COVER SHEET

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S. E. C. Registration Number

MEGAWIDE CONSTRUCTION
CORPORATION

(Company's Full Name)

20 N. DOMINGO STREET, BARANGAY
VALENCIA, QUEZON CITY

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

ANTHONY TOPACIO
JENNIFER C. LEE
Contact Person

8655-1111
8892-3011
Company's Telephone Number

12 31
Month Day
Fiscal Year

JUNE 30
Month Day
Annual Meeting

SEC FORM 17-A
Secondary License Type, If Applicable

SEC
Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

MEGAWIDE CONSTRUCTION CORPORATION
Company's Full Name

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

(02) 8655-1111
Telephone Number

December 31
Fiscal Year Ending
(Month & Day)

SEC FORM 17-A
Form Type

December 31, 2019
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, 2019**
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 Postal Code	**No. 20 N. Domingo Street, Barangay Valencia, Quezon City** **1112**
8.	Issuer's Telephone Number, including Area Code	**(02) 8655-1111**
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 (Php)**
Common	2,399,420,199	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, 2019	714,223,830
Closing price per share as of December 31, 2019	P16.38
Market value as of December 31, 2019	P33,472,140,512

Table of Contents

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 and Landport 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 company and has then expanded its business by creating a strong partnership with the Philippine government through its participation in the Public Private Partnership (PPP) program, which began with Phases 1 and 2 of the School Infrastructure Project.

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 Php 7.84 offer price per share and the listing of those shares in PSE's main board on February 18, 2012. On December 3, 2014, the Company made a primary offer of 40.0 million preferred shares at an offer price of Php 100.0 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, 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 Php 5 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 Php 1.0 per share.

To further its involvement in PPP, 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 constructing, developing, operating, and maintaining the Mactan Cebu International Airport (MCIA), in accordance with the Concession Agreement (CA) executed between GMCAC and the Department of Transportation (DOTr) on April 21, 2014.

Moreover, 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 to develop and implement the Parañaque Integrated Terminal Exchange (PITX) project, pursuant to the CA signed with DOTr on April 24, 2015. PITX is designed to be the first intermodal terminal in the Philippines.

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

2017

2017 saw Megawide continue market leadership by booking new EPC contracts worth Php 10.8 billion, bringing its total order book to Php 32.6 billion. Private sector projects proved essential in growing construction revenue by 6% year-on-year. These include Megaworld's Worldwide Plaza and Albany Residences, Double Dragon's Ascott DD-Meridian Park and Double Dragon Tower, and Maynilad's 88MLD Water Reclamation Facility. Another key win was the Php 9.6 billion contract to build the new passenger terminal of the Clark International Airport, together with Megawide's partner in airport operation, GISPL. Also, in 2017, the Company secured an AAAA License from the Philippine Contractor's Accreditation Board (PCAB).

Megawide's airport operations business, through GMCAC, continues its phenomenal growth, recording a double-digit passenger increase of 12% for 2017 at the MCIA. This is a key factor in GMCAC's 24% growth in net income. For 2017 alone, 12 international routes and 23 domestic destinations were added at the MCIA. New international airlines include Juneyao Airlines, Sichuan Airlines, Lucky Air, Okay Airways, and Pan Pacific. Meanwhile, AirJuan was 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 2.0 million shares, or 10%, of its interest in Globemerchants, Inc. (GMI) to GMR Holdings Overseas (Singapore) Pte. Ltd. (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 and Megacore are both holding companies incorporated in the Philippines.

On December 22, 2017, Megacore 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 MCIA Terminal 2 on June 7, 2018, which commenced its operations on July 1, 2018.

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

On August 9, 2018, the Company acquired 344.5 million shares of WMPMI (now MTI) in MWMTI, representing 100% ownership interest therein, for a total purchase price of Php 344.1 million. MTI owns 49% share of MWMTI, thereby making MWMTI a 100% owned subsidiary of the Company.

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

Megawide's construction segment continued to bag new projects in 2018, thereby opening its doors to greenfield clients and projects that will position the Company into becoming a strategic leader in the construction and infrastructure industry. New projects for 2018 include the expansion of the Clark International Airport, Golden Bay Properties' Aspire Project, 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.

2019

Megawide continues on its journey to becoming a construction and transport-oriented infrastructure conglomerate with the completion of its infrastructure projects for MCIA and PITX.

GMCAC completed the renovation of MCIA Terminal 1, including the Airport Village, and the refurbished areas became operational on August 28, 2019. Post completion of the renovation, the gross commercial area in Terminal 1 has increased from 4,367 square meters to 9,772 square meters.

The airport segment continues to improve air traffic volume and passenger volume in 2019. MCIA had 13 new international destinations, which included China Southern's Guangzhou, Juneyao Airlines' Shanghai, Philippine AirAsia's Macau, Kaohsiung and Taipei, Philippine Airline PR's Nagoya, Cebu Pacific Air's Shanghai, Cathay Pacific's Hongkong, Xiamen Air's Chengdu and Quanzhou, Silk Air's Singapore, Jeju Air's Daegu, and Air Busan's Incheon.

Meanwhile, 6 new domestic destinations were added in 2019 – Royal Air Philippines' Manila, Davao, Puerto Princessa, Cagayan and Boracay, and Cebu Pacific's Busuanga. Further, MCIA received various commendations and awards in 2019, such as "Winner of the Completed Buildings: Transport Category" in the 2019 World Architecture Festival, "Breastfeeding Friendly Public Place Award" from Philippine Pediatric Society, and "2019 International Architecture

Awards, Airports and Transportation Centers Category" for Terminal 2 from Chicago Athenaeum: Museum of Architecture and Design, among others.

MWMTI completed the construction of its 4, 5-storey, commercial/office towers with a gross leasable area of 19,225 square meters per tower, or a total of 76,903 square meters. All towers have been 100% contracted for a period of 5 years each. As of end of 2019, 71% of total terminal retail area was leased out to concessionaires, of which 30% is operational. Foot traffic likewise started to peak, from a daily average of 30,103 in January 2019 to 67,963 in December 2019. In addition, MWMTI bagged the "Maynilad Golden Kubeta Awards for Terminal and Stations Category" in 2019.

EPC segment ramped up its construction activities for the Clark International Airport, 8990's Housing Development's Ortigas and Tondo, Araneta's Gateway Mall, Megaworld's Worldwide Plaza, Albany Luxury Residences, One Fintech, 8 Sunset Boulevard, International Finance Center, and Double Dragon projects. Order book remains to be at an all-time high level at Php 52.40 billion, with new contracts at Php 19.42 billion at the end of December 2019, which will provide sufficient revenue stream for EPC in the next 3 years. EPC continues to enter into partnerships with foreign entities in bidding for infrastructure related projects, such as Maynilad and Manila Water's sewage treatment plant and National Grid Corporation of the Philippines (NGCP)'s transmission lines project, which are mostly under way in 2019. Meanwhile, the Malolos Clark Railway Project, which is expected to boost the Company's technical capability and expertise in the horizontal infrastructure space, is awaiting official awarding.

In 2019, the EPC segment broke ground for One Fintech, 8 Sunset, Suntrust Financial, Two Mcwest, Newport Link, International Finance Center, Plumera, Empire East Highland Mall, Mandani Bay Phase 2, Gentry Manor, The Hive Tower C, University Tower 5, and The Corner House project. It also topped off the Albany Luxury Residences and Golden Bay Aspire projects.

The Company also received several prestigious awards from Finance Asia Best Managed Companies Poll in 2019 namely: (a) 1st place – "Best Investor Relations"; (b) 2nd place – "Best Mid Cap Company"; and (c) 4th place – "Best Environmental, Social, and Governance (ESG)".

Subsidiaries and Affiliates

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

Percentage of effective ownership on each affiliate is as follows:

	2019	2018
Subsidiaries:		
GMR Megawide Cebu Airport Corporation (GMCAC)	**60%**	60%
Megawatt Clean Energy, Inc. (MCEI)	**70%**	70%
Globemerchants, Inc. (GMI)	**50%**	50%
Megawide Land, Inc. (MLI)	**100%**	100%
Megawide Construction (BVI) Corporation (MCBVI)	**100%**	100%
Megawide Terminals, Inc. (MTI, *formerly WM Properties Management, Inc.)*	**100%**	100%
Megawide International Limited (MIL)	**100%**	-
Megawide Cold Logistics, Inc. (MCLI)	**100%**	100%
Megawide Construction DMCC (DMCC)	**100%**	-

Megawide Construction (Singapore) Pte. Ltd. (MC-SG)	**100%**	-
MWM Terminals, Inc. (MWMTI)	**100%**	100%
Accounted for as Asset Acquisition –		
Altria East Land, Inc. (Altria)	**100%**	100%
Affiliates:		
Megawide World Citi Consortium, Inc. (MWCCI)	**51%**	51%
Citicore Megawide Consortium, Inc. (CMCI)	**10%**	10%
Joint Ventures:		
Joint Operations –		
Megawide GISPL Construction Joint Venture (MGCJV)	**50%**	50%
Megawide GISPL Construction Joint Venture, Inc. (MGCJVI)	**50%**	50%

GMR Megawide Cebu Airport Corporation (GMCAC)

GMCAC was incorporated on January 13, 2014 and currently has an authorized capital stock amounting to Php 6.0 billion and subscribed capital stock amounting to Php 5,067,410,273, with a par value of Php 1.0 per share. It is authorized to engage in the business of building, rehabilitating, renovating, constructing, developing, operating, and maintaining the MCIA, including its commercial assets and all allied businesses for the operation and maintenance of said airport facility, pursuant to the concession granted to GMCAC and in accordance with Republic Act (R.A.) No. 7718 and other applicable laws, rules, and regulation.

Megawatt Clean Energy, Inc. (MCEI)

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

Globemerchants, Inc. (GMI)

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

Megawide Land, Inc. (MLI)

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

MLI has 60% ownership interest in MCLI, a company incorporated in the Philippines 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.

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.

MCBVI has a wholly owned subsidiary, DMCC, which was registered on December 10, 2017 and is an infrastructure company. Its registered office is located at Unit 4401-05, Mazaya Business Avenue BB2, Jumeriah Lake Towers, Dubai, UAE.

Megawide International Limited (MIL)

MIL, whose registered office is at Marcy Building, 2nd Floor, Purcell Estate, P.O. Box 2416, Road Town Tortola, British Virgin Islands, was incorporated on July 26, 2019. MIL has 100% owned subsidiary, MC-SG, which was registered on March 1, 2019 as a general building engineering design and consultancy services. Its registered office is located at 8 Cross St., #24-03/04 Manulife Tower, Singapore.

Megawide Terminals, Inc. (MTI)

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

MWM Terminals, Inc. (MWMTI)

MWMTI was incorporated on February 3, 2015 to engage in the business of constructing, operating, and maintaining integrated transport system terminals, stations, hubs and all allied business in relation thereto, including the construction, operations, and maintenance of the commercial assets and establishments of PITX, pursuant to the CA that was signed on April 24, 2015 by MWMTI and DOTr.

Altria East Land, Inc. (Altria)

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

Megawide World Citi Consortium, Inc. (MWCCI)

MWCCI was incorporated on January 16, 2014 to plan, construct, equip, operate, own, manage and maintain hospitals, medical facilities, clinical laboratories, and such other allied enterprises

which may have similar or analogous undertakings or dedicated to services in connection with providing curative and rehabilitative care to sick, diseased or disabled persons; provided that purely professional medical and surgical services shall be performed by duly licensed physicians or surgeons who may or may not be connected with MWCCI and whose services shall be feely and individually contracted by the patients.

Citicore-Megawide Consortium, Inc. (CMCI)

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

Megawide – GISPL Construction Joint Venture (MGCJV)

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

Megawide GMR Construction JV, Inc. (MGCJVI)

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

Parent Company and Other Affiliates

Citicore Holdings Investment Inc. (Citicore)

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

Megacore Holdings, Inc. (Megacore)

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

My Space Properties, Inc. (MySpace)

MySpace was incorporated on February 6, 2009, and is presently engaged in real estate development. Its current project, The Hive, is located at San Isidro Street, Ortigas Avenue Extension, Taytay, Rizal. MySpace is a wholly-owned subsidiary of Citicore.

Future State Myspace, Inc. (FSMI)

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

IRMO Inc. (IRMO)

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

Citicore Power Inc. (CPI)

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

Silay Solar Power Inc. (SSPI)

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

Next Generation Power Technology Corporation (Next Gen)

Next Gen was incorporated on December 11, 2013 which is primarily engaged 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

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

a. **Construction Operations** – principally refers to construction activities, such as construction works of residential, mix-used building, commercial, and infrastructure establishments, sale of construction materials, and rental of construction equipment.

b. **Airport Operations** – mainly relates to the business of building, rehabilitating, renovating, constructing, developing, operating, and maintaining MCIA, including its commercial assets and all allied businesses for the operation and maintenance of said airport facility.

c. **Terminal Operations** – mainly relate to operation and maintenance of PITX, including the lease of its concessionaire and commercial/office towers.

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

The revenues and expenses that are directly attributable to a business segment, along with the relevant portions of the Company's revenues and expenses that can be allocated to such business segment, are accordingly reflected as revenues and expenses of that business segment.

Additional significant information relating to each 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:

a. 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
b. 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:

a. size of the over-all development blueprint of the project and its implementation timetable on phases;

b. complexities and limitations of the structural design of the high-rise building project;
c. project location, accessibility of heavy construction equipment, and proximity to clusters of on-going project sites;
d. logistics difficulties and limitations;
e. procurement of necessary permits; and
f. 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 upon receipt of the following:
a. issuance of the Notice to Proceed;
b. execution of the Construction Agreement/Contract;
c. release of the building permit;
d. completion of the construction drawings; or
e. full release of the 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:

1. **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.

2. **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.

3. **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.

4. **Quality** – contains the project's quality policies, roles and responsibilities of each employee, work inspection process flow, material inspection process flow, punchlist and hand-over process, sequence and inspection of works, structural inspection test plan, among others.

5. **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.

6. **Methodology** – contains technical information on how the development plan will be carried out, including the use of technologies, tools, and equipment.

7. **Procurement** – contains the work package, or the list of all materials, tools, equipment, subcontracted works, and their procurement schedule.

8. **Engineering Designs and Drawings** – contains all the required architectural works and when are they required to be secured.

9. **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.
10. **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 insurance policies and coverages. 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:

a. Megawide submits a Notice of Turn-Over and Completion to the project owner;
b. Megawide and the project owner conduct a joint inspection and punch listing;
c. should there be no pending items for completion, the project owner issues a Certificate of Completion; and

d. 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. a downpayment of 15% to 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;

b. 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

c. 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 the Company's credit risk policy, which requires the evaluation of the creditworthiness of the customer.

Completed Projects

The notable projects that the Company has completed are:

1. **SM Jazz Residences (Phases 1 and 2)** – SM Jazz Residences is composed of 4, 40-storey, towers on top of a 5-level shopping mall and parking basement. It is located along Jupiter Street, Bel-Air Makati City. 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 in San Antonio, Makati City. Its total floor area is 7,400 square meters.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

18. **Landers Warehouse Otis** – A mixed-used complex warehouse developed by Southeast Asia Retail, Inc. located at Otis, Sampaloc, Manila City, 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 in Toledo, Cebu Province. The project is owned by First Toledo.

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

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

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

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

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

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

27. **Philam Life Center Cebu** – A 12-storey office building developed by The Philippine American Life and General Insurance Co. with a total floor area of 35,000 square meters and a total lot area of 3,427.11 square meters. The project is located at Cardinal Rosales Street, corner Samar Loop, Cebu Business Park, Cebu City.

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

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

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

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

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

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

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

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

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

37. **Landers Warehouse Arcovia** – A mixed-used complex warehouse with a basement developed by Southeast Asia Retail, Inc., located in 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 located at Productivity Avenue, Camelray Industrial Park 1, Barangay Canlubang, Calamba City, Laguna with gross lot area of 5.0 hectares.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On-Going Projects

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Major Customers

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

Megaworld Corporation (Megaworld)

Megaworld is one of the country's leading real estate developer, top BPO office developer, and one of the biggest landlords 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, and mixed-use developments such as Eastwood City in Libis, Quezon City; Newport City in Pasay City; McKinley Hill, Forbes Town Center, McKinley West, and Uptown Bonifacio, all in Fort

Bonifacio; Woodside City in Pasig City; Iloilo Business Park in Mandurriao, Iloilo City; the Mactan Newtown in Lapu-Lapu City, Cebu; and the Davao Park District in Davao City.

8990 Holdings, Inc. (8990)

8990 is the largest mass housing developer in the Philippines in terms of units licensed under Batasang Pambansa (B.P.) Blg. 220 from 2011 to 2013, according to 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.

Double Dragon Properties Corp. (DD)

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

Araneta Center, Inc.

Araneta Center, Inc. is the owner, developer, and manager of The Araneta Center. Built and developed on a 35–hectare (90 acre) property right at the heart of Metro Manila, The Araneta Center is a hub of retail, entertainment, residential, hospitality, and office developments that sees an estimated 1,000,000 visitors daily. Araneta Center, Inc. is the owner of the Kia Theater, a reborn classic 60's entertainment landmark. It is also the owner of the CyberPark Tower 1 (CPT1), a PEZA-registered tower, and the CyberPark Tower 2 (CPT2), also a PEZA-registered tower. It also sighted a future massive mall development of Gateway Mall 2 which encompasses one side of the Smart Araneta Coliseum whose target completion is in 2020.

HTLand, Inc.

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

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 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 Formworks in its on-going projects, purchased from German company, MEVA Schalungs-Systeme Gmbh. Formworks are the temporary or permanent moulds, into which concrete or similar materials are poured into, to form the structural elements of a building. The traditional construction process utilizes timber or plywood formworks. Megawide's Formwork are 100% wood-free, all plastic facing. These are nailable like plywood but are able to 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 Formworks in its existing projects:

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

- Megawide also uses a Pre-Cast Concrete System purchased from Finnish company, Elematic. The European Pre-Cast Concrete System which Megawide employs in its current projects, has the inherent advantages of:

  - reducing cost;
  - shortening the construction period;
  - improving quality;
  - increasing project volume; and
  - 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	• 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	• More stable and robust • Longer lifespan • Easy assembly lock and formwork clamp
Pre-Cast Concrete	Concrete Hollow Blocks	Pre-Cast Walls	• Precise, smooth and even curing, high quality, energy saving and ecological
	Traditional Concrete Beams, Columns, Slabs	Pre-cast Beams, Columns, Slabs, Toilets, Parapets, Wheel Guards	• Savings in steel and partition wall materials, extra-long spans for design flexibility, accurate dimensions and strand locations for less work-on site

- Megawide's 16-hectare industrial complex in Taytay houses its 8-hectare automated pre-cast concrete manufacturing plant, which is the largest and most advanced in the country, and is among the top in Southeast Asia in terms of size and technology employed. The use of pre-cast concrete is environmentally friendly and allows Megawide to reduce construction costs, shorten the construction period, improve the overall quality of the work, and increase project volume.

- The Megawide Corporate Building in Quezon City obtained a gold certification from the Leadership in Energy and Environmental Design (LEED) of the United States Green Building Council. LEED is a third-party certification program for the design, construction and operation of high-performance green buildings. It is the predominant green building rating system in the 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 positioned as a 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, and has its own fleet of vertical, earth-moving and construction equipment. Moreover, to ensure a 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. **AAAA and Large B Contractor's License**

Megawide has an AAAA Contractor's License from the Philippine Contractors Association Board (PCAB). This is the highest classification and category for a construction company, which qualifies Megawide to bid for private projects with no limits on contract value. Likewise, Megawide obtained a 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 30-120 day payment period.

In order to mitigate the risk of price volatility in raw materials for its projects, Megawide, upon contract award, immediately purchases major materials such as steel and concrete for the entire project. All purchases are done centrally, at Megawide's head office, for all the requirements of its project sites.

Quality Control and 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 has been issued Certificates of Registration for the following trademarks by the Intellectual Property Office (IPO):

a. for its typeface dated May 9, 2019 and expiring on May 9, 2029;

MEGAWIDE

b. for its logo dated October 13, 2019 and expiring on October 13, 2029; and

c. for its logo with typeface dated October 13, 2019 and expiring on October 13, 2029.

MEGAWIDE

Moreover, the Company has received a Notice of Allowance for its tagline "**Engineering A First-World Philippines**", and is awaiting the issuance by the IPO of a Certificate of Registration for the same.

However, Megawide strongly believes that its operations are not 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 Approvals 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, 2019, Megawide's manpower complement is as follows:

Division	Regular	Project Based*	Total
Operations	1,723	2,464	4,187
Head Office	408	140	548
Total	1,131	2,605	4,735

**Includes fixed-term employees*

The relationship and cooperation between the management and staff remain strong and expected to be maintained in the future. There has not been any incidence of work stoppages. Megawide complies with the minimum wage and employment benefits standards pursuant to Philippine labor laws. It adopts an incentive system that rewards and recognizes the employees who excel in their respective fields to foster the harmonious relationship between management and employees.

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 of the Board of Directors of the Company (Board), Chief Executive Officer (CEO), and President of the Company, and the other executives are 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.

Airport Operation Segment

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

Under the CA with DOTr, GMCAC shall deliver a 2nd terminal and rehabilitate the existing terminal to reduce congestion as well as meet the growing passenger traffic into Cebu. 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. GMCAC's brand image is firmly tied to Cebu's global reputation as a warm and friendly resort destination.

Terminal 1

Upon turnover of MCIA's operations and management to GMCAC on November 01, 2014, which then has a combined rated capacity of 4.5 million passengers annually for both the domestic and international segments, the airport team 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. These initiatives enabled Terminal 1 to accommodate as much as 10 million passengers annually prior to the construction of Terminal 2.

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 automated teller machines (ATMs); 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.

The Company completed the renovation of Terminal 1 and the operations of the refurbished areas commenced on August 28, 2019. Gross retail area in Terminal 1 increased from 4,367 square meters to 9,772 square meters.

Terminal 2

The new world-class Passenger Terminal Building or MCIA Terminal 2, specifically for International Segment, opened in 2018, designed to accommodate higher passenger traffic, and drive a more robust tourism and business environment for the region. Terminal 2 will increase MCIA's combined annual rated 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 terminal's interior. 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 that will welcome guests from almost anywhere in the world and the Philippines.

The most recognizable element of the terminal is the dynamic elegance of the external structure, featuring an array of glulam arches to serve as roof curvatures, which also define its geometry and modularity. The arches span every 30 meters allowing Terminal 2 to be as column free as possible while the internal spaces are enclosed by a light and transparent glazed façade. Overall, the timber arches have become the main attraction and element in the creation of a dramatic interior, with sleek geometries and dynamic perspectives, symbolizing the waves of the beaches around Mactan and Cebu Islands.

A 2-level forecourt segregates both the arrivals and departures area that is fully integrated with the landside development. There are currently 48 check-in counters expandable to 72 as the need arises. It has provisions for 7 passenger boarding bridges, which can be expanded to 12, serving both wide and narrow body aircrafts. It is also equipped with 12 escalators and 15 elevators to facilitate smooth 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 necessary. There will also be an array of food and retail choices, including a future hotel, MICE, and strip mall development.

Route Development

In recent years, active route development enabled GMCAC to attract new destinations and partner airlines that helped boost passenger throughput in the airport. Moving forward, new routes connecting Cebu to Europe, Australia, and other Southeast Asian countries will be worked out to further expand connectivity. Discussions and meetings with airport operators in Sweden, Australia, and Japan were held to market Cebu to showcase MCIA as an ideal gateway to the Philippines as well as Cebu as a preferred tourist destination.

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.

To date, MCIA has 24 international routes and 33 domestic routes via PAL, Air Asia, Cebu Pacific, and Air Juan. GMCAC has increased MCIA's partner airline operators from 11 at the time of GMCAC's take-over in November 2014, to 26 in 2019.

The following are the international and domestic routes available at MCIA:

International Route Map						
Route		**Weekly Frequency**		**Route**		**Weekly Frequency**
BKK	Bangkok	3		LAX	Los Angeles *(eff. May 2)*	3
CAN	Guangzhou	7		MFM	Macau	9
CKG	Chongqing	1		MWX	Muan	5
CTU	Chengdu	3		NGO	Nagoya	5
DXB	Dubai	7		NRT	Narita	21
DOH	Doha *(eff. April 8)*	3		PUS	Busan	28
HKG	Hong Kong	24		PVG	Shanghai	13
ICN	Seoul	91		SIN	Singapore	30
JJN	Jinjiang	3		SZX	Shenzen	3
KHH	Kaohsiung	3		TAE	Daegu	14
KIX	Osaka	7		TPE	Taipei	24
KMG	Kunming	3		XMN	Xiamen	3
KUL	Kuala Lumpur	6				

Domestic Route Map						
Route		**Weekly Frequency**		**Route**		**Weekly Frequency**
BCD	Bacolod	28		KLO	Kalibo	12
BXU	Butuan	42		LGP	Legazpi	17
CGM	Camiguin Island	14		MNL	Manila	244
CGY	Cagayan De Oro	53		MPH	Caticlan	28
CRK	Clark	42		OZC	Ozamiz	20
CYP	Calbayog	3		PAG	Pagadian	3
DGT	Dumaguete	27		PPS	Puerto Princesa	28
DPL	Dipolog	8		SUG	Surigao	7
DVO	Davao	70		TAC	Tacloban	24
ENI	El Nido	10		TAG	Tagbilaran	14
GES	General Santos	14		USU	Busuanga	35
IAO	Siargao	28		ZAM	Zamboanga	29
ILO	Iloilo	36				

In 2019, GMCAC logged a total of 12.66 million passengers, broken into 8.40 million domestic passengers and 4.26 million international passengers, which grew by 9% and 11% from 2018, respectively.

Revenues, Services, and Rates

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 (A.O.) 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 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.

Customers

Airport segment's largest revenue stream comes from passenger service charges or terminal fees which is now fully integrated (since September 2019) in the airfare. It also derives income from airline companies and concessionaires within the airport. The following are among the significant customers of GMCAC:

1. **Cebu Pacific Air**

   Cebu Pacific Air entered the aviation industry in March 1996 and pioneered the "low fare, great value" strategy. They have since then flown over 150 million passengers and counting. It is the largest carrier in the Philippine air transport industry, offering low cost-services to more destinations and routes with higher flight frequency in the Philippines than any other airlines. It currently offers flights to 37 local and 26 international destinations, spanning Asia, Australia, the Middle East, and USA.

2. **Philippine Airlines Inc. (PAL)**

   Headquartered at the PNB Financial Center in Pasay City, the PAL was founded in 1941 and is the first and oldest commercial airline in Asia. PAL serves 31 destinations in the Philippines and 54 overseas destinations in Southeast Asia, East Asia, Middle East, Oceania, North America, and Europe. PAL operates a mixed fleet of airbus and Boeing aircrafts.

3. **Air Asia-Zest Airways, Inc.**

Zest Airways, Inc. operated as Air Asia Zest (formerly Asian Spirit and Zest Air), was a low-cost airline based at the Ninoy Aquino International Airport in Pasay City, Philippines. It operated and scheduled domestic and international tourist services, mainly feeder services linking Manila and Cebu with 24 domestic destinations in support of the trunk route operations of other airlines.

4. **Jin Air Co., Ltd. (Jin Air)**

Jin Air is a South Korean low-cost airline and is the only widebody LCC operator in Korea. It began operations in July 2008 with routes to regional destinations in South Korea. In 2017, it was the 3rd and last company to join the Korea Exchange by way of initial public offering. It operates flights to 6 domestic cities and 26 international destinations.

5. **Jeju Air Co., Ltd. (Jeju Air)**

Jeju Air, named after the Jeju Island, is the first and largest South Korean low-cost airline. It offers domestic services between several cities in South Korea, as well as between Seoul and international destinations including Japan, China, Russia, the Mariana Islands, and various Southeast Asian countries. It is also a founding member of Value Alliance.

6. **SSP-Mactan Cebu Corporation**

Select Service Partner (SSP), a renowned UK Food Traveler expert with businesses in over 30 countries in the last 57 years, made its way into Philippines under a joint partnership with a local company. With over 50 years' experience in the travel market, SSP has a presence in over 30 countries and have over 450 brands in portfolio. It has the capability to deliver world-class food and beverage outlet programs based on the highest levels of customer service, quality of food, and environment.

SSP was named as master concessionaire at MCIA in 2018, with the group unveiling plans to launch 27 food and beverage units at the airport. The first phase of its plans began last July, which saw the opening of 7 outlets – The Coffee Bean & Tea Leaf, Ritazza, Burger King, Bon Chon, Cabin Bar, Camden Food Co., and Nippon Ramen.

7. **Duty Free Philippines Corp. (DFPC)**

In 2009, DFP was reorganized into DFPC with the signing of the Tourism Act of 2009 (R.A. No. 9593). As a government corporation, DFPC is tasked to operate the duty-and tax-free merchandising system in the Philippines to augment the service facilities for tourists and to generate foreign exchange and revenue for the government as mandated by Executive Order (E.O.) No. 46.

All customers (airlines, ground handlers, concessionaires, bank, etc.) are given 30 days credit terms from the date of receipt of billings.

Suppliers

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

A purchase with a total value of Php 20,000.00 or more shall require a minimum of 3 comparative quotes (not older than 6 months). Quotations should indicate the vendor's name and should be attached at all times upon purchase order creation. In cases where the required number of comparable quotes cannot be observed, a written justification for the same has to be expressly indicated in the purchase approval form. In concluding payment conditions and terms with vendors, the minimum payment term is 30 days. In unavoidable cases where vendors would require a downpayment, a maximum 40% downpayment is allowed. A security bond is required for downpayments above 10%.

Employees

As of December 31, 2019, GMCAC's manpower complement is as follows:

Division	Regular	Expats	Total
Administrative	44	0	44
Managerial	48	11	59
Technical	179	0	179
Total	271	11	282

**Includes fixed-term employees*

Terminal Operation Segment

Dubbed as the Philippines "first landport", the Paranaque Integrated Transport Exchange (PITX) is a 4.5 hectare development, which houses the transport terminal, commercial spaces, and office buildings under one roof.

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

PITX is a flagship project under the government's Build, Build, Build infrastructure program with the following competitive strengths:

1. **State-of-the-Art Facilities**

   PITX has the look and feel of an airport, but instead of planes, the terminal is designed as a land transport, for buses, jeepneys, and UV express shuttles. The terminal houses an information center, bus ticketing counters, and bus boarding gates. At the counters, commuters can easily choose their preferred bus trips and seats from the terminal to any point in Metro Manila, Cavite, and Batangas. QR code-capable turnstiles are also installed at the boarding gate.

   The terminal also includes an all-gender restroom and pay loungers that have shower rooms. There is also a breastfeeding station for mothers to use. For those who want moment of silences to pray, a prayer room is located at the third floor.

2. **Safe, Convenient, and Secure**

MWMTI aims to provide safe, secure, and convenient travel to the passengers of PITX. Operations are 24/7 with closed-circuit television cameras (CCTV) around and free wi-fi at every floor. CCTVs and sensors are also installed at the bus bays to monitor whether the trips are on schedule or not.

It is through continuous partnerships with various entities (government and non-government) that MWMTI is able to bring in PITX more services to the public. These include a satellite office of an agency geared towards aiding seafarers and a Land Transportation Office (LTO) on wheels for the issuance or renewal of licenses.

3. **Availability of Different Modes of Transport**

PITX's bus stands have 10 gates and 59 bays. Aside from the bus bays taking center stage, the terminal also has loading and unloading bays for UV Express shuttles, and public utility jeepney bays. Moreover, premium point-to-point bus operations, such as UBE Express, are offering rides from PITX to the Ninoy Aquino International Airport terminals. At the 4th floor of the terminal, there are 852 parking spaces for different vehicles and motorists. It also has the capacity to implement the proposed link to the LRT Line 1 Cavite extension and spur line of the Metro Manila Subway Line 9.

4. **A Solution to Decongesting Metro Manila**

The operations of PITX is designed to provide an efficient public transportation system and help decongest Metro Manila traffic in the long-run. Initially, the provisional and in-city transfers stationed in the terminal will limit the entry of buses from the Southwest into Metro Manila. In addition, the PITX mobile app, which currently provides daily trip schedules and initially offers advanced ticket reservations, enables the PITX team to gather and analyze critical data to better understand commuter behavior, which can be utilized for future PITX-like developments in other locations.

5. **Retail and Commercial Areas**

PITX has retail, commercial, and office spaces within its terminal area. On top of the terminal area sits 4, 5-storey towers, with leasable area of 19,226 square meters each. Within the terminal, retail spaces are available to offer services such as food, medicine, and other grocery items for travelling passengers. Meanwhile, the commercial/office towers will augment passenger volume and increase foot traffic to provide additional business to the retail tenants.

Customers

MWMTI operates the terminal without generating any revenue. Instead, the main source of revenue will come from leasing the retail and commercial/office spaces in the terminal, as discussed below:

1. Contracts of Lease for Commercial/Office Towers – MWMTI has existing contracts with 4 companies which are primarily engaged in Philippine Offshore Gaming Operations (POGO). The contracts are for a period of 5 years with an annual escalation rate of 5% on

the monthly rent. The contracts require the payment of 4 to 6 months security deposit and 3 months advance rent.

2. Contracts of Lease for Retail Spaces – MWMTI has existing contracts with various tenants/concessionaires for a period of 1-8 years. The monthly rent of some contracts are based on the monthly income of their business while others pay a fixed rate. All contracts have a provision on the payment of security deposit and advance rent. Examples of MWMTI's tenants are: Anytime Fitness, Golden Bay, Alfamart, Today's Minimart, Miniso, Bench, Jollibee, Chowking, Mang Inasal, and Wendy's.

Credit terms granted to customers are for a period of 30 days from receipt of billing. MWMTI also accepts postdated checks to manage its credit risk exposures.

Competitors

MWMTI has no direct competitors since PITX is the first of its kind in the Philippines. Moreover, its business model is not similar to a mall or other transport terminals. However, there are nearby mall operators with mini-transport terminals such as Ayala Malls Manila Bay and SM Mall of Asia.

Employees

As of December 31, 2019, the manpower complement of MWMTI is as follows:

Division	Headcount
Administrative	12
Managerial	6
Technical	14
Total	32

Suppliers

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

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

Business Risks

Below is a discussion of the major risks involved in the businesses 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 and promoting infrastructure projects in the 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 and mostly located in Metro Manila, subjecting it to concentration risk.

   Megawide has increased its pool of customers over the years 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. Megawide manages its participation to client bids based on overall capacity and capability of the Company. As a matter of policy, management looks into its order book and ensures that no single customer contributes more than 25% of the total revenue for a given year or of the order book. In addition, Megawide is also expanding to growth areas outside Metro Manila, like Cebu, Cavite and Clark in Pampanga, to diversify its portfolio geographically.

4. 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.

5. 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.

6. 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.

7. 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.

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

   Megawide does not have an exclusive 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 10 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.

9. 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 access suitable for the work being done. Megawide utilizes German Scaffoldings such as MEVA Automatic Climbing Scaffold, Shoring Tower and other Folding Scaffolds, 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.

10. 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.

11. Megawide's brand equity and reputation will be adversely affected if the airport and terminal business is not able to meet the performance standards specified under the CA.

    A group of well-trained and experienced technical managers have been employed to track the defined metrics on a periodic basis. The internal target that the airport has set is significantly higher than the minimum limit as defined under the CA. Fortnightly meetings are held where the management is appraised on performance against the specified metrics.

12. Significant competition from the upcoming regional airports and the international tourist destination could affect Megawide's airport business

    The airport engages in extensive airlines and destination marketing initiatives to tie up with the airlines, tour operators, hotels Department of Tourism (DOT) to promote Cebu as a destination. Also, given that Cebu is relatively under penetrated market as compared to other key tourist destinations in the Southeast Asia region, we do not expect any significant impact in the international traffic in the medium term.

13. Megawide is exposed to credit risk on its receivables.

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

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

14. A slowdown in the Philippine economy could adversely affect the Company.

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

15. 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 strictly complies with labor standards and applicable labor laws. Megawide is also highly mechanized and is therefore not entirely dependent on manual labor for its production and structural works.

16. Risk on the separation of key employees

To mitigate this risk, Megawide gives attractive compensation packages that consist of: (a) basic wages; (b) high coverage in life and health insurance; (c) project completion bonus for project employees; and (d) 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.

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

This risk is beyond the control of Megawide.

18. 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.

19. 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.

Item 2. Properties

Purchased Properties

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

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

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

In 2013, Megawide has a total additional land acquisition amounting to Php 67 million in Taytay, Rizal, in relation to its pre-cast plant expansion. The property is free of any mortgages, liens, 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 Php 485 million and Php 369 million in 2015 and 2014, respectively. Megawide also acquired an additional lot adjacent to the pre-cast plant in 2014 with an area of 23,686 square meters for Php 148 million, and another lot with an area of 16,017 square meters near the pre-cast plant for Php 17 million in 2015.

In 2017 and 2016, to cater to its growing order book Megawide also invested on new construction equipment amounting to Php 275 million and Php 470 million, respectively, which includes tower cranes, earth moving equipment, formworks, and pre-cast equipment. Transportation equipment was also procured amounting to Php 54 million and Php 57 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 Php 82 million and Php 156 million in 2017 and 2016, respectively. The Taytay complex is currently expanding to house the formworks rehabilitation factory and all the construction equipment of Megawide. The parcels of land provide a bigger stockyard for the precast plant since its annual production is consistently increasing. Thereafter, in 2019, the Company purchased the land and building where its head office is located in Quezon City, with an area of 1,493 square meters.

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

Airport segment			
Office and other equipment	MCIA	various	N/A
Transportation equipment	MCIA	various	N/A
Furniture and fixtures	MCIA	various	N/A
T2 Airport infrastructure	MCIA	2018	65,500 sqm
T1 Airport infrastructure	MCIA	2019	9,772 sqm
Terminal segment			
Terminal infrastructure	PITX	2018	73,380 sqm
Tower & parking facility	PITX	2019	103,285 sqm
Office and other equipment	PITX	various	N/A
Transportation equipment	MCIA	various	N/A
Furniture and fixtures	MCIA	various	N/A

Leased Properties

Megawide also leases properties needed for its operations, such as those covered by the following lease agreements, as of December 31, 2019:

Date	Lessor	Expiration	Location	Area	Monthly Rental
March 1, 2017	Regent Foods Corporation	December 31, 2019	Elisco Road cor. F. Manalo St., Tipas, Taguig City	2,350 square meters	Php 446,500.00/ month

September 1, 2017	Primex Domains, Inc.	March 5, 2020	Aurora Blvd, New Manila, Quezon City		Php 216,062.00/ month
March 1, 2013	Franpac Properties, Inc.	March 1, 2022	Ligid, Tipas, Taguig City	615 square meters	Php 250.00/sqm inclusive of value-added tax (VAT) or a total amount of Php 153,750.00
October 30, 2018	Cebu Prosperity Group Land, Inc.	March 1, 2020	Prosperity Warehouse Compound, Mandaue City	670 square meters (warehouse) 7,150 square meters (lot)	Php 1,061,440.00, net of 5% withholding tax.
	Retailscapes, Inc.	April 30, 2022	Santolan Town Plaza, Santolan Road, San Juan City	1,974 square meters	Php 1,395,100.00/ month

All of the above leases are subject to renewal upon mutual agreement of the parties. In addition, the Company enters into operating and finance lease agreements for its construction equipment and transportation vehicles for periods of 3 to 5 years.

Item 3. Legal Proceedings

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

1. **Kuehne + Nagel, Inc. vs. Megawide Construction Corporation**

   This is a case for sum of money with damages filed on October 15, 2012 by Kuehne + Nagel, Inc. (KNI) against Megawide, demanding payment of Php 7,460,967.22, representing the balance for the various freight, fees, and charges in transporting the defendant's shipment from Germany to the Philippines.

   Megawide filed its Answer on December 18, 2012, with Special and Affirmative Defenses and Counterclaims. Megawide's defense is primarily anchored in KNI's failure to secure the Load Port Survey (LPS) Report which resulted in the delay of the release of the shipment from the Bureau of Customs. Consequently, the Bureau of Customs imposed a penalty amounting to Php 4,027,043.22. Megawide paid the penalty (Php 4,027,043.22) and also paid the amount of Php 355,893.75 for storage fees for more than 2 months because KNI could not secure the immediate release of Megawide's shipment in view of the absence of the LPS Report.

   The case has been submitted for decision.

2. **People of the Philippines vs Jesulito Testa et. al.**

   AZ Systems misrepresented to Megawide that it was a legitimate entity authorized to release from the Bureau of Customs the shipment of Megawide. Despite Megawide's payment to AZ Systems of Php 631,306.74, it did not release the shipment. Apparently, AZ Systems defrauded Megawide.

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

However, the case was revived, and the prosecution was scheduled to present its witnesses in March 2020, but it was postponed due to the enhanced community quarantine.

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

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

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

The petitioners prayed that the Supreme Court annul and set aside the MPOC project for being in violation of Article II, Section 15 of the Constitution and our treaty commitments recognizing the people's right to health. Petitioners argue that the government relinquished the duty and responsibility to provide and ensure a basic social service such as health to a private entity through privatization or commercialization of a government hospital (the POC). The petitioners further prayed that the court issue a writ of preliminary injunction or temporary restraining order to stop the implementation of the project.

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

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

Due to this, Respondents ask for the dismissal of the Petition because it has been rendered moot and academic.

The Supreme Court has not yet acted on the Manifestation.

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

This case involves the claim of Megawide amounting to more than Php178 million against Décor, representing unliquidated down payment, unreturned formworks, and unpaid materials.

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

"WHEREFORE, Award is hereby made as follows:

Respondent UCPBGICI and Respondent Dennis Espinar/Decor are hereby ordered to pay jointly and severally Claimant Megawide the sum of Php 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 P1,000,000.00. The parties underwent mediation in the Court of Appeals (CA). However, they failed to reach any settlement. Hence, the petitions are all deemed submitted for resolution."

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

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

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

5. **UKUSA Inc. vs. Megawide Construction Corporation**

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

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

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

The case has been submitted for decision.

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

There were no matters submitted to the 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:

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

The closing price per share of Megawide's common shares as of December 31, 2019 was Php 16.38.

As of December 31, 2019, there are **2,063,639,745** 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)	1,040,690,695	50.43%
2.	Citicore Holdings Investment, Inc.	712,925,501	34.55%
3.	PCD Nominee Corporation (Non-Filipino)	263,718,162	12.78%
4.	Suyen Corporation	22,900,000	1.11%
5.	Aeternum Holdings, Inc.	21,389,904	1.04%
6.	Ellie Chan	1,666,901	0.08%
7.	John I. Bautista, Jr.	159,799	0.01%
8.	Regina Capital Dev. Corp. 000351	34,754	Nil
9.	Jharna Chandnani	23,000	Nil

10.	Pacifico Silla &/or Marie Paz Silla &/or Nathaniel Silla	20,000	Nil
11.	Jose Emmanuel B. Salcedo	16,177	Nil
12.	Juan Miguel B. Salcedo	16,177	Nil
13.	Grace Q. Bay	15,243	Nil
14.	Camille Patricia Dominique T. Ang	14,547	Nil
15.	Pacifico Silla &/or Marie Paz Silla Sagum &/or Nathaniel Silla	9,456	Nil
16.	Pacifico C. Silla &/or Catherine M. Silla &/or Alexander M. Silla	9,456	Nil
17.	Myra P. Villanueva	8,900	Nil
18.	Joyce M. Briones	7,868	Nil
19.	Frederick E. Ferraris &/or Ester E. Ferraris	5,674	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.	Owen Nathaniel S. Au ITF : Li Marcus Au	38	Nil
26.	Joselito T. Bautista	1	Nil
27.	Michael C. Cosiquien	1	Nil
28.	Hilario Gelbolingo Davide, Jr.	1	Nil
29.	Edgar B. Saavedra	1	Nil
	Total	2,063,633,817	**100.00%**
	Shares Owned By Foreigners	263,741,162	**12.78%**

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** "**1**".

Dividends

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

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

Under the Revised Corporation Code, Megawide's Board is authorized to declare cash, property, stock dividends, or a combination thereof. Cash and property dividend declarations require only

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

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

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

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. RESULTS OF OPERATIONS

FY2019 vs FY2018

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

Megawide generated consolidated revenues of Php 19.88 billion for the year 2019, 24% higher than Php 15.99 billion posted in 2018. Megawide also recorded consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) of Php 4.81 billion, 9% more than the previous year. This was driven by airport operations, which recorded a 10% growth to Php 2.33 billion and contributed 48% to total, and construction, which grew to Php 2.25 billion from Php 2.18 billion last year and comprised 47% of the total. The remaining 5% came from the combined terminal and merchandising operations. The Company's net profit came in at Php 1.11 billion, of which 55% or Php 609 million was delivered by airport operations and merchandising segments, while the remaining 45% was from the construction and terminal

businesses. Overall, the 2019 results were fueled by the recovery in construction, sustained momentum from airport operations, and initial contribution from landport operations.

Revenues increased by 24% or by Php 3.89 billion

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

Construction

The construction segment contributed 77% of the Group's total revenue, amounting to Php 15.31 billion against Php 12.69 billion in the previous year. Revenues for the year increased by Php 2.62 billion or 21% as a result of ramp up in construction activities in 2019. Major projects undertaken during the year includes Clark International Airport, 8990's Housing Development's Ortigas and Tondo, Araneta's Gateway Mall, Megaworld's Worldwide Plaza, Albany Luxury Residences, One Fintech, 8 Sunset Boulevard, International Finance Center and Double Dragon projects.

The new contracts secured in 2019 reached Php 19.42 billion, which included Megaworld's Gentry Manor, One Fintech Tower, Eight Sunset District, Empire East Skymall, House Project, Suntrust Finance Center, Two Mcwest, Newport Link and La Victoria Project, 8990 Holdings' 8990 Cubao project, and Emerald Rich Properties' the Corner House Project.

At end of the year, order book remained very healthy and stood at Php 52.40 billion which provides revenue visibility for the next 2 to 3 years. In terms of mix, residential projects comprised 50%, office and commercial at 47%, while infrastructure projects and facilities contributed the remaining 3%, mostly attributable to the Clark International Airport EPC contract.

Airport Operations

Airport operations delivered revenues of Php 3.69 billion and contributed 19% to the total consolidated revenue in 2019. Revenues for the year increased by 23% or Php 695 million compared with 2018, driven largely by the 10% growth in total passenger volume to 12.66 million passengers, with international and domestic passengers growing 11% and 9%, respectively. Domestic passengers comprised 66% of the total passenger mix while international passengers comprised 34%. Air traffic volume likewise increased by 6% with international traffic increasing by 12% and domestic traffic improving by 4%.

The over-all increase in passenger and air traffic was attributed to new airline partners as well as new routes in both international and domestic segments. Thirteen new international destinations such as China Southern's Guangzhou, Juneyao Airlines' Shanghai, Philippine AirAsia's Macau, Kaohsiung and Taipei, Philippine Airline PR's Nagoya, Cebu Pacific Air's Shanghai, Cathay Pacific's Hongkong, Xiamen Air's Chengdu and Quanzhou, Silk Air's Singapore, Jeju Air's Daegu and Air Busan's Incheon. Meanwhile, 6 new domestic destinations were added this year such ash Royal Air Philippines' Manila, Davao, Puerto Princesa, Cagayan and Boracay, and Cebu Pacific's Busuanga.

Airport Merchandising

Meanwhile, airport merchandising contributed 2% to consolidated revenue last year with a year-on-year growth of 13% or Php 36 million. The additional space from the partial completion of Terminal 1 and existing presence in Terminal 2 are expected to improve the airport merchandising contribution moving forward.

Terminal Operations

The terminal operations posted a revenue Php 555 million from an almost insignificant amount of Php 18 million in 2018. Revenue mainly came from leases received from concessioners in the terminal area and office tower tenants. As of end of 2019, 71% of the terminal space were leased out to concessionaires, of which 30% had already commenced operations. In 2019, PITX completed the construction of 4-tower, 5-storey office complex, each with a gross leasable area of 19,225 square meters, for a total of 76,903 square meters. All towers have been contracted for a period of five years.

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

Direct Costs increased by 29% or by Php 3.41 billion

The movement in direct cost was consistent with the movement in revenue across all 3 segments, taking into consideration the higher construction revenue and full year impact on the take up of depreciation on the opening of MCIA's Terminal 2 and additional costs to operate it.

Gross Profit increased by 11% or by Php 476 million

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

Other Operating Expenses increased by 41% or Php 531 million

Other operating expenses amounted to Php 1.81 billion in 2019 and was largely attributable to overhead expenses associated with the full year of MCIA's Terminal 2 operations, which opened in July 2018, and the PITX terminal operation, which were consolidated beginning August 2018 only.

Other Income (Charges) increased by Php 897 million or 175%

Other income (charges), which consists of finance cost, finance income, and other income (expenses), increased due to higher finance costs related to loan availments of the airport segment, which can no longer be capitalized after completion of Terminal 2 in 2018, and

rehabilitation of Terminal 1 in 2019. In 2019, PITX and Clark Airport Project likewise made additional drawdowns totaling to Php 6 billion. Also, the Company availed loans to finance its working capital and capital expenditure program.

Tax Expense decreased by Php 169 million or 34%

Consolidated tax expenses declined primarily due to reversal of temporary difference in construction segment as a result of write-off of its receivables in which doubtful accounts expense were recognized in the previous years.

B. FINANCIAL CONDITION

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

ASSETS

Current Assets increased by 43% or by Php 10.68 billion

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

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

The increase in cash and cash equivalents is due to higher operating cash inflow from the airport and terminal operations segments and financing availments during the period.

Trade and Other Receivables increased by 70% or by Php 7.16 billion

The construction receivables increased by Php 3.27 billion mainly related to the increase in Clark Airport project's receivable amounting to Php 3 billion, which payment terms are based on milestones as indicated in the contract. Airport operations recorded an increase in receivables by Php 293 million in line with the increase in revenue. Terminal operations posted higher receivables by Php 524 million (of which Php 382 million is related to Philippine Accounting Standard (PAS) 17 adjustment on leases). Advances to affiliates increased in 2019 to incubate new businesses and support the Group's overall long-term growth programs and objectives, with related fees charged on and accrued to the outstanding advances.

Construction Materials increased by 49% or by Php 422 million

The increase is due to work-in-progress materials in site that were released to subcontractors but were not yet installed as of the end of year.

Contract assets increased by 30% or Php 915 million

The increase is in line with increased order book and typical of most projects considered at its early phase, which started in 2019.

Other Current Assets increased by 29% or by Php 1.42 billion

The increase is mainly due to downpayments made to suppliers during the year for newly started projects and the increase in prepaid taxes of the Company due to application of Php 406 million

write-off of receivables against its taxable income. Deferred fulfillment costs decreased as contracts have been executed or partially fulfilled in 2019.

Non-Current Assets increased by 10% or by Php 4.18 billion

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

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

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

Concession Assets increased by 4% or Php 1.15 billion

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

Property, Plant and Equipment increased by 45% or by Php 2.47 billion

The Group procured new construction equipment, mobilized new batching plants, and expanded precast capacity in 2019 to support the internal requirements of the construction segment and expand its external market in the future. In addition, the Company acquired the property lot where its N. Domingo head office is located.

Investment Properties increased by 12% or by Php 427 million

The increase is mainly due to additional capital investment for commercial spaces in 2019 in PITX. MWMTI has a CA with the government to build and operate the PITX for 35 years, which also allows for the construction and development of office buildings and commercial establishments recorded as investment in properties in the books of MWMTI. The terminal was inaugurated, and started operations in November 2018, with its commercial spaces and office towers completed in 2019.

Other Non-Current Assets increased by 2% or by Php 60 million

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

LIABILITIES AND EQUITY

Current Liabilities increased by 69% or by Php 11.43 billion

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

Interest-Bearing Loans and Borrowings-Current increased by 129% or by Php 8.27 billion

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

Trade and Other Payables increased by 56% or Php 2.92 billion

The increase is mainly due to volume and timing of purchases and payments to suppliers and subcontractors as well as an increase in retention payable by the Company. Certain invoices, mostly related to steel, have been delivered, invoiced or were recently processed by end of year. In addition, dividends payable amounting to Php 240 million were recorded upon declaration of cash dividends to common shareholders in December 2019.

Contract liabilities increased by 6% or Php 261 million

The increase is mainly related to additional Php 960 million net downpayments received by the Company for its new projects like Mandani Bay, Double Dragon tower, Gentry Manor and International Finance Center. This was reduced by the decrease from o the catch-up of cost billing of subcontractors for certain projects, which were completed in 2019. This includes One Manchester project, Delta Phase 2 and BGC Flats.

Other Current Liabilities decreased by 6% or by Php 14 million

The decrease mainly relates to the decrease in withholding taxes.

Non-Current Liabilities increased by 11% or by Php 3.43 billion

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

Interest-Bearing Loans and Borrowings-Non-Current increased by 9% or by Php 2.70 billion

The increase is mainly due to loan availments of PITX to fund the construction of its terminal. This was reduced by reclassification of current portion of airport loans amounting to Php 544 million.

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

The increase is due to the recognition of current service cost and interest cost amounting to Php 49 million and the recognition of re-measurement on actuarial losses based on changes in financial assumptions of the actuary.

Deferred tax liabilities increased by 46% or by Php 193 million

The increase is due to reversal of temporary difference on impairment losses on trade receivables and additional temporary differences for its post-employment defined benefit obligation, effect of significant financing component and amortization of concession assets.

Other non-current liabilities increased by 101% or by Php 373 million

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

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

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

Results of Operation and Financial Condition for Previous Years

FY2018 vs FY2017

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 Php 4.59 billion and a net profit of Php 1.87 billion for the full year 2018. EBITDA remained healthy with a year-on-year growth of 6% propelled by the airport business; 51% of EBITDA or Php 2.36 billion was delivered by the construction business while the balance was from the airport segment. In terms of net profit, Php 1.04 billion, or 55%, was brought by airport operations and merchandising segments while the remaining 45% was from the construction business. Overall, the results arose from the strong performance of airport operations and the varying stages of order book and one-off items related to the construction segment.

REVENUES

The Company posted consolidated revenues of Php 16.0 billion for the 12 months ended December 31, 2018, compared with the Php 19.2 billion of consolidated revenues for the same period of 2017.

Construction

The construction segment contributed 79% of the Group's total revenue amounting to Php 12.69 billion against Php 16.7 billion in the previous year. Lower revenues were recognized as a result of the varying stages of on-going construction projects where several projects are in the tail end while others were just mobilized in the 4th quarter of 2018. The projects that were substantially completed during the year were Cyber Park Tower 2, Arthaland Superstructure, BGC 5th Avenue, Project Delta Phase 1, The Hive Tower A, Landers Arcovia, and Landers Alabang while the projects that were mobilized towards the end of 2018 include Hampton O&P, Cold Storage Caloocan, 8990 Ortigas, Ascott-DD Meridian Park, and Double Dragon Tower Phase 3.

The new contracts secured in 2018 reached Php 29.52 billion, some of which are Gateway Mall 2 Hotel, Golden Bay Tower, Taft East Gate, Space Ubelt, University Tower 5, International Finance Center, Cold Storage Caloocan, The Hive Tower C & D, and Mandani Bay in Cebu City, and was 273% of the total new contracts booked in 2017. The 2018 order book also included the supply and installation of pre-cast materials to various external clients such as Phirst Park Homes owned by Tanza Properties, Inc., a subsidiary of Century Properties, Inc.

