

MEGAWIDE CONSTRUCTION CORPORATION
Company's Full Name

**20 N. Domingo Street,
Barangay Valencia
Quezon City**
Company's Address

655-1111
Telephone Number

December 31
Fiscal Year Ending
(Month & Day)

SEC FORM 17-A
Form Type

December 31, 2018
Period Ended Date

(Secondary License Type and File Number)

cc: Philippine Stock Exchange

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the Fiscal Year Ended **December 31, 2018**
2. SEC Identification Number **CS200411461**
3. BIR Tax Identification No. **232-715-069-000**
4. Exact Name of Issuer as Specified in its Charter **Megawide Construction Corporation**
5. Province, Country or other Jurisdiction of Incorporation or Organization **Philippines**
6. Industry Classification Code (SEC use only)
7. Address of Principal Office **No. 20 N. Domingo Street,
Barangay Valencia, Quezon City
Postal Code 1112**
8. Issuer's Telephone Number, including Area Code **(02) 655-1111**
9. Former Name, Former Address and Fiscal Year, if Changed since Last Report **Not Applicable**
10. Securities registered pursuant to Section 8 and 12 of the SRC, or Section 4 and 8 of the RSA:

| Title of Each Class | Number of Shares Outstanding | Amount of Debt Outstanding (₱) |
|----------------------------|-------------------------------------|---------------------------------------|
| Common | 2,089,765,617 | 0 |
| Preferred | 40,000,000 | 0 |

11. Are any or all these securities listed on a stock exchange?

Yes No

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

Philippine Stock Exchange - Common and Preferred Shares

12. Check whether the issuer:

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

Yes No

has been subject to such filing requirements for the past 90 days.

Yes No

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

| | |
|---|-----------------|
| Number of non-affiliate shares as of December 31, 2018 | 2,089,765,617 |
| Closing price per share as of December 31, 2018 | P18.00 |
| Market value as of December 31, 2018 | P37,615,781,106 |

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Part I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

Description of Business

Megawide Construction Corporation (Megawide or 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.

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.

On January 28, 2011, the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (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 P7.84 offer price per share and the listing of those shares in PSE's main board on February 18, 2012. On December 3, 2014, the Company made a primary offer of 40.0 million preferred shares at an offer price of P100.0 per share. These preferred shares are also listed in the PSE.

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 P5 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 P1.0 per share.

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

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.

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

2016

In 2016, Megawide ramped up its construction operations from its order backlog and was able to display a year-on-year construction revenue growth of 13%. It continued to expand its portfolio in the affordable housing sector and mixed-use projects ranging from commercial centers to BPO towers by bagging additional contracts from Deca Homes, Double Dragon Plaza and Megaworld. Known for its Engineering Excellence, Megawide remains to be Philippines' leading and preferred contractor.

The Company's airport operation segment, GMCAC, continues to strengthen Cebu's position as an international hub. Improvements were applied in Terminal 1 of the MCI A, including the launch of the new passenger processing technologies such as the country's first Veripax Passenger Reconciliation System that will streamline the airport's security check process.

In November 15, 2016, the MCI A was named Asia Pacific Regional Airport of the Year by Singapore's CAPA-Center for Aviation. The MCI A also landed as the 14th best airport in Asia in 2016 according to 'The Guide to Sleeping in Airports' website, an improvement from last year's 18th place. The MCI A looks forward to further increasing the airport's connectivity and expects passenger capacity to increase to 12.5 million upon completion of Terminal 2.

On May 5, 2016, Megawide, together with its airport partner GMR, through GMR Holdings Overseas (Singapore) Pte. Ltd. (GHOSPL), incorporated Globemerchants, Inc. (GMI) to facilitate the retailing of general merchandise within the MCI A. Megawide initially owned 60% (now 50%) ownership interest in GMI.

On October 2016, MWMTI conducted its groundbreaking ceremony following the issuance of the Notice to Proceed last October 17, 2016 by the DOTr to construct the PITX under a Build-Operate-Transfer Agreement.

On October 28, 2016, Megawide incorporated Megawide Land Inc. (MLI), to carry out real estate operations of the Megawide group of companies (the Group). Megawide owns 100% of MLI while MLI owns 60% of Megawide Cold Logistics, Inc. (MCLI), a business designed for trading.

2017

2017 saw Megawide continue market leadership by booking new EPC contracts worth P10.8 Billion, bringing its total order book to P32.6 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 MCI A. This is a key factor in GMCAC's 24% growth in net income. For 2017 alone, 12 international routes were added at the MCI A 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 4 to 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 of, 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 MTT) in MWMTI, representing 49% ownership interest therein, for a total purchase price of P344.1 million, thereby making MWMTI a 100% owned subsidiary of the Company, MTT owns 49% interest in MWMTI.

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 MCIA's domestic and international passenger terminals, Terminals 1 and 2, respectively.

Subsidiaries and Affiliates

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

| | <u>2018</u> | <u>2017</u> |
|---|-------------|-------------|
| Subsidiaries: | | |
| GMR Megawide Cebu Airport Corporation (GMCAC) | 60% | 60% |
| Megawatt Clean Energy, Inc. (MCEI) | 70% | 70% |
| Globemercants, Inc. (GMI) | 50% | 50% |
| Megawide Land, Inc. (MLI) | 100% | 100% |
| Megawide Cold Storage, Inc. (MCLI) | 100% | 100% |
| Megawide Construction (BVI) Corporation (MCBVI) | 100% | 100% |
| Megawide Terminals, Inc. (MTI) | 100% | - |
| MWM Terminals, Inc. (MWMTI) | 100% | - |
| <i>Accounted for as Asset Acquisition –</i> | | |
| Altria East Land, Inc. (Altria) | 100% | 100% |
| Associates: | | |
| Megawide World Citi Consortium, Inc. (MWCCI) | 51% | 51% |
| Citicore Megawide Consortium, Inc. (CMCI) | 10% | 10% |
| Joint Arrangements: | | |
| <i>Joint Operation –</i> | | |
| Megawide GISPL Construction Joint Venture (MGCJV) | 50% | 50% |
| Megawide GMR Construction JV, Inc. (MGCJVI) | 50% | - |
| <i>Joint Venture – MWMTI</i> | - | 51% |

GMR Megawide Cebu Airport Corporation (GMCAC)

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

Megawatt Clean Energy, Inc. (MCEI)

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

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 Cold Logistics, Inc. (MCLI)

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

Megawide Construction (BVI) Corporation (MCBVI)

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

Megawide Terminals, Inc. (MTI)

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

MWM Terminals Inc. (MWMTI)

MWMTI was incorporated 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.

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.

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 57.43%), 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 28.88% 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 Michael Cosiquien and Edgar Saavedra. It owns 100% of 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, Owning & Merrill.

Citicore Power Inc. (CPI)

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

Silay Solar Power Inc. (SSPI)

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

Next Generation Power Technology Corporation (Next Gen)

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

First Toledo Solar Energy Corp. (First Toledo)

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

Citicore Infrastructure Holdings Inc. (CIHI)

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

Business Segments

The Group's operating businesses are recognized and managed separately according to the nature of services provided with a segment representing a strategic business unit. The following are the Group's business segments:

- a. ***Construction*** – principally refers to general construction business which involves site development, earthworks, structural and civil works, masonry works, and architectural finishes, electrical works, plumbing and sanitary works, fire protection works and mechanical works.
- b. ***Airport Operations*** – mainly relate to 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.

Other operations of the Group comprise the operations and financial control groups. These segments are also the basis of the Group in reporting to its executive committee for its strategic decision-making activities. Transactions between segments are conducted at estimated market rates on an arm's length basis.

Segment revenues and expenses that are directly attributable to business segment and the relevant portions of the Group's revenues and expenses that can be allocated to that business segment are accordingly reflected as revenues and expenses of that business segment.

The significant information relating to each of the business segment are discussed below:

Construction Segment

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.

Megawide negotiates the final construction price with the project owner. Upon being awarded the project, Megawide shall commence within 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; and
- 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.

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.

Completed Projects

As of December 31, 2018, Megawide has approximately 5,166,018.08 square meters floor area under its construction portfolio. The notable projects that Megawide has completed for the past 3 years are:

1. **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.
2. **The Linear** – The Linear is an office and commercial building located at San Antonio, Makati City. Its total floor area is 7,400 square meters.
3. **IHUB 9 Building** – IHUB 9 is a BPO building located in Northgate Cyberzone, FCC, Alabang, Muntinlupa City. Its total floor area is 28,898.04 square meters.
4. **IHUB 10 Building** – IHUB 10 is also a BPO building located in Northgate Cyberzone, FCC, Alabang, Muntinlupa City. Its total floor area is 28,898.04 square meters.
5. **BPO Complex Cebu** – BPO Complex Cebu is located in Phase 1 Lahug, Cebu City, which is a 14-storey commercial building for BPOs with lot area of 45,428.07 square meters.
6. **Dextertron** – A 15-storey commercial building with a floor area of 12,769.43 square meters located in Fort Bonifacio, Taguig City.
7. **New Frontier Theater** – With a total floor area of approximately 10,813.23 square meters, over a lot of approximately 5,817.31 square meters, New Frontier Theater is a 2-storey commercial building owned by Araneta Center, Inc. located at Gen. Aguinaldo Ave., Araneta Center, Cubao, Quezon City.
8. **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.
9. **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.
10. **Cyber Part Tower 1** – A 29-storey BPO building with 3 basement parkings located in Araneta Center, Cubao, Quezon City and owned by the Araneta Group. It has a total lot area of 4,072.65 square meters.
11. **One World Place** – A 34-storey commercial building with floor area of 46,130.39 located in Fort Bonifacio, Taguig City.
12. **World Hotel & Residences** – A 38-storey hotel and condominium with total floor area of 44,011 square meters located in Makati City.

13. **Rockwell Business Center** – A 15-storey building owned by Rockwell-Meralco BPO Venture, a joint venture between Rockwell Land Corporation and Manila Electric Company. The project is located in Meralco Compound, Ortigas Extension. This has a total leasable floor area of 30,287.91 square meters.
14. **SM Grass Residences Tower 4** – A 40-storey residential building owned by SM Development Corporation with a gross floor area of 135,000 square meters and a total lot area of 13,888.458 square meters located at Nueva Viscaya cor. Misamis and Nueva Ecija Sts., Sto. Cristo, Quezon City.
15. **Arthaland Tower Substructure** – A 6-level substructure owned by Arthaland Corporation with a total floor area of 12,000 square meters.
16. **Mactan Newtown STP** – A sewage treatment plant contract with Megaworld Construction Corporation with a total lot area of 1,189.50 square meters and a gross floor area of 4,022.99 square meters.
17. **Landers Warehouse Balintawak** – A warehouse owned by Southeast Asia Retail, Inc. located at Balintawak, Caloocan City. It has a total floor area of 8,360 square meters.
18. **Landers Warehouse Otis** – A mixed-used complex warehouse developed by Southeast Asia Retail, Inc. located at Otis, Sampaloc, Manila with a total floor area of 16,783.50 square meters.
19. **Bataan Solar Project** – This is for the construction and operation of an 8.986 MWdc and an expanded 9.018 MWdc ground-mounted photovoltaic power generation facility in Barangay Alas-Asin, Freeport Area of Bataan, Mariveles, Bataan, for a total generation capacity of 18 MWdc. The Bataan Solar Project is owned by Next Gen.
20. **Toledo Solar Project** – This involves the construction and operation of a 60 MWp ground-mounted photovoltaic power generation facility located at Toledo, Cebu Province. The project is owned by First Toledo.
21. **Silay Solar Project** – The construction and operation of an 18.3 MWdc and an expanded 6.7 MWdc ground-mounted photovoltaic power generation facility in Barangay Rizal, Silay City, Negros Occidental for a total generation capacity of 25MWdc owned by SSPI.
22. **Le Grand Avenue ABC** – Composed of 2 5-storey office and commercial buildings developed by Megaworld Corporation. This is located at Lots 1-4, Mckinley West, Fort Bonifacio, Taguig City with 46,290.85 square meters and 13,500 square meters gross floor area and total lot area, respectively.
23. **Le Grand Avenue DEF** – Composed of 2 5-storey office and commercial buildings developed by Megaworld Corporation. With a total floor area of 46,324.18 square meters and a total lot area of 13,500 square meters located at Lots 1-4, Mckinley West, Fort Bonifacio, Taguig City.
24. **Hampton M and N** – A 9-storey residential building owned by Dynamic Realty Resources Corporation with a total lot area of 1,600 square meters and a gross floor area of 8,971 square meters located at C. Raymundo, Maybunga, Pasig City.

