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.

The Philippine Government acting through the DOTr executed a Concession Agreement on April 24, 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, October 17, 2051, 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 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.

INSURANCE

The construction contracts entered into by Megawide require it to secure some or all of the following: a surety bond, a performance bond, a contractor's all risk insurance and a guarantee bond. In most of the contracts, proof of compliance is required prior to the issuance of the Notice to Proceed.

In general, a surety bond is secured to guarantee the repayment of the down payment, while a performance bond is required to guarantee that Megawide will perform the work as specified by the contract. The coverage of these bonds is normally reduced as the project progresses and obligations are met. On the other hand, subject to the customary deductibles and exclusions, the Company's contractors all risk insurance policy includes coverage for, among other things, third party liability to the public and construction works and a guarantee bond is posted to guarantee any defects, except those from ordinary wear and tear or not attributable to the Company, that may occur within one (1) year from acceptance. A guarantee bond is obtained after complete turnover of the project.

Aside from the foregoing, the Company has sufficient insurance coverage that is required by Philippine regulations for real and personal property. It is, however, not covered by any business interruption insurance.

The Company also has existing insurance coverage for its directors and officers for alleged wrongful acts in their capacity as directors and officers. The directors and officers insurance is provided so that competent professionals can serve as supervisors of organizations without fear of personal financial loss.

EMPLOYEES

As of June 30, 2020, the Company's manpower complement is as follows:

Division	Regular	Project Based	Total
Operations	1,424	2,364	4,058
Head Office	468	29	497
Total	1,892	2,663	4,555

Megawide will continue to right size and hire qualified and competent employees for the next twelve months for its on-going projects.

Within the next 12 months, the Company expects its manpower complement as follows:

Division	Regular	Project Based	Total
Operations	1,497	2,771	4,268
Head Office	124	35	159
Total	1,621	2,806	4,427

The relationship and cooperation between the management and employees has been good and is expected to remain so in the future. Megawide has no collective bargaining agreements with its employees due to the absence of labor unions within the organization. There has not been any incidence of work stoppages. Megawide complies with the minimum wage and employment benefits standards pursuant to Philippine labor laws. It adopts an incentive system that rewards and recognizes the employees who excel in their respective fields to foster the harmonious relationship between management and employees.

The Company maintains a partially funded and non-contributory post-employment defined benefit plan covering all regular full-time employees. The Company 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 five years of credited service.

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 its performance.

Edgar B. Saavedra, the Chairman, President and Chief Executive Officer (CEO), together with the other executives are currently the key decision makers. However, Megawide is continuously hiring experts to further strengthen and professionalize its organizational and management structure. Megawide continues to bolster its management positions in order to spread out responsibilities. It also provides various training programs for its employees to maintain competitiveness and efficiency.

INTELLECTUAL PROPERTY

Megawide has no other intellectual property except for these issued Certificates of Registration for the following trademarks by the Intellectual Property Office (IPO):

- a. for its typeface, a Certificate of Registration dated 09 May 2019 and expiring on 09 May 2029;

MEGAWIDE

- b. for its logo, a Certificate of Registration dated 13 October 2019 and expiring on 13 October 2029;



- c. for its logo with typeface, a Certificate of Registration dated 13 October 2019 and expiring on 13 October 2029; and

 **MEGAWIDE**

- d. for its tagline “**Engineering A First-World Philippines,**” a Certificate of Registration dated 15 February 2020 and expiring on 15 February 2030.

However, Megawide strongly believes that its operations are not dependent on any patent, trademark, copyright, license, franchise, concession, or royalty agreement.

COMPLIANCE WITH ENVIRONMENTAL LAWS

The Company has not identified any non-compliance with any environmental laws and/or regulations for the year 2019. As a business engaged in construction activities, Megawide adheres to various environmental laws such as Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990, Ecological Solid Waste Management Act of 2000, and the submission of Environmental Impact Statement (EIS) and acquisition of Environmental Compliance Certificate (ECC). Part of Megawide's expenses are payments for regulatory fees in compliance with said laws. On an annual basis, operating expenses incurred by Megawide to comply with environmental laws are not significant or material relative to the total costs and revenues of Megawide.

RESEARCH AND DEVELOPMENT

Megawide has an excellent Engineering Department that continuously adapts and responds to new inventions, standards and quality assurance in construction. It is also constantly working with international consultants for value engineering to achieve more cost-efficient building structures and maximum space utilization. There had been research and development expenses that accounts for less than 1% of revenue for the past three (3) years.

GOVERNMENT APPROVAL AND PERMITS

All government approvals and permits issued by the appropriate government agencies or bodies which are material and necessary to conduct the business and operations of Megawide, were obtained and are in full force and effect.

Megawide and its business operations are subject to various laws and regulatory agencies, including the Contractor's License Law, nationality restrictions and environmental laws. Megawide complies with environmental laws and will keep abreast of any changes in such laws which may have an impact on its business.

Megawide complies with all local and national tax laws and regulations, and it shall continue to be so by diligently paying all taxes, including (but not limited to) income tax, withholding tax, real property tax and such other taxes that are assessed against it and which Megawide understands to be due.

The material permits, licenses and certifications of the Company are as follows:

Issuing Agency	Permits/ Clearances	Date of Issuance	Expiration Date	Status/ Remarks
MEGAWIDE CONSTRUCTION CORPORATION				
Business Permit and Licensing Office	Business Permit	02/04/2020	12/31/2020	Renewed
Local Government Unit- Quezon City	Community Tax Certificate	02/03/2020	12/31/2020	Renewed
Department of the Building Official	Building Permit 1 st – 6 th floor	09/01/2009	N/A	
Department of the Building Official	Building Permit 7 th – 10 th floor	04/02/2014	N/A	
Philippine Contractors Accreditation Board	Contractor's License	06/26/2020	06/30/2021	Renewed
Department of the Building Official	Certificate of Operation of Existing Machinery	10/16/2019	10/16/2020	Renewed
Department of the Building Official	Certificate of Operation: Elevator	10/16/2019	10/16/2020	Renewed
Department of the Building Official	Certificate of Annual Electrical Inspection	10/16/2019	10/16/2020	Renewed
Department of the Building Official	Certificate of Operation: Internal Combustion Engine	10/16/2019	10/16/2020	Renewed
Philippine Health Insurance Corporation	Certificate of Registration	22/05/2019	N/A	
Pag-Ibig Fund (Home Development Mutual Fund)	Clearance Certificate	11/14/2019	N/A	
Department of the Building Official -Final Permit Division	Certificate of Final Inspection Certificate of Occupancy	07/22/2014	N/A	
Securities and Exchange Commission	Amended Articles of Incorporation	09/22/2020	N/A	

Securities and Exchange Commission	Amended Articles of Incorporation	10/10/2018	N/A	
Securities and Exchange Commission	Amended Articles of Incorporation	03/12/2018	N/A	
Securities and Exchange Commission	Amended By-Laws	09/22/2014	N/A	
Securities and Exchange Commission	Amended Articles of Incorporation	09/22/2014	N/A	
Securities and Exchange Commission	Certificate of Approval of Increase of Capital Stock	09/22/2014	N/A	
Securities and Exchange Commission	Certificate of Incorporation	07/28/2004	N/A	
ALTRIA EAST LAND, INC.				
Local Government Unit- Taytay Rizal	Community Tax Certificate	02/19/2020	12/31/2020	Renewed
Business Permit and Licensing Department	Business License Plate	01/2020	12/31/2020	Renewed
Barangay Hall of San Juan	Barangay Clearance	01/2020	12/31/2020	Renewed
Municipal Health Office	Sanitary Permit	02/19/2020	12/31/2020	Renewed
Business Permit and Licensing Office	Business Permit	02/19/2020	12/31/2020	Renewed
Securities and Exchange Commission	Certificate of Incorporation	04/16/2010	N/A	
GLOBEMERCHANTS, INC.				
Bureau of Internal Revenue	Certificate of Registration	05/23/2016	N/A	
SSS, Philhealth and Pag-IBIG	Unified Registration Record	-	N/A	
Securities and Exchange Commission	Certificate of Incorporation	05//05/2016	N/A	
Business Permit and Licensing Office	Business Permit	09/17/2020	12/31/2020	Renewed
GMR MEGAWIDE CEBU AIRPORT CORPORATION				
Securities and Exchange Commission	Amended Articles of Incorporation	12/09/2014	N/A	
Securities and Exchange Commission	Certificate of Incorporation	01/13/2014	N/A	
Bureau of Internal Revenue	Certificate of Registration	01/13/2014	N/A	
Office of the Building Official	Certificate of Occupancy (Airport Terminal Building)	01/23/2015	N/A	
Office of the Building Official	Certificate of Use	06/08/2015	N/A	

Office of the Building Official	Certificate of Occupancy (Terminal 1 Domestic Departure Entrance Area Modification)	04/10/2015	N/A	
Office of the Building Official	Certificate of Occupancy (Terrace Office Modification)	03/13/2015	N/A	
Business Permit and Licensing Office	Business Permit	01/15/2020	12/31/2020	Renewed
Food and Drug Administration	License to Operate an X-ray Facility	04/17/2020	04/16/2021	Renewed
Department of Environment and Natural Resources	Permit to Operate Air Pollution Source and Control Installations	01/07/2020	11/16/2024	Renewed
Social Security System	Employer Registration	09/16/2014	N/A	
Pag-Ibig Fund (Home Development Mutual Fund)	Employer's Data Form	10/13/2014	N/A	
Philippine Health Insurance Corporation	Employer Data Record	08/2014	N/A	
MEGAWATT POWER, INC. (PREVIOUSLY KNOWN AS MEGAWATT CLEAN ENERGY, INC.)				
Business Permit and Licensing Office	Business Permit	01/24/2019	12/31/2019	Megawatt Power, Inc. has no intention to renew this since it no longer operates
Barangay Hall of Valencia	Barangay Business Clearance	01/15/2020	12/31/2020	Renewed
Department of Environment and Natural Resources	Environmental Compliance Certificate	01/13/2016	N/A	
Securities and Exchange Commission	Amended Articles of Incorporation (change of name)	08/30/2019	N/A	
Securities and Exchange Commission	Certificate of Incorporation	09/04/2014	N/A	
Department of Energy	Certificate of Registration	04/29/2015	N/A	
MEGAWIDE TERMINALS, INC. (PREVIOUSLY KNOWN AS WM PROPERTY MANAGEMENT, INC.)				
Business Permit and Licensing Office	Business Permit	02/10/2020	12/31/2020	Renewed
Local Government Unit- Quezon City	Community Tax Certificate	02/03/2020	12/31/2020	Renewed

Securities and Exchange Commission	Amended Articles of Incorporation (change of name)	01/07/2019	N/A	
Securities and Exchange Commission	Amended Articles of Incorporation	05/08/2015	N/A	
Securities and Exchange Commission	Certificate of Approval of Increase of Capital Stock	05/08/2015	N/A	
Securities and Exchange Commission	Certificate of Incorporation	11/11/2011	N/A	
MEGAWIDE LAND, INC.				
Business Permit and Licensing Office	Business Permit	01/28/2020	12/31/2020	Renewed
Local Government Unit- Pasig City	Community Tax Certificate	01/21/2020	12/31/2020	
Office of the City Health Office- Pasig City	Temporary Sanitary Permit to Operate	01/18/2020	12/31/2020	Renewed
City Environment and Natural Resources Office	Environmental Permit to Operate	01/23/2020	12/31/2020	Renewed
Barangay City Hall of San Antonio	Barangay Clearance	01/16/2020	12/31/2020	Renewed
Securities and Exchange Commission	Certificate of Incorporation	10/28/2016	N/A	
MWM TERMINALS, INC.				
Business Permit and Licensing Office	Business Permit	02/03/2020	12/31/2020	Renewed
Local Government Unit - Parañaque City	Community Tax Certificate	01/29/2020	12/31/2020	Renewed
Barangay Hall of Tambo	Barangay Clearance on Business	01/29/2020	12/31/2020	Renewed
Office of the City Health Office - Parañaque City	Sanitary Permit to Operate	01/31/2020	12/31/2020	Renewed
Office of the Building Official	Mechanical Permit	10/04/2016	N/A	
Office of the Building Official	Fencing Permit	04/25/2016	N/A	
Office of the Building Official	Electrical Permit	10/04/2016	N/A	
Office of the Building Official	Building Permit	10/04/2016	N/A	
Office of the Building Official	Occupancy Permits	11/13/2018 11/04/2019 12/04/2019	N/A	
Securities and Exchange Commission	Amendment of Articles of Incorporation	04/10/2018	N/A	

Securities and Exchange Commission	Amendment of Articles of Incorporation	05/04/2016	N/A	
Securities and Exchange Commission	Certificate of Approval of Increase of Capital Stock	05/04/2016	N/A	
Securities and Exchange Commission	Certificate of Incorporation	02/03/2015	N/A	

LEGAL PROCEEDINGS

The following are the legal material cases Megawide is involved in:

Kuehne + Nagel, Inc. vs. Megawide Construction Corporation

This is a case for sum of money with damages filed on October 15, 2012 by Kuehne + Nagel, Inc. (“**KNI**”) against Megawide, demanding payment of ₱7,460,967.22, representing the balance for the various freight, fees, and charges in transporting the defendant’s shipment from Germany to the Philippines. Megawide filed its Answer on December 18, 2012, with Special and Affirmative Defenses and Counterclaims. Megawide’s defense is primarily anchored in KNI’s failure to secure the Load Port Survey (“**LPS**”) Report which resulted in the delay of the release of the shipment from the Bureau of Customs. Consequently, the Bureau of Customs imposed a penalty amounting to ₱4,027,043.22. Megawide paid the penalty (₱4,027,043.22) and also paid the amount of ₱355,893.75 for storage fees for more than 2 months because KNI could not secure the immediate release of Megawide’s shipment in view of the absence of the LPS Report.

On 16 June 2020, the Regional Trial Court rendered a decision in favor of Kuehne + Nagel. Megawide filed a Motion for Reconsideration but was denied in Order dated 17 September 2020. Megawide filed its notice of appeal to the decision on October 23, 2020.

People of the Philippines vs Jesulito Testa et al.

AZ Systems misrepresented to Megawide that it was a legitimate entity authorized to release from the Bureau of Customs the shipment of Megawide. Despite Megawide’s payment to AZ Systems of ₱631,306.74, it did not release the shipment. Apparently, AZ Systems defrauded Megawide. Prosecutor recommended the filing of a criminal case. Mr. Testa was apprehended while the others remain at large. The case was archived. However, the case was revived, and the prosecution was scheduled to present its witnesses in March 2020. Promulgation of the decision is set on November 12, 2020.

Daisy Joy Rojallo Cervantes, et al. vs H.E. Simeon Aquino III, Hon. Enrique T. Ona, Hon. Teodoro J. Herbosa et al.

On September 18, 2012, the National Economic and Development Authority (“**NEDA**”) approved the Modernization of the Philippine Orthopedic Center (“**MPOC**”). The MPOC is a Build-Operate-Transfer scheme pursuant to the Public-Private-Partnership program of the Aquino government. The MPOC Project involves the construction of a new hospital facility within the National Kidney and Transplant Institute Compound along East Avenue, Quezon City.

On January 31, 2014, the petitioners composed of civil society groups, health workers, and patients of the Philippine Orthopedic Center (“**POC**”) who are opposed to the MPOC project filed a Petition for Certiorari and Prohibition before the Supreme Court.

The petitioners prayed that the Supreme Court annul and set aside the MPOC project for being in violation of Article II, Section 15 of the Constitution and our treaty commitments recognizing the

people's right to health. Petitioners argue that the government relinquished the duty and responsibility to provide and ensure a basic social service such as health to a private entity through privatization or commercialization of a government hospital (the POC). The petitioners further prayed that the court issue a writ of preliminary injunction or temporary restraining order to stop the implementation of the project.

On November 27, 2015, Respondents, represented by Manuel Louie B. Ferrer, filed a Manifestation that on November 10, 2015, respondents served their Notice of Termination to the Department of Health (“DOH”), which reads:

“In view of the foregoing, it is with deepest regret that we serve on your office this Notice of Termination of the BOT Agreement. Section 8.2 and 9.2 of the BOT Agreement provide that if the delay in the performance of the DOH exceeds one hundred eighty (180) days from Signing Date, the Project Proponent may opt to terminate the BOT Agreement. This 180- day period came and went over a year ago on September 2, 2014. Accordingly, the BOT Agreement will terminate on November 15, 2015 (‘Termination Date’).”

Due to this, Respondents ask for the dismissal of the Petition because it has been rendered moot and academic. Supreme Court has not yet acted on the Manifestation

Megawide vs. Dennis Espinar (Décor), UCPB (DepEd) School Building Projects

This case involves the claim of Megawide amounting to more than ₱178 million against Décor, representing unliquidated down payment, unreturned formworks, and unpaid materials.

On September 29, 2014, the Construction Industry Arbitration (“CIAC”) rendered a Final Award, the dispositive portion of which reads:

“WHEREFORE, Award is hereby made as follows: Respondent UCPBGICI and Respondent Dennis Espinar/Decor are hereby ordered to pay jointly and severally Claimant Megawide the sum of ₱87,505,796.18 under the surety bonds and performance bonds issued in favour of Claimant Megawide plus attorney's fees in the amount of ₱1,000,000.00. The parties underwent mediation in the Court of Appeals (CA). However, they failed to reach any settlement. Hence, the petitions are all deemed submitted for resolution.”

The Court of Appeals rendered decision in favor of Megawide affirming the final award of CIAC. In addition, Espinar was also ordered to pay Megawide for its claims in excess of the bonds amounting to ₱91,242,542.06, plus interest of 6% per annum. Respondents filed their respective motions for reconsideration.

While the CIAC Decision was deemed final and executory, Megawide was not able to execute against UCPBGICI and/or Espinar because the former posted a bond and was approved by CIAC while the QC sheriff could not locate any properties in the name of Espinar.

The Supreme Court denied the Motion for Reconsideration filed by UCPBGICI. There is already an Entry of Judgment, however, UCPBGICI has filed a Second Motion for Reconsideration with the Supreme Court, which is still pending to date.

UKUSA Inc. vs. Megawide Construction Corporation

UKUSA, a former subcontractor of Megawide, filed a complaint against Megawide for the recovery of its 10% retention for 3 projects.

Megawide denied payment because UKUSA failed to complete its works for the UT2 Project and had to hire another subcontractor to finish the works abandoned by UKUSA.

On 29 June 2020, the Regional Trial Court rendered a decision in favor of UKUSA. Megawide satisfied the judgment on September 01, 2020 by paying UKUSA the total amount of One Million Seven Hundred Fifty-Six Thousand Twenty Seven and 89/100 Pesos (1,756,027.89).

CORPORATE GOVERNANCE

It is the firm belief of Megawide that, an organization that faithfully practices and implements the core principles of good corporate governance such as honesty, integrity, fairness, accountability, and transparency will, more often than not, outperforms and outshines its competitors. Thus, Megawide is in full compliance with the rules and regulations of SEC, PSE, and all other relevant rules and regulations, especially those involving public-listed companies.

Below are some of the Company's policies and programs in relation to corporate governance:

- a) In compliance with SEC M.C. No. 19, Series of 2016, Megawide adopted its New Manual and has taken several steps to apply its principles, such as constituting all the Board committees required therein:
 - i. Executive Committee;
 - ii. Finance Committee;
 - iii. Audit and Compliance Committee;
 - iv. Risk Oversight Committee; and
 - v. Governance, Nomination, and Compensation Committee.

The charters and compositions of the foregoing Board committees are in accordance with the New Manual.

- b) The Company has elected 4 independent directors to ensure that the Board will protect, not only the interests of the Company, but its shareholders as well.
- c) To further its corporate governance initiatives, Megawide, in 2018, implemented its Code of Business Conduct and Ethics, Code of Conduct and Ethical Standards for Suppliers, Insider Trading Policy, and Conflict of Interest Policy Supplemental Guidelines and Conflict of Interest Disclosure Form. Further, Megawide actively rolled out its Whistleblowing Policy to its employees, suppliers, vendors, and clients, to encourage the disclosure of illegal and dishonest activities occurring within the Company.
- d) In 2019, Megawide adopted its Anti-Fraud Policy, Board Self-Evaluation Policy, and introduced changes to its Related Party Transactions Policy in compliance with SEC M.C. No. 10 series of 2019. It also conducted an Annual Corporate Governance Training on November 13, 2019, with the assistance of the Institute of Corporate Directors, which was attended by the Company's directors and key officers.
- e) The Board revised the Company's vision, mission, and values, which it launched in 2019.
- f) To reinforce the Megawide's adherence to good corporate governance, and in compliance with its New Manual and SEC Memorandum Circular No. 04, Series of 2019, attached is the Company's Sustainability Report as Exhibit "4".
- g) The Company also complies with the regulatory requirements on corporate governance through the timely submission of its Integrated Annual Corporate Governance Report with the SEC and the regular updating of its corporate website (www.megawide.com.ph).

Pursuant to its commitment to good governance and business practice, Megawide continues to review and strengthen its policies and procedures, giving due consideration to developments in the area of corporate governance which it determines to be in the best interests of Megawide and its stockholders.

A full discussion on the corporate governance practices of Megawide are provided and explained in its Annual Corporate Governance Report.

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

The following management's discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the Company's audited and unaudited financial statements, including the related notes, contained in this Preliminary Prospectus. This Preliminary Prospectus contains forward-looking statements that involve risks and uncertainties. The Company cautions investors that its business and financial performance is subject to substantive risks and uncertainties. The Company's actual results may differ materially from those discussed in the forward- looking statements as a result of various factors, including, without limitation, those set out in "Risk Factors" of the Prospectus. In evaluating the Company's business, investors should carefully consider all of the information contained in "Risk Factors" of the Prospectus.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS OF AND FOR THE SIX (6) MONTHS ENDED JUNE 30, 2020 COMPARED TO SIX (6) MONTHS ENDED JUNE 30, 2019

Results of Operations

Review of results for the six (6) months ended June 30, 2020 as compared with the results for the six (6) months ended June 30, 2019

Revenues lower by 22% or ₱1.77 billion

Consolidated revenues for the period amounted to ₱6.41 billion, 22% or ₱1.77 billion lower than the same period of last year. The construction segment revenue amounted to ₱4.86 billion, ₱1.32 billion or 21% below from year ago levels and contributed 76% to the consolidated revenues. Since the government imposed the Enhanced Community Quarantine (“**ECQ**”) last March 17, construction activities and consequently the Modified Enhanced Community Quarantine (“**MECQ**”) beginning May 16, labor availability and supply chain has been disrupted, resulting in slow down and delayed ramp up of construction activities.

Airport operations delivered ₱882 million in revenue for the period as the quarantine affected travel and passenger volumes. 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 ECQ, which persisted during the MECQ and General Community Quarantine (“**GCQ**”) periods. Airport merchandising segment, which is ancillary to airport operations, likewise experienced a slowdown in sales beginning February due to reduced passenger throughput and generated revenue of ₱69 million, which accounted for 1% of the consolidated revenues.

Landport operations, which started operations in latter half of 2019, delivered revenue of P599 million for the period, mostly from office tower and commercial space leases. This contributed 9% of the consolidated revenues despite terminal operations temporarily suspended due to the ECQ at the beginning of second half of March 2020, although been serving as a transportation convergence point for healthcare workers and frontliners. Terminal operations reopened last June 8, after Manila was placed under GCQ by the government.