At end of the year, order book remained very promising and stood at Php 50.09 billion and provides revenue visibility for the next 2 to 3 years. In terms of mix, residential projects comprised 67%, office and commercial at 23%, while infrastructure projects contributed the remaining 10%, attributable to the Clark International Airport EPC contract.

Airport Operations

Airport operations delivered revenues of Php 3.00 billion and contributed 19% to the total consolidated revenue in 2018. This was driven largely by the 15% growth in total passenger volume to 11.5 million passengers, with international and domestic passengers growing 23% and 12% respectively. Domestic passengers comprised 67% of the total passenger mix while international passengers comprised 33%. Air traffic volume likewise increased by 15% with international traffic increasing by 19% and domestic traffic improving by 14%.

The over-all increase in passenger and air traffic was attributed to new airline partners as well as new routes in both international and domestic sectors. To date, the Company is serving 33 domestic and 24 international destinations, with 7 local and 19 international airline partners. 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 Php 1.66 billion driven by the double-digit growth in passenger throughput. On the other hand, non-aero or commercial revenues grew by 34% to Php 970 million and contributed 32% to airport operations. The remaining 12% is accounted for by aero-related revenues, which increased by 26% to Php 372 million.

Airport Merchandising

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

COSTS AND EXPENSES

Direct Costs decreased by 20% or by Php 2.94 billion

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

Gross Profit lower by 5% or by Php 228.50 million

Consolidated gross profit amounted to Php 4.39 billion in 2018 and translated to a consolidated gross profit margin of 27% versus 24% in 2017, despite the 5% drop from the previous year's Php 4.61 billion. Gross profit by the construction business reached Php 1.90 billion or 43% of the consolidated gross profit while the airport business delivered Php 2.26 billion or 52%. The balance came from the airport merchandising segment.

Operating Profit lower by 13% or by Php 427.75 million

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

Finance Costs increased by 80% or by Php 591.64 million

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

Finance Income rose by 19% or by Php 35.75 million

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

Other Income, net increased by 942% or by Php 543.80 million

In 2018, other income of the Company, mainly from equipment rental, increased significantly due to a more active sales and marketing campaign. In addition, a revaluation gain amounting to Php 307 million on the Company's stake in MWMTI as a result of its acquisition of WMPMI, the vehicle that owns 49% of MWMTI.

Tax Expense decreased by 15% or by Php 86.21 million

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

C. 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 Php 6.09 billion

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

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

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

Financial Assets at fair value through profit or loss decreased by 99% or by Php 3.18 billion

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

Trade and Other Receivables increased by 56% or by Php 3.68 billion

The construction receivables increased by Php 400 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 Php 258 million. Retention receivables pertain to progress billings which is withheld by the project owner equivalent to 5% to 10% of the project. Retention receivables are collected upon issuance of the certificate of completion by the project owner. In airport operations, receivables increased by Php 189 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 Php 287.74 million

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

Costs in excess of billings on uncompleted contracts – net / Contract assets increased by 46% or Php 965.18 million

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

Other Current Assets increased by 260% or by Php 3.53 billion

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

Non-Current Assets increased by 15% or by Php 5.40 billion

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

Investments in Associates and Joint Ventures decreased by 16% or by Php 177.39 million

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

Concession Assets increased by 10% or Php 2.68 billion

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

Property, Plant and Equipment increased by 5% or by Php 278.03 million

The Group procured new property, plant and equipment amounting to Php 942 million, which included the Company's capital investments in land, warehouses, construction and transportation equipment, to support its expanding order book and GMCAC's investments in new systems and office equipment to support the growing airport operations.

Investment Properties increased by 2,450% or by Php 3.32 billion

In 2018, the Company acquired the 49% stake of WMPMI in MWMTI that resulted to a change in the accounting treatment by the Company of its investment in MWMTI from an investment in joint venture to an investment in subsidiary. The consolidation of the MWMTI in the books of the Company resulted to the recognition of investment in properties amounting to Php 3.32 billion. MWMTI has a CA with the government to build and operate the PITX for 35 years and also allows for the construction and development of office buildings and commercial establishments which was recorded as investment in properties in the books of MWMTI.

Other Non-Current Assets increased by 8% or by Php 222.56 million

The increase is due to the additional placement of unrestricted cash amounting to Php 216.0 million in the restricted funds of GMCAC's "Cash Flow Waterfall Accounts" as required under the Omnibus Loan and Security Agreement to match the new loan availments of GMCAC.

LIABILITIES AND EQUITY

Current Liabilities increased by 76% or by Php 7.15 billion

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

Interest-Bearing Loans and Borrowings-Current increased by 150% or by Php 3.85 billion
The increase is due to the availment of short-term loans of the Company and MGCJV, Inc. MGCJV Inc. is the joint venture of the Company and GMR Group established to construct the new Clark International Airport.

Trade and Other Payables increased by Php 7.15 million

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

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

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

Billing in excess of costs on uncompleted contracts – net/Contract liabilities increased by 26%or Php 246.06 million

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

Other Current Liabilities increased by 67% or by Php 93.81 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 Php 4.47 billion

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

Interest-Bearing Loans and Borrowings-Non-Current Increased by 15% or by Php 3.98 billion

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

Deferred tax liabilities increased by 495% or by Php 349.14 million

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

Other non-current liabilities increased by 54% or by Php 129.81 million

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

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

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

FY2017 vs FY2016

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 Php 1.50 billion

Diversified engineering and infrastructure conglomerate Megawide posted a 9% increase in consolidated revenues for the full year of 2017 to Php 19.2 billion from Php 17.7 billion in the previous year, on the back of the stable growth of the construction business and the robust performance of the airport segment. The Company still derives bulk of revenues from construction business at 87% while airport business accounted for 12% and the remaining balance is attributed to airport merchandising.

Construction revenues reached Php 16.7 billion, a 6% growth from last year's Php 15.8 billion, due to the private sector projects. Quarter on quarter, revenue grew by 24%, to Php 4.3 billion. New contracts booked coming from the private sector totaled to Php 10.8 billion at the end of the year. This brought total order book to Php 32.6 billion in 2017, providing earnings visibility for the next two years.

Airport operations generated Php 2.3 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 Php 575 million.

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

At the end of 2017, MCIA handled 9.97 million passengers, with domestic passengers representing 69% while international passengers accounted for 31%. Similarly, air traffic volume increased by 19%, with 30% increase in international and 16% increase in domestic. The overall increase in passenger volume is brought about by new airlines and routes in both international and domestic sector as the Company continue to promote Mactan-Cebu airport as an alternative gateway to the country. In 2017, the Company was able to add 12 international routes, with 7 destinations to and from Chinese cities, and 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 Php 758 million

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

Gross Profit increased by 19% or Php 743 million

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

Other Operating Expenses increased by 9% or Php 99 million

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

Finance cost increased by 23% or Php 152 million

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

Finance income decreased by 9% or Php 16 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 Php 16.65 million

In 2016, gain on disposal of property and equipment amounted to Php 51.75 million whereas in 2017 there is only minimal disposal with marginal gain amounting to Php 5 million.

Tax expense increased by 29% or Php 131 million

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

Net income increased by 17% or Php 328 million

With revenue growth outpacing the rise in cost buoyed by robust performance of both construction and airport operations, net income increased by Php 328 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 Php 2.28 billion

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

Cash and cash equivalents decreased by 21% or Php 1.33 billion

The decrease in cash and cash equivalents is basically due to the cost incurred in the construction of Terminal 2 of Cebu Mactan International Airport amounting to Php 5.42 billion. Terminal 2 is already in the final stretch of its construction schedule and it is due to start operation in June 2018. Total cash used in investing activities by the Group amounted to Php 4.72 billion which also includes capital investment on land, warehouse, construction and transportation equipment by the Company amounting to Php 498 million and investment in subsidiary amounting to Php 221 million. The Group's operating activities provided cash inflow amounting to Php 1.35 billion while financing activities provided cash inflow of Php 2 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 Php 1.46 billion

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

Trade and other receivables increased by 32% or Php 1.60 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 Php 4.3 billion in 2017. In addition, retention receivables increased by Php 972 million. Retention receivable pertain to progress billings which is withheld by the project owner equivalent to 5% to 10%. Retention receivable is collected upon issuance of certificate of completion by the project owner.

Construction materials increased by 28% or Php 126 million

The increase is due to voluminous purchases of construction materials as a result of the increase in requirements 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 Php 919 million

The decrease is typically due to realization of catch up of billings versus actual cost incurred to date for projects nearing completion like CyberPark Tower 1, Dep-Ed Phase 2, Philam Life, Arthaland Substructure, Proscenium Substructure, The Hive Tower A, Landers Otis and Balintawak, 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 Php 279 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 Php 5.61 billion

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

Investments in associates and joint venture increased by 23% or Php 208 million

The Company infused cash in MWMTI amounting to Php 204 million. MWMTI, the Consortium between Megawide and WM Property Management, will construct, operate and maintain the integrated transport southwest terminals, pursuant to the CA 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 Php 3.6 million.

Concession asset increased by 26% or Php 5.27 billion

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

Property, plant and equipment decreased by 1% or Php 49 million

The Group procured new property and equipment amounting to Php 595, which includes the Company's capital investments on land, warehouse, construction and transportation equipment. while GMCAC invested in new system and office improvements to support the passenger traffic growth and the opening of Terminal 2 by 2018. The Company also reclassified parcels of land previously classified as property plant and equipment amounting to Php 135 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 Php 532 million as of end of December 31, 2017.

Deferred tax asset decreased by 100% or Php 34 million

The Group has net deferred tax liability as of December 31, 2017 compared with the Php 34 million asset from December 31, 2016. The decrease in deferred tax asset is due to the excess of actual cost over estimated cost on its on-going projects booked by Megawide at the end of the 2017. Deferred taxes are determined by the timing of the incurrence of cost of the projects.

Other non-current assets increased by 3% or Php 75 million

Increase is due to additional placement of unrestricted cash amounting to Php 216 million in the Restricted Funds of GMCAC's "Cash Flow Waterfall Accounts" as required under the Omnibus Loan and Security Agreement to match the new loans availments by GMCAC but offsetted by the recoupment of advances to contractors amounting to Php 278 million. Deferred input VAT also increased by Php 143 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 Php 2.05 billion

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

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

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

Trade and other payables decreased by 13% or Php 764 million

The decrease is mainly due to volume and schedule of purchases of materials and services that is directed by the cyclicality of construction accomplishment of every project. Timing of payments to suppliers and subcontractors also affects the movement of trade payables. Retention payable increased by Php 517 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 Php 751 million

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

Billings in excess of costs on uncompleted contracts – net decreased by 31% or Php 429 million

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

Other current liabilities increased by 23% or Php 26 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 Php 3.45 billion

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

Interest-bearing loans and borrowings - non-current increased by 14% or Php 3.31 billion

The increase is primarily due to GMCAC's availment of Php 3.42 billion loan in 2017. The availment was made based on the drawdown schedule with the bank to finance the construction of Terminal 2.

Post-employment defined benefit obligation – increased by 54% or Php 60.77 million

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

Deferred tax liabilities increased by 100% or Php 70.53 million

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

Other non-current liabilities increased by 4% or Php 8.27 million

Retention payable of GMCAC related to the construction of the new terminal 2 of Mactan-Cebu International Airport increased by Php 115.30 million while security deposits decreased by Php 107 million due to reclassification to current portion of deposits maturing in the following year.

Equity attributable to Company increased by 11% or Php 1.46 billion

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

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 Php Millions)	For the years ended December 31	
Cash Flow	**2019**	**2018**
Net cash provided by operating activities	1,214	1,078
Net cash used in investing activities	(5,462)	(2,070)
Net cash provided by financing activities	5,036	1,619

Key Performance Indicators (KPIs)

Megawide's KPIs are as follows:

Amounts in Php Billion, except Ratios and Earnings per Share	2019	2018	2017
Construction Order Backlog	Php 52.40	Php 50.09	Php 32.60
Current Ratio[1]	1.27	1.50	1.99
Net Debt to Equity Ratio[2]	2.29	1.72	1.15
Book Value Per Share[3]	5.02	5.06	5.10
Earnings per Share[4]	0.28	0.56	0.70
Return on Assets[5]	0.02	0.03	0.04
Return on Equity[6]	0.06	0.10	0.13
Gross Profit Margin[7]	0.23	0.26	0.24

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.

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[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*

Item 7. Financial Statements

The audited financial statements and supplementary schedules to the same, which were duly submitted to the BIR[8], 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**		
		2019	**2018**	**2017**
Punongbayan & Araullo	Audit of Financial Statements	2,875,000	2,600,000	2,440,000
Punongbayan & Araullo	Summary of Application of Proceeds on Preferred Shares	600,000	600,000	600,000
Punongbayan & Araullo	Benchmarking of accounting policies and procedures	900,000	-	-
Punongbayan & Araullo	Quarterly review of financial statements	300,000	-	-
Punongbayan & Araullo	Tax opinion on development projects	580,000		
SyCip Gorres Velayo & Co. (SGV)	Audit of financial statements of GMCAC	1,300,000	1,200,000	1,100,000

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

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

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

[8] Due for submission to the BIR on June 14, 2020. Pursuant to BIR Revenue Regulation No. 11-2020.

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	2019 and 2018	2017 to 2019 – *Mailene Sigue-Bisnar*

Megawide has not had any disagreements with its internal auditor/independent accountant on any matter of accounting principles or practices, financial 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, 2019, Megawide is governed by a Board of 7 directors composed of:

a. Mr. Edgar B. Saavedra, *Chairman of the Board, CEO, and President*;
b. Mr. Manuel Louie B. Ferrer, *Director*;
c. Mr. Oliver Y. Tan, *Director*;
d. Mr. Leonilo G. Coronel, *Independent Director*;
e. Former Chief Justice Hilario G. Davide, Jr., *Independent Director*;
f. Mr. Celso P. Vivas, *Independent Director*; and
g. Mr. Alfredo E. Pascual, *Independent Director*.

Moreover, Megawide's management team is also headed by Mr. Edgar B. Saavedra, a licensed civil engineer, who has been practicing for over 20 years.

The 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.

Pursuant to SEC Memorandum Circular (M.C.) No. 19, Series of 2016, the Company adopted its New Manual on Corporate Governance (New Manual). In accordance with Section VI (5) (a) of the New Manual, the Board shall have at least 3 independent directors, or such number as to constitute at least 1/3 of the members of the Board, whichever is higher. At present the 4 members of the Board are independent directors.

Meanwhile, the Amended Articles of Incorporation and By-Laws of Megawide provide that the 7 directors shall include such number of independent directors as may be required by law.

Board of Directors

The table below sets forth each member of Megawide's Board, as of December 31, 2019.

Name	Age	Citizen ship	Positions	Term of Office	Directorships Held in Other Companies/ Business Experience
Edgar B. Saavedra	45	Filipino	Chairman of the Board, CEO, and President	Yearly	- Chairman of the Board, MWMTI and MTI - Director and President, Citicore and MLI - Director, GMCAC - Director, MySpace
Manuel Louie B. Ferrer	45	Filipino	Director and Chief Corporate Affairs and Branding Officer	Yearly	- Director and President, GMCAC, MWMTI and MTI - Director, Citicore, MySpace, and MLI - Managing Director, MagicWorx Licensing Inc. - Former Associate Marketing Engineer, OCB International Co., Ltd
Oliver Y. Tan	42	Filipino	Director	Yearly	- Director, Vice President, and Treasurer, Cititcore; - Director and Treasurer, MySpace, MTI, and MLI - Director, CMCI, MWCCI, and MCEI - Director and Corporate Secretary, FSMI and IRMO
Leonilo G. Coronel	75	Filipino	Lead Independent Director	Yearly	- Director, Philippine National Bank - Director, Software Ventures, Int'l. - Executive Director, RBB Micro Finance Foundation - Independent Director, DBP-Aiwa Securities SMBC Phils. Inc.
Hilario G. Davide, Jr.	84	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	73	Filipino	Independent Director	Yearly	- Lead Independent Director and Chairman of Audit and Risk Management Committee, Keppel Holdings, Inc. - Independent Director and Chairman of Audit and Risk Management Committee, Keppel Philippines Marine, Inc. - Independent Director and member of Audit Committee, Keppel Philippines Properties, Inc. - Independent Director and Member of Audit and Risk Management Committee, SM Keppel Properties, Inc. - Independent Director, Chairman of Governance, Nomination, and Remuneration Committee, and member of Audit and Risk Management Committee, Republic Glass Holdings, Inc. - Former Risk Consulting Partner and Assurance Business Advisory Partner, SGV
Alfredo E. Pascual	71	Filipino	Independent Director	Yearly	- Lead Independent Director, SM Investments Corporation - Independent Director, Concepcion Industrial Corporation and Asiabest Group International Inc. - Board Trustee, Institute of Corporate Directors and Shareholders Association of the Philippines - From 2011 to 2017: President and Board Co-Chair, University of the Philippines - Formerly Director for Private Sector Operations, Director for Infrastructure Finance, and Advisor for Public Private Partnership (Infrastructure Development), Asian Development Bank

Executive Officers Who Are Not Directors

The table below sets forth the officers of Megawide, as of December 31, 2019.

Name	Age	Citizenship	Position	Term of Office	Directorships Held in Other Companies/ Business Experience
Christopher A. Nadayag	36	Filipino	Treasurer and Deputy Chief Financial Officer	Yearly	- Director, Citicore, MWMTI,
Ramon H. Diaz	61	Filipino	Chief Finance Officer	Yearly	- Director of GMCAC - President and Chief Operating Officer, Metro Pacific Zamboanga Hospital Corporation - Chief Finance Officer, PT Internux (Indonesia), East Manila Hospitals Managers Corporation, Mt. Kitanglad Agri Services, Inc., Actron Industries, Inc. - Chief Operating Officer, PT Jababeka Infrastruktur, Tolamn Mfg., Inc. - VP-Finance, Chief Finance Officer, and Treasurer, Isla Communications Company Inc.
Raymund Jay S. Gomez	48	Filipino	Compliance Officer, Chief Legal Counsel, and Data Privacy Officer	Yearly	- Director and Corporate Secretary, MLI - Director, MySpace - VP-Human Resources, Legal, and Regulatory Affairs Department, Beneficial Life Insurance Company, Inc. - AVP-Legal and Corporate Services Department, Aboitiz Equity Ventures, Inc. - Director of Corporate Legal Affairs and Litigation Department, JG Summit Holdings, Inc.
Anthony Velasco	44	Filipino	Chief Audit Executive	Yearly	- Group Chief Audit Executive, 2GO Group, Inc.; - I.T. Audit Head, Security Bank Savings (formerly Premiere Bank)

Jessie Cruz[9]	54	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
Kama Neson Ganeson[10]	54	Malaysian	Acting Chief Risk Officer and Head of Total Quality Management	Yearly	- Country Director, ECC International Philippines - Chief Operating Officer, ECCI Consultancy Malaysia - Senior Operations Director, KELSEAT Corporation - Operations Director (South East Asia), General Motors - QMS Manager, Robert Bosch GMBH
Anthony Leonard G. Topacio	38	Filipino	Corporate Secretary and Corporate Information Officer	Yearly	- Corporate Secretary, MySpace and MTI - Assistant Corporate Secretary, MLI - Corporate Secretary, Compliance Officer, Data Protection Officer, and Acting Head of Human Resources, Legal, and Regulatory Affairs Department, Beneficial Life Insurance Company, Inc. - Legal Manager, International Container Terminal Services, Inc. - Associate General Counsel, Aboitiz Equity Ventures, Inc.
Jennifer C. Lee	35	Filipino	Assistant Corporate Secretary and Corporate Information Officer	Yearly	- Assistant Corporate Secretary, GMCAC - Assistant Corporate Secretary, QBE Seaboard Insurance Philippines, Inc.
Charlotte Y. King	32	Filipino	Assistant Corporate Secretary	Yearly	- Assistant Corporate Secretary, MTI

[9] Mr. Cruz already tendered his resignation, which shall take effect on June 24, 2020.
[10] Mr.Ganeson was appointed as the Acting Chief Risk Officer on June 03, 2020.

Attendance of Directors to Board and Committee Meetings

The tables below set forth the attendance of Megawide's Directors to Board and committee meetings held from January 1, 2019 to December 26, 2019:

Board Meetings

	Name	Date of Election	No. of Meetings Held (Regular and Special)	No. of Meetings Attended	%
Chairman	Edgar B. Saavedra	July 02, 2019	7	7	100%
Member	Manuel Louie B. Ferrer	July 02, 2019	7	7	100%
Member	Oliver Y. Tan	July 02, 2019	7	4	57.14%
Member (Independent)	Hilario G. Davide, Jr.	July 02, 2019	7	7	100%
Member (Independent)	Leonilo G. Coronel	July 02, 2019	7	7	100%
Member (Independent)	Celso P. Vivas	July 02, 2019	7	7	100%
Member (Independent)	Alfredo E. Pascual	July 02, 2019	7	7	100%

Audit and Compliance Committee Meetings

Board	Name	Date of Election	No. of Meetings Held	No. of Meetings Attended	%
Chairman	Celso P. Vivas	July 02, 2019	12	12	100%
Vice Chairman	Leonilo G. Coronel	July 02, 2019	12	12	100%
Member	Oliver Y. Tan	July 02, 2019	12	4	33.33%
Member	Hilario G. Davide, Jr.	July 02, 2019	12	12	100%
Member	Alfredo E. Pascual	July 02, 2019	12	12	100%

Finance Committee Meetings

Board	Name	Date of Election	No. of Meetings Held (Regular and Special)	No. of Meetings Attended	%
Chairman	Leonilo G. Coronel	July 02, 2019	12	12	100%
Vice Chairman	Oliver Y. Tan	July 02, 2019	12	7	58.33%
Member	Hilario G. Davide, Jr.	July 02, 2019	12	11	91.67%
Member	Celso P. Vivas	July 02, 2019	12	10	83.33%
Member	Alfredo E. Pascual	July 02, 2019	12	12	100%

Governance, Nominations, and Compensation Committee Meetings

Board	Name	Date of Election	No. of Meetings Held	No. of Meetings Attended	%
Chairman	Hilario G. Davide, Jr.	July 02, 2019	6	6	100%
Vice Chairman	Alfredo E. Pascual	July 02, 2019	6	6	100%
Member	Manuel Louie B. Ferrer	July 02, 2019	6	4	66.67%
Member	Leonilo G. Coronel	July 02, 2019	6	6	100%
Member	Celso P. Vivas	July 02, 2019	6	6	100%

Risk Oversight Committee Meetings

Board	Name	Date of Election	No. of Meetings Held	No. of Meetings Attended	%
Chairman	Alfredo E. Pascual	July 02, 2019	5	5	100%
Vice Chairman	Celso P. Vivas	July 02, 2019	5	5	100%
Member	Edgar B. Saavedra	July 02, 2019	5	1	20%
Member	Hilario G. Davide, Jr.	July 02, 2019	5	5	100%
Member	Leonilo G. Coronel	July 02, 2019	5	5	100%

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:

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

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

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

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

Item 10. Executive Compensation

All Officers and Directors as a Group

SUMMARY COMPENSATION TABLE
Annual Compensation
(In Php Millions)

Name and Position	Fiscal Year	Annual Salary	Bonus	Other Compensation
Edgar B. Saavedra Chairman, CEO, and President **Manuel Louie B. Ferrer** Chief Corporate Affairs and Branding Officer **Markus Hennig** EVP – Business Units **Reynaldo Rodrin** VP – Operations **Renato Go** VP – Human Resources and Admin for EPC				
CEO & Most Highly Compensated Executive Officers	2019	89.10	6.72	2.66
	2018	85.43	6.32	1.74
	2017	57.83	.36	.74
Aggregate compensation paid to all other officers and directors as a group unnamed	2019	110.73	19.73	7.62
	2018	49.27	7.98	1.40
	2017	63.10	2.46	1.49

Compensation of Directors

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

On November 4, 2011, the Board, upon recommendation of the Governance, Nominations, and Compensation Committee, approved the giving of Php 20,000.00 director's per diem per Board meeting and a Php 30,000.00 monthly allowance in the form of reimbursable expenses for each regular director.

Subsequently, on October 10, 2018, the Board resolved to increase the director's per diem per Board meeting to Php 44,000.00 for Executive Directors, Php 62,000.00 for Non-Executive Directors, and Php 58,000.00 for Independent Directors. The total per diem paid to directors for the year ending December 31, 2019 was Php 6,503,000.00.

Standard Arrangements and Other Arrangements

There are no other arrangements for compensation either by way of payments for committee participation or special assignments other than reasonable per diem. There are also no outstanding warrants or options held by Megawide's CEO, other officers and/or directors.

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

While the Company has no special retirement plans for its employees, it provides retirement benefits in accordance with R.A. No. 7641 or the "Retirement Pay Law", and other applicable laws, rules and regulations. Also, there is no existing arrangement with regard to compensation to be received by any executive officer from Megawide in the event of a change in control of the Company. Aside from its employees, Megawide has also entered into employment contracts with its foreign experts. The contracts with foreign nationals usually include benefits, such as housing, medical and group life insurance, vacation leaves, and company vehicle. Further, employment contracts include provisions regarding Megawide's ownership of any invention developed during the course of employment, liquidated damages in the event of contract pre-termination, and a non-compete clause prohibiting the employee, for a period of 1 year after the termination of the contract, from engaging, directly or indirectly, for himself or on behalf of or in conjunction with any person, corporation, partnership or other business entity that is connected with the business of Megawide.

Warrants and Options

There are no outstanding warrants and options held by any of Megawide's directors and executive officers.

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, 2019 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	34.55%

Common	Megacore Holdings, Inc.[11]	Edgar B. Saavedra	Filipino	617,709,197	29.93%
Common	PCD Nominee Corporation (Filipino)	Publicly-Held Shares	Filipino	1,108,569,744	50.43%
Common	PCD Nominee Corporation (Non-Filipino)	Publicly-Held Shares	Non-Filipino	221,946,360	12.78%

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	623,070,593	30.19%
CLSA Philippines, Inc.	319,961,904	15.50%
Citibank N. A.	128,495,205	6.23%
Deutsche Bank Manila – Clients A/C	113,012,639	5.48%

2. **Security Ownership of Management**

The following table sets forth the security ownership of Megawide's directors and officers as of December 31, 2019:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Owner	Citizenship	Percent of Class
Common	Edgar B. Saavedra Chairman of the Board, CEO, and President	1 (Direct) 2 (Indirect)	Filipino	Nil
Common	Manuel Louie Ferrer Director and Chief Corporate Affairs and Branding Officer	1 (Indirect)	Filipino	Nil
Common	Oliver Y. Tan Director	18,767,852 (Indirect)	Filipino	0.91%
Common	Leonilo G. Coronel Independent Director	5 (Indirect)	Filipino	Nil
Common	Hilario G. Davide, Jr. Independent Director	1 (Indirect)	Filipino	Nil
Common	Celso P. Vivas Independent Director	1 (Indirect)	Filipino	Nil
Common	Alfredo E. Pascual Independent Director	1 (Indirect)	Filipino	Nil
Common	Christopher A. Nadayag Deputy Chief Financial Officer	49 (Indirect)	Filipino	Nil
Aggregate shareholdings of directors and officers		18,767,913		0.91%

[11] Megacore's shares are lodged with PCD Nominee.

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	Amount of Transaction	Receivable (Payable)	Terms	Conditions
Ultimate Parent:				
Cash granted	2,923,049,503	3,069,371,725	Interest-bearing	Unsecured
Interest receivable	288,975,323	288,975,323	Normal credit terms	Unsecured
Minority shareholder and affiliates:				
Cash granted	(841,103)	-	On demand; noninterest-bearing	Unsecured
Associate:				
Revenue from services	313,577	905,413,727	Normal credit terms	Unsecured
Cash granted	6,000,000	6,000,000	On demand; non-interest bearing	Unsecured
Cash obtained	(20,000,000)	(20,000,000)	On demand; non-interest bearing	Unsecured
Rent income	53,571	57,321	Normal credit terms	Unsecured
Joint Arrangement:				
Revenue from services	598,911,864	298,184,597	Normal credit terms	Unsecured
Cash granted	4,329,601	5,404,267	On demand; non-interest bearing	Unsecured
Cash obtained	(14,883,628)	-	On demand; non-interest bearing	Unsecured
Common Ownership:				
Rent income	3,662,2984	3,703,186	Normal credit terms	Unsecured
Revenue from services	187,922,352	130,204,606	Normal credit terms	Unsecured

Rent expense	1,766,433	-	Normal credit terms	Unsecured
Cash granted	42,399,786	3,186,770,507	On demand; Interest-bearing and non-interest bearing	Unsecured
Cash obtained	44,683,199	-	On demand; non-interest bearing	Unsecured
Interest receivable	288,975,323	288,975,323	Normal credit terms	Unsecured
Retirement fund	295,910	4,384,701	Upon retirement of beneficiaries	Partially funded
Advances to Officers and Employees	17,323,250	51,503,789	Upon liquidation, noninterest-bearing	Unsecured
Key Management Compensation	310,903,975	-	On demand	Unsecured

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

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

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

a. In compliance with SEC M.C. No. 19, Series of 2016, Megawide adopted its New Manual and has taken several steps to apply its principles, such as constituting all the Board committees required therein:

   i. Executive Committee;
   ii. Finance Committee;
   iii. Audit and Compliance Committee;
   iv. Risk Oversight Committee; and
   v. Governance, Nomination, and Compensation Committee.

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

b. The Company has elected 4 independent directors to ensure that the Board will protect, not only the interests of the Company, but its shareholders as well.

c. To further its corporate governance initiatives, Megawide, in 2018, implemented its Code of Business Conduct and Ethics, Code of Conduct and Ethical Standards for Suppliers,

Insider Trading Policy, and Conflict of Interest Policy Supplemental Guidelines and Conflict of Interest Disclosure Form. Further, Megawide actively rolled out its Whistleblowing Policy to its employees, suppliers, vendors, and clients, to encourage the disclosure of illegal and dishonest activities occurring within the Company.

d. In 2019, Megawide adopted its Anti-Fraud Policy, Board Self-Evaluation Policy, and introduced changes to its Related Party Transactions Policy in compliance with SEC M.C. No. 10 series of 2019. It also conducted an Annual Corporate Governance Training on November 13, 2019, with the assistance of the Institute of Corporate Directors, which was attended by the Company's directors and key officers.

e. The Board revised the Company's vision, mission, and values, which it launched in 2019.

f. To reinforce the Megawide's adherence to good corporate governance, and in compliance with its New Manual and SEC Memorandum Circular No. 04, Series of 2019, attached is the Company's Sustainability Report as **Exhibit "4"**.

g. The Company also complies with the regulatory requirements on corporate governance through the timely submission of its Integrated Annual Corporate Governance Report with the SEC and the regular updating of its corporate website (www.megawide.com.ph).

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

PART V – EXHIBITS AND SCHEDULES

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

1. **Exhibits**

Exhibit "1" List of PCD Participants as of December 31, 2019

Exhibit "2" Consolidated Financial Statements and Schedules

Exhibit "3" Quarterly Report (SEC Form 17-Q)

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

Exhibit "4" Sustainability Report

Material Contracts

Megawide's principal contracts generally consist of construction contracts for its projects, PPP contracts, 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 and affiliates, executed the following agreements relative to its PPP Projects:

a. **Agreements executed by the Department of Education and CMCI for the PSIP I Projects**

   i. 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
   ii. 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 Php 2,255,923,096.49.

c. **Concession Agreement executed by GMCAC with DOTr and MCIAA**

The Concession Agreement, dated April 21, 2014, refers to the agreement entered into by GMCAC with DOTr and MCIA by virtue of Revised Implementing Rules and Regulations of 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 DOTr**

On April 24, 2015, MWMTI, entered into a BOT agreement with the DOTr to undertake the PITX project. Upon completion of the project, MWMTI shall operate and maintain the facility, which is divided into terminal and commercial areas, within the agreed concession period of 35 years from the date of the completion of the construction, which is equivalent to 18 months. MWMTI shall then turnover the facility to the DOTr at the end of the concession period.

2. **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 (June 1, 2019 to December 31, 2019):

Date Filed	Particulars
June 13, 2019	Foreign Ownership Report as of May 31, 2019 Report on Number of Shareholders as of May 31, 2019
July 9, 2019	Results of Annual Stockholders' Meeting Results of Organizational Meeting Amendments to Articles of Incorporation Clarification of News Reports Press Release Report

	Material Transactions Report (Share Buy Back Report) Report on Number of Shareholders as of June 30, 2019 Foreign Ownership Report as of June 30, 2019
July 17, 2019	Disbursement of Proceeds and Progress Report List of Top 100 Stockholders Public Ownership Report Initial Statement of Beneficial Ownership
July 25, 2019	Material Transactions Report (Share Buy Back Report)
July 26, 2019	Material Transactions Report (Share Buy Back Report)
August 7, 2019	Foreign Ownership Report as of July 31, 2019 Report on Number of Shareholders as of July 31, 2019 Notice of Analysts'/Investors' Briefing
August 14, 2019	Material Transactions Report (Share Buy Back Report)
August 15, 2019	Material Transactions Report (Share Buy Back Report) Annual Report Request for Extension to File SEC 17-Q
August 16, 2019	Material Transactions Report (Share Buy Back Report) Press Release Quarterly Report
August 22, 2019	Material Transactions Report (Share Buy Back Report)
August 23, 2019	Clarification of News Reports
September 9, 2019	Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion) Report on Number of Shareholders as of August 31, 2019 Foreign Ownership Report as of August 31, 2019 Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion)
September 12, 2019	Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion)
October 8, 2019	Material Transactions Report (Share Buy Back Report) Change in Corporate Contact Details Report on the Number of Shareholders as of September 30, 2019 Foreign Ownership Report as of September 30, 2019
October 11, 2019	Declaration of Cash Dividends List of Top 100 Stockholders
October 17, 2019	Public Ownership Report Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion)
October 18, 2019	Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion) Material Transactions Report (Share Buy Back Report)
October 24, 2019	Material Transactions Report (Share Buy Back Report)
October 24, 2019	Material Transactions Report (Share Buy Back Report) Initial Statement of Beneficial Ownership
October 28, 2019	Other SEC Forms/Reports/Requirements Material Transactions Report (Share Buy Back Report)
October 30, 2019	Material Transactions Report (Share Buy Back Report)
November 7, 2019	Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion)
November 8, 2019	Notice of Analysts'/Investors' Briefing

November 11, 2019	Material Transactions Report (Share Buy Back Report) Foreign Ownership Report
November 12, 2019	Material Transactions Report (Share Buy Back Report) Initial Statement of Beneficial Ownership Report on Number of Shareholders
November 15, 2019	Material Transactions Report (Share Buy Back Report) Request for Extension to File 17-Q Initial Statement of Beneficial Ownership
November 20, 2019	Material Transactions Report (Share Buy Back Report) Clarification of News Report Quarterly Report Press Release
November 25, 2019	Material Transactions Report (Share Buy Back Report) Clarification of News Reports
November 28, 2019	Material Transactions Report (Share Buy Back Report)
December 4, 2019	Material Transactions Report (Share Buy Back Report) Foreign Ownership Report as of November 30, 2019 Report on Number of Shareholders as of November 30, 2019
December 5, 2019	Material Transactions Report (Share Buy Back Report)
December 9, 2019	Material Transactions Report (Share Buy Back Report)
December 16, 2019	Material Transactions Report (Share Buy Back Report)
December 18, 2019	Material Transactions Report (Share Buy Back Report)
December 20, 2019	Material Transactions Report (Share Buy Back Report)
December 27, 2019	Material Transactions Report

**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 JUN 04 2020.

By:

EDGAR B. SAAVEDRA
President and Chief Executive Officer

CHRISTOPHER A. NADAYAG
Deputy Chief Financial Officer / Treasurer

MIA GRACE PAULA S. CORTEZ
Group Controller / Principal Accounting Officer

ANTHONY LEONARD G. TOPACIO
Corporate Secretary

SUBSCRIBED AND SWORNTO before me in MAKATI CITY on JUN 04 2020, 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
Anthony Leonard G. Topacio	Driver's License NO1-02-007474	Valid until February 22, 2022	Manila
Mia Grace Paula S. Cortez	Passport No. EC6676344	Valid until February 6, 2021	Manila
Christopher A. Nadayag	Passport No. P2790269B	Valid until August 14, 2029	Manila

Doc. No. 66;
Page No. 15;
Book No. 1;
Series of 2020.

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

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

OUTSTANDING BALANCES FOR A SPECIFIC COMPANY

Company Code - MWIDE0000000
MEGAWIDE CONSTRUCTION CORPORATION

Business Date: December 27, 2019

BPNAME	HOLDINGS
BDO SECURITIES CORPORATION	623,070,593
CLSA PHILIPPINES, INC.	319,961,904
CITIBANK N.A.	128,495,205
DEUTSCHE BANK MANILA-CLIENTS A/C	113,012,639
SOCIAL SECURITY SYSTEM	87,784,000
GOVERNMENT SERVICE INSURANCE SYSTEM	69,495,165
DEUTSCHE BANK MANILA-CLIENTS A/C	57,251,044
THE HONGKONG AND SHANGHAI BANKING CORP. LTD. -CLIENTS' ACCT.	52,506,539
THE HONGKONG AND SHANGHAI BANKING CORP. LTD. -CLIENTS' ACCT.	37,313,327
WEALTH SECURITIES, INC.	29,971,706
STANDARD CHARTERED BANK	15,699,666
RCBC SECURITIES, INC.	14,580,117
UPCC SECURITIES CORP.	13,461,720
BANCO DE ORO - TRUST BANKING GROUP	12,854,742
FIRST METRO SECURITIES BROKERAGE CORP.	9,776,430
COL Financial Group, Inc.	9,254,520
BPI SECURITIES CORPORATION	6,697,839
ABACUS SECURITIES CORPORATION	4,792,778
GOLDEN TOWER SECURITIES & HOLDINGS, INC.	3,228,980
PAPA SECURITIES CORPORATION	2,714,922
HDI SECURITIES, INC.	2,612,822
UCPB SECURITIES, INC.	1,800,837
CHINA BANKING CORPORATION - TRUST GROUP	1,357,000
PHILSTOCKS FINANCIAL INC	1,315,454
BANK OF COMMERCE - TRUST SERVICES GROUP	960,700
AB CAPITAL SECURITIES, INC.	949,818
MAYBANK ATR KIM ENG SECURITIES, INC.	919,048
MBTC - TRUST BANKING GROUP	882,319
THE FIRST RESOURCES MANAGEMENT & SECURITIES CORP.	852,400
BELSON SECURITIES, INC.	798,799
A & A SECURITIES, INC.	759,651
STANDARD SECURITIES CORPORATION	753,753
PHILIPPINE EQUITY PARTNERS, INC.	745,654
REGINA CAPITAL DEVELOPMENT CORPORATION	728,357
EVERGREEN STOCK BROKERAGE & SEC., INC.	707,331
BDO NOMURA SECURITIES INC	640,799
QUALITY INVESTMENTS & SECURITIES CORPORATION	559,966
EASTERN SECURITIES DEVELOPMENT CORPORATION	543,659
ANSALDO, GODINEZ & CO., INC.	522,789
DEUTSCHE REGIS PARTNERS, INC.	500,495
TANSENGCO & CO., INC.	407,186
R. S. LIM & CO., INC.	407,062
UNITED FUND, INC.	387,200
IGC SECURITIES INC.	358,583
SUMMIT SECURITIES, INC.	354,364
FIRST INTEGRATED CAPITAL SECURITIES, INC.	350,297
MERCANTILE SECURITIES CORP.	329,961
G.D. TAN & COMPANY, INC.	286,153
RTG & COMPANY, INC.	279,223

BPNAME	HOLDINGS
SunSecurities, Inc.	279,001
YU & COMPANY, INC.	267,653
SB EQUITIES,INC.	251,422
R. NUBLA SECURITIES, INC.	248,514
ASIASEC EQUITIES, INC.	245,300
OPTIMUM SECURITIES CORPORATION	240,516
UNICAPITAL SECURITIES INC.	237,625
SOLAR SECURITIES, INC.	226,665
CENTURY SECURITIES CORPORATION	223,151
PNB TRUST BANKING GROUP	191,100
MERIDIAN SECURITIES, INC.	190,306
E. CHUA CHIACO SECURITIES, INC.	189,401
EAGLE EQUITIES, INC.	184,996
CHINA BANK SECURITIES CORPORATION	175,400
A. T. DE CASTRO SECURITIES CORP.	160,555
AP SECURITIES INCORPORATED	152,200
GOLDSTAR SECURITIES, INC.	146,151
BA SECURITIES, INC.	140,037
LUCKY SECURITIES, INC.	132,520
I. B. GIMENEZ SECURITIES, INC.	127,491
PNB SECURITIES, INC.	110,331
STRATEGIC EQUITIES CORP.	100,137
MACQUARIE CAPITAL SECURITIES (PHILIPPINES), INC.	100,000
AAA SOUTHEAST EQUITIES, INCORPORATED	89,810
YAO & ZIALCITA, INC.	76,005
F. YAP SECURITIES, INC.	70,283
MANDARIN SECURITIES CORPORATION	69,002
FIDELITY SECURITIES, INC.	68,000
KING'S POWER SECURITIES, INC.	65,000
TRI-STATE SECURITIES, INC.	62,979
TOWER SECURITIES, INC.	62,439
ASTRA SECURITIES CORPORATION	60,822
GLOBALINKS SECURITIES & STOCKS, INC.	60,469
UNITED COCONUT PLANTERS BANK-TRUST BANKING	60,400
S.J. ROXAS & CO., INC.	59,841
NEW WORLD SECURITIES CO., INC.	59,081
R. COYIUTO SECURITIES, INC.	59,012
CAMPOS, LANUZA & COMPANY, INC.	57,787
VENTURE SECURITIES, INC.	55,306
INTRA-INVEST SECURITIES, INC.	53,200
LUYS SECURITIES COMPANY, INC.	50,029
IMPERIAL,DE GUZMAN,ABALOS & CO.,INC.	46,791
WONG SECURITIES CORPORATION	45,000
TIMSON SECURITIES, INC.	44,700
DBP-DAIWA CAPITAL MARKETS PHILPPINES, INC.	43,537
TRITON SECURITIES CORP.	43,265
WESTLINK GLOBAL EQUITIES, INC.	42,080
INVESTORS SECURITIES, INC,	29,914
AURORA SECURITIES, INC.	28,348
SARANGANI SECURITIES, INC.	28,000
CUALOPING SECURITIES CORPORATION	27,965
H. E. BENNETT SECURITIES, INC.	23,701
B. H. CHUA SECURITIES CORPORATION	20,000
DAVID GO SECURITIES CORP.	20,000
EQUITIWORLD SECURITIES, INC.	20,000
PAN ASIA SECURITIES CORP.	20,000
UCPB GENERAL INSURANCE CO., INC.	20,000
UNITED COCONUT PLANTERS LIFE ASSURANCE CORPORATION	20,000

BPNAME	HOLDINGS
STAR ALLIANCE SECURITIES CORP.	18,000
ASIA PACIFIC CAPITAL EQUITIES & SECURITIES CORP.	17,000
LOPEZ, LOCSIN, LEDESMA & CO., INC.	16,000
FIRST ORIENT SECURITIES, INC.	15,000
MDR SECURITIES, INC.	15,000
CTS GLOBAL EQUITY GROUP, INC.	10,963
PREMIUM SECURITIES, INC.	10,020
APEX PHILIPPINES EQUITIES CORPORATION	10,000
MOUNT PEAK SECURITIES, INC.	8,846
ALAKOR SECURITIES CORPORATION	8,800
I. ACKERMAN & CO., INC.	8,169
DA MARKET SECURITIES, INC.	8,064
SINCERE SECURITIES CORPORATION	7,800
J.M. BARCELON & CO., INC.	7,100
LITONJUA SECURITIES, INC.	5,168
R & L INVESTMENTS, INC.	4,791
ALPHA SECURITIES CORP.	4,282
JAKA SECURITIES CORP.	3,025
JSG SECURITIES, INC.	2,064
SALISBURY BKT SECURITIES CORPORATION	2,047
BENJAMIN CO CA & CO., INC.	1,229
SECURITIES SPECIALISTS, INC.	500
DIVERSIFIED SECURITIES, INC.	137
MEGAWIDE CONSTRUCTION CORPORATION	120
DEUTSCHE BANK MANILA-CLIENTS A/C	5
THE HONGKONG & SHANGHAI BANKING CORP. LTD. -OWN ACCOUNT	1

OUTSTANDING BALANCES FOR A SPECIFIC COMPANY

Company Code - MWP000000000

MEGAWIDE CONSTRUCTION CORP PERPETUAL PREF SHARES

Business Date: December 27, 2019

BPNAME	HOLDINGS
CITIBANK N.A.	7,482,090
MBTC - TRUST BANKING GROUP	6,272,270
BDO SECURITIES CORPORATION	6,079,900
PNB TRUST BANKING GROUP	3,642,420
BPI SECURITIES CORPORATION	2,133,740
CHINA BANKING CORPORATION - TRUST GROUP	1,554,480
RCBC SECURITIES, INC.	1,229,710
FIRST METRO SECURITIES BROKERAGE CORP.	1,176,800
SB EQUITIES,INC.	1,097,480
PNB LIFE INSURANCE, INC.	920,740
RCBC TRUST & INVESTMENT DIVISION - VARIOUS TAXABLE ACCTS	906,930
BANK OF COMMERCE - TRUST SERVICES GROUP	673,500
ABACUS SECURITIES CORPORATION	464,800
UNITED COCONUT PLANTERS LIFE ASSURANCE CORPORATION	424,100
PAPA SECURITIES CORPORATION	378,820
BANCO DE ORO - TRUST BANKING GROUP	313,800
RCBC TRUST & INVESTMENT DIVISION	312,000
UNICAPITAL SECURITIES INC.	291,820
ASTRA SECURITIES CORPORATION	289,110
UNITED COCONUT PLANTERS BANK-TRUST BANKING	253,300
QUALITY INVESTMENTS & SECURITIES CORPORATION	240,490
COL Financial Group, Inc.	227,370
UCPB SECURITIES, INC.	218,380
AP SECURITIES INCORPORATED	208,470
STERLING BANK OF ASIA TRUST GROUP	205,000
LUCKY SECURITIES, INC.	187,050
GOLDEN TOWER SECURITIES & HOLDINGS, INC.	172,750
AB CAPITAL & INVESTMENT CORP. - TRUST & INVESTMENT DIV.	172,500
MAYBANK ATR KIM ENG SECURITIES, INC.	149,480
KING'S POWER SECURITIES, INC.	137,500
HDI SECURITIES, INC.	120,000
YAO & ZIALCITA, INC.	114,000
AAA SOUTHEAST EQUITIES, INCORPORATED	100,000
UCPB GENERAL INSURANCE CO., INC.	90,000
ANSALDO, GODINEZ & CO., INC.	83,500
ARMSTRONG SECURITIES, INC.	72,000
UPCC SECURITIES CORP.	70,000
BDO NOMURA SECURITIES INC	66,180
IMPERIAL,DE GUZMAN,ABALOS & CO.,INC.	61,700
RTG & COMPANY, INC.	60,500
APEX PHILIPPINES EQUITIES CORPORATION	60,100
TANSENGCO & CO., INC.	60,000
COHERCO SECURITIES, INC.	60,000
YU & COMPANY, INC.	50,000
FIRST ORIENT SECURITIES, INC.	46,380
COCOPLANS, INC.	45,000
PNB SECURITIES, INC.	37,600
SOLAR SECURITIES, INC.	37,500
AB CAPITAL SECURITIES, INC.	36,680
OPTIMUM SECURITIES CORPORATION	35,000
R. S. LIM & CO., INC.	33,000

BPNAME	HOLDINGS
INVESTORS SECURITIES, INC,	32,200
EVERGREEN STOCK BROKERAGE & SEC., INC.	30,000
AURORA SECURITIES, INC.	30,000
PAN ASIA SECURITIES CORP.	30,000
TOWER SECURITIES, INC.	27,200
S.J. ROXAS & CO., INC.	26,100
ALPHA SECURITIES CORP.	26,000
JAKA SECURITIES CORP.	25,570
G.D. TAN & COMPANY, INC.	25,100
CAMPOS, LANUZA & COMPANY, INC.	24,000
SUMMIT SECURITIES, INC.	21,000
ASIASEC EQUITIES, INC.	20,000
E. CHUA CHIACO SECURITIES, INC.	20,000
THE FIRST RESOURCES MANAGEMENT & SECURITIES CORP.	20,000
TRITON SECURITIES CORP.	16,670
J.M. BARCELON & CO., INC.	15,800
PHILSTOCKS FINANCIAL INC	14,320
EASTERN SECURITIES DEVELOPMENT CORPORATION	14,000
GLOBALINKS SECURITIES & STOCKS, INC.	14,000
R. NUBLA SECURITIES, INC.	13,870
H. E. BENNETT SECURITIES, INC.	10,510
CHINA BANK SECURITIES CORPORATION	10,000
SALISBURY BKT SECURITIES CORPORATION	10,000
ALAKOR SECURITIES CORPORATION	10,000
VENTURE SECURITIES, INC.	9,990
BELSON SECURITIES, INC.	7,600
WEALTH SECURITIES, INC.	7,280
LARRGO SECURITIES CO., INC.	4,300
A. T. DE CASTRO SECURITIES CORP.	2,800
GOLDSTAR SECURITIES, INC.	2,000
F. YAP SECURITIES, INC.	1,500
R. COYIUTO SECURITIES, INC.	1,200
MERIDIAN SECURITIES, INC.	1,000
R & L INVESTMENTS, INC.	1,000
CLSA PHILIPPINES, INC.	1,000
MERCANTILE SECURITIES CORP.	800
DAVID GO SECURITIES CORP.	500
EAGLE EQUITIES, INC.	250

MEGAWIDE

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Megawide Construction Corp. and its subsidiaries** (the Group) is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2019, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

Punongbayan and Araullo, the independent auditors appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

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

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

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

MEGAWIDE

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

Signed this 3 day of June 2020.

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

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

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

P&A Grant Thornton
An instinct for growth™

Report of Independent Auditors

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

T +63 2 988 22 88

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Megawide Construction Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Emphasis of a Matter

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

Key Audit Matters

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

(a) Revenue and Cost Recognition on Construction Contracts

Description of the Matter

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

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

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

How the Matter was Addressed in the Audit

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) Impairment Assessment of Concession Assets

Description of the Matter

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

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

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

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

How the Matter was Addressed in the Audit

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

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

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

- Evaluating the qualification and competency of the third party consultants engaged by management to determine whether the results of their work can be relied upon; and

- Assessing the appropriateness and reasonableness of the underlying data and assumptions used by the Group in the sensitivity analysis performed on the calculation to determine whether a reasonably possible change in assumptions could cause the carrying amount of the concession assets to exceed the recoverable amount.

(c) Performing Significant Portion of Audit Remotely

Description of the Matter

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

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

How the Matter was Addressed in the Audit

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

- Considering the nature of the engagement and the engagement team's knowledge of the entity and its environment when determining whether it is possible to perform a significant portion, if not all of the engagement remotely;

- Following the requirements of the PSA including providing proper supervision and review, even when working remotely;

- Obtaining information through electronic means, which includes sending and receiving of confirmation electronically, obtaining calculations in electronic form to check the mathematical accuracy, scanning of hard-copy items for review and using real-time inspection technology such as video and screen-sharing;

- Determining the reliability of audit evidence provided electronically using enhanced professional skepticism;

- Used video conferencing in performing inquiries on areas where such procedure is appropriate in addition to other procedures to ensure more interactive and visible discussion with management and other personnel within the entity;

- Reviewing of workpapers of component auditors remotely through screen sharing and constant communication; and

- Examining critical hard copy documents (e.g., contracts, progress billings, billing invoices, purchases invoices and official receipts) physically in response to the risk in revenues and costs, which is considered to be significant.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A, and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

PUNONGBAYAN & ARAULLO

By: Mailene Sigue-Bisnar
Partner

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

May 26, 2020

P&A Grant Thornton
An instinct for growth™

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

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The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Megawide Construction Corporation and Subsidiaries (the Group) for the year ended December 31, 2019, on which we have rendered our report dated May 26, 2020. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Revised Securities Regulation Code Rule 68 of the Philippine Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Mailene Sigue-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 8116539, January 2, 2020, Makati City
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Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

May 26, 2020

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

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

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

See Notes to Consolidated Financial Statements.

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

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

See Notes to Consolidated Financial Statements.

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

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

See Notes to Consolidated Financial Statements.

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

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

See Notes to Consolidated Financial Statements.

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

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

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

Supplemental Information on Non-cash Investing and Financing Activities:

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

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

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

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

See Notes to Consolidated Financial Statements.

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

1. CORPORATE INFORMATION

1.1 Incorporation and Operations

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

On January 28, 2011, the Philippine Stock Exchange (PSE) and the Securities Exchange Commission (SEC) approved the Parent Company's application for the listing of its common stock. The approval covered the initial public offering (IPO) of 292.0 million unissued common shares of the Parent Company at P7.84 offer price per share and the listing of those shares in PSE's main board on February 18, 2012. On December 3, 2014, the Parent Company made a primary offer of 40.0 million preferred shares at an offer price of P100.0 per share. These preferred shares are also listed in the PSE (see Note 27.1).

On September 22, 2014, the SEC approved the Parent Company's amendment of articles of incorporation, which includes: (i) the Parent Company's power to extend corporate guarantees to its subsidiaries and affiliates; and, (ii) the increase in its authorized capital stock of P5,000.0 million divided into 4,930.0 million common shares and 70.0 million cumulative, non-voting, non-participating, non-convertible to common shares and redeemable, at the option of the Parent Company, perpetual preferred shares (see Note 27.1). Both common and preferred shares have a par value of P1.0 per share.

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

On December 22, 2017, Megacore further acquired additional shares from Citicore which resulted in an increase in Megacore's equity interest to the Parent Company equivalent to 28.9% or 617,709,197 as of December 31, 2017.

The Parent Company remains a subsidiary of Citicore which owns and controls 33.3% of the issued and outstanding capital stock of the Parent Company as of December 31, 2019 and 2018 because Citicore still directs the overall business operations of the Parent Company through its Chief Executive Officer and President, who is also the President of Citicore.

On December 20, 2017, the state-owned Social Security System acquired a total of 110,532,500 shares or equivalent to 5.2% interest of the Parent Company through purchase of 3.45% stake held by Megacore and the remaining interest from the public.

Citicore is a company incorporated in the Philippines and is engaged in the business of a holding company through buying and holding shares of other companies. The registered address of Citicore and the Parent Company, which is also their principal place of business, is at 20 N. Domingo Street, Brgy. Valencia, Quezon City.