25. **Proscenium Substructure** – This composed of a 3-level basement for Phase 1A and a 2-level basement for Phase 1B owned by Rockwell Land Corporation located in Estrella Corner J.P. Rizal St., Guadalupe Viejo, Makati City and with a total lot area of 35,995 square meters and gross floor area of 101,792.23 square meters.
26. **Plaza Magellan** – A 13-storey commercial building located at Mactan, Cebu City owned by Megaworld Corporation with a total lot area of 2,284.04 and a floor area of 28,890 square meters.
27. **Philam Life Center Cebu** – A 12-storey office building developed by The Philippine American Life and General Insurance Co. with a total floor area of 35,000 square meters and a total lot area of 3,427.11 square meters. The project is located at Cardinal Rosales St. Cor. Samar Loop, Cebu Business Park, Cebu City.
28. **27 Annapolis** – A 44-storey residential building with 3 basements owned by Bayswater Realty and Development Corporation located at No. 27 Annapolis 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.
29. **Southwoods Mall and Office Tower** – Developed by Southwoods Mall, Inc., with a gross floor area of 61,762.42 square meters and a total lot area of 18,984.71 square meters. A 52-storey mall and office with one basement located at Southwoods Eco-Centrum, Biñan, Laguna.
30. **One Town Square** – Owned by La Fuerza, Inc., One Town Square is 12-storey office building located at Alabang City with a gross floor area of 29,608.80 square meters and a total lot area of 3,729 square meters.
31. **Urban Deca Tower EDSA** – A 44-storey residential building located at Sierra Madre and EDSA, 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.
32. **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.
33. **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.
34. **The Curve** – A 32-storey office building located at Lot 1, Block 7, Fort Bonifacio Global City, Taguig owned by IRMO. The Curve has a total floor area of 45,393.66 square meters and a total lot area of 1,585.20 square meters.
35. **Mareic Building** – Owned by Greenway Properties Realty Corporation, Mareic Building is a 40-storey office building with 3 basement areas located at 121 Tordesillas 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.

36. **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.
37. **Landers Warehouse Arcovia** – A mixed-used complex warehouse with a basement developed by Southeast Asia Retail, Inc. located at Pasig City. It has a total floor area of 17,000 square meters and lot area of 14,000 square meters.
38. **Landers Warehouse Alabang** – A 2-storey building for mixed use purposes owned by Southeast Asia Retail, Inc. located at Daang Hari Road, Almanza Dos Las Piñas City with total floor area of 8,800 square meters and lot area of 20,926 square meters.
39. **Project Delta Phase 1** – A plant expansion project for Zenith Foods Corporation. This includes earthworks, substructure, superstructure and roofing for the Red Ribbon Plant Expansion project at Productivity Ave., Camelray Industrial Park 1, Brgy. Canlubang, Calamba City, Laguna with gross lot area of 5 hectares.
40. **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.
41. **Mactan-Cebu Airport Structural Works** – This project pertains to the site development, earthworks and structural works of MCI 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.
42. **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.

On-Going Projects

The following are the on-going projects of Megawide as of December 31, 2018:

1. **DEPED Phase 2** – Involves construction of school buildings in Regions I, II, III and CAR thru a direct contract with the Department of Education.
2. **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.
3. **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.

4. **Urban Deca Ortigas** – A residential complex composed of 24 clusters of 13-storey buildings located at Ortigas Ext., Pasig City.
5. **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.
6. **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.
7. **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.
8. **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.
9. **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.
10. **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.
11. **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.
12. **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.
13. **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.
14. **8990 Urban Deca Tondo – Site Development, STP and Fire Pump** – This project pertains to the site development and structural works of Urban Deca Tondo owned by Fog Horn, Inc. located at Vitas St. Tondo, Manila. The site development has a total floor area of 35,689.70 square meters.

15. **Urban Deca Mall Tondo** – A 2-storey commercial building located in the residential complex of Urban Deca Tondo at Vitas St. Tondo, Manila with a total floor area of 20,132.76 square meters.
16. **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.
17. **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.
18. **Gateway Mall 2** – A commercial building owned by the Araneta Group. This is part of their mall expansion project in Araneta Center, Quezon City.
19. **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.
20. **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.
21. **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.
22. **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.
23. **Double Dragon Tower** – An office building composed of 11-storeys with a basement parking. Its gross floor area is 61,859.05 square meters and its total lot area is 5,257 square meters.
24. **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.
25. **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.

26. **Aspire Corporate Plaza** – A 10-storey office building with a gross construction floor area of 35,172 square meters. Golden Bay Tower is owned by Golden Bay Fresh Land Holdings, Inc.
27. **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.
28. **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.
29. **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.

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.

SM Development Corporation (SMDC)

SMDC is a leading developer of vertical villages integrated with commercial and retail environments. Their properties are strategically situated in key areas across Metro Manila, specifically in the cities of Makati, Mandaluyong, Manila, Parañaque, Pasay, Pasig, Quezon City, and Taguig, and Tagaytay City. Some of these properties include the Jazz Residences, Sea Residences and Grass Residences.

Rockwell Land Corporation (Rockwell)

Rockwell is one of the premier real estate development companies in the Philippines. It was formed in 1995, after the shutdown of the thermal power plant, by the Lopez Group. Its primary task was to transform the old thermal power plant property into a high-end commercial business district, truly a benchmark for innovation in the real estate industry.

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.

Shangri-La Properties, Inc.

Shangri-La Properties, Inc. is a luxury real estate developer in the Philippines. It is the Philippines' property development arm of the prestigious Kuok Group and with core businesses in upscale office and retail leasing and residential development. The company has a landbank of over 500 hectares located in Batangas, Tagaytay, Cavite, and Mactan earmarked for future developments. Backed by the added value and advantages provided by its affiliates worldwide – Kerry Properties, the Kuok Group, and Shangri-La International Hotels and Resorts, and their ever-growing network of property, logistics and infrastructures assets, Shangri-La Properties, Inc. continues to set the pace for premium real estate projects in the Philippines.

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.

Southeast Asia Retail, Inc.

Southeast Asia Retail, Inc. is the company behind the fast-growing membership grocery retailer, Landers Superstore which sells imported and local products in bulk and single-sized in 2 stores in Balintawak, Quezon City and Otis, Manila. It offers premium membership for individual and business use. Landers Superstore will also be opening in Arcovia City and Alabang West as it partnered with Megaworld's newest township developments.

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.

ArthaLand Corporation (ArthaLand)

ArthaLand is a real estate company bringing together a brain trust of experts in property development and management. ArthaLand is an entrepreneurial, world-class, boutique developer of unique, enduring, and sustainable projects in the residential, office, and leisure segments. It is principally engaged in the realty development business including home building and development. ArthaLand is the owner-developer of the Arthaland Tower, a 30-storey office and commercial tower in Taguig City designed to be compliant with the Leadership in Energy and Environmental Design (LEED).

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.

Competitors in the Industry

EEI Corporation (EEI), 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 EEI, 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 EEI's and DMCI's.

Competitive Strengths

Megawide believes that its principal strengths are the following:

1. *Value Engineering Through Modern and Advanced Building Technologies*

- 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 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:

- Slab Formworks
 - Wall Formworks
 - Column Formworks
 - Circular Formworks
 - Climbing Formworks
- 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:
 - Reducing cost
 - Shortening the construction period
 - Improving quality
 - Increasing project volume
 - Environmentally friendly

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

| | Traditional Construction | Megawide | 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 • 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 | Concrete Hollow Blocks | Pre-Cast Walls | <ul style="list-style-type: none"> • Precise, smooth and even curing, high quality, energy saving and ecological |
| | Traditional Concrete Beams, Columns, Slabs | Pre-cast Beams, Columns, Slabs, Toilets, Parapets, Wheel | <ul style="list-style-type: none"> • Savings in steel and partition wall materials, extra-long spans for design flexibility, accurate dimensions and strand locations |

| | | | |
|--|--|--------|-----------------------|
| | | Guards | for less work-on site |
|--|--|--------|-----------------------|

- Megawide’s 16-hectare industrial complex in San Juan 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.
- 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.

2. ***Business Synergies from Vertical Integrations***

- Megawide’s unique business model puts it in a league of its own, clearly differentiating it from among its peers. It is the only construction company that has a manufacturing component through the use of a state-of-the-art pre-cast production facility and wide downstream integration such as a modern concrete batching plant, advanced formworks systems and has its own fleet of vertical, earth-moving and construction equipment. Moreover, to ensure sustainable business growth and to 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 horizon. 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 synergies in these vertical integrations will result to seamless operating efficiencies, optimal use of resources and financial strength.

3. ***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. It has a proven track record of efficient operations, having successfully completed numerous low-rise to high-rise condominiums and industrial buildings.

4. ***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.

5. ***Financial Strength and Ability to Raise Financing at Competitive Costs***

- Megawide has a strong balance sheet that can support fund raising for its projects at very competitive costs.

6. ***AAA and Large B Contractor's License***

- Megawide has an AAA Contractor's License from the PCAB. This is the highest classification and category for a construction company as of December 31, 2017, 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.

7. ***Young, Modern and Branded Fleet of Building Equipment***

- 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.

Suppliers

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 60-120 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 project site requirements.

Quality Control and Quality Assurance

Megawide's quality of work are 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.

Intellectual Property

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

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.

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.

Employees

As of December 31, 2018, Megawide's manpower complement is as follows:

| Division | Regular | Project Based* | Total |
|-----------------|----------------|-----------------------|--------------|
| Operations | 1,492 | 1,599 | 3,091 |
| Head Office | 257 | 66 | 323 |
| Total | 1,749 | 1,665 | 3,414 |

**Includes fixed-term employees*

Megawide will continue to hire qualified and competent employees in the next 12 months for its on-going and new projects.

The relationship and cooperation between the management and staff has been good and is expected to remain so in the future. There has not been any incidence of work stoppages or labor disputes in the past. 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.

Megawide has a retirement plan which provides a retirement benefit equal to 22.5 days' pay for every year of credited service in accordance with Republic Act No. 7641 or the Retirement Pay Law. On July 19, 2010, its Board of Directors resolved to establish a non-contributory retirement fund for its officers and employees and appointed the fund's board of trustees. Subsequently, on December 11, 2012, the Board approved the establishment of the Megawide Construction Corp.

Ret. Plan for the benefit of Megawide's qualified employees. The Board appointed BDO Unibank – Trust and Investments Group as trustee of the Retirement Fund.

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 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.

Business Risks

Below is a discussion of the major risks involved in the business of Megawide.

1. Megawide 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.

2. Significant competition in the construction industry could adversely affect Megawide's business.

Megawide believes that it has a competitive advantage over other construction companies due to its use of High Technology Building Systems, high quality construction equipment, value-added engineering services, technical competence, and innovative ability. Furthermore, its use of High Technology Building Systems has allowed it to price its projects competitively.

3. Megawide currently contracts with a limited number of developers, subjecting it to concentration risk.

Megawide has increased its pool of customers in the past 3 year because of its excellent reputation in the construction industry, achieved by providing quality service to its clients and being able to offer competitive pricing because of its High Technology Building System. Big clients that were added in the Megawide's portfolio includes Megaworld, 8990, Araneta Group, Rockwell., Southeast Asia Retail, DD and ArthaLand. Megawide has also been successful in maintaining the relationships it has built with its existing roster of developer clients. It also adopts strict quality control measures to ensure that clients are satisfied with the quality of Megawide's output. For the past 3 years, Megaworld and DD have contributed the highest revenue with 11% each, followed by 8990 with a 10% contribution to the total revenue of Megawide. In the past years, Megawide was able to successfully minimize the concentration risk by expanding its construction portfolio and strengthening the contract provisions to protect its interest.

4. Megawide is exposed to credit risk on its receivables from construction contracts.

For on-going 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.

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

Megawide employs a hedging program and facilities with a number of its suppliers to help mitigate the risk of price volatility. It enters into fixed purchase contracts with its suppliers, immediately upon award of contracts, which fix the unit cost of the 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.

6. Megawide's reputation will be adversely affected if its projects are not completed on time or fail to meet customer requirements.

Megawide has a proven track record with years of experience in the construction industry. It has a group of well-trained and experienced technical managers that implement measures to maintain the project's progress, schedules and quality. In addition, contracts with suppliers and subcontractors contain warranties for quality and requirements for timely completion. These warranties are typically covered by a guarantee bond, surety bond, performance bond, or liability insurance.