Direct Costs decreased by 18% or ₱1.10 billion

Direct costs amounted to ₱5.0 billion and lower by 18% or ₱1.10 billion. The decline in costs was related to the decrease in construction activities and suspension of airport and landport operations and in line with the lower revenues for the period.

Gross Profit lower by 32% or ₱676 million

Consolidated gross profit amounted to ₱1.41 billion for the first half of 2020, translating to a consolidated gross profit margin of 22%. Landport operations contributed the bulk at ₱515

million or 36% to the consolidated gross profit. The construction business and airport operations contributed ₱416 million and ₱432 million, respectively, for a 29% and 31% share, respectively. The balance came from the airport merchandising segment.

Other Operating Expenses increased by 24% or ₱154 million

Net Other Operating Expenses for the six-month period amounted to ₱785 million, ₱154 million or 24% higher from the same period last year. The increase was mainly related to the costs associated with the ₱5.0 billion corporate note issuance in February 2020 as well as the ramp up activities for the landport operations.

Other Income (Charges) increased by 119% or ₱586 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 ₱91 million on the airport segment's interest rate swap facility and the interest cost on loans availed by the terminal operations segment towards third quarter of 2019.

Tax Expense decreased by 101% or ₱236 million

Current tax expense decreased by ₱177 million or 90% compared to the same period of last year as a result of losses incurred by the airport and construction segments. Deferred taxes, likewise, decreased by ₱59 million or 159% as a result of recognition of the effect of NOLCO for construction business and application of NOLCO for landport operations.

Consolidated Net Loss for the period amounted to ₱449 million

The consolidated net loss of ₱449 million for the first six months was mainly attributed to minimal revenues generated from construction and airport segments due to restricted activities and travel bans arising from government measures to contain the COVID-19 pandemic.

B. FINANCIAL CONDITION

Review of financial conditions as of June 30, 2020 as compared with financial conditions as of December 31, 2019

ASSETS

Current Assets decreased by 8% or by ₱2.8 billion

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

Cash and Cash Equivalents declined by 26% or ₱1.69 billion

The decrease in cash & cash equivalents was due to payment of dividends on common shares declared in 2019, which were taken from the Company's 2018 retained earnings, working capital requirements due to tight collections and business closures at the start of the ECQ, and share buyback program.

Trade and Other Receivables decreased by 15% or by ₱2.56 billion

The decrease in contract receivables was largely due to the ₱3.50 billion collection from the Clark airport project representing the first milestone payment and 2nd milestone payments. Meanwhile, retention receivables, which pertain to progress billings 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, increased relative to accomplishments for the period. Receivables from terminal operations increased due to recognition of additional lease income of ₱344 million in accordance with PFRS 16 and uncollected billings from tenants of ₱277M, which were not received on time as most tenants remained closed even during MECQ.

Inventory of Construction Materials increased by 14% or by ₱183 million

The increase was due to the suspension of construction activities as a result of work restrictions imposed by the government related to the ECQ and MECQ guidelines.

Contract assets increased by 4% or ₱144 million

The increase in contract assets is mainly attributed to newly awarded contracts, which were on mobilization phase during the period.

Other Current Assets increased by 18% or by ₱1.11 billion

The increase is mainly due to advances made by the Parent to its suppliers and subcontractors for its new projects entered into during the latter part of 2019 to lock in supply and cost of major raw materials. The related input VAT also increased as a result of payments made to subcontractors.

Non-Current Assets increased by 1% or by ₱391 million

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

Investments in Associates and Joint Ventures increased by ₱0.44 million

The increase was a result of the share in the net losses taken up on Group's investment in various joint ventures and associates.

Concession Assets increased by 1% or ₱236.64 million

The increase Concession Assets was attributed to capital investments of GMCAC related to capacity augmentation of the airport. Meanwhile, amortization charges for the year amounted to ₱151 million.

Property, Plant and Equipment decreased by 3% or by ₱272 million

The decrease in the account resulted from the Group's recognition of depreciation charges on property, plant and equipment amounting to ₱561 million and procurement of certain construction equipment to support specific requirements of the ongoing projects.

Investment Properties decreased by 1% or ₱23 million

The decrease in investment properties was mainly related to the recognition of late billings on landport construction completion, which was offset by depreciation charges amounting to ₱53 million for the period.

Deferred Tax Assets decreased by 85% or ₱38 million

The decrease is due to the landport segment's additional deferred tax liability from the effect of rental collections and the application of NOLCO incurred from prior year.

Other Non-Current Assets increased by 16% or by ₱487 million

The increase is Other Non-Current Assets was mainly due to the additional placement of funds to GMCAC's "Cash Flow Waterfall Accounts" as required under the Omnibus Loan and Security Agreement.

LIABILITIES AND EQUITY

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. These are recognized initially at their fair values and subsequently measured at amortized cost, using the effective interest method for maturities beyond one year, less settlement payments. 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.

Current Liabilities decreased by 5% or by ₱1.53 billion

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

Interest-Bearing Loans and Borrowings-Current decreased by 14% or by ₱2.01 billion

The decrease in short-term loans and borrowings was related to the payment of short-term loans for the Clark Airport 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 4% or by ₱330 million

The increase in trade and other payables was mainly associated to interest accruals on the Parent and airport's loans, as the airport utilized the payment extension granted by the lenders until August 14. Meanwhile, payments were made for suppliers and dividends declared in 2019.

Contract liabilities increased by 3% or ₱141 million

The increase in contract liabilities was related to the downpayment received from 8990's Cubao project, which was offset by downpayment recoupment for ongoing projects during the six-month period.

Other Current Liabilities increased by 6% or by ₱12 million

The increase in other current liabilities was attributed to the increase in tax liabilities of the Group, particularly withholding taxes.

Non-Current Liabilities increased by 1% or by ₱398 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 ₱257 million

The increase in long-term loans and borrowings was due to additional loan availments of the Parent from its newly issued corporate note facility. Proceeds were partially used to refinance existing maturing loans as well as for general corporate purposes.

Deferred tax liabilities decreased by 11% or ₱65 million

The decrease is mainly related to impact of NOLCO recognized by the construction segment for the period.

Other non-current liabilities increased by 27% or by ₱203 million

The increase in the account was mainly due to higher security deposits received during the year from its landport operations.

Equity attributable to Parent decreased by 8% or by ₱1.13 billion

The decrease in equity was mainly the function of the share buyback program of the Parent, dividend payments to preferred stock shareholders, and net loss for the period.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS AS OF AND FOR THE FULL YEAR ENDED DECEMBER 31, 2019 COMPARED TO FULL YEAR ENDED DECEMBER 31, 2018

Results of Operations

Megawide generated consolidated revenues of ₱19.88 billion for the year 2019, 24% higher than ₱15.99 billion posted in 2018. Megawide also recorded consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) of ₱4.81 billion, 9% more than the previous year. This was driven by airport operations, which recorded a 10% growth to ₱2.33 billion and contributed 48% to total, and construction, which grew to ₱2.25 billion from ₱2.18 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 ₱1.11 billion, of which 55% or ₱609 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 ₱3.89 billion

The Company's consolidated revenues increased by ₱3.89 billion or 24% in 2019 due to improving contributions across all business segments.

Construction

The construction segment contributed 77% of Megawide's total revenue, amounting to ₱15.31 billion against ₱12.69 billion in the previous year. Revenues for the year increased by ₱2.62 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 ₱19.42 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 ₱52.40 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 ₱3.69 billion and contributed 19% to the total consolidated revenue in 2019. Revenues for the year increased by 23% or ₱695 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. There were 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, 6 new domestic destinations were added this year such as 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 ₱36 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 ₱555 million from an almost insignificant amount of ₱18 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 4-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 ₱3.41 billion

The movement in direct cost was consistent with the movement in revenue across all 3 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 ₱476 million

Consolidated gross profit amounted to ₱4.65 billion in 2019 and translated to a consolidated gross profit margin of 23%. Construction gross profit increased by ₱113 million, or 6%, to ₱2.02 billion. Airport operations grew by ₱100 million, or 5%, to ₱2.15 billion while airport merchandising grew by ₱18 million, or 8%, to ₱238 million. Terminal operations gross profit accelerated to ₱244 million as revenue stream from concessionaires and office towers commenced last year.

Other Operating Expenses increased by 41% or ₱531 million

Other operating expenses amounted to ₱1.81 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 ₱897 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 Php 6 billion. Also, the Company availed loans to finance its working capital and capital expenditure program. Tax Expense decreased by ₱169 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 ₱10.68 billion

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

Cash and Cash Equivalents increased by 14% or ₱784 million

The increase in cash and 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 ₱7.16 billion

The construction receivables increased by ₱3.27 billion mainly related to the increase in Clark Airport project's receivable amounting to ₱3 billion, which payment terms are based on milestones as indicated in the contract. Airport operations recorded an increase in receivables by ₱293 million in line with the increase in revenue. Terminal operations posted higher receivables by ₱524 million (of which ₱382 million is related to Philippine Accounting Standard (PAS) 17 adjustment on leases). Advances to affiliates increased in 2019 to incubate new businesses and support Megawide'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 ₱422 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 ₱915 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 ₱1.42 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 Company due to application of Php 406 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 ₱4.18 billion

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

Investments in Associates increased by 4% or by ₱33 million

The increase is due to equity share in earnings on Megawide's investment.

Concession Assets increased by 4% or ₱1.15 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 ₱2.47 billion

Megawide 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 ₱427 million

The increase is mainly due to additional capital investment for commercial spaces in 2019 in PITX. MWMTI has a CA 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 its commercial spaces and office towers completed in 2019.

Other Non-Current Assets increased by 2% or by ₱60 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 ₱11.43 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 ₱8.27 billion

The increase is due to the availment of short-term loans of the Company and MGCJV, Inc. to support working capital expenditures and the construction of the Clark Airport project, respectively. MGCJV, Inc. is the joint venture of Megawide and GMR Group established to construct the new Clark International Airport. In addition, maturing portion of GMCAC's loan in 2020 amounting to ₱544 million was reclassified to current loan from long term debt.

Trade and Other Payables increased by 56% or ₱2.92 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 Company. Certain invoices, mostly related to steel, have been delivered, invoiced or were recently processed by end of year. In addition, dividends payable amounting to ₱240 million were recorded upon declaration of cash dividends to common shareholders in December 2019.

Contract liabilities increased by 6% or ₱261 million

The increase is mainly related to additional Php 960 million net downpayments received by the Company for its new projects like Mandani Bay, Double Dragon tower, Gentry Manor and International Finance Center. This was reduced by the decrease from 0 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 ₱14 million

The decrease mainly relates to the decrease in withholding taxes.

Non-Current Liabilities increased by 11% or by ₱3.43 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 ₱2.70 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 ₱544 million.

Post-employment defined benefit obligation increased by ₱163 million or 92%

The increase is due to the recognition of current service cost and interest cost amounting to ₱49 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 ₱193 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 ₱373 million

The increase pertains to security deposits and advance rentals received by PITX from its concessionaire and office towers tenants and were reduced by payment of retention payable of GMCAC related to the construction of the MCIA Terminal 2.

Equity attributable to Company decreased by 1% or ₱206 million

The decrease is the function of the Company's net profit attributable to the Company recognized for the period offset by the Company's share buyback program and dividend payments to common and preferred stock shareholders.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR THE FULL YEAR ENDED DECEMBER 31, 2018 COMPARED TO FULL YEAR ENDED DECEMBER 31, 2017

Results of Operations

Megawide posted a consolidated EBITDA of ₱4.59 billion and a net profit of ₱1.87 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 ₱2.36 billion was delivered by the construction business while the balance was from the airport segment. In terms of net profit, ₱1.04 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 ₱16.0 billion for the 12 months ended December 31, 2018, compared with the ₱19.2 billion of consolidated revenues for the same period of 2017.

Construction

The construction segment contributed 79% of Megawide's total revenue amounting to ₱12.69 billion against ₱16.7 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 ₱29.52 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 ₱50.09 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 ₱3.00 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. MCI 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 ₱1.66 billion driven by the double-digit growth in passenger throughput. On the other hand, non-aero or commercial revenues grew by 34% to ₱970 million and contributed 32% to airport operations. The remaining 12% is accounted for by aero-related revenues, which increased by 26% to ₱372 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 ₱2.94 billion

Consolidated direct costs down by 20% to ₱11.61 billion in 2018 due to the lower construction revenues.

Gross Profit lower by 5% or by ₱228.50 million

Consolidated gross profit amounted to ₱4.39 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 ₱4.61 billion. Gross profit by the construction business reached ₱1.90 billion or 43% of the consolidated gross profit while the airport business delivered ₱2.26 billion or 52%. The balance came from the airport merchandising segment.

Operating Profit lower by 13% or by ₱427.75 million

Consolidated operating profit amounted to ₱2.90 billion in 2018 due to lower construction revenues generated. Airport operations contributed ₱1.80 billion which is 18% higher compared with ₱1.52 billion in 2017.

Finance Costs increased by 80% or by ₱591.64 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 MCI. 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 ₱35.75 million

The improvement in finance income was mainly attributed to the interest hike in 2018.

Other Income, net increased by 942% or by ₱543.80 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 ₱307 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 ₱86.21 million

Consolidated tax expenses declined by 11% to ₱492.84 million due to a decline in the operating profit of Megawide.

Financial Condition

Review of financial conditions as of December 31, 2018 as compared with financial conditions as of December 31, 2017

ASSETS

Current Assets increased by 33% or by ₱6.09 billion

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

Cash and Cash Equivalents increased by 16% or ₱803.78 million

The increase in cash and 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 ₱3.18 billion

The 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 ₱3.68 billion

The construction receivables increased by ₱400 million due to timing differences in the collection cycle of the trade receivables of Megawide which is 45 to 60 days from invoice date, while retention receivables increased by ₱258 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 ₱189 million basically due to an increase in revenue. The increase in other receivables is mainly due to the accrual of interest income of Megawide. 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 ₱287.74 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 ₱965.18 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 ₱3.53 billion

The increase is due to advances made by the Company to its suppliers and subcontractors for its new projects that just started and the increase in prepaid taxes of Megawide.

Non-Current Assets increased by 15% or by ₱5.40 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 ₱177.39 million

The decrease is due to the elimination of the investments in MWMTI, as a result of the Company's acquisition of the 49% stake of WMPMI in MWMTI in 2018. After the acquisition, the Company 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 ₱2.68 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 ₱278.03 million

Megawide procured new property, plant and equipment amounting to ₱942 million, which included the Company'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 ₱3.32 billion

In 2018, the Company acquired the 49% stake of WMPMI in MWMTI that resulted to a change in the accounting treatment by the Company 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 Company resulted to the recognition of investment in properties amounting to ₱3.32 billion. MWMTI has a CA 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 ₱222.56 million

The increase is due to the additional placement of unrestricted cash amounting to ₱216.0 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 ₱7.15 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 ₱3.85 billion

The increase is due to the availment of short-term loans of the Company and MGCJV, Inc. MGCJV Inc. is the joint venture of the Company and GMR Group established to construct the new Clark International Airport.

Trade and Other Payables increased by ₱7.15 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 Company.

Advances from Customers increased by 561% or by ₱2.96 billion

The net increase is due to the new downpayments received by the Company for its new projects. Billing in excess of costs on uncompleted contracts – net Contract liabilities increased by 26% or ₱246.06 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 ₱93.81 million

The increase is due to the increase in taxes payables of Megawide and unearned income of GMCAC for the advance payments received from customers and concessionaires.

Non-Current Liabilities increased by 17% or by ₱4.47 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 ₱3.98 billion

The increase is the net of GMCAC's loan availments amounting ₱3.9 Billion and the Company's loan repayment amounting to ₱684.00 Million. In addition, MWMTI's current loan amounting to ₱825 million was also consolidated under the Company.

Deferred tax liabilities increased by 495% or by ₱349.14 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 ₱129.81 million

The increase is mainly due to the retention payable of GMCAC related to the construction of the MCIA Terminal 2.

Equity attributable to Company decreased by 4% or ₱557.34 million

The decrease is the function of the share buyback program of the Company, dividend payments to common stock and preferred stock shareholders and decrease in earnings of the Company.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS OF AND FOR THE FULL YEAR ENDED DECEMBER 31, 2017 COMPARED TO FULL YEAR ENDED DECEMBER 31, 2016

Results of Operations

Group Revenue increased by 9% or ₱1.50 billion

Diversified engineering and infrastructure conglomerate Megawide Construction Corporation posted a 9% increase in consolidated revenues for the full year of 2017 to ₱9.2 billion from ₱17.7 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 ₱16.7 billion, a 6% growth from last year's ₱15.8 billion, due to the private sector projects. Quarter on quarter, revenue grew by 24% to ₱4.3 billion. New contracts booked coming from the private sector totaled to ₱10.8 billion at the end of the year. This brought total order book to ₱32.6 billion in 2017, providing earnings visibility for the next two years.

Airport operations generated ₱2.3 billion of revenues, 23% higher year-on-year from ₱1.9 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 ₱575 million.

Non-aero revenues, which accounted for 31% of the total, increased by 36% to ₱723 million. Passenger service charge went up by 16% to ₱1.3 billion, representing 56% of airport revenues. The remaining 13% is coming from Aero related revenues, which grew by 27% to ₱295 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 ₱758 million

The movement in direct cost is paralleled with movement in revenue across all three segments.

Gross Profit increased by 19% or ₱743 million

The movements in operating revenues and expenses resulted in a consolidated gross profit of ₱4.61 in 2017, rising by 19% from last year's ₱3.87 billion. Gross profit earned by construction business is ₱2.63 billion or 57% of Megawide's gross profit, with an increase of 11% from 2016 or ₱269 million while ₱1.88 billion or 41% is accounted for airport operation with an increase of 24% or ₱367 million. Increase in Group's gross profit is fueled by strong revenue contribution by both business segments ending up with an increase in Gross profit by ₱743 million.

Other Operating Expenses increased by 9% or ₱99 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 ₱53 million.

Finance cost increased by 23% or ₱152 million

Increase in finance costs due to realization of the one-time loss on sale of retail treasury bonds amounting to ₱78 million and impairment loss amounting to ₱95 million.

Finance income decreased by 9% or ₱16 million

Decrease in finance income is due decline in value of short-term placement of Megawide in 2017.

Other income, net decreased by 22% or ₱16.65 million

In 2016, gain on disposal of property and equipment amounted to ₱51.75 million whereas in 2017 there is only minimal disposal with marginal gain amounting to ₱5.0 million.

Tax expense increased by 29% or ₱131 million

Increase in tax expense is due to increase in profit of Megawide.

Net income increased by 17% or ₱328 million

With revenue growth outpacing the rise in cost buoyed by robust performance of both construction and airport operations, net income increased by ₱328 million.

Financial Condition

Review of financial conditions as of December 31, 2017 as compared with financial conditions as of December 31, 2016

Current Assets decreased by 11% or ₱2.28 billion

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

Cash and cash equivalents decreased by 21% or ₱1.33 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 ₱5.42 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 Megawide amounted to ₱4.72 billion which also includes capital investment on land, warehouse, construction and transportation equipment by the Parent amounting to ₱498 million and investment in subsidiary amounting to ₱221 million. Megawide's operating activities provided cash inflow amounting to ₱1.35 billion while financing

activities provided cash inflow of ₱2.0 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 ₱1.46 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 ₱1.60 billion

Increase is mainly due to the timing difference in the collection cycle of trade receivable of Megawide which is 30 to 45 days from invoice date. Quarter on quarter, revenue grew by 24% to ₱4.3 billion in 2017. In addition, retention receivables increased by ₱972 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 ₱126 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 ₱919 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 ₱279 million

The decrease is due to amortization of prepaid assets of Megawide and decreased in input vat as a result of output vat payments and usage of creditable withholding tax to pay Megawide's income tax expense. As a result of robust performance of Megawide, both output vat payables and income tax expenses increased in 2017.

Non-current assets increased by 19% or ₱5.61 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 ₱208 million

The Parent Company infused cash in MWM, Terminals Inc. (MWMTI) amounting to ₱204 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. Megawide also recognized its share in net earnings on its investments in associates amounting to ₱3.6 million.

Concession asset increased by 26% or ₱5.27 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 ₱49 million

Megawide 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 ₱135 million to investment property since these parcels of lands are not used by Megawide in its ordinary course of business. The total depreciation of Megawide, excluding the amortization of concession assets, amounted to ₱532 million as of end of December 31, 2017.

Deferred tax asset decreased by 100% or ₱34 million

Megawide has net deferred tax liability as of December 31, 2017 compared with the ₱34 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 ₱75 million

Increase is due to additional placement of unrestricted cash amounting to ₱216 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 ₱278 million. Deferred input vat also increased by ₱143 million because of capital investment made by GMCAC related to its construction of the new terminal 2 of MCIA.

Current liabilities decreased by 18% or ₱2.05 billion

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

Interest-bearing loans and borrowings current decreased by 5% or ₱127 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 ₱764 million

The decrease is mainly due to volume and schedule of purchases of materials and services that is directed by the cyclical nature of construction accomplishment of every project. Timing of payments to suppliers and subcontractors also affects the movement of trade payables. Retention payable increased by ₱517 million as a result of the progress billings processed and accrued by Megawide as of the end December 31, 2017.

Advances from customers decreased by 59% or ₱751 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 ₱429 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 ₱26 million

Due to voluminous purchases of materials and services and increase in salaries and wages as a result of robust performance of Megawide, 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 ₱3.45 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 ₱3.31 billion

The increase is primarily due to GMCAC'S availment of ₱3.42 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 ₱60.77 million

This is due to accrual of retirement obligation of the Parent.

Deferred tax liabilities increased by 100% or ₱70.53 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 ₱8.27 million

Retention payable of GMCAC related to the construction of the new terminal 2 of Mactan-Cebu International Airport increased by ₱115.30 million while security deposits decreased by ₱107M due to reclassification to current portion of deposits maturing in the following year.

Equity attributable to Parent increased by 11% or ₱1.46 billion

The increase is mainly the function of Megawide's share in net income.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS AS OF AND FOR THE FULL YEAR ENDED DECEMBER 31, 2016 COMPARED TO FULL YEAR ENDED DECEMBER 31, 2015

Result of Operations

Group Revenue increased by 14% or ₱2.22 billion

Megawide has posted an all-time high revenue of ₱17.66 billion in 2016 which is 14% or ₱2.22 billion higher compared with Megawide's revenue in 2015. Of the total revenue, construction segment contributed 89% at ₱15.79 billion while airport segment contributed 11% at ₱1.87 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 ₱1.83 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 ₱12.73 billion. As a result, total construction order book as of December 31, 2016 stands at ₱38.49 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 ₱388 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 ₱192 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 ₱646 million

Gross profit earned from construction is ₱2.36 billion or 61% of Megawide' gross profit while gross profit earned from airport operation amounted ₱1.51 billion. Construction gross profit increased by 13% or ₱270 million while airport operations booked an increase in gross profit of ₱376 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 ₱201 million

The increase in other operating expenses is directly attributable to increase in revenues of Megawide 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 Megawide remained at 6% for both years.

Operating Profit increased by 19% or ₱445 million

The increase is a result of higher revenues from both construction and airport operations of Megawide.

Finance Costs increased by 20% or ₱113 million

Increase in finance cost is mainly due to the interest on ₱3 billion loan availed by GMCAC in 2016 to fund the construction of terminal 2. The loan availment of GMCAC was made in accordance with its drawdown schedule with the banks.

Finance Income increased by 30% or ₱43 million

Megawide's finance income increased due to higher value of short-term placements and cash in bank of Megawide.