1.2 Subsidiaries, Associates and Joint Arrangements

The Parent Company holds ownership interest in the following subsidiaries, associates and joint arrangements (together with the Parent Company, collectively hereinafter referred to as the Group):

		Percentage of Effective Ownership		
Subsidiaries/Associates/Joint Operations/Joint Ventures	Notes	**2019**	2018	2017
Subsidiaries:				
GMR Megawide Cebu Airport Corporation (GMCAC)	a	**60%**	60%	60%
Megawatt Clean Energy, Inc. (MCEI)	b	**70%**	70%	70%
Globemerchants, Inc. (GMI)	c	**50%**	50%	50%
Megawide Land, Inc. (MLI)	d	**100%**	100%	100%
Megawide Construction (BVI) Corporation (MCBVI)	e	**100%**	100%	100%
MWM Terminals, Inc. (MWMTI)	j	**100%**	100%	-
Megawide Terminals, Inc. (MTI) *(formerly WM Property Management, Inc.)*	i	**100%**	100%	-
Megawide International Limited (MIL)	h	**100%**	-	-
Megawide Cold Logistics, Inc. (MCLI)	d	**60%**	60%	60%
Megawide Construction DMCC (DMCC)	e	**100%**	100%	100%
Megawide Construction (Singapore) Pte. Ltd. (MC-SG)	h	**100%**	-	-
Accounted for as Asset Acquisition –				
Altria East Land, Inc. (Altria)	f	**100%**	100%	100%
Associates:				
Megawide World Citi Consortium, Inc. (MWCCI)	g	**51%**	51%	51%
Citicore Megawide Consortium, Inc. (CMCI)	g	**10%**	10%	10%
Joint Operations:				
Megawide GISPL Construction Joint Venture (MGCJV)	k	**50%**	50%	50%
Megawide GMR Construction Joint Venture, Inc. (MGCJVI)	l	**50%**	50%	-
Joint Ventures:				
Mactan Travel Retail Group Corp. (MTRGC)	m	**25%**	25%	-
Select Service Partners Philippines Corp. (SSPPC)	n	**25%**	25%	-
MWMTI	j	**-**	-	51%

a) GMCAC

GMCAC was incorporated in the Philippines and registered in the SEC in 2014. GMCAC's primary purpose is to construct, develop, operate and maintain the Mactan Cebu International Airport (MCIA), including the commercial assets thereof and all allied businesses for the operation and maintenance of said airport facility (MCIA Project). GMCAC started commercial operations on November 1, 2014.

GMCAC was established for the purpose of implementing the provisions of the Concession Agreement (see Note 13) that was signed on April 22, 2014 between the Parent Company and GMR Infrastructure Limited (GIL), and the Department of Transportation and Communications (currently, the Philippine Department of Transportation or DOTr) and Mactan-Cebu International Airport Authority (MCIAA) (collectively, the Grantors).

GIL is an entity duly organized and registered in India. DOTr and MCIAA are the agencies of the Philippine Government vested with the power and authority to develop dependable and coordinated transportation systems and to principally undertake the economical, efficient, and effective control, management, and supervision of the MCIA Project. GMCAC's registered address, which is also its principal place of business, is located at Mactan-Cebu International Airport Passenger Terminal Building, Airport Terminal, Lapu-Lapu City.

b) MCEI

MCEI was incorporated in 2014 to engage in the development of clean or renewable energy sources for power generation. Its registered address, which is also its principal place of business, is located at 20 N. Domingo St. Brgy. Valencia, Quezon City. As of December 31, 2019, MCEI has not yet started operations.

c) GMI

GMI was incorporated in the Philippines in 2016 and is primarily engaged in general merchandise operations. GMI's registered address, which is also its principal place of business, is located at Mactan-Cebu International Airport Passenger Terminal Building, Airport Terminal, Lapu-Lapu City. GMI started its commercial operations in March 2017.

On March 15, 2017, the Parent Company sold 2,000,000 shares or 10% interest of GMI to GMR Holdings Overseas (Singapore) Pte. Ltd. (GHOSPL). As of December 31, 2017, GMI is 50% owned by the Parent Company. The Parent Company still consolidates its ownership in GMI after the sale as the management considers that the Group has de facto control over GMI even though it effectively holds 50% ownership interest [see Note 3.1(j)].

d) MLI

MLI was incorporated in 2016 primarily to engage in real estate and related business. MLI's registered address, which is also its principal place of business, is located at 20 N. Domingo St. Brgy. Valencia, Quezon City. MLI has not commenced its operations as of December 31, 2019.

MLI has a 60% ownership interest in MCLI, a company incorporated in the Philippines and was established to engage in cold and dry storage business. The registered office address of MCLI, which is also its principal place of business, is located at No. 20 N. Domingo Street, Brgy. Valencia, Quezon City.

e) MCBVI

On June 20, 2017, the Parent Company acquired 100% ownership interest in MCBVI, an entity incorporated in the territory of British Virgin Islands to primarily engage in buying and holding shares of other companies. MCBVI's registered address, which is also its principal place of business, is Marcy Building, 2nd floor, Purcell Estate, Road Town Tortola, British Virgin Islands. In 2018, MCBVI has commenced business operations.

MCBVI has a wholly owned subsidiary, DMCC, which was registered on December 10, 2017 is an infrastructure conglomerate. Its registered office is located at Unit 4401-05, Mazaya Business Avenue BB2, Jumeriah Lake Towers, Dubai UAE.

f) Altria

The Parent Company's acquisition of Altria is accounted for as an asset acquisition since it does not constitute an acquisition of business (see Note 11.2).

g) MWCCI and CMCI

The Group's investments in MWCCI and CMCI are accounted for as investments in associates since the ownership of the Parent Company does not result to control over the entities' relevant activities [see Notes 3.1(e), 3.1(j) and 11.1].

h) MIL

MIL, whose registered office is at Marcy Building, 2nd Floor, Purcell Estate, P.O. Box 2416, Road Town Tortola, British Virgin Islands, was incorporated on July 26, 2019. MIL has a 100% owned subsidiary, MC-SG, which was registered on March 1, 2019 as a general building engineering design and consultancy services. Its registered office is located at 8 Cross St. #24-03/04 Manulife Tower Singapore.

i) MTI

On August 9, 2018, the Parent Company acquired 344.5 million shares or 100% ownership interest in MTI from existing shareholders of MTI for P344.1 million. MTI owns 49% interest over MWMTI.

MTI (previously WM Property Management, Inc.) is an entity incorporated and registered on November 11, 2011 to establish, own, manage, administer, operate, maintain, and carry the business of providing property management services, either directly or through third parties, but not limited to the services of rent collection, tenant and lease management, marketing and advertising, repair and maintenance, liaison and other similar services. MTI's registered address and principal place of business is at 20 N. Domingo St. Brgy. Valencia, Quezon City.

j) MWMTI

MWMTI is a joint venture arrangement formed on February 10, 2015 by the Parent Company and MTI, both exercising joint control to direct the relevant activities of MWMTI. The joint venture undertakes the development and implementation of the Parañaque Integrated Terminal Exchange (PITX) Project (formerly Southwest Integrated Transport System Project) granted by the Philippine Government to MWMTI under a Build-Operate-Transfer Agreement (BOT Agreement) through the DOTr (see Note 29.3.2). In November 2018, MWMTI commenced commercial operations.

With the Parent Company's acquisition of 100% ownership interest in MTI in 2018 [see Note 1.2(i)], the Parent Company's effective ownership interest in MWMTI increased from 51% to 100% as of December 31, 2018. Accordingly, the Parent Company consolidates its interest in MWMTI from the acquisition date. Prior to the acquisition, the Group's interest in MWMTI is accounted for as a joint venture as the Group exercises joint control over the joint venture's relevant activities [see Notes 3.1(j)].

k) MGCJV

MGCJV is an unincorporated joint venture formed in 2014 by the Parent Company and GMR Infrastructure (Singapore) PTE Limited – Philippines Branch (GISPL) each owning 50% interest and exercising joint control. MGCJV was established to provide construction of works for the renovation and expansion of the MCIA Project and other airport related construction projects of the Group (see Note 11.4).

l) MGCJVI

MGCJVI is an incorporated joint arrangement formed in January 2018 by the Parent Company owning 50% interest and GMR Infrastructure (Singapore) PTE Limited with 45% interest and GMR Holdings Overseas (Singapore) PTE Limited owning the remaining 5%. The Parent Company and GMR both exercising joint control. MGCJVI was established to provide general construction business including construction, improvement and repair of Clark Aiport project (see Note 11.4). MGJCVI began to operate in the same year it was formed.

m) MTRGC

MTRGC was incorporated and registered under the laws of the Republic of the Philippines with the SEC on March 21, 2018 to develop, set-up, operate, maintain and manage the duty paid outlets at the locations in the Mactan Cebu International Airport (see Note 11.3). It started operations in the same year of incorporation.

n) SSPPC

SSPPC was incorporated and registered under the laws of the Republic of the Philippines with the SEC on March 13, 2018 to develop, set-up, operate, maintain and manage food and beverage outlets at specified locations in Terminal 1 and Terminal 2 of Mactan Cebu International Airport and the provision of related services thereto (see Note 11.3). It started operations in the same year of incorporation.

1.3 Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2019 (including the comparative consolidated financial statements as of December 31, 2018 and for the years ended December 31, 2018 and 2017) were authorized for issue by the Parent Company's Board of Directors (BOD) on May 26, 2020, as endorsed by its Audit and Compliance Committee.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are fully described in the accounting policies below and in the succeeding pages.

(b) Presentation of Consolidated Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group opted to present a separate consolidated statement of income and consolidated statement of comprehensive income.

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statement of financial position at the beginning of the preceding period. The related notes to the third consolidated statement of financial position are not required to be disclosed.

The Group reclassified the following prior period accounts to conform with the 2019 consolidated financial statement presentation and account classification:

(i) Other Operating Expenses including repairs and maintenance, outside services, supplies, and utilities amounting to P207.5 million and P80.2 million in 2018 and 2017, respectively, were reclassified to Direct Costs of airport operations (see Notes 22.2 and 23); and,

(ii) Advances from Customers in 2018 amounting to P3,485.0 million was reclassified to Contract Liabilities account (see Note 19).

The prior period reclassifications on expenses only represent 1.6% and 0.5% of the consolidated total operating expenses for the years ended December 31, 2018 and 2017, respectively, while the reclassification of the advances to customers represents only 7.3% of the total consolidated liabilities as of December 31, 2018. As such reclassifications did not have any material impact on the Group's consolidated financial statements, a third consolidated statement of financial position is not required to be presented.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2019 that are Relevant to the Group

The Group adopted for the first time the following PFRS, amendments, interpretations, and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2019:

PAS 19 (Amendments)	:	Employee Benefits – Plan Amendment, Curtailment or Settlement
PAS 28 (Amendments)	:	Investment in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures
PFRS 9 (Amendments)	:	Financial Instruments – Prepayment Features with Negative Compensation
PFRS 16	:	Leases
International Financial Reporting Interpretations Committee (IFRIC) 23	:	Uncertainty over Income Tax Treatments
Annual Improvements to PFRS (2015-2017 Cycle)		
PAS 12 (Amendments)	:	Income Taxes – Tax Consequences of Dividends
PAS 23 (Amendments)	:	Borrowing Costs – Eligibility for Capitalization
PFRS 3 and PFRS 11 (Amendments)	:	Business Combination and Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation

Discussed below and in the succeeding pages are the relevant information about these pronouncements.

(i) PAS 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement*. The amendments clarify that past service cost and gain or loss on settlement is calculated by measuring the net defined benefit liability or asset using updated actuarial assumptions and comparing the benefits offered and plan assets before and after the plan amendment, curtailment or settlement but ignoring the effect of the asset ceiling that may arise when the defined benefit plan is in a surplus position. Further, the amendments now require that if an entity remeasures its net defined benefit liability or asset after a plan amendment, curtailment or settlement, it should also use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the change to the plan. The application of these amendments had no significant impact on the Group's consolidated financial statements.

(ii) PAS 28 (Amendments), *Investment in Associates and Joint Ventures – Long-term Interest in Associates and Joint Ventures*. The amendments clarify that the scope exclusion in PFRS 9 applies only to ownership interests accounted for using the equity method. Thus, the amendments further clarify that long-term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under PFRS 9, which shall also include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The application of these amendments had no significant impact on the Group's consolidated financial statements.

(iii) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation*. The amendments clarify that prepayment features with negative compensation attached to financial assets may still qualify under the "solely payments of principal and interests" (SPPI) test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at fair value through other comprehensive income (FVOCI). The application of these amendments had no significant impact on the Group's consolidated financial statements.

(iv) PFRS 16, *Leases*. The new standard replaced PAS 17, *Leases*, and its related interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, Standard Interpretations Committee (SIC) 15, *Operating Leases – Incentives* and SIC 27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. For lessees, it requires an entity to account for leases "on-balance sheet" by recognizing a "right-of-use" asset and lease liability arising from contract that is, or contains, a lease.

For lessors, the definitions of the type of lease (i.e., finance and operating leases) and the supporting indicators of a finance lease are substantially the same with the provisions under PAS 17. In addition, basic accounting mechanics are also similar but with some different or more explicit guidance related to variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures

Relative to the adoption of PFRS 16 in the Philippines, the FRSC also approved the issuance of the following:

- Philippine Interpretations Committee (PIC) Q&A 2019-11, *Determining the Current Portion of an Amortizing Lease Liability*. This Q&A provides guidance on determining the current portion of an amortizing lease liability for proper classification/presentation between current and non-current in the consolidated statement of financial position.

- PIC Q&A 2019-12, *Determining the Lease Term under PFRS 16*. This Q&A provides guidance in determining the lease term under the new leases standard. Such exercise may require significant judgment especially when the lease agreement contains an option to either extend or terminate the lease.

- PIC Q&A 2019-13, *Determining the Lease Term of Leases that are Renewable Subject to Mutual Agreement of the Lessor and the Lessee*. This Q&A is a supplement to PIC Q&A 2019-12, providing guidance on determining the lease term under PFRS 16. This focuses on lease contracts that are renewable subject to mutual agreement of the parties.

The Group has adopted PFRS 16 using the modified retrospective approach as allowed under the transitional provisions of the standard. The adoption of the standard has resulted in adjustments to the amounts recognized in the consolidated financial statements as at January 1, 2019, with no adjustment to the opening balance of the retained earnings. Accordingly, comparative information were not restated.

The effects of the adoption of PFRS 16 resulted in the recognition of right-of-use asset and lease liability amounting to P32.5 million on January 1, 2019. In addition, transportation and construction equipment amounting to P177.9 million as of January 1, 2019 that were previously presented under precast and construction equipment and transportation equipment under property, plant and equipment account in the consolidated statement of financial position were reclassified to right-of-use assets and are still presented under property, plant and equipment account in the 2019 consolidated statement of financial position. For Group's accounting policies as a lessor, PFRS 16 does not provide for any substantial change, as the lessor still recognizes its lease contracts as either an operating or finance lease.

The new accounting policies of the Group as a lessee are disclosed in Note 2.18(a), while the accounting policies of the Group as a lessor, as described in Note 2.18(b), were not significantly affected.

Discussed below and in the succeeding pages are the relevant information arising from the Group's adoption of PFRS 16 and how the related accounts are measured and presented on the Group's consolidated financial statements as at January 1, 2019.

a. For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from PAS 17 and IFRIC 4 and has not applied PFRS 16 to arrangements that were previously not identified as leases under PAS 17 and IFRIC 4.

b. The Group recognized lease liabilities in relation to leases which had previously been classified as operating leases under PAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of January 1, 2019. The Group's weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 6.98%.

c. The Group has elected not to include initial direct costs in the measurement of right-of-use assets at the date of initial application. The Group also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid lease payments and estimated cost to restore the leased asset that existed as at January 1, 2019.

d. For leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognize right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

e. For those leases previously classified as finance leases, the Group recognized the related right-of-use asset and lease liability at the date of initial application at the same amounts as the carrying amount of the capitalized asset and finance lease obligation under PAS 17 immediately before transition.

f. The Group has also used the following practical expedients, apart from those already mentioned above, as permitted by the standard:

   i. application of a single discount rate to a portfolio of leases with reasonably similar characteristics;

   ii. reliance on its historical assessments on whether leases are onerous as an alternative to performing an impairment review on right-of-use assets. As at January 1, 2019, the Group has no onerous contracts; and,

   iii. use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The following table shows the effects of the adoption of PFRS 16 in the carrying amounts and presentation of certain accounts in the consolidated statement of financial position as at January 1, 2019.

	Note	**Carrying Amount (PAS 17) December 31, 2018**	**Remeasurement**	**Carrying Amount (PFRS 16) January 1, 2019**
Assets –				
Property, plant and equipment	c	P5,496,096,2019	P 34,277,641	P 5,530,373,850
Liabilities:				
Interest-bearing loans and borrowings – current	b	(6,408,573,493)	(10,270,039)	(6,418,843,532)
Interest-bearing loans and borrowings – non-current	b	(30,371,690,492)	(24,007,602)	(30,395,698,094)
Impact on net assets			P -	

A reconciliation of the opening lease liabilities recognized at January 1, 2019 and the total operating lease commitments determined under PAS 17 at December 31, 2018 is shown below.

	Notes		
Operating lease commitments, December 31, 2018 (PAS 17)	29.1	P	40,737,545
Leases with remaining term of less than 12 months	2.2(a)(iv)(d)	(	2,381,991)
Operating lease liabilities before discounting			38,355,554
Discount using incremental borrowing rate	2.2(a)(iv)(b)	(	4,077,913)
Operating lease liabilities			34,277,641
Obligation from finance leases	2.2(a)(iv)(e)		157,923,257
Lease liabilities, January 1, 2019 (PFRS 16)		P	192,200,898

(v) IFRIC 23, *Uncertainty over Income Tax Treatments*. This interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Group to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above. The application of this interpretation had no significant impact on the Group's consolidated financial statements.

(vi) Annual Improvements to PFRS 2015-2017 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2019, are relevant to the Group but had no material impact on the Group's consolidated financial statements:

- PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends*. The amendments clarify that an entity should recognize the income tax consequence of dividend payments in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits.

- PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization*. The amendments clarify that if any specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, such borrowing is treated as part of the entity's general borrowings when calculating the capitalization rate

- PFRS 3 (Amendments), *Business Combinations*, and PFRS 11 (Amendments), *Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation.* The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

(b) Effective Subsequent to 2019 but not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to 2019, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

(i) PAS 1 (Amendments), *Presentation of Financial Statements* and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* (effective from January 1, 2020). The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's own circumstances).

The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendment has also been made in other Standards that contain definition of material or refer to the term 'material' to ensure consistency.

(ii) Revised Conceptual Framework for Financial Reporting (effective from January 1, 2020). The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised framework from January 1, 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised framework.

(iii) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

2.3 Basis of Consolidation, Investments in Subsidiaries and Associates, and Interests in Joint Arrangements

The Group's consolidated financial statements comprise the accounts of the Parent Company, its subsidiaries, associates and joint arrangements, as discussed in Note 1.2, after elimination of material intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries, associates and joint arrangements are prepared for the same reporting period as the Parent Company, using consistent accounting principles.

The Parent Company accounts for its investments in subsidiaries, associates, interests in joint arrangements and non-controlling interests as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Parent Company obtains control.

The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

Distributions from subsidiaries are accounted for as dividend income which are eliminated at consolidation.

i) Accounting for Business Combination Using the Acquisition Method

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 2.12).

ii) Accounting for Business Combination Using the Pooling-of-interests Method

Business combinations arising from transfers of interests in entities that are under the common control of the principal shareholder are accounted for under the pooling-of-interests method. Transfers of assets between commonly-controlled entities are accounted for under historical cost accounting. Under this method, the financial information of the acquired entities are included as if the acquisition occurred in the earliest period presented. The assets and liabilities of the acquired entities are combined using their respective carrying values and any difference is accounted for and recognized in Other Reserves account presented under the consolidated statement of changes in equity.

(b) Investments in Associates

Associates are those entities over which the Parent Company is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in associates is subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Parent Company's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Parent Company's share in the associate is included in the amount recognized as investment in an associate.

All subsequent changes to the ownership interest in the equity of the associates are recognized in the Parent Company's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged against the Equity in net profit (losses) of associates and joint venture as part of Others – net account under Other Income (Charges) section of the consolidated statement of income.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered (see Note 2.20).

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Parent Company, as applicable. However, when the Parent Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Parent Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

(c) Interests in Joint Arrangement

(i) Joint Operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint control arises from a contractually agreed sharing of control in an arrangement, which exist only when decisions about the relevant activities require unanimous consent of the parties sharing control. For interests in joint operation, the Group recognizes in its consolidated financial statements its assets including its share of any assets held jointly; its liabilities including its share of any liabilities incurred jointly; its revenue from sale of its share of the output arising from the joint operation; its expenses including its share of any expenses incurred jointly; and its share in the income from the sale of goods or services by the joint operation. The amounts of these related accounts are presented as part of the regular asset and liability accounts and income and expense accounts of the Group and are measured and recognized in accordance with the relevant financial reporting standards.

(ii) Joint Venture

A jointly controlled entity is a corporation, partnership, or other entity in which two or more venturers have an interest, under a contractual arrangement that establishes joint control over the entity. Each venturer usually contributes cash or other resources to the jointly controlled entity. Those contributions are included in the accounting records of the venturer and recognised in the venturer's financial statements as an investment in the jointly controlled entity.

Investments in joint venture are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in a jointly controlled entity is subject to the purchase method. The purchase method involves the recognition of the jointly controlled entity's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the venturer's share of the identifiable net assets of the joint venture at the date of acquisition. Any goodwill or fair value adjustment attributable to the venturer's share in the joint venture is included in the amount recognized as investment in joint venture.

All subsequent changes to the ownership interest in the equity of the joint venture are recognized in the venturer's carrying amount of the investments. Changes resulting from the profit or loss generated by the joint venture are credited or charged against the Equity in net profit (losses) of associates and joint venture as part of Others – net account under Other Income (Charges) section of the consolidated statement of income.

Impairment loss is provided when there is objective evidence that the investments in joint venture will not be recovered (see Note 2.20).

Changes resulting from other comprehensive income of the jointly controlled entity or items recognized directly in the jointly controlled entity's equity are recognized in other comprehensive income or equity of the venturer, as applicable. However, when the venturer's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the venturer does not recognize further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity. If the jointly controlled entity subsequently reports profits, the venturer resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the jointly controlled entity are accounted for as a reduction of the carrying value of the investments.

(d) Transactions with Non-controlling Interests

The Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized as Other Reserves in equity. Disposals of equity investments to non-controlling interests result in gains and losses for the Group that are also recognized in equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The Parent Company holds interests in various subsidiaries, associates, and joint arrangements as presented in Notes 1.2 and 11.

2.4 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification, Measurement and Reclassification of Financial Assets

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are described below and in the succeeding pages.

(i) Financial Assets at Amortized Cost

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI on the principal amount outstanding.

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, *Revenue from Contracts with Customers*, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

The Group's financial assets at amortized cost are presented as Cash and Cash Equivalents, Trade and Other Receivables (excluding Advances to officers and employees), Refundable security and bond deposits (presented under Other Current Assets account) and Investment in Trust fund (which pertains solely to cash) and Refundable security deposits (presented under Other Current and Non-current Assets account) in the consolidated statement of financial position.

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

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including cash. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the consolidated statement of income as part of Finance Income.

(ii) Financial Assets at Fair Value Through Other Comprehensive Income

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and;

- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading or as mandatorily required to be classified as fair value through profit or loss (FVTPL). The Group has designated certain equity instruments as at FVOCI on initial recognition.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of Revaluation Reserves account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves account is not reclassified to profit or loss but is reclassified directly to Retained Earnings account, except for those debt securities classified as FVOCI wherein cumulative fair value gains or losses are recycled to profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the consolidated statement of income as part of Finance Income.

Any dividends earned on holding equity instruments are recognized in profit or loss as part of Other Income (Charges) account, when the Group's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and, the amount of the dividend can be measured reliably, unless the dividends clearly represent recovery of a part of the cost of the investment.

(iii) Financial Assets at Fair Value Through Profit or Loss

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorized at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not SPPI are accounted for at FVTPL. Also, equity securities are classified as financial assets at FVTPL, unless the Group designates an equity investment that is not held for trading as at FVOCI at initial recognition. The Group's financial assets at FVTPL include debt securities which are held for trading purposes or designated as at FVTPL (see Note 7). Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by PFRS 9 (see Note 2.16).

Financial assets at FVTPL are measured at fair value with gains or losses recognized in profit or loss as part of Finance Income in the consolidated statement of income. The fair values of these financial assets are determined by reference to active market transactions or using a valuation technique where no active market exists.

Interest earned on these investments is included in the net fair value gains (losses) on these assets presented as part of Finance Income in the consolidated statement of income.

The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Group is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Group's business model will take effect only at the beginning of the next reporting period following the change in the business model.

(b) Impairment of Financial Assets

At the end of the reporting period, the Group assesses its ECL on a forward-looking basis associated with its financial assets carried at amortized cost and debt instruments measured at FVOCI. The measurement of ECL involves consideration of broader range of information that is available without undue cost or effort at the reporting date about past events, current conditions, and reasonable and supportable forecasts of future economic conditions (i.e., forward-looking information) that may affect the collectability of the future cash flows of the financial assets. Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instruments evaluated based on a range of possible outcome.

The Group elected the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade and other receivables and contract assets. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL, the Group uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix. The Group also assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the days past due [see Note 32.2(b)].

On the other hand, the Group applies a general approach in relation to advances to and receivables from related parties. The maximum period over which ECL should be measured is the longest contractual period where an entity is exposed to credit risk. In the case of these receivables from related parties, which are repayable on demand, the contractual period is the very short period needed to transfer the cash once demanded. Management determines possible impairment based on the sufficiency of the related parties' highly liquid assets in order to repay the Group's receivables if demanded at the reporting date taking into consideration the historical defaults of the related parties. If the Group cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of advances to related parties can be collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized.

For debt instruments measured at amortized cost and at FVOCI, the Group recognizes lifetime ECL when there has been a significant increase in credit risk on a financial asset since initial recognition. Lifetime ECL represents the expected credit loss that will result from all possible default events over the expected life of a financial asset, irrespective of the timing of the default. However, if the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures and provides for credit losses that are expected to result from default events that are possible within 12-months after the end of the reporting period.

The Group determines whether there has been a significant increase in credit risk for financial asset since initial recognition by comparing the risk of default occurring over the expected life of the financial asset between the reporting date and the date of the initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that may indicate an actual or expected deterioration of the credit quality of the financial assets.

The key elements used in the calculation of ECL are as follows:

- *Probability of default* – It is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.

- *Loss given default* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Group would expect to receive, including the realization of any collateral or effect of any credit enhancement.

- *Exposure at default* – It represents the gross carrying amount of the financial instruments in the event of default which pertains to its amortized cost.

The Group recognizes an impairment loss in profit or loss for all financial instruments subjected to impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt instruments measured at FVOCI, for which the loss allowance is recognizes in other comprehensive income and accumulated in Revaluation Reserves account, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

(c) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.5 Construction Materials

Construction materials are valued at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of construction materials includes all costs directly attributable to acquisition such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities.

The net realizable value of construction materials is the current replacement cost.

2.6 Other Assets

Other current assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period, are classified as non-current assets.

2.7 Property, Plant and Equipment

Property, plant and equipment, except land and construction in progress, are carried at acquisition cost or construction cost less subsequent depreciation and any impairment losses. Land held for use in operations or administration is stated at cost less any impairment losses.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on straight-line basis over the estimated useful lives of the assets as follows:

Building	25 years
Precast factory	25 years
Precast and construction equipment	3-15 years
Office furniture, fixtures and equipment	3-10 years
Transportation equipment	5-8 years

Construction in progress represents properties under construction and is stated at cost. This includes cost of construction of the Group's building, batching plant and precast factory, and any applicable borrowing costs (see Note 2.22). The account is not depreciated until such time that the assets are completed and available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.20).

The residual values and estimated useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

Fully depreciated assets are retained in the accounts until these are no longer in use and no further charge in depreciation is made in respect of these assets.

An item of property, plant and equipment, including the related accumulated depreciation and impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.8 Acquisition of Asset

Acquisition of interest in an entity that holds investment property which does not constitute a business is accounted for as an asset acquisition. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members and participant. Under the asset purchase accounting, the purchase cost is allocated to identifiable assets and liabilities based on relative fair values of individual items; goodwill or gain on bargain purchase is not recognized; and, transaction costs are capitalized.

2.9 Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Pursuant to the Concession Agreement for the PITX Project, the Group is granted the exclusive right and obligation to construct and develop the commercial area of the PITX Project (see Notes 1.2 and 29.3.2), which shall be held for rentals and rendering of any incidental service or facility from the use of commercial areas. Accordingly, the Group accounts for the construction and development of commercial area as Investment Property.

Investment property comprising of asset under construction and development are measured initially at acquisition cost, including transaction costs. This includes cost of construction, any applicable borrowing costs (see Note 2.22) and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

Following initial recognition, investment properties are carried at cost less accumulated depreciation and any impairment in value (see Note 2.20).

In 2019, the Group started to depreciate the investment property using straight-line method as the asset is already readily available for its intended use. Depreciation is computed over the remaining concession period of 33 years.

The Group's investment properties also include land which is carried at cost less any impairment in value.

The carrying value of the investment properties are reviewed for impairment when changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the asset is written down to its recoverable amount and impairment losses are recognized in the consolidated statement of income.

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the consolidated statement of income in the year of retirement or disposal.

2.10 Intangible Assets

The Group's intangible assets currently include acquired software licenses and concession assets as described in more detail as follows:

(a) Concession Assets

The Group accounts for its Concession Agreement in relation to the MCIA Project [see Notes 1.2(a) and 13] under the intangible asset model as it receives the right (license) to charge users of the public service.

The concession asset is recognized initially at cost. It consists of:

(i) Upfront fees payments on the Concession Agreement, including the related borrowing costs;

(ii) Directly attributable costs related to the acquisition of the concession assets; and,

(iii) Cost of infrastructure constructed and under construction in accordance with the terms and conditions of the Concession Agreement. These are not recognized as property, plant and equipment of the Group but as an intangible asset.

Following initial recognition, concession assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The service concession asset is amortized using the unit-of-production method which reflects the asset's usage based on passenger volume and usage of their airport activities over the concession period. Management believes that usage-based method best reflects the pattern of consumption of the concession asset.

The period and method of amortization are reviewed at least at the end of each financial reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on the concession asset is recognized in the consolidated statement of income in the expense category consistent with the function of the concession asset.

Subsequent costs and expenditures related to infrastructures arising from the Group's commitments to the Concession Agreement are recognized as additions to the concession asset and are stated at cost. Capital expenditures necessary to support the Group's operation as a whole are recognized as property, plant and equipment and accounted for in accordance with the Group's accounting policy on Property, Plant and Equipment.

The concession asset will be derecognized upon turnover to the Grantors. There will be no gain or loss upon derecognition as the concession asset, which is expected to be fully amortized by then, will be handed over to the Grantors with no consideration.

Concession assets not yet in use are initially recognized at cost and assessed for impairment at least annually based on the asset's value-in-use. Amortization of the assets will commence only when it becomes available for use.

The Group's concession asset's available for use are tested for impairment if there are any indications of impairment. The related carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.20).

(b) Acquired Computer Software Licenses

Acquired computer software license (shown as part of Other Non-current Assets) is accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition or production. Capitalized costs are amortized on a straight-line basis over the estimated useful lives of three to five years as the lives of these intangible assets are considered finite. In addition, this is subject to impairment testing as described in Note 2.20.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred.

Costs that are directly attributable to the development phase of new customized software for information technology are recognized as intangible assets if, and only if, the Group can demonstrate all of the following recognition requirements:

(i) technical feasibility of completing the prospective product for internal use or sale;

(ii) the intangible asset will generate probable economic benefits through internal use or sale;

(iii) intention and ability to complete, i.e., availability of sufficient technical, financial and other resources necessary for completion, and use or sell the asset; and,

(iv) ability to measure reliably the expenditure attributable to the intangible asset during development.

Acquired computer software license is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition of an intangible asset is determined as the difference between the net disposal proceeds and carrying value of the asset, and is charged to profit or loss for the period.

2.11 Financial Liabilities

Financial liabilities, which include interest-bearing loans and borrowings, trade and other payables [except output value-added tax (VAT) and other taxes payable], security deposits and retention payable (under Other Non-current Liabilities) are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges incurred on a financial liability are recognized as an expense in profit or loss as part of Finance Costs in the consolidated statement of income.

Interest-bearing loans and borrowings are raised for support of funding of operations. Finance charges, including direct costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and other payables are initially recognized at their fair value and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Lease liabilities and obligations under finance lease (included as part of Interest-bearing Loans and Borrowings account) are recognized at amounts equal to the fair value of the leased property or, if lower, at the present value of minimum lease payments, at the inception of the lease (see Note 2.18).

Dividend distributions to shareholders are recognized as financial liabilities upon declaration by the BOD.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.12 Business Combinations

Business acquisitions are accounted for using the acquisition method of accounting.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition, except for lease liabilities which are measured based on the present value of the remaining lease payments as if the acquired lease were a new lease at acquisition date and right-of-use assets which are measured at an amount equal to the recognized lease liability, adjusted to reflect favorable or unfavorable lease terms compared with market terms. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.20).

Negative goodwill which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to income.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.13 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's executive committee; its chief operating decision-maker. The executive committee is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 4, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements, except that the following are not included in arriving at the operating profit of the operating segments:

- post-employment benefit expenses;
- expenses relating to share-based payments, if any;
- research costs relating to new business activities; and,
- revenue, costs and fair value gains from investment property, if any.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

2.14 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

2.15 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.16 Derivative Financial Instruments and Hedging

Derivative financial instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently re-measured and accounted for in the consolidated statement of financial position at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedge of an identified risk and qualifies for hedge accounting treatment or accounted for as derivative not designated for hedges.

The objective of hedge accounting is to match the impact of the hedged item and the hedging instrument in the consolidated statement of comprehensive income. To qualify for hedge accounting, the hedging relationship must comply with strict requirements such as the designation of the derivative as a hedge of an identified risk exposure, hedge documentation, probability of occurrence of the forecasted transaction in a cash flow hedge, assessment and measurement of hedge effectiveness, and reliability of the measurement bases of the derivative instruments.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The Group's derivative financial instruments are accounted for transactions not designated as hedges. Certain freestanding derivative instruments that provide economic hedges under the Group's policies either do not qualify for hedge accounting or are not designated as accounting hedges. Changes in the fair values of derivative instruments not designated as hedges are recognized immediately in the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. For bifurcated embedded derivatives in financial and non-financial contracts that are not designated or do not qualify as hedges, changes in the fair value of such transactions are recognized in the consolidated statement of income.

2.17 Revenue and Expense Recognition

Revenue arises mainly from rendering of construction services, airport operations, airport merchandising operations and terminal operations, above others.

To determine whether to recognize revenue, the Group follows a five-step process:

1) identifying the contract with a customer;
2) identifying the performance obligation;
3) determining the transaction price;
4) allocating the transaction price to the performance obligations; and,
5) recognizing revenue when/as performance obligations are satisfied.

The Group determines whether a contract with customer exists by evaluating whether the following gating criteria are present:

(a) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
(b) each party's rights regarding the goods or services to be transferred or performed can be identified;
(c) the payment terms for the goods or services to be transferred or performed can be identified;
(d) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
(e) collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
(b) the Groups performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
(c) the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

The Group often enters into transactions involving construction services, airport operations, airport merchandising operations, terminal operations, and other contracts containing performance obligations with counterparties. The significant judgments used in determining the transaction price and the amounts allocated to the performance obligations are disclosed in Note 3.1(c). The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the asset or services transfers to the customer. If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied. The Group's normal credit terms ranges from 35 to 60 days after billing.

In addition, the following specific recognition criteria for each identified performance obligation must also be met before revenue is recognized:

(a) *Construction operations revenue* – Revenue from construction activities such as construction works, sale of construction materials, management fee and rental of construction equipment.

i. *Contract revenues* – Revenue from construction services is recognized over time as the service is provided. The Group uses the percentage of completion method to determine the appropriate amount to recognize as contract revenue in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

ii. *Sale of construction materials* – is recognized at a point in time when the risks and rewards of ownership of the goods have been passed to the buyer. i.e., generally when the customer has acknowledged the delivery of goods.

iii. *Management fee* – This is recognized on a time-and-materials basis as the services are provided. Customers are invoiced monthly as work progresses, which are due upon receipt by the customers. Any amounts remaining unbilled at the end of a reporting period are presented in the consolidated statement of financial position as receivables as only the passage of time is required before payment of these amounts will be due.

(b) *Airport operations revenue* – Revenue from airport operations pertains to revenue from services related to aeronautical and non-aeronautical activities in the MCIA, which are further classified as follows:

i. *Aeronautical revenue* – Aeronautical revenues pertain mainly to passenger service charges which are recognized as revenue over time when the related airport services have been rendered, the rates for such fees are provided under Administrative Order (AO) No. 2, Series of 2011, issued by MCIAA. On the other hand, revenues from ancillary services such as parking, tacking, and lighting services are recognized at a point in time upon availment of service.

ii. *Concession revenue* – Concession revenues are generated through terminal concessionaires, tenants or airport service providers who pay monthly fees for the right to use or access airport facilities to offer their goods and services to the general public and air traveling community. Airport facilities and parking spaces are not specific in the license agreement and the Group still has control over which are available for rental. Payments are in accordance with the negotiated agreements with these parties, and are based on either a minimum monthly guarantee or on gross receipts as applicable. Concession revenue is recognized over time when the related sale of concessionaire is earned.

iii. *Commercial revenue* – Commercial revenues comprise advertising charges, car parking and car rental revenues. Car parking revenue comprises time-based charges from the operation of car parking services. Car rental revenue comprises concession charges from car rental companies. Revenue is recognized over time when the related services are provided.

(c) *Airport merchandising operations revenue* – Airport merchandising operations revenues relates to sale of food and non-food items within the premise of MCIA. Airport merchandising operations revenues are recognized at a point in time when the control over the goods have passed to the buyer.

(d) *Terminal operations revenue* – Terminal operations revenue is recognized under the cost-recovery method in accordance with PFRS 15. Rendering of operating services is one of the Group's performance obligations under the Concession Agreement. After the recovery of construction costs, revenues are recognized based on the terminal operations of the PITX Project up to the extent of the annual grantor payment (AGP).

(e) *Check-in counter revenue* – This comprises rental of check-in counter charged to airline companies and space rental charged to tenants. The Group bills the airlines based on the number of passengers. The rate per passenger varies on the annual number of passengers reached by each airline per cycle. Revenue from check-in counters is recognized over the period when the related services have been rendered.

(f) *Sale of goods* – is recognized at a point in time upon transferring control of the promised goods or services to a customer

The Group presents a contract asset when it transfers control of goods or performs services before the customer pays consideration or before payment is due. A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer.

The Group presents a contract liability when a customer pays the consideration, or the Group has the right to an amount of consideration that is unconditional (i.e., a receivable), before the Group transfers goods or performs services to the customer. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contract liability also includes cash received from customers which are applied to subsequent progress billings for construction contracts. The Group considers the effect of significant financing component in the contract which is recognized as part of Contract Revenues and Finance Cost in the consolidated statement of income [see Note 3.1(c)].

The Group incurs incremental costs in obtaining customer contracts (i.e., biddings costs on construction contracts). These costs are expensed when incurred as these are incurred regardless whether the contract is obtained.

The Group also incurs costs in fulfilling contracts with customers. These costs are divided into: (i) costs that give rise to an asset; and, (ii) costs that are expensed as incurred.

When determining the appropriate accounting treatment for such costs, the Group first considers any other applicable standards (see Notes 2.5 and 2.7). If other standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15. If other standards are not applicable to deferred fulfillment costs, the Group applies the following criteria, which, if met, result in capitalization:

(a) the costs directly relate to a contract or to a specifically identifiable anticipated contract;
(b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
(c) the costs are expected to be recovered.

Deferred fulfillment costs recognized as part of Other Current Assets in the consolidated statement of financial position are amortized using percentage of completion method consistent with construction revenue recognition policy of the Group. Furthermore, these are derecognized either upon disposal or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Group determines whether there is an indication that deferred fulfillment costs may be impaired. An impairment loss is recognized when the carrying amount of the assets exceeds the remaining amount of consideration that the Group expects to receive, less the costs of providing the services under the relevant contract (see Note 2.20).

In 2017 and prior periods, the Group recognized revenues based on the provisions of PAS 11, *Construction Contracts*, and PAS 18, *Revenue*, which is to the extent that such revenues and the related costs incurred or to be incurred can be measured reliably and it is probable that future economic benefits will flow to the Group. Generally, revenues are recognized when the customer has accepted the services that have been provided and the risks and rewards of ownership of the goods has been transferred to the customer. Where the outcome of the contract cannot be measured reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable.

In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) *Contract revenue* – Revenue from construction of buildings is recognized using the percentage of completion method based on the physical completion of the project, while revenues relating to construction or upgrade services of the concession assets is made by reference to the stage of completion of the contract.

(b) *Aeronautical revenue* – Aeronautical revenues comprise passenger service charges, tacking fees, parking fees, and lighting fees. Aeronautical revenues are recognized as revenue when the related airport services have been rendered, the rates for such fees are currently provided under Administrative Order (AO) No. 2, Series of 2011, issued by MCIAA.

(c) *Airport merchandising operations revenue* – Airport merchandising operations revenues relates to sale of food and non-food items within the premise of MCIA. Airport merchandising operations revenues are recognized when the risks and rewards of ownership of the goods have passed to the buyer.

(d) *Concession revenue* – Concession revenues are generated through terminal concessionaires, tenants or airport service providers who pay monthly fees for using or accessing airport facilities to offer their goods and services to the general public and air traveling community. Payments are based on negotiated agreements with these parties, or are based on either a minimum monthly guarantee or on gross receipts. Concession revenue is recorded as it is earned. Some tenant agreements require self-reporting of concession operations and/or sales. The timing of concessionaire reporting and when revenue earned is recorded will determine when accruals are required for each tenant.

(e) *Rental revenue* – Rental revenue comprise rental of check-in counter charged to airline companies and space rental charged to tenants. Rental from check-in counters is recognized when the related service have been rendered. Space rental is recognized on a straight-line basis over the lease term. Contingent revenue is recognized in the period in which the contingent event occurs.

(f) *Commercial revenue* – Commercial revenues comprise advertising charges, car parking and car rental revenues. Car parking revenue comprises time-based charges from the operation of car parking services. Car rental revenue comprises concession charges from car rental companies. Revenue is recognized when the related services are provided.

(g) *Management fee* – Fees are recognized when services are rendered.

(h) *Interest income* – Income is recognized as the interest accrues taking into account the effective yield on the asset.

Costs and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except for capitalized borrowing costs which are included as part of the cost of the related qualifying asset.

2.18 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

(i) Accounting for Leases in Accordance with PFRS 16 (2019)

For any new contracts entered into on or after January 1, 2019, the Group considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability in the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.20).

On the other hand, the Group measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the consolidated statement of financial position, right-of-use assets and lease liabilities have been presented as part of Property, Plant and Equipment and Interest-bearing Loans and borrowings, account respectively.

(ii) Accounting for Leases in Accordance with PAS 17 (2018 and 2017)

Leases, which transfer to the Group substantially all risks and benefits incidental to ownership of the leased item, are classified as finance leases and are recognized as assets and liabilities in the consolidated statement of financial position at the inception of the lease at amounts equal to the fair value of the leased property or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance costs are recognized in profit or loss. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Finance lease obligations, net of finance charges, are included in Interest-bearing Loans and Borrowings account in the consolidated statement of financial position.

For sale and leaseback transactions resulting in a finance lease, any excess of sales proceeds over the carrying amount of the asset is not immediately recognized as income by the Group (as seller-lessee) but deferred and amortized over the lease term. However, if the carrying amount of the asset exceeds the sales proceeds, the loss is immediately charged to profit or loss in the consolidated statement of income.

Leases, which do not transfer to the Group substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Operating lease payments (net of any incentive received from lessor) are recognized as expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific or identified asset or assets and the arrangement conveys a right to use the asset for a period of time in exchange for consideration.

(b) Group as Lessor

Leases wherein the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

Revenue from rentals also include revenue from lease of the Group's office and commercial spaces and various equipment which is recognized on the straight-line basis over the lease term based on the provision of the covering lease contracts, including any minimum rent free period therein, plus additional rent free period as mutually agreed by the contracting parties.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.19 Foreign Currency Transactions and Translation

(a) Transactions and Balances

Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income.

(b) Translation of Financial Statements of Foreign Subsidiaries

The consolidated operating results and financial position of offshore subsidiaries (see Note 1), which are measured using the United States ("U.S.") dollar, are translated to Philippine pesos, the Parent Company's functional currency, as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

Income and expenses for each profit or loss account are translated at the monthly average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and,

(ii) All resulting translation adjustments are recognized in other comprehensive income and as part of Revaluation Reserves in the consolidated statement of changes in equity

When a foreign operation is partially disposed of or sold, such exchange differences are recognized in the consolidated statement of income as part of the Other Income (Charges).

The translation of the financial statements into Philippine peso should not be construed as a representation that the foreign currency amounts could be converted into Philippine peso amounts at the translation rates or at any other rates of exchange.

2.20 Impairment of Non-financial Assets

The Group's investments in associates and joint ventures, property, plant and equipment, intangible assets, concession assets, investment properties, deferred fulfilment costs and other non-financial assets are subject to impairment testing. All non-financial assets, except intangible assets not yet available for use which are tested for impairment at least annually, are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

Except for intangible assets not yet available for use, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.21 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan and defined contribution plans, and other employee benefits which are recognized as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's post-employment defined benefit plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory and administered by a trustee.

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payment using a discount rate derived from the interest rates of a zero coupon government bonds [using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL)] that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise.

Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also takes into account any changes in the net defined benefit liability or asset during the period as a result of contributions to the plan or benefit payments. Net interest is reported as part of Finance Costs or Finance Income account in the consolidated statement income.

Past service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(b) Post-employment Defined Contribution Plans

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) Bonus Plans

The Group recognizes a liability and an expense for bonuses based on a formula that takes into consideration the employees' performance evaluation attributable to a calendar year. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(d) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of each reporting period. They are included in Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.22 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.23 Income Taxes

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for, using the liability method, on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss. Only changes in deferred tax assets or liabilities that relate to items recognized in other comprehensive income or directly in equity are recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set-off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.24 Related Party Relationships and Transactions

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless of whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates and joint ventures; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the Group's funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

All material related party transactions and related party transactions involving directors and/or officers shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions and related party transactions involving directors and/or officers. In case that a majority of the independent directors' vote is not secured, the material related party transactions and related party transactions involving directors and/or officers may be ratified by the vote of the stockholders representing at least two-third of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of 1% of the Group's total consolidated assets, the same BOD approval would be required for the transaction/s that meet and exceeds the materiality threshold covering the same related party. Under SEC Memorandum Circular No. 10, Series of 2019, *Rules on Material Related Party Transactions for Publicly-listed Companies*, the minimum threshold to be considered as a material related party transaction is 10% of the total assets based on the latest audited consolidated financial statements.

Directors with personal interest in a certain related party transaction should abstain from participating in the discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

2.25 Equity

Capital stock represents the nominal value of common and preferred shares that have been issued.

Additional paid-in capital includes any premium received on the issuance of capital stock or reissuance of treasury shares. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled, reissued or disposed of.

Revaluation reserves comprise actuarial gains and losses due to remeasurements of post-employment defined benefit plan, foreign currency translation of financial statements of foreign subsidiaries, and the mark-to-market valuation of its financial assets at FVOCI.

Other reserves represent GMCAC's equity transaction costs arising from the subscriptions to its shares of stocks.

Retained earnings, the appropriated portion of which is not available for dividend declaration, represent all current and prior period results of operations as reported in the consolidated statement of income, reduced by the amounts of dividends declared.

2.26 Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net profit attributable to shareholders of the Parent Company by the weighted average number of common shares issued and outstanding , adjusted retroactively for any stock dividend, stock split or reverse stock split declared in the current year.

Diluted EPS is computed by adjusting the weighted average number of common shares outstanding to assume conversion of dilutive potential shares. Currently, the Group does not have dilutive potential shares outstanding, hence, the diluted EPS is equal to the basic EPS.

2.27 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Group's accounting policies, management has made the judgments in the succeeding pages, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements.

(a) Determination of Lease Term of Contracts with Renewal and Termination Options (2019)

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated. If the renewal options and/or periods are not enforceable (i.e., if the lessee cannot enforce the extension without the agreement of the lessor), it would not be considered in determining the lease term.

For leases of precast and construction equipment and transportation equipment, the factors that are normally the most relevant are (a) if there are significant penalties should the Group pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Group is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The Group included the renewal period as part of the lease term for of precast and construction equipment and transportation equipment, due to the significance of these assets to its operations. These leases have a short, non-cancellable lease period (i.e., four to ten years) and there will be a significant negative effect on production if a replacement is not readily available. However, the renewal options for leases of transportation equipment were not included as part of the lease term because the Group has historically exercises its option to buy these transportation equipment at the end of the lease term.

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

(b) Determination of timing of Satisfaction of Performance Obligations

(i) Construction Operations Revenue

The Group determined that its revenue from construction services shall be recognized over time in accordance with the percentage-of-completion method. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group provides the construction services that create or enhance an asset that the customer controls as the asset is created or enhanced. This demonstrates that the customer obtains the benefits of the Group's rendering of construction service as it performs.

In determining the best method of measuring the progress of the Group's rendering of construction services, management considers the input method (i.e., based on the Group's inputs to the satisfaction of a performance obligation) under PFRS 15 because of the direct relationship between the Group's effort, in terms of incurred labor hours, and the transfer of service to the customer.

(ii) Airport Operations Revenues

The Group determined that its revenue from airport services shall be recognized over time as the services are being rendered and a point in time for ancillary services (e.g., parking, tacking, and lighting services) that are provided for a short span of time. In making its judgment, the Group considers the timing of receipt and consumption of benefits provided by the Group to the customers. The Group provides the services without the need of reperformance of other entities. This demonstrates that the customers simultaneously receive and consume the benefits of the Group's rendering of aeronautical and non-aeronautical services as it performs.

(iii) Airport Merchandising Operations Revenues

In determining the appropriate method to use in recognizing the Group's revenues from airport merchandising operation revenues, which include sale of food and non-food items in the premises of MCIA, management determines that revenue is recognized at a point in time when the control of the goods has passed to the customer, i.e. generally when the customer acknowledged delivery of goods.

(iv) Terminals Operation Revenues

The Group has the control over the terminal area and the right to collect concessionaire revenue. The Group determined that its revenue from terminal operation services shall be recognized using the cost-recovery method in accordance with PFRS 15 since services rendered is one of the Group's performance obligations under Concession Agreement. After the recovery of construction costs, revenues are recognized based on the terminal operations costs of the PITX Project (see Note 29.3.2) up to the extent of the AGP.

(c) Determination of Transaction Price and Amounts Allocated to Performance Obligations

The transaction price for a contract is allocated amongst the material right and other performance obligations identified in the contract based on their stand-alone contract prices. The transaction price for a contract excludes any amounts collected on behalf of third parties [e.g., value-added taxes (VAT)].

In determining the transaction price, the Group adjusts the amount of consideration for the effects of time value of money for payments received prior to rendering construction services when the construction period is more than one year. This circumstance indicates that the contract contains significant financing component. The Group uses the prevailing interest rate at the time of receipt of advance payments, which approximates the Group's borrowing rate.

(d) Determination of ECL on Trade and Other Receivables, Refundable Security and Bond Deposits, Equity advances and Contract Assets

The Group uses a provision matrix to calculate ECL for trade and other receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is based on the Group's historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Details about the ECL on the Group's trade and other receivables and contract assets are disclosed in Note 32.2.

On the other hand, the Group applies a general approach in relation to equity advances. The maximum period over which ECL should be measured is the longest contractual period where an entity is exposed to credit risk. Management determines possible impairment based on the assessment of the recoverability of the investment based on the eventual conversion of these advances to shares (see Note 11.1).

With respect to refundable security and bond deposits, management does not expect significant risks of collectibility since the same can be applied to the last period rentals at the option of the Group.

(e) Evaluation of Business Model Applied in Managing Financial Instruments

The Group developed business models which reflect how it manages its portfolio of financial instruments. The Group's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Group) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Group evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Group (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Group's investment and trading strategies.

(f) Testing the Cash Flow Characteristics of Financial Assets and Continuing Evaluation of the Business Model

In determining the classification of financial assets under PFRS 9, the Group assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria.

In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Group assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Group considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

In addition, PFRS 9 emphasizes that if more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Group considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessary inconsistent with a held-to-collect business model if the Group can explain the reasons for those sales and why those sales do not reflect a change in the Group's objective for the business model.

(g) Distinction Between Business Acquisition and Asset Acquisition

The Group determines whether the acquisition of an entity constitute a business acquisition or an asset acquisition. The accounting treatment for the acquisition is determined by assessing whether the transaction involved a purchase of a "business" taking into consideration the substance of the transaction. Failure to make the right judgment will result in misstatement of assets.

Management has assessed that the acquisition of ownership in Altria is to be accounted for as asset acquisition (see Note 11.2) since it does not constitute a purchase of business. Conversely, the equity ownership in GMCAC, MCEI, GMI, MLI, MCBVI, MWMTI, MTI, and MIL are accounted for as investment in subsidiaries.

(h) Distinction Between Operating and Finance Leases for Contracts where the Group is the Lessor

The Group has entered into various lease agreements for check-in counters and space rental. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risks and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

(i) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Accounting policies on recognition of provisions and contingencies are discussed in Note 2.15 and relevant disclosures are presented in Note 29.

(j) Determination of Control, Joint Control and Significant Influence

Judgment is exercised in determining whether the Group has joint control of an arrangement or significant influence over an entity. In assessing each interest over an entity, the Group considers voting rights, representation on the BOD or equivalent governing body of the investee, participation in policy-making process and all other facts and circumstances, including terms of any contractual arrangement.

Management considers that the Group has de facto control over GMI even though it effectively holds 50% of the ordinary shares. The Parent Company exercises control over the entity because major decisions involving entering and negotiating Supply and Delivery Agreements with Duty Free Philippines Corporation still rests with the Parent Company. In line with this, the Parent Company retains control over GMI's operations [see Note 1.2(c)].

The Group believes that it does not have a control over MWCCI and CMCI but significant influence due to the ability to participate over the entity's relevant activities. Hence, the investees are treated as associates (see Note 11.1). In addition, the Group has determined that it does not have a significant influence, but has joint a control over MGCJV, MGCJVI, MTRGC and SSPPC due to the contractually agreed sharing of control over these investees wherein decision on relevant activities require unanimous consent between the Group and its co-venturers. The Group recognizes its interest in MTRGC and SSPPC as joint ventures, while its interests in MGCJV and MGCJVI are recognized as joint operations [see Notes 2.3(c) and 11.4]. On the other hand, the Group has determined that its ownership interest in Silar Solar Power Inc. (SSPI) does not result in control or significant influence over SSPI (see Note 10).

The related key assumptions on the estimation uncertainty of certain interests in MWCCI, CMCI, and SSPI are discussed in Note 3.2(e).

(k) Capitalization of Borrowing Costs

The Group determines whether the amount of borrowing costs qualify for capitalization as part of the cost of the qualifying asset, or expensed outright. The accounting treatment for the borrowing costs is determined by assessing whether the asset is a qualifying asset taking into consideration the period of time to get the asset ready for its intended use. Failure to make the right judgment will result in misstatement of assets and net profit.

(l) Accounting for Service Concession Arrangement

IFRIC 12 outlines an approach to account for contractual arrangements arising from entities providing public services. It provides that the operator or concessionaire should not account for the infrastructure under PAS 16 as property, plant and equipment, but recognized a financial asset and/or an intangible asset if the following conditions are met:

- The Grantor controls or regulates what services the operator or concessionaire must provide with the infrastructure, to whom it must provide them, and at what price; and

- The Grantor controls through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the term of the arrangement.

Mactan-Cebu International Airport Project

As discussed in Note 1.2(a), the Philippine Government, acting through the DOTr and MCIAA, executed a Concession Agreement with GMCAC whereby GMCAC was given an exclusive right to design, develop, and undertake the MCIA Project; and, enjoy complete and uninterrupted possession of the MCIA Project Assets for the purpose of implementing the MCIA Project.