7. Megawide may be exposed to liquidity risk from delayed payments of progress billings.

Megawide has a solid financial background and has established credit lines with several financial institutions from which it is able to easily obtain loans to finance its working capital requirements.

8. The availability of construction materials may affect Megawide's projects.

The principal raw materials utilized by Megawide in its projects are cement and steel, which are both readily available in the market from a number of sources, including Steel Asia Manufacturing Corporation, Peaksun Enterprises 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.

9. Megawide is reliant on its High Technology Building Systems to maintain its competitive advantage over other contractors.

Megawide does not have an exclusivity contract with any of its technology and equipment suppliers. As such, competitors may opt to, and will be able to purchase the same technology and equipment from Megawide's suppliers. However, although its competitors may purchase similar technologies, Megawide has an advantage since it already has at least 9 years of experience in utilizing said High Technology Building Systems. New users of the High Technology Building Systems will need time to learn and adapt to the changes in the construction process. New users should also have significant project volumes in order to realize a return on its investment and to bring down construction cost. To ensure that Megawide maintains its technological advantage, Megawide has established a Research and Development Team to continuously adapt and respond to new inventions and standards in construction.

10. Megawide is exposed to the risk of industrial or labor disputes.

Megawide has maintained a harmonious relationship between management and staff. It provides employee benefits and complies with labor standards and applicable labor laws. It is not unionized and there has not been any incidence of work stoppages or labor disputes. Megawide is also highly mechanized and is therefore not entirely dependent on manual labor for its production and structural works.

11. Risk on the separation of key employees

To mitigate this risk, Megawide gives attractive compensation packages that consist of: (1) basic wages; (2) high coverage in life and health insurance; (3) project completion bonus for project employees; and (4) performance bonus for project employees occupying key positions such as project managers and assistant project managers, depending on the position of the project employee. It has also entered into employment agreements with its key employees containing a "non-compete clause", which prevents these key personnel from moving to its competitors for a certain number of years.

12. Injuries or damages to third parties could arise from construction accidents.

Megawide adopts the European Standard on Safety Scaffoldings. Under this standard, safety scaffoldings are built in accordance with the British Standard (BS 5973), which sets out performance requirements for working scaffolds and permissible stress design method. The working scaffold provides a safe workplace with safe access suitable for the work being done. Megawide utilizes German Scaffoldings such as MEVA Automatic Climbing Scaffold, Shoring Tower and other Folding Scaffoldings, which were built in accordance with BS 5973. It also strictly implements wearing of proper full body protection gear in accordance with the Zero Accident Safety Program. The program is adopted in all job sites

to prevent worker injury under a Zero Injury or Accident Program, which means that accidents or serious injuries to workers can be successfully prevented. Moreover, as part of the safety program, a Safety Engineer is assigned to each construction site to ensure employee awareness.

13. A slowdown in the Philippine economy could adversely affect Megawide.

This risk is beyond the control of Megawide but due to its infrastructure business segments, the effect of a weak economy is mitigated.

14. Political or social instability could adversely affect the financial results of Megawide.

This risk is beyond the control of Megawide.

15. Megawide is required to obtain various licenses for its construction business.

The revocation or non-renewal of these permits and licenses may have a material adverse effect on Megawide's operations. To avoid work stoppage or disruption, Megawide ensures that it is always compliant with the necessary permits required by various licensing authorities.

16. Foreign Exchange Policy

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

17. Occurrence of Natural Catastrophes or Blackouts

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.

Airport Operation Segment

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

Under the Public-Private Partnership (PPP) framework, the GMCAC shall deliver a second terminal and rehabilitate the existing terminal to reduce congestion as well as meet the growing passenger traffic. GMCAC is undertaking this capital extensive project to provide a world class terminal airport with a welcoming ambiance that is distinctly Filipino.

With a total of 24 international destinations, 33 domestic destinations and with 26 partner airline carriers, MCIA is no longer just a secondary airport. It is a viable choice that connects Cebu to the rest of the Philippines and to the world.

GMCAC envisions MCIA to become the friendliest gateway destination, treating passengers as guests the moment they set foot in the airport. The Company's brand image is firmly tied to Cebu's global reputation as a resort destination.

Terminal 1

Upon turnover of MCIA's operations and management to GMCAC in November 01, 2014, the airport segment has fast-tracked in-terminal developments to reduce congestion, improve ambiance and enhance customer service.

To reduce congestion, GMCAC embarked on the installation of a passenger reconciliation system to immediately scan boarding passes, a first in any Philippines airport; installed self-service check-in kiosks; expandable check-in counters; new baggage handling system; installed 4 X-ray machines at the final security check; new immigration counters; and swing gates or alternate gates for international or domestic boarding areas.

To improve the terminal's ambiance, there are now more retail and dining options from international and local brands; new seats were installed to offer comfort; and washrooms were expanded and refurbished to mirror those found in hotels.

To enhance customer service, there is now a premium lounge at the international departures; about a hundred new flight information display monitors; more ATM machines; mobile charging stations; a water refilling station inside the boarding gates; fun and exciting in-terminal activities (like Sinulog, Valentine's Day, Summer Festival, Halloween and Christmas); and the Cebu Connect Transfer Facility Desk, a transfer and early check-in facility that allows passengers with connecting flights to easily drop their baggage for check-in and have their boarding passes printed out. The said desk can process connecting passengers even as early as 12 hours prior their onward connecting flight. Upon securing their boarding passes, they can leave the terminal and enjoy a short visit to nearby sites or taste the famous Cebu lechon.

Terminal 2

The new world-class Passenger Terminal Building or MCIA Terminal 2 opened in 2018 and is meant to drive further growth in passenger traffic, which translates to a more robust tourism environment for the region. Terminal 2 will increase passenger capacity to 12.5 million. The new terminal, spanning 65,500 square meters, will not only lessen congestion but will also offer an exciting and wide-ranging retail environment.

Hong Kong-based Integrated Design Associates (IDA), which has previously worked on projects at Beijing Capital, Delhi-Indira Gandhi and Hong Kong airports, forms part of MCIA Terminal 2's design team. IDA worked in tandem with Budji Layug, Royal Pineda and Kenneth Cobunpue – on the design, look and feel of the new terminal. Envisioned with a unique design that demonstrates the warmth and friendliness of the local culture, it is set to transform the local airport into a world-class facility and resort gateway.

The most recognizable element of the terminal is the dynamic elegance and lightness of the roof. The structure is composed of an array of glulam arches, which form the roof curvature and define its geometry and modularity. The arches span every 30 meters, which enables Terminal 2 to be as column free as possible. The internal spaces is enclosed by a light and transparent glazed façade. The arch façade is 15 meters tall and is accentuated by vertical U channels. The timber arches become the main element in the creation of a dramatic internal space, with sleek

geometries and dynamic perspectives, where the undulating roof is reminiscent of the waves of the seas around Mactan Cebu Island.

A 2-level forecourt segregates both the arrivals and departures area that is fully integrated with the landside development. There are 48 check-in counters that are expandable to 72. It has provisions for 7 passenger boarding bridges, which can be expanded to 12 boarding bridges serving wide and narrow body aircrafts. It is also be equipped with 12 escalators and 15 elevators facilitating the easy movement of passengers, especially for persons with disabilities.

A car parking facility will be constructed that can accommodate 550 cars and expandable to 750 cars as needed. There will also be an array of food and retail choices, including a mall, casino, and a hotel.

Route Development

In the following years, completely new routes connecting Cebu to Europe, Australia and other ASEAN countries will be in the works. Discussions and meetings with airport operators in Sweden, Australia, and Japan were held to market Cebu as a destination and to showcase MCIA as an ideal gateway to the Philippines as well as exploring new networks for the airport.

As GMCAC continues to improve the connectivity of MCIA as an alternative gateway into the Philippines, we have added new international flights to Fuzhou via Xiamen Airlines, Chengdu via PAL, Chongqing via Sichuan Airlines, Kunming via Lucky Air, Kuala Lumpur via Air Asia, Shanghai via China Eastern and Juneyao Airlines and Xi'an via Okay Airways. Beijing and Bangkok flights via Philippine Airlines (PAL) have also commenced. GMCAC has also added 7 destinations to China which are directly accessible to and from MCIA.

For domestic routes, MCIA has 23 new domestic routes via PAL, Air Asia, Cebu Pacific and Air Juan. To date, GMCAC has increased MCIA's airline operators from 11 at the time of GMCAC's take-over in November 2014 to 25 in 2018.

In 2018, GMCAC logged 7.67 million domestic passengers and 3.83 million international passengers, which also grew by 15% from 2017. On the other hand, in 2015, passenger arrivals at MCIA registered a total of 7.97 million with 5.91 million domestic passengers and 2.07 million international passengers.

Awards and Recognition

Within 2 years of operations and management of the airport, GMCAC has garnered 4 awards from different world-renowned financial institutions plus a recognition of being one of the Best Airports in Asia.

Services and Prices

1. ***Aeronautical revenue*** – Aeronautical revenue is comprised of passenger service charges, tacking fees, parking fees, and lighting fees. Aeronautical revenues are recognized as revenue when the related airport services have been rendered, the rates for such fees are currently provided under Administrative Order (AO) No. 2, Series of 2011 and AO No. 3, as amended, series of 2018, issued by the Mactan Cebu International Airport Authority (MCIA Authority).

2. **Concession revenue** – Concession revenue is generated through terminal concessionaires, tenants or airport service providers who pay monthly fees for using or accessing airport facilities to offer their goods and services to the general public and air traveling community. Payments are based on negotiated agreements with these parties, or are based on either a minimum monthly guarantee or on gross receipts. Concession revenue is recorded as it is earned. Some tenant agreements require self-reporting of concession operations and/or sales. The timing of concessionaire reporting and when revenue earned is recorded will determine when accruals are required for each tenant.
3. **Rental revenue** – Rental revenue is comprised of rental of check-in counter charged to airline companies and space rental charged to tenants. Rental from check-in counters is recognized when the related service has been rendered. Space rental is recognized on a straight-line basis over the lease term. Contingent revenue is recognized in the period in which the contingent event occurs.
4. **Commercial revenue** – Commercial revenue is comprised of advertising charges, car parking and car rental revenues. Car parking revenue comprises time-based charges from the operation of car parking services. Car rental revenue comprises concession charges from car rental companies. Revenue is recognized when the related services are provided.

MCIA Authority controls the rates of fees, charges and regulations on the usage or enjoyment of the MCIA facilities, services or properties outside of the project land as well as the activity within the airport such as passenger service charges, parking fees, lightning charges, tacking fees and miscellaneous fees and charges. It issued AO No. 3 in 2018 to provide guidance on the revised approved rates of fees. All other fees and charges not mentioned in the said AO but are within the project land shall be determined by GMCAC including the setting of regulations and any increase and/or amendments thereon.

Item 2. Properties

Megawide owns a 1.0294-hectare property located in Taytay, Rizal which is being used as an equipment stockyard for its machineries, equipment, or items such as tower cranes, backhoes and other earthmoving equipment. The same was acquired by Megawide for P21 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 P104 million. Megawide owns this property free of any mortgage, lien or encumbrance.

In 2012, another lot was purchased by the Company in Taytay, adjacent to Megawide's precast plant with a lot area of 8,505 square meters for P50 million. A 4,022 square meter lot adjacent to the stockyard of Megawide in Taytay was purchased for P9 million. On the same year, Megawide bought a 178 square meter property located in the same municipality for a total amount of P1.157 million. Megawide owns these properties free of any mortgage, lien or encumbrance.

In 2013, Megawide has a total additional land acquisition amounting to P67 million in Taytay Rizal in relation to its Pre-cast Plant expansion. The property is free of any mortgage, lien or encumbrances.

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 P485 million and P369 million in 2015 and 2014, respectively. Megawide also acquired an additional lot adjacent to the Pre-Cast Plant in 2014 with area of 23,686 square meters for P148 Million, and another lot with an area of 16,017 square meters near the Pre-cast Plant for P17 Million in 2015.

In 2017 and 2016, to cater to its growing order book Megawide also invested on new construction equipment amounting to P275 million and P470 million, respectively, which includes tower cranes, earth moving equipment, formworks and pre-cast equipment. Transportation equipment was also procured amounting to P54 million and P57 million in 2017 and 2016, respectively, which includes service vehicles, truck mixers, light and medium duty trucks and tractor trucks. Megawide also purchased parcels of land adjacent to its Taytay complex amounting to P82 million and P156 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.