Other Income increased by 204% or ₱50 million

The increase is due to portion of the land sold in 2016 in which the Parent Company recorded a gain on ₱52 million and the increase in management fees to unconsolidated entities of Megawide by ₱18 million.

Tax Expense decreased by 5% or ₱21 million

GMCAC's tax expense decreased by ₱196 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 ₱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 ₱446 million

Megawide's Consolidated Net Profit increased by ₱446 million compared to the same period in 2015 due to strong earnings from both construction and airport operations.

Financial Condition

Review of financial conditions as of December 31, 2016 as compared with financial conditions as of December 31, 2015

Current Assets decreased by 7% or ₱1.52 billion

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

Cash and cash equivalents increased by 91% or ₱2.99 billion

Cash inflow from operating activities of Megawide amounted to ₱5.61 billion, ₱3.869 billion of which pertains to the Parent Company and ₱1.92 billion from the airport operation. The increase in operating cash inflow of Megawide 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 ₱3 billion. Meanwhile, cost to reacquire and sell treasury shares of the Parent amounted to ₱1.95 billion. In 2016, the Parent purchased 410,842,702 common shares held by Sybase Equity Investment Corporation for a total consideration of ₱4.12 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 ₱1.31 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 ₱2.88 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 ₱159 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 ₱539 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 ₱57 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 ₱4.09 million

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

Available-for-sale financial assets (AFS) increased by ₱931M

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 Megawide's cash management program.

Investments in associates and joint venture increased by 10% or ₱78 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. Megawide also recognized its share in net losses on its various equity investments totaling to ₱10 million.

Concession asset increased by 24% or ₱3.97 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 ₱319 million

In 2016, Megawide purchased equipment totaling ₱909 million, of which ₱718 million is related to the construction segment to support the order book of the Parent. Megawide's depreciation in 2016 amounted to ₱504 million.

Deferred tax asset increased by ₱34 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 ₱1.24 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 ₱930 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 ₱391 million for the construction of Mactan-Cebu International Airport were applied against progress billings.

Current liabilities decreased by 9% or ₱1.19 billion

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

Interest-bearing loans and borrowings current decreased by 25% or ₱903 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 ₱655 million

The Parent paid its suppliers and subcontractors for its solar farm projects as these projects came into completion in 2016. The Parent also continues 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 ₱414 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 ₱778 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 ₱5 million

Increase is only due to increase in withholding taxes of Megawide.

Non-Current liabilities increased by 22% or ₱4.15 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 ₱4.12 billion

The increase is primarily due to GMCAC availment of ₱3.05 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 ₱1 billion ten-year corporate term loan.

Deferred tax liability decreased by 100% or ₱145 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 ₱136 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 ₱43 million.

Equity decreased by 2% or ₱395 million

The decrease is mainly the function of the Megawide's treasury shares amounting to ₱1.96 billion, net of reissuance of treasury shares and it's the corresponding increase in APIC and payment of preferred shares dividend amounting to ₱281 million. Meanwhile, total equity of Megawide increased by ₱1.92 billion as result of the recognition of Megawide'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.

KEY PERFORMANCE INDICATORS

The following table summarizes Megawide's Key Performance Indicators ("KPIs") and Ratios as of and for the six months ended June 30, 2020 and 2019 and as of and for the years ended December 31, 2019, 2018, 2017 and 2016:

	June 30		December 31			
	2020	2019	2019	2018	2017	2016
Current Ratio ⁽¹⁾	1.23	1.34	1.27	1.50	1.99	1.83
Debt to Equity Ratio ⁽²⁾	2.75	2.12	2.65	2.04	1.60	1.59
Asset to Equity Ratio ⁽³⁾	4.69	3.81	4.49	3.66	3.00	3.15
Interest Coverage Ratio ⁽⁴⁾	0.62	2.17	1.71	3.33	5.36	4.88
Book Value per Share ⁽⁵⁾	4.58	5.24	5.02	5.06	5.20	4.52
Earnings per Share ⁽⁶⁾	-0.21	0.21	0.28	0.56	0.70	0.57
Return on Assets ⁽⁷⁾	-0.02	0.04	0.02	0.03	0.04	0.04
Return on Equity ⁽⁸⁾	-0.03	0.04	0.06	0.10	0.13	0.12

Gross Profit Margin ⁽⁹⁾	22%	26%	23%	26%	24%	22%
Operating Profit Margin ⁽¹⁰⁾	10%	18%	14%	18%	18%	16%

Notes:

(1) Current Assets / Current Liabilities

(2) Interest bearing loans and borrowings / Stockholder's Equity

(3) Total Assets / Stockholder's Equity

(4) Earnings before Interest and Taxes (EBIT) / Interest Charges

(5) Equity Attributable to Shareholders of the Parent Company less Preferred Equity / Issued and Outstanding Shares

(6) Net Income / Issued and Outstanding Shares

(7) Net Income/ Stockholder's Equity

(8) Net Income/ Total Assets

(9) Gross Profit/ Total Revenues

(10) Operating Profit/ Total Revenues

The KPIs were chosen to provide management with a measure of Megawide's financial strength (Current Ratio, Debt to Equity Ratio, Asset to Equity Ratio, and Interest Coverage Ratio), and profitability (Earnings per Share, Return on Assets, Return on Equity, Gross Profit and Operating Profit Margin). Analyses are employed by comparisons and measurements based on the financial data of the current period against the same period of previous year as discussed in section "Management's Discussion and Analysis of Financial Condition and Results of Operation".

THE PHILIPPINE CONSTRUCTION INDUSTRY

The information in this section has been derived from various government and private publications, and unless otherwise indicated, has not been prepared or independently verified by the Company or the Joint Lead Underwriters and Bookrunners or any of their respective affiliates or advisors. Please refer to the section “Regulatory and Environmental Matters” of this Preliminary Prospectus.

Regulated Industry

R.A. No. 4566 as amended by PD No. 1746 requires a construction company seeking to operate in the Philippines to obtain either a regular or a special license with the PCAB. In order to enforce the licensing requirements, all architects and engineers preparing plans and specifications and all public or private agencies or entities conducting biddings and/or letting out contracts for construction work to be contracted and undertaken in the Philippines, shall include in their invitation to bidders and other bidding documents necessary stipulations to convey to every bidder, whether he is a resident of the Philippines or not, the information that it will be necessary for him to have a license before his bid is considered.

Classification and Categorization

Constructors are classified into three main contracting classifications, based on capability and specialization:

Classification	Areas of Specialization
General Engineering Construction	a.) Road, highway, pavement and bridge b.) Irrigation and flood control c.) Dam, reservoir and tunneling d.) Port, harbor and offshore engineering
General Building Construction	a.) Building and industrial plant b.) Sewerage and sewage treatment/disposal plant and system c.) Water treatment plant and system d.) Park, playground and recreational work
Specialty Construction	a.) Foundation work b.) Structural steel work c.) Concrete pre-casting and pre-stressing d.) Plumbing and sanitary work e.) Electrical work f.) Mechanical work g.) Mechanical work (ventilation-refrigeration) h.) Mechanical work (elevator-conveyor) i.) Fire protection work j.) Waterproofing work k.) Painting work

Source: Rules and Regulations Governing Licensing and Accreditation of Constructors in the Philippines

In addition, each constructor is evaluated, graded and assigned a category based on the following criteria and quantified by equivalent credit points:

- 1) financial capacity measured in terms of net worth;
- 2) equipment capacity in terms of the book value;
- 3) experience of the company in terms of aggregate number of years in which the firm has actively engaged in construction contracting and operation and average annual value of work completed during the past three (3) years; and
- 4) experience of the technical personnel

Class	Category	Minimum Qualification Requirements					Overall CPR (2)
		Financial Capacity		Construction Experience Requirement			
		Equity' (in million P)	CPR (1)	Individual	Aggregate	Minimum CPR	
General Engineering	AAAA	1,000.00	10,000.00	10	60	300.00	10,300.00
	AAA	180.00	1,800.00	10	60	300.00	2,850.00
	AA	90.00	900.00	10	50	250.00	1,365.15
	A	30.00	300.00	7	21	105.00	475.00
	B	10.50	100.00	5	10	50.00	177.50
	C	6.00	60.00	3	3	15.00	105.50
	D	2.00	20.00	3	3	15.00	35.00
General Building	AAAA	1,000.00	10,000.00	10	60	300.00	10,300.00
	AAA	180.00	1,800.00	10	60	300.00	2,810.00
	AA	90.00	900.00	10	50	250.00	1,345.00
	A	30.00	300.00	7	21	105.00	471.00
	B	10.50	100.00	5	10	50.00	175.50
	C	6.00	60.00	3	3	15.00	96.50
	D	2.00	20.00	3	3	15.00	35.00
Specialty	AAAA	1,000.00	10,000.00	10	60	300.00	10,300.00
	AAA	180.00	1,800.00	10	60	300.00	2,410.00
	AA	90.00	900.00	10	50	250.00	1,145.00
	A	30.00	300.00	7	21	105.00	421.00
	B	10.50	100.00	5	10	50.00	165.50
	C	6.00	60.00	3	3	15.00	90.50
	D	2.00	20.00	3	3	15.00	35.00
Specialty – Trade	E	0.10	1.00	none	none	none	1

Source: CIAP

Notes:

¹CPR – Credit Points Required

²Overall credit points inclusive of Equipment Capacity (10point/₱100,000); Experience of Firm (10 points/year of active existence and 1point/₱100,000 of 3 year average annual volume of work accomplished; and COMTCP points if STEs are COMTCP certified

Construction Licenses Issued

Under the law, only contractors accredited by the PCAB are allowed to enter into a construction contract with clients. For 2017 to 2018, PCAB has issued a total of 10,112 contractors' licenses. The following table shows the breakdown of contractors per type:

In terms of Size	Share to total
Large Contractors (AAA & AA)	6.0%
Medium-sized Contractors (A & B)	33.0%
Small Contractors	61.0%
In terms of Principal Classification	Share to total
General Engineering (GE) Contractors	44.0%
General Building (GB) Contractors	34.0%
Trade Contractors	9.0%
Specialty Contractors	12.0%

Source: Philippine Contractors Accreditation Board

Also, the PCAB has issued special licenses to 26 foreign contractors, majority of these contractors were Chinese (12), followed by Japanese (3), and Korean (3) firms, while the remaining were Dutch (1), Spanish (1), French (1), Singaporean (1), Italian (1), Australian (1), Malaysian (1) and American (1).

The PCAB issues two (2) kinds of licenses, a regular or a special license. Under the Implementing Rules and Regulations (“**PCAB IRR**”) of Republic Act No. 4566, otherwise known as the “Contractors’ License Law” (“**PCAB Law**”), a PCAB Regular License may only be issued by the PCAB to construction firms of Filipino sole proprietorship, or partnerships or corporations with at least 60% percent Filipino equity participation and duly organized and existing under Philippine law.

However, the Supreme Court, in the case of *Philippine Contractors Accreditation Board v. Manila Water Co., Inc.* (G.R. No. 217590, March 10, 2020) has recently ruled that foreigners can obtain regular licenses from the PCAB. It ruled that the construction industry is not one which the Constitution has reserved exclusively for Filipinos. There is also no prohibition in the law for foreigners to enter into the same projects as Filipinos in the field of construction. “Private domestic construction contracts” has also been removed from the Foreign Investments Negative List since 1998. Thus, the provision requiring foreigners to obtain a special license has been declared null and void, along with the provision limiting the regular license to construction firms at least 60% of which is owned by Filipinos. In light of this ruling, foreigners can now obtain regular licenses from the PCAB.

CONSTRUCTION INDUSTRY PERFORMANCE

SELECTED MACROECONOMIC INDICATORS

At Constant Prices, Base Year = 2000

In Billion Pesos except amounts in %

(2017 – 2018)

INDICATORS		2017	2018	Growth Rate (% increase/decrease)
GDP	Total GDP	8,665.7	9,203.1	6.2%
	GVA or Peso Contribution of Construction Industry to GDP	539.3	625.2	15.9%
	% Share of Construction to GDP	6.2%	6.8%	-
	Total Investment or Gross Capital Formation (GCF)	2,504.5	2,852.3	13.9%
Investments	Investments (GV) in Construction	840.0	966.4	15.1%
	Public	214.2	259.7	21.2%
	Private	625.8	706.7	12.9%
	% Share of Construction to total Investment or GCF	33.5%	33.9%	-
Employment	Total Domestic Employment (in thousand workers)	40,335	41,103	-
	Average Construction Employment (in thousand workers)	3,537	3,848	-
	% Share of Construction to Total Employment	8.8%	9.4%	-

Source: Construction Industry Authority of the Philippines, Philippine Statistical Coordination Board, Philippine Statistics Authority and Department of Labor and Employment (as of 1Q 2019)
 Note: 2018 data reflects first to third quarter on employment. .

The increases in both public and private activities increased the share of the Construction Industry to GDP to 6.8 percent for the year 2018. The construction output as measured by Gross Value Added (GVA) amounted to ₱625.2 Billion in 2018, which reflected a 15.9% growth rate compared to output last year of ₱539.3 Billion, while the construction investments measured by Gross Value in Construction (GVC) valued at ₱966.4 Billion which grew by 15.1% from ₱840.0 Billion in 2017.

In terms of construction per sector, private construction activities have formed a larger part of construction expenditure in the country, composing an average of 75% of all construction expenditure for 2018. This shows the private sector's active role in the growth of the industry which expanded by 12.9% in 2018. However, the public sector's contribution accelerated by 21.2%. The double digit increase was the effect of the government's implementation of BBB Program. This is expected to improve more as the Philippine Government will roll-out various infrastructure programs in the next few years. Our country is seen as one of the fastest growing construction markets in the world.

CONSTRUCTION DEMAND

The Philippine Government gathers statistics on the demand for private construction from approved building permits that relate to data on new construction, additions, alterations and repairs of existing residential and non-residential buildings and other structures undertaken in all cities/municipalities in the country.

From 2017 to 2018, residential building permits accounted for 75% of total approved building permit applications. Building permits are defined as written authorizations granted by the Local Building Official ("LBO") to an applicant allowing them to proceed with the construction of a specific project after plans, specifications and other pertinent documents have been found to be in conformity with the National Building Code (PD 1096).

Approved Building Permits For All Types of Construction in number of applicants

Segment	1H 2017	1H 2018
Non-Residential Building	9,858	11,231
Residential Building	52,497	54,422
Additions, alterations, repairs	8,729	10,503
Total	71,084	76,156

Source: Construction Industry Authority of the Philippines

In terms of value, residential building construction, composed of single type, duplex, apartment and residential condominiums, accounted for a larger portion of the total value of private building construction, at an average of 73% in 1H 2017 to 1H 2018 from 51% from 2009 to 2013. This is followed by non-residential building construction, which includes commercial, industrial, agricultural and institutional buildings, which contributed an average of 20% in 1H 2017 to 1H 2018 from 49% from 2009 to 2013. Permits for additions, alterations and repairs contributed an average of 7%.

Total Value of Construction

In ₱Billions

Segment	1H 2017	1H 2018
Non-Residential Building	59.60	68.80
Residential Building	74.18	63.94
Additions, alterations, repairs	13.31	12.85
Total	147.09	145.59

Source: Construction Industry Authority of the Philippines

In terms of area, the bulk of the value of construction originated from Luzon, with the National Capital Region, CALABARZON and Central Luzon regions still accounting for more than half of the value of private building construction in 2018.

PROSPECTS

The industry's output value is expected to continue to expand in real terms over the forecast period (2019-2023), driven by the government's plans to upgrade the country's transport infrastructure. The industry's output value in real terms is expected to rise at a compound annual growth rate (CAGR) of 8.60% over the forecast period. The industry is consequently expected to rise from a value of US\$44.3 billion in 2018 to US\$66.9 billion in 2023, measured at constant 2017 US dollar exchange rates.

Fitch Solutions expects a slower growth for the construction industry in the Philippines amid the pandemic. It has lowered the growth projection for the industry this year to 3.6 percent instead of 5.8 percent compared to last year's growth of 4.1 percent. As reported, works on numerous projects across the country have been temporarily halted which will stretch the project timelines. The projects also face supply chain challenges, especially if sourced from foreign markets.

However, the government is still set to ramp up its BBB program even if the administration has diverted a portion of its funding in the Bayanihan Cash Assistance program.

In 2019, the Construction Industry Roadmap 2020 to 2030 was crafted by the Department of Trade and Industry through the Construction Industry Authority of the Philippines and the Philippine Contractors Association (PCA). The construction industry is aiming to boost its contribution to the economy to ₱130 trillion from just ₱2.3 trillion in 2018. The road map aligned its goals and strategies with the Philippine Development Plan and the United Nation's Sustainable Development Goals.

Another important content of the roadmap includes the legislation of a long-term infrastructure development program that will ensure continuity of the programs beyond changing administration so the country can catch up on infrastructure deficiencies. The proposed law will feature a 30-year Infrastructure Master Plan with emphasis on maintaining a budget of at least 5 percent of the GDP.

Source: Global Information, Inc., Fitch Solutions Inc.

BUILD, BUILD, BUILD PROJECTS

The Philippine Government's continued policy of pursuing infrastructure programs will help fuel construction, as infrastructure projects necessitate the heavy involvement of construction. The Build, Build, Build projects by the Duterte administration which is proposed at ₱8 Trillion have been various infrastructure projects in transportation, power and electrification, water resources, communications and digital infrastructure, and social infrastructure, among others.

Some of the notable Build, Build, Build projects are:

Project	Cost (Billions ₱)
Metro Cebu Expressway Project	28.02
Pasacao-Balatan Tourism Coastal Highway	13.28
LRT 2 West Extension	10.12
Camarines Sur Expressway	8.67
Sangley Airport	1.43
Water	
Kanan Dam Project	56.00
Kabulnan-2 Multipurpose Irrigation and Power Project	31.22
New Centennial Water Source - Kaliwa Dam Project	12.19
Panay River Basin Integrated Development Project	19.36
Urban Development and Renewal	
Metro Manila Priority Bridges for Seismic Improvement Project	7.933
Pasig-Marikina River Channel Improvement Phase IV	33.10
Integrated Disaster Risk Reduction and Climate Change Adaptation Measures in the Low-Lying Areas of Pampanga Bay	16.50
Cavite Industrial Area Flood Management Program	9.89
Reconstruction and Development Plan for Greater Marawi (JICA grant)	0.970
Power	
Agus-Pulangi Rehabilitation Project	20.0

Megawide considers this as a big opportunity as it also expands its business from being the emerging leader in high-rise construction into venturing into infrastructure projects such as affordable housing, classroom building, elevated expressways, construction of roads and bridges, and heavy industries related to energy and power plants

Aside from expected growth in Infrastructure projects, other opportunities for new businesses are available.

1. **Boom in real estate and construction** have increased the demand for construction services.
2. **Further expansion of major retail chains nationwide**, especially outside Metro Manila will increase the demand for construction services.

3. **Ease of Doing Business (Republic Act 11032)** would encourage greater investments and take office spaces (which could also increase the demand for construction services); the Implementing Rules and Regulations of the Ease of Doing Business Law was signed last July 2019 and is expected to be fully implemented within the next 2 years.
4. **Proposed easing of foreign ownership restrictions in economic sectors** (telecommunications, transportation, construction, and retail) should attract new businesses to invest in the country.
5. **Second phase of the tax reform package (CITIRA Bill)**, if passed into law, will reduce corporate income taxes from 30% to 20% which will increase companies' income and spending as well as attract investors into the country; expansion of existing and new companies may need additional manpower which will create demand for residential spaces.

Due to these factors, there are certain risks that will affect the industry

1. **Some delays in major infrastructure projects due to the pandemic and government processes** could also affect the income of construction companies.
2. **Recent developments on Philippine Offshore Gaming Operators (POGO)** such as government's suspension of new applications for POGOs, any further crackdown on illegal Chinese online gaming activities as discussed by the Chinese and Philippine governments, intensified collection of taxes from POGOs/POGO workers, and the proposed transfer of POGO operations to self-contained hubs could adversely affect the construction of new projects targeted to cater to this market.
3. **Ban on new economic zones in Metro Manila** will limit supply of office space in the capital and could slow down the demand for new construction projects (however, this will encourage more projects in areas outside Metro Manila).

MARKET INFORMATION

The common shares of the Company 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, for the periods indicated, the high and low closing prices for the Company’s shares as reported on the PSE:

2017	High	High (adjusted)	Low	Low (adjusted)
First Quarter	18.00	n/a	14.16	n/a
Second Quarter	19.86	n/a	16.90	n/a
Third Quarter	18.86	n/a	14.90	n/a
Fourth Quarter	19.00	n/a	15.42	n/a
2018				
First Quarter	22.15	n/a	17.66	n/a
Second Quarter	25.00	n/a	19.80	n/a
Third Quarter	20.60	n/a	15.46	n/a
Fourth Quarter	19.40	n/a	14.02	n/a
2019				
First Quarter	21.50	n/a	17.06	n/a
Second Quarter	23.00	n/a	18.78	n/a
Third Quarter	19.52	n/a	17.60	n/a
Fourth Quarter	19.00	n/a	16.32	n/a
2020				
First Quarter	16.80	n/a	5.35	n/a
Second Quarter	7.44	n/a	7.17	n/a
Third Quarter	7.25	n/a	7.11	n/a

On October 29, 2020, the closing price of the Company’s common shares on the PSE was ₱7.40 per share.

MANAGEMENT AND CERTAIN SHAREHOLDERS

DIRECTORS AND SENIOR MANAGEMENT

As of date, Megawide is governed by a Board of seven (7) directors composed of Mr. Edgar B. Saavedra, Mr. Manuel Louie B. Ferrer, Mr. Oliver Y. Tan, former Chief Justice Hilario G. Davide, Jr., Mr. Leonilo G. Coronel, Mr. Celso P. Vivas and Mr. Alfredo E. Pascual. Its management team is headed by a licensed civil engineer who has been practicing for seventeen (17) to eighteen (18) years, namely, its President, Chief Executive Officer and Chairman of the Board, Mr. Edgar B. Saavedra.

Directors shall hold office for one (1) year or until their successors are elected and qualified. The first directors are also the incorporators. The annual meeting of the stockholders shall be held every June 30 of each year.

The Board is 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 Megawide.

The 2016 Code of Corporate Governance for Publicly-Listed Companies requires that at least three directors, or such number as to constitute at least one-third of the members of the Board, whichever is higher, are independent directors. 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.

The table below sets forth each member of Megawide's Board as of date.