At the end of the concession period, GMCAC shall hand-over the MCIA Project and the Project Assets to the Grantors without cost, free from any liens and encumbrances, including all improvements made to the airport facilities, commercial assets, works in progress, and right to receive revenues. In addition, GMCAC shall be entitled to collect and receive concession revenue consisting of revenues on account of passenger service charge, airport parking fees, and tacking fees; other apron charges; and, revenues from commercial charges. GMCAC may apply for an increase of such fees following the procedures as set forth in the Concession Agreement.

The Group has identified that the Concession Agreement is within the scope of IFRIC 12 and shall be accounted for using the intangible asset model, wherein the service concession asset is recognized as an intangible asset in accordance with PAS 38, *Intangible Assets*. The intangible asset is amortized using the usage based method over the life of the concession agreement as management believes that straight-line method best reflects the pattern of consumption of the concession asset.

In April 2014, GMCAC paid upfront fees to the Philippine Government amounting to P14,404.6 million to undertake the implementation and operation of the MCIA Project in accordance with the Concession Agreement (see Note 13). The Group identified certain significant and key activities related to the MCIA Project, as also set forth in the Concession Agreement. As such, the upfront fees were allocated among these key activities using proportionate rates based on the expected construction/renovation costs as follows: (i) existing Terminal 1 infrastructure; (ii) construction of new passenger Terminal; (iii) renovation and expansion of Terminal; and, (iv) capacity augmentation. Subsequent project development costs will be capitalized as incurred on the specific key activities related to the Project.

Parañaque Integrated Terminal Exchange Project

As discussed in Note 29.3.2, the Philippine Government acting through the DOTr executed a Concession Agreement on February 25, 2015 with MWMTI whereby the latter was given an exclusive right to design, develop, and undertake the PITX Project and enjoy complete and uninterrupted possession of the Project Assets for the purpose of implementing the PITX Project. At the end of the concession period, MWMTI shall hand over the PITX Project and Project Assets to the Grantor without cost, free from any liens and encumbrances, including all improvements made to the terminal facilities, commercial assets, works in progress, and right to receive revenue.

The PITX Project is composed of separately identifiable terminal and commercial areas under a certain development plan with different degrees of control between the Grantor and MWMTI. The terminal area is controlled by the Grantor while the commercial area is controlled by MWMTI. In addition, MWMTI shall be entitled to collect and receive the concessionaire revenue from the commercial area while it will be receiving fixed payments from the Grantor for the terminal area.

Consequently, MWMTI has identified that the Concession Arrangement with respect to the terminal area of the PITX Project is within the scope of Philippine Interpretation IFRIC 12 and shall be accounted for using the financial asset model, wherein the concession asset arising from the component of terminal area is recognized as financial asset in accordance with PFRS 9.

On the other hand, the Group determined that the component with respect to the commercial area of the PITX Project is not within the scope of IFRIC 12, and therefore, shall be accounted for using the applicable accounting standard based on the control and purpose of the operation, hence, PAS 40, *Investment Property* (see Notes 2.9 and 15).

The related concession asset accounted for under the financial asset model is presented as part of Contract Receivables in the consolidated statement of financial position, which includes the recoverable accumulated costs incurred for the development and construction of the PITX Project as determined in accordance with PFRS 15 and equivalent to the fair value of construction services and other considerations provided (see Notes 2.4 and 13).

(m) Non-consolidation of Entities in which the Group Holds More than 50% Ownership

The Parent Company's ownership interest in MWCCI was accounted for as an associate even though it holds 51% ownership interest. In making the assessment of whether the Parent Company has control over the relevant activities of MWCCI, management considers that Citicore has the ultimate control since it effectively owns 66% of MWCCI as of December 31, 2019 and 2018. Moreover, Citicore entered into a management agreement with MWCCI, whereby Citicore shall provide management services to MWCCI for the administration of its activities under the Modernization of the Philippine Orthopedic Center (MPOC) Project [see Note 11.1(a)].

The Parent Company's ownership interest in MWMTI in 2017 and prior years was accounted for as a joint venture even though it holds 51% ownership interest. In making the assessment of whether the Parent Company has control over the relevant activities of MWMTI, management considers that it has joint control with the other venturer, which holds 49% ownership, since both venturers have equal representations to MWMTI's BOD and all significant decisions and approvals to direct the relevant activities of MWMTI for the construction and eventual operation of the PITX Project with the DOTr require consensus of both parties (see Note 11.3). However, in 2018, MWMTI became a subsidiary of the Parent Company due to acquisition by the Parent Company of MTI.

(n) Distinction Between Investment Property and Owner Occupied Property

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the performance of the Group's construction activities and its supply process.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Determination of Appropriate Discount Rate in Measuring Lease Liabilities (2019)

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

(b) Estimation of Allowance for ECL

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 32.2.

(c) Fair Value Measurement for Financial Instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

The carrying values of the Group's financial assets carried at FVTPL, investment in SSPI and other non-current financial assets, and the amounts of applicable fair value changes recognized on those assets are disclosed in Notes 7 and 10, respectively.

(d) Determination of Net Realizable Value of Construction Materials

In determining the net realizable value of construction materials, management takes into account the most reliable evidence available at the time the estimates are made. The Group periodically reviews its construction materials for possible damaged and obsolete items. Items identified as obsolete are provided with impairment allowance.

Management has assessed that no allowance for obsolescence is required to be recognized on construction materials in 2019, 2018 and 2017.

(e) Accounting for Business Combinations

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in profit or loss in the subsequent period.

(f) Estimation of Useful Lives of Intangible Assets, Property, Plant and Equipment, and Investment Property

The Group estimates the useful lives of intangible assets (other than service concession assets) and property, plant and equipment based on the period over which the assets are expected to be available for use. The related estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above.

The carrying amount of intangible assets is analyzed in Notes 12.5 and 13. The carrying amount of property, plant and equipment is analyzed in Note 14.

There were no changes in the estimated useful lives of property, plant and equipment and intangible assets in 2019 and 2018. Actual results, however, may vary due to changes in estimates brought about by the changes in factors mentioned above.

The service concession asset was previously amortized on a straight-line basis over the useful life of 25 years following the period covered by the Concession Agreement. In 2018, the Group changed its method of amortization from straight-line method to usage based method. The change of amortization method was accounted for prospectively as change in accounting estimate. The Group's new amortization policy is determined on the method reflecting the asset's usage based on passenger volume and usage of the airport activities over the concession period.

The Group believes that the usage-based method reflected the pattern in which the concession's future economic benefits are expected to be consumed by the Group and will be applied consistently from period to period, unless there is a change in the expected pattern of consumption of those future economic benefits [see Note 2.10(a)]. The change in amortization method resulted in a decrease in amortization expense of P730.0 million for 2018. In 2019 and 2018, amortization expense recognized relating to concession assets amounted to P738.6 million and P380.2 million, respectively.

(g) Principal Assumption for Estimation of Fair Value of Investment Properties

The Group's investment properties composed of land and commercial area of the PITX Project comprising of asset under construction and development are carried at cost less accumulated depreciation and any impairment in value. Although investment properties are measured using the cost model, the financial reporting standard requires the disclosure of its fair value.

The Group determined the fair value of the building through the cost approach, which is based on consideration of the cost to reproduce or replace the asset to its service capacity in accordance with current market prices for similar assets, for its investment property more appropriately reflects the highest and best use of the property based on market conditions and development. The Group uses assumption that are mainly based on market conditions existing at each reporting period.

The fair value of the investment property determined using the cost approach reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices.

On the other hand, the Group determines the fair value of the land through appraisals by independent valuation specialists using market-based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property.

As of December 31, 2019 and 2018, the management assessed that the cost of the Group's investment properties approximates its fair values.

(h) Determination of Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the deferred tax assets recognized as at December 31, 2019 and 2018 will be fully utilized in the coming years. The carrying value of deferred tax assets as of those dates is disclosed in Note 26.3.

(i) Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.20). Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

PFRS requires non-financial assets to be assessed for any indication of impairment annually, especially those that have not been brought into use. The recoverable amount of the concession assets, including those not yet in use, has been determined based on a value in use calculation using cash flow projections from financial model approved by senior management covering a 21-year period, the remaining life of the concession period.

The pre-tax discount rate applied to cash flow projections is 10.9% and 9.9% as of December 31, 2019 and 2018. Pre-tax discount rate is based on weighted average cost of capital, adjusted for company-specific risks and reflects prevailing or current market conditions at year-end.

The growth rate applied after the completion of Airport Terminal 2 Building ranges from 5% to 10% with an increasing rate after completion of the required capacity augmentation.

The calculation of value in use of the concession assets is most sensitive to the following assumptions:

- Passenger traffic volume
- Discount rate
- Growth rates

The carrying value of the concession assets not yet available for use amounted to P8.7 billion and P10.0 billion as at December 31, 2019 and 2018, respectively (see Note 13).

Management has assessed that no impairment losses are required to be recognized on the Group's non-financial assets in 2019, 2018 and 2017.

(j) Valuation of Post-employment Defined Benefit

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary rate increase. A significant change in any of these actuarial assumptions may generally affect the recognized expense and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment defined benefit obligation and expense and an analysis of the movements in the estimated present value of DBO, as well as the significant assumptions used in estimating such obligation are presented in Note 24.2.

4. SEGMENT REPORTING

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

4.1 Business Segments

(a) *Construction Operations*– principally refers to general construction business, including constructing and sale of precast items and concrete production and rental of construction equipment.

(b) *Airport Operations* – mainly relate to the business of building, rehabilitating, renovating, constructing, developing, operating, and maintaining the MCIA, including the commercial assets thereof and all allied businesses for the operation and maintenance of said airport facility. The Group also has merchandising operations of food and non-food items.

(c) *Landport Operations* – principally relates to the development and implementation of the Southwest Integrated Transport System Project (ITS Project), now known as PITX.

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

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

4.2 Segment Assets and Liabilities

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of allowances and provisions. Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all operating liabilities and consist principally of accounts, wages, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred taxes.

4.3 Analysis of Segment Information

Presented below are the relevant operating segment information about the results of operations and financial position of the Group's business segments as of December 31, 2019, 2018 and 2017, and for the years ended December 31, 2019, 2018 and 2017 (amounts in thousands).

	Construction			Airport			Landport			Total		
	2019	2018	2017	**2019**	2018	2017	**2019**	2018	2017	**2019**	2018	2017
Results of operations												
Sales to external customers	**P 15,309,069**	P 12,255,976	P 18,308,730	**P 4,017,334**	P 3,285,876	P 2,446,504	**P 555,402**	P 18,097	P -	**P 19,881,805**	P 15,559,949	P 20,755,234
Intersegment sales	**651,419**	1,566,655	1,596,091	**-**	-	-	**-**	-	-	**651,419**	1,566,655	1,596,091
Segment Revenues	**P 15,960,488**	P 13,822,631	P 19,904,821	**P 4,017,334**	P 3,285,876	P 2,446,504	**P 555,402**	P 18,097	P -	**P 20,533,224**	P 17,126,604	P 22,351,325
Cost and other operating expenses:												
Cost of construction and airport operations excluding depreciation and amortization	**P 13,033,918**	P 11,089,723	P 14,956,866	**P 886,235**	P 631,994	P 386,948	**P 211,473**	P 17,653	P -	**P 14,131,626**	P 11,739,370	P 15,343,814
Depreciation and amortization	**837,723**	595,696	552,423	**803,232**	425,438	177,559	**111,093**	1,956	-	**1,752,048**	1,023,090	729,982
Other income (charges) – net	**616,476**	235,889	274,847	**807,237**	566,557	323,417	**22,760**	(106)	-	**1,446,473**	802,340	598,264
Tax expense (income)	**127,526**	287,719	540,185	**219,818**	196,716	38,863	**(34,361)**	-	-	**312,983**	484,435	579,048
Other expenses	**706,711**	812,798	745,476	**691,819**	427,747	361,882	**250,647**	17,897	-	**1,649,177**	1,258,442	1,107,358
	P 15,322,354	P 13,021,825	P 17,069,797	**P 3,408,341**	P 2,248,452	P 1,288,669	**P 561,612**	P 37,400	P -	**P 19,292,307**	P 15,307,677	P 18,358,466
Segment Net Profit (loss)	**P 638,134**	P 800,806	P 2,835,024	**P 608,993**	P 1,037,424	P 1,157,835	**(P 6,210)**	(P 19,303)	P -	**P 1,240,917**	P 1,818,927	P 3,992,859
Consolidated Statements of Financial Position												
Total Segment Assets	**P 43,330,597**	P 33,198,176	P 27,951,292	**P 35,934,459**	P 35,137,295	P 30,908,254	**P 7,998,133**	P 4,326,878	P -	**P 87,263,189**	P 72,662,349	P 58,859,546
Total Segment Liabilities	**P 31,030,326**	P 20,473,361	P 14,010,357	**P 26,491,719**	P 26,184,165	P 23,248,315	**P 7,451,163**	P 3,749,546	P -	**P 64,973,208**	P 50,407,072	P 37,258,672

4.4 Reconciliation

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

		2019		2018		2017
Profit or loss						
Segment net profit	**P**	**1,240,917**	P	1,818,927	P	3,992,859
Other unallocated income (expense)	**(**	**129,882)**		75,247	(	1,745,050)
Net profit as reported in the consolidated statements of income	**P**	**1,111,035**	P	1,894,174	P	2,247,809
Assets						
Total segment assets	**P**	**87,263,189**	P	72,662,349	P	58,859,546
Elimination of intercompany accounts	**(**	**9,031,919)**	(	8,391,125)	(	4,805,314)
Other unallocated assets		**2,533,056**		1,634,486		362,584
Total assets as reported in the consolidated statements of financial position	**P**	**80,764,326**	P	65,905,710	P	54,417,816
Liabilities						
Total segment liabilities	**P**	**64,973,208**	P	50,407,072	P	37,258,672
Elimination of intercompany accounts	**(**	**4,083,754)**	(	3,605,142)	(	1,479,178)
Other unallocated liabilities		**1,876,360**		1,099,679		502,878
Total liabilities as reported in the consolidated statements of financial position	**P**	**62,765,814**	P	47,901,609	P	36,282,372

4.5 Other Segment Information

The Group has not identified any segment based on geographical location since the Group's operation is concentrated in one country of location.

Revenues from three major customers in 2019 and 2018 and two major customers in 2017 accounted for 35%, 28% and 31% of the total revenues as presented in the consolidated statements of income, respectively.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are as follows:

	Note	2019	2018
Cash on hand		**P 8,010,339**	P 13,539,520
Cash in banks	11.2	**4,047,584,897**	3,527,325,055
Short-term placements		**2,463,004,625**	2,193,856,073
		P 6,518,599,861	P 5,734,720,648

Cash in banks generally earn interest based on daily bank deposit rates.

Short-term placements are made for varying periods from 14 to 90 days and earn annual effective interest of 2.0% to 6.0% in 2019 and 2018, and 1.0% to 2.0% in 2017.

In 2018, certain financial assets previously classified as FVTPL was reclassified as part of cash equivalent (see Note 7). There was no similar transaction in 2019.

The interest income earned from these financial assets amounted to P110.6 million, P77.8 million and P66.1 million in 2019, 2018 and 2017, respectively, and is presented as part of Finance income under Other Income (Charges) account in the consolidated statements of income (see Note 25.2).

6. TRADE AND OTHER RECEIVABLES

This account consists of the following:

	Notes	2019	2018
Contract receivables:			
Third parties		**P 5,769,575,204**	P 2,598,635,628
Related parties	28.1	**498,607,908**	400,493,319
		6,268,183,112	2,999,128,947
Retention receivables:			
Third parties		**1,750,053,759**	2,740,820,924
Related parties	28.1	**835,195,022**	772,113,457
		2,585,248,781	3,512,934,381
Advances to:			
Related parties	28.4	**6,267,546,499**	3,292,608,712
Officers and employees	28.3	**51,503,789**	34,271,539
		6,319,050,288	3,326,880,251
Receivables from airport operations	21.2	**814,927,327**	522,312,868
Rental receivables:	21.4		
Lease receivable – effect of straight-line method		**382,476,437**	-
Lease receivable – per contract		**142,092,645**	-
		524,569,082	-
Balance carried forward		**P16,511,978,590**	P10,361,256,447

	Notes	2019	2018
Balance brought forward		**P16,511,978,590**	P10,361,256,447
Receivables from sale of goods	21.3	**60,380,697**	-
Accrued interest receivables	28.4	**577,950,645**	-
Other receivables	28.2	**234,122,687**	267,403,113
		17,384,432,619	10,628,659,560
Allowance for impairment		**(10,956,072)**	(416,532,310)
		P17,373,476,547	P10,212,127,250

Contract receivable amounting to P3.3 billion and P0.7 billion, respectively, includes 50% share in MGCJVI's receivable from Bases Conversion and Development Authority (BCDA) representing amount billed for the completion of a certain billing milestone as of December 31, 2019 and 2018, respectively.

Retention receivables pertain to progress billings which are withheld by the project owners equivalent to 5.0% or 10.0% as provided in the respective construction contract of each project. These will only be collected after a certain period of time upon acceptance by project owners of the certificate of completion.

Receivables from airport operations pertain to the Group's accrual of aeronautical, concession, rental and commercial revenues as authorized under the Concession Agreement (see Note 21.2).

Rental receivables include those uncollected from third party tenants of the Group, and the related rent receivables arising from the difference between the cash basis rent income and the straight-line rent income of all lease contracts with fixed payments as of the end of the reporting period. As of December 31, 2019, rent receivables arising from the effect of straight-lining method amounted to P382.5 million (see Note 21.4).

Certain advances to related parties are earmarked for potential investment opportunities being pursued by the said related party in line with the Parent Company's expansion and diversification plans (see Note 28.4).

Trade and other receivables except certain advances to related parties do not bear any interest.

All receivables, except advances to officers and employees, are subject to credit risk exposure [see Note 32.2(b)].

Allowance for Impairment

The Parent Company has been negotiating with a certain client in relation to its long outstanding receivable being disputed by such client. The Parent Company has observed the slowdown of its collections from the said client starting 2015 and has received its last collection in November of the same year and has not subsequently collected any of its receivables since then.

As early as 2013, the Parent Company has started the turn-over process until 2015 including time extensions but only two out of its seven projects were issued with actual related Certificates of Completion and Acceptance (COCAs). Notwithstanding the issuance of COCAs on these two projects, the related receivables have remained outstanding as of the end of 2018 and 2017. Further, despite numerous reconciliations and follow-ups made by the Parent Company in 2015 up to the end of 2017, no final settlement arrangement has been agreed with customer.

In 2018, the Parent Company had more clarity on the recoverability of the receivables based on ongoing negotiations. Hence, it provided additional estimated credit losses amounting to P305.5 million in 2018. In 2019, the Parent Company executed settlement agreement with the said customer and collected portion of the agreed amount in accordance to the provision of the settlement agreement. Consequently, uncollectible portion of the receivable and the related allowance provided in the previous years were fully written-off in 2019. The settlement agreement has been approved by the Parent Company's BOD.

All of the Group's trade and other receivables have been reviewed for impairment using the provision matrix as determined by the management [see Note 32.2(b)]. Total impairment losses recognized by the Group amounted to P38,591, P305,839,093 and P96,652,067 in 2019, 2018 and 2017, respectively.

Total allowance for impairment for long outstanding contract, retention and airport receivables provided by the Parent Company and GMCAC amounted to P11.0 million and P416.5 million as of December 31, 2019 and 2018, respectively.

A reconciliation of the allowance for impairment at the beginning and end of 2019 and 2018 is shown below.

	Note	**2019**	2018
Balance at beginning of year		**P 416,532,310**	P 110,693,217
Impairment losses	23	**38,591**	305,839,093
Write off		**(405,614,829)**	-
Balance at end of year		**P 10,956,072**	P 416,532,310

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

In November 2015, GMCAC entered into an interest rate swap transaction to hedge the interest rate exposure on its floating rate US dollar-denominated loan maturing in June 2022, start date is on December 15, 2017. A notional amount of US$75.0 million floating rate loan was swapped to fixed rate. Under the interest rate swap agreement, GMCAC pays annual fixed interest rate of a range of 1.79% to 2.65% and receives floating rate of six-month US$ LIBOR rate on Bloomberg Page on the notional amount.

As at December 31, 2019 and 2018, GMCAC recognized P78.6 million derivative liability shown under Trade and Other Payables (see Note 17) and P26.3 million derivative asset, respectively. GMCAC recognized in the consolidated statements of income under Other Income (Charges) unrecognized loss from change in fair value of the interest rate swap amounting to US$1.6 million or P104.8 million in 2019, unrecognized gain of US$0.5 million or P45.2 million in 2018 and unrecognized loss amounting to US$0.4 million or P18.9 million in 2017 (see Note 25.3). GMCAC entered into interest rate swap as economic hedges of underlying exposure arising from its foreign currency-denominated loan. Such interest swap agreement is accounted for as a derivate instrument not designated for hedges.

Prior to 2019, FVTPL also includes short-term commercial papers are unsecured, short-term debt instruments issued by a private corporation with high-quality debt ratings with interest rate of 1.2% to 1.8% in 2018 and 2017. These investments are designated by the Group to be carried at FVTPL upon initial recognition. Total interest income earned from these debt securities amounted to nil, P72.4 million and P94.1 million in 2019, 2018 and 2017, respectively, are presented under Other Income (Charges) in the consolidated statements of income (see Note 25.2). In 2018, the remaining financial asset whose fair value is P254.7 million was reclassified as part of cash equivalents (see Note 5). There was no similar transaction in 2019.

The fair value changes in 2018 and 2017 are not significant, hence, not recognized during the reporting periods.

8. CONSTRUCTION MATERIALS

At the end of 2019 and 2018, construction materials were stated at cost. This account consists of the following:

	2019	2018
Work in progress	**P 457,942,166**	P -
Consumables and spare parts	**297,630,728**	223,651,350
Mechanical electrical plumbing and fireproof materials	**221,448,225**	174,511,914
Hardware	**77,832,491**	98,926,621
Rebars	**52,724,034**	140,277,314
Precast	**38,330,842**	59,850,388
Others	**141,219,046**	167,817,442
	P 1,287,127,532	P 865,035,029

Certain scrap construction materials were sold for P7.3 million, P3.4 million and P0.6 million in 2019, 2018 and 2017, respectively. Proceeds from the sale are presented as part of Others – net account under the Other Income (Charges) section in the consolidated statements of income (see Note 25.3).

Work in progress pertains to precast and rebars inventories which are already issued in the project sites but are not yet installed or used for the respective projects.

Others pertain to construction materials which include painting materials, nails and adhesive items.

9. CONTRACT ASSET

The balance of contract assets presented in the consolidated statements of financial position as of December 31, 2019 and 2018 is P3.5 billion and P3.1 billion, respectively, which is net of allowance for impairment amounting to P288.2 million (see Note 32.2).

The significant changes in the contract asset balances during the reporting periods are as follows:

	2019	2018
Balance at beginning of year	**P 3,060,770,976**	P 2,095,587,099
Increase as a result of changes in measurement of progress	**16,207,809,210**	7,517,707,672
Decrease as a result of reversal to trade receivables	**(15,292,846,089)**	(6,552,523,795)
Balance at end of year	**P 3,975,734,097**	P 3,060,770,976

Contract asset pertain to the gross amount due from customers for contract works of all contracts in progress which are not yet billed (see Note 2.17). Contract assets in 2019 and 2018 also include the cost of the terminal area of the PITX Project amounting to P510.1 million and P456.9 million, respectively, which is to be recovered through the Grantor payments [see Notes 3.1(l) and 15].

The Group satisfies its performance obligation when the full completion of the project and benefit therefrom can be derived by the customers. Invoices are due once related accomplishments for the month is complete.

The Group recognizes contract assets, due to timing difference of billings and satisfaction of performance obligation, to the extent of satisfied performance obligation on all open contracts as of the end of the reporting period. Changes in the contract assets are recognized by the Group when a right to receive payment is already established.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

These financial assets pertain to the Group's investments in medium to long term retail treasury bond (RTB) in 2017, certain equity investment acquired in 2015 wherein the Parent Company does not exercise control or significant influence and golf club shares.

The details of the financial assets at FVOCI are shown below.

Investment securities at FVOCI:	
Investment in SSPI	P 2,500,000
Golf club shares	1,044,472
	P 3,544,472

The reconciliation of the carrying amounts of financial assets at FVOCI are as follows:

	2019	2018
Balance at beginning of year	**P 3,544,472**	P 933,317,631
Disposal of RTB	**-**	(929,773,159)
Balance at end of year	**P 3,544,472**	P 3,544,472

In 2018 and 2017, the Group sold RTBs with original face values of P921.5 million and P1,000.0 million for P913.3 million and P921.5 million, respectively. Consequently, the Group recognized a loss amounting to P8.2 million and P78.5 million, respectively, which is presented as Loss on sale of financial assets at FVOCI under Finance Costs in the consolidated statements of income (see Note 25.1).

The Group recognized gain amounting to P8.3 million in 2017 due to changes in fair value of AFS financial assets, which is recognized under Other Comprehensive Income in the 2017 statement of comprehensive income. The gain was reclassified to profit and loss in 2018 upon disposal (see Note 25.2).

The Group has equity interest of 1% in SSPI as of December 31, 2019 and 2018. SSPI was incorporated in the Philippines on August 7, 2015 and established for the operation of solar power and other clean or renewable energy infrastructure. SSPI has started commercial operations in 2016. Its registered office, which is also its principal place of business, is located at 20 N. Domingo Street, Barangay Valencia, Quezon City.

As of December 31, 2019 and 2018, the amounts of the Group's non-current financial assets approximate its fair values. Furthermore, in 2017, management has assessed that the carrying value of these investments is recoverable and that there is no indication or permanent decline in fair value; hence, no impairment loss is required. Starting 2018, upon adoption of PFRS 9, impairment assessment for equities is no longer applicable.

11. EQUITY ADVANCES AND INVESTMENTS IN ASSOCIATES AND JOINT VENTURE AND ACQUISITION OF ASSETS

The carrying values of Investments in Associates and Joint Venture account are shown below:

	Notes	2019	2018
Investments in:			
Associates	11.1	**P 813,771,562**	P 807,345,146
Joint ventures	11.3	**145,734,993**	119,486,966
		P 959,506,555	P 926,832,112

The significant commitments related to the associates and joint venture are discussed in Note 29.

These associates and joint venture are not listed in the local stock exchange; hence, the fair value of the shares cannot be determined reliably. However, management believes that the carrying amounts of the investments are fully recoverable based on either the prospect of the business or the recoverable amount from the net assets of these associates and joint ventures.

11.1 Equity Advances and Investments in Associates

The components of the carrying values of this account are as follows:

	Note	2019	2018
Acquisition cost:			
MWCCI		**P 580,890,000**	P 580,890,000
CMCI		**200,000,000**	200,000,000
		780,890,000	780,890,000
Equity advances in MWCCI		**23,572,864**	23,572,864
Equity share in net profit (losses):			
Balance at beginning of year		**2,882,282**	(4,488,123)
Equity in net profit for the year	25.3	**6,426,416**	7,370,405
Balance at end of year		**9,308,698**	2,882,282
		P 813,771,562	P 807,345,146

These associates do not have any other comprehensive income (losses) both in 2019 and 2018.

(a) MWCCI

MWCCI was incorporated in the Philippines on January 16, 2014 and is primarily established to undertake and implement the construction of a 700-bed capacity super-specialty tertiary orthopedic hospital (New Hospital Facility), under the MPOC Project. MWCCI's registered office, which is also its principal place of business, is at 20 N. Domingo Street, 1112 Valencia, Quezon City.

As of December 31, 2019 and 2018, the Parent Company has 51% ownership interest in MWCCI.

MWCCI sent a Notice of termination of its BOT Agreement with the Department of Health (DOH), which was accepted by DOH in 2016. MWCCI is undertaking measures to recover compensation costs from DOH and believes that that it will ultimately recover in full the costs it incurred relative to the MPOC Project. Accordingly, the Parent Company has not recognized any impairment losses for its investment in MWCCI.

(b) CMCI

The Parent Company, together with Citicore, formed CMCI as a consortium for the construction of classrooms in Regions 3 and 4 under the build-lease-transfer Public Private Partnership (PPP) agreement with the Philippine Department of Education (DepEd) ownership interest (see Note 29.2). CMCI was incorporated in the Philippines on October 15, 2012 and is primarily engaged in general construction business. CMCI's registered address, which is also its principal place of business, is located at 20 N. Domingo Street, Brgy. Valencia, Quezon City.

As of December 31, 2019 and 2018, the Parent Company owns 10% interest in CMCI as a joint venture partner. The rights and powers of the Parent Company over the management and control of CMCI are exercised through a seat in the BOD of CMCI. Taking this into consideration, the Group concluded that it has significant influence over the investee; accordingly, the investment is accounted for as an investment in an associate.

The table below presents the unaudited and audited financial information of MWCCI and CMCI, respectively, as of and for years ended December 31, 2019 and 2018 of the associates (amounts in thousands of PHP).

	Current Assets	Non-current Assets	Current Liabilities	Non-current Liabilities	Revenues	Net Income (Loss)
2019						
MWCCI	P 1,186,343	P -	P 87,447	P -	P -	(P 6,000)
CMCI	3,977,412	3,090,155	2,188,642	2,581,309	408,764	100,438
2018						
MWCCI	P 1,192,459	P -	P 87,522	P -	P -	(P 1,840)
CMCI	4,118,657	3,737,556	2,109,372	3,631,097	467,932	(89,885)

A reconciliation of the above summarized financial information to the carrying amount of the investments in associates is shown below (amounts in thousands of PHP).

	Notes	% Interest Held	Net Asset Value	Share in Net Asset	Carrying Value of Investments
2019					
MWCCI	a	51%	P 1,098,896	P 560,437	P 584,010
CMCI	b	10%	2,297,616	229,762	229,762
Total				**P 790,199**	**P 813,772**
2018					
MWCCI	a	51%	P 1,104,937	P 563,518	P 584,840
CMCI	b	10%	2,115,744	211,574	222,505
Total				P 775,092	P 807,345

Management determined that the difference between the respective share in the net assets of the associates and the carrying amount of the investment in CMCI is not material to the consolidated financial statements. The Group has not recognized any impairment of the investment in MWCCI as the associate expects to collect all its remaining receivables both from the Ultimate Parent Company and from DOH, a third party [see Note 11.1(a)].

As of December 31, 2019 and 2018, the Parent Company did not receive any dividends from its associates.

11.2 Acquisition of Assets of Altria

On December 26, 2012, pursuant to a memorandum of agreement dated December 17, 2012, the Parent Company acquired 100% ownership interest in Altria. Altria is a company incorporated in the Philippines and holds an investment property in the form of land. The registered office of Altria, which is also its principal place of business, is located at Coastal Road Bangiad, San Juan, Taytay, Rizal.

As of December 31, 2019 and 2018, Altria has no operations and its assets mainly pertain to the land where the Parent Company's precast and batching facilities are constructed (see Note 14). In accordance with Group's policy (see Note 2.8), the transaction is treated by the Group as an asset acquisition since the transaction does not constitute a business combination.

The purchase price upon acquisition was allocated among the following accounts based on their relative fair values:

	Notes	
Cash in bank	5	P 486,426
Bond deposits	12	1,500,958
Land	14	303,468,569
Accrued expenses	17	(100,000)
		P305,355,953

Subsequent to the date of acquisition, any changes in the carrying value of the net assets acquired in the books of Altria, including the expenses incurred in administering the property (i.e, property taxes), shall be updated in the books of the Parent Company on a line-by-line basis, as if they are consolidated into a single entity. The difference shall be charged directly to profit or loss as part of Others – net account under the Other Income (Charges) section in the consolidated statements of income (see Note 25.3). In 2019, 2018 and 2017, the Parent Company charged P0.05 million, P0.1 million and P1.1 million, respectively, to profit or loss to account for the expenses incurred by Altria, net of changes in cash in bank, bond deposits and accrued expenses.

11.3 Interest in Joint Ventures

This account includes the carrying values of the following components:

	Notes	**2019**	2018
Acquisition costs:			
MTRGC		**P 58,324,000**	P 58,324,000
SSPPC		**58,324,000**	58,324,000
		116,648,000	116,648,000
Equity share in net profit (losses):			
Balance at beginning of year		**2,838,966**	(5,723,264)
Equity in net profit for the year	25.3	**26,248,027**	2,838,966
Reclassification to investment in subsidiary	15	**-**	5,723,264
Balance at end of year		**29,086,993**	2,838,966
		P 145,734,993	P 119,486,966

These joint ventures do not have any other comprehensive income (losses) both in 2019 and 2018.

GMCAC has 41.66% interest in MTRGC and SSPPC, which are primarily engaged in the set-up, operation and management of duty paid retail, food and beverage outlets and provision of related services thereto in the airport terminals (T1 and T2).

The following are the summary of financial information related to the Group's interest in the joint ventures as of December 31, 2019 and 2018 (amounts in thousands of PHP):

	Current Assets	Non-current Assets	Current Liabilities	Non-current Liabilities	Revenues	Net Income (Loss)
2019						
MTRGC	P 184,489	P 97,359	P 139,996	P -	P 176,202	P 4,603
SSPPC	118,609	383,711	239,667	714	654,764	63,042
2018						
MTRGC	P 131,438	P 55,783	P 45,280	P -	P 73,507	P 1,888
SSPPC	131,146	134,833	120,337	714	180,651	4,927

A reconciliation of the above summarized financial information to the carrying amount of the investments in associates is shown below (amounts in thousands of PHP).

	Net Asset Value	Share in Net Assets	Carrying Value of Investments
2019			
MTRGC	P 141,852	P 59,096	P 59,107
SSPPC	207,939	86,627	86,627
Total		P 145,723	P 145,734
2018			
MTRGC	P 141,941	P 59,133	P 59,110
SSPPC	144,928	60,377	60,377
Total		P 119,510	P 119,487

11.4 Interest in Joint Operations

As discussed in Notes 1.2(k) and 1.2(l), MGCJV shall undertake the construction works for the renovation and expansion of the MCIA Project in Cebu, while, MGCJVI shall undertake the construction works of the Clark Airport. Also, as discussed Note 2.3(c)(i), the Parent Company's interests in MGCJV and MGCJVI are accounted for as joint arrangement – joint operation and, as such, the Parent Company accounts for its interest in the relevant assets, liabilities, revenues and expenses of MGCJV and MGCJVI.

As of and for the years ended December 31, 2019 and 2018, the relevant financial information of the Group's interest in MGCJV and MGCJVI which are included in the appropriate accounts in the Group's consolidated statements of financial position and consolidated statements of income is as follows:

	Before Elimination	Elimination	After Elimination
December 31, 2019			
Assets:			
Cash and cash equivalents	P 1,167,163,906	P -	P 1,167,163,906
Trade and other receivables	3,962,343,717	(224,587,759)	3,737,755,958
Other current assets	42,132,100	-	42,132,100
Property, plant, and equipment – net	10,624,220	-	10,624,220
	P 5,182,263,943	**(P 224,587,759)**	**P 4,957,676,184**

	Before Elimination	Elimination	After Elimination
Liabilities:			
Trade and other payables	P 927,731,006	P -	P 927,731,006
Due to related parties	9,082,068	-	9,082,068
Loans payable	3,750,000,000	-	3,750,000,000
	P 4,686,813,074	**P -**	**P 4,686,813,074**
Revenues and Expenses:			
Contract revenues	P 3,553,993,205	(P 548,512,385)	P 3,005,480,820
Contract costs	(3,095,397,238)	515,682,301	(2,579,714,937)
Other operating expenses	(130,291,134)	-	(130,291,134)
Finance income	(34,209,783)	-	(34,209,783)
	P 294,095,050	**(P 32,830,084)**	**P 261,264,966**
December 31, 2018			
Assets:			
Cash and cash equivalents	P 311,917,408	P -	P 311,917,408
Trade and other receivables	280,828,089	(280,828,089)	-
Other current assets	45,192,320	-	45,192,320
Property, plant, and equipment – net	1,240,564	-	1,240,564
	P 639,178,381	(P 280,828,089)	P 358,350,292
Liabilities:			
Trade and other payables	P 177,947,846	P -	P 177,947,846
Due to related parties	7,866,894	-	7,866,894
Contract Liability	244,412,257	-	244,412,257
Other liabilities	14,052,342	-	14,052,342
	P 444,279,339	P -	P 444,279,339
Revenues and Expenses:			
Contract revenues	P 1,298,357,224	(P 1,298,357,224)	P -
Contract costs	(1,048,183,269)	1,048,183,269	-
Other operating expenses	(67,718,124)	65,432,814	(2,285,310)
Finance income	38,733,362	-	38,733,362
	P 221,189,193	(P 184,741,141)	P 36,448,052

12. OTHER ASSETS

This account is composed of the following:

	Notes	2019	2018
Current:			
Advances to contractors and suppliers	12.1	**P 3,636,414,208**	P 1,776,206,219
Deferred fulfilment costs	12.8	**579,089,321**	1,633,221,503
Prepaid taxes	12.4	**723,415,162**	227,029,354
Input VAT	12.2	**591,350,448**	519,141,575
Deferred input VAT	12.2	**477,092,309**	361,498,527
Refundable security and bond deposits	11.2, 29.1.1	**164,136,039**	125,313,438
Prepaid rent		**17,505,228**	3,560,596
Prepaid insurance		**13,122,680**	128,646,584
Prepaid subscription		**9,402,172**	7,347,069
Deferred transaction cost	12.7	**7,252,715**	-
Miscellaneous		**91,943,795**	109,576,019
		6,310,724,077	4,891,540,884
Non-current:			
Deferred input VAT	12.2	**1,909,715,112**	2,097,455,330
Investment in trust fund	12.6	**862,704,457**	680,421,727
Deposits for condominium units	12.3	**136,301,359**	68,802,067
Computer software license – net	12.5	**47,315,840**	36,980,796
Refundable security deposits	29.1	**32,643,694**	36,422,529
Advances to contractors and suppliers	12.1	**13,316,709**	-
Deferred transaction cost	12.7	**-**	20,783,591
Miscellaneous		**-**	857,167
		3,001,997,171	2,941,723,207
		P 9,312,721,248	P 7,833,264,091

12.1 Advances to Contractors and Suppliers

Current portion of advances to contractors and suppliers pertain to down payments made by the Group based on a certain percentage of the contract price. The initial payment will eventually be recouped or deducted from the amount payable of the Group either in a pro-rated basis or in full once billed by the contractors and supplier. These advances are classified as current since it would be applied as payments for subcontractors. This also includes materials and supplies provided by the Group to subcontractors which will be deducted to the progress billings of the subcontractors upon installation. The risk of loss on these materials and supplies are borne by the subcontractors.

On the other hand, non-current portion of this is related to the down payments made by the Group for the construction of airport terminal building and acquisitions of property, plant and equipment.

12.2 Input VAT

Input VAT under other current assets pertains to the payment of VAT on purchases of services and goods that is recoverable within 12 months. Deferred input VAT pertains to the unamortized input VAT on purchases of capital goods exceeding P1.0 million. Deferred input VAT arising from purchase of capital goods exceeding P1.0 million is to be amortized and credited against output tax evenly over five years or the life of the asset, whichever is shorter.

Non-current portion of deferred input VAT amounting to P1,809.4 million and P2,022.0 million as of December 31, 2019 and 2018, respectively, represents GMCAC's deferred input VAT arising mainly from the acquisition of goods and equipment and payment of services in relation to the construction activities in the airport. The balance is to be transferred to input VAT under Other Current Assets systematically on the basis of the Group's projected output VAT payments over the term of the Concession Agreement (see Note 13).

12.3 Deposits for Condominium Units

Deposits for condominium units represent initial downpayments made for the purchase of condominium units. These will be reclassified to investment property upon execution of contract to sell and deed of sale.

12.4 Prepaid Taxes

Prepaid taxes pertain to the excess of quarterly income tax payments over the current tax due during the year and creditable withholding taxes.

12.5 Computer Software License

The details of this account are presented below.

	2019	2018	2017
Cost	**P 129,596,424**	P 104,219,678	P 100,211,532
Accumulated amortization	**(82,280,584)**	(67,238,882)	(56,298,746)
	P 47,315,840	P 36,980,796	P 43,912,786

A reconciliation of the carrying amounts of computer software license at the beginning and end of the reporting periods is shown below.

	Notes	**2019**	2018
Balance at beginning of year		**P 36,980,796**	P 43,912,786
Additions		**27,538,033**	2,066,511
Reclassification	14	**(2,264,142)**	-
Amortization expense for the year	23	**(14,938,847)**	(8,998,501)
Balance at end of year		**P 47,315,840**	P 36,980,796

In 2019, certain computer software license were reclassified under property, plant, and equipment in relation to the construction of the new T2 building and structural designs (see Note 13).

The related amortization charges were recorded as part of Depreciation and amortization under Other Operating Expenses account in the consolidated statements of income.

12.6 Investment in Trust Fund

On November 28, 2015, GMCAC's BOD authorized GMCAC to establish, maintain and operate trust and investment accounts with a local universal bank (Security Trustee). The investment in trust fund constitutes (i) Revenue Accounts; (ii) Future Major Maintenance Fund Account; (iii) Debt Service Reserve Accounts; (iv) Debt Service Payment Account; and, (v) Distribution Accounts, collectively referred to as "Cash Flow Waterfall Accounts" and Loan Disbursement Accounts under a certain Omnibus Loan and Security Agreement (OLSA) to ensure the prompt payment of the required amortization, interest and principal of the long-term loan. As of December 31, 2019 and 2018, the investment in trust fund is composed only of cash.

The OLSA provided that the Security Trustee shall invest and reinvest the monies in the collateral accounts [see Note 18.2(a)].

12.7 Deferred Transaction Cost

Deferred transaction cost represents legal and documentary stamp taxes paid and amount attributable to the undrawn borrowing facility scheduled for drawdown in the subsequent reporting periods. Upon drawdown, the deferred transaction cost will be accounted for as debt issuance cost which is treated as a discount on the related debt and amortized using the effective interest method over the term of the related debt (see Note 18.2).

12.8 Deferred Fulfilment Cost

Deferred fulfillment cost pertains to costs that are directly related to a specific contract, generate or enhance resources that will be used to fulfill a performance obligations of the Group in the future, and are recoverable under the contract. Such costs include, but are not limited to, mobilization costs of equipment and labor, engineering and design costs, insurance and depreciation of equipment related to a specific contract.

These costs are incurred prior to the transfer of control of goods or services to the customer. Hence, costs and revenues must be deferred. Amortization is based on a systematic and consistent basis, such as the percentage of completion.

The movement of deferred fulfillment costs is shown below:

	2019	2018
Balance at beginning of year	**P 1,633,221,503**	P 718,562,734
Additions	**2,691,241,931**	914,658,769
Amortization	**(3,745,374,113)**	-
Balance at end of year	**P 579,089,321**	P 1,633,221,503

13. CONCESSION ASSETS

Concession Agreement refers to the agreement entered into by the Parent Company and GIL with DOTr and MCIA by virtue of Revised Implementing Rules and Regulations of Republic Act (R.A.) No. 6957, "*An Act Authorizing the Financing, Construction, Operation and Maintenance of Infrastructure Projects by the Private Sector and for Other Purposes*", as amended by R.A. No. 7718 (referred to as the *"BOT Law"*). Under the said agreement, GMCAC was granted by DOTr and MCIA an exclusive right to design, develop, and undertake the MCIA Project; and, enjoy complete and uninterrupted possession of all movable and immovable assets for purposes of implementing the Project, whether tangible or intangible pertaining to concessionaire Operations and Maintenance (O&M) Facilities such as the existing assets, project land, assets produced, installed, built and created pursuant to the Concession Agreement, commercial assets, among others, (collectively referred as Project Assets) [see Note 1.2(a)]. The Concession Agreement is for a period of 25 years commencing on O&M start date unless further extended pursuant to the Concession Agreement.

The MCIA Project comprises the following undertaking:

- Construction of Terminal 2 (T2), along with all Associated Facilities;
- Renovation and expansion, but not the demolition of Terminal 1 (T1) and Associated Facilities;
- Complete reconstruction of Terminal 2 Apron (T2 Apron);
- Capacity Augmentation;
- Development of Commercial Assets; and,
- Operation and Maintenance of the Concessionaire O&M Facilities and Commercial Assets.

As of December 31, the breakdown of the capitalized concession assets is as follows:

	Airport Upfront Fees	Infrastructure	Total
December 31, 2019			
Cost			
Balance at beginning of year	P 17,899,920,545	P 11,165,494,142	P 29,065,414,687
Additions	399,758,404	1,486,111,560	1,885,869,964
Balance at end of year	18,299,678,949	12,651,605,702	30,951,284,651
Accumulated amortization			
Balance at beginning of year	(501,163,876)	(274,937,732)	(776,101,608)
Amortization for the year	(234,135,850)	(504,460,723)	(738,596,573)
Balance at end of year	(735,299,726)	(779,398,455)	(1,514,698,181)
Net carrying amount	**P 17,564,379,223**	**P 11,872,207,247**	**P29,436,586,470**

	Airport Upfront Fees	Infrastructure	Total
December 31, 2018			
Cost			
Balance at beginning of year	P 17,253,208,359	P 8,750,994,313	P 26,004,202,672
Additions	646,712,186	2,414,499,829	3,061,212,015
Balance at end of year	17,899,920,545	11,165,494,142	29,065,414,687
Accumulated amortization			
Balance at beginning of year	(318,597,798)	(77,309,411)	(395,907,209)
Amortization for the year	(182,566,078)	(197,628,321)	(380,194,399)
Balance at end of year	(501,163,876)	(274,937,732)	(776,101,608)
Net carrying amount	P 17,398,756,669	P 10,890,556,410	P 28,289,313,079
January 1, 2018			
Cost	P 17,253,208,359	P 8,750,994,313	P 26,004,202,672
Accumulated amortization	(318,597,798)	(77,309,411)	(395,907,209)
Net carrying amount	P 16,934,610,561	P 8,673,684,902	P 25,608,295,463

Upfront fees include P14,404.6 million bid premium paid by GMCAC to the Philippine Government for the MCIA Project. In addition, the capitalized borrowing costs amounted to P684.6 million and P870.0 million as at December 31, 2019 and 2018, respectively, at a capitalization rate of 4.99% to 9.69% in 2019 and 4.29% to 9.33% in 2018.

Cost of airport infrastructure pertains mainly to the design and renovation of passenger terminals and development works of the MCIA Project. Additions to airport infrastructure, include, among others, the rehabilitation of the existing T1, construction of the new T2 building, and structural design.

As of December 31, 2019 and 2018, concession assets not yet available for use amounted to P8,670.7 million and P9,970.1 million, respectively. The decrease is attributable to the completion of rehabilitation of the existing T1 in August 2019. The breakdown of concession assets not yet available for use are shown below.

	2019	2018
Capacity augmentation	**P 7,350,467,193**	P 6,806,805,734
Fuel hydrant	**808,000,392**	701,070,381
Variation order 4	**289,063,263**	-
Link bridge	**223,214,286**	223,214,286
Terminal 1 renovation	**-**	2,239,006,119
	P 8,670,745,134	P 9,970,096,520

Concession assets not yet available for use are not amortized but tested for impairment at December 31, 2019 and 2018 in accordance with GMCAC's accounting policy. The recoverable amounts of these were determined based on a value in use calculation using cash flow projections from financial model approved by the management covering a 21-year period, the remaining life of the concession. The pre-tax discount rate applied to cash flow projections is 10.9% and 9.9% as of December 31, 2019 and 2018. The growth rate applied after the completion of Airport Terminal 2 Building ranges from 5% to 10% with an increasing rate after completion of the required capacity augmentation. As a result of this analysis, management concluded that the concession assets not yet in use are not impaired.

14. PROPERTY, PLANT AND EQUIPMENT

The gross carrying amounts and accumulated depreciation at the beginning and end of December 31, 2019 and 2018 are shown below.

	Land	Building	Precast Factory	Office Furniture, Fixture and Equipment	Transportation Equipment	Precast and Construction Equipment	Construction in Progress	Right of Use Asset (See Note 16)	Total
December 31, 2019									
Cost	P1,291,654,461	P 481,860,502	P 675,212,912	P722,955,234	P 813,691,664	P7,584,937,751	P 164,766,976	P 701,317,660	P12,436,397,160
Accumulated depreciation	-	(88,688,776)	(221,638,815)	(353,045,181)	(493,990,199)	(3,178,005,390)	-	(132,873,188)	(4,468,241,549)
Net carrying amount	**P1,291,654,461**	**P 393,171,726**	**P 453,574,097**	**P369,910,053**	**P 319,701,465**	**P 4,406,932,361**	**P 164,766,976**	**P568,444,472**	**P 7,968,155,611**
December 31, 2018									
Cost	P1,005,320,584	P 283,116,297	P 549,726,531	P541,034,388	P 700,901,288	P 5,832,197,808	P 150,907,111	P -	P 9,063,204,007
Accumulated depreciation	-	(78,258,889)	(165,925,458)	(241,886,402)	(453,068,963)	(2,627,968,086)	-	-	(3,567,107,798)
Net carrying amount	P1,005,320,584	P 204,857,408	P 383,801,073	P299,147,986	P 247,832,325	P 3,204,229,722	P 150,907,111	P -	P5,496,096,209
January 1, 2018`									
Cost	P 971,600,887	P 273,392,011	P 504,462,455	P386,896,059	P 598,941,490	P 5,340,534,214	P 97,893,614	P -	P8,173,720,730
Accumulated depreciation	-	(63,937,512)	(129,532,649)	(175,646,147)	(372,818,156)	(2,213,722,001)	-	-	(2,955,656,465)
Net carrying amount	P 971,600,887	P 209,454,499	P 374,929,806	P211,249,912	P 226,123,334	P 3,126,812,213	P 97,893,614	P -	P 5,218,064,265

A reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of 2019 and 2018 is shown below.

	Land	Building	Precast Factory	Office Furniture, Fixture and Equipment	Transportation Equipment	Precast and Construction Equipment	Construction in Progress	Right of Use Asset (See Note 16)	Total
Balance at January 1, 2019, net of accumulated depreciation	P 1,005,320,584	P 204,857,408	P 383,801,073	P 299,147,986	P 247,832,325	P 3,204,229,722	P 150,907,111	P -	P5,496,096,209
Effect of adoption of PFRS 16 [Note 2.2(iv)]	-	-	-	-	(43,014,177)	(134,891,630)	-	212,183,448	34,277,641
As restated	1,005,320,584	204,857,408	383,801,073	299,147,986	204,818,148	P 3,069,338,092	P 150,907,111	212,183,448	5,530,373,850
Additions	349,499,888	97,057,738	70,436,606	191,991,957	194,719,927	2,019,643,231	130,701,894	424,531,514	3,478,582,755
Disposal	(63,166,011)	(6,490,029)	-	(72,694)	(339,847)	(12,455,765)	-		(82,524,346)
Reclassification due to CIP Reversal	-	118,386,041	42,559,334	(20,241,007)	970,651	(22,568,848)	(116,842,029)	-	2,264,142
Depreciation charge for the year	-	(20,639,432)	(43,222,916)	(100,916,189)	(80,467,414)	(647,024,349)	-	(68,270,490)	(960,540,790)
Balance at December 31, 2019, net of accumulated depreciation	**P1,291,654,461**	**P 393,171,726**	**P 453,574,097**	**P369,910,053**	**P 319,701,465**	**P 4,406,932,361**	**P 164,766,976**	**P568,444,472**	**P7,968,155,611**
Balance at January 1, 2018, net of accumulated depreciation	P 971,600,887	P209,454,499	P 374,929,806	P 211,249,912	P 226,123,334	P3,126,812,213	P 97,893,614	P -	P5,218,064,265
Additions	33,719,697	9,724,287	1,517,335	157,062,227	97,719,210	579,344,870	60,411,992	-	939,499,618
Reclassification	-	-	36,702,337	(1,163,934)	(225,000)	(27,914,908)	(7,398,495)	-	-
Disposal	-	-	-	(245,991)	-	(26,963,372)	-	-	(27,209,363)
Depreciation charges for the year	-	(14,321,378)	(29,348,405)	(67,754,228)	(75,785,219)	(447,049,081)	-	-	(634,258,311)
Balance at December 31, 2018, net of accumulated depreciation	P 1,005,320,584	P 204,857,408	P 383,801,073	P 299,147,986	P 247,832,325	P3,204,229,722	P 150,907,111	P -	P5,496,096,209

Construction in progress pertains to accumulated costs incurred in constructing a new precast warehouse, workers barracks and logistics department facility which are located in Taytay, Rizal.

In 2019, 2018 and 2017, certain property, plant and equipment were sold for P22.2 million, P30.1 million, and P16.0 million, respectively. As a result, the Group recognized gains amounting to P9.6 million, P2.9 million and P5.2 million in 2019, 2018 and 2017, respectively, and are presented as Gain (loss) on disposals of property and equipment as part of Others – net under Other Income (Charges) account in the consolidated statements of income (see Note 25.3).

As of December 31, 2019 and 2018, the gross carrying amounts of the Group's fully-depreciated property, plant and equipment that are still in use are P596.1 million and P468.1 million respectively. The Group has no idle properties in any of the years presented.

Depreciation expense is charged to the following accounts in the consolidated statements of income:

	Notes	**2019**	2018	2017
Contract costs	22.1	**P 773,562,002**	P 552,073,867	P 483,038,875
Cost of terminal operations	22.4	**56,627,495**	-	-
Other operating expenses		**130,351,293**	82,184,444	49,118,753
		P 960,540,790	P 634,258,311	P 532,157,628

15. INVESTMENT PROPERTIES

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

	Land	Commercial Area	Total
December 31, 2019			
Cost	P 160,270,935	P 3,767,853,349	P 3,928,124,284
Accumulated depreciation	-	(43,549,003)	(43,549,003)
Net carrying amount	**P 160,270,935**	**P 3,724,304,346**	**P 3,884,575,281**
December 31, 2018			
Cost	P 135,610,000	P 3,322,105,588	P 3,457,715,588
Accumulated depreciation	-	-	-
Net carrying amount	P 135,610,000	P 3,322,105,588	P 3,457,715,588
January 1, 2018			
Cost	P 135,610,000	P -	P 135,610,000
Accumulated depreciation	-	-	-
Net carrying amount	P 135,610,000	P -	P 135,610,000

Investment properties account includes parcels of land that are not used by the Group in the ordinary course of the business amounting to P160.3 million and P135.6 million as of December 31, 2019 and 2018, respectively. Based on management's assessment, the carrying amounts of these assets are fully recoverable, hence, no impairment loss is required in both years.

As discussed in Note 3.1(l), MWMTI was granted an exclusive right and obligation under the Concession Agreement. Relative to the arrangement, MWMTI incurred costs necessary to construct the facility. The separately identifiable accumulated costs incurred in the development of the PITX Project are allocated based on development and implementation plan for the terminal and commercial areas. Any change in the allocation arising from the necessary revisions in the implementation plan is accounted for prospectively in the consolidated financial statements.

The allocation of cost as of the end of the reporting periods are as follows:

	2019	2018
Terminal area (see Note 9)	**P 510,141,518**	P 456,867,131
Commercial area	**3,724,304,346**	3,322,115,588
	P4,234,445,864	P3,778,982,719

Costs incurred for the terminal area are presented as unbilled receivables under Contract Assets account in the consolidated statements of financial position (see Note 9). Unbilled receivable is recognized to the extent of actual cost incurred for the period. Meanwhile, cost incurred for the commercial area are presented as part of Investment Properties in the 2019 consolidated statement of financial position.