Leased Properties

Megawide is leasing the 1,493 square meters property located at No. 20 N. Domingo St., Barangay Valencia, Quezon City where its corporate office is located from Megapolitan Realty and Development Corp. (Megapolitan). The lease agreement is valid until February 1, 2019 and Megawide pays a monthly rental of P269,771.29. The lease agreement with Megapolitan was renewed for an additional 2 years after it expired on February 1, 2019.

In addition to the foregoing office spaces, Megawide also leases properties needed for its operations such as the following lease agreements with:

| Date | Lease | Expiration | Location | Area | Monthly Rental |
|-------------------|--|-------------------|--|-------------|---|
| February 1, 2010 | Megapolitan Realty and Development Corp. | February 1, 2019 | N. Domingo St. Brgy. Valencia Quezon City | 1,493 sqm | P269,771.29/mo inclusive of VAT, other taxes and 7% escalation every year. |
| March 1, 2017 | Regent Foods Corporation | December 31, 2019 | Elisco Road cor. F. Manalo St., Tipas, Taguig City | 2,350 sqm | P446,500.00/mo |
| September 1, 2017 | Primex Domains, Inc. | March 5, 2020 | Aurora Blvd, New Manila, Quezon City | | P216,062.00/mo |
| 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 P153,750.00 |
| November 1, 2013 | Aguacate Marketing Corp. | October 31, 2018 | Tipas St. Taguig City | 1,450 sqm | P150.00/sqm inclusive of VAT and all applicable taxes or a total of P217,500.00 |

| | | | | | |
|------------------|----------------------------------|----------------|---|--|---|
| October 30, 2018 | Cebu Prosperity Group Land, Inc. | March 1, 2020 | Prosperity Warehouse Compound, Mandaue City | 670 sqm (Warehouse) 7,150 sqm (Lot) | P1,061,440.00, net of 5% withholding tax. |
| IT | Retailscapes, Inc. | April 30, 2022 | Santolan Town Plaza, Santolan Road, San Juan City | 1,974 sqm | P1,395,100.00/mo |

All of the above leases are subject to renewal upon mutual agreement of the parties.

Item 3. Legal Proceedings

The following are the legal cases Megawide is involved in, and which are pending in the lower courts:

1. *Kuehne + Nagel, Inc. vs. Megawide Construction Corporation/Civil Case No. 12-0310, RTC-Paranaque City, Branch 258*

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 P7,460,967.22, 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 P4,027,043.22. Megawide paid the penalty (P4,027,043.22) and also paid the amount of P355,893.75 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 LPS.

Presentation of initial rebuttal evidence is set on March 27, 2019 at 8:30 a.m.

2. *People of the Philippines vs Jesulito Testa et. al./Crim. Case No.QZN-14-00578-CR (Estafa) RTC QC- Branch 97*

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 P631,306.74, it did not release the shipment. Apparently, AZ Systems defrauded Megawide.

Prosecutor recommended the filing of criminal case. Mr. Testa was apprehended while the others remain at large. The case was archived.

3. *Megawide vs. Dennis Espinar (Décor), UCPB CIAC Case No. 11-2014 (DepEd) School Building Projects)/CA-G.R. SP No. 138387, Court of Appeals, 15th Division*

Claim of more than P178 Million against Décor representing unliquidated DP, 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/Décor 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.”

Subsequently, 4 Petitions for Review were filed in the Court of Appeals (CA) and were consolidated at Thirteenth Division of the CA, to wit:

- a. *Mariefela A. Laguardia vs. UCPB General Insurance Co. Inc., et al./ CA-G.R. No. 137908, Court of Appeals, 12th Division*
- b. *UCPB General Insurance Co. Inc vs. Megawide Construction Corporation, et al./CA-G.R. SP No. 137872, Court of Appeals, 16th Division*
- c. *Manuel G. Alipon vs. UCPB General Insurance Co., Inc, et al./CA-G.R. SP No. 137875, Court Appeals, 7th Division*
- d. *Dennis Espinar vs. Megawide Construction Corp. And UCPB General Insurance Co. Inc./CA-G.R. Bi, 138387-UDK*

The parties underwent mediation in the CA. However, they failed to reach any settlement. Hence, the petitions are all deemed submitted for resolution.

The CA rendered a decision in favor of Megawide affirming the final award of the CIAC. In addition, Espinar was also ordered to pay Megawide for its claims in excess of the bonds amounting to P91,242,542.06, plus interest of 6% per annum. Respondents filed their respective Motions for Reconsideration. The case is submitted for resolution.

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 with and was approved by the CIAC while the Quezon City sheriff could not locate any properties in the name of Espinar.

UCPBCIGI, Espinar as well as his co-guarantors (Laguardia and Alipon) filed Petitions before the Supreme Court.

4. *Megawide vs. Elpidio S. Uy, doing business under the name and style of Edison Development and Construction and UCPB General Insurance Co. Inc., and Commonwealth Insurance Co./ CIAC No. 18-2014 (DEPED School Building Projects)*

This is a claim by Megawide to recover the value of unliquidated down payment, unreturned formworks and construction materials, unpaid rentals, and damages due to the alleged delay by the subcontractor, Respondent Elpidio S. Uy, to perform his obligations under a Construction Agreement dated February 25, 2013 (Construction Agreement) and a Contract of Lease of the same date (Lease Agreement).

Megawide also made a claim against the sureties, Respondents UCPB General Insurance Co. Inc. (UCPB) and Commonwealth Insurance Co. (CIC), under several surety bonds they issued to Megawide to guarantee the return of the (a) downpayment and the performance of both contracts by Elpidio Uy; and (b) formworks subject of the Construction Agreement.

On December 29, 2014, the CIAC rendered a Final Award in favor of Megawide and against Elpidio S. Uy, directing Mr. Uy, upon finality of Final Award, to pay Megawide.

The Final Award is as follows:

“WHEREFORE, the Tribunal judgment:

1. upon the Claim, in favour of Claimant Megawide Construction Corporation and against Respondent Elpidio S. Uy, doing business under the name and style of “Edison Development and Construction”, directing Mr. Uy, upon finality of this Final Award, to pay Claimant the following sums:
 - (a) P11,723,373.22 in unliquidated downpayment;
 - (b) P4,857,862.00 representing the value of unreturned formworks;
 - (c) P11,623,823.27 for the value of construction materials delivered to and withdrawn by Elpidio Uy;
 - (d) P725,999.67 for unpaid rentals on the formworks;
 - (e) P1,000,000.00 in attorney’s fees and litigation expenses;
 - (f) Holding Respondent Commonwealth Insurance Co. (“CIC”) jointly and severally liable with Mr. Uy to pay Claimant P4,856,862.00 representing the value of unreturned formworks;
 - (g) The claims for unliquidated downpayment and liquidated damages under the surety and performance bonds issued by Respondent UCPB General Insurance Co. Inc. (“UCPB”) are denied for having been filed out of time;
 - (h) The claims against Mr. Uy for moral and exemplary damages are denied; and

- (i) The claims for moral and exemplary damages as well as attorney's fees against UCPB and CIC are denied.
- 2. denying the Counterclaims of Elpidio S. Uy against Claimant for the change orders, work accomplishment, lost profits, moral and exemplary damages, as well as attorney's fees. However, Elpidio S. Uy is entitled to ₱10,665,72 as his proportionate share of the additional hauling cost granted by Claimant on the first three Job Orders.
- 3. denying the Counterclaims of UCPB and CIC against Claimant for moral and exemplary damages as well as attorney's fees and expenses of litigation.
- 4. denying the Cross-Claims of UCPB against Mr. Uy for indemnity under the downpayment and performance surety bonds and for attorney's fees.
- 5. Upon the Cross-Claims in favour of CID and against Mr. Uy, directing the latter upon finality of this Final Award to (a) indemnify CIC P4,857,862.00 representing the value of unreturned formworks due to Claimant, upon proof of payment by CIC of such sum to Claimant; and (b) pay CIC P500,000.00 as attorney's fees.
- 6. upon the Third-Party Complaint, denying the claims of UCPB against the Third-Party Respondents Eldonn Ferdinand V. Uy and Loreto V. Uy for indemnity and attorney's fees.
- 7. upon the Counterclaim to the Third-Party Complaint, denying the Counterclaim of Third-Party Respondents for attorney's fees against UCPB.

Each of the parties shall bear its or his respective cost of arbitration.

Upon finality of this Final Award legal interest of 6% per annum shall be due on the sums awarded until the award is satisfied in full.

SO ORDERED.”

The parties elevated the matter with the CA. The 2 Petitions for Review filed in the CA and were consolidated at the Special Eleventh Division of the CA, are:

- a. *Elpidio S. Uy, doing business under the name and style Edison Development and Construction versus Megawide, et al. / CA-G.R. SP No. 139072, Court of Appeals, 5th Division*
- b. *Mariefel A. Laguardia versus UCPB General Insurance Co. Inc./ CA- G.R. SP No. 137908, Court of Appeals, Eleventh Division*

The Petition for Review filed by Megawide with the CA (CA G.R. S.P. No. 139114) was dismissed. Thus Megawide filed a petition with the Supreme Court, docketed as G.R. S.P. No. 221725.

On January 5, 2016, Megawide and Elpidio S. Uy signed a Compromise Agreement with Release, Waiver and Quitclaim. On the same date, petitioner Elpidio S. Uy filed a Notice of Withdrawal of the Petition for Review filed on February 9, 2015. Commonwealth

Insurance likewise paid Megawide the judgment award against it. It is expressly stated in the compromise agreement that the Petition with the Supreme Court will only be dismissed once all checks issued by Elpidio S. Uy have been cleared for payment.

5. *Megawide vs. F.J. Tiu & Ass. Const. & Dev't. Corp. and Federal Phoenix Assurance Co., Inc./CLAC No. 24-2014 (DepEd School Building Projects)/CA-G.R. SP No. 139338, Court of Appeals*

Claim of more than P16 Million vs. F.J. Tiu and Federal Phoenix representing unliquidated DP and unreturned formworks and unpaid materials.

On December 16, 2014, the Tribunal rendered its Final Award, as follows:

“WHEREFORE, this Final Award is hereby rendered ordering:

- I. Respondent F.J. Tiu and Federal, jointly and severally, to pay Claimant Megawide the amount of P2,543,961.80, representing liquidated damages, and the amount of P239,894.00, corresponding to unliquidated down payment.

In the event that Megawide recovers the amount of liquidated damages and unliquidated down payment, mentioned above, from Federal, F.J. Tiu is hereby ordered to reimburse Federal accordingly.

- II. Respondent F.J. Tiu to pay Megawide the following amounts:

A. P7,361,640.50 for the combined value of unreturned formworks equipment, value of the unreturned and uninstalled materials directly delivered to F.J. Tiu and the value of the unreturned and uninstalled materials withdrawn from Megawide by F.J. Tiu;

B. P2,581,332.16 for the rental payments for the lease of the formworks equipment; and

C. Costs of arbitration.

- III. The claims of Megawide for moral and exemplary damages as well as attorney's fees and litigation expenses are dismissed.

- IV. The counterclaims of Federal for nominal and exemplary damages as well as attorney's fees and litigation expenses are dismissed.

SO ORDERED.”

On July 1, 2015, the case was settled amicably, Federal paid Megawide the amount of P2,543,961.88 as full and final settlement of Megawide's claim against the down payment and performance surety bonds and satisfaction of judgment against Federal and in favor of Megawide. By virtue of said payment by Federal has been subrogated to all the rights of recovery and causes of action to the extent of P2,543,961.80 which the Megawide had against F. J. Tiu. With regard to F.J. Tiu, the CIAC issued a writ of execution. However,

Megawide could only partially execute on the judgment since F.J. Tiu did not have bank accounts/properties in its name anymore.

6. *Daisy Joy Rojallo_Cervantes, et al. vs H.E. Simeon Aquino III, Hon. Enrique T. Ona, Hon. Teodoro J. Herbosa, Cosette C. Canilao,, Jan Irish P. Villegas, Arsenio M. Balisacan, Cesar V. Purisima, Consortium of Megawide Construction Corporation and World Citi Medical Center, G. R. No. 210805, Supreme Court (Certiorari and Prohibition with Application for the Issuance of a Writ of Preliminary Injunction and/or Temporary Restraining Order) (Modernization of the Philippine Orthopedic Center Project)*

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. It is intended to be a super-specialty tertiary orthopaedic hospital, comprising of a minimum of 700-bed capacity hospital with all the required infrastructure and installation of modern diagnostics and therapeutic equipment.