Name	Age	Citizenship	Positions	Term of Office	Directorships Held in Other Companies/ Business Experience
Edgar B. Saavedra	45	Filipino	Chairman of the Board, CEO, and President	Yearly	- Chairman of the Board, MWMTI and MTI - Director and President, Citicore and MLI - Director, GMCAC - Director, MySpace
Manuel Louie B. Ferrer	45	Filipino	Director and Chief Corporate Affairs and Branding Officer	Yearly	- Director and President, GMCAC, MWMTI and MTI - Director, Citicore, MySpace, and MLI - Managing Director, MagicWorx Licensing Inc. - Former Associate Marketing Engineer, OCB International Co., Ltd
Oliver Y. Tan	42	Filipino	Director	Yearly	- Director, Vice President, and Treasurer, Citicore; - Director and Treasurer, MySpace, MTI, and MLI - Director, CMCI, MWCCI, and MPI - Director and Corporate Secretary, FSMI and IRMO
Leonilo G. Coronel	75	Filipino	Lead Independent Director	Yearly	- Director, Philippine National Bank - Director, Software Ventures,

					<p>Int'l.</p> <ul style="list-style-type: none"> - Executive Director, RBB Micro Finance Foundation - Independent Director, DBP-Aiwa Securities SMBC Phils. Inc.
Hilario G. Davide, Jr.	84	Filipino	Independent Director	Yearly	<ul style="list-style-type: none"> - Independent Director and Vice- Chairman, Manila Bulletin Publishing Corporation - Independent Director, Philippine Trust Company - Trustee, University of San Carlos in Cebu City - Former Permanent Representative of the Republic of the Philippines to the United Nations in New York, - Chief Justice of the Supreme Court of the Philippines - Commissioner, 1986 Constitutional Commission
Celso P. Vivas	73	Filipino	Independent Director	Yearly	<ul style="list-style-type: none"> - Lead Independent Director and Chairman of Audit and Risk Management Committee, Keppel Holdings, Inc. - Independent Director and Chairman of Audit and Risk Management Committee, Keppel Philippines Marine, Inc. - Independent Director and member of Audit Committee, Keppel Philippines Properties, Inc. - Independent Director and Member of Audit and Risk Management Committee, SM Keppel Properties, Inc. - Independent Director, Chairman of Governance, Nomination, and Remuneration Committee, and member of Audit and Risk Management Committee, Republic Glass Holdings, Inc. - Former Risk Consulting Partner and Assurance Business Advisory Partner, SGV
Alfredo E. Pascual	71	Filipino	Independent Director	Yearly	<ul style="list-style-type: none"> - Lead Independent Director, SM Investments Corporation - Independent Director,

					<p>Concepcion Industrial Corporation and Asiabest Group International Inc.</p> <ul style="list-style-type: none"> - Board Trustee, Institute of Corporate Directors and Shareholders Association of the Philippines - From 2011 to 2017: President and Board Co-Chair, University of the Philippines - Formerly Director for Private Sector Operations, Director for Infrastructure Finance, and Advisor for Public Private Partnership (Infrastructure Development), Asian Development Bank
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The business experience of each of the Company's directors and officers covering the past five years are described below.

Board of Directors

The following is a brief description of the business experience of each of the Directors:

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; Member of the Risk Oversight Committee; Chief Executive Officer; and President.

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 the 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.

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 the 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.

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 the Audit and Compliance Committee.

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

Mr. Tan serves as a Director and the 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 the Corporate Secretary of Future State Myspace Property, Inc. and IRMO Inc.

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

LEONILLO 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 an Executive Director of RBB Micro Finance Foundation, and an Independent Director of DBP-Daiwa Securities and SMBC Philippines, Inc.

Mr. Coronel acted as the Project Director of the Small and Medium Enterprises 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.

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 (“UP”).

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.

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 the 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' ["ICD"] 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.

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 in 2019, Mr. Pascual was the President and Chief Executive Officer of the ICD. He is now a Trustee of the ICD as well as of the Shareholders Association of the Philippines ("SharePHIL"). From 2011 to 2017, he led UP's 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 obtained his Master of Business Administration degree and Bachelor of Science in Chemistry (Cum Laude) degree from UP.

Key Officers

Manuel Louie B. Ferrer, 45, Filipino citizen; is 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 the 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.

Maria Belinda B. Morales, 61, Filipino, is the Chief Human Resources Officer of Megawide. A seasoned HR leader, she has more than twenty-five (25) years of work experience in all aspects of Human Resources and Organization Transformation. Prior to joining Megawide she was a Former Head of Talent Management for Asia Pacific in Misys International Banking Systems, Former Senior Vice President of HR at Standard Chartered Bank, Philippines, Former Vice President for Training and Development at Citytrust Banking & Bank of the Philippine Islands. She was also an

Executive Coach at Rockwell Land Corporation and has coached their senior executives and managers on leadership and professional development and work-life balance concerns. She graduated at St. Paul College, Manila with a Bachelor of Science degree in Psychology, and attained her Masters in Arts Major in Psychology from Ateneo De Manila University, Quezon City in 2010.

Ramon H. Diaz, 61, Filipino, is the Chief Finance Officer of Megawide. Prior to joining Megawide, he was the President and the Chief Operating Officer of Metro Pacific Zamboanga Hospital Corporation, a member of the Metro Pacific Hospital Holdings Group. He has been the Chief Finance Officer of PT Internux, a telecommunication company in Jakarta and Chief Operating Officer of PT Jababeka Infrastruktur in Indonesia. He obtained 40 years of experience in Finance and General Management. He graduated Magna Cum Laude with a Bachelor of Science in Commerce, Major in Accounting from the in University of San Carlos, Cebu City in 1977.

Mohit Malhi, 38, Indian, Chief Commercial Officer of Megawide and assigned to handle commercial side of PITX. He worked with Vistara (TATA SIA Airlines Ltd.) Gurgaon, India, as Head of Strategic Partnership, Alliances and Ancillaries prior to joining Megawide. He has more than 12 years of experience in conceiving and implementing ideas that fuel marketplace presence and drive revenue. He took his Bachelor's in Engineering Major in Computer Science and Engineering from Institute of Technology and Management, Gurgaon India in 2005 and obtained his Master's Degree from Amity Business School, NOIDA, India in 2007.

Raymund Jay S. Gomez, 48, Filipino, Chief Legal Officer, Compliance Officer and Data Protection Office of Megawide. He was the Vice President for Human Resources, Legal and Regulatory Affairs and Chief Compliance Officer of Beneficial Life Insurance Company, Inc. prior to joining to Megawide. He is more than 25 years in active legal service with extensive experience in corporate, commercial. He graduated at Dela Salle University with Bachelor's Degree in Commerce Major in Legal Management and holds a Bachelor's Degree of Laws from San Beda College.

Anthony Leonard G. Topacio, 38, Filipino, Corporate Secretary and Corporate Information Officer. He is also assigned as Corporate Secretary for MySpace and MTI. Prior to joining Megawide, he was the Corporate Secretary, Compliance Officer, Data Protection Officer, and Acting Head of Human Resources, Legal, and Regulatory Affairs Department of Beneficial Life Insurance Company, Inc., Legal Manager for International Container Terminal Services, Inc., and Associate General Counsel for Aboitiz Equity Ventures, Inc.

Kama Neson Ganeson, 54, Malaysian, Acting Chief Risk Officer and Head of Total Quality Management. Prior to joining Megawide, he was assigned as Country Director of ECC International Philippines, Chief Operating Officer of ECCI Consultancy Malaysia, Senior Operations Director of KELSEAT Corporation, Operations Director (South East Asia) of General Motors, and QMS Manager of Robert Bosch GMBH.

Jaime Raphael C. Feliciano, 42, Filipino, Chief Business Development Officer of Megawide. Prior to joining Megawide, he holds the position as Special Counsel of Romulo Mabanta Buenaventura Sayoc & de los Angeles and as Head of Asian Infrastructure Centre of Excellence in Asian Development Bank. He finished his Bachelor's Degree in Arts Major in Management Economics from Ateneo de Manila University and took his Bachelor of Law from University of the Philippines and obtained his Masters Degree in University of the Philippines.

Anthony Vergel B. Velasco, 45, Filipino, Chief Internal Audit Officer of Megawide, a Certified Internal Auditor (CIA) and Certified Information Systems Auditor (CISA). Prior to joining Megawide, he was the Chief Audit Executive of 2GO Group, Inc. He finished his Bachelor's Degree in Commerce Major in Accounting in San Beda College, Manila and attained his Masters Degree Major in Financial Management in National College of Business and Arts, Manila.

Christopher A. Nadayag, 36, Filipino, Treasurer and Deputy Chief Financial Officer. Currently he is assigned as a Director for Citicore and MWMTI.

SIGNIFICANT EMPLOYEE

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 directors are related to each other.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

As of the date of this Prospectus and during the past five (5) years, Megawide is not aware of the occurrence of any of the following events that are material to the evaluation of the ability or integrity of any director or executive officer:

1. 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 2 years prior to that time;
2. Any director, nominee for election as director, or executive officer being convicted by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
3. Any director, nominee for election as director, or executive officer being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
4. Any director, nominee for election as director, or executive officer being found by a domestic or foreign court of competent jurisdiction (in a civil action), the 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.

COMPENSATION OF DIRECTORS AND OFFICERS

The compensation of directors and senior officers is included in the compensation table below (in ₱ millions).

Name and Position	<i>Fiscal Year</i>	Annual Salary	<i>Bonus</i>	<i>Other Compensation</i>
Edgar B. Saavedra <i>Chairman, CEO, and President</i>				
Manuel Louie B. Ferrer <i>Chief Corporate Affairs and Branding Officer</i>				

Markus Hennig <i>EVP – Business Units</i> Reynaldo Rodrin <i>VP – Operations</i> Renato Go <i>VP – Human Resources and Admin for EPC</i>				
CEO & Most Highly Compensated Executive Officers	Estimated 2Q2020	44.56	3.36	1.34
	Estimated 2020	89.10	6.72	2.66
	Actual 2019	89.10	6.72	2.66
	Actual 2018	85.43	6.32	1.74
Aggregate compensation paid to all other officers and directors as a group unnamed	Estimated 2Q2020	55.36	9.86	3.80
	Estimated 2020	110.73	19.73	7.62
	Actual 2019	110.73	19.73	7.62
	Actual 2018	49.27	7.98	

Compensation of Directors

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 10% of the net income before income tax of the Company 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 Governance, Nominations, and Compensation Committee, approved the giving of ₱20,000.00 director's per diem per Board meeting and a ₱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 ₱44,000.00 for Executive Directors, ₱62,000.00 for Non-Executive Directors, and ₱ 58,000.00 for Independent Directors. The total per diem paid to directors for the year ending December 31, 2019 was ₱6,503,000.00.

Standard Arrangements and Other Arrangements

There are no other arrangements for compensation either by way of payments for committee participation or special assignments other than reasonable per diem. There are also no outstanding warrants or options held by Megawide's CEO, other officers and/or directors.

Employment Contracts, Termination of Employment, Change-in-Control Arrangements

While the Company has no special retirement plans for its employees, it provides retirement benefits in accordance with R.A. No. 7641 or the "Retirement Pay Law", and other applicable laws, rules and regulations. Also, there is no existing arrangement with regard to compensation to be received by any executive officer from Megawide in the event of a change in control of the Company. Aside from its employees, Megawide has also entered into employment contracts with its foreign experts. The contracts with foreign nationals usually include benefits, such as housing, medical and group life insurance, vacation leaves, and company vehicle. Further, employment contracts include provisions regarding Megawide's ownership of any invention developed during the course of employment, liquidated damages in the event of contract pre-termination, and a non-compete clause prohibiting the employee, for a period of 1 year after the termination of the contract, from engaging, directly or indirectly, for himself or on behalf of or in conjunction with any person, corporation, partnership or other business entity that is connected with the business of Megawide.

Warrants and Options

There are no outstanding warrants and options held by any of Megawide's directors and executive officers.

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL SHAREHOLDERS

Top 20 Shareholders

There are approximately 29 holders of common equity as of September 30, 2020. The following are the top 20 stockholders of the Company:

	Title of Class	Name	Citizenship	Number of Shares	Percentage to total
1	Common	PCD Nominee Corporation	Filipino	1,080,735,915	53.677%
2	Common	Citicore Holdings Investment, Inc.	Filipino	712,925,501	35.409%
3	Common	PCD Nominee Corporation	Non-Filipino	173,448,842	8.615%
4	Common	Suyen Corporation	Filipino	22,900,000	1.137%
5	Common	Aeternum Holdings, Inc.	Filipino	21,389,904	1.062%
6	Common	Ellie Chan	Filipino	1,666,901	0.083%
7	Common	John I. Bautista Jr.	Filipino	159,799	0.008%
8	Common	Regina Capital Dev. Corp. 000351	Filipino	34,754	0.002%
9	Common	Jharna Chandnani	Non-Filipino	23,000	0.001%
10	Common	Pacifico Silla &/or Marie Paz Silla &/or Nathaniel Silla	Filipino	20,000	0.001%
11	Common	Jose Emmanuel B. Salcedo	Filipino	16,177	0.001%
12	Common	Juan Miguel B. Salcedo	Filipino	16,177	0.001%
13	Common	Grace Q. Bay	Filipino	15,243	0.001%
14	Common	Camille Patricia Dominique T. Ang	Filipino	14,547	0.001%
15	Common	Pacifico Silla &/or Marie Paz Silla Sagum &/or Nathaniel S	Filipino	9,456	Nil
16	Common	Pacifico C. Silla &/or Catherine M. &/or Silla Sagum &/or Alexander M	Filipino	9,456	Nil
17	Common	Myra P. Villanueva	Filipino	8,900	Nil
18	Common	Joyce M. Briones	Filipino	7,868	Nil

19	Common	Frederick E. Ferraris &/or Ester E. Ferraris	Filipino	5,674	Nil
20	Common	Demetrio D. Mateo	Filipino	500	Nil

As of September 30, 2020, 8.616% of the Company's outstanding capital stock is owned by foreign nationals.

Owners of record of more than 5% of Megawide's shares of common stock as of September 30, 2020 are as follows:

Title of Class	Name & Address of Record Owner & Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	Number of Shares Held	Percent (%)
Common	Citicore Holdings Investment, Inc. 20 N. Domingo St., Brgy. Valencia, Quezon City Citicore Holdings Investment, Inc.	Edgar B. Saavedra	Filipino	712,925,501	35.409%
Common	PCD Nominee Corporation ⁸ (Filipino) 37F Tower 1, The Enterprise Center, 6766 Ayala Ave. cor. Paseo de Roxas, Makati City	Publicly-Held Shares	Filipino	1,080,735,915	53.677%
Common	PCD Nominee Corporation (Non-Filipino) 37F Tower 1, The Enterprise Center, 6766 Ayala Ave. cor. Paseo de Roxas, Makati City	Publicly-Held Shares	Non-Filipino	173,448,842	8.615%

⁸ Megacore Holdings, Inc. owning more than 5% shares is lodged with PCD Nominee.

Security Ownership of Directors and Management

As of September 30, 2020, the following table sets forth security ownership of the Company's Directors and Officers:

Title of Shares	Name of Beneficial Owner	Type of Ownership		Citizenship	%
		Direct	Indirect		
Common	Edgar B. Saavedra <i>Chairman of the Board, CEO, and President</i>	1	973,282,259	Filipino	48.34%
Common	Manuel Louie B. Ferrer <i>Chief Corporate Affairs and Branding Officer</i>	0	1	Filipino	0.00
Common	Oliver Y. Tan <i>Director</i>	0	18,767,852	Filipino	0.93
Common	Leonilo G. Coronel <i>Independent Director</i>	0	5	Filipino	0.00
Common	Chief Justice Hilario G. Davide, Jr. (Ret.) <i>Independent Director</i>	1	0	Filipino	0.00
Common	Celso P. Vivas <i>Independent Director</i>	1	0	Filipino	0.00
Common	Alfredo E. Pascual <i>Independent Director</i>	1	10,900	Filipino	0.00
Common	Christopher A. Nadayag <i>Treasurer and Deputy Chief Financial Officer</i>	0	49	Filipino	0.00

Aside from Mr. Edgar B. Saavedra who owns 48.34% by direct and indirect shares of Megawide, there is no other director or key officer of Megawide who owns at least 10% of Megawide's issued and outstanding shares of common stock.

Voting Trust Holders of 5% or More

There is no voting trust arrangement executed among the holders of 5% or more of the issued and outstanding shares of common stock of Megawide.

Change in Control

There are no arrangements entered into by Megawide or any of its stockholders which may result in a change of control of Megawide. For information on Changes in Control, see the section "Description of Shares" of this Preliminary Prospectus.

RELATED PARTY TRANSACTIONS

Related party transactions are transfers of resources, services or obligations between Megawide and its related parties, regardless of whether a price is charged. Transactions between Megawide and related parties are conducted at estimated market rates and on an arm's length basis and in accordance with the Company's Related Party Transactions Policy.

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 Megawide; (b) associates and joint ventures; (c) individuals owning, directly or indirectly, an interest in the voting power of Megawide that gives them significant influence over Megawide and close members of the family of any such individual; and, (d) Megawide'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 Megawide'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.

In the normal course of business, Megawide provides construction services to related parties under common ownership, associate, a certain previous shareholder and other related parties. The related revenue from these transactions amounted to ₱242.6 million in 2020 and ₱209.6 million in 2019 and is recorded as part of Contract operation 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.

Through application of the ECL model based on the lifetime expected credit loss wherein Megawide 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 periods ended June 30, 2020 and 2019.

Megawide is a lessee of certain parcels of land and building owned by related parties under common ownership.

In 2019, Megawide recognized rent expense amounting ₱1.75 million from the lease agreement with Megapolitan Realty and Development Corporation (Megapolitan) for the land where Megawide's building is located. Megawide has no outstanding payables from the rental transaction with Megapolitan. There were no such transactions in 2020.

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.

Megawide 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.

Megawide 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. Interest income earned from these advances are presented as part of Finance Income under Other Income (Charges) account in the consolidated statements of income. The outstanding balance from interest income is presented as part of Trade and Other receivable) 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.

Megawide'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.

The Parent Company's retirement plan is in the form of a bank-trustee managed account. The fair value of the retirement plan totalled ₱4.4 million as of June 30, 2020 and December 31, 2019.

The summary of Megawide's transactions with related parties is as follows:

Related Party Category	June 30, 2020		June 30, 2019	
	Amount of Transaction	Outstanding Receivable (Payable)	Amount of Transaction	Outstanding Receivable (Payable)
Ultimate Parent Company:				
Cash granted	₱16,546,044	₱3,085,917,769	₱52,085,880	₱198,408,102
Interest receivable	110,250,000	399,225,323	-	-
Shareholders:				
Revenue from services	36,687,390	64,461,146	81,347,721	107,701,989
Minority Shareholder and their Affiliates:				
Cash granted	-	-	-	-
Associate:				
Revenue from services	-	905,413,727	-	758,302,725
Cash granted	36,178,642	42,178,642	-	12,752,997
Cash obtained	20,000,000	-	-	-
Rent income	26,786	-	26,786	-
Joint Arrangement:				
Revenue from services	154,532,083	136,924,502	91,861,182	57,707,035
Cash granted	(5,331,872)	72,395	39,538,071	40,612,737
Cash obtained	-	-	14,883,628	-
Related Parties Under Common Ownership:				
Rent income	2,659,363	-	107,143	-
Revenue from services	51,374,999	291,918,615	35,877,059	132,171,712
Rent expense	-	-	1,766,433	-
Cash granted	11,762,981	3,190,363,863	(127,089,595)	3,017,281,126
Cash obtained	(17,749,214)	(17,749,214)	41,728,342	(2,954,857)
Interest receivable	110,250,000	399,225,323	-	-
Retirement fund	-	4,384,701	-	-
Advances to Officers and Employees	51,992,131	103,495,920	9,592,395	43,863,934

Related Party Category	December 31, 2019		December 31, 2018	
	Amount of Transaction	Outstanding Receivable (Payable)	Amount of Transaction	Outstanding Receivable (Payable)
Ultimate Parent Company:				
Cash granted	₱2,923,049,503	₱3,069,371,725	(₱148,848,438)	₱146,322,222
Interest receivable	220,500,000	288,975,323	-	-
Shareholders:				
Revenue from services	-	-	14,782,658	1,008,487
Minority Shareholder and their Affiliates:				
Cash granted	(841,103)	-	-	-
Associate:				
Revenue from services	313,577	905,413,727	153,157,722	905,100,150
Cash granted	6,000,000	6,000,000	-	-
Cash obtained	(20,000,000)	(20,000,000)	-	-
Rent income	53,571	57,321	53,571	228,750
Joint Arrangement:				
Revenue from services	598,911,864	298,184,597	769,940,008	29,082,652
Cash granted	4,329,601	5,404,267	(1,890,090)	1,074,666
Cash obtained	14,883,628	-	(14,883,628)	(14,883,628)
Related Parties Under Common Ownership:				
Rent income	3,662,298	3,703,186	160,714	606,786
Revenue from services	187,922,352	130,204,606	172,643,575	237,415,487
Rent expense	1,766,433	-	2,811,703	-
Cash granted	42,399,786	3,186,770,507	3,144,351,971	3,144,370,721
Cash obtained	44,683,199	-	(44,222,623)	(44,683,199)
Interest receivable	288,975,323	288,975,323	-	-
Retirement fund	295,910	4,384,701	44,798	-
Advances to Officers and Employees	17,232,250	51,503,789	12,375,774	34,271,539
Key Management Personnel:				
Compensation	310,903,975	-	209,941,711	-

REGULATORY AND ENVIRONMENTAL MATTERS

Contractor's License Law

R.A. No. 4566, as amended by PD No. 1746, requires a construction company seeking to operate in the Philippines to obtain either a regular or a special license from the PCAB. A regular license is issued to a domestic construction firm (a Filipino sole-proprietorship or a partnership/corporation with at least 60% Filipino equity) and is renewed annually, on or before June 30 of each year. PCAB has issued Resolution No. 333, Series of 2013 allowing foreign construction firms with more than 40% foreign equity to qualify for a regular AAAA license provided that such firms comply with the following requirements:

- (a) ₱1.0 billion minimum capitalization;
- (b) Compliance with SEC registration and equity requirements;
- (c) Engagement is limited to private domestic construction projects with contract cost of at least ₱1.0 billion;
- (d) Procurement of civil liability insurance;
- (e) Compliance with Philippine laws; and
- (f) Provided there is compliance with the PCAB qualification standards for a Filipino authorized managing officer, such firms may hire a foreign authorized managing officer.

A foreign contractor who is not able to meet the ₱1.0 billion capitalization may be granted a special license to engage in the construction of a specific project or undertaking with a project cost of at least ₱1.0 billion if there is limited local capability in technology as determined by the Philippine Domestic Construction Board.

Furthermore, on 27 March 2017, PCAB issued Resolution No. 079, Series of 2017 which categorizes AAAA license into two types:

- (a) AAAA Platinum – This may be granted to locally-owned contractors with at least ₱1.0 billion minimum capitalization; and
- (b) AAAA Gold – This may be granted to foreign-owned domestic corporations with at least ₱1.0 billion minimum capitalization.

AAAA Gold contractors may undertake private projects under the following contract costs: (1) minimum contract cost of ₱5.0 billion for vertical projects; and (2) minimum contract cost of ₱3.0 billion for horizontal projects.

AAAA Platinum contractors may undertake government and private projects of any contract cost.

On the other hand, a special license is issued to a joint venture, a consortium, a foreign constructor, or a project owner who authorizes the licensee to engage only in the construction of a single, specific project/undertaking and is cancelled by PCAB upon completion of the single specific undertaking/project authorized by the license.

In order to enforce the licensing requirements, all architects and engineers preparing plans and specifications and all public or private agencies or entities conducting biddings and/or letting out contracts for construction work to be contracted and undertaken in the Philippines, shall include in their invitation to bidders and other bidding documents necessary stipulations to convey to every bidder, whether he is a resident of the Philippines or not, the information that it will be necessary for him to have a license before his bid is considered.

Moreover, PCAB is authorized to institute the proper action in court and secure a writ of injunction without bond, restraining any person or firm not licensed, or whose license is under suspension or has expired or been revoked, from engaging or attempting to engage in the business of construction contracting and it shall be the duty of all duly constituted law enforcement officers of

the national, provincial, city and municipal government or any political subdivision thereof, to enforce the provisions of the said law and to report to PCAB any violation of the same.