Also, in 2018, the Group identified that the increase in fair value of MWMTI by P307.4 million is attributed to its investment property. Accordingly, the Group recognized gain or bargain purchase from the acquisition of MTI of the same amount [see Notes 3.2(g) and 25.3]. The Group considers the entire portfolio which comprise the Contract Assets and Investment Property in determining the recoverability of the carrying amounts of these assets taking into consideration the potential cash flow earnings, discounted to its present value of the property.

In March 2019, the Group started to depreciate the investment property using straight-line method as the asset is already readily available for its intended use. Depreciation is computed over the concession period of 33 years.

A reconciliation of the carrying amounts of investment property at the beginning and end of the reporting periods is shown below.

	Land	**Commercial Area**	**Total**
Balance at January 1, 2019, net of accumulated depreciation and amortization	P 135,610,000	P 3,322,105,588	P 3,457,715,588
Additions	24,660,935	445,747,761	470,408,696
Depreciation and amortization charges for the year	-	(43,549,003)	(43,549,003)
Balance at December 31, 2019, net of accumulated depreciation and amortization	**P 160,270,935**	**P 3,724,304,346**	**P 3,884,575,281**

	Land	Commercial Area	Total
Balance at January 1, 2018, net of accumulated depreciation and amortization	P 135,610,000	P -	P 135,610,000
Acquisition of asset from a subsidiary	-	1,145,888,901	1,145,888,901
Change in fair value	-	307,365,622	307,365,622
Additions	-	1,868,851,065	1,868,851,065
Balance at December 31, 2018, net of accumulated depreciation and amortization	P 135,610,000	P 3,322,105,588	P 3,457,715,588

16. LEASES

The Group has leases for construction equipment and transportation equipment. With the exception of short-term leases and leases of low-value underlying assets, each right-of-use asset and lease liability from leases are reflected on the 2019 consolidated statement of financial position as part of property, plant and equipment and interest-bearing loans and borrowings, respectively. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liability and asset.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying lease asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over warehouses and offices, the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognized in the consolidated statement of financial position.

	Number of right-of-use assets leased	Range of remaining term	Number of average remaining lease term	Number of leases with extension options	Number of leases with options to purchase	Number of leases with termination options
Transportation equipment	140	1 – 5 years	3 years	-	49	-
Precast and construction equipment	54	2 – 10 years	6 years	-	54	-

16.1 Right-of-use Assets

The carrying amounts of the Group's right-of-use assets (see Note 14) as at December 31, 2019 and the movements during the period are shown below.

	Precast and Construction Equipment	Transportation Equipment	Total
Balance as of January 1, 2019	P 134,891,630	P 77,291,818	P 212,183,448
Additions	272,329,885	152,201,629	424,531,514
Depreciation and amortization	(30,589,786)	(37,680,704)	(68,270,490)
Balance at end of year	P 376,631,729	P 191,812,743	P 568,444,472

16.2 Lease Liabilities

Lease liabilities are presented in the 2019 consolidated statement of financial position as part of Interest-bearing Loans and Borrowings (see Note 18) as at December 31, 2019 as follows:

Current	P 139,443,656
Non-current	334,907,047
	P 474,350,703

The use of extension and termination options gives the Group added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Group's business strategy and the economic benefits of exercising the option exceeds the expected overall cost.

As of December 31, 2019, the Group has not committed to any leases which had not commenced.

16.3 Lease Payments Not Recognized as Liabilities

The Group has elected not to recognize a lease liability for short-term leases or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.

The expenses relating short-term leases and low-value assets amounted to P47.4 million is presented as Rentals as part of Administrative expenses under Other Operating Expenses (Income) in the 2019 consolidated statement of income (see Note 23).

16.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases amounted to P102.1 million in 2019. Interest expense in relation to lease liabilities amounted to P22.1 million and is presented as part of Finance costs under Finance Income (Costs) in the 2019 consolidated statement of income (see Note 25.1).

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at December 31, 2019 is as follows :

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Total
Lease payments	P 173,754977	P 154,811,019	P 118,511,190	P 71,505,203	P 33,525,354	P 552,107,743
Finance charges	(34,311,321)	(23,107,246)	(13,427,038)	(6,162,507)	(748,928)	(77,757,040)
Net present value	P 139,443,656	P 131,703,773	P 105,084,152	P 65,342,696	P 32,776,426	P 474,350,703

17. TRADE AND OTHER PAYABLES

This account consists of the following:

	Notes	2019	2018
Trade payables		**P 3,954,928,198**	P 2,532,212,397
Retention payable		**2,166,300,006**	1,833,586,935
Accrued expenses	11.2	**1,235,331,916**	506,694,982
Dividends payables	27.2	**239,937,858**	-
Security deposits	29.1.3	**149,921,652**	142,147,175
Interest payable	18	**119,628,207**	126,709,868
Derivative liability	7	**78,552,254**	-
Non-trade payables	27.5	**25,000,000**	-
Due to stockholders and related parties	28.5	**20,000,000**	59,566,827
Others		**177,989,354**	51,484,140
		P 8,167,589,445	P 5,252,402,324

Retention payable pertains to amounts withheld from payments made to subcontractors to ensure compliance and completion of contracted projects ranging from 5% to 10% of every billing made by the contractor. Upon completion of the subcontracted projects, the amounts are returned to the subcontractors.

Non-trade payables pertains to dividends payable to non-controlling interests. On the other hand, dividends payables relates solely to the dividends declared by the Parent Company's.

Accrued expenses include unreleased checks and unpaid utilities.

Others include accrued salaries, government-related payables and other non-trade payables.

18. INTEREST-BEARING LOANS AND BORROWINGS

The details of short-term and long-term interest-bearing loans and borrowings are as follows:

	Notes	2019	2018
Current:			
Bank loans	18.2, 29.4	**P 10,791,617,597**	P 5,651,033,175
Notes payable	18.1, 29.4	**3,750,000,000**	693,711,241
Lease liability	16.2	**139,443,656**	-
Obligations under finance lease	14, 18.3, 29.1.2	**-**	63,829,077
		14,681,061,253	6,408,573,493
Balance carried forward		**P 14,681,061,253**	P 6,408,573,493

	Notes	2019	2018
Balance brought forward		**P 14,681,061,253**	P 6,408,573,493
Non-current:			
Bank loans	18.2, 29.4	**27,634,014,387**	25,124,805,081
Notes payable	18.1, 29.4	**5,102,929,990**	5,152,791,231
Lease liability	16.2	**334,907,047**	-
Obligations under finance lease	14, 18.3, 29.1.2	**-**	94,094,180
		33,071,851,424	30,371,690,492
		P 47,752,912,677	P 36,780,263,985

The total unpaid interest from the foregoing interest-bearing loans and borrowings as of December 31, 2019 and 2018 amounted to P119.6 million and P126.7 million, respectively, and is presented as Interest payable under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

18.1 Notes Payable

(a) Notes Payable – Current

As of December 31, 2019 and 2018, current portion of Notes Payables pertains to 50% share in loans availed by MGCJVI. On March 22, 2018, MGCJVI entered into a P7.50 billion Omnibus Loan and Security Agreement (OLSA) with Metropolitan Bank & Trust Company (MBTC) and Philippine National Bank (PNB) as Lenders, PNB Trust Banking Group as Facility Agent and Security Trustee, and PNB Capital and Investment Corp. and First Metro Investment Corp. as Lead Arrangers.

The proceeds from the loan shall be used to partially finance the capital expenditures and costs in relation to the Project.

Details of the loan follow:

1) Interest: Interest is the sum of the benchmark rate plus 100 basis points. Benchmark rate is the PDST-R2 benchmark tenor for three (3) months as published on the Philippine Dealing & Exchange Corp. page (or such successor page) of Bloomberg (or such successor electronic service provider) under the heading "PDST-R2" at approximately 4:15 pm on the Interest Rate Setting Date; provided, that, in the event that a new benchmark rate will be adopted by the Bankers' Association of the Philippines or the existing benchmark rate is no longer reflective of the prevailing market rates, as may be reasonably determined by the Lenders together with the MGCJVI, all parties shall adopt a new benchmark rate appropriate for the Loan. Such interest shall accrue from and including the first day of each interest period and excluding the last day of such interest period.

2) Repayment: The principal amount shall be paid in the following instalments, within three (3) banking days from the MGCJVI's receipt of the relevant milestone payments from BCDA for the construction services rendered.

Principal Repayment Schedule	Milestone payment from BCDA - at 100% (in Bn)	Principal repayment of the Loan amount
First	P5.58	85% of milestone payment
Second	1.66	100% of milestone payment
Third	2.12	remaining balance of loan

As of January 23, 2020, the MGCJVI paid the first milestone payment to MBTC and PNB amounting to P4,785 million. The full repayment of the Loan shall be made not later than the maturity date which is May 18, 2021. However, the management expects that the second and third milestone payments would be on March 31, 2020 and June 21, 2020, respectively.

3) Security: As security for timely payment of the loan and prompt observance of all provisions of the OLSA, the following are assigned as collateral on the Loan:

- Project receivables and all monies standing in the MGCJVI's Payment Accounts amounting to P365.0 million
- Project documents (EPC Contract, Notice of Award Certificate of Funds Availability and Bid Proposal)

4) Covenants: The OLSA provide certain restrictions and requirements which include among others, maintaining and preserving its corporate existence, complying with all of its material obligations under the project arrangements, restrictions on granting of loans or advances and disposal of major properties and restrictions on payment of dividends. The OLSA also provide financial covenants which include maintaining at each testing date a maximum debt-to-equity ratio of 80:20 after the first principal repayment date.

The total current portion of notes payable, which pertains to 50% share in loans availed by MGCJVI, amounted to P3,750.0 million in 2019 and P693.7 million in 2018.

(b) 2013 Notes Facility

On February 19, 2013, the Parent Company executed a notes facility agreement with a local universal bank. In this agreement, the Parent Company desired to offer and issue fixed-rate corporate notes in the aggregate principal amount of P4,000.0 million. The net proceeds of the notes after deducting direct issue costs, such as underwriting fees and commissions, documentary stamp tax and other expenses associated with the issuance, amounted to P3,957.3 million.

The notes constitute direct, unconditional, unsubordinated, general and unsecured obligation ranking at least pari passu with all other present and future direct, unconditional, unsubordinated and unsecured obligations of the Parent Company.

The notes are issued in three tranches with the following details:

	Principal	Term in Years	Interest Rate
Tranche A	P 650,000,000	5	5%
Tranche B	3,250,000,000	7	6%
Tranche C	100,000,000	10	6%
	P 4,000,000,000		

The nominal rates refer to the Philippine Dealing System Treasury (PDST) Fixing rates with respect to the term of each tranche plus an interest spread of 1.75% for Tranche A and B and 1.50% for Tranche C.

The notes, among other things, restrict the Parent Company's ability to:

1) incur any indebtedness to be secured by or to benefit from any lien, in favor of any creditor on, or in respect of any present or future assets or revenues or the right to receive income;
2) make any material change in the nature of its business from that being carried on as of the signing date;
3) enter into any merger or consolidation except if the issuer retains control of the surviving corporation, such merger or consolidation is required by law, and such merger does not result in material adverse effect;
4) amend its articles of incorporation and/or by-laws except as required by law;
5) declare or pay any cash dividend to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the notes are current and updated and provided that any such payment is made out of retained earnings and the debt to equity ratio of 2:1 are maintained;
6) sell, assign, lease, transfer, and/or dispose all or substantially all of its properties;
7) assign, transfer or otherwise convey any right to receive any of its income or revenues;
8) voluntarily suspend its business operations in a manner that will result in a material adverse effect;
9) extend any loan, advance or subsidy to any person (other than to its subsidiaries or affiliates, or transactions in the ordinary course of business, or financing or guarantees for the direct or indirect purchase or sale of the assets of the issuer, its subsidiaries or affiliates). Neither shall the issuer make any deposit, credit to, or investment in, any person, except for bank deposit, credit placements, and other transactions in the ordinary course of business;
10) permit its financial debt to equity ratio to exceed 2:1; and,
11) voluntarily prepay any indebtedness.

The Parent Company has complied with all the debt covenants set forth in the notes facility agreement as the transactions during the intervening periods are under the ordinary course of business.

In 2018, Tranche A has matured already, leaving tranche B and C outstanding, with a carrying value of P3,162.9 million and P3,192.8 million as at December 31, 2019 and 2018, respectively. The whole carrying amount is presented under non-current portion of notes payable.

(c) 2016 Various Notes Facility

In 2016, the Parent Company entered into various notes facility arrangement with a local bank to refinance the corporate note issued in 2011 and to finance its capital expenditure and general corporate requirements.

The notes are issued with the following details:

Date Issued	Principal	Term in years	Interest Rate
September 16, 2016	P 650,000,000	10	5.5%
December 5, 2016	350,000,000	10	6.37%
December 16, 2016	1,000,000,000	10	6.37%
	P 2,000,000,000		

These 10-year corporate notes bear an interest rate based on the closing per annum rates of a ten (10)-year PDST-R2 rate on the PDS Group website plus a certain spread. The Parent Company has to maintain a debt-to-equity ratio of not more than 2.33 and a debt service coverage ratio of at least 1.1.

The notes, among other things, restrict the Parent Company's ability to:

1) Engage in any business or make or permit any material change in the character of its business from that authorized on its amended articles of incorporation and by-laws;
2) Amendment of articles of incorporation and by-laws which would cause a material adverse effect or be inconsistent with the provisions of the finance document;
3) Change of ownership and management if as a result the stockholdings of Citicore Investments Holdings Inc. will fall below 51% or enter into profit sharing, partnership or joint venture whereby its profits are shared with any other person that may have a material adverse effect;
4) Sale of asset, transfer or dispose of all or substantially all of its properties and assets except in the ordinary course of business;
5) Declaration of dividends or retirement of capital if the issuer shall not be in compliance with the financial covenants or would result to an event of default;
6) Loans and advances to its directors, officers and stockholders (other than to its subsidiaries or affiliates, or transactions in the ordinary course of business, or financing or guarantees for the direct or indirect purchase or sale of the assets of the issuer, its subsidiaries or affiliates). Neither shall the issuer make any deposit, credit to, or investment in, any person, except for bank deposit, credit placements, and other transactions in the ordinary course of business;
7) Make a capital expenditure not in the ordinary course of business;
8) Incur additional debt or act as surety on behalf of third parties or incur monetary obligation which shall cause the issuer to breach the financial covenants;
9) Loans and advances to any person (other than to its subsidiaries or affiliates, or transactions in the ordinary course of business, or financing or guarantees for the direct or indirect purchase or sale of the assets of the issuer, its subsidiaries or affiliates). Neither shall the issuer make any deposit, credit to, or investment in, any person, except for bank deposit, credit placements, and other transactions in the ordinary course of business;
10) Directly or indirectly incur or suffer to exist any lien upon any assets and revenues, present and future of the issuer or enter into any loan facility agreement secured by or to be secured by a lien upon any assets and revenues, present and future whether registered or unregistered of the issuer;
11) Except for permitted investments, invest in or acquire any (i) share in or any security issued by any person, (ii) acquire directly or indirectly the business or going concern or all substantially all the properties and assets or business of any other corporation or entity or invest in a controlling entity therein; and,
12) It will not voluntarily suspend or discontinue its entire or a substantial portion of its business operation.

In 2018, all of the three tranches of the second corporate note remained outstanding, with a carrying value of P1,940.0 million and P1,960.0 million as at December 31, 2019 and 2018, respectively. The whole carrying amount is presented under non-current portion of notes payable.

As of December 31, 2019 and 2018, the carrying amount of all the corporate notes are P8,852.9 million and P5,846.5 million, respectively.

Total interest on these notes payable amounted to P304.8 million, P341.7 million and P354.2 million in 2019, 2018 and 2017, respectively, and is presented as part of Interest expense from notes payable under Finance Costs account (see Note 25.1). Unpaid interest as of December 31, 2019 and 2018 amounting to P29.8 million and P26.0 million, respectively, and is presented as part of Interest payable under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

On August 10, 2017, the Parent Company sent a letter to the bank requesting the waiver of one of the loan negative covenants that prohibits the stockholdings of Citicore in the Parent Company to fall below 51% or enter into profit sharing, partnership or joint venture whereby its profits are shared with any other person that may have a material adverse effect (see Note 1.1). In September 2017, the request was granted by the bank. The Parent Company is in compliance with all other covenants required to be observed under the loan facility agreement as of December 31, 2019 and 2018.

18.2 Bank Loans

(a) Omnibus Loan and Security Agreement – December 17, 2014

On December 17, 2014, GMCAC entered into a P20,000.0 million (which at GMCAC's option may be increased up to P23,300.0 million) OLSA with various local universal banks, as onshore lenders. On January 26, 2015, the parties amended the facility to include another universal bank as offshore lender to contribute US $75.0 million (or equivalent to P3,500.0 million) into the facility.

The facility has a term of 15 years, the repayment of which starts in 2019 and shall continue every year thereafter until 2030; and, interest requirements that are payable annually based on the following:

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

As security for timely payment of the loan and prompt observance of all provision of the Omnibus Agreement, the following are pledge as collateral on this loan:

- all monies deposited and from time to time standing in the Cash Flow Waterfall Accounts;
- the Project receivables;
- the proceeds of any asset and business insurance obtained, except for the proceeds of insurance policies arising from damage of any Project Assets;

- the Project Documents (Accession Agreement, Technical Service Agreement and Engineering and Procurement Contract); and,
- the 100% of the total issued and outstanding capital stock of GMCAC.

As of December 31, 2019 and 2018, the carrying amount of the assets pledged as collateral amounted to P862.7 million and P680.4 million, respectively (see Note 12.6).

In addition, the OLSA provides certain restrictions and requirements which include, among others, maintaining and preserving its corporate existence, complying with all of its material obligations under the project arrangements, restrictions on granting of loans or advances and disposal of major properties and restrictions on payment of dividends. The OLSA also provides financial covenants which include maintaining a maximum debt to equity ratio of 70:30 and a debt service coverage ratio of at least 1.1 times following the Project completion date. As of December 31, 2019 and 2018, GMCAC has complied with the financial and non-financial covenants.

Moreover, GMCAC's BOD authorized GMCAC to establish, maintain and operate trust and investment accounts with a Security Trustee to ensure the prompt payment of the required amortization, interest and principal of the long-term loan, which was established and maintained by GMCAC during the reporting period (see Note 12.6).

The total drawdowns to date made for the onshore loan amounted to P20,850.0 million while drawdowns on the offshore loan amounted to US$75.0 million (or equivalent to P3.8 billion). As of December 31, 2019, the carrying amount of the total onshore and offshore loans amounted to P24,277.9 million, of which current and non-current portion are P543.9 million and P23,734.0 million, respectively. As of December 31, 2018, the carrying amount amounted to P24,299.8 million which is presented under non-current portion of bank loans.

The movements of debt issuance cost relating to drawn amounts follows:

	2019	2018
Beginning balance	**P 293,695,919**	P 264,384,563
Additions	**3,411,467**	44,064,887
Amortization during the year	**(30,747,898)**	(14,754,531)
Ending balance	**P 266,359,488**	P 293,694,919

The portion of the debt issue costs pertaining to the undrawn amount of the borrowing facility is recognized as part of Deferred transaction cost under Other Non-current Assets in the consolidated statements of financial position (see Note 12.7).

Total interest expense on these loans, including the amortization of debt issue costs, amounted to P946.2 million, P552. 9 million and P213.1 million in 2019, 2018 and 2017, respectively, and is presented as part of Interest expense from bank loans under Finance costs under Other Income (Charges) account in the consolidated statements of income (see Note 25.1). Total accrued interest amounting to P71.2 million and P83.8 million as of December 31, 2019 and 2018, respectively, is presented as part of Interest payable under Trade and Other Payables in the consolidated statements of financial position (see Note 17).

Provision in the loan indicates that the borrower shall pay to the lenders, a commitment fee equivalent to 0.3% per annum of the undrawn or uncancelled portion of the commitment that GMCAC does not draw in accordance with the drawdown schedule.

In order to hedge the interest rate exposure on this floating rate US dollar-denominated loan maturing in June 2022, GMCAC entered into an interest rate swap transaction. As at December 31, 2019 and 2018, GMCAC recognized P78.6 million derivative liability (see Note 17) and P26.3 million derivative asset (see Note 7), respectively.

The total amount of liability from bank loans of GMCAC as of December 31, 2019 is P24,277.9 million. The current and non-current portion of the liability on these bank loans are P543.9 million and P23,734.0 million, respectively.

(b) OLSA for PITX project

In 2015, the MWMTI entered into an Omnibus Loan and Security Agreement (OLSA) with a local universal bank for a loan facility amounting to P3,300.0 million to finance the construction of the ITS Project. In 2019, the MWMTI requested the lender to increase the loan by P600.0 million making the total principal loan to P3,900.0 million.

In 2017, the MWMTI made its first drawdown amounting to P825.0 million while the remaining loan facility was fully drawn in 2019 in tranches amounting to P3,075.0 million.

The loan principal shall be amortized quarterly over 15 years and the first principal repayment is due on January 16, 2021. The interest-bearing loan is secured by the Joint Venturers and bear annual interest of 4.62%-6.89% in 2019.

The interest-bearing loan requires the MWMTI to maintain a maximum debt-to-equity ratio of 70:30. In addition, the MWMTI is also required to observe at all times until full payment of the loan a debt service coverage ratio of at least 1.25.

With regard to the loans aforementioned, MWMTI has complied with affirmative and negative covenants, except that in 2019, MWMTI exceeded the agreed Debt-to-Equity Ratio and had lower than the stated Debt Service Coverage Ratio. Prior to December 31, 2019, MWMTI requested for the financial covenants not to be enforced during the grace period of the loan, which was conformed by one of the Bank's officers. MWMTI was also able to increase its credit line and drawdown such increase in 2019, has been up to date in its servicing of the loan and not received any written notice from the bank, as of the date of the issuance of the consolidated financial statements, that the loan is already due and demandable, which is provided in the loan agreement as basis to classify the loan as current.

The total carrying value of bank loans of MWMTI amounting to P3,900.0 million and P825.0 million as at December 31, 2019 and 2018 respectively are presented under the non-current portion of bank loans.

(c) Other Bank Loans

In addition, the Group also obtained various bank loans with total outstanding balance of P10,247.7 million and P5,651.0 million as of December 31, 2019 and 2018, respectively, representing unsecured short-term loans from other local banks. The loans bear fixed annual interest rates ranging from 5.13% to 7.0% in 2019, 2.6% to 2.8% in 2018, and 2.6% to 2.8% in 2017. Total interest on these bank loans amounted to P629.9 million, P160.9 million and P66.7 million in 2019, 2018 and 2017 respectively, and is presented as part of Interest expense from bank loans under Finance costs under Other Income (Charges) account in the consolidated statements of income (see Note 25.1). The unpaid portion of these interest amounted to P18.7 million and P18.9 million as of December 31, 2019 and 2018, respectively, and is presented as part of Interest payable under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

The total amount of various bank loans from the Parent Company amounting to P10,247.7 million and P5,651.0 million as at December 31, 2019 and 2018, respectively, are presented under the current portion of bank loans.

18.3 Lease Liabilities (previously Obligations under Finance Lease)

The obligations under finance lease have an effective interest rate of 6.0% both in 2018 and 2017. Lease payments are made on a monthly basis. Total interest from these obligations amounted to P11.0 million and P14.8 million in 2018 and 2017, respectively, and is presented as Interest expense from finance lease under Finance Costs account in the statements of income (see Note 25.1).

The Group's lease liabilities as at December 31, 2019 amounting to P474.2 million is further classified to the current and non-current portion amounting to P139.3 million and P334.9 million, respectively.

Obligations under finance lease as at December 31, 2018 amounting to P157.9 million pertain solely to leases of the Parent Company. Amounts of P63.8 million and P94.1 million, respectively, are presented under the current and non-current portion.

As at January 1, 2019, the Group reclassified obligations under finance leases amounting to P157.9 million to lease liabilities due to the adoption of PFRS 16 [see Note 2.2(a)(iv)].

19. CONTRACT LIABILITIES

The significant changes in the contract liability balances during the reporting periods are as follows:

	2019	2018
Balance at beginning of year	**P 4,670,482,671**	P 1,466,488,633
Increase due to billings excluding amount recognized as revenue during the year	**3,931,138,000**	3,976,398,693
Revenue recognized that was included in contract liability at the beginning of the year	**(3,765,451,114)**	(859,577,796)
Effect of financing component	**95,100,400**	87,173,141
Balance at end of year	**P 4,931,269,957**	P 4,670,482,671

20. OTHER LIABILITIES

The details of this account are as follows:

	Notes	2019	2018
Current:			
Withholding taxes		**P 80,913,142**	P 102,406,787
Deferred output VAT		**70,994,272**	38,907,666
Deferred revenue		**12,147,113**	25,928,897
Others		**56,007,237**	66,574,224
		P 220,061,764	P 233,817,574
Non-current:			
Security deposits	29.1.3	**P 586,498,441**	P 148,010,532
Unearned rent income		**154,643,665**	34,015,340
Retention payable	17	**-**	186,140,105
		P 741,142,106	P 368,165,977

Deferred revenue represents advance payments from customers and concessionaires that are subject to refund or future billing applications within 12 months from the end of the reporting period.

As of December 31, 2018, security deposits pertains mainly to the amounts received from lessees in relation to GMCAC's airport operations. In 2019, the Group received additional security deposits open full operations of MWMTI's PITX (see Note 29.1.3).

Unearned rent income pertains to the difference between the fair value and principal amount of security deposits received at the inception of the lease with concessionaires, which shall be amortized over the corresponding lease term.

Others under current liabilities significantly include government-related payables for employee benefits.

21. REVENUES

When the Group prepares its investor presentations and when the Group's Executive Committee evaluates the financial performance of the operating segments, it disaggregates revenue similar to its segment reporting as presented in Notes 2.13 and 4.

The Group determines that the categories used in the investor presentations and financial reports used by the Group's management can be used to meet the objective of the disaggregation disclosure requirement of PFRS 15, which is to disaggregate revenue from contracts with customers and other counterparties into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

A summary of additional disaggregation from the segment revenues and other unallocated income are shown below.

	Notes	Point in time	Over time	Short-term	Long-term	Total
2019:						
Construction revenues	21.1					
Contract revenues		P -	P 14,401,891,771	P -	P14,401,891,771	P 14,401,891,771
Sale of precast		-	690,145,856	690,145,856	-	690,145,856
Sale of ready mix concrete		48,707,959	-	48,707,959	-	48,707,959
Equipment rental		-	168,323,797	168,323,797	-	168,323,797
Airport operations:	21.2					
Aeronautical revenues		-	2,017,492,164	2,017,492,164	-	2,017,492,164
Aero related revenues		-	433,345,599	433,345,599	-	433,345,599
Non-aero related revenues		-	1,240,274,696	1,240,274,696	-	1,240,274,696
Airport merchandising operations:	21.3					
Food revenues		143,559,337	-	143,559,337	-	143,559,337
Non-food revenues		112,473,557	-	112,473,557	-	112,473,557
Consignment		70,188,285	-	70,188,285	-	70,188,285
Terminal operations	21.4					
Rental revenue – effect of straight-line method		-	382,476,437	-	382,476,437	382,476,437
Rental revenue – per contract		-	146,237,035	-	146,237,035	146,237,035
Construction revenue		-	26,688,355	-	26,688,355	26,688,355
						P 19,881,804,848
2018:						
Contract revenues	21.1					
Contract revenues		P -	P 12,381,076,732	P -	P12,381,076,732	P 12,381,076,732
Sale of precast		-	293,905,649	293,905,649	-	293,905,649
Sale of ready mix concrete		13,479,829	-	13,479,829	-	13,479,829
Airport operations:	21.2					
Aeronautical revenues		-	1,654,502,111	1,654,502,111	-	1,654,502,111
Aero related revenues		-	371,956,688	371,956,688	-	371,956,688
Non-aero related revenues		-	969,522,231	969,522,231	-	969,522,231
Airport merchandising operations:	21.3					
Food revenues		142,792,131	-	-	142,792,131	142,792,131
Non-food revenues		45,193,644	-	-	45,193,644	45,193,644
Consignment		101,909,020	-	-	101,909,020	101,909,020
Terminal operations	21.4	-	17,653,392	-	17,653,392	17,653,392
						P15,991,991,427

21.1 Contract Revenues

The details of this account for the years ended December 31, 2019, 2018 and 2017 are composed of the revenues from:

	2019	2018	2017
Contracts in progress	**P 15,140,197,972**	P12,097,586,683	P15,982,614,204
Completed contracts	**168,871,411**	590,875,527	730,024,389
	P15,309,069,383	P12,688,462,210	P16,712,638,593

About 7%, 3%, and 12% of the contract revenues for 2019, 2018 and 2017, respectively, were earned from contracts with an associate and certain related parties under common ownership (see Note 28.1).

21.2 Airport Operations Revenues

The details of this account are composed of the revenues from:

	Note	**2019**	2018	2017
Aeronautical		**P 2,017,492,164**	P1,654,502,111	P1,279,592,220
Concession		**606,495,158**	506,752,023	373,227,479
Rental	29.1.3	**514,492,251**	445,114,709	303,230,474
Others		**552,632,886**	389,612,187	342,354,717
		P 3,691,112,459	P2,995,981,030	P2,298,404,890

Others include non-aero related services like taxi and bus ticket collection, service charges, advertising license and fees, and the likes.

21.3 Airport Merchandising Operations Revenue

The details of this account for the years ended December 31, 2019, 2018 and 2017 are as follow:

	2019	2018	2017
Sale of food	**P 143,559,337**	P 142,792,131	P 86,297,920
Sale of non-food items	**112,473,557**	45,193,644	1,739,128
Consignment	**70,188,285**	101,909,020	60,062,491
	P 326,221,179	P 289,894,795	P 148,099,539

21.4 Terminal Operations Revenue

The PITX Project undertaken by the Group with the DOTr gives the Group the control over the terminal area and the right to collect concessionaire revenue. As disclosed in Note 9, contract assets include unbilled receivable in 2019 which pertains to the cost of the terminal area which is to be recovered through the Grantor payments.

The construction of the PITX Project was completed in 2019 and the Group has no unsatisfied performance obligations as of year-end.

For 2019 and 2018, the details of terminal operations revenue (see Note 29.1.3) are composed of the revenues from:

	2019	2018
Rental revenue – effect of straight-line method	**P 382,476,437**	P -
Rental revenue – per contract	**146,237,035**	-
Construction revenue	**26,688,355**	17,653,392
	P 555,401,827	P 17,653,392

22. DIRECT COSTS

22.1 Contract Costs

The following is the breakdown of contract costs for the years ended December 31:

	Notes	**2019**	2018	2017
Materials		**P 5,522,579,742**	P 3,918,321,688	5,685,402,272
Outside services		**4,731,572,291**	4,273,853,758	6,210,374,440
Salaries and employee benefits	24.1	**1,424,719,436**	1,019,472,422	860,277,769
Depreciation	14	**773,562,002**	552,073,867	483,038,875
Project overhead		**839,364,144**	1,020,454,120	845,008,197
	23	**P 13,291,797,615**	P 10,784,175,855	P 14,084,101,553

Project overhead includes insurance, repairs and maintenance, gas and oil, travel and transportation, professional fees, utilities, municipal permits, taxes, security services, office supplies and various rental expenses of staging areas.

22.2 Costs of Airport Operations

The following is the breakdown of cost of airport operations:

	Notes	2019	2018	2017
Amortization of concession asset	13	**P 738,596,573**	P 380,194,399	P 154,337,821
Utilities		**268,586,765**	194,614,309	125,742,781
Outside services		**147,038,962**	114,570,441	50,111,681
Repairs and maintenance		**133,298,432**	62,582,204	24,713,999
Salaries and employee benefits	24.1	**65,635,177**	52,363,844	45,045,096
Airport operator's fee	23, 29.3.1(b)	**47,585,582**	38,774,762	26,910,779
Airline collection charges	23	**44,826,143**	28,667,430	23,025,228
Insurance		**33,414,799**	27,171,465	21,185,125
Technical service charge		**29,567,996**	26,617,230	15,812,217
Others		**28,066,432**	16,273,769	13,603,799
	23	**P 1,536,616,861**	P 941,829,853	P 500,488,526

22.3 Costs of Airport Merchandising Operations

The following is the breakdown of cost of airport merchandising operations for the years ended December 31, 2019, 2018, and 2017:

	Note	2019	2018	2017
Cost of goods sold:				
Food		**P 37,059,400**	P 40,586,331	P 23,683,025
Consignment		**34,367,114**	-	16,701,545
Non-food		**16,474,013**	29,820,697	299,837
Spoilage and pilferages		**348,442**	11,163	162,758
Purchase discounts		**(34,705)**	(59,931)	(50,056)
	23	**P 88,214,264**	P 70,358,260	P 40,797,109

22.4 Cost of Terminal Operations

For 2019 and 2018, the following is the breakdown of cost of terminal operations:

	Note	2019	2018
Terminal costs		**P 176,099,593**	P -
Depreciation and amortization		**100,176,498**	-
Construction cost		**26,688,354**	17,653,392
Cost of property maintenance		**8,685,061**	-
	23	**P 311,649,506**	P 17,653,392

23. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature are shown below.

	Notes	2019	2018	2017
Materials, supplies and facilities		**P 5,551,240,778**	P 3,686,294,789	P5,696,914,274
Outside services		**5,215,333,898**	4,686,645,439	6,333,998,651
Salaries and employee benefits	24.1	**1,991,316,155**	1,477,935,003	1,371,232,087
Depreciation and amortization	12.5, 13, 14, 15	**1,757,625,213**	1,023,451,211	695,964,736
Project overhead		**866,052,497**	1,038,107,512	845,008,197
Utilities		**363,250,340**	229,536,350	153,923,584
Taxes and licenses		**276,163,672**	60,664,159	30,750,090
Repairs and maintenance		**189,924,853**	80,495,117	57,249,626
Professional fees		**146,976,840**	63,943,006	44,179,254
Cost of goods sold	22.3	**88,214,264**	70,358,260	40,797,109
Selling expense		**85,147,602**	73,730,322	38,550,315
Advertising		**56,363,309**	19,467,781	17,639,348
Travel and transportation		**48,771,300**	23,285,952	34,616,672
Airport operator's fee	22.2, 29.3.1(b)	**47,585,582**	38,774,762	26,910,779
Rentals	16.3, 28.2, 29.1.1	**47,439,832**	40,656,518	21,132,049
Airline collection charges	22.2	**44,826,143**	28,667,430	23,025,228
Insurance		**38,363,156**	26,681,266	21,209,381
Representation		**30,074,308**	15,756,881	28,598,072
Security services		**3,437,271**	8,278,781	9,321,858
Gas and oil		**859,601**	1,180,339	1,236,983
Impairment losses on receivables	6	**38,591**	305,839,093	96,652,067
Miscellaneous		**189,511,554**	93,921,889	244,163,727
		P17,038,516,759	P13,093,671,860	P15,833,074,087

Miscellaneous includes certain construction reworks and warranty cost for certain projects already completed.

These expenses are classified in the consolidated statements of income as follows:

	Notes	2019	2018	2017
Contract costs	22.1	**P 13,291,797,615**	P10,784,175,855	P14,084,101,553
Costs of airport operations	22.2	**1,536,616,861**	941,829,853	500,488,526
Cost of terminal operations	22.4	**311,649,506**	17,653,392	-
Costs of airport merchandising operations	22.3	**88,214,264**	70,358,260	40,797,109
Other operating expenses		**1,810,238,513**	1,279,654,500	1,207,686,899
		P 17,038,516,759	P13,093,671,860	P15,833,074,087

24. POST-EMPLOYMENT DEFINED BENEFIT OBLIGATION

24.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are presented below.

	Notes	2019	2018	2017
Short-term employee benefits		**P 1,954,902,308**	P1,443,324,841	P1,338,246,782
Post-employment benefit	24.2	**36,413,847**	34,610,162	32,985,305
	23	**P 1,991,316,155**	P1,477,935,003	P1,371,232,087

The expenses are allocated in the consolidated statements of income as follows:

	Notes	2019	2018	2017
Contract costs	22.1	**P 1,424,719,436**	P1,019,472,422	P 860,277,769
Costs of airport operations	22.2	**65,635,177**	52,363,844	45,045,096
Other operating expenses		**500,961,542**	406,098,737	465,909,222
	23	**P 1,991,316,155**	P1,477,935,003	P1,371,232,087

24.2 Post-employment Benefit

(a) Characteristics of Defined Benefit Plan

The Group maintains a partially funded and noncontributory post-employment defined benefit plan covering all regular full-time employees. The Group conforms to the minimum regulatory benefit under the R.A. No. 7641, *Retirement Pay Law*, which is of the defined benefit type and provides a retirement benefit in lump sum equal to 22.5-day pay for every year of credited service. The regulatory benefit is paid in a lump sum upon retirement. The normal retirement age is 60 with a minimum of 5 years of credited service.

(b) Explanation of Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below and in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2019, 2018 and 2017.

The amounts of post-employment DBO in the consolidated statements of financial position are determined as follows:

	2019	2018
Present value of the DBO	**P 344,592,331**	P 180,733,570
Fair value of plan assets	**(4,384,701)**	(3,934,974)
	P 340,207,630	P 176,798,596

The movements in the present value of the DBO are as follows:

	2019	2018
Balance at beginning of year	**P 180,733,570**	P 177,245,984
Current service cost	**36,413,847**	34,610,162
Interest cost	**12,772,283**	10,111,154
Benefits paid directly from book reserve	**(153,459)**	-
Remeasurement/actuarial losses (gains) arising from:		
Changes in financial assumptions	**104,497,013**	(60,160,684)
Experience adjustments	**10,329,077**	20,082,761
Changes in demographic assumptions	**-**	(1,155,807)
Balance at end of year	**P 344,592,331**	P 180,733,570

Actuarial losses arising from experience adjustments pertain to the net effect of differences between previous actuarial assumptions and what actually incurred.

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

	2019	2018
Balance at beginning of year	**P 3,934,974**	P 3,979,771
Interest income	**295,909**	226,848
Return on plan assets (excluding amounts included in net interest)	**153,818**	(271,645)
Balance at end of year	**P 4,384,701**	P 3,934,974

The plan assets as of December 31, 2019 and 2018 consist of the Unit Investment Trust Fund (UITF) amounting to P4.1 million and P3.9 million, respectively. The Group has 2,070 participation units on UITF managed by the trust department of a certain universal bank [see Note 32.2(c)]. Actual return on plan assets amounted to P0.45 million in 2019. Actual loss on plan assets amounted to P0.04 million in 2018 while actual return on plan assets amounted to P0.05 million in 2017.

The components of amounts recognized in consolidated income and in the consolidated comprehensive income (loss) in respect of the defined benefit post-employment plan are as follows [see Note 24.2(b)]:

	2019	2018	2017
Recognized in consolidated profit or loss:			
Current service cost	**P 36,413,847**	P 34,610,162	P 32,985,305
Net interest expense	**12,476,374**	9,884,306	6,069,457
	P 48,890,221	P 44,494,468	P 39,054,762
Recognized in consolidated other comprehensive income (loss):			
Actuarial gains (losses) arising from:			
Changes in financial assumptions	**(P 104,497,013)**	P 60,160,684	(P 14,340,443)
Experience adjustments	**(10,329,077)**	(20,082,761)	(7,317,776)
Changes in demographic assumptions	**-**	1,155,807	112,241
Return on plan assets (excluding amounts included in net interest)	**153,818**	(271,645)	(165,156)
	(P 114,672,272)	P 40,962,085	(P 21,711,134)

Current service costs are included as part of Salaries and employee benefits under Other Operating Expenses account in the consolidated statements of income. The net interest expense is included as part of Finance Costs account in the consolidated statements of income (see Note 25.1).

Amounts recognized in other comprehensive income (loss) are presented under item that will not be reclassified subsequently to profit or loss.

In determining the amounts of the post-employment DBO, the following significant actuarial assumptions were used:

	2019	2018	2017
Discount rate	**5.20%**	7.62%	5.74%
Expected return on plan assets	**5.00%**	5.00%	5.00%
Employee turn-over rate	**3.00%**	3.00%	3.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 23.8 years. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bonds with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Defined Benefit Plan

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

(i) Investment and Interest Risks

The present value of the DBO is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. As of December 31, 2019 and 2018, the plan has short-term investments managed through UITF.

(ii) Longevity and Salary Risks

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

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the post-employment defined benefit plan are described below and in the next page.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the post-employment DBO as of December 31:

	Impact on Post-Employment Defined Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
2019:			
Discount rate	**+/- 1%**	**(P 48,502,483)**	**P 59,729,362**
Salary growth rate	**+/- 1%**	**58,622,237**	**(48,589,911)**
2018:			
Discount rate	+/- 1%	(P 23,812,091)	P 28,914,418
Salary growth rate	+/- 1%	29,069,377	(24,329,729)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the DBO as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the DBO has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the post-employment DBO recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) Funding Arrangements and Expected Contributions

The retirement plan trustee has no specific matching strategy between the plan assets and the plan liabilities.

The Group is not required to pre-fund the future defined benefits payable under the plan assets before they become due. For this reason, the amount and timing of contributions to the plan assets are at the Group's discretion. However, in the event a benefit claim, the shortfall will be due and payable from the Group to the plan assets.

The maturity profile of undiscounted expected benefit payments within 10 years from the end of the reporting periods follows:

	2019	2018
More than 1 year to 5 years	**P 53,612,047**	P 39,224,293
More than 5 years to 10 years	**122,066,472**	97,939,503
	P 175,678,519	P 137,163,796

The weighted average duration of the DBO at the end of the reporting period is 15.9 years.

25. OTHER INCOME (CHARGES)

25.1 Finance Costs

The breakdown of this account in is as follows:

	Notes	**2019**	2018	2017
Interest expense from:				
Bank loans	18.2	**P 1,696,106,457**	P 717,968,215	P 279,835,724
Notes payable	18.1	**304,778,086**	341,717,197	354,192,747
Lease liability	18.3	**22,133,682**	10,987,097	14,799,233
Accretion of security deposit		**2,164,623**	-	-
		P 2,025,182,848	P 1,070,672,509	P 648,827,704
Balance carried forward		**P 2,025,182,848**	P 1,070,672,509	P 648,827,704

	Notes	2019	2018	2017
Balance brought forward		**P 2,025,182,848**	P 1,070,672,509	P 648,827,704
Finance cost – PFRS 15	19	**258,346,364**	104,906,299	-
Interest expense on retirement obligation – net	24.2	**12,476,374**	9,884,306	6,069,457
Bank charges		**9,501,226**	4,381,750	8,399,117
Foreign currency losses – net		**3,420,967**	135,378,464	-
Loss on sale of financial assets at FVOCI (previously AFS financial assets)	10	**-**	8,203,815	78,487,134
		P 2,308,927,779	P 1,333,427,143	P 741,783,412

Finance cost – PFRS 15 pertains to the portion of the transaction price regarded as interest expense due to the significant financing components within contracts [see Notes 2.17 and 3.1(c)]. This is the adjustment to the transaction price due to the time value of money. A contract is considered to have a significant financing component if the timing of payments agreed to by the parties provides the customer or the entity with a significant benefit of financing the transfer of goods or services.

25.2 Finance Income

The details of finance income are the following:

	Notes	2019	2018	2017
Interest income from:				
Advances to related parties	28.4	**P 441,000,000**	P 70,429,966	P 8,263,465
Cash in banks	5	**105,406,640**	41,520,356	16,281,624
Short-term placements	5	**5,152,906**	36,258,500	49,786,941
Foreign currency gains – net	18.2(a)	**137,098,221**	-	16,418,553
Day one gain		**79,180,145**	-	-
Defaults		**5,567**	-	-
Financial assets at FVTPL	7	**-**	72,389,335	94,094,313
		P 767,843,479	P 220,598,157	P 184,844,896

Foreign currency gains – net resulted from the Group's foreign currency-denominated transactions especially its off-shore loan [see Note 18.2(a)].

Day one gain pertains to interest earned on security deposits collected from leases recorded by MWMTI at amortized cost using effective interest method.

25.3 Others – net

This consists of the following:

	Notes	2019	2018	2017
Unrealized gain (loss) on interest rate swap	7	**(P 104,842,394)**	P 45,218,078	(P 18,927,939)
Consultancy fee		**102,906,182**	-	-
Rental of equipment		**84,817,209**	157,368,150	19,645,974
Equity in net profit of associates and joint venture	11.1, 11.3	**32,674,443**	10,209,371	3,606,389
Gain on disposals of property and equipment	14	**9,603,796**	2,876,025	5,248,792
Income from scrap sales	8	**7,294,766**	3,369,824	622,850
Gain on bargain purchase	15	**-**	307,365,622	-
Others	11.2, 28.2	**579,745**	75,120,679	47,531,914
		P 133,033,747	P 601,527,749	P 57,727,980

Consultancy fee pertains to fees charged by the Group to its clients for the engineering and design services rendered.

In August 2018, the Parent Company bought 344.5 million shares with par value of P1.00 per share from various stockholders of MTI with a total purchase price of P344.1 million. This business combination is part of the Parent Company's plan to totally take control of the business pertaining to terminal operations. As a result of the transaction, the Parent Company obtained 100% ownership interest in MTI and increased its effective ownership interest in MWMTI from 51% to 100% [see Note 1.2(i)]. This granted the Parent Company control over MTI, thereby the latter becoming a subsidiary from being a joint venture in 2017. Preacquisition loss amounted to P3.6 million.

The fair values of the identifiable assets acquired and liabilities assumed in 2018 are as follows:

Fair value of assets acquired:	
Cash and cash equivalents	P 199,791,025
Trade and other receivables	376,390,685
Investment property	1,461,141,676
Other assets	164,847,111
	2,202,170,497
Fair value of liabilities assumed:	
Interest-bearing loan	(825,000,000)
Trade and other payables	(415,687,982)
	(1,240,687,982)
Fair value of net assets acquired	961,482,515

Balance brought forward	961,482,515
Fair value of consideration transferred –	
Cash	344,149,804
Previously-held interest in MWMTI	309,967,089
	654,116,893
Gain on bargain purchase	P 307,365,622

Trade and other receivables at date of acquisition is based on MWMTI's terminal construction and operations using the cost recovery method [see Note 2.17(d)].

The total excess of the consideration transferred over the acquisition date-fair value of the net assets acquired amounting to P307.4 million is presented as Gain on bargain purchase under Other Income (Charges) account in the 2018 consolidated statement of income. The gain on bargain purchase is due to the acquisition at par.

In 2018, Others also include penalty charges on late collections from customers amounting to P17.3 million.

26. TAXES

26.1 Registration with the Board of Investments

On May 29, 2015, the BOI approved the Parent Company's application for registration of its projects as PPP for School Infrastructure Project Phase 2 – Contract Package A pursuant to Build-Lease-Transfer Agreement with the Philippine DepEd on a nonpioneer status under the Omnibus Investment Code of 1987. Under such registration, the Parent Company is entitled of the following incentives:

(a) Income tax holiday (ITH) for a period of four years from May 30, 2015 or actual start of commercial operations, whichever is earlier;

(b) Importation of capital equipment, spare parts and accessories at zero duty for a period of five years from May 30, 2015;

(c) Additional deduction from taxable income of 50% of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment; and,

(d) Employment of foreign nationals which will hold supervisory, technical or advisory positions for five years from May 30, 2015.

On June 13, 2019, the BOI has approved the Parent Company's request for extension of the ITH incentive from May 28, 2019 to February 28, 2021 in relation to its PPP for School Infrastructure Project Phase 2.

On February 22, 2019, the BOI approved the Parent Company's application for registration as New Producer of Housing Components (Hollow Core Precast Pre-Stressed Slab) on a Non-Pioneer Status under the Omnibus Investments Code of 1987 (Executive Order No. 226). As such, the Parent Company is entitled to the following incentives:

(a) ITH for a period of four years from February 2019 or actual start of commercial operations, whichever is earlier;

(b) Importation of capital equipment, spare parts and accessories at zero-duty under Executive Order No. 57 and its Implementing Rules and Regulations:

(c) Additional deduction from taxable income of fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment; and

(d) Employment of foreign nationals which will hold supervisory, technical or advisory positions for five years from the date of registration.

On June 20, 2016, GMCAC was registered with the BOI as a PPP Project for the GMCAC Phase 2 – Operation and maintenance of Terminal 2 (Phase 2 O&M of T2) under the Concession Agreement with the DOTr and MCIAA as an expansion Project on a Non-pioneer status under the Omnibus Investment Code of 1987 (Executive Order No. 226).

Under the registration, GMCAC is entitled, among others, to ITH incentives for three years from December 2018 and July 2018 for Phase 1 and Phase 2, respectively, or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration. GMCAC has informed the BOI that the actual start of commercial operations of Phase I is on January 1, 2016 for ITH purposes.

Also, GMCAC is entitled to additional deduction from taxable income of 50% of the wages corresponding to the increment in number of direct labor in the year of availment as against the previous year, if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board. This may be availed for the first five years from date of registration but not simultaneously with ITH.

GMCAC voluntarily waived the ITH incentives for Phase 2 O&M of T2 for the taxable period July 2018 to December 2018 and for the taxable year 2019. GMCAC subjected all revenues and expenses of Phase 2 O&M T2 to RCIT in 2019.

26.2 Registration with Clark Freeport Zone

MGCJVI was registered as Clark Freeport Zone (CFZ) enterprise on April 12, 2018 with registration number C2018-169. On April 26, 2007, R.A. 9400 or "An Act Amending R.A. 7227 as Amended, otherwise known as the Bases Conversion and Development Act of 1992 and for Other Purposes" was approved.

One of the major amendments to R.A. 7227, now embodied in R.A. 9400, is the official declaration of Clark, which used to be a Special Economic Zone, as a Freeport Zone that would cover 4,400 hectares of the former Clark Air Base. Under R.A. 9400, the CFZ shall be operated and managed as a separate customs territory ensuring free flow or movement of goods and capital equipment within, into and exported out of Clark, as well as provide incentives such as tax and duty-free importation of raw materials and capital equipment. However, exportation or removal of goods from the territory of Clark to other parts of the country will also be subjected to customs duties and taxes under the Tariff and Customs Code of the Philippines, as amended by the National Internal Revenue Code. As a CFZ-registered enterprise, in lieu of paying the regular corporate income tax rate of 30%, MGCJVI shall pay 5% tax on gross income earned, divided as follows: 3% to the national government and 2% to the municipality or city where the zone is located. In addition, it is exempt from other internal revenue tax dues for its registered activities within the Freeport Zone, such as business tax, VAT and excise tax.

Under Revenue Regulation No. 02-01, enterprises registered pursuant to the Bases Conversion and Development Act of 1992 under R.A. 7227, as well as other enterprises duly registered under special economic zones declared by law which enjoy payment of special tax rate on their registered operations or activities in lieu of other taxes, are not subject to improperly accumulated earnings tax.

26.3 Current and Deferred Taxes

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

	2019	2018	2017
Reported in consolidated profit or loss			
Current tax expense:			
Regular corporate income tax (RCIT) at 30%	**P 34,250,758**	P 132,111,752	P 444,795,347
Minimum corporate income tax (MCIT) at 2%	**67,906,224**	-	-
BVI at 42% and 17%	**18,719,686**	-	-
Gross income tax (GIT) at 5%	**15,865,847**	-	-
Final tax at 20% and 7.5%	**3,872,695**	23,877,358	23,188,157
	140,615,210	155,989,110	467,983,504
Deferred tax expense (income) relating to origination and reversal of temporary differences	**183,587,512**	336,855,049	111,065,886
	P 324,202,722	P 492,844,159	P 579,049,390
Reported in consolidated other comprehensive income (loss)			
Deferred tax expense (income) relating to origination and reversal of temporary differences	**(P 34,401,682)**	P 12,288,626	(P 6,513,340)

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense for the year ended December 31 is as follows:

	2019	2018	2017
Tax on pretax profit at 30%	**P 430,571,261**	P 716,105,499	P 848,057,520
Adjustment for income subjected to lower tax rates	**(31,988,819)**	(32,502,891)	(12,843,737)
Tax effects of:			
Non-taxable income	**(128,453,670)**	(36,156,168)	(55,567,913)
Unrecognized deferred tax asset	**32,592,470**	-	-
Non-deductible expenses	**52,247,644**	208,679,709	58,865,143
Non-taxable net profit under ITH	**(30,766,164)**	(363,281,990)	(259,461,623)
	P 324,202,722	P 492,844,159	P 579,049,390

The net deferred tax assets and net deferred tax liabilities recognized in the consolidated statements of financial position as of December 31, 2019 and 2018 relate to the following:

	2019	2018
Deferred tax assets:		
Net operating loss carryover (NOLCO)	**P 111,051,212**	P -
Unrealized foreign currency losses – net	**(105,745,702)**	-
Advance payments from customers	**38,993,047**	-
	P 44,298,557	**P** -
Deferred tax liabilities:		
Amortization of concession assets	**(P 593,363,264)**	(P 351,766,039)
Excess of estimated costs over actual costs	**(224,534,781)**	(224,534,781)
Post-employment defined benefit obligation	**102,062,289**	54,460,610
Unrealized foreign currency gains	**52,060,207**	-
Effect of significant financing component	**34,025,156**	5,495,035
Uncollected non-taxable income*	**(29,576,382)**	(29,635,657)
Excess MCIT	**38,863,664**	1,237,944
Deferred revenue	**5,177,553**	2,117,065
Impaiment losses on trade receivables	**3,286,823**	124,959,694
Right of use assets – net	**(432,271)**	-
Fair value gains on financial assets at FVTPL	**(198,950)**	(198,950)
Unrealized foreign currency gains – net	**-**	(391,306)
Remeasurement gain on DBO	**-**	(1,421,031)
	(P 612,629,956)	(P 419,677,416)

**This pertains to the excess of revenue recognized under percentage of completion over collection of non-taxable revenues under ITH.*

The deferred tax expense (income) recognized in the consolidated statements of income and consolidated statements of comprehensive income for December 31 relate to the following:

	Profit or Loss			Other Comprehensive Income		
	2019	2018	2017	**2019**	2017	2016
Excess of actual over estimated cost	**P -**	P 331,989,735	P 67,769,182	**P -**	P -	P -
Amortization of concession assets	**241,597,225**	174,509,471	-	**-**	-	-
Impairment losses on trade receivables	**121,672,870**	(91,751,729)	(28,995,620)	**-**	-	-
Uncollected non-taxable income*	**114,683,656**	(56,603,445)	82,998,327	**-**	-	-
Net operating loss carryover (NOLCO)	**(111,051,212)**					
Post-employment defined benefit obligation	**(14,621,028)**	(13,273,078)	(11,716,429)	**(34,401,682)**	12,288,626	(6,513,340)
Construction revenue – PFRS 15	**(28,530,120)**	(5,495,035)	-	**-**	-	-
Deferred revenue	**(3,134,801)**	(2,117,065)	-	**-**	-	-
Advance payments from customers	**(38,993,047)**	2,055,875	324,358	**-**	-	-
Excess MCIT	**(38,512,489)**	(1,237,944)	-	**-**	-	-
Deferred charges on loans	**-**	(905,210)	-	**-**	-	-
Unrealized foreign currency gains (losses) – net	**(59,955,813)**	(321,932)	686,068	**-**	-	-
Leases – PFRS 16	**432,271**	**-**	**-**	**-**	**-**	**-**
Fair value gains on financial assets at FVTPL	**-**	5,406	-	**-**	-	-
Deferred tax expense (income)	**P 183,587,512**	P 336,855,049	P 111,065,886	**(P 34,401,682)**	P 12,288,626	(P 6,513,340)

The Parent Company, GMCAC and MWMTI are subject to the minimum corporate income tax (MCIT), which is computed at 2% of gross income as defined under the tax regulations, or RCIT, whichever is higher. In 2019, only the Parent Company and GMCAC reported MCIT. GMI and MLI will be subjected to MCIT in 2020.