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 of the Philippines and the country's 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 April 24, 2014, Respondent composed of Megawide and World Citi Medical Center filed its Comments/Opposition to the Petition. Their arguments are as follows:

1. Procedurally, the Petition must be dismissed because a) Petitioners do not have standing to file the case, b) Petitioners have not yet exhausted all available administrative remedies, and c) policy decisions of the executive department are not proper subjects of judicial review; and
2. Substantially, a) the MPOC project does not violate the constitution and our treaty obligations. It is not a privatization but merely a modernization of the POC. In any case, private investments into public health services are not prohibited by the Constitution, b) Section 15, Article 2 of the Constitution is not a self-executory provision, c) the Build Operate and Transfer Law can cover health facilities and hospitals.

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 provides 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”).”

In view of this, Respondents asked for the dismissal of the Petition because it has been rendered moot and academic. The Supreme Court has not yet acted on the Manifestation.

7. *UKUSA Inc. vs. Megawide Construction/ Civil Case No. 15-0273, RTC Paranaque City Branch 195*

This is a complaint for recovery of the 10% retention limit by UKUSA (subcontractor) of Megawide for 3 projects.

Megawide denied payment because UKUSA failed to complete UT2 and had to hire another subcontractor to finish the works on the said project.

The Judicial Dispute Resolution proceedings of this case already been terminated per Order dated November 4, 2016. Trial will commence on April 10, 2017.

Continuation of presentation of defense of evidence was set on February 20, 2019 at 8:30 am.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fiscal year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer’s Common Equity and Related Stockholder Matters

Market Price of and Dividends on Registrant’s Common Equity and Related Stockholder Matters

Market Information

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

| 2016 | High | Low |
|-------------------------------|-------------|------------|
| First Quarter (Jan. – Mar.) | 6.44 | 5.50 |
| Second Quarter (April – June) | 6.89 | 6.19 |
| Third Quarter (July – Sept.) | 15.92 | 6.60 |
| Fourth Quarter (Oct. – Dec.) | 16.30 | 14.22 |
| | | |
| 2017 | | |
| First Quarter (Jan. – Mar.) | 18.00 | 14.16 |
| Second Quarter (April – June) | 19.86 | 16.90 |
| Third Quarter (July – Sept.) | 18.94 | 14.90 |
| Fourth Quarter (Oct. – Dec.) | 19.00 | 15.42 |
| | | |
| 2018 | | |
| First Quarter (Jan. – Mar.) | 22.15 | 17.54 |
| Second Quarter (April – June) | 25.00 | 19.80 |
| Third Quarter (July – Sept.) | 20.60 | 15.30 |
| Fourth Quarter (Oct. – Dec.) | 19.40 | 14.02 |
| | | |
| 2019 | | |
| First Quarter (Jan. – Mar.) | 20.5 | 17.06 |

The closing price per share of Megawide’s common shares as of December 31, 2018 was P18.00.

As of December 31, 2018, there are **2,089,765,617** common shares outstanding registered in the name of the following:

| | Stockholder | Number of Common Shares Held | Percentage of Total Shares (%) |
|-----|---|-------------------------------------|---------------------------------------|
| 1. | PCD NOMINEE CORPORATION (FILIPINO) | 1,108,569,744 | 53.048 |
| 2. | CITICORE HOLDINGS INVESTMENT, INC. | 712,925,501 | 34.115 |
| 3. | PCD NOMINEE CORPORATION (NON-FILIPINO) | 221,946,360 | 10.621 |
| 4. | SUYEN CORPORATION | 22,900,000 | 1.096 |
| 5. | AETERNUM HOLDINGS, INC. | 21,389,904 | 1.024 |
| 6. | ELLIE CHAN | 1,666,901 | 0.080 |
| 7. | JOHN I. BAUTISTA, JR. | 159,799 | 0.008 |
| 8. | RICO YAMBAO SALCEDO AND/OR VILMA BAGAY SALCEDO | 64,707 | 0.003 |
| 9. | REGINA CAPITAL DEV. CORP. 000351 | 34,754 | 0.002 |
| 10. | PACIFICO SILLA &/OR MARIE PAZ SILLA &/OR NATHANIEL SILLA | 20,000 | 0.001 |
| 11. | GRACE Q. BAY | 15,243 | 0.001 |
| 12. | CAMILLE PATRICIA DOMINIQUE T. ANG | 14,547 | 0.001 |
| 13. | EDWIN A. JOSEF | 10,000 | Nil |

| | | | |
|-----|--|----------------------|---------------|
| 14. | PACIFICO SILLA &/OR MARIE PAZ SILLA SAGUM &/OR NATHANIEL SILLA | 9,456 | Nil |
| 15. | PACIFICO C. SILLA &/OR CATHERINE M. SILLA &/OR ALEXANDER M. SILLA | 9,456 | Nil |
| 16. | MYRA P. VILLANUEVA | 8,900 | Nil |
| 17. | JOYCE M. BRIONES | 7,868 | Nil |
| 18. | FREDERICK E. FERRARIS &/OR ESTER E. FERRARIS | 5,674 | Nil |
| 19. | EDWIN ALDAY JOSEF | 5,000 | Nil |
| 20. | DEMETRIO D. MATEO | 500 | Nil |
| 21. | JULIUS VICTOR EMMANUEL D SANVICTORES | 379 | Nil |
| 22. | GUILLERMO F. GILI, JR. | 246 | Nil |
| 23. | FLORENTINO A. TUASON, JR. | 246 | Nil |
| 24. | HECTOR A. SANVICTORES | 190 | Nil |
| 25. | DANILO G. BAGASIN | 100 | Nil |
| 26. | JOSELITO C. HERRERA | 100 | Nil |
| 27. | OWEN NATHANIEL S. AU ITF : LI MARCUS AU | 38 | Nil |
| 28. | JOSELITO T BAUTISTA | 1 | Nil |
| 29. | MICHAEL C. COSIQUIEN | 1 | Nil |
| 30. | HILARIO GELBOLINGO DAVIDE, JR. | 1 | Nil |
| 31. | EDGAR B. SAAVEDRA | 1 | Nil |
| | Total | 2,089,765,617 | 100 |
| | Shares Owned By Foreigners | 221,946,360 | 10.621 |

The beneficial owners of the shares registered in the name of the PCD Nominee Corporation are PCD's participants who hold the shares on behalf of their clients, including the top 20 shareholders. The list of the PCD participants is attached as Exhibit "3".

Dividends

On June 26, 2013, the Board of Directors (Board) adopted a dividend policy of declaring annual cash dividends equivalent to 20% of the prior year's income, subject to the Company's contractual obligations. Megawide has entered into loan agreements restricting its ability to declare dividends unless certain conditions 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, are met. As of date, Megawide's subsidiaries, many of which are newly established and not yet income generating, has 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 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 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 Corporation Code, Megawide may only distribute dividends out of its unrestricted retained earnings.

During the past 3 years, Megawide's dividend declarations are as follows:

| Date Approved | Record Date | Type | Amount | Date of Payment |
|----------------------|--------------------|------------------|-----------------|------------------------|
| March 9, 2016 | February 23, 2016 | Preferred Shares | P70,250,000.00 | March 3, 2016 |
| March 9, 2016 | May 10, 2016 | Preferred Shares | P70,250,000.00 | June 3, 2016 |
| March 9, 2016 | August 9, 2016 | Preferred Shares | P70,250,000.00 | September 3, 2016 |
| March 9, 2016 | November 8, 2016 | Preferred Shares | P70,250,000.00 | December 3, 2016 |
| March 1, 2017 | March 1, 2017 | Preferred Shares | P70,250,000.00 | March 3, 2017 |
| April 25, 2017 | May 10, 2017 | Preferred Shares | P70,250,000.00 | June 3, 2017 |
| July 24, 2017 | August 9, 2017 | Preferred Shares | P70,250,000.00 | September 3, 2017 |
| October 16, 2017 | November 8, 2017 | Preferred Shares | P70,250,000.00 | December 3, 2017 |
| December 11, 2017 | December 26, 2017 | Common Shares | P106,928,874.85 | December 29, 2017 |
| January 30, 2018 | February 15, 2018 | Preferred Shares | P70,250,000.00 | March 3, 2018 |
| May 3, 2018 | May 18, 2018 | Preferred Shares | P70,250,000.00 | June 3, 2018 |
| August 1, 2018 | August 16, 2018 | Preferred Shares | P70,250,000.00 | September 3, 2018 |
| October 1, 2018 | October 15, 2018 | Common Shares | P256,629,299.64 | November 12, 2018 |
| October 30, 2018 | November 17, 2018 | Preferred Shares | P70,250,000.00 | December 3, 2018 |

Recent Sales of Unregistered or Exempt Securities

Megawide has not sold any unregistered securities within the past 3 years.

Item 6. Management's Discussion and Analysis or Plan of Operation

A. RESULT OF OPERATIONS

Review of results for the year ended December 31, 2018 as compared with the results for the year ended December 31, 2017

Megawide posted a consolidated EBITDA of P4.89 billion and a net profit of P1.87 billion for the full year 2018. EBITDA remained healthy with a year-on-year growth of 10% propelled by the airport business. 54% of EBITDA or P2.65 billion was delivered by the construction business while the balance was from the airport segment. In terms of net profit, P1.04 billion or 55% was brought by airport operations and merchandising segments while the remaining 45% was from the construction business. Overall, the results arose from the strong performance of airport operations and the varying stages of order book and one-off items related to the construction segment.

REVENUES

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

Construction

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

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

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

Airport Operations

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

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

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

Airport Merchandising

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

COSTS AND EXPENSES

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

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

Gross Profit lower by 5% or by P228.50 million

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

Operating Profit lower by 6% or by P218.56 million

Consolidated operating profit amounted to P3.20 billion in 2018 due to lower construction revenues generated. Airport operations contributed P1.80 billion which is 18% higher compared with P1.52 billion in 2017.

Finance Costs increased by 99% or by P817.25 million

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

Finance Income rose by 31% or by P52.17 million

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

Other Income, net increased by 942% or by P543.80 million

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

Tax Expense decreased by 15% or by P86.21 million

Consolidated tax expenses declined by 11% to P492.84 million due to a decline in the operating profit of the Group.

B. 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 P6.09 billion

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

Cash and Cash Equivalents increased by 16% or P803.78 million

The increase in cash & cash equivalents is basically due to the downpayments received by the construction business for its new projects and the increase in operating cash inflow of the airport operation segment as a result of higher revenues.

Financial Assets at fair value through profit or loss decreased by 99% or by P3.18 billion

The parent company terminated its placement to fund its equity infusion in MWMTI and its share buyback program.

Trade and Other Receivables increased by 56% or by P3.68 billion

The construction receivables increased by P400 million due to timing differences in the collection cycle of the trade receivables of the Group which is 45 to 60 days from invoice date while retention receivables increased by P258 million. Retention receivables pertain to progress billings which is withheld by the project owner equivalent to 5% to 10% of the project. Retention receivables are collected upon issuance of the certificate of completion by the project owner. In airport operations, receivables increased by P189 million basically due to an increase in revenue. The increase in other receivables is mainly due to the accrual of interest income of the Group. Advances to affiliates also increased in 2018 due to bridge financing extended to affiliates for business expansion and diversification program.

Construction Materials increased by 50% or by P287.74 million

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

Costs in excess of billings on uncompleted contracts – net / Contract assets increased by 46% or P965.18 million

The increase is mainly due to the adoption of the new accounting standard PFRS 15, *Revenue from Contracts with Customers*, which recognizes actual constructions costs incurred and reclassifies unbilled progress billings to contract assets. The increase is mainly due to projects fulfillment cost in relation to MWMTI contract with the government and other newly awarded contract which are on mobilized phase.

Other Current Assets increased by 260% or by P3.53 billion

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

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

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

Investments in Associates and Joint Ventures decreased by 16% or by P177.39 million

The decrease is due to the elimination of the investments in MWMTI, as a result of the Parent's acquisition of the 49% stake of WMPMI in MWMTI in 2018. After the acquisition, the Parent owned 100% of MWMTI that resulted to a change in the accounting treatment from an investment in joint venture to an investment in subsidiary.

Concession Assets increased by 10% or P2.68 billion

The increase is due to capital investments of GMCAC related to the construction of the MCIA Terminal 2 and rehabilitation of the Terminal 1.

Property, Plant and Equipment increased by 5% or by P278.03 million

The Group procured new property, plant and equipment amounting to P942 million, which included the Parent's capital investments in land, warehouses, construction and transportation equipment, to support its expanding order book and GMCAC's investments in new systems and office equipment to support the growing airport operations.