Classification and Categorization

For the purpose of a more accurate evaluation of a constructor's capability, regular licensees are further classified as those engaged in (a) general engineering construction, (b) general building construction and (c) specialty construction and the classification of a constructor shall be determined by the training and experience of the constructor or of his Sustaining Technical Employee. A constructor may apply for and be issued more than one classification; provided that one of which shall be designated by the applicant as his principal classification. The rest shall be considered as other classification(s). A licensed constructor shall operate within the classification(s) that he is authorized, by his license, to engage in. A regular license constructor shall, however, be allowed to undertake an extra classification work, if it is incidental and/or supplementary to a project under his contract and to be undertaken in conjunction with the implementation of the said project.

In addition to classification, every constructor shall be graded and assigned a category as an adjunct to his licensing. Evaluation of category shall be based on the following criteria quantified by equivalent credit points in scales as determined by the Board:

- a) financial capacity measured in terms of net worth;
- b) equipment capacity in terms of the book value;
- c) experience of the company in terms of aggregate number of years in which the firm has actively engaged in construction contracting and operation and average annual value of work completed during the past three (3) years; and
- d) experience of the technical personnel.

General Engineering and General Building constructors shall be categorized based on a scale of seven grades, namely: AAAA (Platinum)/AAAA (Gold), AAA, AA, A, B, C, and D.

The PCAB issues two (2) kinds of licenses, a regular or a special license. Under the Implementing Rules and Regulations ("**PCAB IRR**") of Republic Act No. 4566, otherwise known as the "Contractors' License Law" ("**PCAB Law**"), a PCAB Regular License may only be issued by the PCAB to construction firms of Filipino sole proprietorship, or partnerships or corporations with at least 60% percent Filipino equity participation and duly organized and existing under Philippine law.

However, the Supreme Court, in the case of *Philippine Contractors Accreditation Board v. Manila Water Co., Inc. (G.R. No. 217590, March 10, 2020)* has recently ruled that foreigners can obtain regular licenses from the PCAB. It ruled that the construction industry is not one which the Constitution has reserved exclusively for Filipinos. There is also no prohibition in the law for foreigners to enter into the same projects as Filipinos in the field of construction. "Private domestic construction contracts" has also been removed from the Foreign Investments Negative List since 1998. Thus, the provision, requiring foreigners to obtain a special license has been declared null and void, along with the provision limiting the regular license to construction firms at least 60% of which is owned by Filipinos. In light of this ruling, foreigners can now obtain regular licenses from the PCAB.

Megawide is principally classified as General Building ("**GB**") 1 for building and industrial plant construction with general engineering construction as its "other classification" and is categorized as AAAA.

Building Permits

Presidential Decree No. 1096 or the National Building Code provides that in order for a person or corporation to erect, construct, alter, repair, move, convert, or demolish any building or structure, a building permit must first be secured from the Building Official assigned at the place where the

building work is to be done. A building permit is a written authorization granted by the building official to an applicant allowing him to proceed with the construction of a building after plans, specifications and other pertinent documents required for the construction of the structure have been found to be in conformity with the Building Code.

Referral to Arbitration

Executive Order No.1008 vests the Construction Industry Arbitration Commission (“**CIAC**”) with original and exclusive jurisdiction over disputes arising from, or connected with, contracts entered into by parties involved in construction in the Philippines, whether the dispute arises before or after the completion of the contract, or after the abandonment or breach thereof. These disputes may involve government or private contracts. The jurisdiction of the CIAC may include, but is not limited, to violation of specifications for materials and workmanship; violation of the terms of agreement; interpretation and/or application of contractual time and delays; maintenance and defects; payment, default of employer or contractor and changes in contract cost.

The CIAC may acquire jurisdiction in two ways, either by providing an arbitration clause in the contract between the parties, or by agreement of the parties to submit the dispute to CIAC. Thus, the fact that the parties incorporated an arbitration clause in their contract is sufficient to vest the CIAC with jurisdiction over any construction controversy, notwithstanding any reference made to another arbitral body. CIAC’s jurisdiction over construction disputes is conferred by law; as such, it may not be waived by mere agreement of the parties.

Liability of Engineers, Architects and Contractors

Under the Civil Code, the engineer or architect who drew up the plans and specifications for a building is liable for damages if within fifteen (15) years from the completion of the structure, the same should collapse by reason of a defect in those plans and specifications, or due to the defects in the ground. The contractor is likewise responsible for the damages if the edifice falls, within the same period, on account of defects in the construction or the use of materials of inferior quality furnished by him, or due to any violation of the terms of the contract. If the engineer or architect supervises the construction, he shall be solitarily liable with the contractor. The acceptance of the building, after completion, does not imply waiver of any of the causes of action by reason of any of the foregoing defects. The action arising therefrom must be brought within 10 years following the collapse of the building.

NATIONALITY RESTRICTION

The Company owns land, hence, Philippine laws limit foreign shareholdings in the Company to a maximum of 40% of its issued and outstanding capital stock. Any subsequent transfer of the Company’s Shares by Filipinos to non-Filipinos will also be subject to the limitation that any such transfers will not cause foreign shareholdings in the Company to exceed 40% of the Company’s issued and outstanding capital stock. In the event that foreign ownership of the Company’s issued and outstanding capital stock will exceed 40%, the Company has the right to reject a transfer request by persons to persons other than Philippine Nationals. In addition, under the implementing rules and regulations of Executive Order No. 146 dated 13 November 2013, a corporation applying for land reclamation must submit proof that it is 60% owned by Philippine nationals.

Partnerships with the Government

Republic Act No.6957 or the Build-Operate-Transfer Law (“**BOT Law**”), as amended, governs the conduct of bidding in infrastructure projects. The BOT Law allows private sector participation in large infrastructure projects, power plants, highways, ports, airports, canals, dams, hydropower projects, water supply, irrigation, telecommunications, railroads and railways, transport systems, land reclamation, housing, government buildings, tourism projects, markets, slaughter houses, warehouses, solid waste management, information technology networks and database infrastructure, education and health facilities, sewerage, drainage, dredging and other projects as

may be authorized by the appropriate government agency. It recognizes various kinds of contractual arrangements, including build-operate-and-transfer, build-and-transfer, build-own-and-operate, build-lease-and-transfer, build-transfer-and-operate, contract-add-and-operate, develop-operate-and-transfer, rehabilitate-operate-and-transfer and rehabilitate-own-and-operate.

The BOT Law provides that these projects must be awarded through the conduct of a public bidding. Such public bidding must be done by publishing a notice inviting prospective project investors once a week for three consecutive weeks in at least two newspapers of general circulation and one local newspaper in the place where the project is to be constructed. The public bidding must be conducted under a two-envelope/two-stage system: the first envelope to contain the technical proposal and the second envelope to contain the financial proposal.

Depending on the type of arrangement, as in the case of a build-operate-and-transfer arrangement, for instance, the contract shall be awarded to the bidder who has satisfied the minimum financial, technical, organizational and legal standards required, and has submitted the lowest bid and most favorable terms for the project, and shall be granted the franchise to operate and maintain the facility. In the case of a build-and-transfer, or a build-lease-and-transfer, the law provides that a Filipino contractor who submits an equally advantageous bid with exactly the same price and technical specifications as those of a foreign contractor shall be given preference.

Before the submission of actual bids, the bidder must first submit proof that it is legally, technically and financially qualified to undertake the project. The legal requirements include proof showing compliance with the nationality requirements, if the project will involve a public utility. If the bidder is an unincorporated consortium, the identity of each of the members must be disclosed and must also undergo the pre-qualification process. Moreover, the members shall submit an undertaking binding themselves to be solidarily liable for the obligations under the contract. If the consortium is a duly registered corporation with the SEC, the corporation must be the one to execute such undertaking. Lastly, the prospective bidder must indicate the contractor it seeks to engage once the contract is awarded to it. The contractor must be duly licensed and accredited by the PCAB, if a Filipino, or its equivalent in a foreign country, if a foreigner.

Aside from the legal requirements, the prospective bidder must also show that it has the technical expertise and has ample experience in similar or related infrastructure projects. For this purpose, the consortium must submit a business plan, which shall include the identity of its members, the equity interest/contribution of each member of the consortium, their prospective contractor(s), capacity of the consortium to undertake the project, and the description and respective roles of each member and the contractor.

Lastly, it must also demonstrate that it has the financial capability to undertake the project. In this regard, it must show proof that it has the minimum amount of equity to the project measured in terms of the net worth of the company or the net worth of the lead member (in case of a consortium). It must also show that it can set aside a deposit equivalent to the minimum equity required. Moreover, a letter testimonial from a domestic universal/commercial bank or an international bank with a subsidiary/branch in the Philippines or any international bank recognized by the BSP certifying that the bidder is an account holder, is in good financial standing and is able to obtain credit accommodations from such banks to finance the project.

Law on Public Utilities

The operation of an airport terminal is within the definition of a public utility as the use thereof is held out generally to the public. Thus, it is subject to the requirements of the Philippine Constitution which provides that franchises, privileges and other authority to operate a public utility shall be given to corporations, associations or firms at least 60 percent of capital of which is owned by Filipino citizens.

However, House Bill No. 78 ("**New Public Service Act**") was recently approved by the House on 3 March 2020. If approved by the Senate, it would limit the term "public utility" to apply only to

distribution of electricity, transmission of electricity, water pipeline distribution, and sewerage pipeline. The National Economic and Development Authority (“**NEDA**”), in consultation with the Philippine Competition Commission (“**PCC**”), can also recommend to Congress the classification of a public service as a public utility when certain criteria are met. Operation of an airport terminal is not among the enumerated activities considered to be a public utility in the proposed New Public Service Act. Accordingly, it will not be subject to the Constitutional restrictions on foreign ownership

Operation of an Airport

The operation of the MCIA is under the supervision of the Mactan-Cebu International Airport Authority (“**MCIAA**”). MCIAA was created pursuant to Republic Act No. 6958 in order to control, manage and supervise the Mactan International Airport and the Lahug Airport. MCIAA has the following functions, powers and duties, among others: (i) to control, supervise, construct, maintain, operate and provide such facilities or services as shall be necessary for the efficient functioning of the airports; (ii) promulgate rules and regulations governing the planning, development, maintenance, operation and improvement of the airports, and to control and supervise the construction of any structure or the rendition of any service within the airports; (iii) levy and collect dues, charges, fees or assessments for the use of airport premises, works, appliances, facilities or concessions, or for any service provided by the MCIAA; and (iv) provide services, whether on its own or otherwise, within the airports and the approaches thereof as may be necessary or in connection with the maintenance and operation of the airports and their facilities.

Aside from MCIAA, the Civil Aviation Authority of the Philippines (“**CAAP**”) is also responsible for the planning, development, construction, operation, maintenance or the expansion of airports in the Philippines. Among others, the CAAP Board has the power to determine and fix landing fees, parking space fees, royalties on sales or deliveries, direct or indirect, to any aircraft for its use of aviation gasoline, oil and lubricants, spare parts, accessories and supplies, tools, other royalties, fees or rentals for the use of any of the property under its management and control.

The rules and regulations of these agencies will have an impact on the operations of the MCIA.

ENVIRONMENTAL LAWS

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

The EIS refers to both the document and the study of a project’s environmental impact, including a discussion of the direct and indirect consequences to human welfare and ecological as well as environmental integrity. The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas. EIS or an IEE may vary from project to project, as a minimum; it contains all relevant information regarding the projects’ environmental effects. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The issuance of an ECC is a Government certification that the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the EIS System; and that the proponent is

committed to implement its approved environmental management plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund (“**EGF**”) when the ECC is issued to projects determined by the DENR to pose a significant public risk to life, health, property and the environment or where the project requires rehabilitation or restoration. The EGF is intended to answer for damages caused by such a project as well as any rehabilitation and restoration measures.

Project proponents that prepare an EIS are mandated to include a commitment to establish an Environmental Monitoring Fund (“**EMF**”) when an ECC is eventually issued. The EMF shall be used to support the activities of a multi-partite monitoring team which will be organized to monitor compliance with the ECC and applicable laws, rules and regulations.

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

Although the obligation to obtain the ECC is normally with the project owner, there are instances when the project owner requests the Company assist in securing the ECC. The Company incurs expenses for the purposes of complying with environmental laws that consist primarily of payments for Government regulatory fees. Such fees are standard in the industry and are minimal.

Discharge Permit

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

Other Environmental Laws

Other regulatory environmental laws and regulations applicable to Megawide’s business includes the following:

Toxic Substances and Hazardous and Nuclear Wastes Control Act

DENR, through its authority granted by Republic Act No. 6969, or the Toxic Substances and Hazardous and Nuclear Wastes Act, is mandated to regulate, restrict or prohibit the importation, manufacture, processing, sale, distribution, use and disposal of chemical substances and mixtures that present unreasonable risk and/or injury to health or the environment. Entities that generate or produce hazardous wastes must register as Hazardous Waste Generators with the EMB Regional Office having jurisdiction over the location of the waste generator and submit quarterly reports to DENR specifying the type and quantity of hazardous waste generated, produced or transported outside, and such other information as may be required.

Ecological Solid Waste Management

Ecological Solid Waste Management Act of 2000, which provides for the proper management of solid waste which includes, discarded commercial waste and non-hazardous institutional and industrial waste. The said law prohibits, among others, the transporting and dumping of collected solid wastes in areas other than prescribed centers and facilities. The National Solid Waste Management Commission, together with other government agencies and the different local government units, are responsible for the implementation and enforcement of the said law.

Philippine Clean Air Act

Philippine Clean Air Act of 1999 (the “**Clean Air Act**”) provides for specific emission standards for stationary sources of air pollution, for motor vehicles and other sources. It also sets specifications for fuel and fuel-related substances; bans incineration; provides for phasing-out of ozone-depleting substances; reduction and elimination of greenhouse gas emissions and persistent organic pollutants; and proper handling of radioactive emissions. To implement the foregoing, the Clean Air Act requires establishments with machinery or equipment that are sources of regulated air pollutants to obtain a permit to operate from the EMB. This permit is valid for one year, renewable at least 30 days prior to its expiration date. The permits issued by DENR shall state the limitations for regulated air pollutants to achieve and maintain air quality standards.

Philippine Clear Water Act

Philippine Clean Water Act of 2004 applies to water quality management in all bodies of water. DENR implements a wastewater charge system in all management areas. DENR requires owners or operators of facilities that discharge regulated effluents to secure a permit to discharge. This permit for the discharge of effluents shall state the quality and quantity of effluent that the facilities are allowed to discharge into a particular body of water, compliance schedule and monitoring requirement.

The EMB, in partnership with other Philippine government agencies and the respective local government units, is tasked by the Implementing Rules of the Clean Water Act to identify existing sources of water pollutants and strictly monitor pollution sources which are not in compliance with the effluent standards provided in the law. In addition, they have the right to (a) enter any premises or have access to documents and relevant materials; (b) inspect any pollution or waste source, control device, monitoring equipment or method required; and (c) test any discharge. If there is fish kill, the Department of Agriculture may also enter the establishment reported to have caused the incident.

LABOR AND EMPLOYMENT

The Philippine Constitution

The Philippine Constitution provides that the State shall regulate the relations between workers and employers, recognizing the right of labor to its just share in the fruits of production and the right of enterprises to reasonable returns on investments, and to expansion and growth. The seven basic rights that are specifically guaranteed by the Philippine Constitution are as follows:

- (a) Right to organize;
- (b) Right to conduct collective bargaining or negotiation with management;
- (c) Right to engage in peaceful concerted activities, including strikes in accordance with law;
- (d) Right to enjoy security of tenure;
- (e) Right to work under humane conditions;
- (f) Right to receive a living wage; and
- (g) Right to participate in policy and decision-making processes affecting their rights and benefits as may be provided by law.

Labor Code of the Philippines

Presidential Decree No. 442, as amended, or the Labor Code of the Philippines (“**Labor Code**”) seeks to protect labor, promote full employment, ensure equal opportunities regardless of sex, race or creed and regulate the relations between workers and employers. All doubts in the implementation and interpretation of the provisions of the Labor Code shall be resolved in favor of labor.

The Department of Labor and Employment (“**DOLE**”) is the lead agency in the enforcement of labor laws.

The Labor Code and other statutory laws specify the minimum statutory benefits that employers are required to grant to their employees.

Retirement Benefits

All employees are entitled to receive retirement benefits that they have earned upon retirement under existing laws or collective bargaining agreements. An employee's retirement benefits under a collective bargaining agreement and other agreements must not be less than those provided under the Labor Code. In the absence of a retirement plan or agreement providing for retirement benefits of employees, an employee, upon reaching the age of 60 years or more, but not beyond 65 years, who has served at least five years in the establishment, may retire and shall be entitled to retirement pay equivalent to at least 1/2 month salary for every year of service.

DOLE Department Order No. 174-17 was issued on 17 March 2017. It implemented Articles 106-109 of the Labor Code, particularly governing contracting and subcontracting arrangements. "Contracting" or "Subcontracting" refers to an arrangement whereby a principal agrees to farm out to a contractor the performance or completion of a specific job or work within a definite or predetermined period, regardless of whether such job or work is to be performed or completed within or outside the premises of the principal. It imposes an absolute prohibition on Labor-only contracting which refers to an arrangement where the contractor or subcontractor merely recruits, supplies or places workers to perform a job or work for a principal and the elements enumerated in the law are present.

However, said Department Order does not apply to contracting or subcontracting arrangements in the Construction Industry, under the licensing coverage of the PCAB. These shall continue to be governed by Department Order No. 19, Series of 1993 (Guidelines Governing the Employment of Workers in the Construction Industry) and Department Order No. 13, Series of 1998 (Guidelines Governing the Occupational Safety and Health in the Construction Industry); and DOLE-DPWH-DILG-DTI and PCAB Memorandum of Agreement-Joint Administrative Order No. 1, Series of 2011 (on coordination and harmonization of policies and programs on occupational safety and health in the construction industry).

Section 2, Subparagraph 2.5 of Department Order No. 19, Series of 1993, provides:

"Contracting and subcontracting. — The practice of contracting out certain phases of a construction project is recognized by law, particularly wage legislations and wage orders, and by industry practices. The Labor Code and its Implementing Regulations allow the contracting out of jobs under certain conditions. Where such job contracting is permissible, the construction workers are generally considered as employees of the contractor or subcontractor, as the case may be, subject to Article 109 of the Labor Code , as amended."

Pursuant to Presidential Decree No. 1746 Series of 1980, licensing and the exercise of regulatory powers over the construction industry is lodged with the PCAB of the Construction Industry Authority of the Philippines ("**CIAP**").

The PCAB registers all types of contractors in the construction industry and regulates the same by ensuring compliance with DOLE issuances. Thus, the DOLE through its Regional Offices shall not require contractors licensed by PCAB to register under D.O. 174, Series of 2017. However, findings of violation/s on labor standards and occupational health and safety standards shall be coordinated with PCAB for its appropriate action, including possible cancellation/suspension of the contractor's license.

Social Security System, PhilHealth and the Pag-IBIG Fund

An employer, or any person who uses the services of another person in business, trade, industry or any undertaking is required under the Social Security Act of 1997 to ensure coverage of employees

following procedures set out by the law and the Social Security System (“SSS”). Under the said law, an employer must deduct from its employees their monthly contributions based on a given schedule, pay its share of contribution and remit these to the SSS within a period set by law and/or SSS regulations.

Employers are likewise required to ensure enrollment of its employees in a National Health Program administered by the Philippine Health Insurance Corporation (“PhilHealth”), a government corporation attached to the DOH tasked with ensuring sustainable, affordable and progressive social health insurance pursuant to the provisions of the National Health Insurance Act of 1995. Under the Home Development Mutual Fund Law of 2009, all employees who are covered by the Social Security Act of 1997 must also be registered with and covered by the Home Development Mutual Fund, more commonly referred to as the Pag-IBIG Fund.

Workers’ Health and Safety

The Rules for Occupational Safety and Health Standards (“OSHS”) issued by the Bureau of Working Conditions of the DOLE establishes the threshold limit values (“TLV”) for toxic and carcinogenic substances which may be present in the atmosphere of the work environment. The TLV refer to airborne concentration of substances and represent the conditions under which it is believed that nearly all workers may be repeatedly exposed daily without adverse effect. The TLV refers to the time weighted concentrations for an eight-hour workday and a total of 48 work hours per week.

The employees’ exposure to the substances identified in the OSHS must be limited to the ceiling value given for the relevant substance in the OSHS or must not exceed the 8-hour time weighted average limit given for that substance in the OSHS, as the case may be.

To protect the employees, an employer is required to furnish its workers with protective equipment for the eyes, face, hands, and feet as well as protective shields and barriers, whenever necessary, by reason of the hazardous nature of the process or environment, chemical or radiological or other mechanical irritants or hazards capable of causing injury or impairment in the function of any part of the body through absorption, inhalation or physical contact. The employer is responsible for ensuring the adequacy and proper maintenance of personal protective equipment used in its workplace.

To ensure compliance with the OSHS, every establishment or place of employment will be inspected at least once a year. Special inspection visits may be authorized by the Regional Labor Office to investigate accidents, occupational illnesses or dangerous occurrences, especially those resulting in permanent total disability or death, to conduct surveys of working conditions for the purpose of evaluating and assessing environmental contaminants and physical conditions, or to conduct investigations, inspections or follow-up inspections upon request of an employer, worker or a labor union of the establishment.

Any violation of the provisions of the OSHS will be subject to the applicable penalties provided in the Labor Code. The Labor Code imposes a fine of not less than ₱1,000.00 nor more than ₱ 10,000.00 or imprisonment of not less than three months nor more than three years, or both such fine and imprisonment, at the discretion of the court. If the offense is committed by a corporation, the penalty will be imposed upon the guilty officers of such corporation.

Depending on the size of the workforce and the nature of the work place as either hazardous or non- hazardous, an employer is obliged to provide certain free medical and dental attendance and facilities. For large-scale industries where the number of workers is from 200 to 600, the employer is required to provide the services of a part-time occupational health physician and a part-time dentist, each of whom is required to stay in the premises of the workplace at least four hours a day, six times a week, and each working in alternate periods with the other. It is also required to provide the services of a full-time occupational health nurse and a full-time first aider. The employer must further maintain an emergency clinic, unless there is a hospital or dental clinic which can be

reached in 25 minutes of travel, and it has facilities readily available for transporting its workers to the hospital or clinic in case of emergency.

Under the OSHS, every place of employment is required to have a health and safety committee. Further, the employer has the duty to write administrative policies on safety in conformity with OSHS. It must report to the DOLE copies of the policies adopted and the health and safety organization established to carry out the program on safety and health within one month after the organization or reorganization of the health and safety committee.

DOLE released Department Order No. 198-18 which implemented Section 32 of Republic Act No. 11058. It aims to protect every worker against injury, sickness or death through safe and healthful working conditions. It characterizes the workplaces in the construction industry as high risk establishments. It assures the right of workers to report accidents, to have personal protective equipment, to have safety signages and devices and the like.

It mandates the Company to create an Occupational Safety and Health Program which needs to be approved by DOLE prior to construction. Any willful failure or refusal of an employer, contractor or subcontractor to comply with the following OSH standards or with a compliance order issued by the Secretary of Labor and Employment or his/her authorized representative shall be penalized with administrative fines.