In 2016, GMI and MLI have unrecognized deferred tax asset of P0.9 million each arising from their respective NOLCO, which can be claimed as deduction against future taxable income up to 2019. In addition, MCEI incurred NOLCO amounting to P0.1 million in 2016 and P0.4 million in 2015, which can be claimed as deduction against future taxable income until 2019 and 2018, respectively.

In 2019, 2018 and 2017, the Group opted to claim itemized deductions in computing for its income tax due.

27. EQUITY

27.1 Capital Stock

Capital stock consists of:

	Shares			Amount		
	2019	2018	2017	**2019**	2018	2017
Common shares – P1 par value						
Authorized	**4,930,000,000**	4,930,000,000	4,930,000,000	**P 4,930,000,000**	P4,930,000,000	P4,930,000,000
Subscribed and paid in:	**2,399,426,127**	2,399,426,127	2,399,426,127	**P 2,399,426,127**	P2,399,426,127	P2,399,426,127
Less:						
Treasury shares						
Balance at beginning of year	**309,660,510**	260,842,702	260,842,702	**P 3,454,826,462**	P2,627,738,885	P2,627,738,885
Reacquisition	**26,131,800**	48,817,808	-	**457,791,074**	827,087,577	-
Balance at end of year	**335,792,310**	309,660,510	260,842,702	**P 3,912,617,536**	P3,454,826,462	P2,627,738,885
Issued and outstanding	**2,063,633,817**	2,089,765,617	2,138,583,425			
Preferred – P1 par value						
Authorized	**70,000,000**	70,000,000	70,000,000	**P 70,000,000**	P 70,000,000	P 70,000,000
Issued and outstanding	**40,000,000**	40,000,000	40,000,000	**P 40,000,000**	P 40,000,000	P 40,000,000

As of December 31, 2019 and 2018, the Parent Company has 26 and 23 holders of its common equity securities owning at least one board lot of 100 shares listed in the PSE, respectively, and its share price closed as of such dates at P16.40 and P18.50 per share in 2019 and 2018, respectively. The Parent Company has 2,399.4 million common shares traded in the PSE both as of December 31, 2019 and 2018.

As of December 31, 2019 and 2018, the Parent Company has 40.0 million preferred shares traded in the PSE. The preferred share price closed at P96.0 and P98.0 per share as of December 31, 2019 and 2018, respectively.

27.2 Dividends

In 2019 and 2018, the Parent Company's BOD approved the declaration cash dividends of P1.76 per share or equivalent to P70.3 million per quarter (total of P281.0 million) to holders of preferred shares, which were taken out of the unrestricted earnings of the Parent Company as of December 31, 2018 and 2017, respectively. The series of record dates and payments are as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2019:				
Approval dates	January 8, 2019	April 3, 2019	July 8, 2019	October 10, 2019
Record dates	February 13, 2019	May 16, 2019	August 14, 2019	November 15, 2019
Payment dates	March 3, 2019	June 3, 2019	September 3, 2019	December 3, 2019
2018:				
Approval dates	January 30, 2018	May 3, 2018	August 11, 2018	October 30, 2018
Record dates	February 15, 2018	May 18, 2018	August 16, 2018	November 16, 2018
Payment dates	March 3, 2018	June 3, 2018	September 3, 2018	December 3, 2018

The dividends on preferred shares bear cumulative, non-participating cash dividends based on the issue price, payable quarterly in arrears every dividend payment date, at the fixed rate of 7.025% per annum from listing date.

On December 26, 2019, the Parent Company's BOD approved the declaration of cash dividends for common shares in the amount of P0.12 per share or equivalent to P247.6 million to all stockholders of record as of January 15, 2020, payable on January 31, 2020. Outstanding dividend payable amounting to P239.9 million is presented as part of Dividend payable under the Trade and Other Payables account in the 2019 consolidated statement of financial position (see Note 17). The dividend payable was subsequently paid in January 2020.

On October 1, 2018 and December 11, 2017, the BOD approved the declaration of cash dividends for common shares at P0.12 per share and P0.05 per share or equivalent to P256.6 million and P106.9 million, respectively. The cash dividends were paid on November 12, 2018 and December 29, 2017, respectively, to all common stockholders of record as of October 15, 2018 and December 26, 2017, respectively. The dividends were paid out of the unrestricted retained earnings of the Corporation distributable as dividends as of December 31, 2017 and 2016, respectively.

27.3 Treasury Shares

On July 20, 2016, the Parent Company's BOD approved the buy-back of 410.8 million common shares held by Sybase Equity Investment Corporation at a price equal to the 7-trading day volume weighted average price ending on July 28, 2016 or equivalent to P10.03 per share. Total purchase price of the treasury shares including incidental cost of the buy-back amounted P4,138.8 million.

On October 20, 2016, the Parent Company's BOD approved the sale of its 150.0 million treasury shares at P14.90 per share. Net proceeds of the sale of treasury share amounted to P2,181.7 million, net of incidental cost of the transaction. Outstanding balance of the treasury shares after the sale is 260.8 million treasury shares at cost of P2,627.7 million.

On October 1, 2018, the Parent Company's BOD approved a share buyback program worth up to P2.0 billion over a period of two years. Total cost to acquire treasury shares in 2019 and 2018 amounted to P457.8 million and P827.1 million, respectively, which is equivalent to 26.1 million and 48.8 million shares, respectively.

27.4 Retained Earnings

On April 8, 2013, the BOD of the Parent Company approved the declaration of dividends and gave management the authority to decide the type (cash, stock or mixed) and amount of any dividends to be declared subsequently.

The Parent Company's retained earnings are restricted to the extent of the cost of treasury shares (see Note 27.3).

27.5 Non-controlling Interest

Upon incorporation, the Parent Company acquired 15.0 million shares of GMCAC. The purchase of the shares is part of the shareholders' agreement to execute, undertake, and implement the Project in accordance with the concession agreement. The shares acquired represent 60% of the total issued and outstanding shares of GMCAC (see Note 1.2). The non-controlling interest representing 38.24% ownership of GMR Infrastructure (Singapore) Pte. Ltd. (GISPL) and 1.66% ownership of GIL in GMCAC is presented as part of Non-controlling Interest account in the consolidated statements of financial position (see Note 11.5).

Another non-controlling interest representing 30% ownership of Philcarbon, Inc. in MCEI is presented as part of Non-controlling Interest account in the consolidated statements of financial position (see Note 11.5).

In 2016, the Parent Company acquired 12.0 million shares of GMI representing 60% of the total issued and outstanding shares of GMI. On March 15, 2017, the Parent Company sold 2,000,000 shares or 10% interest of GMI to GHOSPL. As of December 31, 2017, GMI is 50% owned by the Parent Company. In 2019, GMI declared P50.0 million dividends to non-controlling shareholders which resulted to a decrease in the equity attributable to the non-controlling interests (see Note 11.5).

Also in 2016, the Group's controlling 60% ownership in MCLI resulted in 40% non-controlling interest of the other stockholder. The non-controlling interest representing 50% ownership of GHOSPL in GMI and 40% of other stockholder in MCLI are presented as part of Non-controlling Interest account in the consolidated statements of financial position (see Note 11.5).

The Group determined that only the minority interest in GMCAC is considered as a material non-controlling interest, and accordingly, presented the relevant financial information in the next page (see Note 27.5).

	2019	2018
Current assets	**P 2,484,974,268**	P 2,914,185,736
Non-current assets	**33,233,226,229**	32,032,618,992
Total assets	**P35,718,200,497**	P 34,946,804,728
Current liabilities	**P 1,927,502,224**	P 979,143,408
Non-current liabilities	**24,468,439,808**	25,172,122,602
Total liabilities	**P26,395,942,032**	P26,151,226,010
Equity	**P 9,322,258,465**	P 8,795,538,717
NCI in equity	**3,626,345,966**	3,414,933,844
Net profit	**529,233,776**	939,650,075
Net income allocated to NCI	**211,693,510**	375,860,030

In 2019, GMI declared dividends amounting to P50.0 million to non-contolling interests. Outstanding dividends payable of GMI amounting P25.0 million is presented as part of Non-trade payables under Trade and Other Payables in the 2019 consolidated statement of financial position (see Note 17). In 2018, GMCAC, MCEI, and GMI have not declared nor paid any dividends.

27.6 Revaluation and Other Reserves

The movements of this account are as follows:

	Retirement Benefit Obligation (see Note 24)	**Foreign Currency Translation** (see Note 2)	**Other Reserves** (see Note 2)	**Total**
Balance as of January 1, 2019	P 15,204,702	P -	(P 22,474,837)	(P 7,270,135)
Remeasurements of post-employment defined benefit plan	(112,375,577)	-	-	(112,375,577)
Foreign currency translation	-	74,555	-	74,555
Other comprehensive income (loss) before tax	(112,375,577)	74,555	-	(112,301,022)
Tax expense	33,712,673	-	-	33,712,673
Other comprehensive income (loss) after tax	(78,662,904)	74,555	-	(78,588,349)
Balance as of December 31, 2019	(P 63,458,202)	P 74,555	(P 22,474,837)	(P 85,858,484)

	Retirement Benefit Obligation (see Note 24)	Non-current Financial Assets (see Note 10)	Other Reserves (see Note 2)	Total
Balance as of January 1, 2018	(P 12,213,049)	P 8,263,159	(P 22,474,837)	(P 26,424,727)
Remeasurements of post-employment defined benefit plan	39,168,216	-	-	39,168,216
Recycled to profit or loss	-	(8,263`,159)	-	(8,263,159)
Other comprehensive income (loss) before tax	39,168,216	(8,263,159)	-	30,905,057
Tax income	(11,750,465)	-	-	(11,750,465)
Other comprehensive income (loss) after tax	27,417,751	(8,263,159)	-	19,154,592
Balance as of December 31, 2018	P 15,204,702	P -	(P 22,474,837)	(P 7,270,135)
Balance as of January 1, 2017	P 3,839,121	(P 70,963,642)	(P 22,474,837)	(P 89,599,358)
Remeasurements of post-employment defined benefit plan	(22,931,671)	-	-	(22,931,671)
Recycled to profit or loss	-	70,963,642	-	70,963,642
Fair value gain on AFS financial assets	-	8,263,159	-	8,263,159
Other comprehensive income (loss) before tax	(22,931,671)	79,226,801	-	56,295,130
Tax income	6,879,501	-	-	6,879,501
Other comprehensive income (loss) after tax	(16,052,170)	79,226,801	-	63,174,631
Balance as of December 31, 2017	(P 12,213,049)	P 8,263,159	(P 22,474,837)	(P 26,424,727)

28. RELATED PARTY TRANSACTIONS

The Group's related parties include its ultimate parent company and other shareholders, subsidiaries, associates, joint venture, parties related to the Parent Company by common ownership and key management personnel.

The summary of the Group's transactions with related parties as of December 31, 2019 is as follows:

Related Party Category	Notes	Amount of Transaction	Outstanding Receivable (Payable)	Terms	Conditions
Ultimate Parent Company –					
Cash granted	5, 28.4	P 2,923,049,503	P 3,069,371,725	Interest-bearing	Unsecured; Unimpaired
Interest receivable	5,28.4	220,500,000	288,975,323	On demand; Noninterest-bearing	Unsecured; Unimpaired

Related Party Category	Notes	Amount of Transaction	Outstanding Receivable (Payable)	Terms	Conditions
Minority shareholders and their affiliates:					
Cash granted	5, 28.4	(P 841,103)	P -	On demand; Noninterest-bearing	Unsecured; Unimpaired
Associate:					
Revenue from services	6, 21.1, 28.1	313,577	905,413,727	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 28.4	6,000,000	6,000,000	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash obtained	17, 28.4, 28.5	(20,000,000)	(20,000,000)	On demand; Noninterest-bearing	Unsecured; Unimpaired
Rent income	28.2	53,571	57,321	Normal credit terms	Unsecured; Unimpaired
Joint Arrangement:					
Revenue from services	6, 21.1, 28.1	598,911,864	298,184,597	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 28.4	4,329,601	5,404,267	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash obtained	17, 28.4, 28.5	14,883,628	-	On demand; Noninterest-bearing	Unsecured; Unimpaired
Related Parties Under Common Ownership:					
Rent income	28.2	3,662,298	3,703,186	Normal credit terms	Unsecured; Unimpaired
Revenue from services	6, 21.1, 28.1	187,922,352	130,204,606	Normal credit terms	Unsecured; Unimpaired
Rent expense	22, 28.2	1,766,433	-	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 28.4	42,399,786	3,186,770,507	On demand; Interest-bearing and noninterest-bearing	Unsecured; Unimpaired
Cash obtained	17, 28.4, 28.5	44,683,199	-	On demand; Noninterest-bearing	Unsecured; Unimpaired
Interest receivable	5,28.4	220,500,000	288,975,322	On demand; Noninterest-bearing	Unsecured; Unimpaired
Retirement fund		295,910	4,384,701	Upon retirement of beneficiaries	Partially funded; Unimpaired
Advances to Officers and Employees	6, 28.3	17,232,250	51,503,789	Upon liquidation, Noninterest-bearing	Unsecured; Unimpaired
Key Management Personnel – Compensation	28.8	310,903,975	-	On demand	Unsecured; Unimpaired

The summary of the Group's transactions with related parties as of December 31, 2018 is as follows:

Related Party Category	Notes	Amount of Transaction	Outstanding Receivable (Payable)	Terms	Conditions
Ultimate Parent Company –					
Cash granted	5, 28.4	(P 148,848,438)	P 146,322,222	Interest-bearing	Unsecured; Unimpaired
Shareholders –					
Revenue from services	6, 21.1, 28.1	14,782,658	1,008,487	Normal credit terms	Unsecured; Unimpaired
Minority shareholders and their affiliates:					
Airport operator's fee	21.2	38,774,762	-	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash granted	5, 28.4	841,103	841,103	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash obtained	17, 28.4, 28.5	(172,939,978)	-	On demand; Noninterest-bearing	Unsecured; Unimpaired
Associate:					
Revenue from services	6, 21.1, 28.1	153,157,722	905,100,150	Normal credit terms	Unsecured; Unimpaired
Rent income	28.2	53,571	228,750	Normal credit terms	Unsecured; Unimpaired
Joint Arrangement:					
Revenue from services	6, 21.1, 28.1	769,940,008	29,082,652	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 28.4	(1,890,090)	1,074,666	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash obtained	17, 28.4, 28.5	(14,883,628)	(14,883,628)	On demand; Noninterest-bearing	Unsecured; Unimpaired
Related Parties Under Common Ownership:					
Rent income	28.2	160,714	606,786	Normal credit terms	Unsecured; Unimpaired
Revenue from services	6, 21.1, 28.1	172,643,575	237,415,487	Normal credit terms	Unsecured; Unimpaired
Rent expense	22, 28.2	2,811,703	-	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 28.4	3,144,351,971	3,144,370,721	On demand; Interest-bearing and noninterest-bearing	Unsecured; Unimpaired
Cash obtained	17, 28.4, 28.5	(44,222,623)	(44,683,199)	On demand; Noninterest-bearing	Unsecured; Unimpaired
Retirement fund		44,798	-	Upon retirement of beneficiaries	Partially funded; Unimpaired
Advances to Officers and Employees	6, 28.3	12,375,774	34,271,539	Upon liquidation, Noninterest-bearing	Unsecured; Unimpaired
Key Management Personnel –					
Compensation	28.8	209,941,711	-	On demand	Unsecured; Unimpaired

The summary of the Group's transactions with related parties as of December 31, 2017 is as follows:

Related Party Category	Notes	Amount of Transaction	Outstanding Receivable (Payable)	Terms	Conditions
Ultimate Parent Company –					
Cash granted	5, 28.4	(P 623,328,162)	P 290,170,659	On demand; Interest-bearing	Unsecured; Unimpaired
Minority shareholders and their affiliates:					
Airport operator's fee	21.2, 28.8	26,910,779	-	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash obtained	17, 28.4, 28.5	38,117,405	(172,939,978)	On demand; Noninterest-bearing	Unsecured; Unimpaired
Associates:					
Revenue from services	6, 21.1, 28.1	-	747,599,683	Normal credit terms	Unsecured; Unimpaired
Rent income	28.2	53,571	171,429	Normal credit terms	Unsecured; Unimpaired
Joint Arrangement:					
Revenue from services	6, 21.1, 28.1	1,303,585,007	174,362,420	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 28.4	2,964,756	2,964,757	On demand; Noninterest-bearing	Unsecured; Unimpaired
Related Parties Under Common Ownership					
Rent income	28.2	53,571	434,821	Normal credit terms	Unsecured; Unimpaired
Advances from customers	19, 28.1	7,507,271	7,507,271	Normal credit terms	Unsecured; Unimpaired
Revenue from services	6, 21.1, 28.1	724,464,404	278,600,608	Normal credit terms	Unsecured; Unimpaired
Rent expense	22, 28.2	(2,649,539)	-	On demand	Unsecured; Unimpaired
Cash granted	5, 28.4	(43,733)	18,750	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash obtained	17, 28.4, 28.5	4,720,879	(1,470,503)	On demand; Noninterest-bearing	Unsecured; Unimpaired
Sale of land		(33,902,500)	-	On demand; Noninterest-bearing	Unsecured; Unimpaired
Retirement fund		(3,933,315)	-	Upon retirement of beneficiaries	Partially funded; Unimpaired
Advances to Officers and Employees	6, 28.3	(3,723,622)	21,895,765	Upon liquidation; Noninterest-bearing	Unsecured; Unimpaired
Key Management Personnel –					
Compensation	28.8	182,781,767	-	On demand	Unsecured; Unimpaired

28.1 Rendering of Services

In the normal course of business, the Group provides construction services to its associate, a certain previous shareholder and other related parties. The related revenue from these transactions amounted to P787.1 million, P1,110.5 million and P2,028.0 million in 2019, 2018 and 2017, respectively, and is recorded as part of Contract Revenues account in the consolidated statements of income (see Note 21.1). Services rendered to the above related parties are based on normal terms similar to terms that would be available to non-related parties.

The outstanding contract receivables from these transactions, which are generally unsecured and settled through cash within three to six months, and the related retention receivables, which can only be collected after a certain period of time upon acceptance by project owners of the certificate of completion, are presented as part of Contract and Retention receivables under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

Through application of the ECL model based on the lifetime expected credit loss wherein the Group used its historical experience, external indicators and forward-looking information to calculate the ECL using the provision matrix, no significant amount of impairment losses was required to be recognized for the years 2019, 2018 and 2017.

28.2 Rental of Land and Building

The Group is a lessee of certain parcels of land and building owned by related parties under common ownership.

In 2019, 2018 and 2017, the Group recognized rent expense amounting P1.8 million, P2.8 million and P2.6 million, respectively, from the lease agreement with Megapolitan Realty and Development Corporation (Megapolitan) for the land where the Group's building is located (see Notes 23 and 29.1.1). The Group has no outstanding payables from the rental transaction with Megapolitan as of December 31, 2019 and 2018.

In 2019 and 2018, the Group also leases an office space where its registered address is located from Philwide Construction and Development Corporation (Philwide).

Megapolitan and Philwide are entities owned by the Group's stockholders and their close family members.

The Parent Company also leases out its office space to its associates and related parties under common ownership. As a result, the Group recognized rent income amounting to P3.7 million in 2019 and P0.3 in 2018 from the lease of its office building to several related parties. This is recorded as part of Other Income (Charges) – net account in the consolidated statements of income (see Note 25.3). The outstanding balances arising from these transactions are presented as part of Other receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

28.3 Advances to Officers and Employees

Advances to officers and employees represent unsecured, noninterest-bearing cash advances for business-related expenditures that are to be liquidated 60 days from the date the cash advances were received. The outstanding receivables from these transactions are presented as part of Trade and Other Receivables (see Note 6).

No impairment losses were recognized in 2019, 2018 and 2017 for these advances.

28.4 Advances to and from Related Parties

In 2019 and 2018, the Group obtained unsecured, noninterest-bearing cash advances from certain related parties to finance portion of its working capital requirement payable upon demand. Advances obtained amounted to P20.0 million in 2019 and P58.1 million in 2018, while advances settled amounted to P59.6 million and P172.9 million, respectively. The outstanding balance from these transactions is shown under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

	2019	2018
Due to stockholders and related parties		
Associates	**P 20,000,000**	P -
Related party under common ownership	**-**	44,683,199
Joint arrangement	**-**	14,883,628
	P 20,000,000	P 59,566,827

The Group has provided unsecured, interest-bearing and noninterest-bearing cash advances to its associates and certain related parties under common ownership for their working capital requirements. In 2019 and 2018, the Parent Company also provided bridge financing to its parent and associates for the Group's business expansion and diversification program.

In 2019 and 2018, the Group granted advances totaling P2,976.2 million and P3,145.2 million, respectively, while advances collected amounted to P0.8 million and P145.7 million, respectively. The outstanding balance from these transactions is shown under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

	2019	2018
Advances to related parties		
Related party under common ownership	**P 3,186,770,507**	P 3,144,370,721
Ultimate parent company	**3,069,371,725**	146,322,222
Associates	**6,000,000**	-
Joint arrangement	**5,404,267**	1,074,666
Minority shareholders and their affiliates	**-**	841,103
	P 6,267,546,499	P 3,292,608,712

Further, upon assessment of recoverability based on the capacity to pay and expected collectability of these advances, no impairment losses were recognized in 2019, 2018 and 2017.

The Group's outstanding receivables from and payables to the same related parties as presented can be potentially offset to the extent of their corresponding outstanding balances (see Note 32.2).

28.5 Advances to and from Minority Shareholders

The minority shareholders granted unsecured, noninterest-bearing cash advances to GMCAC to support its Project bid-related expenses. The minority interest shareholder also granted unsecured noninterest-bearing cash advances to MCEI to support its working capital operations. The outstanding balance from this transaction is shown under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

28.6 Others

The Parent Company's retirement plan is in the form of a bank-trustee managed account. The fair value of the retirement plan totalled P4.4 million and P3.9 million as of December 31, 2019 and 2018, respectively. The details of the retirement plan are presented in Note 24.2.

28.7 Key Management Compensation

The compensation of key management personnel is broken down as follows:

	2019	2018	2017
Short-term employee benefits	**P 293,002,231**	P 207,383,418	P 175,585,387
Post-employment benefits	**17,901,744**	2,558,293	7,196,380
	P 310,903,975	P 209,941,711	P 182,781,767

29. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Group:

29.1 Lease Commitments

29.1.1 Operating Lease Commitments - Group as Lessee (2018 & 2017)

The Group is a lessee under operating leases covering its office space, stockyards, and certain construction equipment with terms ranging from one year to two years subject to renewal options. Total rental expense from these operating leases, presented as Rentals under Other Operating Expenses amounted to P40.7 million and P21.1 million in 2018 and 2017, respectively (see Notes 23 and 28.2).

The related refundable security deposits amounting to P161.7 million as of December 31, 2018, are presented as part of Other Current Assets in the 2018 consolidated statement of financial position (see Note 12).
The future minimum lease payments under these non-cancellable operating lease as of December 31, 2018 are as follows:

Within one year	P 14,540,236
After one year but not more than five years	26,197,309
	P 40,737,545

29.1.2 Finance Lease Commitments – Group as Lessee (2018)

The Group has finance leases covering certain transportation and construction equipment with terms ranging from two to five years. Future minimum lease payments (MLP) under the finance leases together with the present value (PV) of the net minimum lease payments (NMLP) as of December 31 are as follows:

	2018	
	Future MLP	PV of NMLP
Within one year	P 146,602,196	P 138,983,535
After one year but not more than five years	351,722,951	333,444,521
Total MLP	498,325,147	472,428,056
Amounts representing finance charges	(25,897,091)	-
PV of MLP	P 472,428,056	P 472,428,056

The liabilities relating to the finance leases are shown as part of Interest-bearing Loans and Borrowings account (see Note 18.3).

29.1.3 Group as Lessor

The Group is also a lessor under operating leases covering rentals from lease of office and commercial spaces presented in the consolidated statements of financial position as Investment Properties. Rental income earned amounted to P468.4 million in 2019 which is recognized under Terminal Operations Revenues in the consolidated statements of income (see Note 21.2).

The future minimum lease receivables under the non-cancellable operating leases as of the end of 2019 are as follows:

Within one year	P 896,438,164
After one year but not more than five years	4,351,175,835
	P5,247,613,999

Variable rent, which pertains to a certain percentage share in the lessees' sales, is included as part of total rent income amounting to P40.0 million in 2019.

29.2 PPP with DepEd

On October 8, 2012, the Parent Company, together with Citicore (collectively referred to as proponent), executed a build-lease-transfer agreement with the Philippine Government, through DepEd under the PPP for school infrastructure project, which provides initiatives on the construction of classroom nationwide to address the current classroom backlog and future requirements for classrooms.

The agreement requires the construction, maintenance and lease of school buildings, whereby, the project proponent is authorized to finance and construct the school facility within 16 months from the execution date and upon its completion turns it over to the government agency or local government unit concerned on a lease agreement for a period of 10 years from the issuance of certificate of completion. After which, ownership of the facility is automatically transferred to the government agency or local government unit concerned.

During the lease period, the proponent shall be responsible for the maintenance works, which shall be performed twice, the first time at any point between the fourth and fifth years, and the second time at any point between the eighth and ninth years. At the end of the 10-year term, the proponent shall bear all costs incurred in connection with the transfer of rights to the Philippine Government.

Pursuant to the above agreements, the Parent Company and Citicore established CMCI (see Note 1) to handle the PPP school infrastructure project. In 2016, the construction of the school buildings has been maintained.

As of December 31, 2018 and 2017, the school infrastructure project is 100% complete for both Phases 1 and 2.

29.3 Build-Operate-Transfer Agreements

29.3.1 Mactan-Cebu International Airport Project

(a) BOT Agreement

In 2014, GMCAC entered into a BOT agreement with the Grantors relative to the MCIA Project. GMCAC was established to undertake the Project involving, among others, the construction of a world-class airport passenger terminal (along with associated infrastructure and facilities), the renovation and expansion of the existing airport terminal and the operation and maintenance of both airport passenger terminals for a period of 25 years.

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

GMCAC is a pioneer in the privately operated airport space in the Philippines when it took over the Mactan Cebu International Airport on the scheduled take over date of November 1, 2014.

(b) Technical Service Agreement

On August 19, 2014, GMCAC entered into a Technical Services Agreement (the Agreement) with GIL to provide for the services in compliance with the Concession Agreement are described below.

(i) The preparation of policies and procedures such as O&M Manual and the updating of such every January 30th of each calendar year, Fire Safety Manual, and any other additional systems, documentation and manuals to meet the Performance Standards under the Concession Agreement;

(ii) Provide training or technical services to key personnel of GMCAC so that GMCAC may undertake the O&M of the facilities;

(iii) Provide qualified experts, on a permanent or long-term basis; and,

(iv) Provide other staff on non-permanent basis either based on GIL's location or seconded to GMCAC.

As stated in the Agreement and as agreed by the parties, GIL may provide services through any of its offices, subsidiaries, or branches where the qualified experts may be located, which shall include GISPL and/or GISPL's or GIL's branch to be incorporated in the Philippines. GMCAC also agreed to pay the relevant fees upon the invoice raised, directly and under the instructions of GIL, by such office, subsidiary or branch.

The service fee shall be 1.25% of the actual audited gross revenue. The Agreement is effective up to the expiry of the Concession Period unless terminated earlier upon mutual consent of the parties.

Airport operator's fee recognized for 2019, 2018 and 2017 amounted to P47.6 million, P38.8 million and P26.9 million, respectively (see Notes 22.2 and 23).

29.3.2 Parañaque Integreated Terminal Exchange Project

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

The development and implementation of the PITX Project is divided into terminal and commercial areas and related developments therein for a total lot area of 193.4 hectares (the Project Assets). Specifically, the PITX Project to be undertaken by MWMTI, as the concessionaire, consists of the following:

- The design, engineering and construction of the PITX Terminal, access road and the pedestrian connections between the PITX Terminal and Asia World Station concourse within 18 months from the construction date;
- From its completion until the end of the concession period, the operation and maintenance of the PITX Terminal in accordance with the Concession Agreement;
- The collection and remittance to the Grantor of terminal fee from users of the PITX Terminal;
- The financing of the above activities;

- The design, financing, engineering and construction of commercial assets, carrying out of the commercial business, and collection of any commercial revenue at the concessionaire's option; and,
- Turn-over of the Project Assets to the Grantor at the end of the Concession Period

Pursuant to the Concession Agreement, MWMTI shall be entitled to collect and receive the concessionaire revenue comprising of AGP, commercial revenue, and any applicable grantor compensation payments. The AGP is collectible from the Grantor at the end of every anniversary year from the construction completion date thereof. For commercial revenue, MWMTI is free to impose and collect commercial charges from the use of commercial areas. On the other hand, the Grantor shall be entitled to the terminal fee revenue from the users of the public service and other charges.

At the end of the concession period, MWMTI shall hand-over the PITX Project Assets to the Grantor without cost, free from any liens and encumbrances, including all improvements made to the terminal facilities, commercial assets, works in progress and right to receive commercial revenues.

On November 5, 2018, MWMTI opened the terminal while the construction of commercial areas and related developments were completed in 2019.

29.4 Credit Lines

The Group has existing credit lines with local banks totalling P45,400.0 million and $75.0 million (P3,778.6 million) for 2019, and P48,170.0 million and $75.0 million (P3,744.2 million) for 2018.

The Group availed of bank loans totalling P40,384.4 million and $75.0 million (P3,778.6 million) for 2019, and P33,831.0 million and $75.0 million (P3,877.5 million) for 2018 (see Note 18.2). Only the loan obtained by GMCAC was secured, as disclosed in Note 18.2. Unused credit lines as of December 31, 2019 amounted to P5,051.6 million.

29.5 Capital Commitments on Use of Proceeds

The Parent Company has capital commitments to utilize the proceeds from the issuance of its preferred shares amounting to P3,938.5 million for various PPP projects, development of renewable energy projects, and bid preparation and preliminary works for PPP projects that the Parent Company will bid for (see Note 29.2). As of December 31, 2019 and December 31, 2018, the balance of the unutilized proceeds amounted to nil and P309.3 million, respectively.

29.6 Legal Claims

There are pending claims, tax assessment, and other legal actions filed by the Group or against the Group arising from the normal course of business. There are no related provisions recognized in the consolidated financial statements as management believes that the Group has strong legal positions related to such claims. Moreover, management believes that the ultimate liability, if any, with respect to such litigations, claims and disputes will not materially affect the financial position and results of operations of the Group.

29.7 Others

Apart from the foregoing significant commitments, and the Group's construction commitments with various counterparties under the ordinary course of business, there are other commitments and contingent liabilities that arise in the normal course of the Group's operations which are not reflected in the consolidated financial statements. Management is of the opinion that losses, if any, from these commitments and contingencies will not have material effects on the Group's consolidated financial statements, taken as a whole.

30. EARNINGS PER SHARE

	2019	2018	2017
Net profit attributable to shareholders of the Parent Company	**P 859,487,439**	P 1,469,434,495	P 1,781,192,210
Dividends on cumulative preferred shares	**(281,000,000)**	(281,000,000)	(281,000,000)
Net profit available to common shareholders of the Parent Company	**578,487,439**	1,188,434,495	1,500,192,210
Divided by weighted average number of outstanding common shares	**2,081,168,982**	2,130,249,359	2,138,583,425
Basic and diluted EPS	**P 0.28**	P 0.56	P 0.70

The Group does not have dilutive potential common shares outstanding as of December 31, 2019, 2018 and 2017; hence, diluted EPS is equal to the basic EPS.

31. EVENTS AFTER THE END OF THE REPORTING PERIOD

31.1 Declaration of Dividends

On January 8, 2020, the Company's BOD approved the declaration cash dividends of P1.76 per share or equivalent to P70.3 million to holders of preferred shares on record as of February 6, 2020. The dividends which is payable on March 3, 2020, shall be taken out of the unrestricted earnings of the Company as of December 31, 2019.

31.2 Share Buy-Back Program

In 2019, pursuant to the share buyback program, the Company acquired treasury cost amounted to P99.25 million (equivalent to 4.65 million shares).

On March 3, 2020, the BOD approved an additional P3 billion to its Share buyback program (the "Program"), making it a total of P5 billion and removal of the period within which to execute the Program, making it open-ended.

31.3 Execution of Corporate Note Facility

On February 19, 2020, the Company signed a P5.0 billion corporate note facility, the proceeds of which will be used by the Company to (a) retire maturing debt obligations (b) to fund growth projects and (c) for general corporate purposes.

31.4 COVID-19 Outbreak

In December 2019, a novel strain of corona virus (COVID-19) was reported to have surfaced in China. The World Health Organization has declared the outbreak as a 'public health emergency of international concern.' COVID-19 started to become widespread in the Philippines in early March 2020. This caused the government to declare the country in a state of public health emergency followed by implementation of enhanced quarantine and social distancing measures and restrictions within the Luzon area with other cities and provinces in the country enacting similar measures thereafter. This resulted in a wide-ranging business suspension - disrupting the supply chains, affecting production and sales across a range of industries, and weakening the stock market.

The Enhanced Community Quarantine (ECQ), which suspended construction activities and PITX and MCIA terminal operations, imposed by the government on March 17, 2020 were relaxed beginning May 16, 2020 placing Metro Manila and Laguna in Luzon under modified ECQ (MECQ) as these areas are categorized as high-risk while moderate risk places are placed under General Community Quarantine (GCQ) which includes MCIA.

Under MECQ, public works and private construction projects are now allowed to operate subject to minimum health standards and measures. Although public transportation is suspended in PITX, operation of its office towers and retail groceries are allowed whereas restaurants are allowed to operate at 50% capacity provided service shall be limited to delivery or takeout. MCIA, on the other hand, which is placed under GCQ beginning May 16 are allowed to operate domestic flights provided incoming or outgoing flights are from GCQ area.

These circumstances are expected to delay activities during the ECQ period or for two months from its expected original schedule of 12 months, translating to delayed revenue recognition for the year. Meanwhile, revenues from airport operations and merchandising activities will be affected by the expected drop in international tourist arrivals, estimated by the government to fall by 30-40% this year, and the restricted travel within the Philippines due to the nationwide imposition of the ECQ. Recovery in revenue is contingent upon the lifting of travel bans imposed by the government and nearby countries as well as confidence of people to travel. Terminal or landport operations, being a new segment and went full swing in January 2020, is expected to contribute significantly and compensate for the slowdown in the airport segment and delay in construction activities. Cost, on the other hand, are expected to follow the revenue trajectory.

The Group does not foresee any impairment of its assets nor breaches from its existing loan covenant given its measures to address risk of losses and its healthy balance sheet. The Group foresees that the New Normal emerging from the COVID-19 pandemic presents several challenges in the businesses yet unlocks exciting opportunities in construction and infrastructure development, which the Group is in a very strong position to line up for. In the construction segment, the government's infrastructure acceleration under the modified Build, Build, Build program will be very attractive, considering our fully-integrated EPC capabilities, engineering technologies like precast, and track record in PPPs. The precast technology, in particular, is adaptive to social distancing and safety standards requirements for construction sites post-quarantine. As such, Megawide's precast business unit is now ramping up its capacity to deliver external sales orders.

The Group has determined that these events are non-adjusting subsequent events. Accordingly, their impact was not reflected in the Group's consolidated financial statements as of and for the year ended December 31, 2019.

32. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to its financial instruments. The Group's financial assets and financial liabilities by category are summarized in Note 33. The main types of risk are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated with the Group's Parent Company, in close cooperation with the BOD, and focuses on actively securing the Group's short-to-medium term cash flows by minimizing the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The relevant financial risks to which the Group is exposed to are described below and in the succeeding pages.

32.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from intercompany advances to and from foreign related parties, which are denominated in US dollars. The Group also holds US dollar-denominated cash.

Significant US dollar-denominated financial assets (liabilities), translated into Philippine pesos at the closing rates, are as follows:

	2019	2018
Cash in banks	**P 854,304,390**	P 960,840,991
Investment in trust fund	**106,182,000**	6,122,222
Trade and other payables	**(693,575,565)**	(2,507,534)
Long-term debt	**(3,778,637,000)**	(3,912,000,000)
	(P3,511,726,175)	(P2,947,544,321)

If the Philippine peso had strengthened by 12.93% and 11.16% in 2019 and 2018, respectively, against the US dollar, with all other variables held constant, profit before tax for the years ended December 31, 2019 and 2018 would have increased by P454.1 million and P328.9 million, respectively. If the Philippine peso had weakened by the same percentages against the US dollar, then profit before tax for 2019 and 2018 would have decreased by the same amounts, respectively. These percentages have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months, estimated at 99% level of confidence. The sensitivity analysis is based on the Group's foreign currency financial instruments held as at December 31, 2019 and 2018, with effect estimated from the beginning of the year.

Exposures to foreign exchange rates vary during the period depending on the volume of foreign currency transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

(b) Interest Rate Risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually made at fixed rates.

As at December 31, 2019 and 2018, the Group is exposed to changes in market rates through its cash in banks and short-term placements which are subject to monthly repricing intervals (see Note 5) and certain short-term interest-bearing loans which is subject to variable interest rate (see Note 18). All other financial assets and financial liabilities have fixed rates or are noninterest-bearing.

The sensitivity of the profit before tax is analyzed based on a reasonably possible change in interest rates of +/-248.0, +/-291.0 and +/-90.0 basis points in 2019, 2018 and 2017, respectively, based on observation of current market conditions with effect from the beginning of the year. The changes in interest rates have been determined based on the average market volatility in interest rates for each period using standard deviation and the financial instruments held at the end of each reporting period that are sensitive to changes in interest rates.

All other variables held constant, if the interest rates increased by 248.0 basis points, 291.0 basis points and 90.0 basis points profit before tax in 2019, 2018 and 2017, respectively, would have decreased by P194.4 million in 2019 and increased by P108.3 million and P11.9 million in 2018 and 2017, respectively. Conversely, if the interest rates decreased by the same basis points, profit before tax would have been higher and lower by the same amounts.

32.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, such as the granting of loans and receivables to customers and related parties and placing deposits with local banks and investment in bonds and UITF.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

The maximum credit risk exposure of financial assets and contract assets is the carrying amount of the related assets as shown in the consolidated statements of financial position or in the detailed analysis provided in the notes to the consolidated financial statements, as summarized in the below.

	Notes	**2019**	2018
Cash and cash equivalents	5	**P 6,510,589,522**	P 5,721,181,128
Trade and other receivables – net *(excluding advances to officers and employees)*	6	**17,321,972,758**	10,177,855,711
Refundable security and bond deposits	12	**196,779,733**	161,735,967
Investment in trust fund	12	**862,704,457**	680,421,727
Contract assets	9	**3,975,734,097**	3,060,770,976
		P 28,867,780,567	P 19,801,965,509

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents and trade and other receivables as described below and in the succeeding page.

(a) Cash and Cash Equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) Trade and Other Receivables and Contract Asset

The Group applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables and other receivables and contract assets.

To measure the ECL, trade and other receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due (age buckets). The Group also concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other receivables as it shares the same credit risk characteristics.

The expected loss rates are based on the payment and aging profiles over a period of 36 months before December 31, 2019 or January 1, 2019, respectively, and the corresponding historical credit losses experienced within such period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the inflation rate in the Philippines to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

The Group identifies a default when the receivables become credit impaired or when the customer has not able to settle the receivables within the normal credit terms of 30 to 60 days, depending on the terms with customers; hence, these receivables were already considered as past due on its contractual payment. In addition, the Group considers qualitative assessment in determining default such as in instances where the customer is unlikely to pay its obligations and is deemed to be in significant financial difficulty.

On that basis, the loss allowance as at December 31, 2019 and January 1, 2019 (upon adoption of PFRS 9) was determined based on months past due, as follows for both trade and other receivables:

	Not more Than 3 months	More than 3 mos. but not more than 6 mos.	More than 6 mos. but not more than 1 year	More than 1 year	Total
December 31, 2019:					
Expected credit loss rate	-	-	-		*0.15%*
Receivables from airport operations	P 720,450,961	P 47,383,750	P 32,830,208	P 14,262,408	P 814,927,327
Lease receivables	131,964,053	10,128,592		-	142,092,645
Contract receivables	5,586,004,221	134,628,362	163,794,090	383,756,439	6,268,183,112
Receivable from sale of goods	-	60,193,641	187,056	-	60,380,697
Other receivables	234,122,687	-	-	-	234,122,687
	P 6,672,541,922	P 252,334,345	P 196,811,354	P 398,018,847	P7,519,706,468
Loss Allowance	-	-	-	10,956,072	10,956,072
January 1, 2019:					
Expected credit loss rate	-	-	-	-	*11.17%*
Receivables from airport operations	P 461,195,550	P 44,080,398	P 4,871,460	P 12,165,460	P 522,312,868
Contract receivables	1,933,411,827	30,356,539	131,296,894	844,063,687	2,939,128,947
Other receivables	267,403,113	-	-	-	267,403,113
	P 2,662,010,490	P 74,436,937	P 136,168,354	P 856,229,147	P3,728,844,928
Loss Allowance	-	-	-	416,532,310	416,532,310

(c) Financial Assets at FVTPL and Investment in Trust Fund

In 2018 and 2017, the Group is exposed to credit risk on its investments in UITF, short-term commercial papers and trust fund. However, the Group has assessed that such risk is minimal since the counterparties are reputable listed leasing company and financial institutions with high quality external credit ratings.

(d) Refundable Security and Bond Deposits, and Investments in RTB

The Group is not exposed to any significant credit risk exposures to its lessors as lease agreements were executed with reputable entities. The Group can negotiate, before the end of the lease term, to apply deposit to rentals due. Also, the investments in RTB and bond deposits are made with the Philippine Government, hence, the exposure on credit risk is assessed by the management to be not be significant.

32.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for six-month and one-year periods are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits or short-term placements. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

	2019		
	Current		Non-current
	Within 6 Months	6 to 12 Months	1 to 5 Years
Interest-bearing loans and borrowings	**P 14,614,706,850**	**P 66,354,402**	**P33,882,124,037**
Trade and other payables	**8,167,589,445**	**-**	**-**
Security deposits (gross of unearned income)	**-**	**-**	**586,498,441**
	P 22,782,296,295	**P 66,354,402**	**P34,468,622,478**

	2018		
	Current		Non-current
	Within 6 Months	6 to 12 Months	1 to 5 Years
Interest-bearing loans and borrowings	P 5,651,033,174	P 63,829,078	P31,065,401,733
Trade and other payables	5,252,402,324	-	-
Security deposits (gross of unearned income)	-	-	148,010,532
Retention payable (under other non-current liabilities)	-	-	186,140,105
	P10,903,435,498	P 63,829,078	P31,399,552,370

The above contractual maturities reflect the gross cash flows, which may differ from the carrying values of the financial liabilities at the end of reporting periods.

33. CATEGORIES, OFFSETTING AND FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

33.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

		2019		2018	
	Notes	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets					
At amortized cost:					
Cash and cash equivalents	5	**P 6,518,599,861**	**P 6,518,599,861**	P 5,734,720,648	P 5,734,720,648
Trade and other receivables – net	6	**17,373,476,547**	**17,373,476,547**	10,212,127,250	10,212,127,250
Refundable security and bond deposits	12	**196,779,733**	**196,779,733**	161,735,967	161,735,967
Investment in trust fund	12	**862,704,457**	**862,704,457**	680,421,727	680,421,727
Contract assets	9	**3,975,734,097**	**3,975,734,097**	3,060,770,976	3,060,770,976
		28,927,294,695	**28,927,294,695**	19,849,776,568	19,849,776,568
Financial assets at FVOCI (previously AFS financial assets):	10				
Club shares		**1,044,472**	**1,044,472**	1,044,472	1,044,472
Investment in SSPI		**2,500,000**	**2,500,000**	2,500,000	2,500,000
		3,544,472	**3,544,472**	3,544,472	3,544,472
		P 28,930,839,167	**P 28,930,839,167**	P 19,853,321,040	P 19,853,321,040
Financial Liabilities					
At amortized cost:					
Interest-bearing loans and borrowings	18	**P 47,752,912,677**	**P 48,563,185,289**	P 36,780,263,985	P 36,223,346,073
Trade and other payables	17	**8,167,589,445**	**8,167,589,445**	5,252,402,324	5,252,402,324
Security deposits*	20	**586,498,441**	**586,498,441**	148,010,532	148,010,532
Retention payable*	20	**-**	**-**	186,140,105	186,140,105
		P 56,507,000,563	**P 57,317,273,175**	P 42,366,816,946	P 41,809,899,034

**Under Other Non-current Liabilities*

See Notes 2.4 and 2.11 for a description of the accounting policies for each category of financial instrument. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 32.

33.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set-off financial instruments in 2019 and 2018 and does not have relevant offsetting arrangements except as disclosed in Notes 28.4 and 32.2(b). Currently, all other financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties' BOD and stockholders. As such, the Group's outstanding receivables from and payables to the same related parties as presented in Note 28 can be potentially offset to the extent of their corresponding outstanding balances.

33.3 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

33.4 Financial Instruments Measured at Fair Value

The short-term commercial papers amounting to P248.1 million as of December 31, 2017 (nil in 2018) are not quoted in an active market and are measured at amortized cost (see Note 33.5) since upon designation by the Group as financial assets at FVPTL and due to short term nature, approximates the fair value [see Note 32.1(c)]. This is classified under Level 3 of the fair value hierarchy.

Since the fair value of the Group's AFS financial assets approximates the cost amounting to P1.0 million as of December 31, 2017 (nil in 2018), the fair value change is deemed immaterial (see Note 10). The Group's AFS financial assets are under Level 2 of the fair value hierarchy. Moreover, certain equity investment classified as AFS financial asset is carried at cost (see Note 10); hence, such is no longer categorized in the fair value hierarchy.

The table below shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the statements of financial position on a recurring basis as of December 31, 2019 and 2018.

	Notes	Level 1	Level 2	Level 3	Total
December 31, 2019					
Financial assets:					
Equity securities – Golf club shares	10	**P -**	**P 1,044,472**	**P -**	**P 1,044,472**
Financial liabilities:					
Derivative liability	17	**P -**	**P 78,552,254**	**P -**	**P 78,552,254**
December 31, 2018					
Financial assets:					
Derivative asset	7	P -	P 26,290,139	P -	P 26,290,139
Equity securities – Golf club shares	10	-	1,044,472	-	1,044,472
		P -	P 27,334,611	P -	P 27,334,611

The Group has no financial liabilities measured at fair value as of December 31, 2018.

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years.

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

(a) Equity Securities

As of December 31, 2019 and 2018, instrument included in Level 2 comprise equity securities classified as financial assets at FVOCI. These securities were valued based on their fair market values by reference on published share prices of golf club shares and NAVPu for UITF investments as at December 31, 2019 and 2018, respectively. These are included in Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period.

(b) Debt Securities

The fair value of the Group's debt securities which consist of government bonds is estimated by reference to prices quoted in BVAL for 2019 and 2018 representing the net clean closing prices for outstanding government bonds.

33.5 Financial Instruments Measured at Amortized Cost

The table below summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed. Short-term commercial papers are included since these financial instruments are measured at amortized cost, which approximate their fair values upon designation as financial assets at FVTPL (see Note 33.4).

	Level 1	Level 2	Level 3	Total
2019:				
Financial assets:				
Cash and cash equivalents	P6,518,599,861	P -	P -	P 6,518,599,861
Trade and other receivables - net	-	-	17,373,476,547	17,373,476,547
Refundable security and bond deposits	-	-	196,779,733	196,779,733
Investment in trust fund	862,704,457	-	-	862,704,457
Contract assets	-	-	3,975,734,097	3,975,734,097
	P7,381,304,318	**P -**	**P 21,545,990,377**	**P28,927,294,695**
Financial liabilities:				
Interest-bearing loans and borrowings	P -	P -	P 48,563,185,289	P 48,563,185,289
Trade and other payables	-	-	8,167,589,445	8,167,589,445
Security deposits	-	-	586,498,441	586,498,441
	P -	**P -**	**P 57,317,273,175**	**P 57,317,273,175**
2018:				
Financial assets:				
Cash and cash equivalents	P5,734,720,648	P -	P -	P 5,734,720,648
Trade and other receivables - net	-	-	10,212,127,250	10,212,127,250
Refundable security and bond deposits	-	-	161,735,967	161,735,967
Investment in trust fund	680,421,727	-	-	680,421,727
Contract assets	-	-	3,060,770,976	3,060,770,976
	P6,415,142,375	P -	P 13,434,634,193	P 19,849,776,568
2018:				
Financial liabilities:				
Interest-bearing loans and borrowings	P -	P -	P 36,223,346,073	P 36,223,346,073
Trade and other payables	-	-	5,252,402,324	5,252,402,324
Security deposits	-	-	148,010,532	148,010,532
Retention payable (under other non-current liabilities)	-	-	186,140,105	186,140,105
	P -	P -	P 41,809,899,034	P 41,809,899,034

33.6 Fair Value Measurement for Investment Property Carried at Cost

The table below shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis.

	Note	Level 1	Level 2	Level 3	Total
December 31, 2019	15				
Building for lease		P -	P -	P 3,724,304,346	P 3,724,304,346
Land		-	-	160,270,935	160,270,935
		P -	P -	P 3,884,575,281	P 3,884,575,281
December 31, 2018					
Building for lease		P -	P -	P 3,322,105,588	P 3,322,105,588
Land		-	-	135,610,000	135,610,000
		P -	P -	P 3,457,715,588	P 3,457,715,588

In estimating the fair value of investment property, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's non-financial assets indicated above is their current use.

There has been no change to the valuation techniques used by the Group during the for its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2019.

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Presented below and in the succeeding page is the reconciliation of the Group's liabilities arising from financing activities, which includes both cash and non-cash changes.

	Bank Loans (Note 18.2)	Notes Payable (Note 18.1)	Lease Liabilities (Note 18.3)	Total
Balance as of January 1, 2019	P 30,775,838,256	P 5,846,502,472	P 157,923,257	P 36,780,263,985
Cash flows from financing activities:				
Additional borrowings	17,552,773,199	3,056,288,759	397,446,210	21,006,508,168
Repayment of borrowings	(10,007,821,865)	(49,861,241)	(115,296,405)	(10,172,979,511)
Non-cash financing activities				
Unrealized loss on interest rate swap	104,842,394	-	-	104,842,394
Effect of adoption of PFRS 16	-	-	34,277,641	34,277,641
Balance at December 31, 2019	**P 38,425,631,984**	**P 8,852,929,990**	**P 474,350,703**	**P 47,752,912,677**

	Bank Loans (Note 18.2)	Notes Payable (Note 18.1)	Lease Liabilities (Note 18.3)	Total
Balance as of January 1, 2018	P 22,905,865,437	P 5,836,791,231	P 205,811,673	P 28,948,468,341
Cash flows from financing activities:				
Additional borrowings	11,109,657,723	693,711,241	29,281,321	11,832,650,285
Repayment of borrowings	(4,019,466,826)	(684,000,000)	(77,169,737)	(4,780,636,563)
Loans of acquired subsidiary	825,000,000	-	-	825,000,000
Non-cash financing activities				
Unrealized loss on interest rate swap	(45,218,078)	-	-	(45,218,078)
Balance at December 31, 2018	P 30,775,838,256	P 5,846,502,472	P 157,923,257	P 36,780,263,985

35. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing services commensurate with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position.

The Group sets the amount of capital in proportion to its overall financing structure, equity and liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, re-issuance of treasury shares or sell assets to reduce debt.

	Notes	**2019**	2018
Interest-bearing loans and borrowings	18	**P 47,752,912,677**	P 36,780,263,985
Cash and cash equivalents	5	**(6,518,599,861)**	(5,734,720,648)
Financial assets at FVTPL	7	**-**	(26,290,139)
Net debt		**41,234,312,816**	31,019,253,198
Total equity		**17,998,512,696**	18,004,101,050
		2.29: 1.00	1.72: 1.00

36. OTHER INFORMATION REQUIRED BY THE SECURITIES AND EXCHANGE COMMISSION

R.A. No. 11232, An Act Providing for the Revised Corporation Code of the Philippines (the Revised Corporation Code) took effect on March 8, 2019. The new provisions of the Revised Corporation Code or any amendments thereof have no significant impact to the Group's consolidated financial statements.