Investment Properties increased by 2,450% or by P3.32 billion

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

Other Non-Current Assets increased by 8% or by P222.56 million

The increase is due to the additional placement of unrestricted cash amounting to P216.0 million in the restricted funds of GMCAC's "Cash Flow Waterfall Accounts" as required under the Omnibus Loan and Security Agreement to match the new loan availments of GMCAC.

LIABILITIES AND EQUITY

Current Liabilities increased by 76% or by P7.15 billion

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

Interest-Bearing Loans and Borrowings-Current increased by 150% or by P3.85 billion

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

Trade and Other Payables increased by P7.15 million

The increase is mainly due to volume and timing of purchases and payments to suppliers and subcontractors as well as an increase in retention payable by the Parent.

Advances from Customers increased by 561% or by P2.96 billion

The net increase is due to the new downpayments received by the Parent for its new projects.

Billing in excess of costs on uncompleted contracts – net/Contract liabilities increased by 26% or P246.06 million

Due to the adoption of PFRS 15, *Revenues from Contracts with Customers*, billings in excess of costs on uncompleted contracts is duly reclassified to contract liabilities. The increase in contract liabilities is due to the timing of cost billing of subcontractors for certain projects nearing completion.

Other Current Liabilities increased by 67% or by P93.81 million

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

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

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

Interest-Bearing Loans and Borrowings-Non-Current Increased by 15% or by P3.98 billion

The increase is the net of GMCAC's loan availments amounting P3.9 Billion and the Company's loan repayment amounting to P684.00 Million. In addition, MWMTT's current loan amounting to P825 million was also consolidated under the Parent.

Deferred tax liabilities increased by 495% or by P349.14 million

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

Other non-current liabilities increased by 54% or by P129.81 million

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

Equity attributable to Parent decreased by 4% or P557.34 million

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

Results of Operation and Financial Condition for Previous Years

Review of results for the year ended December 31, 2017 as compared with the results for the year ended December 31, 2016

Results of Operations

Group Revenue increased by 9% or P1.50 billion

Diversified engineering and infrastructure conglomerate Megawide Construction Corporation posted a 9% increase in consolidated revenues for the full year of 2017 to Php19.2 billion from Php17.7 billion in the previous year, on the back of the stable growth of the construction business and the robust performance of the airport segment. The Company still derives bulk of revenues from construction business at 87% while airport business accounted for 12% and the remaining balance is attributed to airport merchandising.

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

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

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

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

Direct Costs increased by 6% or P758 million

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

Gross Profit increased by 19% or P743 million

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

Other Operating Expenses increased by 9% or P99 million

The modest increase in operating expenses is primarily attributable to the increase in manpower and other operating expenses such as utilities, outside services and repairs and maintenance of the airport operation to serve the increase in overall airport operation driven by a significant

influx of passenger traffic. The increase in operating expenses is also attributable to the operating expense incurred by the airport merchandising operation amounting to P 53 million.

Finance cost increased by 23% or P152 million

Increase in finance costs due to realization of the one-time loss on sale of retail treasury bonds amounting to P78 million and impairment loss amounting to P95 million.

Finance income decreased by 9% or P16 million

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

Other income, net decreased by 22% or P16.65 million

In 2016, gain on disposal of property and equipment amounted to P51.75 million whereas in 2017 there is only minimal disposal with marginal gain amounting to P 5 million.

Tax expense increased by 29% or P131 million

Increase in tax expense is due to increase in profit of the Group.

Net income increased by 17% or P328 million

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

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

Financial Condition

Current Assets decreased by 11% or P2.28 billion

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

Cash and cash equivalents decreased by 21% or P1.33 billion

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

Financial assets at fair value through profit or loss decreased by 31% or P1.46 billion

Decrease is due to termination of the short-term placements of the Parent to for working capital and investment purposes.

Trade and other receivables increased by 32% or P1.60 billion

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

Construction materials increased by 28% or P126 million

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

Costs in excess of billings on uncompleted contracts – net decreased by 30% or P919 million

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

Other current assets decreased by 17% or P279 million

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

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

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

Investments in associates and joint venture increased by 23% or P208 million

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

Concession asset increased by 26% or P5.27 billion

Increase is due to capital investments of airport subsidiary GMCAC related to the construction of the new Terminal 2 of Mactan-Cebu International Airport. Terminal 2 is expected to open by June 2018.

Property, plant and equipment decreased by 1% or P49 million

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

Deferred tax asset decreased by 100% or P34 million

The Group has net deferred tax liability as of December 31, 2017 compared with the P34 million asset from December 31, 2016. The decrease in deferred tax asset is due to the excess of actual

cost over estimated cost on its on-going projects booked by Megawide at the end of the 2017. Deferred taxes are determined by the timing of the incurrence of cost of the projects.

Other non-current assets increased by 3% or P75 million

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

Current liabilities decreased by 18% or P2.05 billion

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

Interest-bearing loans and borrowings current decreased by 5% or P127 million

Decrease is due to payment of short-term loans and finance lease of the Parent. Lease payable pertains to service vehicles purchased through bank financing.

Trade and other payables decreased by 13% or P764 million

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

Advances from customers decreased by 59% or P751 million

The decrease is due to the recoupment of downpayment from customers as a result of higher revenue generated by the Parent.

Billings in excess of costs on uncompleted contracts – net decreased by 31% or P429 million

Decrease is due to the closure of finished projects such as Dexterton, Hampton M&N, New Frontier Theater, One Townsquare, Philam Life Center Cebu, Le Grand ABC and Mckinley Sales Office.

Other current liabilities increased by 23% or P26 million

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

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

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

Interest-bearing loans and borrowings - non-current increased by 14% or P3.31 billion

The increase is primarily due to GMCAC'S availment of P3.42 billion loan in 2017. The availment was made based on the drawdown schedule with the bank to finance the construction of Terminal 2.

Post-employment defined benefit obligation – increased by 54% or P60.77 million

This is due to accrual of retirement obligation of the Parent.

Deferred tax liabilities increased by 100% or P70.53 million

The increase is due to the timing difference of the actual cost and estimated cost of the construction segment.

Other non-current liabilities increased by 4% or P8.27 million

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

Equity attributable to Parent increased by 11% or P1.46 billion

The increase is mainly the function of the Group's share in net income.

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

Results of Operations

Group Revenue increased by 14% or P2.22 billion

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

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

Meanwhile, Megawide's airport subsidiary GMCAC posted an increase in revenues by 26% or P388 million due to increase in Aeronautical Revenues, Commercial Revenues and Rental Revenues as a result of year-on-year increase in passenger traffic by 12%. Domestic and international flights increased by 8% and 22%, respectively, due to introduction of Xiamen Airlines, China Eastern, Tiger Airway, Emirates, PAL Cebu to Los Angeles and Eva Air and additional domestic flights to Davao, Bacolod, Butuan, Iloilo, Roxas, Ormoc and CDO. Aero

and aero-related revenues comprise 72% of the total airport revenues in 2016. Non-aero related revenues, which comprise 28% of the 2016 airport revenues, increased by P192 million or 57% in 2016 primarily due to new concessionaire contracts and advertisements from Jollibee, Suyen Corp., Starbucks, Bigby's Quality Food, Ulli's Streets of Asia and the revamping of contract with Cesar's Foodland Inc .

Gross Profit increased by 20% or P646 million

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

Other Operating Expenses increased by 23% or P201 million

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

Operating Profit increased by 19% or P445 million

The increase is a result of higher revenues from both construction and airport operations of the Group.

Finance Costs increased by 20% or P113 million

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

Finance Income increased by 30% or P43 million

The Group's finance income increased due to higher value of short-term placements and cash in bank of the Group.

Other Income increased by 204% or P50 million

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

Tax Expense decreased by 5% or P21 million

GMCAC's tax expense decreased by P196 million in 2016 due to its availment of its ITH. Upon completion of the BOI registration terms and condition on the renovation of terminal 1, GMCAC availed its ITH incentive. GMCAC is entitled to ITH for period of three years or until

December 2018. Meanwhile, Parent's income tax has increased by 55% or P 140 million compared to 2015 income tax due to the expiration of the Parent's Income Tax Holiday (ITH) Incentive in May 30, 2015 and growth in construction earnings in 2016.

Net Income increased by 30% or P446 million

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

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

Liquidity and Capital Resources

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

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

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

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

Cash Flows

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

| (Amounts in P Millions) | For the years ended December 31 | |
|---|--|-------------|
| | 2018 | 2017 |
| Cash Flow | | |
| Net cash provided by operating activities | 1,308 | 1,355 |
| Net cash used in investing activities | (5,299) | (4,728) |
| Net cash provided by financing activities | 4,618 | 2,027 |

Performance Indicators (KPIs)

Megawide's KPIs are as follows:

| Amounts in P Billion, except Ratios and Earnings per Share | 2018 | 2017 | 2016 |
|---|-------------|-------------|-------------|
| Construction Order Backlog | P 50.09 | P 32.60 | P 38.49 |
| Current Ratio ¹ | 1.50 | 1.99 | 1.83 |
| Net Debt to Equity Ratio ² | 1.72 | 1.15 | .91 |
| Book Value Per Share ³ | 5.06 | 5.10 | 4.52 |
| Earnings per Share ⁴ | .56 | .70 | .57 |
| Return on Assets ⁵ | .03 | .04 | .04 |
| Return on Equity ⁶ | .10 | .13 | .12 |
| Gross Profit Margin ⁷ | .27 | .24 | .22 |

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

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

Item 7. Financial Statements

The audited financial statements and supplementary schedules to the same, which were duly submitted to the BIR⁸, are attached hereto as Exhibit “2”.

Item 8. Changes in and Disagreements with External Accountants on Accounting and Financial Disclosure

External Audit Fees and Services

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

| Particulars | Nature | Audit Fees (amounts in P) | | |
|-----------------------|-------------------------------|--|-------------|-------------|
| | | For the years ended December 31 | | |
| | | 2018 | 2017 | 2016 |
| Punongbayan & Araullo | Audit of Financial Statements | 1,950,000.00 | 1,890,000 | 1,485,000 |

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

¹ *Current Assets/Current Liabilities*

² *Interest bearing loans and borrowings less cash and cash equivalents and financial assets valued through profit or loss/Stockholder’s Equity*

³ *Total Equity/Issued and Outstanding Shares*

⁴ *Net Profit/Issued and Outstanding Shares*

⁵ *Net Profit/Average Shares*

⁶ *Net Profit / Average Equity*

⁷ *Gross Profit / Revenue*

⁸ Due for submission to the BIR on April 15, 2019.

Audit and Compliance Committee (ACC) Pre-Approval Policy

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

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

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

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

| Auditor | Year | Handling Partner |
|-----------------------|---------------|--|
| Punongbayan & Araullo | 2017 and 2018 | 2017 and 2018 – <i>Mailene Signe-Bisnar</i> |

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

PART III. CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of Megawide

Directors and Executive Officers

As of December 31, 2018, 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 16 to 17 years, namely, its President, Chief Executive Officer and Chairman of the Board, Mr. Edgar B. Saavedra.

Directors shall hold office for 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 1 voting share of Megawide.

Section 38 of the SRC requires that at least 2 members of the Board are independent directors. The Amended Articles and Incorporation and By-Laws of Megawide provide that the 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 December 31, 2018.

| Name | Age | Citizenship | Positions | Term of Office | Directorships Held in Other Companies/ Business Experience |
|------------------------|------------|--------------------|---|-----------------------|---|
| Edgar B. Saavedra | 45 | Filipino | Director, Chairman of the Board and President | Yearly | - Director, Altria - Director, My Space - Director, Citicore |
| Manuel Louie B. Ferrer | 42 | Filipino | Director and Chief Corporate Affairs and Branding Officer | Yearly | - Managing Director, MagicWorx Licensing Inc. - Former Associate Marketing Engineer, OCB International Co., Ltd |
| Oliver Y. Tan | 42 | Filipino | Director and Chief Investment and Strategy Officer | Yearly | - Chief Financial Officer, Citicore, CMCI, MWCCI, GMCAC and MCEI - Director, Myspace, Citicore, CMCI, GMCAC and MCEI - Director and Corporate Secretary, FSMI and IRMO |
| Leonilo G. Coronel | 73 | Filipino | Independent Director | Yearly | - Director, Software Ventures, Int’l. - Executive Director, RBB Micro Finance Foundation - Independent Director, DBP-Aiwa Securities SMBC Phils. Inc. |
| Hilario G. Davide, Jr. | 83 | Filipino | Independent Director | Yearly | - 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 | 72 | Filipino | Independent Director | Yearly | | <ul style="list-style-type: none"> - Independent Director and Chairman of Audit and Risk Management Committee, Keppel Holdings, Inc., Keppel Marine, Philippines, Inc., Keppel Subic Shipyard Inc. - Independent Director and Member of Audit and Risk Management Committee, SM Keppel Properties, Inc. - Independent Director and Chairman of Governance, Nomination and Compensation Committee, Republic Glass Holdings, Inc. - Risk Engagement and Consulting Partner, Assurance and Business Advisory Partner, SGV & Co. |
| Alfredo E. Pascual | 70 | Filipino | Independent Director | Yearly | | <ul style="list-style-type: none"> - Chief Executive Officer and Fellow, Institute of Corporate Directors - Board Member, Institute for Solidarity in Asia and the Center for Excellence in Governance - Independent Director, SM Investments Corporation and Enderun Colleges - Past: Board of Trustee, International Rice Institute and Philippine Institute of Development Studies - Past: Co-Chair, UP Board of Regents - Past: Board Chair, U.P. Foundation, Inc. and U.P. Provident Fund |

The table below sets forth the officers of Megawide as of December 31, 2018.