Moreover, Republic Act No. 7877 makes it the duty of every employer to create a committee on decorum and investigation of sexual harassment cases. Such committee must be composed of at least one representative each from management, the union, the employees from the supervisory rank, and the rank-and-file employees. In addition, it is likewise the duty of the employer to promulgate rules and regulations prescribing the procedure for the investigation of sexual harassment cases and the administrative sanctions therefor, which rules must be formulated in consultation with and later jointly approved by the employees.

DATA PRIVACY LAWS

Data Privacy Act

The Philippines government enacted legislation with the aim to protect the fundamental human right to privacy while ensuring the free flow of information. Republic Act No. 10173, or the “Data Privacy Act of 2012” applies to processing of all types of information, whether that be of individuals or legal entities, except for publicly available information, or those required for public functions. The law provides that when an entity collects personal data, the purpose and extent of processing of such information collected must be legitimate and declared specifically to the owner of the personal information (i.e. whether such information will be used for marketing, data-sharing and the like), and that consent must be obtained from the owner. This requirement applies to all data collectors and data processors. The term “data collectors” refers to a natural or juridical person who controls or supervises the person collecting, storing, or processing the relevant personal information, while the term data processors refers to a natural or juridical person who processes the information, whether or not outsourced by the data collector.

Personal information that is collected must be retained only for a reasonable period of time. Such a reasonable period of time is the reasonable amount of time the collector needs the information for its purposes, and the collector must notify the owner of the personal information of that duration. The data collector must implement appropriate measures for the storage and protection of the collected personal information from accidental alteration, destruction, disclosure and unlawful processing. Furthermore, the data controller must assign compliance officer(s) to ensure compliance with the provisions of the data privacy law and its accompanying implementing rules and regulations.

ANTITRUST LAWS

Philippine Competition Act

Republic Act No. 10667 or the Philippine Competition Act (the “**PCA**”) came into effect August 5, 2015 and is the primary competition law in the Philippines. It aims to enhance economic efficiency and promote free and fair competition in trade, industry and all commercial activities. This law created the Philippine Competition Commission (the “**PCC**”) which is tasked with the implementation of the PCA and regulating, among others things, the conduct of business entities in the market as well as mergers and acquisitions. The PCA prohibits and imposes sanctions on:

- (a) Anti-competitive agreements between or amongst competitors that restrict competition as to price or other terms of trade and those fixing price at an auction or in any form of bidding including cover bidding, bid suppression, bid rotation and market allocation and other analogous practices of bid manipulation; and those which have the object or effect of substantially preventing, restricting or lessening competition;
- (b) Practices which are regarded as abuse of dominant position by engaging in conduct that would substantially prevent, restrict or lessen competition; and
- (c) Mergers or acquisitions which substantially prevent, restrict or lessen competition in the relevant market or in the market for goods or services.

A dominant market position is presumed by law if an enterprise has at least 50% of the relevant geographic or product market.

Moreover, the parties to a merger, acquisition or joint venture are required to comply with the compulsory notification requirements of the PCC before consummating the transaction if specified thresholds set out under the PCA and its implementing rules are met. An agreement consummated in violation of the compulsory notification requirement shall be considered void, and shall subject the parties to an administrative fine of 1% to 5% of the value of the transaction.

Further, penalties for violation of the law consist of administrative fines which can be as high as ₱100 million for the first offense and ₱250 million for the second offense. The law also grants private parties who suffer damages as a result of a violation the right to file an action for damages against the violating parties. The law subjects violations of the provisions on price fixing and bid rigging between and among competitors to criminal liability in addition to the administrative and civil liabilities provided thereunder.

MATERIAL CONTRACTS

The Company's principal contracts generally consist of construction contracts for its projects, PPP contracts, operating and finance lease commitment, contracts for the lease of its office spaces, motor pools and equipment yards, surety arrangement and guarantees, and joint venture agreements. The Company also has existing loan agreements. Other than these, the Company is not a party to any contract of any material importance and outside the usual course of business, and the Directors do not know of any such contract involving the Company.

CONSTRUCTION CONTRACTS

Majority of the Company's contracts are for general construction works and may be classified into several scopes namely: site development, earthworks, structural and civil works, masonry works, architectural finishes, and mechanical, electrical, plumbing and sanitary, and fire protection (MEPF) works.

In terms of payment, the customer generally pays the down payment upon submission of certain documents (e.g. bonds) and the balance is paid through monthly progress payments upon submission of Megawide's monthly progress billing. These monthly payments are subject to ten percent (10%) retention ("Retention Amount") to be released upon lapse of a certain amount of time after the completion and/or turn-over of the project (defects liability period) or the submission of the requisite bond in an amount equal to the Retention Amount. The Retention Amount requisite bond shall guarantee the repair of any defects, other than from ordinary wear and tear or not attributable to the Company, that may occur within one (1) year from acceptance.

These contracts also usually provide for the payment of liquidated damages in case of the Company's delay which is computed at 1/10 of one percent (1%) of the total contract price per calendar day of delay and is capped at ten percent (10%) of the total contract amount.

PPP CONTRACTS

The Company, on its own and through its subsidiaries, executed the following PPP agreements:

(i) Agreements executed by the Department of Education and CMCI for the PSIP I Projects

- (a) Build Lease Transfer Agreement (for Package B) dated October 8, 2012 with a contract price of ₱5,229,899,136 for the construction of school buildings in Region III;
- (b) Build Lease Transfer Agreement (for Package C) dated October 8, 2012 with a contract price of ₱7,229,899,136 for the construction of school buildings in Region IV-A; and

The PSIP involves the construction, maintenance, and lease of school buildings under a Build-Lease Transfer ("BLT") framework. Under the BLT, Citicore-Megawide Consortium will build over 7000 classrooms then lease the same to the DepED for ten (10) years before transferring the school buildings to the DepEd.

(ii) Agreement executed by the Department of Education and Megawide for the PSIP II Projects

October 17, 2013, the Company executed a Build Transfer Agreement with the DepEd for the construction of school buildings in Regions I, II, III, and CAR with contract price of ₱2,255,923,096.49

(iii) Concession Agreement executed by GMCAC and the DOTC and the MCIAA

On April 22, 2014, GMCAC executed the concession agreement for the renovation of the Mactan Cebu International Airport and the construction of a new and 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 under a build-operate-transfer arrangement.

The Concession Period is for 25 years.

(iv) *Concession Agreement executed by MWM Terminals, Inc. and the DOTC*

On 24 April 2015, MWM Terminals, Inc. executed the concession agreement for the design and construction, of: (1) an intermodal transport terminal near Coastal Road and Cavite Expressway, (2) access road to and from said facility, and (3) the pedestrian connection between the terminal and LRT1 Cavite Extension Asia World stations as well as the operation and maintenance of the terminal for a period of 35 years under a build-transfer-operate scheme.

The Concession Period is for 35 years.

OPERATING AND FINANCE LEASE

In the conduct of its ordinary course of business, Megawide enters into finance lease agreements with financing companies for its vehicles and equipment for terms of 36 – 60 months. As of date hereof, the Company's leased property under such arrangement has a total cost of ₱701,317,660, total rental is ₱474,350,703 and total monthly rental of ₱13,448,267.

LEASED PROPERTIES

Megawide leases an office space from Retailscapes, Inc. with a monthly rental of ₱1,395,100. It also leases an office space in Cebu from PHL Centre No. 19, Inc. with a monthly rental of ₱171,490.00.

In addition to the foregoing office spaces, Megawide also leases properties needed for its operations as follows:

Date of Execution	Lessor	Area	Location	Lease Period	Rental Fee
18 September 2018	Alexis Janeane A. Reyes	30 sqm.	Unit D, Ground Floor, No. 120, Dr. Sixto Avenue, Maybunga, Pasig City	01 Oct 2018 – 30 Sep 2019	12,000.00 per month inclusive of taxes
January 2018	Josefino V. Cabrera (Attorney-in-Fact of Leovigilda V. Cabrera, et al.)	2,317 sqm.	Taguig City	01 Jan 2018 – 31 Dec 2022	2 months deposit of 372,148.58 Rate: 165,044.54 per month with 6% yearly escalation, inc. of VAT
27 November 2018	Franpac Properties Corporation	615 sqm.	Ligid, Tipas, Taguig City	01 Mar 2018 – 01 Mar 2022	2 months deposit of 307,500.00 and one month advance rental for 153,750.00. Rate: 250.00 per sqm per month, inc. of VAT with 5% escalation every two years
15 April 2019	Aguacate Marketing Corporation	1,450 sqm.	Tipas, Taguig City	01 Nov 2018 – 31 Oct 2022	2 months deposit of 638,000.00 and one month rental of 319,000.00. Rate: 220.00 per sqm per month, inc. of VAT

18 October 2019	PHL Centre No. 19, Inc.	Office Space	5th floor, Park Centrale Building, Jose Maria del Mar St. cor Abad St., Cebu, IT Park, Cebu City 6000	1 Jan 2020 - 31 Dec. 2021	171,490.00 per month
02 March 2020	Cebu Prosperity Group Land, Inc.	670 sqm. (Warehouse) 7,150 sqm. (Lot)	Prosperity Warehouse Compound, Mandaue City	02 Mar 2020 – 01 Mar 2021	1,114,512.00 per month, exc. of taxes
13 February 2020	Global Gateway Development Corporation	724 sqm.	Clark Global City, Clark Freeport Zone	24 months	130,000.00 per month, inc. of taxes
25 June 2020	Capital Storage Facilities Corporation	722.67 sqm.	Km 25, Ortigas Avenue Extension, Brgy. San Isidro, Taytay, Rizal	16 Jun 2020 - 15 Oct 2020	85,058.25 per month, inclusive of VAT and net of 5% withholding tax.
25 June 2020	Capital Storage Facilities Corporation	265.33 sqm.	Km 25, Ortigas Avenue Extension, Brgy. San Isidro, Taytay, Rizal	16 Jun 2020 - 15 Oct 2020	34,068.37 per month, inclusive of VAT and net of 5% withholding tax
25 June 2020	Capital Storage Facilities Corporation	850 sqm.	Km 25, Ortigas Avenue Extension, Brgy. San Isidro, Taytay, Rizal	16 Oct 2020 - 15 Apr 2022	1st-6th month: 100,045.00 per month, inc. of VAT 7th-18th month: 104,592.50 per month, inc. of VAT
01 July 2019	Maria Elma Loresca	161.95 sqm.	No. 115, Dr. Sixto Avenue, Drangay, Maybunga, Pasig City	01 Jun 2019 - 01 Jun 2020	75,000.00 per month, inc. of taxes
06 July 2020	Eufemia Rivera	300 sqm.	No. 7 Macopa St., Manuela 4a, Pamplona III Las Piñas City	01 Nov 2019 – 01 Nov 2020	40,000.00 per month, inc. of taxes
20 February 2020	Regent Foods Corporation	2,350 sqm.	Elisco Road corner F. Manalo Street, Barrio Ibayo, Tipas, Taguig City	01 Jan 2020 – 31 Dec 2021	1st year: 470,000.00 per month, inc. of VAT and other taxes 2nd year: 481,750.00 per month, inc. of VAT and other taxes
06 March 2020	Primex Domains, Inc.	Head Office Annex Parking	Aurora Blvd. cor. Broadway Ave., Quezon City	06 Mar 2020 – 05 Mar 2021	206,416.37 per month, inc. of all taxes
November 2018	Retailscapes, Inc.	Santolan Town Plaza HoldCo Offices 10th floor: 1974 sqm 11th floor: 480.08 sqm	Santolan Town Plaza Quezon City	10th floor: 01 Nov 2018 - 30 Apr 2022 11th floor: 01 Mar 2019 - 30 Apr 2022	1,395,100 per month
27 December 2019	L.V.N. Pictures, Inc.	2,000 sqm	Brgy. Kaunlaran, Cubao, Quezon City	27 Jan 2020 – 26 Jan 2022	1st year: 280,000.00 per month, exc. of 5% withholding tax 2nd year: 308,000.00 per month, exc. of 5% withholding tax 10% escalation per

					renewal
27 December 2019	L.V.N. Pictures, Inc.	2,000 sqm	Brgy. Kaunlaran, Cubao, Quezon City	27 Jan 2020 – 26 Jan 2022	1st year: 300,000.00 per month, exc. of all taxes 2nd year: 330,000.00 per month, exc. of all taxes 10% escalation per renewal
05 February 2020	L.V.N. Pictures, Inc.	2,000 sqm	Brgy. Kaunlaran, Cubao, Quezon City	16 Feb 2020 – 15 Feb 2022	1st year: 300,000 per month, net of 5% withholding tax 2nd year: 330,000 per month, net of 5% withholding tax 10% escalation per renewal

LOAN AGREEMENTS

The Company has existing short term credit lines granted per bank (amounts in ₱ millions) as of June 30, 2020:

Bank	Credit Line	Outstanding Loan	Available Credit Line
BDO Unibank, Inc.	6,000.00	5,974.27	25.73
Bank of Philippine Islands	1,500.00	1,500.00	-
Metrobank	1,500.00	1,442.75	57.25
Philippine National Bank	3,000.00	650.00	2,350.00
Security Bank	1,000.00	904.15	95.85
Land Bank	3,500.00	3,396.51	103.49
Mizuho	1,000.00	-	1,000.00
RCBC	1,000.00	-	1,000.00

The Company obtained these 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.

Additionally, the Company has the following loan agreements:

₱3.75 Billion Notes Payable (Megawide's share)

The current portion of Notes Payables pertains to 50% share in loans availed to MGCJVI. On March 22, 2018, MGCJVI entered into a ₱7.50 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) 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 Bases Conversion and Development Authority (BCDA) for the construction services rendered.

<u>Principal Repayment Schedule</u>	<u>Milestone payment from BCDA - at 100% (in Bn)</u>	<u>Principal repayment of the Loan amount</u>
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)

In the event of a default, the loan and all interest accrued and unpaid shall be due and payable as instructed by the facility agent and all declared commitments terminated, then the Security Trustee and the Lenders may foreclose upon any of the Security pursuant to the terms of the Agreement and the proceeds of any sale, disposition or other realization or foreclosure shall be paid to the loan distributed in the manner stated in the Agreement.

Events of default constitutes default on loan payment due and payable, except due to technical or administrative error, material misrepresentation, non-remediable violation of the covenants in the Loan Document, revocation of the project documents, cross default, failure to observe material obligations in the Project Documents or it becomes unlawful resulting to a material adverse effect, suspension, insolvency, payment of decree or writ of garnishment, the assigned assets are substantially impaired or seized and any event resulting in a material adverse effect.

- iii) 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. As at June 30, 2020, MCGJVI has complied with the financial covenants.

₱5 Billion Notes Facility Agreement

On February 19, 2020, the Company signed a 5 year ₱5.0 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. As of June 30, 2020, the Company availed of ₱3.6 Billion with maturity in 2024.

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.

The notes, among other things, restrict the 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 2.33:1; nor permit its debt service coverage ratio to fall below 1.1 and,
- (k) after event of default, voluntarily prepay any indebtedness.

₱4.0 Billion Notes Facility Agreement

On February 19, 2013, the Company, as Issuer, entered into a ₱4 Billion Notes Facility Agreement with a local universal bank. The ₱4 Billion Notes Facility Agreement is for the purpose of funding the Company's working capital requirements and for general corporate purposes.

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 Company.

The notes are issued in three tranches with the following details:

	<u>Principal</u>	<u>Term in Years</u>	<u>Interest Rate</u>
Tranche A	P 650,000,000	5	5%

Tranche B	3,250,000,000	7	6%
Tranche C	<u>100,000,000</u>	10	6%
	<u><u>P 4,000,000,000</u></u>		

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 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) after event of default, 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 and March 2020, Tranche A and B, respectively, has matured already, leaving Tranche C outstanding as of June 30, 2020, with a carrying value of ₱94,000,000, maturing in 2023.

₱2.0 Billion Notes Facility Agreement

In 2016, the 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	<u>Principal</u>	Term in <u>years</u>	<u>Interest Rate</u>
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September 16, 2016	₱650,000,000	10	5.50%
December 5, 2016	350,000,000	10	6.37%
December 16, 2016	1,000,000,000	10	6.37%
	<u>₱ 2,000,000,000</u>		

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. As of June 30, 2020, the outstanding amount on the Notes Facility is ₱1,940,000,000.

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 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 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's negative covenants that prohibits the stockholdings of Citicore in the Parent Company to fall below 51% or prohibits the Parent Company to 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.

₱11.3 Billion Omnibus Loan and Security Agreement

On December 17, 2014, GMCAC entered into a ₱20,000.0 million (which at GMCAC's option may be increased up to ₱23,300.0 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 3,500.0 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:

	<u>First 7 Years</u>	<u>Last 8 Years</u>
₱20,000.0 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.

In the event of a default, the loan and all interest accrued and unpaid shall be due and payable as instructed by the Lender and all declared commitments terminated, then Lender may foreclose upon any of the Collateral pursuant to the terms of the Finance Documents.

Events of default constitutes default on loan payment due and payable, except due to technical or administrative error, material misrepresentation, non-remediable violation of the covenants in the Finance Documents, revocation of the Finance documents or project documents, cross default, failure to observe material obligations in the Project Documents or Finance documents or it becomes unlawful resulting to a material adverse effect, suspension, insolvency, payment of decree or writ of garnishment, the Collateral are substantially impaired or seized, disqualification by Grantors or notice of Award withdrawn, and any event resulting in a material adverse effect.

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.

On June 22, 2018, GMCAC amended the Amended and Restated OLSA increasing the peso denominated loan facility to ₱20,870.0 million. The additional loan facility will be used to finance the investment related to the Fuel Hydrant System Infrastructure.

The total drawdowns to date made for the onshore loan amounted to ₱20,766.0 million while drawdowns on the offshore loan amounted to US\$75.0 million (or equivalent to ₱3.8 billion).

Deferment of Principal and Interest Payments on June 15, 2020

Pursuant to OLSA, the GMCAC has principal and interest payable due on June 15, 2020, with the principal payable equivalent to 1% of the total loan and with interest accrued payable covering the period from December 15, 2019 to June 15, 2020.

On May 29, 2020, GMCAC requested the deferment of the principal and interest that will fall due on June 15, 2020 to July 15, 2020 or a 30-day grace period. On June 11, 2020, GMCAC received a reply from Lenders unanimously approving the 30-day grace period for principal and interest, of which interest on the outstanding principal shall continue to accrue during the 30-day grace period.

GMCAC subsequently requested to further defer the payment of principal and interest for another 30 days, resulting to a further extended due date of August 14, 2020. On August 13, 2020, the Company requested for deferment of principal and interest due to at least September 15, 2020 which was agreed with the Lenders.

₱3.9 Billion Omnibus Loan and Security Agreement

In 2015, the MWMTI entered into an Omnibus Loan and Security Agreement (OLSA) with a local universal bank for a loan facility amounting to ₱3,300,000,000 to finance the construction of the ITS Project. In 2019, the MWMTI requested the lender to increase the loan by ₱600,000,000 making the total principal loan to ₱3,900,000,000.

In 2017, the MWMTI made its first drawdown amounting to ₱825,000,000 while the remaining loan facility was fully drawn in 2019 in tranches amounting to ₱3,075,000,000.

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.

With regard to the loans aforementioned, MWMTI has complied with affirmative and negative covenants, except that as of June 30, 2020 and December 31, 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 confirmed 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 both in June 30, 2020 and December 31, 2019 respectively are presented under the non-current portion of bank loans.

The following are affirmative provisions that are common across Megawide's long term loan facilities:

- (a) Maintenance, continuity of business/insurance
- (b) Tax and law compliance
- (c) Indebtedness, Contractual and other obligations
- (d) Notice of legal proceeding and adverse action
- (e) Continuing consents and approvals
- (f) Environmental, occupational, and health, safety guidelines
- (g) Maintenance of Books of Accounts and records
- (h) Submission of unaudited and audited financials
- (i) Certificate of No Default, Compliance and Notice of Default
- (j) Notice of Change of Address
- (k) Use of Proceeds
- (l) Dividends from subsidiaries (as far as permitted)
- (m) Seniority of debt
- (n) Further assurances

SHAREHOLDERS AGREEMENTS

Agreement with GMR Holdings Overseas (Singapore) Pte. Limited in relation to Globbermerchants, Inc.

On 01 December 2018, the Company entered into a Shareholders' Agreement with GMR Holdings Overseas (Singapore) Pte. Limited ("GMR"), to establish a company that will engage in the supply and delivery of Destination Products to Duty Free Philippines Corporation. In view thereof, the Parties established a special purpose vehicle known as Globbermerchants, Inc ("SPV").

Under the Shareholders' Agreement, the shareholding ratio between the Company and GMR in the SPV is 50% each. The equity financing and guarantees of the SPV shall be undertaken by the Parties in proportion to their shareholding ratio.

SPV's Board is comprised of six (6) directors, of whom both GMR and the Company have designated three (3) directors each ("Board"). The Board approves all financial and operational matters for the implementation of the Business.

Agreement with GMR Megawide Cebu Airport Corporation (GMCAC), GMR Airports International B.V (GAIBV), and Select Service Partner Philippines Corporation ("SSP PH")

On 7 September 2018, GMCAC, a corporation established by the consortium led by the Company and GMR Infrastructure Limited, entered into a Shareholders' Agreement with GAIBV and SSP-PH for the establishment, setting up, development, operation, maintenance, and management of the food and beverage outlets at MCIA. Pursuant to the Shareholders' Agreement, SSP Mactan Cebu Corporation ("SSP-MCC") was incorporated as the joint venture company for GMCAC, GAIBV and SSP-PH. The said Shareholders' Agreement provides for the terms and conditions for participation by GMCAC, GAIBV and SSP-PH in the SSP-MCC, their relationship as shareholders, and their rights and obligations in relation to the operation and management of the SSP-MCC.

Agreement with GMAC, GAIBV, and United Travel Retail Partners, Inc. ("UTRPI")

On 29 June 2018, GMCAC entered into a Shareholders' Agreement with GAIBV and UTRPI for the setting up, development, operation, maintenance and management of the retail outlets at MCIA ("Project"). The said Shareholders' Agreement provides for, among others, the rights and obligations of the parties with respect to the incorporation of a joint venture between GMCAC, GAIBV and UTRPI ("JV") for purposes of carrying out the Project, local regulatory compliances, banking and funding requirements of the JV, subscription to/acquisition of the shareholdings in the JV, contracting, manpower and operational requirements, day to day operations, cost control and profitability of the JV.

INTEREST OF EXPERTS AND COUNSEL

LEGAL MATTERS

The validity of the Offer Shares and other legal matters concerning the Offer and the tax implications thereof were reviewed for Megawide Construction Corporation (the “Company”) by Añover San Diego & Primavera Law Offices, the independent legal and tax counsel of the Company.

Certain legal matters as to the Philippine law relating to the Offer will be passed upon by Picazo Buyco Tan Fider & Santos Law Offices, legal counsel to the Company, and Angara Abello Concepcion Regala & Cruz Law Offices, legal counsel to the Joint Underwriters and Bookrunners.

Each of the foregoing legal counsel has no shareholdings or any interest, direct or indirect, in the Company, or any right, whether legally enforceable or not to nominate persons or to subscribe to the securities of the Company in accordance with the standards on independence required in the Code of Professional Responsibility and as prescribed by the Supreme Court of the Philippines.

None of the aforementioned counsels has acted or will act as promoter, underwriter, voting trustee, officer, or employee of the Company.

INDEPENDENT AUDITORS

The audited consolidated financial statements (“AFS”) of the Company, for the years ended December 31, 2019, December 31, 2018, and December 31, 2017 appearing in this Preliminary Prospectus have been audited by Punongbayan & Araullo (“P&A”), independent auditor (or external auditor), as set forth in their reports in the AFS, appearing elsewhere in this Preliminary Prospectus.