P&A Grant Thornton
An instinct for growth™

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

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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Megawide Construction Corporation and Subsidiaries (the Group) for the year ended December 31, 2019, on which we have rendered our report dated May 26, 2020. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of the Revised Securities Regulation Code Rule 68 of the Philippine Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Mailene Sigue-Bisnar
Partner

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

May 26, 2020

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
LIST OF SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
Schedule A
Financial Assets - Fair Value Through Profit or Loss, Fair Value Through Other Comprehensive Income and Amortized Cost
December 31, 2019

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds or Notes	Amount Shown in the Statement Financial Positon as of Reporting Period	Valued Based on Market Quotation at End of Reporting Period	Income Received and Accrued (iii)
Fair Value through Profit of Loss (FVTPL)				
	-	-	-	
	-	-	-	
	-	-	-	
	-	-	-	-
TOTAL	**-**	**-**	**-**	**-**
Fair Value through Other Comprehensive Income (FVTOCI)				
Investment in Club shares - The City Club, Alphaland Makati Place	-	P 1,044,472	P 1,044,472	-
Investment in Silay Solar Power, Inc. (SSPI)	-	2,500,000	2,500,000	-
TOTAL	**-**	**P 3,544,472**	**P 3,544,472**	**-**
Financial Assets at Amortized Costs				
Cash and cash equivalents	-	P 6,518,599,861	P 6,518,599,861	**P** 62,418,789
Trade and other receivables - net		17,373,476,547	17,373,476,547	441,000,000
Refundable security and bond deposits		196,779,733	196,779,733	-
Investment in trust fund		862,704,457	862,704,457	48,140,757
TOTAL	**-**	**P 24,951,560,598**	**P 24,951,560,598**	**P 551,559,546**

Supplementary information on FVTPL and FVOCI

(i) *This investment represents equity instrument wherein the Group neither exercises control or significant influence as discussed in Note 10 to the consolidated financial statements*

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
Schedule B
Amounts Receivable from Directors, Officers, Employees,
Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2019

Name	Balance at Beginning of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
ABEGAIL CABIGAS	150,000	-	-		150,000	-	150,000
ABEGAIL VICENTE	7,400	-	-		7,400	-	7,400
ABNER CATACUTAN	8,447	10,000	18,447		-	-	-
ADRIAN KUCZMIK	141,259	-	-		141,259	-	141,259
AIKO B. TALORETE	25,000	-	-		25,000	-	25,000
ALBERTO DACUMA	1,238	-	-		1,238	-	1,238
ALEJANDRO MANALO	155,000	-	-		155,000	-	155,000
ALEXANDER UMALI	4,500	-	-		4,500	-	4,500
ALFRED JOSEPH MOLINA	-	297,200	197,600		99,600	-	99,600
ALFREDO C. CASASIS	12,500	-	-		12,500	-	12,500
ALLAN L. VALENZUELA	1,920	-	-		1,920	-	1,920
ALMA GARCIA	32,000	-	-		32,000	-	32,000
ALVIN ESGUERRA	94,400	6,000	-		100,400	-	100,400
ALVIN SOGUILON	3,241	-	-		3,241	-	3,241
ALVIN TORRES	147,232	-	5,682		141,550	-	141,550
ALYANA GRACE T. ROBLEZA	93,702	543,524	443,524		193,702	-	193,702
ANA CLARISSA D. ILAGAN	-	276,000	171,000		105,000	-	105,000
ANA LIZA MANLAPAZ	46,800	-	46,800		-	-	-
ANA LIZA MANLAPAZ	32,000	-	-		32,000	-	32,000
ANDREW ACQUAAH HARRISON	2,294,907	-	-		2,294,907	-	2,294,907
ANGELI A. CADORNA	9,316	-	-		9,316	-	9,316
ANGELICA FERRER	1,445	-	-		1,445	-	1,445
ANNA BHEL SIBUG	3,360	-	-		3,360	-	3,360
ANNA KARENINA M. SALGADO	102,873	-	-		102,873	-	102,873
ANNA KARENINA SALGADO	535,000	90,000	195,000		430,000	-	430,000
ANTHONY TOPACIO	492,266	-	-		492,266	-	492,266
APOLINARIO V. ARGUDO	43,200	-	-		43,200	-	43,200
ARCEL V. GUINOCOR	1,408	-	-		1,408	-	1,408
ARCHIBALD GARCIA	138,664	-	-		138,664	-	138,664
ARGIE C. GLENOGO	2,400	-	-		2,400	-	2,400
ARIA ROSARIO NOGRALES	220,000	-	-		220,000	-	220,000
ARIES BACUAJON	3,185	-	-		3,185	-	3,185
ARIES REGALADO	-	165,255	-		165,255	-	165,255
ARMANDO A. TRASADO	2,400	-	-		2,400	-	2,400
ARMANDO MANAOG	42,474	49,130	91,604		-	-	-
ARMARIE A. BORDEN	20,000	-	-		20,000	-	20,000
ARNOLD G. ANACAYA	2,388	-	-		2,388	-	2,388
ARNOLD I. VILLAFUERTE	3,000	-	-		3,000	-	3,000
ARNOLD R. BASISTER	15,449	-	-		15,449	-	15,449
ARON B. OGATIA	1,440	-	-		1,440	-	1,440
ARSENIO P. SENO	100	-	-		100	-	100
ARTHUR FERNANDEZ	117,540	-	-		117,540	-	117,540
AVIGAEL MANINGO	100,000	-	-		100,000	-	100,000
BANAG, AUDREY PRESA	9,738	-	-		9,738	-	9,738
BEJIE VILLON	6,000	-	6,000		-	-	-
BENA KRISTIE S. UDQUIN	2,528,696	-	-		2,528,696	-	2,528,696
BENJAMIN R. DELA CRUZ	50,000	50,000	-		100,000	-	100,000
BENJAMIN S. FABROA JR.	10,557	62,092	32,291		40,358	-	40,358
BENJAMIN VICENTE JR.	28,208	-	-		28,208	-	28,208
BERNADETTE LAURENTE	-	55,000	-		55,000	-	55,000
BOBBY FERNAN	-	24,000	15,561		8,439	-	8,439
BRYAN BALISI	14,025	-	-		14,025	-	14,025
BRYAN R. MALINAO	127,862	-	-		127,862	-	127,862
BUTCH CASTILLO	26,895	-	-		26,895	-	26,895
CAMELO BASCO	2,000	-	-		2,000	-	2,000
CARLOS L. TRECE	60,790	155,537	5,250		211,077	-	211,077
CARLOS LEITAO	182,396	-	-		182,396	-	182,396
CARLOS TRECE	50,000	-	-		50,000	-	50,000
CARLOS VILCHEZ	48,402	-	-		48,402	-	48,402
CARMEN ANNE LOUISE V. CONTEMPLO	38,240	-	-		38,240	-	38,240
CARMINA LEBOSADA	-	130,000	-		130,000	-	130,000
CAROLINE JEANEL C. LOPEZ	32,000	-	-		32,000	-	32,000
CATHERINE A. PANGANDOYON	41,600	-	-		41,600	-	41,600
CATHERINE C. CENA	7,000	-	-		7,000	-	7,000
CATHERINE LIM	1,800	-	-		1,800	-	1,800
CELSO C. ANCHETA	7,109	-	-		7,109	-	7,109
CEZAR V. MAYHAY	1,550	-	-		1,550	-	1,550
CHARMAINE DE LEON ESPINO	28,833	-	-		28,833	-	28,833
CHARTON BENZULANO	1,550	-	-		1,550	-	1,550
CHERYMAY T. DE TORRES	14,400	-	-		14,400	-	14,400
CHESTER NEIL R. CARBONELL	-	236,777	15,179		221,598	-	221,598
CHITO BILOG	10,000	217,229	169,817		57,412	-	57,412
Balance forwarded	P 8,439,103	P 2,367,743	P 1,413,754	-	P 9,393,093	-	P 9,393,093

Name	Balance at End of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
Balance carried forward	P 8,439,103	P 2,367,743	P 1,413,754	-	P 9,393,093	-	P 9,393,093
CHRISTIAN ALISANDAO	2,000	2,000	-		4,000	-	4,000
CHRISTIAN BIGUEJA	40,800	-	-		40,800	-	40,800
CHRISTIAN JOSEPH ARGOS	338	-	-		338	-	338
CHRISTINE CRISO S. ANGELES	32,000	-	-		32,000	-	32,000
CHRISTINE CRISOL ANGELES	9,600	1,040	-		10,640	-	10,640
CHRISTOPHER L. RUADO	9,000	-	-		9,000	-	9,000
CHRISTOPHER PACA	16,208	-	-		16,208	-	16,208
CRUZ, JESSE N.	-	99,500	-		99,500	-	99,500
CLARISSA CABALDA	29	-	-		29	-	29
CLAUDIA SORIANO	168,935	-	-		168,935	-	168,935
CRISANTO BERTOLDO	1,550	-	-		1,550	-	1,550
CRISANTO CALOS	1,550	-	-		1,550	-	1,550
CRISANTO LABE JR.	2,625	-	-		2,625	-	2,625
CRISMAR MENDEZ	2,000	2,000	-		4,000	-	4,000
CRISTINE A. FORTUNO	30,833	-	-		30,833	-	30,833
CYRIEL A. GAROLACAN	1,650	-	-		1,650	-	1,650
DANILO ANTONIO	2,800	-	-		2,800	-	2,800
DANILO DUMAS	57,000	-	57,000		-	-	-
DANILO N. MAGHANOY	1,650	-	-		1,650	-	1,650
DANILO R. MONTOYA JR.	1,650	-	-		1,650	-	1,650
DARA DEANNA OBIDO	31,329	-	-		31,329	-	31,329
DARLENE JOY MADAMBA	50,000	-	-		50,000	-	50,000
DARLYN PHEIA LOPEZ	41,600	-	-		41,600	-	41,600
DARRYL RAÑOLA	1,550	-	-		1,550	-	1,550
DENMARK P. NUIQUE	7,464	-	-		7,464	-	7,464
DENNIS BIASON	57,600	-	-		57,600	-	57,600
DENTOR P. CABRAL	1,650	-	-		1,650	-	1,650
DEWEY S. OLAYA	175,000	1,909	-		176,909	-	176,909
DEXTER SUAZO	2,625	-	-		2,625	-	2,625
DHANNY JEAN AUGUSTO	2,500	-	-		2,500	-	2,500
DIANA JOY D. VICTORIA	21,500	-	15,000		6,500	-	6,500
DIONISIO A. MAMUAD	1,475	-	-		1,475	-	1,475
DIONISIO M. DELFIN	40,800	-	-		40,800	-	40,800
DIONY D. CANTA	1,475	-	-		1,475	-	1,475
DOMINADOR Z. LUMONTOD	1,475	-	-		1,475	-	1,475
DOMINGO IBARLIN JR.	80	-	-		80	-	80
DONABELLE SISON	32,000	-	-		32,000	-	32,000
DONNA MAY VILLENA	-	389,585	140,988		248,598	-	248,598
DYAN KARLA S. SENO	32,000	-	-		32,000	-	32,000
EBENEZER G. JAMORA	4,000	-	-		4,000	-	4,000
EDDIE CORNELIO	3,200	-	-		3,200	-	3,200
EDELITO C. TAPIC	46,523	-	-		46,523	-	46,523
EDGAR NUGUIT	975	-	-		975	-	975
EDGAR VALERA	543,587	500,000	-		1,043,587	-	1,043,587
EDGAR VALERA	100,000	-	100,000		-	-	-
EDGARDO ABAD	7,380	-	-		7,380	-	7,380
EDGARDO D. MALIT	23,735	-	-		23,735	-	23,735
EDISON A. DOMINGUEZ	1,475	-	-		1,475	-	1,475
EDMAR F. FETALINO	1,650	-	-		1,650	-	1,650
EDMUNDO ALMARIO	50,000	-	-		50,000	-	50,000
EDUARD LANTACA	8,300	-	-		8,300	-	8,300
EDUARDO RAMIREZ	10,504	-	-		10,504	-	10,504
EDUARDO CARDINOZA JR.	1,550	-	-		1,550	-	1,550
EDUARDO DE LEON	4,650	-	-		4,650	-	4,650
EIGHT DRAGON METAL	14,509	-	-		14,509	-	14,509
EINSTEIN O. CHIU	452,970	-	-		452,970	-	452,970
ELGIN G. BARREDO	2,880	-	-		2,880	-	2,880
ELISON JOHN B. RAMOS	9,500	-	-		9,500	-	9,500
ELIZABETH B. LOPEZ	5,000	-	-		5,000	-	5,000
ELMAR MAQUILING	2,000	2,000	-		4,000	-	4,000
ELMER FLANDEZ	4,873	-	-		4,873	-	4,873
ELMER OFILAN	4,640	-	-		4,640	-	4,640
ELMER RIBAMBA	500	-	-		500	-	500
ELPIDIO BORJA I	6,000	-	-		6,000	-	6,000
ELSA AMAT	85,877	-	-		85,877	-	85,877
ELVIN GOLIMLIM	22,660	-	-		22,660	-	22,660
EMILIO GABRIEL S. PEREZ	2,997	-	-		2,997	-	2,997
EMMANUEL JOLEJOLE	3,190	-	-		3,190	-	3,190
ENRICO D. GAW	72,870	-	-		72,870	-	72,870
ENRIQUE RAMOS	19,704	-	-		19,704	-	19,704
EPHRAIM JOSE D. VALDEZ	60,000	110,000	110,000		60,000	-	60,000
ERIC N. GABRIEL	271,753	-	-		271,753	-	271,753
ERICSON BENITEZ BENITEZ	2,000	-	-		2,000	-	2,000
ERNESTH JORDAN ROMANO	6,000	-	-		6,000	-	6,000
ERNESTO N. CONDADA JR.	1,475	-	-		1,475	-	1,475
ERVIN LIMPAG	516	-	-		516	-	516
ERWIN AMARO	1,550	-	-		1,550	-	1,550
ERWIN HERANDOY	1,650	-	-		1,650	-	1,650
ERWIN I. OCHAQUE	1,650	-	-		1,650	-	1,650
ERWIN L. SISON	960	-	-		960	-	960
ESTELITO CENSON JR.	53,160	91,000	77,400		66,760	-	66,760
ESTELITO M. CENSON JR.	78,402	-	-		78,402	-	78,402
Balance forwarded	P 11,320,258	P 3,566,777	P 1,914,142	-	P 12,972,893	-	P 12,972,893

Name	Balance at End of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
Balance carried forward	P 11,320,258	P 3,566,777	P 1,914,142	-	P 12,972,893	-	P 12,972,893
ESTRELLA A. ALVARADO	95,421	-	-		95,421	-	95,421
EUTEMIO R. SARNO	28,800	-	-		28,800	-	28,800
EVELYN ALBARAN BEROU	41,600	-	-		41,600	-	41,600
FARRA MAE PUZON	10,064	-	-		10,064	-	10,064
FELINO CANAYA	15,950	-	-		15,950	-	15,950
FELIPE R. GARCIA JR.	1,550	-	-		1,550	-	1,550
FELIVIC LIGATUB	44,500	53,471	44,313		53,657	-	53,657
FELLOWES, GRANT LEE	-	539,000	-		539,000	-	539,000
FERDINAND A. PADDAYUMAN	74,963	-	-		74,963	-	74,963
FERDINAND B. RODRIGUEZ	15,099	-	-		15,099	-	15,099
FERMIN CHAVEZ JR.	25,700	248,027	273,027		700	-	700
FERNANDO L. PAGATPATAN	1,119	-	-		1,119	-	1,119
FIDEL P. CUERDO	15,664	-	-		15,664	-	15,664
FLORANTE C. PACTAO	1,475	-	-		1,475	-	1,475
FLOREVAR BALDOZA	2,223	-	-		2,223	-	2,223
FRANCESCA MICAELA SANTECO	11,273	-	-		11,273	-	11,273
FRANCIS LUIS C. DE GUZMAN	10,500	-	-		10,500	-	10,500
FRANCISCO B. BELLEZA JR.	1,550	-	-		1,550	-	1,550
FRANCISCO M. GILIG JR.	114	-	-		114	-	114
FRANCISCO M. GILIG, JR.	40,000	-	-		40,000	-	40,000
FRANCISCO RIOJA JR.	3,200	-	-		3,200	-	3,200
FRANKLIN AUSTRIA	4,200	-	-		4,200	-	4,200
FREDERICK B. EBREO	1,650	-	-		1,650	-	1,650
FREDERICK NICOLAS	-	68,500	-		68,500	-	68,500
FREDERICK TAN	68,942	-	-		68,942	-	68,942
FRIDAY TUERES	85,000	12,000	-		97,000	-	97,000
FRITZ LIM	26,895	-	-		26,895	-	26,895
GAURAV AGGARWAL	65,138	-	-		65,138	-	65,138
GEEVERGHESE MATHEW -. JOHN	13,674	-	-		13,674	-	13,674
GENEROSO LLAGONO JR.	2,000	2,000	-		4,000	-	4,000
GENNA C. MIJARES	26,591	-	-		26,591	-	26,591
GEORGE L. BERMUDO	18,200	-	-		18,200	-	18,200
GERALD ROXAS	3,000	-	-		3,000	-	3,000
GIL AZARCON	1,500	-	-		1,500	-	1,500
GIL DONATO	6,086	-	-		6,086	-	6,086
GILBERT L. ZAMORA	1,650	-	-		1,650	-	1,650
GILBERT NEPOMUCINO	1,550	-	-		1,550	-	1,550
GINO TALIBONG	2,000	2,000	-		4,000	-	4,000
GIOVANNI D. RUIZ	61,800	-	-		61,800	-	61,800
GLADYS RETUERTO	54,285	-	-		54,285	-	54,285
GLENDA L. RATUM	-	197,600	-		197,600	-	197,600
GRETCHEN SALDAVIA CACHO	10,000	-	-		10,000	-	10,000
HAYDEE CHUA	57,000	-	-		57,000	-	57,000
HAYDEE MAYOR	3,359	-	-		3,359	-	3,359
HAZELLE A.SILVERIO	-	51,071	27,074		23,998	-	23,998
HEHERSON AGCAOILI	624,832	206,360	221,368		609,824	-	609,824
HERMIE CORNELIO	1,550	-	-		1,550	-	1,550
HERMINIGILDO BAUTISTA JR.	1,550	-	-		1,550	-	1,550
HESOLER RANDY JEMAR	2,000	2,000	-		4,000	-	4,000
IRENEO NARCISO JR.	3,200	-	-		3,200	-	3,200
IRINEO AGUIHAP	39,700	738,650	735,750		42,600	-	42,600
ISIDRO BURAYAG	1,550	-	-		1,550	-	1,550
ISRAEL K. BONAVENTE	6,936	-	-		6,936	-	6,936
IVY MACABALITAO	32,000	-	-		32,000	-	32,000
JAIME BAMBALAN	1,550	-	-		1,550	-	1,550
JAIME M. LOPEZ	56,400	-	-		56,400	-	56,400
JAKE S. ESTEVES	5,005	-	-		5,005	-	5,005
JAN B. DENAGA	2,729	-	-		2,729	-	2,729
JANICE HONORIDEZ	-	745,621	316,264		429,357	-	429,357
JANINE MORAL	28,833	-	-		28,833		28,833
JASPER NOEL CABRERA	89,927	-	-		89,927	-	89,927
JAY ARR LIBATON	2,550	-	-		2,550	-	2,550
JAY CRISOLOGO	18,549	-	-		18,549	-	18,549
JAY GERAND SANTIAGO	1,550	-	-		1,550	-	1,550
JAYCEL ADINA	11,400	3,500	3,400		11,500	-	11,500
JAYPEE C. BELENCIO	16,400	-	-		16,400	-	16,400
JAYSON APOSTOL	1,550	-	-		1,550	-	1,550
JAYSON DELOS SANTOS	43,200	-	-		43,200	-	43,200
JAYSON SOMBRENO	1,550	-	-		1,550	-	1,550
JEAY O. PORTES	41,600	-	-		41,600	-	41,600
JEFE MAHUSAY	1,550	-	-		1,550	-	1,550
JEFEY MANGABON	1,550	-	-		1,550	-	1,550
JEFFERSON R. AREVALO	1,650	-	-		1,650	-	1,650
JEFFREY BAJA	52	-	-		52	-	52
JEFFREY OCAMPO	420,687	-	-		420,687	-	420,687
JEFFREY MIRANDILLA	-	601,430	320,000		281,430	-	281,430
JEFFRY QUICAY	1,550	-	-		1,550	-	1,550
JEIFLYN ALEXIS C. DIZON	42,000	-	-		42,000	-	42,000
JEMIMAH NAOMI DE LOS SANTOS	2,000	2,000	-		4,000	-	4,000
JENEFER G. ALBA	-	1,090,071	384,000		706,071	-	706,071
JENELYN S. GURROBAT	28,667	-	-		28,667	-	28,667
JENER B. TOLOSA	1,920	-	-		1,920	-	1,920
JENNY D. GUITA	26,412	-	-		26,412	-	26,412
JERALBINE NUGUID	63,302	20,000	-		83,302	-	83,302
JERALBINE R. NUGUID	131	-	-		131	-	131
JEREMIAH CARL ALCERA	45	-	-		45	-	45
JEREMIAH JO	1,419	-	-		1,419	-	1,419
JERICHA JAN M. IGNACIO	32,000	-	-		32,000	-	32,000
JERMYN LEAL	76,357	5,000	-		81,357	-	81,357
JEROME C. CABAÑES	1,650	-	-		1,650	-	1,650
JEROME MALUPAY	9,891	-	-		9,891	-	9,891
JERRUIN SALINAS	1,550	-	-		1,550	-	1,550
Balance forwarded	P 14,026,036	P 8,155,079	P 4,239,338	-	P 17,941,777	-	P 17,941,777

Name	Balance at End of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
Balance carried forward	P 14,026,036	P 8,155,079	P 4,239,338	-	P 17,941,777	-	P 17,941,777
JERRY B. HERNANDEZ	14,400	-	-		14,400	-	14,400
JESSIE CORONEL	4,800	-	-		4,800	-	4,800
JESSIE SIGGAOAT	1,550	-	-		1,550	-	1,550
JESUS ARIMBUYUTAN	160,000	160,000	7,000		313,000	-	313,000
JESUS C. IBANEZ, JR.	4,800	-	-		4,800	-	4,800
JESUS GONZALO C. VERGARA JR.	31,850	-	-		31,850	-	31,850
JETON M. COMENDADOR	1,475	-	-		1,475	-	1,475
JHOMER F. PELAEZ	120,000	-	-		120,000	-	120,000
JHORABEL O. ALCANTARA	4,500	-	-		4,500	-	4,500
JIMBO L. MILLARES	2,154	-	-		2,154	-	2,154
JIMMY BANDONG	1,550	-	-		1,550	-	1,550
JIMMY D. DURANGO	975	-	-		975	-	975
JIMMY M. TIMPINA	-	28,393	13,393		15,000	-	15,000
JIMSON D. CUEVAS	3,498	-	-		3,498	-	3,498
JINGO CAOL-OLAN	1,550	-	-		1,550	-	1,550
JO R. AQUINO	9,600	-	-		9,600	-	9,600
JOAN CECILIA L. CARICARI	2,339	-	-		2,339	-	2,339
JOANA MANGAHAS	-	244,050	192,784		51,266	-	51,266
JOANNE CLAIRE S. SIMBAJON	99	-	-		99	-	99
JOEL B. ARNADO	6,000	-	-		6,000	-	6,000
JOEL H. GALANG	6,500	-	-		6,500	-	6,500
JOEL P. MORA JR.	3,300	-	-		3,300	-	3,300
JOEL ROCA	2,890	-	-		2,890	-	2,890
JOEM C. FLOJO	1,650	-	-		1,650	-	1,650
JOEY ALBERT CEREZO	114	-	-		114	-	114
JOEY YAP	16,540	-	-		16,540	-	16,540
JOHN DICK QUITOS	1,550	-	-		1,550	-	1,550
JOHN ENRIQUE V. MADRIGAL II	90,250	248,590	105,250		233,590	-	233,590
JOHN HAROLD B. MANUEL	149,238	-	-		149,238	-	149,238
JOHN HENRY JAY G. MANAIT	52,875	-	-		52,875	-	52,875
JOHN KALVIN CARREON	112,792	240,000	106,000		246,792	-	246,792
JOHN PAUL CADAY	-	333,169	-		333,169	-	333,169
JOHN REY DANIEL	3,200	-	-		3,200	-	3,200
JOHN RONALD RENDON	3,000	-	-		3,000	-	3,000
JOHN VALENTINE S. BINAMIRA	6,000	-	-		6,000	-	6,000
JOHNREL VIDAL	1,550	-	-		1,550	-	1,550
JOMEL ZACARIAS	1,550	-	-		1,550	-	1,550
JOMER DARAMAN	2,525	-	-		2,525	-	2,525
JON PHILIP DONAIRE	27,264	-	-		27,264	-	27,264
JONATHAN F. SALUDEZ	4,850	-	-		4,850	-	4,850
JONATHAN FUGOSO	2,500	-	-		2,500	-	2,500
JORDAN JOEL ORTIZ	3,973	-	-		3,973	-	3,973
JOSE C. RAMIREZ	6,875	-	-		6,875	-	6,875
JOSE C. SAMPANG	97,529	-	-		97,529	-	97,529
JOSE M. GORPIDO, JR.	1,475	-	-		1,475	-	1,475
JOSE RENE D. ESCOMEN	1,027	-	-		1,027	-	1,027
JOSEPH CABOL	1,550	-	-		1,550	-	1,550
JOSEPH CORTEZ	1,000	-	-		1,000	-	1,000
JOSEPH HAYES F. HONORIO	1,762	-	-		1,762	-	1,762
JOSEPH N. IMPERIAL	4,407	-	-		4,407	-	4,407
JOSEPH PAYURAN	1,550	-	-		1,550	-	1,550
JOSUE G. GA	1,650	-	-		1,650	-	1,650
JOUIE V. LEE OLIVER	503,454	-	-		503,454	-	503,454
JOVANIE PASCULADO	1,550	-	-		1,550	-	1,550
JR. S. LLANO	1,650	-	-		1,650	-	1,650
JUAN TIMO	4,750	-	-		4,750	-	4,750
JULIANA ARENAS	49,939	-	-		49,939	-	49,939
JULIEN STEINER	7,810	-	-		7,810	-	7,810
JULIUS BATAYOLA	56,600	-	56,600		-	-	-
JULIUS C. MANDAWE	1,650	-	-		1,650	-	1,650
JUSTINE C. RIVERA	14,400	-	-		14,400	-	14,400
KARA MAE MENDIOLA	41,600	-	-		41,600	-	41,600
KARL JOSEPH A. DEINLA	100,779	30,779	-		131,558	-	131,558
KARRI, LACHA REDDY	1,460	-	-		1,460	-	1,460
KATHERINE DUGTONG	3,148	-	-		3,148	-	3,148
KATHERINE P. VIENA	1,300,000	1,300,000	-		2,600,000	-	2,600,000
KATHLEEN M. TAPIA	32,000	-	-		32,000	-	32,000
KATHY ROSE S. BACANI	99,725	249,625	-		349,351	-	349,351
KEESHELY M. DE VERA	35,331	-	-		35,331	-	35,331
KEITH ANTHONY CALIMAG	1,012,771	584,471	721,971		875,271	-	875,271
KEN REQUER B. PEGALAN	120,771	-	-		120,771	-	120,771
KENETTE MENOR	1,550	-	-		1,550	-	1,550
KENNY MYKELL M. MADRID	43,200	-	-		43,200	-	43,200
KHAREN C. ALFUENTE	41,600	-	-		41,600	-	41,600
KIM BESMONTE	1,550	-	-		1,550	-	1,550
KIM DE LOS SANTOS	4,850	-	-		4,850	-	4,850
KIMBERLY L. BONGHANOY	31,833	-	-		31,833	-	31,833
KIRK ALEXIS B. CABREROS	2,400	-	-		2,400	-	2,400
KRISTINA JERRYLYN T. SALAZAR	32,000	-	-		32,000	-	32,000
KRISTOFFER JAN V. SERIOSA	24,304	-	-		24,304	-	24,304
LALAINE ANN R. ROSALES	6,300	-	-		6,300	-	6,300
LARA MAE A. LOLARGA	15,000	-	-		15,000	-	15,000
LARRY APOSTOL	1,550	-	-		1,550	-	1,550
LARRY NOCEJA	57,600	-	-		57,600	-	57,600
LAUDENCIO DANGIW	1,550	-	-		1,550	-	1,550
LAURITO CABUAL	134	-	-		134	-	134
LAWRENCE F. HARDER	31,561	-	-		31,561	-	31,561
LEOBERT RAMOS	99,999	99,999	-		199,998	-	199,998
LEOBERT RAMOS	29,312	-	-		29,312	-	29,312
LEONARD SANGUENZA	1,550	-	-		1,550	-	1,550
LEONIL FERNIN	1,550	-	-		1,550	-	1,550
LETECIA QUILES	18,500	-	-		18,500	-	18,500
LIBERATO MELICIO JR.	-	395,824	-		395,824	-	395,824
LIBERTY BAYON	41,600	-	-		41,600	-	41,600
LIMWEL P. JUGO	1,650	-	-		1,650	-	1,650
LLORIEN MARIE CRISOSTOMO	20,000	20,000	-		40,000	-	40,000
LLOYD NIÑO A. MASCARIÑAS	73,828	-	-		73,828	-	73,828
LORNA C. LLIDO	90	-	-		90	-	90
LORNA SANTOS	9,600	-	-		9,600	-	9,600
LUCENA B. BAUTISTA	20,389	-	-		20,389	-	20,389
LUCILA FAMILIAR	1,694	-	-		1,694	-	1,694
LUCKY LEBRILLA	1,550	-	-		1,550	-	1,550
LUIGIE LLANO	975	-	-		975	-	975
LUTHER S. GERONIMO	975	-	-		975	-	975
LYMAR MELGAZO	1,550	-	-		1,550	-	1,550
LYNARD G. BARREDO	1,650	-	-		1,650	-	1,650
LYNNIE TEVES	150,000	-	-		150,000	-	150,000
Balance forwarded	P 19,172,943	P 12,089,979	P 5,442,336	-	P 25,820,586	-	P 25,820,586

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			Amounts Collected	Written Off	Current	Non-current	
Balance carried forward	P 19,172,943	P 12,089,979	P 5,442,336	-	P 25,820,586	-	P 25,820,586
MA. ABIGAEL JANE LIBRANDO	85,317	266,700	216,700	-	135,317	-	135,317
MA. CECILIA TRABALLO	5,245	-	-	-	5,245	-	5,245
MA. CRISTINA STEPHANIE DAGANTA	-	4,300	-	-	4,300	-	4,300
MA. DARREN CORRE	169,140	171	-	-	169,311	-	169,311
MA. ELOISA ORACION	24,167	-	-	-	24,167	-	24,167
MA. JACINTA VICTORIA T. LUALHATI	402,985	-	-	-	402,985	-	402,985
MA. JANIKA ALCANTARA	11,000	-	-	-	11,000	-	11,000
MA. JONAH PEREYRA	41,729	-	-	-	41,729	-	41,729
MA. LOURDES VALERA	22,647	-	-	-	22,647	-	22,647
MA. ROXANNE A. PAGUIO	2,875	-	-	-	2,875	-	2,875
MA. TERESA D. PACIENTE	160,730	-	-	-	160,730	-	160,730
MA. THERESA PASCUAL	138,840	-	-	-	138,840	-	138,840
MADHU SUDHAN RAO CHERUKURI	8,729	-	-	-	8,729	-	8,729
MAE ANN A. FORCADILLA	61,147	-	-	-	61,147	-	61,147
MAGESH NAMBIAR	268	-	-	-	268	-	268
MAGESH PERAYIL KANNETH	66,273	-	-	-	66,273	-	66,273
MAGESH PERAYIL KANNOTH	49,807	-	-	-	49,807	-	49,807
MAGNUS ALBERTUS CATBAGAN	2,400	-	-	-	2,400	-	2,400
MAILA COROCOTO	49,400	1,300	7,800	-	42,900	-	42,900
MANDY DE VENECIA	4,320	-	-	-	4,320	-	4,320
MANUEL DIAMOS	6,764	-	-	-	6,764	-	6,764
MANUEL LOUIE B. FERRER	830,000	-	-	-	830,000	-	830,000
MANUEL M. ABECO JR.	894	-	-	-	894	-	894
MANUEL MELCHOR BONGULTO	214,644	10,000	10,000	-	214,644	-	214,644
MARCELINO LAQUINDANUM JR.	1,550	-	-	-	1,550	-	1,550
MARCELINO MANGAYA-AY JR.	2,703	-	-	-	2,703	-	2,703
MARCIANO AVENIDO	2,000	-	-	-	2,000	-	2,000
MARCOS PALAPAL	37,750	54,000	91,750	-	-	-	-
MARIA APRIL C. MAN-ON	5,552	-	-	-	5,552	-	5,552
MARIA CELNA BERNARDO	90,000	-	-	-	90,000	-	90,000
MARIA CHRISTINA PELPENOSAS	35,202	-	-	-	35,202	-	35,202
MARIA ELENA O. DEMECILLO	10,004	-	-	-	10,004	-	10,004
MARIA LOURDES M. MOZO	702	-	-	-	702	-	702
MARIA ROWENA MARCELLANO	192,000	-	192,000	-	-	-	-
MARIA SULPICIA POLINGA	157,622	33,000	181,057	-	9,566	-	9,566
MARIA THERESA PASCUAL	160,000	382,720	473,200	-	69,520	-	69,520
MARIBETH J. MONTERO	30,000	-	-	-	30,000	-	30,000
MARICAR V. CRUZ	9,533	-	-	-	9,533	-	9,533
MARICEL CO	116,375	46,375	65,000	-	97,750	-	97,750
MARICEL LUNA	-	54,000	36,500	-	17,500	-	17,500
MARICEL REYES	12,327	-	-	-	12,327	-	12,327
MARICOR AMATA	-	177,928	21,928	-	156,000	-	156,000
MARIE ARCIE ANNE SERCADO	32,000	-	-	-	32,000	-	32,000
MARIE CRISTINA NUQUE	139,668	-	-	-	139,668	-	139,668
MARIE STEPHANIE M. NOLIDO	10,250	-	-	-	10,250	-	10,250
MARILAG LATORRE	8,211	3,997	-	-	12,208	-	12,208
MARILYN ORDENIS	180,000	20,000	-	-	200,000	-	200,000
MARIO LOPE PAR	87,542	578,415	566,853	-	99,105	-	99,105
MARISSA C. GORRE	90,000	-	-	-	90,000	-	90,000
MARJORIE BALINOYOS	30,334	-	-	-	30,334	-	30,334
MARJORIE R. VENTOSO	32,000	-	-	-	32,000	-	32,000
MARK ANTHONY AMORES	-	21,100	-	-	21,100	-	21,100
MARK ANTHONY VALDEZ	10,000	-	-	-	10,000	-	10,000
MARK COPER	4,155	-	-	-	4,155	-	4,155
MARK DANIEL MATA	4,000	-	-	-	4,000	-	4,000
MARK JASON L. GARRERO	1,650	-	-	-	1,650	-	1,650
MARK JOSEPH DIMAYUGA	1,550	-	-	-	1,550	-	1,550
MARK JOSEPH T. OBO	15,527	-	-	-	15,527	-	15,527
MARK LESTER T. GALLEPOSO	14,100	-	-	-	14,100	-	14,100
MARK LLOYD A. RAMIREZ	1,550	-	-	-	1,550	-	1,550
MARK NICKSON P. GARCIA	131,221	1,879,397	333,631	-	1,676,987	-	1,676,987
MARK NIEVERA	45,255	618,967	304,857	-	359,365	-	359,365
MARK U. VILLAGONZALO	3,273	-	-	-	3,273	-	3,273
MARKUS HENNIG	748,057	-	-	-	748,057	-	748,057
MARLA REMEDIOS AVILA	33,524	-	-	-	33,524	-	33,524
MARRY CHRIS MARPA	106,569	-	-	-	106,569	-	106,569
MARTIN MIGUEL FLORES	213,685	197,856	55,000	-	356,541	-	356,541
MARTIN SIMON GIORDAN	18,411	-	-	-	18,411	-	18,411
MARVIN GLORIA	10,489	-	-	-	10,489	-	10,489
MARVIN M. ENCARNACION	1,650	-	-	-	1,650	-	1,650
MARY ANN ZACARIAS	62,876	-	-	-	62,876	-	62,876
MARY GRACE GONZAGA	41,600	-	-	-	41,600	-	41,600
MARY HILDA R. SERRANO	1,162	-	-	-	1,162	-	1,162
MARY JANE T. CAJAYON	41,600	-	-	-	41,600	-	41,600
MARY JOY FAMI	86,892	-	-	-	86,892	-	86,892
MARY JOY S. FAMI	41,600	54,000	-	-	95,600	-	95,600
MARY ROSE HOPE PATRICIO	963	-	-	-	963	-	963
MARYCON SALAZAR	1,905	65,200	65,200	-	1,905	-	1,905
MASASHI WATANABE	-	813,334	193,905	-	619,428	-	619,428
MAURO SAN JOSE	130,000	75,554	143,500	-	62,054	-	62,054
MELCHOR V. HERRERA	1,650	-	-		1,650	-	1,650
MELISSA P. DAVID	140,000	-	30,000		110,000	-	110,000
MELONA DABLO	891	1,005,000	-		1,005,891	-	1,005,891
MELVIN GRAY E. DELA CRUZ	32,000	-	-		32,000	-	32,000
MELVIN LOZANO	15,050	-	-		15,050	-	15,050
MELVINO FAUSTINO	-	115,991	-	-	115,991	-	115,991
MENCHIE C. CADAMPOG	75,000	-	75,000		-	-	-
MENCHIE DIASEN	-	68,664	35,144		33,520	-	33,520
MIA GRACE PAULA S. CORTEZ	53,367	-	-		53,367	-	53,367
MICHAEL BERMUDO	40,000	-	-	-	40,000	-	40,000
MICHAEL JOSEPH PEREYRA	-	75,200	58,800		16,400	-	16,400
MICHELE A. BARROZO	10,000	-	-	-	10,000	-	10,000
Balance forwarded	P 25,146,811	P 18,713,148	P 8,600,160	-	P 35,259,798	-	P 35,259,798

Name	Balance at End of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
Balance carried forward	P 25,146,811	P 18,713,148	P 8,600,160	-	P 35,259,798	-	P 35,259,798
MISCHIEL U. ENRIQUEZ	36,905	-	-	-	36,905	-	36,905
MOTHI LAL	3,800	-	-	-	3,800	-	3,800
MYLENE TIBON	335	-	-	-	335	-	335
NELSON LEGARDE	150,000	-	-	-	150,000	-	150,000
NELSON M. CASADO	17,640	-	-	-	17,640	-	17,640
NEMIA M. CORILLA	854,167	-	-	-	854,167	-	854,167
NESTOR C. ABRIAL	8,925	-	-	-	8,925	-	8,925
NESTOR L. SIERVO JR	20,117	-	-	-	20,117	-	20,117
NICANOR NICKIE B. ARENAS	13,875	-	-	-	13,875	-	13,875
NIKKO F. DEL ROSARIO	7,609	-	-		7,609	-	7,609
NIÑO DELOS REYES	124,195	-	-		124,195	-	124,195
NOE G. GERAPUSO	1,027	-	-		1,027	-	1,027
NOEL CADIENTE	1,550	-	-		1,550	-	1,550
NONILON F. MUDLONG	1,650	-	-		1,650	-	1,650
NORMAN N. ESCOBAR	214,450	2,659,262	-		2,873,712	-	2,873,712
NORMAN RESURECCION	3,000	-	-		3,000	-	3,000
PANFILO MARTIN, JR.	140,000	1,736,654	-		1,876,654	-	1,876,654
PEDRO PISUEÑA	3,200	-	-		3,200	-	3,200
PENNYLANE CARAVANA	50,000	-	-		50,000	-	50,000
PETER ENRILE	8,000	-	-		8,000	-	8,000
PHILIP ROMULO FRANCIA	365,519	315,519	-		681,038	-	681,038
PHOEBE KATHERINE B. REYES	29,554	-	-	-	29,554	-	29,554
POLICARPIO VEGA JR.	15,000	-	-	-	15,000	-	15,000
PREMIER C. SEMILLA	41,600	6,720	-	-	48,320	-	48,320
PRINCESS DELOS SANTOS	5,367	-	-	-	5,367	-	5,367
PRINCESS GUMIRAN	5,000	9,000	-	-	14,000	-	14,000
RACHELLE E. CUYOS	525	-	-	-	525	-	525
RAFFY FELICIANO	8,000	-	-	-	8,000	-	8,000
RAIZA JACKIE LOUISE ESPINO	19,974	-	-	-	19,974	-	19,974
RALPH LIM	237,496	-	-		237,496	-	237,496
RAMON LOR	2,950	61,833	8,500	-	56,283	-	56,283
RAMON PACHECO III	17,300	2,600	-	-	19,900	-	19,900
RANDY ADRIANO	11,900	16,970	-	-	28,870	-	28,870
RANDY ESGUERRA	3,000	-	-	-	3,000	-	3,000
RANDY RETES	1,550	-	-	-	1,550	-	1,550
RANIEL ASUELO MONTEROLA	2,000	2,000	-	-	4,000	-	4,000
RAQUEL VERZOSA	26,500	-	-	-	26,500	-	26,500
RAUL B. GOLEZ	15,345	-	-	-	15,345	-	15,345
RAUL SAPIANDANTE	2,400	-	-	-	2,400	-	2,400
RAVISHANKAR SARAVU	61,169	-	-	-	61,169	-	61,169
RAY ALEXIS C. VALINO	66,295	125,088	145,088	-	46,295	-	46,295
RAYMUNDO LAYSON	346,188	-	-	-	346,188	-	346,188
RAYMUNDO P. PRONDA	246,794	-	-	-	246,794	-	246,794
REA G. RUBION	3,845	-	-	-	3,845	-	3,845
REALINO MONTEMOR	6,463	-	-	-	6,463	-	6,463
RECILE POSECION	12,158	-	-	-	12,158	-	12,158
REDINTO M. OLIVERAS	1,475	-	-	-	1,475	-	1,475
REGAN A. TACANDONG	6,720	-	-	-	6,720	-	6,720
REGAN TACANDONG	773,775	51,729	-	-	825,504	-	825,504
REGGIE DASALLA	1,550	-	-	-	1,550	-	1,550
REGIE DELOS NIÑOS	1,650	-	-	-	1,650	-	1,650
REGINA CARMELLI TOLOSA	20,000	-	-	-	20,000	-	20,000
REGOR TITO	-	497,857	-	-	497,857	-	497,857
REJEAN VALENZUELA	41,600	-	-	-	41,600	-	41,600
RENATO ALEGADO	3,255	-	-	-	3,255	-	3,255
RENATO C. ALEGADO	3,360	-	-	-	3,360	-	3,360
REY C. RAMIREZ	19,010	-	-	-	19,010	-	19,010
REYMOND DALAOYAN	2,000	2,000	-	-	4,000	-	4,000
REYNALDO CANDO	3,200	-	-	-	3,200	-	3,200
REYNALDO RODRIN	573,350	115,640	-	-	688,990	-	688,990
REYNOLD JAZARENO	2,600	-	-	-	2,600	-	2,600
RHEA A. TANEO	3,000	-	-	-	3,000	-	3,000
RHODA M. GUCILATAR	2,240	-	-	-	2,240	-	2,240
RHODESSA MALLARI	243,701	-	-	-	243,701	-	243,701
RICARDO AMOTO JR.	1,550	-	-	-	1,550	-	1,550
RICARDO MANUEL	202,165	26,427	153,592	-	75,000	-	75,000
RICARDO SABANAL	2,525	-	-	-	2,525	-	2,525
RICHARD ORTEGA	2,400	-	-	-	2,400	-	2,400
RICHARD PELOTOS	-	18,000	10,000	-	8,000	-	8,000
RICHEL BORDE	41,600	-	-	-	41,600	-	41,600
RICHEL PAGAWITAN	3,800	-	-	-	3,800	-	3,800
RICHIE R. MANLAPAZ	-	211,800	50,200	-	161,600	-	161,600
RICIA VINELLI MONTEJO	37,033	-	-	-	37,033	-	37,033
RICKY DOMONDON	761,061	-	-	-	761,061	-	761,061
ROBERT JASON TORRES	151,388	-	-	-	151,388	-	151,388
ROBERTSON G. QUIRES	1,475	-	-	-	1,475	-	1,475
ROBY CHARLIE G. MALLARI	15,631	-	-	-	15,631	-	15,631
RODERIC CORPORAL	1,650	-	-	-	1,650	-	1,650
RODNEY ANDRE MORALES	5,000	-	-	-	5,000	-	5,000
RODNEY C. GARCIA	3,000	-	-	-	3,000	-	3,000
RODNEY DELICANO	1,550	-	-	-	1,550	-	1,550
RODRIGO S. PAMAHOY	22,292	-	-	-	22,292	-	22,292
ROGELIO RAMOS JR.	-	1,225,000	-	-	1,225,000	-	1,225,000
ROGILYN PONES	29,667	-	-	-	29,667	-	29,667
Balance forwarded	P 31,347,423	P 25,797,246	P 8,967,541	-	P 48,177,128	-	P 48,177,128

Name	Balance at End of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
Balance carried forward	P 31,347,423	P 25,797,246	P 8,967,541	-	P 48,177,128	-	P 48,177,128
ROHSAN ARIEL N. LUCES	1,150	-	-	-	1,150	-	1,150
ROLAND N. RIÑA	1,950	-	-	-	1,950	-	1,950
ROLANDO C. SUAZO	12,600	-	-	-	12,600	-	12,600
ROLEN L. JALIMBAWA	1,650	-	-	-	1,650	-	1,650
ROMAR B. CARNIYAN	1,650	-	-	-	1,650	-	1,650
ROMEO B. BOBILES	1,650	-	-	-	1,650	-	1,650
ROMEO C. SAKAY	1,444	-	-	-	1,444	-	1,444
ROMEO DIAZ	1,000	-	-	-	1,000	-	1,000
ROMEO FURIGAY	636,008	-	-		636,008	-	636,008
ROMMEL ONDONG	104,801	46,000	-	-	150,801	-	150,801
ROMMEL PINEDA	39,914	-	39,914	-	-	-	-
ROMMEL S. OBISPO	988	-	-	-	988	-	988
ROMNICK T. LLENADO	1,650	-	-	-	1,650	-	1,650
RONALD ALLAN M. NICOLAS	15,687	15,687	-	-	31,374	-	31,374
RONALD ROSELLER B. MANGAHAS	127,092	-	-	-	127,092	-	127,092
RONALDO A. NOEL	1,838	-	-	-	1,838	-	1,838
RONALDO PALIN	2,625	-	-	-	2,625	-	2,625
RONIEL ROLDAN	53,006	-	53,006	-	-	-	-
RONILO C. PONSICA	1,650	-	-	-	1,650	-	1,650
RONNIE SALINGAY	1,550	-	-	-	1,550	-	1,550
ROSE ANN ENRIQUEZ	200,000	4,310	-	-	204,310	-	204,310
ROSE CELINE CASTRO	-	524,000	-	-	524,000	-	524,000
ROWENA B. TRILLANA	21,637	-	-	-	21,637	-	21,637
ROY GARCHITORENA	2,000	2,000	-	-	4,000	-	4,000
ROYCE MILTON CATACUTAN	20,159	-	-	-	20,159	-	20,159
RUBEN PEÑALOSA	2,525	-	-	-	2,525	-	2,525
RUBIELIZA ALBAY	124,716	3,856	-	-	128,572	-	128,572
RUFINO DIZO	290,330	-	290,330	-	-	-	-
RUSKY L. FERRER	30	-	-	-	30	-	30
RUSTOM ESTROPIA	37,241	-	-	-	37,241	-	37,241
RYAN ERMAC	40	-	-	-	40	-	40
RYAN GALINDEZ	1,550	-	-	-	1,550	-	1,550
RYAN JAY LAI	238	-	-	-	238	-	238
RYAN P. ERMAC	200,000	-	-	-	200,000	-	200,000
SALVADOR DE GUZMAN	6,350	-	-	-	6,350	-	6,350
SAMUEL A. ELLE	5,000	-	-	-	5,000	-	5,000
SATURNINO D. OLIVER JR.	1,550	-	-	-	1,550	-	1,550
SERGIO S. MALIGRO JR.	7,200	-	-	-	7,200	-	7,200
SHARON D. PEREZ	9,600	-	-	-	9,600	-	9,600
SHEILA G. ANGELES	330	330	-	-	660	-	660
SHEILA MAY V. LLUVIDO	855	-	-	-	855	-	855
SHERRY LEE L. HATAGUE	3,360	-	-	-	3,360	-	3,360
SHERWIN ELOPRE	1,550	-	-	-	1,550	-	1,550
SHERWIN GATBONTON	50,000	-	-	-	50,000	-	50,000
SHERWIN SEGUI	95,000	-	-	-	95,000	-	95,000
SHIELA NEPOMUCENO	5,734	-	-	-	5,734	-	5,734
SONNY BOY G. ENRIQUEZ	51,460	-	-	-	51,460	-	51,460
STEPHANIE GRACE G. MANAL	10,887	-	-	-	10,887	-	10,887
STEPHANIE M. LIM	3,340	-	-	-	3,340	-	3,340
SUDARSHAN MADHAV DODDATHOTA	34,982	-	-	-	34,982	-	34,982
SULPICIA POLINGA	5,750	-	-	-	5,750	-	5,750
SULPICIO A. GARCIA	36,766	-	-	-	36,766	-	36,766
TARCYZJUSZ FROEHLICH	87,328	-	-	-	87,328	-	87,328
TECSON, ULYSSES P.	33,478	-	-	-	33,478	-	33,478
TEDY L. VALLESTERO	480	-	-	-	480	-	480
TIMOTHY JIM ALTONAGA	46,200	-	-	-	46,200	-	46,200
TRACELLE ANNE A. BASILISCO	33,586	-	-	-	33,586	-	33,586
TRACELLE ANNE B. NAVARRO	35,360	-	-	-	35,360	-	35,360
TRISTAN JOHN Y. SANTOS	480	-	-	-	480	-	480
VALERIE AYRA RAMOS	68,676	-	68,676	-	-	-	-
VEN ROGER GOCOTANO	1,650	-	-	-	1,650	-	1,650
VENER TEOPE	-	12,100	-	-	12,100	-	12,100
VENUS V. LOGDAT	32,000	-	-	-	32,000	-	32,000
VICTOR L. ASPA, JR.	2,625	-	-	-	2,625	-	2,625
VILMA P. LUMAPAS II	4,320	-	-	-	4,320	-	4,320
VIRGILIO CARSIDO JR.	41,537	-	-	-	41,537	-	41,537
VIRGILIO UMALI JR.	350	50,202	-	-	50,552	-	50,552
WENNIE S. PALACIO	14,352	-	-	-	14,352	-	14,352
WILLIE G. RUFINO	16,192	-	-	-	16,192	-	16,192
WILTON DY	62,500	-	-	-	62,500	-	62,500
WINSTON V. JIMENEZ	63,515	363,966	167,980	-	259,500	-	259,500
YASMIN LAMBATAN	56,000	-	-	-	56,000	-	56,000
YOLANDA D. SURIO	32,000	-	-	-	32,000	-	32,000
YUNICE C. PRADHAN	2,500	-	-	-	2,500	-	2,500
ZANDY BAUIT	48,906	-	-	-	48,906	-	48,906
TOTAL ADVANCES TO OFFICERS AND EMPLOYEES	P 34,271,539	P 26,819,697	P 9,587,447	-	P 51,503,789	-	P 51,503,789
Advances to related parties under common ownership							
Future State Myspace, Inc.	26,702.00	3,555.00	-	-	30,257.00	-	**30,257.00**
MySpace Properties Inc.	-	10,160,923.00	(16,089.00)	-	10,144,834.00	-	**10,144,834.00**
ISOC Holdings, Inc.	-	757,143.00	-	-	757,143.00	-	**757,143.00**
ESA Group of Companies Inc.	-	30,805.00	-	-	30,805.00	-	**30,805.00**
Altria East Land, Inc.	-	3,779.00	-	-	3,779.00	-	**3,779.00**
Citicore Power Inc.	3,144,344,020.00	31,459,669.00	-	-	3,175,803,689.00	-	**3,175,803,689.00**
TOTAL ADVANCES TO RELATED PARTIES UNDER COMMON OWNERSHIP	3,144,370,722.00	42,415,874.00	(16,089.00)	-	3,186,770,507.00	-	3,186,770,507.00
ULTIMATE PARENT COMPANY	146,736,123.00	2,922,635,602.00	-	-	3,069,371,725.00	-	**3,069,371,725.00**
Advances to non-controlling interest							
Others	1,501,868.00	10,743,502.00	(841,103.00)	-	11,404,267.00	-	11,404,267.00
TOTAL ADVANCES TO MINORITY INTEREST	1,501,868.00	10,743,502.00	(841,103.00)	-	11,404,267.00	-	11,404,267.00
	3,326,880,252.00	**3,002,614,675.00**	**8,730,255.00**	**-**	**6,319,050,288.00**	**-**	**6,319,050,288.00**

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
Schedule C
Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
December 31, 2019

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
MWM Terminals, Inc. (MWMTI)	P 1,450,311,790	P 67,435,354	-	P -	P 1,517,747,144	P -	P 1,517,747,144
Megawide Construction (BVI) Corporation (MCBVI)	45,829,514	102,523,920			148,353,434		148,353,434
Megawide Terminals, Inc. (MTI)	526,604,034		46,425,326		480,178,708		480,178,708
Globemerchants, Inc.	-	25,000,000		-	25,000,000	-	25,000,000
Megawide Land Inc. (MLI)	-	2,643,495		-	2,643,495	-	2,643,495
Megawide International Limited (MIL)	-	102,906,182		-	102,906,182	-	102,906,182
GMR Megawide Cebu Airport Corporation (GMCAC), Subsidiary	314,527,460	5,399,990	89,939,701	-	229,987,749	-	229,987,749

Supplementary information –

Megawide has receivables from MWMTI and MIL for construction and engineering services provided.

MSPI paid certain expenses related to the development of SJDM Prima Casa Project and audit fee in behalf of MLI.

In November 2019, Globemerchants, 50% owned by Megawide, declared P50 million dividends. The dividends declared remained unpaid as of December 31, 2019.

Megawide, through its share in assets of the Megawide GISPL Construction Joint Venture (MGCJV), has a receivable to GMCAC for the billings of completed works at the end of the year.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
Schedule D
Intangible Assets
December 31,2019

Description	Beginning Balance, net of accumulated amortization	Additions at Cost	*Deduction*			Ending Balance, net of accumulated amortization
			Charged to Cost and Expenses (iii)	Charged to Other Accounts	Other Changes Additions (Deductions)	
(i) Computer software license	P 36,980,796	P 27,538,033	(P 14,938,847)	(P 2,264,142)	P -	P 47,315,840
(ii) Concession assets	28,289,313,079	1,885,869,964	(738,596,573)	-	-	29,436,586,470
TOTAL	**P 28,326,293,875**	**P 1,913,407,997**	**(P 753,535,420)**	**(P 2,264,142)**	**P -**	**P 29,483,902,310**

Supplementary information on Intangible Assets:

(i) *Computer software license and system are presented as part of other non-current assets in the consolidated statement of financial position. Its additions during the period represent software customization fees, new human resource system and various installation fees. Charged to other accounts pertains to reclassification of certain computer software license to property, plant and equipment in relation to the construction of the new T2 bulding and structural design.*

(ii) *Concession assets pertain to GMR Megawide Cebu Airport Corp.'s payment for bid premium and other related expenditures pertaining to the Cebu-Mactan Internation Airport Project.*

(iii) Computer license software and system are amortized on a straight-line basis over the estimated useful lives of five years. Concession assets are amortized over 25 years, the concession period using the units of production method.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
Schedule E
Long-Term Debt
December 31, 2019

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown Under Caption"Current Portion of Long-term Debt" in Related Statement of Financial Position	Amount Shown Under Caption"Long-Term Debt" in Related Statement of Financial Position
Bank loans (i)	P 38,425,631,984	P 10,791,617,597	P 27,634,014,387
Note payable (ii)	8,852,929,990	3,750,000,000	5,102,929,990
Lease liabilities (iii)	474,350,703	139,443,656	334,907,047
Total	**P 47,752,912,677**	**P 14,681,061,253**	**P 33,071,851,424**

Supplementary information on Long-term Debt

(i) *Total bank loans represent certain omnibus loan security agreement (OLSA) and other bank loans that were entered into with various local universal banks comprising of P17,200.0 million drawdown from the OLSA with maturity of 15 years, and P2,500.0 million short-term unsecured bank loans.*

(ii) *Total notes payable represents unsecured availments from two notes facility agreement with a local bank for private placement amounting to P4,000.0 million in 2013 and P1,000.0 million in 2016. These notes have maturity term that ranges from five to ten years from date of issue.*

In September 2016 and December 2016, the Parent Company availed an unsecured corporate 10-year corporate loans amounting to P650.0 million and P350.0 million to refinance the 5-year corporate note issued in 2011. Also, the Parent Company availed another P1,000.0 million unsecured 10-year corporate note for capital expenditures and general corporate requirments.