Executive Officers Who Are Not Directors

| Name | Age | Citizenship | Position | Term of Office | Directorships Held in Other Companies/ Business Experience |
|--------------------------|-----|-------------|---|----------------|---|
| Christopher A. Nadayag | 35 | Filipino | Treasurer and Deputy Chief Financial Officer | Yearly | - Director, Citicore - General Managers, CMCI, |
| Raymund Jay S. Gomez | 47 | Filipino | Compliance Officer Chief Legal Counsel Data Privacy Officer | Yearly | - Director and Corporate Secretary, MTI - Director and Corporate Secretary, MLI - Director and Corporate Secretary, MySpace - Director, MySpace Prima Casa, Inc. |
| Anthony Velasco | 43 | Filipino | Chief Audit Executive | Yearly | - Group Chief Audit Executive, 2GO Group, Inc.; - I.T. Audit Head, Security Bank Savings (formerly Premiere Bank) |
| Jessie Cruz | 53 | Filipino | Chief Information Technology Officer | Yearly | - Director, UST-Global, Inc. - VP/Technology Operations Manager, JP Morgan Chase Bank, Philippines - Regional IT Director, Transitions Optical Philippines - IT Officer, Red Ribbon Bakeshop, Inc. - MIS Manager, Peaksun Group of Companies |
| Althea Isobel F. Oaminal | 29 | Filipino | Corporate Secretary Corporate Information Officer | Yearly | - Assistant Corporate Secretary, Pilipinas Trade Gas, Inc. (since June 5, 2018) |
| Jennifer C. Lee | 34 | Filipino | Assistant Corporate Secretary Corporate Information Officer | Yearly | - Assistant Corporate Secretary, GMCAC - Assistant Corporate Secretary, QBE Seaboard Insurance Philippines, Inc. |

Significant Employees

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

Family Relationships

None of the directors are related to each other.

Involvement in Certain Legal Proceedings

During the past 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.

Item 10. Executive Compensation

All Officers and Directors as a Group

SUMMARY COMPENSATION TABLE
Annual Compensation
(In P Millions)

| Name and Position | Fiscal Year | Annual Salary | Bonus | Other Compensation |
|---|--------------------|----------------------|--------------|---------------------------|
| Edgar B. Saavedra Chairman, President and CEO | | | | |
| Manuel Louie Ferrer Chief Corporate Affairs and Branding Officer | | | | |
| Oliver Tan Chief Investment Officer | | | | |

| | | | | |
|--|------|-------|------|------|
| Markus Hennig EVP – Business Units Group | | | | |
| Albert Saringo VP – Operations | | | | |
| CEO & Most Highly Compensated Executive Officers | 2018 | 85.43 | 6.32 | 1.74 |
| | 2017 | 57.83 | .36 | .74 |
| | 2016 | 70.92 | .92 | - |
| Aggregate compensation paid to all other officers and directors as a group unnamed | 2018 | 49.27 | 7.98 | 1.40 |
| | 2017 | 63.10 | 2.46 | 1.49 |
| | 2016 | 29.18 | 4.05 | - |

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 Compensation Committee, approved the giving of P20,000.00 director's per diem per Board meeting and a P30,000.00 monthly allowance in the form of reimbursable expenses for each regular director.

Subsequently, on 10 October 2018, the Board resolved to increase the director's per diem per Board meeting to P44,000.00 for Executive Directors, P62,000.00 for Non-Executive Directors, and P58,000.00 for Independent Directors. The total per diem paid to directors for 2018, totalled P3,881,000.00.

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 Chief Executive Officer, other officers and/or directors.

Employment Contracts, Termination of Employment, Change-in-Control Arrangements

There are no special retirement plans for executives. There is also 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. However, aside from its employees, Megawide has also entered into employment contracts with its foreign experts. The employment contracts with foreign experts usually include benefits, such as housing, medical and group life insurance, vacation leaves, company vehicle, and processing of work permits. Megawide's ownership of any

invention developed during their employment, liquidated damages in the event of contract pre-termination, and a non-compete clause prohibiting the employee, for a period of 2 years 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.

Item 11. Security Ownership of Certain Beneficial Owners and Management

1. Security Ownership of Certain Owners of Record and Beneficial Owners

Owners of record of more than 5% of Megawide’s shares of stock as of December 31, 2018 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. | Edgar B. Saavedra | Filipino | 712,925,501 | 34.11% |
| Common | Megacore Holdings, Inc. | Edgar B. Saavedra | Filipino | 617,709,197 | 29.56% |
| Common | PCD Nominee Corporation (Filipino) | Publicly-Held Shares | Filipino | 1,108,569,744 | 53.04% |
| Common | PCD Nominee Corporation (Non-Filipino) | Publicly-Held Shares | Non-Filipino | 221,946,360 | 10.62% |

The following table sets forth the participants under the PCD account who own more 5% of the voting securities of Megawide:

| Name | Number of Shares Held | Percent (%) |
|----------------------------|------------------------------|--------------------|
| BDO Securities Corporation | 623,445,493 | 29.8% |
| CLSA Philippines, Inc. | 286,434,352 | 13.7% |
| Citibank N. A. | 210,590,192 | 10.1% |
| Social Security System | 96,731,600 | 4.6% |

2. Security Ownership of Management

The following table sets forth the security ownership of Megawide's directors and officers as of December 31, 2018:

| Title of Class | Name of Beneficial Owner | Amount and Nature of Beneficial Owner | Citizenship | Percent of Class |
|--|--|--|--------------------|-------------------------|
| Common | Edgar B. Saavedra Director, Chairman and CEO | 1 (Direct) | Filipino | Nil |
| | | 2 (Indirect) | | |
| Common | Oliver Y. Tan Director Chief Investment and Strategy Officer Corporate Information Officer | 18,767,852 (Indirect) | Filipino | 0.88% |
| Common | Leonilo G. Coronel Independent Director | 5 (Indirect) | Filipino | Nil |
| Common | Hilario G. Davide, Jr. Independent Director | 1 (Indirect) | Filipino | Nil |
| Common | Manuel Louie Ferrer VP for Marketing Corporate Information Officer | 1 (Indirect) | Filipino | Nil |
| Common | Celso P. Vivas Independent Director | 1 (Indirect) | Filipino | Nil |
| Common | Alfredo E. Pascual Independent Director | 1 (Indirect) | Filipino | Nil |
| Aggregate shareholdings of directors and officers | | 18,767,864 | | 0.89% |

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.

Item 12. Certain Relationship and Related Transactions

| Related Party Category | Notes | Amount of Transaction | Receivable (Payable) | Terms | Conditions |
|-------------------------------|--------------|------------------------------|-----------------------------|--------------|-------------------|
|-------------------------------|--------------|------------------------------|-----------------------------|--------------|-------------------|

| | | | | | |
|--|-------------------|---------------|---------------|--|-----------|
| Ultimate Parent Company: | | | | | |
| Cash advances granted | 27.4 | (148,848,438) | 146,322,222 | Interest-bearing | Unsecured |
| Shareholder: | | | | | |
| Revenue from services | 6, 20, 27.1 | 14,782,658 | 1,008,487 | Normal credit terms | Unsecured |
| Minority Shareholders: | | | | | |
| Airport operator's fee | 21.2, 27.8 | 38,774,762 | - | On demand; noninterest-bearing | Unsecured |
| Advances obtained | 16, 27.4 | 172,939,978 | - | On demand; noninterest-bearing | Unsecured |
| Advances granted | 16, 27.4 | 841,103 | 841,103 | On demand; noninterest-bearing | Unsecured |
| Associate: | | | | | |
| Revenue from services | 6, 20, 24.1 | 153,157,722 | 905,100,150 | Normal credit terms | Unsecured |
| Rent income | | 53,571 | 228,750 | On demand | Unsecured |
| Joint Arrangement: | | | | | |
| Revenue from services | | 769,940,008 | 29,082,652 | Normal credit terms | Unsecured |
| Cash granted | 6, 27.4 | (1,890,090) | 1,074,666 | On demand; non- interest bearing | Unsecured |
| Cash obtained | 16, 27.4, 27.5 | (14,883,628) | (14,883,628) | Normal credit terms | Unsecured |
| Related parties under common ownership: | | | | | |
| Rent income | 27.2 | 160,714 | 606,786 | Normal credit terms | Unsecured |
| Revenue from services | 6, 18,24.1 | 172,643,575 | 237,415,487 | Normal credit terms | Unsecured |
| Advances from customers | 16 | 7,474,658 | (29,929) | Normal credit terms | Unsecured |
| Rent expense | 22, 27.2 | (2,811,703) | - | On demand | Unsecured |
| Cash granted | 5, 27.4 | 3,144,351,971 | 3,144,370,721 | On demand; non- interest bearing | Unsecured |
| Cash obtained | 16, 27.4 | (44,222,623) | (44,683,199) | On demand; non- interest bearing | Unsecured |
| Advances to Officers and Employees | 6, 27.3 | 12,375,774 | 34,271,539 | Upon liquidation, noninterest-bearing | Unsecured |
| Key Management Personnel: | | | | | |
| Compensation | 27.8 | 209,941,711 | - | On demand | Unsecured |

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

The Company endeavors to comply with the Code of Corporate Governance issued by the SEC. Any non-compliance will be identified and explained in the Annual Corporate Governance Report.

PART V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits

Exhibit “1” Quarterly Report (SEC Form 17-Q)

*Please refer to the Quarterly Report (SEC Form 17-Q) submitted to the SEC.

Exhibit “2” Consolidated Financial Statements and Schedules

Exhibit “3” List of PCD Participants as of December 31, 2018

Material Contracts

Megawide’s principal contracts generally consist of construction contracts for its projects, operating and finance lease commitments, contract of the lease of its office spaces, motor pool and equipment yard, surety arrangement and guarantees, and joint venture agreements. Megawide also has existing loan agreements. Other than these, Megawide 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 Megawide.

Construction Contracts

Majority of Megawide’s contracts are general construction works and may be classified into several scopes namely: site development, earthworks, structural and civil works, masonry works, architectural finishes, electrical works, plumbing and sanitary works, fire protection works and mechanical works.

These construction contracts generally contain a warranty from Megawide that it shall be responsible for and shall indemnify and hold the customer free and harmless from and against all losses, expenses, judgments, court costs, attorney’s fees, demands, payments, suits, actions, recoveries, decrees, execution and claims of every nature and description brought about and/or recovered through the said contracts. Payment of liquidated damages, computed at 1/10 of 1% of the total contract price, up to a maximum of 10% of the total contract amount, per calendar day of delay, is also stipulated.

As for the manner of payment, the customer generally pays the downpayment upon submission of certain documents (e.g. bonds) while the balance is paid through monthly progress payments upon Megawide’s submission of monthly progress billing. These monthly payments are subject to 10% retention to be released upon the lapse of a certain amount of time after the completion and/or turn-over of the project.

Upon complete turn-over of the projects, Megawide, under the foregoing construction contracts, is required to post bonds to guarantee any defects, except those from the ordinary wear and tear or not attributable to Megawide, that may occur within 1 year from acceptance.

PPP Contracts

Megawide, on its own and through its subsidiaries, executed the following agreements relative to its PPP Projects:

A. *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; and
- 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;

The PSIP involves the construction, maintenance and lease of school buildings under a Build-Lease Transfer (BLT) framework. Under the BLT, CMCI will build over 7,000 classrooms then lease the same to DEPED for 10 years before transferring the school buildings to DEPED. Megawide finished the construction of these classrooms in 2015.