The aggregate fees billed by P&A for each of the years ended December 31, 2019, December 31, 2018, and December 31, 2017 for professional services rendered to the Company, excluding fees directly related to the Offer, are the following (amounts in ₱):

Audit and Audit-Related Fees

Nature	Fees paid to P&A For the years ended December 31		
	2019	2018	2017
Audit of Financial Statements	2,875,000.00	2,600,000.00	2,440,000.00
Summary of application of proceeds of preferred shares	600,000.00	600,000.00	600,000.00
Benchmarking of accounting policies and procedures	900,000.00	-	-
Quarterly review of financial statements	300,000.00	-	-

Tax Fees

Nature	Fees paid to P&A For the years ended December 31		
	2019	2018	2017
Tax opinion on development projects	580,000.00	-	-

Meanwhile, the aggregate fees paid by GMR Megawide Cebu Airport Corporation, a subsidiary of the Company, to SyCip Gorres Velayo & Co. (“SGV”), its independent auditor, for the years ended December 31, 2019, December 31, 2018, and December 31, 2017, are the following (amounts in ₱):

Nature	Fees paid to SGV For the years ended December 31		
	2019	2018	2017
Audit of Financial Statements	1,300,000.00	1,200,000.00	1,100,000.00

The fees presented above include out-of-pocket expenses incidental to the services of the foregoing independent auditors.

Except for the abovementioned services, the independent auditors provided no other type of services.

The Company has no disagreements with its independent auditors on any matter of accounting principles or practices, financial statements disclosure, or auditing scope or procedure.

Pursuant to the Company’s Manual on Corporate Governance, its Board of Directors (“Board”) has established an Audit and Compliance Committee (“ACC”), which is composed of at least three (3) Non-Executive Directors, majority of whom, including its Chairman, shall be Independent Directors. All the members shall have relevant background, knowledge, skills, and/or experience in the areas of accounting, audit, and/or finance, and are able to read and understand financial statements.

In accordance with its charter, the ACC has the following roles and responsibilities with respect to the independent auditors of the Company:

- a. Perform oversight activities over the Company’s external and internal auditors. The ACC shall ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties, and personnel to enable them to objectively perform their respective audit functions. The ACC shall further guarantee that the internal and external auditors shall be free from interference by outside parties in carrying out their work and duties.
- b. Recommend and approve the appointment, reappointment, removal, and fees of the external auditor which shall be approved by the Board and ratified by the shareholders.
- c. Assess, oversee, review and monitor the external auditor’s independence, integrity and objectivity and shall ensure that the external auditor has adequate quality control procedures. The ACC shall review the external auditor’s suitability and effectiveness on an annual basis and shall implement a policy of rotating the external auditor’s lead audit partner every five (5) years.
- d. Ensure that the external auditor is credible, competent and has the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.
- e. Review the reports submitted by the internal and external auditors. Evaluate and monitor management’s responsiveness to the internal and external auditors’ findings and recommendations.
- f. Prior to the commencement of the audit, discuss with the external auditors the nature, scope and expenses of the audit, and ensure coordination, if more than one audit firm is involved in the activity, to secure proper coverage and minimize duplication of efforts.

Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company's overall consultancy expenses. The ACC shall disallow any non-audit work that will conflict with the external auditor's duties or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the annual report of the Company.

PHILIPPINE STOCK MARKET

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by the Company or the Sole Issue Manager or any of their respective affiliates or advisors in connection with sale of the Offer Shares.

BRIEF HISTORY

The Philippines initially had two stock exchanges, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1965. Each exchange was self-regulating, governed by its respective Board of Governors elected annually by its members.

Several steps initiated by the Government have resulted in the unification of the two bourses into the PSE. The PSE was incorporated in 1992 by officers of both the Makati and the Manila Stock Exchanges. In March 1994, the licenses of the two exchanges were revoked. While the PSE maintains two trading floors, one in Makati City and the other in Pasig City, these floors are linked by an automated trading system, which integrates all bids, and ask quotations from the bourses.

In June 1998, the Philippine SEC granted the Self-Regulatory Organization status to the PSE, allowing it to impose rules as well as implement penalties on erring trading participants and listed companies. On August 8, 2001, the PSE completed its demutualization, converting from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the Philippine Securities Regulation Code. The PSE has an authorized capital stock of 120 million shares, of which, of which 82,579,794 shares are subscribed and fully paid up as of 25 November 2019. Each of the 184 member-brokers was granted 50,000 common shares of the new PSE at a par value of ₱1.00 per share. In addition, a trading right evidenced by a Trading Participant Certificate was immediately conferred on each member broker allowing the use of the PSE's trading facilities. As a result of the demutualization, the composition of the PSE Board of Governors was changed, requiring the inclusion of seven brokers and eight non-brokers, one of whom is the President.

On December 15, 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippine securities industry.

Classified into financial, industrial, holding firms, property, services, and mining and oil sectors, companies are listed either on the PSE's Main Board or the Small, Medium and Emerging Board. Previously, the PSE allowed listing on the First Board, Second Board or the Small, Medium and Enterprises Board. As a result of the issuance by the PSE of Memorandum No. CN-No. 2013-0023 dated June 6, 2013, revisions to the PSE Listing Rules were made. Among such changes are the removal of the Second Board listing and the requirement that lock-up rules be embodied in the articles of the incorporation of the issuer. Each index represents the numerical average of the prices of component shares. The PSE has an index, referred to as the PHISIX, which as at the date thereof reflects the price movements of selected shares listed on the PSE, based on traded prices of shares from the various sectors. The PSE shifted from full market capitalization to free float market capitalization effective April 3, 2006, simultaneous with the migration to the free float index and the renaming of the PHISIX to PSEi. The PSEi is composed of shares of 30 selected companies listed on the PSE. On July 26, 2010, the PSE's new trading system, now known as PSE Trade, was launched. In June 2015, the PSE Trade system was replaced by PSE Trade XTS.

With the increasing calls for good corporate governance, the PSE has adopted an online daily disclosure system to improve the transparency of listed companies and to protect the investing public. In 2005, the Online Disclosure System ("**ODiSy**") was implemented, which provided for online system access for the submission and announcement of all types of disclosures. In 2013, the ODiSy was replaced by the PSE Electronic Disclosure Generation Technology ("**EDGE**"). The PSE EDGE is equipped with a variety of features to further standardize the disclosure reporting process of listed companies on the PSE, improve investors' disclosure searching and viewing

experience, and enhance overall issuer transparency in the market. The PSE also launched its Corporate Governance Guidebook in November 2010 as another initiative of the PSE to promote good governance among listed companies. It is composed of ten guidelines embodying principles of good business practice and based on internationally recognized corporate governance codes and best practices.

In 2018, the PSE moved its corporate offices to PSE Tower in Bonifacio Global City, Taguig City, which currently houses the unified trading floors in Makati City and Pasig City. On 22 March 2018, the PSE completed a stock rights offering of 11,500,000 common shares offered at the price of ₱252.00 per share, or a total of ₱2,898,000,000. The proceeds of the stock rights offering will be used to fund the acquisition of PDS and the product and technology development initiatives of the PSE. As of the date of this Prospectus, the PSE has an authorized capital stock of ₱120 million, of which 85,164,091 are issued. Out of this total, 81,650,137 are outstanding and 3,513,954 are treasury shares

SELECTED STOCK EXCHANGE DATA

The table below sets forth movements in the composite index from 1995 to 2019 and as of September 30, 2020, and shows the number of listed companies, market capitalization, and value of shares traded for the same period:

Year	Composite Index at Closing	Number of Listed Companies	Aggregate Market Capitalization (in ₱ billions)	Combined Value of Turnover (in ₱ billions)
1995	2,594.2	205	1,545.7	379.0
1996	3,170.6	216	2,121.1	668.8
1997	1,869.2	221	1,251.3	586.2
1998	1,928.8	221	1,373.7	408.7
1999	2,142.9	222	1,936.5	781.0
2000	1,494.5	225	2,576.5	357.7
2001	1,168.1	229	2,141.4	159.6
2002	1,014.4	231	2,083.2	159.7
2003	1,442.4	234	2,973.8	145.4
2004	1,822.8	236	4,766.3	206.6
2005	2,096.0	237	5,948.4	383.5
2006	2,982.5	239	7,173.2	572.6
2007	3,621.6	244	7,977.6	1,338.3
2008	1,872.9	246	4,069.2	763.9
2009	3,052.7	248	6,029.1	994.2
2010	4,201.1	253	8,866.1	1,207.4
2011	4,372.0	245	8,697.0	1,422.6
2012	5,812.7	254	10,952.7	1,771.7
2013	5,889.8	257	11,931.3	2,546.3
2014	7,230.6	263	14,251.7	2,130.1
2015	6,952.1	265	13,465.2	2,151.4
2016	7,796.2	268	14,438.8	1,929.5
2017	8,558.4	267	17,583.1	1,958.4
2018	7,466.0	267	16,146.7	1,740.0
2019	7,815.3	271	16,705.3	1,772.6
September 2020	5,864.23	270	13,088.1	1,060.9

Source: Philippine Stock Exchange, Inc. and PSE Annual Reports

TRADING

The PSE is a double auction market. Buyers and sellers are each represented by stockbrokers. To trade, bid or ask prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one broker at the same price are crossed at the PSE at the indicated price. Payment of purchases of listed securities must be made by the buyer on or before the third trading day (the settlement date) after the trade.

On regular days, wholesale trading on the PSE starts at 9:30 a.m. and ends at 3:30 p.m., with trading recess from 12:00 nn to 1:30 p.m. There is also a provision for ten-minute extensions during which transactions may be conducted, provided that they are executed at the last traded price and are only for the purpose of completing unfinished orders. The PSE may effect changes to the hours and schedule of a trading day, as the circumstance warrants. Trading days are Monday to Friday, except legal and special holidays, days when the BSP is closed for various reasons, and such other days as may otherwise be declared by the SEC or the PSE, through its President or other duly authorized representative, to be a non-trading day. During the pandemic, trading hours for the PSE starts at 9:30 p.m. and ends at 1:00 p.m., with no trading recess.

Minimum trading lots range from five (5) to one million (1,000,000) shares depending on the price range and nature of the security traded. Odd-sized lots are traded by brokers on a board specifically designed for odd lot trading.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, whenever the price of an order breaches the trading threshold of a security during any trading day, the trading of that security will be frozen. Orders cannot be posted, modified or cancelled for a security that is frozen. In cases where an order has been partially matched, only the portion of the order that will result to a breach of the trading threshold will be frozen. Where the order results in a breach of the trading threshold, the following procedures shall apply:

- (i) In case the static threshold is breached, the PSE will accept the order, provided the price is within the allowable percentage price difference under the implementing guidelines of the revised trading rules (i.e., 50% of the previous day's reference or closing price, or the last adjusted closing price); otherwise, such order will be rejected. In cases where the order is accepted, the PSE will adjust the static threshold to 60%. All orders breaching the 60% static threshold will be rejected by the PSE.
- (ii) In case the dynamic threshold is breached, the PSE will accept the order if the price is within the allowable percentage price difference under existing regulations (i.e., 20% for security cluster A and newly-listed securities, 15% for security cluster B and 10% for security cluster C); otherwise, such order will be rejected by the PSE.

NON-RESIDENT TRANSACTIONS

When the purchase/sale of Philippine shares of stock involves a non-resident, whether the transaction is effected in the domestic or foreign market, it shall be the responsibility of the securities dealer/broker to register the transaction with the BSP. The local securities dealer/broker shall file with the BSP, within three business days from the transaction date, an application in the prescribed registration form. After compliance with other required undertakings, the BSP shall issue a Certificate of Registration. Under BSP rules, all registered foreign investments in Philippine securities including profits and dividends, net of taxes and charges, may be repatriated.

SCRIPLESS TRADING

In 1995, the PDTC (formerly the Philippine Central Depository, Inc.), was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. On December 16, 1996, the PDTC was granted a provisional license by the Philippine SEC to act as a central securities depository.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders' meetings, dividend declarations and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the current settlement banks.

In order to benefit from the book-entry system, securities must be immobilized into the PDTC system through a process called lodgment. Lodgment is the process by which shareholders transfer legal title (but not beneficial title) over their shares of stock in favor of the PCD Nominee Corporation ("PCD Nominee"), a corporation wholly-owned by the PDTC, whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged in the PDTC. Immobilization is the process by which the warrant or share certificates of lodging holders are canceled by the transfer agent and the corresponding transfer of beneficial ownership of the immobilized shares in the account of the PCD Nominee through the PDTC participant will be recorded in the issuing corporation's registry. This trust arrangement between the participants and PDTC through the PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the Philippine SEC. No consideration is paid for the transfer of legal title to the PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished via book-entry settlement.

Thus, each beneficial owner of shares, through his participant, will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. All lodgments, trades and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant's aggregate holdings, in the PDTC system, and with respect to each beneficial owner's holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers and/or participant custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must course the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP, and into the PDTC system. Once it is determined on the settlement date (trading date plus three trading days) that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the SCCP Central Clearing and Central Settlement system, in accordance with the SCCP and PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities.

If a shareholder wishes to withdraw his stockholdings from the PDTC system, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the upliftment of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC

covering the new number of shares lodged under the PCD Nominee. The expenses for upliftment are for the account of the uplifting shareholder.

The difference between the depository and the registry would be on the recording of ownership of the shares in the issuing corporations' books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are canceled and a confirmation advice is issued in the name of PCD Nominee to confirm new balances of the shares lodged with the PDTC. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of the PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the PCD Nominee's name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company's transfer agents' books or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing from the broker its current de facto custodianship role.

AMENDED RULE ON LODGEMENT

On June 24, 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that, beginning July 1, 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the SEC, without any jumbo or mother certificate in compliance with the requirements of Section 43 of the Securities Regulation Code. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in Article III Part A of the Revised Listing Rules.

Further, the PSE apprised all listed companies and market participants on May 21, 2010, through Memorandum No. 2010-0246, that the Amended Rule on Lodgment of Securities under Section 16 of Article III, Part A of the Revised Listing Rules of the Exchange shall apply to all securities that are lodged with the PDTC or any other entity duly authorized by the SEC.

For listing applications, the amended rule on lodgment of securities is applicable to:

- a) The offer shares/securities of the applicant company in the case of an initial public offering;
- b) The shares/securities that are lodged with the PDTC, or any other entity duly authorized by the Commission in the case of a listing by way of introduction;
- c) New securities to be offered and applied for listing by an existing listed company; and
- d) Additional listing of securities of an existing listed company.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof to wit:

- a) For new companies to be listed at the PSE as of July 1, 2009 the usual procedure will be observed but the Transfer Agent on the companies shall no longer issue a certificate to PCD Nominee Corp but shall issue a Registry Confirmation Advice, which shall be the basis for the PDTC to credit the holdings of the Depository Participants on listing date.
- b) For existing listed companies, the PDTC shall wait for the advice of the Transfer Agents that it is ready to accept surrender of PCNC jumbo certificates and upon such advice the PDTC shall surrender all PCNC jumbo certificates to the Transfer Agents for cancellation. The Transfer Agents shall issue a Registry Confirmation Advice to PCNC evidencing the total number of shares registered in the name of PCNC in the Issuer's registry as of confirmation date.

SETTLEMENT

The Securities Clearing Corporation of the Philippines (“SCCP”) is a wholly owned subsidiary of the PSE, and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. SCCP received its permanent license to operate on January 17, 2002. It is responsible for:

- Synchronizing the settlement of funds and the transfer of securities through Delivery versus Payment clearing and settlement of transactions of Clearing Members, who are also Trading Participants of the PSE;
- Guaranteeing the settlement of trades in the event of a Trading Participant’s default through the implementation of its Fails Management System and administration of the Clearing and trade Guaranty Fund; and
- Performance of Risk Management and Monitoring to ensure final and irrevocable settlement.

SCCP settles PSE trades on a 3-day rolling settlement environment, which means that settlement of trades takes place three (3) Business Days after transaction date (T+3). The deadline for settlement of trades is 12:00 noon of T+3. Securities sold should be in scripless form and lodged under the PDTCs book entry system. Each Trading Participant maintains a Cash Settlement Account with one of the four existing Settlement Banks of SCCP which are BDO Unibank, Inc., Rizal Commercial Banking Corporation, Metropolitan Bank & Trust Company and Deutsche Bank AG (Manila Branch), Union Bank of the Philippines, the Hongkong and Shanghai Banking Corporation (Manila), Asia United Bank Corporation, Maybank Philippines, Inc., and Chinabank Philippines. Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker level.

SCCP implemented the CCCS last May 29, 2006. CCCS employs multilateral netting whereby the system automatically offsets “buy” and “sell” transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each Clearing Member. All cash debits and credits are also netted into a single net cash position for each Clearing Member. Novation of the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the Central Counterparty to each PSE-Eligible trade cleared through it.

ISSUANCE OF CERTIFICATED SHARES

On or after the listing or re-issuance of the shares on the PSE, any beneficial owner of the shares may apply to the PDTC through his broker or custodian-participant for a withdrawal from the book-entry system and return to the conventional paper-based settlement. If a stockholder wishes to withdraw his stockholdings from the PDTC System, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the stockholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the upliftment of shares lodged under the name of PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under PCD Nominee. The expenses for upliftment are for the account of the uplifting shareholder.

Upon the issuance of certificated shares in the name of the person applying for upliftment, such shares shall be deemed to be withdrawn from the PDTC book-entry settlement system, and trading on such shares will follow the normal process for settlement of certificated securities. The expenses for upliftment of beneficial ownership in the shares to certificated securities will be charged to the person applying for upliftment. Such shares cannot be traded on the PSE without lodging them once again in the depository, in accordance with existing PSE and PDTC rules that

were approved by the SEC. Pending completion of the upliftment process, the beneficial interest in the shares covered by the application for upliftment is frozen and no trading and book-entry settlement will be permitted until certificated shares shall have been issued by the relevant company's transfer agent.

AMENDED RULE ON MINIMUM PUBLIC OWNERSHIP

Under the PSE Amended Rule on Minimum Public Ownership ("MPO"), listed companies are required, at all times, to maintain a minimum percentage of listed securities held by the public of 10% of the listed companies' total issued and outstanding shares (i.e., exclusive of treasury shares), or at such percentage that may be prescribed by the PSE. The determination of whether shareholdings are considered public or non-public is based on: a) amount of shareholdings and its significant to the total outstanding shares; b) purpose of investment; and c) extent of involvement in the management of the company.

For purposes of determining compliance with the MPO, shares held by the following are generally considered "held by the public": (i) individuals (as long as the shares held are not of a significant size (i.e., less than 10%) and are non-strategic in nature); (ii) trading participants (as long as the shares held are non-strategic in nature); (iii) investment and mutual funds; (iv) pension funds; (v) PCD nominees if the relevant account constitutes a number of shareholders, none of which has significant holdings (provided that if an owner of shares under the PCD Nominee has a shareholding that is 10% or more of the total issued and outstanding shares, then the shareholder is considered a principal stockholder); and (vi) social security funds.

If an investment in a listed company is meant to partake of sizable shares for the purpose of gaining substantial influence on how the company is being managed, then the shareholdings of such investor are considered non-public. Ownership of 10% or more of the total issued and outstanding shares of a listed company is considered significant holding and therefore non-public.

Listed companies which become non-compliant with the MPO on or after January 1, 2013 will be suspended from trading for a period of not more than six (6) months and will automatically be delisted if they remain non-compliant with the MPO after the lapse of the suspension period. Suspended or delisted shares will not be traded on the exchange. In addition, sales of shares of listed companies that do not maintain the MPO are not considered publicly listed for taxation purposes and should, therefore, be subjected to capital gains tax and documentary stamp tax.

The SEC also issued its Rules and Regulations on Minimum Public Ownership on Initial Public Offerings (SEC Memorandum Circular No. 13, series of 2017) (the "Memorandum Circular"). Under this Memorandum Circular, any company applying for the registration of its shares of stocks for the purpose of conducting an initial public offering and listing of its shares in an exchange (the "Covered Company") must have a public float that meets the 20% MPO requirement. The Covered Company shall, at all times, maintain the 20% MPO. Public float refers to the portion of the issued and outstanding shares that are freely available and tradable in the market and are non-strategic in nature or those not meant for the purpose of gaining substantial influence on the management of the company. The rules consider significant shareholdings of 10% or more of the total issued and outstanding shares of the company as strategic and thus excluded from the public float of the Covered Company.

In the event a Covered Company's MPO falls below 20%, at any time after registration, it is obligated to bring its public float back to at least 20% within a maximum period of 12 months from the date of such fall.

Covered Companies shall establish and implement an internal policy and procedure to monitor its MPO and shall immediately report to the SEC within the next business day if its MPO has fallen below 20%. The Covered Company shall submit to the SEC (a) a time-bound business plan to bring back the public float to at least 20% within a maximum period of 12 months from the date of such decline and (b) a public ownership report and progress report on submitted business plan

within 15 days after end of each month until such time that its public float reaches the required level.

The Memorandum Circular expressly provides that it is not meant to amend the existing rules or guidelines of an exchange (e.g., PSE) on minimum public float that have been duly approved by the SEC.

The requirement of minimum public ownership shall also form part of the requirement for the registration of securities. Non-compliance with these requirements shall subject publicly listed companies to administrative sanctions, including suspension and revocation of their registration with the SEC.

The PSE has also issued Memorandum Circular 2020-0076 on August 3, 2020 which contain the Guidelines on Minimum Public Ownership Requirement for Initial and Backdoor Listings (the “2020 MPO Guidelines”).

The following are the salient points of the 2020 MPO Guidelines:

1. A company applying for initial listing through an initial public offering (“IPO”) is required to have a minimum public offer size of 20% to 33% of its outstanding capital stock post-IPO, as follows:

Market Capitalization	Public Offer
Not exceeding P500M	33% or P50M, whichever is higher
Over P500M to P1B	25% or P100M, whichever is higher
Over P1B	20% or P250M, whichever is higher

The company must maintain a public ownership level of at least 20% at all times after initial listing.

2. A company applying for listing by way of introduction is required to have at least 20% public float upon and after listing.
3. A company doing a backdoor listing is required to have at least 20% public float upon and after listing.

As of date, the SEC is looking at increasing the MPO requirement of existing listed companies to 15.0%, such proposed rules on MPO are yet to be issued by SEC for comments by the public.

PHILIPPINE FOREIGN INVESTMENT, FOREIGN OWNERSHIP AND EXCHANGE CONTROLS

REGISTRATION OF FOREIGN INVESTMENTS AND EXCHANGE CONTROLS

Under current BSP regulations, a foreign investment in listed Philippine securities (such as common shares) must be registered with the BSP if the foreign exchange needed to service the repatriation of capital and the remittance of dividends, profits and earnings which accrue thereon will be sourced from the Philippine banking system. If the foreign exchange required for servicing such capital repatriation or dividends, profits, and earnings remittance will be sourced outside the banking system, registration with the BSP is not required.

The application for registration must be filed by a stockbroker/dealer or an underwriter directly with a custodian bank designated by the investor. A custodian bank may be any commercial bank or offshore banking unit in the Philippines appointed by the investor to register the investment, hold shares for the investor, and represent the investor in all necessary actions in connection with his investments in the Philippines. Custodian banks are authorized to issue on behalf of the BSP a Bangko Sentral Registration Document ("**BSRD**"). The original copy of the BSRD shall remain in the custody of the issuing custodian bank, while the duplicate copy shall be submitted to the BSP accompanied by the following supporting documents: (i) a purchase invoice, or subscription agreement and/or proof of listing in the PSE; (ii) the original Certificate of Inward Remittance of foreign exchange and its conversion to pesos through an authorized agent bank following the prescribed format by the BSP; and (iii) for annotation in the BSP registration document of stock dividends which accrued to registered investments, the PSE Notice (Circular for Brokers) announcing the stock dividend declaration.

Upon registration of the investment, proceeds of divestments, or dividends of registered investments are repatriable or remittable immediately in full through the Philippine commercial banking system, net of applicable tax, without need of BSP approval. Capital repatriation of investments in listed securities is permitted upon presentation of the BSRD, or BSRD Letter Advice from the registering custodian bank and the broker's sales invoice, at the exchange rate applicable on the date of actual remittance. Remittance of dividends is permitted upon presentation of: (i) the BSRD or BSRD Letter Advice; (ii) a photocopy of PSE-cash dividends notice from the PSE and the PDC (formerly the PCD) showing a printout of cash dividend payment or computation of interest earned; (iii) a photocopy of the corporate secretary's sworn statement attesting to the board resolution covering the dividend declaration; (iv) a photocopy of the latest audited financial statements or interim financial statements covering the dividend declaration period (for direct foreign equity investments); (v) for direct foreign equity investments, a photocopy of clearance pertaining to the investee firm from BSP-Supervision and Examination Sector (for non-PSE listed banks), Insurance Commission (for insurance companies), Department of Energy or from the National Power Corporation (for oil/gas/geothermal energy exploration companies); and (vi) a detailed computation of the amount applied for in the format prescribed by the BSP. Pending repatriation or reinvestment, divestment proceeds, as well as dividends of registered investments, may be lodged temporarily in interest-bearing deposit accounts with any authorized agent bank. Interest earned thereon, net of taxes, is also remittable in full through any authorized agent bank without prior BSP approval. Remittance of divestment proceeds of dividends of registered investments may be reinvested in the Philippines if the investments are registered with the BSP or the investor's custodian bank.

The foregoing is subject to the power of the BSP, through the Monetary Board, with the approval of the President of the Philippines, to suspend temporarily, restrict the availability of foreign exchange, require licensing of foreign exchange transactions or require delivery of foreign exchange to the BSP or its designee during an exchange crisis, when an exchange crisis is imminent or in times of national emergency. Furthermore, there can be no assurance that the foreign exchange regulations issued by the BSP will not be made more restrictive in the future.

The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor.

RESTRICTION ON FOREIGN OWNERSHIP

The Philippine Constitution and related statutes set forth restrictions on foreign ownership of companies engaged in certain activities, among them ownership of private land. The Constitution, in relation to Commonwealth Act No. 141, states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens.

Since the Company owns land, the Company must comply with the foregoing restrictions on foreign ownership.

The operation of an airport terminal is within the definition of a public utility as the use thereof is held out generally to the public. Thus, it is subject to the requirements of the Philippine Constitution which provides that franchises, privileges and other authority to operate a public utility shall be given to corporations, associations or firms at least 60 percent of capital of which is owned by Filipino citizens.

Moreover, as provided in the Eleventh Regular Foreign Investment Negative List promulgated on 29 October 2018, contracts for the construction and repair of locally funded public works shall be undertaken by Filipino individuals, or corporations, partnerships or associations, the capital of which is 60% owned by citizens of the Philippines, except (a) infrastructure/development projects covered in Republic Act 7718 (which amended Republic Act No. Build-Operate-Transfer (“**BOT**”) Law), and (b) projects that are foreign funded or assisted and required to undergo international competitive bidding (Section 2(a) of Republic Act No. 7718).

PHILIPPINE TAXATION

The following is a general description of certain Philippine tax aspects of the investment in the Company. This discussion is based upon laws, regulations, rulings, income tax conventions (treaties), administrative practices and judicial decisions in effect at the date of this Preliminary Prospectus. Subsequent legislative, judicial or administrative changes or interpretations may be retroactive and could affect the tax consequences to the prospective investor.

The tax treatment of a prospective investor may vary depending on such investor's particular situation and certain investors may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to an investor. This general description does not purport to be a comprehensive description of the Philippine tax aspects of the investments in shares and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing the shares under applicable tax laws of other applicable jurisdictions and the specific tax consequence in light of particular situations of acquiring, owning, holding and disposing the shares in such other jurisdictions. This summary does not purport to address all tax aspects that may be important to a holder of the Preferred Shares.

EACH PROSPECTIVE HOLDER SHOULD CONSULT WITH HIS OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF PURCHASING, OWNING AND DISPOSING OF THE OFFER SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY LOCAL AND NATIONAL TAX LAWS.

The Tax Reform for Acceleration and Inclusion (“TRAIN”) Law

The Philippine government, with a stated goal of building an economy that promotes sustainable and inclusive growth and reduces poverty, promulgated Republic Act No. 10963 (“R.A. 10963” or otherwise known as the TRAIN Law). The TRAIN Law, which took effect on January 1, 2018, amended several provisions of the National Internal Revenue Code of 1997. It is the first of five packages of the Comprehensive Tax Reform Program envisioned by the Philippine government.

The first package of tax reform aims to address, among others, the deficiencies of the previous tax system by lowering and simplifying personal income tax, simplifying estate and donors' taxes, expanding the value-added tax (“VAT”) base, adjusting oil and automobile excise taxes and introducing an excise tax on sugar-sweetened beverages, among others.

Corporate Recovery and Tax Incentives for Enterprises Bill (“CREATE”)

Corporate Recovery and Tax Incentives for Enterprises Bill (CREATE), which is the draft substitute of the Corporate Income Tax and Incentives Reform Act Bill (CITIRA), is the second part of the Government's comprehensive tax reform package. It is currently pending with the Senate. Some of the notable provisions in CREATE are:

- the corporate income tax is lowered to 25% up to 2022, followed by a 1 ppt reduction per year from 2023 until 2027, or until 20% by 2027, subject to conditions.
- MCIT rate is lowered to 1%.
- the credit against the tax due or the tax sparing rate shall be equivalent to the difference between the regular income tax rate prevailing during the year the dividends were declared and the 15% tax on dividends.
- Resident foreign corporations will be taxed at 15% on their capital gains.

CORPORATE INCOME TAX

A domestic corporation is subject to a tax of 30% of its taxable income from all sources within and outside the Philippines except, among others, (i) gross interest income from currency bank deposits and yield from deposit substitutes, trust funds and similar arrangements as well as royalties from sources within the Philippines which are generally taxed at the lower final withholding tax rate of 20% of the gross amount of such income; (ii) interest income from a depository bank

under the expanded foreign currency deposit system which is subject to a final tax rate of 15% of such income; (iii) capital gains tax from sales of shares of stock not traded in the stock exchange, which are taxed at a rate of 15% on such gains; and (iv) capital gains realized from the sale, exchange or disposition of lands and/or buildings, which is subject to a final tax of 6% on the gross selling price or fair market value, whichever is higher.

A minimum corporate income tax of 2% of the gross income as of the end of the taxable year is imposed on a domestic corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the minimum corporate income tax is greater than the ordinary income tax for the taxable year.

Nevertheless, any excess of the minimum corporate income tax over the ordinary corporate income tax shall be carried forward and credited against the latter for the three immediately succeeding taxable years. Further, subject to certain conditions, the minimum corporate income tax may be suspended with respect to a corporation which suffers losses on account of a prolonged labor dispute, *force majeure* or legitimate business reverses.

TAX ON DIVIDENDS

Cash and property dividends received from a domestic corporation by individual shareholders who are either citizens or residents of the Philippines are subject to income tax at the rate of 10%, which shall be withheld by the Company. Cash and property dividends received by domestic corporations or resident foreign corporations from a domestic corporation are not subject to tax.

Cash and property dividends received from a domestic corporation by non-resident alien individuals engaged in trade or business in the Philippines are subject to a 20% tax on the gross amount thereof, while cash and property dividends received by non-resident alien individuals not engaged in trade or business in the Philippines are subject to tax at 25% of the gross amount, subject, however, to the applicable preferential tax rates under tax treaties executed between the Philippines and the country of residence or domicile of such non-resident foreign individuals. A non-resident alien who comes to the Philippines and stays in the country for an aggregate period of more than 180 days during any calendar year will be deemed a non-resident alien engaged in trade or business in the Philippines. A non-resident alien who comes to the Philippines and stays in the country for an aggregate period of 180 days or less during any calendar year is considered a non-resident alien not engaged in trade or business within the Philippines.

Cash and property dividends received from a domestic corporation by a non-resident foreign corporation not engaged in trade or business in the Philippines are generally subject to tax at the rate of 30%. Subject to requirements of the tax sparing rule under the Philippine Tax Code, cash and property dividends received are subject to final withholding tax at the rate of 15.0%; provided that the country in which the non-resident foreign corporation is domiciled (i) imposes no taxes on foreign-sourced dividends or (ii) allows a credit against the tax due from the non-resident foreign corporation taxes deemed to have been paid in the Philippines equivalent to the difference between the regular income tax of 30% on corporations and the 15.0% tax on dividends.

In order to avail of the 15% tax sparing rate, Revenue Memorandum Circular No. 80-91 dated August 12, 1991 (Publishing the Resolution of the Supreme Court, dated March 7, 1990 in G.R. No. 76573 entitled "Marubeni Corporation vs. Commissioner of Internal Revenue and Court of Tax Appeals" re: pre-requisites for the availment of 15% preferential tax rate under then Section 24(b)(1) [now Section 25(b)(5)(B)] of the Tax Code, as amended) states that the non-resident foreign holder must submit the following documents to the payor of the cash dividends: (i) an authenticated certification issued by the foreign tax authority that the dividends received by the non-resident foreign corporation from the domestic corporation were not among the items considered in arriving at the income tax due from the non-resident foreign corporation; (ii) the income tax return of the non-resident foreign corporation for the taxable year when the dividends were received; and (iii) an authenticated document issued by the foreign tax authority showing that the foreign government allowed a credit on the tax deemed paid in the Philippines or did not

impose any tax on the dividends. The income recipient may also file a request for a ruling from the BIR that the 15% income tax rate is applicable to its receipt of the dividends and the request has to comply with relevant ITAD issuances. The income recipient should provide the payor of the cash dividends with proof of its filing of an application for a ruling with the BIR before the deadline for the remittance to the BIR of the withholding tax on the dividends.

The abovementioned tax rates are without prejudice to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile of the non-resident holder. Most tax treaties to which the Philippines is a party provide for a reduced tax rate of 15% in cases where the dividend arises in the Philippines and is paid to a resident of the other contracting state. In addition, some treaties provide that the withholding tax rate may be reduced to 10% in cases where the recipient of the dividend beneficially owns at least 10% or 25% of the issuer, depending on which treaty applies. However, most tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the interest or dividend, who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant dividend-earning interest is effectively connected with such permanent establishment.

The BIR prescribed certain procedures for availment of tax treaty relief on dividends under Revenue Memorandum Order No. 8-2017 (Procedure for Claiming Tax Treaty Benefits for Dividend, Interest and Royalty Income of Nonresident Income Earners, dated October 24, 2016). The preferential treaty rates shall be applied by the withholding agent/income payor provided that the non-resident income recipient submits, before the dividends are credited or paid, a Certificate of Residence for Tax Treaty Relief ("**CORTT**") Form that complies with Revenue Memorandum Order No. 8-2017. After the remittance of the withholding tax to the BIR, the withholding agent/income payor shall submit an original copy of the duly accomplished CORTT Form within 30 days.

If the Company withholds taxes or withholds the regular rate of tax imposed pursuant to the Tax Code on interest or dividends, as applicable, the concerned holder may file a claim for a refund from the BIR on the basis of a tax exemption or applicable tax treaty. However, because the refund process in the Philippines could be cumbersome, requiring the filing of an administrative claim and the possible filing of a judicial appeal, it may be impractical to pursue such a refund.

Transfer taxes (e.g. documentary stamp tax, local transfer tax) may be payable if the dividends declared are property dividends, depending on the type of property distributed as dividends. Stock dividends distributed pro rata to all holders of shares are not subject to Philippine income tax. A stock dividend constitutes income if it gives the shareholder an interest different from that which his former stock holdings represented. A stock dividend does not constitute income if the new shares confer no different rights or interest than did the old. The sale, exchange or disposition of shares received as property dividends by the holder is subject to either capital gains tax and documentary stamp tax or stock transaction tax.

The following table lists some of the countries with which the Philippines has tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

	Dividends (%)	Stock transaction tax on sale or disposition effected through the PSE (%)⁽⁹⁾	Capital Gains tax due on disposition of Shares outside the PSE (%)
Canada	25 ⁽¹⁾	0.6	May be exempt ⁽¹³⁾
China	15 ⁽²⁾	Exempt ⁽¹⁰⁾	May be exempt ⁽¹³⁾
France	15 ⁽³⁾	Exempt ⁽¹¹⁾	May be exempt ⁽¹³⁾
Germany	15 ⁽⁴⁾	Exempt ⁽¹²⁾	May be exempt ⁽¹³⁾
Japan	15 ⁽⁵⁾	0.6	May be exempt ⁽¹³⁾
Singapore	25 ⁽⁶⁾	0.6	May be exempt ⁽¹³⁾
United Kingdom	25 ⁽⁷⁾	0.6	Exempt ⁽¹⁴⁾

United States

25⁽⁸⁾

0.6

May be exempt⁽¹³⁾

Notes:

- (1) 15% if recipient company controls at least 10% of the voting power of the company paying the dividends; 25% in all other cases.
- (2) 10% if the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividends; 15% in all other cases.
- (3) 10% if the recipient company (excluding a partnership) holds directly at least 10% of the voting shares of the company paying the dividends; 15% in all other cases.
- (4) 5% if the recipient company (excluding a partnership) holds directly at least 70% of the capital of the company paying the dividends; 10% if the recipient company (excluding a partnership) holds directly at least 25% of the capital of the company paying the dividends; 15% in all other cases.
- (5) 10% if the recipient company holds directly at least 10% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the period of six months immediately preceding the date of payment of the dividends; 15% in all other cases.
- (6) 15% if during the part of the taxable year of the paying company which precedes the date of payment of dividends and during the whole of its prior taxable year at least 15% of the outstanding shares of the voting shares of the paying company were owned by the recipient company; 25% in all other cases.
- (7) 15% if the recipient company is a company which controls directly or indirectly at least 10% of the voting power of the company paying the dividends; 25% in all other cases.
- (8) 20% if during the part of the taxable year of the paying company which precedes the date of payment of dividends and during the whole of its prior taxable year, at least 10% of the outstanding shares of the voting shares of the paying corporation were owned by the recipient corporation; 25% in other cases. Notwithstanding the rates provided under the Convention between the Government of the Republic of the Philippines and the Government of the United States of America with respect to Taxes on Income, corporations which are residents of the United States may avail of the 15% withholding tax rate under the tax-sparing clause of the Philippine Tax Code provided certain conditions are met.
- (9) If the stock transaction tax is not expressly included in the tax treaty, the income recipient will be subject to stock transaction tax at the rate of 0.6% of the gross selling price as provided under Section 127 of the NIRC as amended by Section 39 of the TRAIN Law.
- (10) Article 2(1)(b) of the Agreement between the Government of the Republic of the Philippines and the Government of the People's Republic of China for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income was signed on November 18, 1999.
- (11) Article 1 of the Protocol to the Tax Convention between the Government of the Republic of the Philippines and the Government of the French Republic Signed on January 9, 1976 was signed in Paris, France on June 26, 1995 signed on June 26, 1995.
- (12) Article 2 (3)(a) of Agreement between the Government of the Republic of the Philippines and the Federal Republic of Germany for the Avoidance of Double Taxation with Respect to Taxes on Income and Capital signed on September 9, 2013.

(13) Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist principally of real property situated in the Philippines, in which case the sale is subject to Philippine taxes.

(14) Under the income tax treaty between the Philippines and the United Kingdom, capital gains on the sale of the shares of Philippine corporations are subject to tax only in the country where the seller is a resident, irrespective of the nature of the assets of the Philippine corporation.

When availing of capital gains tax exemption on the sale of shares of stock under an income tax treaty, a tax treaty exemption ruling from the BIR shall be necessary in order to completely implement the transfer. For sale of shares made outside the PSE, a CAR from the BIR is required before the transfer is registered in the stock and transfer book. The BIR issues a CAR only after verifying that the applicable taxes have been paid. Thus, in lieu of proof of payment of capital gains tax, the tax treaty relief ruling should be submitted to the BIR office processing the CAR.

The requirements for a tax treaty relief application in respect of capital gains tax or the stock transaction tax on the sale of shares are set out in Revenue Memorandum Order No. 72-2010 (Guidelines on the Processing of Tax Treaty Relief Applications (“TTRA”) Pursuant to Existing Philippine Tax Treaties dated August 25, 2010), BIR Form No. 0901-C, other BIR issuances. These include documentary requirements such as the supporting contract; stock certificates; the General Information Sheet; secretary’s certificate; comparative schedule of Property, Plant and Equipment; financial statements; BIR Form No. 0605; BIR Form No. 2000-OT; and proof of residence in the country that is a party to the income tax treaty. Proof of residence consists of a consularized certification from the tax authority of the country of residence of the seller of shares which provides that the seller is a resident of such country under the applicable income tax treaty. If the seller is a juridical entity, authenticated certified true copies of its articles of incorporation or association issued by the proper government authority should also be submitted to the BIR in addition to the certification of its residence from the tax authority of its country of residence. The tax treaty relief application has to be filed with the BIR before the first taxable event as defined under Revenue Memorandum Order No. 72-2010, which in respect of capital gains tax, is before the due date for the payment of the documentary stamp tax on the sale of shares.

SALE, EXCHANGE OR DISPOSITION OF SHARES

Capital Gains Tax, if sale was made outside the PSE

Capital gains realized by domestic corporations from the sale of shares of stock not traded in the stock exchange are subject to a final tax at the rate of 15%. Net capital gains realized by a resident foreign corporation during each taxable year from the sale, exchange or disposition of shares of stock outside the facilities of the PSE, are subject to tax as follows: 5% on gains not exceeding ₱100,000.00 and 10% on gains over ₱100,000.00. If an applicable tax treaty exempts such gains from tax or provides preferential rates, an application for tax treaty relief must be filed with (and approved) by the Philippine tax authorities in order to obtain an exemption or to apply a preferential rate under a tax treaty.

The capital gains tax described above shall apply (unless an applicable treaty exempts such gains from tax or provides for preferential rates) to the secondary sale of the common shares by the holder thereof to another party made outside the facilities of the PSE.

Stock Transaction Tax

A sale or other disposition of shares of stock through the facilities of the PSE by a resident or a non-resident holder, other than a dealer in securities, is subject to a stock transaction tax at the rate of 0.60% of the gross selling price or gross value in money of the shares of stock sold or otherwise disposed, unless an applicable treaty exempts such sale from said tax. This tax is required to be collected by and paid to the Philippine Government by the selling stockbroker on behalf of his client. The stock transaction tax is classified as a percentage tax in lieu of a capital

gains tax. Under certain tax treaties, the exemptions from capital gains tax discussed herein may not be applicable to the stock transaction tax.

Value Added Tax

Value Added Tax of 12% may generally be imposed on the gross income earned by dealers in securities on the sale of shares and on the commission earned by the PSE-registered broker, which is generally passed on to the client.

DOCUMENTARY STAMP TAX

Under the Tax Code, certain documents, instruments, papers, acceptances, assignments, sales and transfers of obligations, rights or property are subject to documentary stamp tax. Documentary stamp tax will be levied, collected and paid for by the person making, signing, issuing, accepting or transferring the document, wherever the document is made, signed, issued, accepted or transferred, when the relevant obligation or right arises from a Philippine source or the relevant property is situated in the Philippines.

The original issue of shares of stock is subject to documentary stamp tax of ₱2.00 on each ₱200.00 par value, or a fraction thereof, of the par value of the shares of stock issued. In case the original issue of shares of stock are without par value, the amount of documentary stamp tax shall be based upon the actual consideration for the issuance of such shares of stock. In the case of stock dividends, the documentary stamp tax shall be based on the actual value represented by each share.

The secondary transfer of shares of stock outside of the facilities of the PSE by assignment in blank, by delivery, by any paper or agreement, or memorandum or other evidences of transfer or sale (including transfers to secure the future payment of money or for the future transfer of stock) is subject to a documentary stamp tax of ₱1.50 on each ₱200.00 par value, or a fractional part thereof, of the par value of share of stock transferred. In case of stock without par value, the amount of the documentary stamp tax shall be equivalent to fifty percent (50%) of the documentary stamp tax paid upon the original issue of said stock.

The sale, barter, or exchange of shares of stock listed and traded through the PSE is exempt from the DST.

In addition, the borrowing and lending of securities executed under the Securities Borrowing and Lending Program of a registered exchange, or in accordance with regulations prescribed by the appropriate regulatory authority, are likewise exempt from documentary stamp tax. However, the securities borrowing and lending agreement should be duly covered by a master securities borrowing and lending agreement acceptable to the appropriate regulatory authority, and should be duly registered and approved by the BIR.

ESTATE AND GIFT TAXES

Shares issued by a corporation organized under Philippine laws are deemed to have a Philippine *situs*, and any transfer thereof by way of donation or succession, even if made by a non-resident decedent or donor outside the Philippines, is subject to Philippine estate or donor's tax.

The transfer of shares of stock upon the death of an individual holder to his heirs by way of succession, whether such holder was a citizen of the Philippines or an alien, regardless of residence, is subject to Philippine estate tax at a flat rate of 6% of the value of the net estate.

On the other hand, individual and corporate holders, whether or not citizens or residents of the Philippines, who transfer shares of stock by way of gift or donation are liable to pay Philippine donors' tax at a flat rate of 6% of the total gifts or donations made during the calendar year in excess of ₱250,000. When property (other than real property subject to capital gains tax) is

transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the property exceeded the value of the consideration shall be deemed a gift or donation subject to donors' tax. However, a sale, exchange, or other transfer of property made in the ordinary course of business, or a transaction made at arm's length and free from donative intent, will be considered as made for an adequate and full consideration in money or money's worth, and will not be subject to donors' tax.

Estate and donor's taxes, however, shall not be collected in respect of intangible personal property, such as shares of stock: (a) if the decedent at the time of his death or the donor at the time of the donation was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character, in respect of intangible personal property of citizens of the Philippines not residing in that foreign country, or (b) if the laws of the foreign country of which the decedent or donor was a citizen and resident at the time of his death or donation allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

TAXATION OUTSIDE THE PHILIPPINES

Shares of stock in a domestic corporation are considered under Philippine law as situated in the Philippines and the gain derived from their sale is entirely from Philippine sources; hence such gain is subject to Philippine income tax and the transfer of such shares by gift (donation) or succession is subject to the donor's or estate taxes stated above. The tax treatment of a non-resident holder of shares of stock in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of domicile or business activities and such holder's particular situation. This Preliminary Prospectus does not discuss the tax considerations on non-resident holders of shares of stock under laws other than those of the Philippines.

FINANCIAL AND OTHER INFORMATION

1. Audited Financial Statements for the fiscal year ended 31 December 2019, **Annex A**
2. 17-Q Report for the quarter ended 30 June 2020, **Annex B**

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