B. *Agreement executed by the Department of Education and Megawide for the PSIP II Projects*

On October 17, 2013, Megawide 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 P2,255,923,096.49.

C. *Concession Agreement executed by GMCAC with DOTr and MCLAA*

The Concession Agreement refers to the agreement entered into by GMCAC with DOTr and MCIA by virtue of Revised Implementing Rules and Regulations of Republic Act (R.A.) No. 6957, “An Act Authorizing the Financing, Construction, Operation and Maintenance of Infrastructure Projects by the Private Sector and for Other Purposes”, as Amended by R.A. No. 7718 (BOT Law). Under the said agreement, GMCAC was granted by DOTr and MCIA an exclusive right to design, develop, and undertake the MCIA Project; and enjoy complete and uninterrupted possession of all movable and immovable assets for purposes of implementing the Project, whether tangible or intangible pertaining to concessionaire Operations and Maintenance (O&M) Facilities such as the existing assets, project land, assets produced, installed, built and created pursuant to the Concession Agreement, commercial assets, among others, (collectively referred as Project Assets). The Concession Agreement is for a period of 25 years commencing on O&M start date unless further extended pursuant to the Concession Agreement.

The MCIA Project comprises the following undertaking:

- Construction of Terminal 2 (T2), along with all Associated Facilities;
- Renovation and expansion, but not the demolition of Terminal 1 (T1) and Associated Facilities;
- Complete reconstruction of Terminal 2 Apron (T2 Apron);

- Capacity Augmentation;
- Development of Commercial Assets; and,
- Operation and Maintenance of the Concessionaire O&M Facilities and Commercial Assets.

D. *Concession Agreement executed between MWMTI and DOTC*

On February 25, 2015, MWMTI, a joint venture, entered into a BOT agreement with the DOTr to undertake the PITX project. Upon completion of the project, MWMTI shall operate and maintain the facility, which is divided into terminal and commercial areas, within the agreed concession period of 35 years from the date of the completion of the construction, which is equivalent to 18 months. MWMTI shall then turnover the facility to the DOTr at the end of the concession period.

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 36-60 months. As of December 31, 2018, total carrying amount of transportation equipment and construction equipment held under finance leases amounted to P235,286,745. Outstanding liabilities for the finance leases as of December 31, 2018 amounted to P157,923,257.

Loan Agreements

Megawide has existing credit lines granted per bank (amounts in P Millions) as of date:

| Bank | Credit Line | Outstanding Line | Available Credit Line |
|-------------------------------------|--------------------|-------------------------|------------------------------|
| BDO Unibank, Inc. | 2,000.00 | 635.00 | 1,365.00 |
| Bank of the Philippine Islands | 2,000.00 | 1,500.00 | 500.00 |
| Metrobank | 1,500.00 | 1,400.00 | 100.00 |
| Philippine National Bank | 2,000.00 | | 2,000.00 |
| Security Bank | 1,000.00 | | 1,000.00 |
| Land Bank of the Philippines | 3,000 | 2,116.03 | 883.97 |
| Development Bank of the Philippines | 2,000 | | 2,000.00 |
| BDO Leasing | 300.00 | 63.83 | 236.17 |
| PNB Leasing | 200.00 | 94.09 | 105.91 |
| BPI Leasing | 250.00 | | 250.00 |

Additionally, Megawide has the following loan agreements:

P4.0 Billion Notes Facility Agreement

On February 19, 2013, Megawide, as Issuer, entered into a P4 billion Notes Facility Agreement with several banking institutions. The P4 billion Notes Facility Agreement is for the purpose of funding Megawide’s working capital requirements and for general corporate purposes.

| | Principal | Term in years | Interest Rate |
|-----------|-------------------------------|---------------|---------------|
| 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>P 4,000,000,000</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 Tranches A and B and 1.50% for Tranche C. The final maturity dates of notes issued under this Agreement are in 2018, 2020 and 2023, respectively.

As of date, the outstanding amount on the notes facility is P3.18 billion.

P2 Billion Notes Facility Agreement

On September 16, 2016 and December 5, 2016, the Company availed an unsecured 10-year corporate note amounting to P650 million and P350 million, respectively, to refinance the 5-year corporate note issued in 2011. On December 16, 2016 the Company availed another P1 billion unsecured 10-year corporate note to finance its general corporate requirements.

These 10-year corporate notes bear an interest rate based on the closing per annum rates of a 10-year PDST-R2 rate on the PDS Group website plus a certain spread.

As of date, the outstanding amount on the notes facility is P1.96 billion.

P20 Billion OLSA

On December 17, 2014, GMCAC entered into a P20,000.0 million (which at GMCAC’s option may be increased up to P23,300.0 million) OLSA with various local universal banks, as onshore lenders. On January 26, 2015, the parties amended the facility to include another local universal bank as offshore lender to contribute US\$75.0 million (or equivalent to P3,900.0 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.

| | First 7 Years | Last 8 Years |
|--------------------------------|--|--|
| P20,000.0 Million onshore loan | Sum of Base Rate 1 (PDST-R2 benchmark yield) and credit spread | Sum of Base Rate 2 (PDST-R2 benchmark yield) and credit spread |
| US\$75.0 Million offshore loan | LIBOR plus credit spread | LIBOR plus credit spread |

On June 22, 2018, the Company amended the Amended and Restated OLSA increasing the Peso denominated loan facility by P870.0 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 P20,650.0 Million while drawdowns on the offshore loan amounted to US\$75.0 Million (or equivalent to P3.9 Billion). As of December 31, 2018 and 2017, the carrying amount of the total onshore and offshore loans amounted to P24,299.8 Million and P20,420.4 Million respectively. The amount of undrawn borrowing facilities that is available in the future amounted to P220.0 Million and nil for onshore and offshore loan, respectively.

P3.3 Billion OLSA

On December 18, 2015, MWMTI entered into an omnibus loan and security agreement with a local universal bank for a loan facility amounting to P3.300 Billion to finance the construction of the PITX project. The loan facility, which has Megawide and Waltermart as pledgors and sureties, is already available to MWMTI based on the drawdown schedule provided in the loan facility. The loan principal shall be amortized quarterly over 15 years, beginning October 16, 2020. As of December 31, 2018, the Company has P2,475,000,000.00 available credit line.

Shareholders Agreements

Agreement with PhilCarbon Inc. (PhilCarbon) in relation to MCEI

On June 27, 2014, Megawide entered into a Shareholders' Agreement with PhilCarbon a renewable energy developer to establish a company that will engage in the development of energy projects for Megawide. Pursuant to said Shareholders' Agreement, MCEI was incorporated on September 4, 2014.

Under the Shareholders' Agreement, Megawide shall own 70% of MCEI and provide 100% of the funds needed to capitalize and operate MCEI. PhilCarbon shall own 30% of MCEI. MCEI's Board shall be composed of 5 directors designated by Megawide and 2 directors designated by PhilCarbon. MCEI will initially develop energy projects to be selected by the MCEI Board from the current portfolio of stage zero projects of PhilCarbon.

Agreement with GMR in relation to GMCAC

On April 8, 2014, Megawide entered into a Shareholders' Agreement with GMR setting forth the terms and conditions governing their participation in the share capital of GMCAC, and their rights and obligations as shareholders in relation to GMCAC. Under said Shareholders' Agreement, the parties defined the business of GMCAC, the required manpower support from each shareholder, the composition of the board, formation of committees and the management team for the orderly management of the MCIA Project, conduct of board and shareholder meetings as well as restrictions on the transfer rights of the stockholders and issuance of additional shares.

(b) Reports on SEC Form 17-C**

Megawide filed the following reports on SEC Form 17-C during the last 6 month period covered by this Report:

| Date Filed | Particulars |
|--------------------|---|
| June 7, 2018 | Amendment of Notice of Annual Stockholders' Meeting |
| June 7, 2018 | Foreign Ownership Report and Report on the Number of Shareholders as of May 31, 2018 |
| July 2, 2018 | Results of Annual Stockholders' Meeting Results of Organizational Meeting Amendments to Articles of Incorporation |
| July 2, 2018 | Press Release Report |
| July 3, 2018 | Clarification of News Reports |
| July 7, 2018 | Foreign Ownership Report and Report on the Number of Shareholders as of June 30, 2018 |
| July 16, 2018 | Disbursement of Proceeds and Progress Report as of June 30, 2018 |
| July 16, 2018 | Public Ownership Report and List of Top 100 Shareholders as of June 30, 2018 |
| August 1, 2018 | Declaration of Cash Dividends |
| August 7, 2018 | Foreign Ownership Report and Report on the Number of Shareholders as of July 31, 2018 |
| August 15, 2018 | Press Release Report |
| September 3, 2018 | Clarification of News Reports |
| September 6, 2018 | Foreign Ownership Report and Report on the Number of Shareholders as of August 31, 2018 |
| September 10, 2018 | Material Transactions Report |
| September 28, 2018 | Resignation of Director |
| October 1, 2018 | Declaration of Cash Dividends |
| October 1, 2018 | Approval of Declaration of Cash Dividends and Share Buy-Back Program |
| October 1, 2018 | Press Release Statement re Declaration of Cash Dividends and Share Buy-Back Program |
| October 15, 2018 | Public Ownership Report and List of Top 100 Stockholders as of September 30, 2018 |
| | Foreign Ownership Report and Report on the Number of Shareholders as of September 30, 2018 |
| October 30, 2018 | Declaration of Cash Dividend |
| October 31, 2018 | Clarification of News Reports |
| November 5, 2018 | Notice of Analysts' Briefing |
| November 8, 2018 | Foreign Ownership Report and Report on the Number of Shareholders as of October 31, 2018 |
| November 12, 2018 | Material Transactions Report (Share Buy Back Report) |
| November 13, 2018 | Material Transactions Report (Share Buy Back Report) |
| November 14, 2018 | Material Transactions Report (Share Buy Back Report) |
| November 20, 2018 | Material Transactions Report (Share Buy Back Report) |
| November 22, 2018 | Material Transactions Report (Share Buy Back Report) |
| November 23, 2018 | Material Transactions Report (Share Buy Back Report) |
| November 26, 2018 | Material Transactions Report (Share Buy Back Report) |
| November 28, 2018 | Material Transactions Report (Share Buy Back Report) |
| December 3, 2018 | Material Transactions Report (Share Buy Back Report) |
| December 6, 2018 | Foreign Ownership Report and Report on the Number of Shareholders as of November 30, 2018 |

**Please refer to the SEC Forms 17-C previously filed with the SEC.

- Signature Page follows -

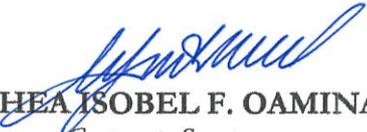
SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereto duly authorized, in MAKATI CITY on APR 26 2019.

By:


EDGAR B. SAAVEDRA
President and Chief Executive Officer

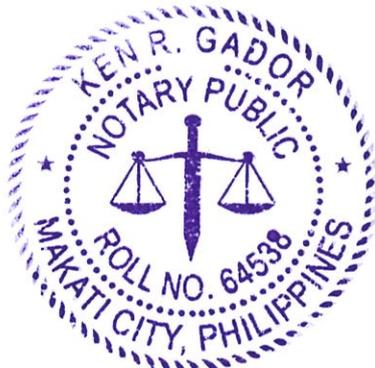

CHRISTOPHER A. NADAYAG
Deputy Chief Financial Officer / Principal Accounting Officer / Comptroller


ALTHEA ISOBEL F. OAMINAL
Corporate Secretary

SUBSCRIBED AND SWORNTO before me this APR 26 2019, affiants exhibiting to me their respective valid IDs, as follows:

| NAME | Valid ID | DATE OF ISSUE/VALID UNTIL | PLACE OF ISSUE |
|--------------------------|---------------------------|--------------------------------|----------------|
| Edgar B. Saavedra | Passport No. P0395124A | Valid until September 25, 2021 | Manila |
| Althea Isobel F. Oaminal | Passport No. EC2854853 | Valid until November 26, 2019 | Manila |
| Christopher Nadayag | Passport No. EC3598125 | Valid until March 5, 2020 | Manila |

Doc. No. K;
 Page No. 1;
 Book No. III;
 Series of 2019.




KEN GADOR
 Commission No. M-268
 Notary Public for Makati City
 Until December 31, 2019
 6th Floor Don Pablo Building
 114 Amorsolo St., Legaspi Village, Makati City
 PTR No. 7345869/01.11.2019/Makati City
 IBP No. 066799/01.10.2019/Makati City
 MCLE No. VI-0017048/12.28.2018/Pasig City
 Roll No. 64538