(iii) *Lease liabilities have an effective interest rate of 7.0% and 6.0% in 2019 and 2018 with maturity of three to five years from the date of transaction.*

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
Schedule F
Indebtedness to Related Parties
December 31, 2019

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
Advances from other related party under common ownership	P 44,683,199	P -
Advances from Megawide GMR Construction Joint Venture, Inc.	14,883,628	-
Advances from Citicore-Megawide Consotium, Inc. (CMCI)	-	20,000,000
Total	**P 59,566,827**	**P 20,000,000**

Supplementary information on Indebtedness to Related Parties

[1] *The Group obtained unsecured, noninterest-bearing cash advances from its associate, CMCI, for working capital requirements, which are payable on demand. its working capital requirements, which are payable on demand. Citicore paid for the Parent Company's agreed subscription of MWCCI in 2014 and CMCI in 2012. These advances are noninterest-bearing and payable on demand.*

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
Schedule G
Guarantees of Securities of Other Issuers
December 31, 2019

Name of Related Party	Amount
Citicore Holdings, Inc. (CHI)	P 4,500,000,000
Total	**P 4,500,000,000**

Supplementary information on Guarantees of Securities and Other Issuers

[1] *On December 26, 2019, the Group's Board of Directors approved the issuance of corporate guaranty infavour of CHI as part of the governance initiative of the Group to provide assistance, as needed, to new and other businesses to help them mature and produce strong and predictable cash flows to become stable and consistend to the Group.*

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
Schedule H
Capital Stock
December 31, 2019

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown Under the Related Statement of Financial Postion Caption (i)	Number of Shares Reserved for Options, Warrants, Coversion and Other Rights	Number of Shares Held By		
				Related Parties	Directors, Officers and Employees	Others
Common	4,930,000,000	2,063,633,817	-	1,330,634,698	18,775,289	714,223,830
Preferred	70,000,000	40,000,000.00	-	-	-	40,000,000

(i) On July 20, 2016, the Parent Company's BOD approved the buy-back of 410.8 million common shares held by Sybase Equity Investment Corporation at a price equal to the 7-trading day volume weighted average price ending on July 28, 2016 or equivalent to P10.03 per share. Total purchase price of the treasury shares including incidental cost of the buy-back amounted P4.138.8 million.

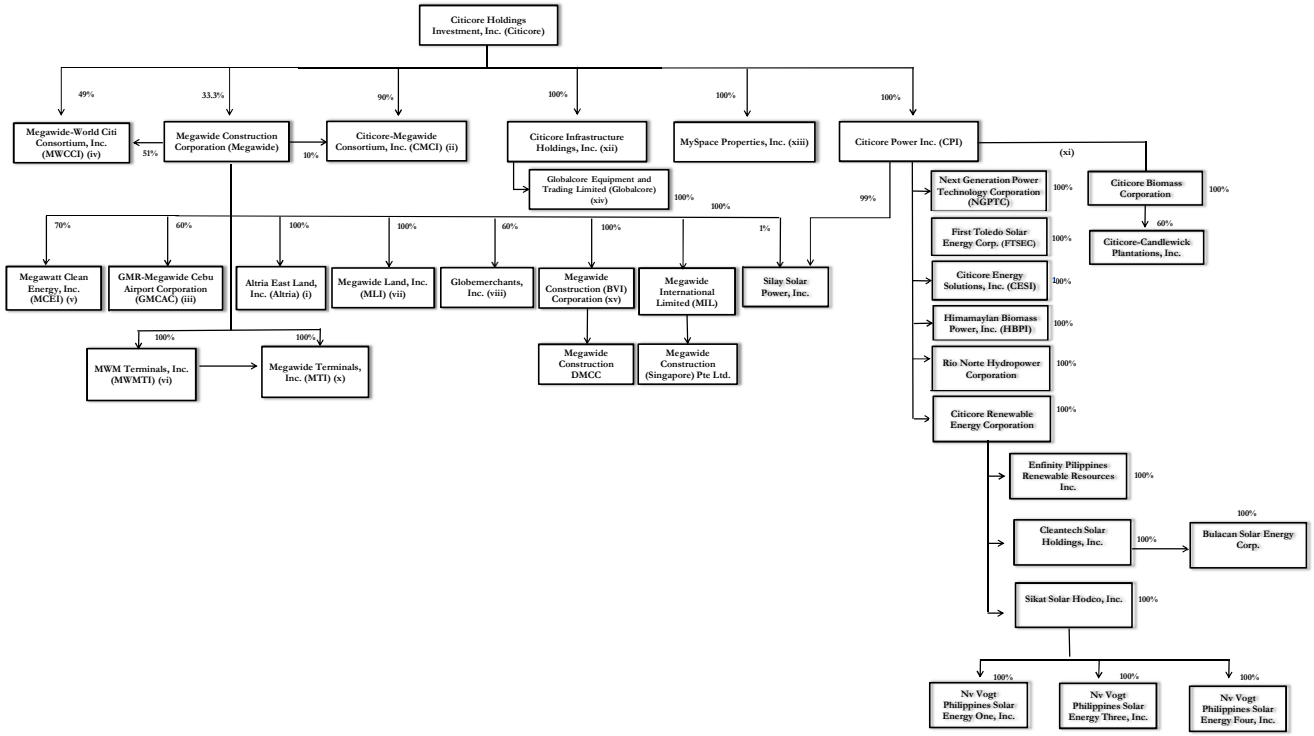
On October 20, 2016, the Parent Company's BOD approved the sale of its 150.0 million treasury shares at P14.90 per share. Net proceeds of the sale of treasury share amounted to P2,181.7 million, net of incidental cost of the transaction. Outstanding balance of the treasury shares after the sale is 260.8 million treasury shares at cost of P2,627.7 million.

On October 1, 2018, the Parent Company's BOD approved a share buyback program worth up to P2.0 billion over a period of two years. Total cost to acquire treasury shares in 2018 amounted to P824.77 million which is equivalent to 48.81 shares. In 2019, pursuant to the share buyback program, the Company acquired treasury cost amounted to P458 million (equivalent to 26 million shares). On March 3, 2020, the BOD approved an additional P3 billion to its Share buyback program (the "Program"), making it a total of P5 billion and removal of the period within which to execute the Program, making it open-ended.

MEGAWIDE CONSTRUCTION CORPORATION
Reconciliation of Retained Earnings Available for Dividend Declaration
For Year Ended December 31, 2019

Unappropriated Retained Earnings of the Parent Company at Beginning of Year	**[A]**	P	1,495,814,755
Prior Periods' Outstanding Reconciling Item			
Deferred tax income			178,158,144
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted	**[D]**		1,673,972,899
Net Profit of the Parent Company Realized During the Year			
Net profit per audited financial statements			638,133,955
Non-actual/unrealized income			
Deferred tax income related to deferred tax assets recognized in the profit or loss during the year	**[C]**		102,224,710
Other Transaction During the Year			
Treasury shares - at cost		(	457,791,074)
Cash dividends to preferred and common shareholders		(	528,636,059)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year		**P**	**1,427,904,431**

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
MAP SHOWING THE RELATIONSHIP BETWEEN THE COMPANY AND ITS RELATED ENTITIES
December 31, 2019



Supplementary information:

(i) Megawide's acquisition of Altria is treated as an acquisition of asset and not a business acquisition. Hence, Altria is not considered a subsidiary of the Megawide.

(ii) The rights and powers of Megawide over the management and control of the CMCI are exercised through a seat in the Board of Directors (BOD). Taking this into consideration, the Megawide concluded that it has significant influence over the investee; accordingly the investment is accounted for as an investment in associate.

(iii) Megawide acquired 15.0 million shares of stock of GMCAC which represent 60% of GMCAC's issued and outstanding capital stock, giving Megawide control over the financial and operations of GMCAC.

(iv) Megawide acquired 51% ownership interest in MWCCI, but accounted for the investment as an associate since it does not have control over MWCCI's relevant activities. Citicore acquired 68% effective ownership interest over MWCCI, hence, obtained the control over MWCCI.

(v) On September 4, 2014, the Company acquired 70% of the issued and outstanding capital stock of MCEI. The investment in MCEI is accounted for as an investment in subsidiary.

(vi) MWMTI was accounted for as a subsidiary due to the acquisition of 100% ownership in MTI, resulting to the increase in effective ownership of Megawide in MWMTI from 51% to 100%.

(vii) On October 28, 2016, the Parent Company acquired a 100% ownership interest in MLI, an entity incorporated in the Philippines. MLI is incorporated primarily to engage in real estate and related business.

(viii) On May 5, 2016, the Parent Company acquired a 60% ownership interest in Globemerchants, a company incorporated in the Philippines, primarily engaged in exporting, buying, selling, distributing, marketing at a wholesale in so far as may be permitted by law all kinds of goods, wares and merchandise of every kind and description.

(ix) In February 2016, SSPI's unissued shares of stock were acquired by CPI resulting in a 75% equity interest over SSPI and diluting Megawide's equity interest over SSPI from 100% to 25%. Hence, SSPI ultimately became a subsidiary of CPI. In 2016, the Megawide's equity interest was reduced from 100% to 1% upon acquisition of a related party under common ownership.

(x) In August 2018, Megawide acquired the outstanding shares of MTI representing 100% ownership, making it a wholly owned subsidiary of Megawide.

(xi) In 2016, the following newly incorporated entities: HBPI, CESI, BGEESSI, NGEESSI, LGEESSI and CGEESSI, became wholly owned subsidiaries of the CPI upon subscription on their common shares.

In 2015, CPI acquired NGPTC. CPI acquired additional shares of NGPTC through conversion of advances to equity investments.

In November 2015, CPI entered into a share purchase agreement (SPA) for the acquisition of FTSEC for $12.0 million. CPI paid the former stockholder of FTSEC amounting to ₱40.1 million. The agreement was subsequently amended and reduced the purchased price to $9.6 million. CPI gained control on FTSEC in May 2016 upon significant compliance of the parties to the SPA. CPI then recognized FTSEC as its subsidiary.

(xii) In March 2015, CHI acquired 100% ownership to CIHI. CIHI was established primarily to engage in buying and holding shares of other companies, either by subscribing to unissued shares of capital stock in public or private offering or by purchasing the shares of other stockholders by way of assignment in private sale.

(xiii) In January 2012, upon execution of Deed of assignment between CHI and Myspace's stockholders, the 100% ownership of Myspace was transferred to CHI.

(xiv) Globalcore is a foreign registered and domiciled in Hong Kong, which is primarily engaged in buying, selling, importing, and exporting of general equipment.

(xv) On June 20, 2017, the Parent Company acquired a 100% ownership interest in MCBVI, an entity incorporated in the territory of British Virgin Islands, a primarily engage in buying and holding shares of other companies.

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

MEGAWIDE CONSTRUCTION CORPORATION
Schedule of Preferred Shares Proceeds
Under SRC Rule 68, as amended
December 31, 2019
(Amounts in Philippine Pesos)

Preferred Shares Proceeds			P	4,000,000,000
Less: Issuance related expenses				
Underwriter fees	P	53,598,978		
Professional fees		5,189,714		
Registration and taxes		2,535,625		
Bank charges		201,400		61,525,717
Net Preferred Shares Proceeds				3,938,474,283
Less: Disbursements				
Mactan-Cebu International Airport	P	1,184,173,963		
Southwest Integrated Transport System		1,492,086,981		
Clark Airport		553,054,645		
Public School Infrastructure Project (PSIP) Phase II		542,878,283		
Privatization of Airports		110,542,553		
Project Development of Renewable Energies		31,775,538		
Regional Prison Facilities		23,962,320		3,938,474,283
Balance of Preferred Shares Proceeds as of December 31, 2019				-

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Report of Independent Auditors on Components of Financial Soundness Indicators

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
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The Board of Directors and Stockholders
Megawide Construction Corporation and Subsidiaries
(A Subsidiary of Citicore Holdings Investment, Inc.)
20 N. Domingo Street
Brgy, Valencia
Quezon City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of of Megawide Construction Corporation and Subsidiaries (the Group) for the year ended December 31, 2019 and 2018, on which we have rendered our report dated May 26, 2020. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for each of the two years in the period ended December 31, 2019 and no material exceptions were noted.

PUNONGBAYAN & ARAULLO

By: Mailene Sigue-Bisnar
Partner

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

May 26, 2020

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
Supplemental Schedule of Financial Soundness Indicators
December 31, 2019 and 2018

Ratio	Formula	2019	Formula	2018
Current ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets 35,465,662,114 Divide by: Total Current Liabilities 27,999,982,419 Current ratio 1.27	1.27	Total Current Assets divided by Total Current Liabilities Total Current Assets 24,790,484,826 Divide by: Total Current Liabilities 16,565,276,062 Current ratio 1.50	1.50
Acid test ratio	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities Total Current Assets 35,465,662,114 Less: Inventories (1,287,127,532) Other Current Assets (6,310,724,077) Contract Assets (3,975,734,097) Quick Assets 23,892,076,408 Divide by: Total Current Liabilities 27,999,982,419 Acid test ratio 0.85	0.85	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities Total Current Assets 24,790,484,926 Less: Inventories (865,035,029) Other Current Assets (4,891,540,884) Contract Assets (3,060,770,976) Quick Assets 15,973,138,037 Divide by: Total Current Liabilities 16,565,276,062 Acid test ratio 0.96	0.96
Solvency ratio	Total Liabilities divided by Total Assets Total Liabilities 62,765,813,535 Divide by: Total Assets 80,764,326,231 Solvency ratio 0.78	0.78	Total Liabilities divided by Total Assets Total Liabilities 47,901,608,543 Divide by: Total Assets 65,905,709,593 Solvency ratio 0.73	0.73
Debt-to-equity ratio	Total Liabilities divided by Total Equity Total Liabilities 62,765,813,535 Divide by: Total Equity 17,998,512,696 Debt-to-equity ratio 3.49	3.49	Total Liabilities divided by Total Equity Total Liabilities 47,901,608,543 Divide by: Total Equity 18,004,101,050 Debt-to-equity ratio 2.66	2.66
Assets-to-equity ratio	Total Assets divided by Total Equity Total Assets 80,764,326,231 Divide by: Total Equity 17,998,512,696 Assets-to-equity ratio 4.49	4.49	Total Assets divided by Total Equity Total Assets 65,905,709,593 Divide by: Total Equity 18,004,101,050 Assets-to-equity ratio 3.66	3.66
Interest rate coverage ratio	Earnings before interest and taxes (EBIT) divided by Interest expense EBIT 3,458,255,761 Divide by: Interest expense 2,023,018,225 Interest rate coverage ratio 1.71	1.71	EBIT divided by Interest expense EBIT 3,457,690,839 Divide by: Interest expense 1,070,672,509 Interest rate coverage ratio 3.23	3.23
Return on equity	Net Profit divided by Total Equity Net Profit 1,111,034,814 Divide by: Average Equity 18,001,306,873 Return on equity 0.06	0.06	Net Profit divided by Total Equity Net Profit 1,894,174,171 Divide by: Average Equity 18,069,772,660 Return on equity 0.10	0.10
Return on assets	Net Profit divided by Total Assets Net Profit 1,111,034,814 Divide by: Average Assets 73,335,017,912 Return on assets 0.02	0.02	Net Profit divided by Total Assets Net Profit 1,894,174,171 Divide by: Average Assets 60,161,762,699 Return on assets 0.03	0.03
Net profit margin	Net Profit divided by Total Revenue Net Profit 1,111,034,814 Divide by: Total Revenue 19,881,804,848 Net profit margin 0.06	0.06	Net Profit divided by Total Revenue Net Profit 1,894,174,171 Divide by: Total Revenue 15,991,991,427 Net profit margin 0.12	0.12

Annex A: Reporting Template

(For additional guidance on how to answer the Topics, organizations may refer to Annex B: Topic Guide)

Contextual Information

Company Details	
Name of Organization	Megawide Construction Corporation
Location of Headquarters	20 N. Domingo Street, Barangay Valencia, Quezon City
Location of Operations	**I. MEGAWIDE CONSTRUCTION CORPORATION (MCC)** **A. Engineering Procurement and Construction (EPC)** Megawide Head Office, 20 N. Domingo Street, Barangay Valencia, Quezon City **B. Holding Company (HoldCo) Office** 10F Santolan Town Plaza, Santolan Road, San Juan City **C. Business Units (BU)** 2758 Velasquez St., Sitio Bangiad, Brgy. San Juan, Taytay, Rizal **II. MEGAWIDE WALTER MART TERMINALS, INC. (MWM Terminals)** **A. Parañaque Integrated Terminal Exchange (PITX)** 1 Kennedy Road, Brgy. Tambo, Parañaque City **III. GMR-MEGAWIDE CEBU AIRPORT CORPORATION (GMCAC)** **A. Mactan-Cebu International Airport (MCIA)** Lapu-Lapu Airport Road, Lapu-Lapu City, Cebu **IV. MEGAWIDE FOUNDATION** 10F Santolan Town Plaza, Santolan Road, San Juan City
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	This Annex reports on the operations of the following strategic business units (SBUs): **I. MCC** **A. EPC** 1. Located in Megawide Head Office 2. Located at 11 Featured Project Sites a. The Corner House, San Juan City b. One Fintech Tower, Parañaque City c. Eight Sunset Boulevard, Parañaque City d. Empire East Skymall, Cainta, Rizal e. Gentry Manor, Parañaque City

	f. Golden Bay Tower Aspire, Pasay City g. International Finance Tower, Taguig City h. Mandani Bay Quay, Mandaue City, Cebu i. The Hive, Taytay, Rizal j. Urban Deca Ortigas, Pasig City k. Worldwide Plaza, Taguig City **B. HoldCo** **C. BU** **II. MWM Terminals** **III. GMCAC** **IV. MEGAWIDE FOUNDATION*** **Megawide Foundation data are covered in HoldCo reported under MCC disclosures*
Business Model, including Primary Activities, Brands, Products, and Services	Megawide Construction Corporation (referred herein as Megawide or the Company) has established itself by providing revolutionary construction and engineering solutions since 2004. Started as a general construction business, Megawide expanded its business through Public-Private Partnership (PPP) programs of the government that paved the opportunity to involve in projects such as the Paranaque Integrated Terminal Exchange (PITX) and Mactan Cebu International Airport (MCIA). As a major player in the construction industry, Megawide has accomplished low- to high-rise condominiums, office buildings, hotels, and casinos for a variety of clients such as Megaworld Corporation, Double Dragon Properties, 8990 Holdings, Rockwell Land, Shang Properties, and Araneta Properties, to name a few. This has enabled the company to build its portfolio in Engineering, Procurement, and Construction (EPC), and Transport-oriented infrastructure. Megawide is strategically managed based on the following segments – Construction, Airport Operation, and Landport (Terminal) Operation. The Construction segment includes constructing, enlarging, repairing, or engaging in any work upon buildings, houses and condominiums, roads, plants, bridges, piers, waterworks, railroads, and other structures, and to own, use, improve, develop real estate of all kinds. The Airport Operation segment focuses on building, rehabilitating, renovations, constructing, developing, operating, and maintaining the MCIA, including the commercial assets and all allied businesses for the operation and maintenance of said airport facility. The project is a 25-year concession agreement under the government's PPP program awarded in 2014. The Landport Operation segment involves the operation of a multi-modal transport terminal and commercial leasing properties – office and retail areas – within the Parañaque Integrated Terminal

	Exchange (PITX). The project is under a 35-year concession agreement from the government's PPP program awarded in 2015.
Reporting Period	January 1 to December 31, 2019
Highest Ranking Person responsible for this report	Edgar B. Saavedra, Chairman and Chief Executive Officer

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

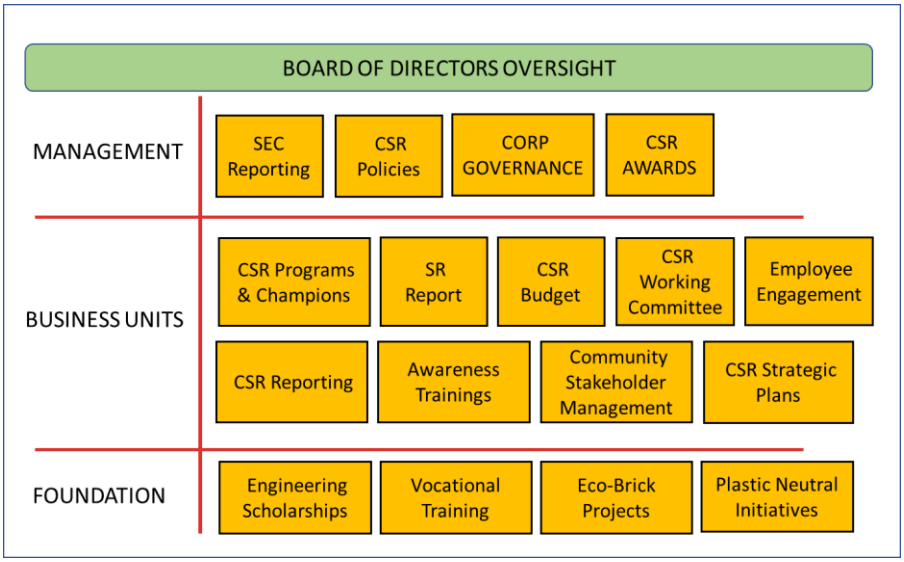
Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.[1]

Continuing its journey to integrate sustainability in its business, Megawide streamlined its Sustainability Policy and Framework to all its SBUs. With its formulation in 2018, the Sustainability Framework was officially launched through a series of workshops involving everyone in Megawide. In its first year, the ESG pillars – Environmental Stewardship, Good Governance, and Social Responsibility – were aligned with the existing programs and projects done by each of the SBUs. This provided a better appreciation of the contribution of the programs and projects to the global goals.

Megawide treats Corporate Social Responsibility (CSR) as rather an integral part of the business. As it moves forward in its sustainability journey, Megawide looks through the different lenses of its operations and stakeholders in which the economic, environmental, and social performance of the Company is affected. Through planning sessions, each SBU was educated on the business perspective of sustainability and why it is important to be involved in its achievement.

The CSR Roadmap provides a clear direction of how each and everyone in Megawide is engaged in the sustainability journey.



Being the highest governing body in Megawide, the Board is given oversight powers of all the operations in the business and ensures that sustainability is upheld in all aspects. The Management

[1] See *GRI 102-46* (2016) for more guidance.

maintains compliance with all internal and external policies and requirements that are key to the smooth flow of all business transactions. These compliances and transactions are supported by the BUs. As the direct contributors to the sustainability of Megawide, the BUs are engaged in various activities in mechanizing operations to be more efficient and responsible.

At the base of the roadmap is the Foundation. Megawide realizes that its business has direct and indirect impacts to its stakeholders. With the Foundation as the company's Corporate Social Responsibility arm, Megawide is able to build strong relationships with host communities through programs and projects that keep the business intact.

Guided by the CSR Roadmap, the responsibilities of making Megawide sustainable is delegated among the strategic business units – then named as CSR Champions. These skilled professionals were selected to act as the drivers of sustainability in their respective communities.

With this initiative, Megawide is taking steps into fostering inclusive growth that benefits the Company and its stakeholders.

To begin with the sustainability report process, an initial meeting with the team who championed the 2018 Sustainability Report was conducted to strategize all activities for the materiality assessment, data gathering, and other engagements to further improve the process. In identifying material topics, Megawide was able to gather a wider perspective on the issues and concerns based on various stakeholders. Hence, Megawide sent out the following surveys:

- **Online internal stakeholder survey**: mainly targets the departments who handle concerns in the perspective of investor relations, human resources, and project managers

- **External stakeholder survey**: aims to gather concerns from external stakeholders, particularly customers, investor relations, communities, and partners

- **Materiality Assessmen**t: guided by the materiality process of the Global Reporting Initiative (GRI), the Management represents the concerns of all its stakeholders based on their specialties. Each topic was assessed based on its degree of impact on the business and the stakeholders. Thus, topics identified with high and medium levels of criticality have been reported in this Annex, otherwise, deemed not applicable to the business. The results are presented below:

Each material topic answers to a standard/s set by the GRI that helps monitor Megawide's performance towards a more sustainable business (see Table A). While it leans into sustainable design, construction, and operations, Megawide recognizes its contribution to the Sustainable Development Goals (SDGs) of the United Nations (UN). Because of this, Megawide follows a framework where people, planet, and profit prosper simultaneously through their performance in the following areas (1) Environmental Stewardship, (2) Social Responsibility, and (3) Good Governance.

Table A. Alignment of Material Topics to GRI Standards and UN SDGs

Criticality	Material Topic	Relevant GRI Standard	Contribution to SDGs
High	Health and Safety	**GRI 403**: Occupational Health and Safety	**SDG 3**: Good Health and Well-being **SDG 8**: Decent Work and Economic Growth
High	Corruption/Fraud	**GRI 205**: Anti-corruption	**SDG 16**: Peace, Justice and Strong Institutions
High	Ethical Business Operations	**GRI 206**: Anti-corruption **GRI 307**: Environmental Compliance **GRI 419**: Socioeconomic Compliance	**SDG 16**: Peace, Justice and Strong Institutions
High	Customer Satisfaction	**GRI 416**: Customer Health and Safety	**SDG 16**: Peace, Justice and Strong Institutions
High	Employee Training and Competency	**GRI 404**: Trainings	**SDG 8**: Decent Work and Economic Growth
High	Innovation in Operations/ Products & Services	**GRI 102-2**: Activities, brands, products, and services	**SDG 9**: Industry, Innovation, and Infrastructure

Medium	Product Quality and Responsibility	**GRI 102-2**: Activities, brands, products, and services **GRI 307**: Environmental Compliance **GRI 308**: Supplier Environmental Assessment **GRI 414**: Supplier Social Assessment **GRI 416**: Customer Health and Safety **GRI 419**: Socioeconomic Compliance	**SDG 12**: Responsible Consumption and Production **SDG 16**: Peace, Justice and Strong Institutions
Medium	Financial Sustainability/ Profitability	**GRI 201**: Economic Performance	**SDG 1**: No Poverty **SDG 8**: Decent Work and Economic Growth
Medium	Information Security/Data Privacy	**GRI 418**: Customer Privacy	**SDG 16**: Peace, Justice and Strong Institutions
Medium	Local Sourcing/ Procurement	**GRI 102-9**: Supply chain **GRI 204**: Procurement Practices	**SDG 12**: Responsible Consumption and Production
Medium	Human Rights (Child Labor /Forced Labor/ Discrimination)	**GRI 408**: Child Labor **GRI 409**: Forced or Compulsory Labor **GRI 411**: Rights of Indigenous Peoples **GRI 412**: Human Rights Assessment	**SDG 10**: Reduced Inequalities
Medium	Employee Turnover, Attrition, and Retention	**GRI 401**: Employment **GRI 402**: Labor/Management Relations	**SDG 1**: No Poverty **SDG 8**: Decent Work and Economic Growth
Medium	Energy Management/ Efficiency	**GRI 302**: Energy **GRI 305**: Emissions	**SDG 7**: Affordable and Clean Energy
Medium	Impact on Community/ Contribution to Society	**GRI 203**: Indirect Economic Impacts **GRI 413**: Local Communities	**SDG 10**: Reduced Inequalities
Medium	GHG Emissions/Climate Change	**GRI 305**: Emissions	**SDG 13**: Climate Action
Medium	Waste Disposal and Recycling	**GRI 306**: Effluents and Waste	**SDG 11**: Sustainable Cities and Communities **SDG 12**: Responsible Consumption and Production
Medium	Water Consumption	**GRI 303**: Water and Effluents	**SDG 6**: Clean Water and

		GRI 306: Effluents and Waste	Sanitation
Medium	Impact on Biodiversity	**GRI 304**: Biodiversity	**SDG 13**: Climate Action **SDG 14**: Life Below Water **SDG 15**: Life on Land

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount*	Units
Direct economic value generated (revenue)	19,881,804,848	PhP
Direct economic value distributed:		
a. Operating costs	993,080,955	PhP
b. Employee wages and benefits	1,991,316,154	PhP
c. Payments to suppliers, other operating costs	13,727,519,384	PhP
d. Dividends given to stockholders and interest payments to loan providers	1,761,677,145	PhP
e. Taxes given to government	600,366,394	PhP
f. Investments to community (e.g. donations, CSR)	50,398,000	PhP

**covers all entities*

Megawide's Impact and Management Approach

Megawide lives up to its mission of being at the forefront of building a First-World Philippines through engineering excellence and innovation. It is among the first in the industry and currently among the biggest companies to utilize advanced and comprehensive world-class building systems. This includes its proprietary Formworks Systems and fully-automated Precast factories, which allowed Megawide to reduce construction times and accelerate project turn-over. Committed to *value engineering*, Megawide has formed a Research & Development team to continuously adapt and respond to new inventions, standards, and quality assurance.

Megawide has an AAAA Contractor's License from the Philippine Contractors Association Board (PCAB). This is the highest classification and category for a construction company, which allows the Company to bid for private projects with no limits on the contract value. It also obtained a Large B classification for government registration which allows the Company to participate in large infrastructure projects such as highways, roads and bridges, piers and airports, railroads, waterworks, and power plants.

Megawide has diversified its sources of revenues from different SBUs. Aside from its construction, EPC, and manufacturing component, the Company operates transport-oriented infrastructure development projects – MCIA and PITX, which add value by providing stable recurring income. These enabled the Company to boost its portfolio and bring more value to its overall products and services.

Due to these investments, employees, suppliers and contractors, host and neighboring communities, government, and stockholders have benefited in ways that opened opportunities in realizing organizational goals.

Employees are provided with technology, resources, and developmental training to help build engagement and morale while contributing to the achievement of organizational objectives. Healthcare plans and life insurance are provided to employees to ensure that the employees and their families are protected in times of sickness and accident. Bonuses and incentives are shared with employees from the profit generated by the Company. Megawide has a retirement plan which provides benefits equal to 23 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 MCC Retention Plan for the benefit of Megawide's qualified employees. The Board appointed BDO Unibank – Trust and Investments Group as trustee of the Retirement Fund.

Suppliers and contractors are treated fairly through open communication for their concerns and engaging them through forums or activities. The management encourages growth not just for the Company itself but also for all its business partners.

Integrative to the project execution plans are proposed activities for the development of nearby communities in the project location. All employees from different SBUs are instilled with *Malasakit,* even in business operations. Activities such as tree planting, free medical consultations, and other planned activities by the Human Resources Department and Megawide Foundation are being carried out which are aligned to the overall organization objectives and values.

Megawide continues to conform with local and national tax laws and regulations through the timely and accurate payment of all taxes; including income tax, withholding tax, real property tax, and such other taxes that are believed to be due. Furthermore, the Company participates in bidding and undertaking government projects that are related to community building which include railway, waterworks, Landport, and others. Megawide has collaborated with the government for the construction, rehabilitation, and operation and maintenance of MCIA, construction of classrooms for the Department of Education (DepEd), and construction and operation of the first Landport, PITX, which is seen to decongest traffic within Metro Manila. In partnership with GMR Infrastructure Limited of India, Megawide is currently completing the construction of the Clark International Airport.

Because of these undertakings, Megawide has gained several financial assistance from the government over the years. These include tax reliefs and tax credits on the following projects:

- Registration as a new producer of modular housing component/system (non-pioneer status): Income Tax Holiday (ITH) for 2011-2015
- Registration of PPP for School Infrastructure Project Phase 2 – Contract Package A pursuant to Build-Transfer Arrangement with Philippine DepEd Phase 2 (DepEd P2) Project: ITH for 2015-2020
- Registration as a new producer of housing components – hollow-core precast prestressed slab (non-pioneer status): ITH for four years from 2019
- GMCAC, Megawide's airport segment in MCIA: ITH for three years from December 2018 and July 2018 for Phase 1 and 2, respectively
- MEGAWIDE-GMR Construction Joint Venture, Inc. (MGCJVI), a joint venture formed by the Company and GMR for the construction of Clark airport project was registered as Clark Freezone (CFZ) enterprise in 2018 under Bases Conversion and Development Act (BCDA). As a registered enterprise, MGCJVI, in lieu of 30% regular corporate income tax, business tax, value-added tax, and excise tax, shall pay 5% Gross Income Tax (GIT) in which 3% is paid to the national government and 2% to Clark City.

Stockholders and investors are regularly informed of the Company's development and operations by maintaining transparent reporting practices. The Company publishes reports and arranges briefings on a quarterly basis. Megawide also holds an Annual Stockholders' Meeting to keep them updated on the recent developments of the Company.

Megawide's Risks and Management Approach

While the Company maintains its track record in the industry, it is exposed to different risks that affect operational efficiency, financial strength, and project delivery. Identified risks are continually recognized by the Company and are addressed accordingly. As part of the Company's reporting practice, these risks are openly disclosed in the Annual Report.

1. Megawide is exposed to the cyclical nature of a construction business coupled with risks associated with the Philippines' property development market. This includes potential construction contract cancellations.
2. Significant competition in the construction industry could adversely affect Megawide's business.
3. Megawide currently contracts with a limited number of developers which are mostly located in Metro Manila, subjecting it to concentration risk.
4. The volatility in the price of construction materials could affect Megawide's profitability.
5. Megawide's reputation will be adversely affected if its projects are not completed on time or fail to meet customer requirements.
6. Megawide may be exposed to liquidity risk from delayed payments of progress billings.
7. The availability of construction materials may affect Megawide's projects.
8. Megawide is reliant on its High Technology Building Systems to maintain its competitive advantage over other contractors.
9. Megawide is exposed to the risk of industrial or labor disputes.
10. The separation of key employees could cause lower productivity levels and failure to reach monthly or annual targets.
11. Injuries or damages to third parties could arise from construction accidents.
12. Megawide's brand equity and reputation will be adversely affected if the airport and terminal business are not able to meet the performance standards specified under the agreement.
13. Significant competition from upcoming regional airports and international tourist destinations could affect Megawide's airport business.
14. Megawide is exposed to credit risk on its receivables.
15. A slowdown in the Philippine economy could adversely affect Megawide.
16. Political or social instability could adversely affect the financial results of Megawide.
17. Megawide is required to obtain various licenses for its construction business.
18. Foreign Exchange Policy
19. Occurrence of natural catastrophes and man-made disasters

In 2019, Megawide implemented the Enterprise Risk Management (ERM) program that is based on ISO 31000:2018. The ERM Program serves as a framework for effective and sustainable management of uncertainties, mitigating prioritized risks, and exploring opportunities as they arise. Megawide published its ERM Program Manual as a reference material to be used by risk practitioners and managers of the Company in employing a comprehensive and uniform approach to the risk management process.

Megawide's Opportunities and Management Approach

In pursuit of engineering a First-World Philippines, Megawide will remain true to its mission and values that are nurtured in all SBUs. Sustaining the financial strength of the Company will be fostered through the maximization of operations in the continuance of adding value for the whole Megawide group. Business processes, strategies, technologies, and resources in human and tangible forms shall be continuously improved to better adapt to the modern trends of the industry.

Climate-related risks and opportunities[2]

Governance

Part and parcel of the Company's strong foundation of good governance is the integration of risk management systems in its day-to-day operations. This is guided by the Enterprise Risk Management (ERM) Program that was implemented in 2019.

The ERM Program is aligned with Megawide's Manual of Corporate Governance that mandates the Board of Directors, through the Risk Oversight Committee, to ensure the presence of a control system over strategic, financial, operational, compliance and other identified risks including climate-related risks.

Strategy

Megawide recognizes its exposure to the occurrence of natural catastrophes or blackouts that may be caused by climate change-related phenomena. Typhoons, water scarcity, and power outages are among those identified that have a significant impact especially on the operations of the Company.

Typhoons can slow down construction activities or, when unsafe due to the gravity of the weather, may suspend operations for the time being. Moreover, typhoons may cause property damages that will force the Company to cover expenses for assets affected.

Water scarcity may significantly decrease or cause to cease the production of ready-mix cement (RMC) and precast products, especially during their concrete pouring process. Construction operations may be also interrupted which may delay the project schedule.

Power interruptions create a large effect on the overall operations of the Company. From the manufacturing of RMC and precast, construction activities, to airport and terminal operations, power interruptions may hinder the maximum operation of all SBUs; each business unit depends on electricity for the smooth flow of any business transactions or activities.

Through the ERM, Megawide prepares for the climate-related risks stated and their corresponding impacts. As part of the continuous improvement of its operations, Megawide plans to include the risk of an annual 2-degree Celsius increase of global temperature in its future risk assessments.

Risk Management

Megawide's good governance practice adopts the principle of having a strong and effective Internal Control System and Enterprise Risk Management framework, thus ensuring the integrity, transparency, and proper governance in the conduct of its affairs. The ERM framework allows Megawide to manage imminent and emerging risks in its internal and external operating environments.

Annually, Megawide reviews the risk appetite of the Group as part of its strategic planning. This activity enables the Group to establish the scope, context, and criteria on every level of the management activity.

Risk Assessment begins with Megawide, through the Risk Owners, finds, recognizes, and describes risks that are believed to affect the achievement of organizational objectives. The identified risks are classified as either: (1) Strategic; (2) Operations; (3) Compliance: and (4) Financial. These risks are then analyzed based on their causes and sources, consequences or impact, likelihood of impact, and effectiveness by which risks are managed. Risk Owners use the Risk Assessment Criteria as a tool for analysis and evaluation.

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[2] Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non- financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

Results from the risk analysis are further evaluated to understand if the risk is acceptable or tolerable. Risk Evaluation is guided by a Risk Profile Map/Heat Map that visualizes which among the risks are evaluated to have critical, high, medium, and low impact to the business and to whichever the risk is analyzed to have an impact. Based on the matrix, risks determined to be critical, high, and medium are considered unacceptable, otherwise tolerable.

Once the risks are clearly defined, analyzed, and evaluated, Risk Owners shall develop strategies and implement actions that will treat or modify these risks. Any strategies and actions must be cross-checked against the department's strategies and still be aligned with corporate goals, strategies, culture, and policies.

Throughout the risk management process, Risk Owners are obliged to communicate and hold consultations with affected or benefited persons by the risk. In parallel, review and monitoring must be conducted on every stage of the process.

Metrics and Targets

To augment its ERM system, Megawide plans to develop appropriate metrics and targets to monitor the impacts of climate-related risks and minimize them through measures that will ensure uninterrupted operations and safety of all its stakeholders.

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers		%
MCC		
● HoldCo	N/A	%
● EPC	99	%
● BU	68	%
MWM Terminals, Inc.	100	%
GMCAC	94	%

Megawide's Impact and Management Approach

Local suppliers shall refer to the vendor, supplier, or subcontractor that Megawide may engage with to supply the materials/goods and/or services and whose operations are located in the Philippines or nationwide.

The advantages of purchasing from local suppliers are easier communication lines, faster delivery lead-time, and strong vendor relationships which allows the Company to get to know its partners and conduct actual site visits at the vendors' facilities for validation of supplier accreditation and actual procurement requirements. These relationships are particularly beneficial due to the resulting prioritization for supply

needs. Financially, purchasing from local suppliers gives an advantage due to the provision of payment terms; transactions with them also helps in boosting the local economy.

Most of the major raw materials of MWM Terminals and the BUs, particularly Precast and Batching Plant, are sourced locally. Because of the easier communication with suppliers, technical datasheets for product/material needs, and scope breakdown for service needs are easily provided.

The suppliers' Policy and Commitment are based on contract agreements. To ensure that suppliers can provide MWM Terminals' and the BUs' requirements, forecasts are conducted and discussed with the suppliers to determine if they can commit to supplying these requirements. The entities do their part by providing a monthly forecast of delivery so the suppliers can account for the Company's needs in their production planning.

In GMCAC's airport operations, 60% of the procurement spending was allotted for construction and/or renovation, 10% for terminal operations, 12% for meeting the requirements by the Technical and Engineering Services, and 18% is spread to other stakeholders. Hence, procurement from local suppliers is key to the operations to deliver products and services on-time at a high quality.

Megawide's Risks and Management Approach

Price volatility and raw material shortage are considered as major risks in the procurement process. To this end, the Procurement Department considers a wide range of suppliers to meet requirements for all the project sites and Head Office.

The BUs experienced raw material stock-outs in 2019, due to stricter local government policies for the protection of the environment and local communities. However, because of the established partnership with local suppliers, they were able to prioritize the BUs' delivery needs. Also, since the Company transacts with several suppliers to prevent dependence, it was able to replenish its stocks from other suppliers not affected by the stricter policies.

Some local suppliers import their supplies from abroad. This may cause longer lead times and higher costs for GMCAC. In this case, its Procurement Department directly sources out materials from foreign authorized distributors or direct manufacturers if, based on the bidding, they are found to offer lower prices than in local suppliers.

Megawide's Opportunities and Management Approach

Local suppliers will be continually engaged by EPC, BUs, and MWM Terminals as they impose advantages that are aligned to the organizational goals of Megawide. The key to a good partnership with the suppliers is the use of tools such as production forecast, maintenance planning, and parts forecast so that suppliers are fully aware and will be prepared for the SBUs' requirement needs.

Although there is no pertinent internal policy in the sourcing of materials and services, the Procurement Department of GMCAC will continue to develop and support local vendors' capability. The department will also provide forecasting visibility on future spending and key projects of GMCAC. This will enable the local suppliers to anticipate and develop their capacity and capabilities to fulfill the Company's future needs.

Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure	MCC			MWM	GMCAC
	HoldCo	EPC	BU		
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	100	100	100	100
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	100	100	100	100
Percentage of directors and management that have received anti-corruption training	100	100	100	100	6*
Percentage of employees that have received anti-corruption training	100	100	100	0	100

**Figure reflects six (6) members of the management who have received anti-corruption training.*

Incidents of Corruption

Disclosure	Quantity*	Units
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	4	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

**Figures are a cumulative for all entities.*

Megawide's Impact and Management Approach

Megawide is guided by the highest level of legal, ethical, and moral standards. Hence, the Company is committed to foster a strong culture of ethics, compliance, and enforcement across its operations.

Megawide employs an anti-corruption policy, which states that the Company does not condone dishonest, unethical, or unprofessional behavior regardless of the level of authority of the other individual. Any violations or suspected violations shall be reported to the Compliance Officer, Head of the HR Department, or Head of Internal Audit Group.

As provided in Megawide's Code of Business Conduct and Ethics, the acceptance of kickbacks or secret commissions from contractors, suppliers, and other service providers is strictly prohibited; and a breach of this rule may result in termination of the professional relationship and/or employment with Megawide, and prosecution of criminal cases arising therefrom to the fullest extent of the law. Megawide's Code of Business Conduct and Ethics, Employee Code of Discipline, Code of Conduct and Ethical Standards for Suppliers, and other relevant rules and regulations provide clear and stringent policies and procedures on curbing and penalizing employee involvement in the offering, paying, and receiving of bribes. Further, Megawide's Whistleblowing Policy and Anti-Fraud Policy establishes the guidelines, procedures, and controls that will facilitate the prevention, detection, reporting, investigation, and punishment of all fraudulent activities within the organization.

Megawide endeavors to regularly conduct orientation seminars for its Board of Directors, senior management, and employees through various meetings where the Manual on Corporate Governance, Code of Business Conduct and Ethics, Employee Code of Discipline, and Code of Conduct and Ethical Standards for Suppliers, Whistleblowing Policy, and Anti-Fraud Policy are discussed and explained thoroughly. Further, such directors, officers, and employees have been informed that the said codes are accessible through Megawide's website.

In 2019, only four (4) incidents of corruption in Megawide were reported, as compared to the seven (7) incidents of corruption reported in 2018. Three (3) of the said employees were administratively charged for corruption, involving the receipt of money from Megawide's subcontractors while the fourth (4th) employee failed to disclose his financial interest in a contractor engaged by Megawide. In line with the due process requirements of the law, these employees underwent disciplinary administrative proceedings. After much deliberation of the incidents and careful consideration of the surrounding circumstances, Megawide has decided to terminate the employment of the three (3) involved employees and penalized the fourth (4th) employee with a thirty (30)-day suspension, given that the penalty of dismissal may be too harsh and may result to the unnecessary exposure of Megawide.

Meanwhile, the Company also conducted a seminar to communicate its anti-corruption policies to its partner vendors; 627 vendors attended the two sessions in November 2018 and February 2019. The seminar was facilitated by the Supply Chain Management team, where they discussed the vendor pre-qualification program through Dun & Bradstreet (D&B) and Megawide's Anti-Fraud Policy and Whistleblowing Policy.

As the Company takes corruption issues seriously, Megawide blacklisted 28 vendors with identified cases of corruption. Due to confidentiality, Megawide will not be disclosing the company names of these vendors.

In EPC, Concerned Parties who suspect the occurrence of any fraudulent activity within the Company must immediately report the same following the policies and procedures of the Company. These include reporting the matter to the Internal Audit Department, Legal Department, Human Resources Department, and/or through the Whistleblowing Policy and *Sumbong Anomalya Para sa Kompanya* (SAPAK) campaign of the Company.

Reported fraudulent activities that would affect Megawide's financial statements are coordinated by the Chief Audit Executive with the Chief Finance Officer and Compliance Officer and referred to the appropriate Board Committees.

For the BUs, there was no formal training on anti-corruption policies conducted in 2019. However, these were cascaded by Holdco through email blasts and were discussed to the employees through the *Mornings with the Bossings* activity. While for their business partners, anti-corruption policies are stated on the Master Contract Agreements. A memo was sent through email to remind the partners regarding these policies.

Although no training on anti-corruption policies was held in MWM, all newly hired employees are communicated regarding the Conflict of Interest in accordance with the Code of Business Conduct and Ethics. Supervisors, managers, officers, directors, and employees in MWM are also required to fill out the Conflict of Interest Disclosure Form before hiring and as needed in case of conflicts.

Meanwhile, GMCAC implements several activities in preventing corruption incidents in the business. During employee onboarding, the Code of Conduct is discussed, and employees are asked to sign to confirm that they have understood the Code of Conduct. Banwag Committee Meetings, coaching, mentoring, and department meetings also help in cascading and reminding employees of anti-corruption policies. For business partners, GMCAC includes Anti-Corruption related policies in purchase orders and contracts. As additional controls, GMCAC conducts audits by internal and external auditors on its processes, policies, and reports.

Megawide's Risks and Management Approach

The nature of the business involves transactions with third party organizations which may or may not be tracked accordingly by the Company, despite diligent measures in place. This elevates the exposure of Megawide to any suspicious activity related to corruption and similar to such that is considered to be unacceptable.

On 3 April 2019, Megawide implemented a Code of Conduct and Ethical Standards for Suppliers to guide third parties on the standards, virtues, and values they must uphold and practice in all their dealings with Megawide.

In EPC, Concerned Parties who suspect the occurrence of any Fraudulent Activity must immediately report the same in accordance with the policies and procedures of the Company. These include reporting the matter to the Internal Audit Department, Legal Department, Human Resources Department, and/or through the Whistleblowing Policy/SAPAK campaign of the Company. All Fraudulent Activities reported that could affect the Company's financial statements, shall be coordinated by the Chief Audit Executive with the Chief Finance Officer and Compliance Officer, who shall refer the matter to the appropriate Board Committees.

For the BUs, once their business partners/suppliers are filed with a corruption case, they are blacklisted from transacting with the Company. For employees, they are terminated or requested to resign depending on the magnitude of the case.

While for GMCAC, there were no identified risks of any corruption-related activities as there is strict compliance, and all employees are open to communicating any anomalies noted or observed. Regardless, GMCAC recognizes that the presence of non-procurement personnel may incur conflict of interest in the process. Hence, GMCAC maintains a centralized function in which only procurement personnel is involved in transactions with suppliers and vendors. Furthermore, all stakeholders, including employees, business partners, and governance bodies, are encouraged to be transparent and cooperative in all compliances. In addition, regular audits and reports are conducted by each sector.

Megawide's Opportunities and Management Approach

Megawide endeavors to further strengthen compliance with the Code of Corporate Governance of the Securities and Exchange Commission (SEC), and other applicable laws and regulations and develop initiatives to embed ethical behavior into the culture of the organization. It aims to further increase the

awareness of all employees on the governance policies promulgated by the Board through periodic seminars and communications.

Megawide strives to continue developing and maintaining a culture of outstanding corporate governance and accountability to avoid incidents of corruption. It is firmly committed to conducting its business with the highest ideals of integrity and ethical and moral value, and to strictly comply with all applicable laws and regulations. The Manual on Corporate Governance, Code of Business Conduct and Ethics, Employee Code of Discipline, Code of Conduct and Ethical Standards for Supplier, Whistleblowing Policy, and Anti-Fraud Policy are regularly promoted and enforced consistently throughout the organization.

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	MCC			MWM	GMCAC
	HoldCo	EPC	BU		
Energy consumption (renewable sources in kWh)	0	0	0	0	5,819
Energy consumption (gasoline)	0	0	0	0	0
Energy consumption (LPG in L/cu.m.)	0	0	38,174	4,856	0
Energy consumption (diesel in L)	0	2,052,796	797,178	22,337	108
Energy consumption (electricity in kWh)	195,050	2,225,511	2,815,840	6,595,788	28,647,451

Reduction of energy consumption

Disclosure	MCC			MWM	GMCAC
	HoldCo	EPC	BU		
Energy reduction (gasoline)	0	0	0	0	0
Energy reduction (LPG in L)	0	0	0	0	0
Energy reduction (diesel in L)	0	0	0	0	0
Energy reduction (electricity in kWh)	0	0	0	0	1,613,190

Megawide's Impact and Management Approach

HoldCo's office operations are supported by the Santolan Town Plaza building administration services, backed-up with two generator sets. Electricity consumption in the HoldCo is tracked from the start of the HoldCo's operations in the office. Prior to the engagement of the HoldCo to the building administration, all electricity requirement was predetermined and carefully agreed upon defining office requirements, equipment, and back-up power. As the Company moves forward, better power system management may be proposed to the building management to maximize the efficiency of electricity in the office operations.

EPC project sites are completely powered by generator sets. As construction activities increase, demand for diesel consumption also increases. Meanwhile, its Head Office (HO) in N. Domingo has 10 floors solely for Megawide operations. The HO uses electricity and is backed up with generator sets that are tested at least 30 minutes monthly as part of preventive maintenance.

EPC employees follow energy-saving practices such as the opening of window blinds to allow more sunlight, lessening the use of lights during work hours. During break hours, employees are accustomed to

switching off the lights in their respective offices.

Meanwhile, all BUs are dependent on electricity with diesel usually used for secondary or emergency purposes. Among all BUs, the Precast Plant has the highest consumption as it uses a diesel fire burner, the Curing Chamber O, that helps speed up the curing process. Uninterrupted supply of energy in the BUs is crucial as it supports in achieving the project requirements and targets for each month.

Energy consumption in the BUs is directly attributed to the production output in which equipment is dependent on electricity and diesel for the month depends on the project requirement. Hence, more requirements mean more energy demand, leading to an increase in consumption. Such targets are reviewed regularly by the Management, to maintain continuity for efficient operations and mitigate any abnormalities or outliers. For 2019, the BUs were able to achieve an energy intensity of 20 kWh per square meter for the entire Megawide Industrial Complex and 31 kWh per square meter for Precast.

MWM Terminals undertook several construction projects, alongside the increase of its tenants in the terminal and office buildings. This caused an increase in its energy consumption in 2019. This consumption was managed through energy-saving practices such as turning off escalators and elevators at midnight and only utilizing 50% of LED lighting on the hallways during the daytime.

For GMCAC, besides cost implications to the organization, the continuous usage of oil or fossil will impact the environment, being the second busiest airport in the Philippines. It is the directive of the Management to find alternative power sources, such as the installation of another solar farm to reduce operating costs in GMCAC. Since the set-up of a 1.64 MW grid-tied rooftop solar farm in 2018, GMCAC has reduced its energy consumption by 1.61 MWh in 2019. The solar farm produces 6,560 kWh daily and is calculated to reduce greenhouse gas emissions by 1,301,580 kg annually. For 2019, it was calculated that GMCAC uses 292 kWh per square meter.

Megawide's Risks and Management Approach

For HoldCo, the building administration is equipped with three (3) generators that have a fuel reserve that can operate four (4) days straight at full load, avoiding any power interruption. The HoldCo facilities team is working on the implementation of a 52-week preventive maintenance schedule, coterminous with the building administration's preventive maintenance schedule. This includes all repairs to ensure zero downtime.

For EPC, the HO ensures the operability of its generator sets by testing them monthly. This enables the Company to continue its operations despite electricity interruptions.

Power interruptions in the Megawide industrial complex materially affect the BUs' operations. Among the BUs, Precast Plant is the most affected. Although it is supported by a standby generator, it cannot supply energy to the operations for more than a day once the other BUs source from it. As of 2019, management has yet to consider plans to address the limited capacity of the standby generator set to support operations of other BUs.

For 2019, around ten (10) power interruptions have been experienced by MWM Terminals. At the onset of these events, its generator sets are immediately utilized to provide electricity to the entire facility. This is possible through the Auto Mode setting in the Company's generator sets. This prevents the downtime

of the Heating, Ventilation, and Air Conditioning (HVAC) system consisting of the chiller, condenser pump, chilled water pump, and cooling tower. This also maintains the comfort provided to passengers, tenants, and employees. In 2019, PITX consumed 22,337 liters of diesel for its use of generator sets.

In Cebu, the local power utility company charges a high cost of power supply. This is seen by GMCAC as a risk to its financial stability. Thus, it has started getting power from the open market for Terminal 1 since 2018 and is currently in the process of replicating this for Terminal 2.

Megawide's Opportunities and Management Approach

Since HoldCo just started its operations in the building, a continuous collection of data shall be used to provide a benchmark to improve its energy efficiency.

HoldCo, EPC, and BUs practice energy conservation methods such as shutting down all appliances and equipment, lights, and AC equipment during breaktime, holidays, and out of office hours.

MWM Terminals plans to implement an energy conservation program. This includes the installation of an entry vestibule and air curtains to reduce the infiltration of air into the facility boosted by the high foot traffic in the Landport. This would lead to energy conservation without sacrificing the comfort of passengers, tenants, and employees in the facility. Other considerations are the use of renewable energy sources, such as solar power, to lessen the dependence on third-party electricity providers.

Meanwhile, as GMCAC is moving towards cost-efficient alternative energy sources, the Management is currently working on granting permission to expand to some areas of the airfield for a 5MW solar farm.

Water consumption within the organization

Disclosure	MCC			MWM	GMCAC
	HoldCo	EPC	BU		
Water withdrawal	N/A	85,881	65,127	99,680	500,571
Water consumption	131	85,881	65,127	99,680	500,571
Water recycled and reused	N/A	0	2,638	0	0

Figures are presented in cubic meters.

Megawide's Impact and Management Approach

HoldCo and EPC HO water usage are primarily for domestic use specifically for comfort rooms, dishwashing, and staff cleaning usage. Continuous access to water supply has supported unobstructed operations in these offices, providing employees and staff means to satisfy basic needs, as well as maintaining a hygienic and safe work environment which is scheduled accordingly in the 52-week calendar. Their water consumption is controlled through the installation of automotive sensors in faucets.

In EPC's construction site, water is used as part of site requirements and for domestic usage in the

barracks, canteen, comfort rooms, and office.

Among the Business Units, the Precast Plant is identified to consume the largest volume of water among the other BUs due to its daily concrete pouring. This is followed by Formworks, which uses water through the power spray to remove concrete lintels in formworks materials before the recovery process.

Similar to energy, the volume of water consumption is mainly influenced by the BUs' production targets per month. Hence, an increase or decrease in the production requirements leads to an increase or decrease also of water consumption.

In the case of MWM Terminals, its water consumption is limited to domestic and commercial activities such as cleaning, landscape maintenance, and restroom use. It is managed responsibly through a water conservation strategy which includes turning off the water faucets at the bus bay areas.

During the annual cleaning of the cistern tanks, MWM Terminals isolates the tanks from the main water supply system to ensure the continued use of water inside the facilities and avoid inconveniences to passengers and tenants.

Similar to electricity, the cost of water also has an impact on GMCAC. There are ongoing initiatives such as internal metering to monitor the consumption of water. While the monitoring of water usage will help determine losses, part of the management directive is to combine the water source of both Terminals to maximize on the better price supplied in Terminal 2. In the reporting year, 20% of the wastewater is diverted into various purposes such as maintenance of landscaped areas and other losses.

Megawide's Risks and Management Approach

For HoldCo, Santolan Town Plaza's building administrator handles any water-related issues such as problems on water supply, water pressure, and water quality. The building administrator provides a defined water pressure to be utilized by each of its tenants. A Water Testing Certificate was also filed by both Santolan Town Plaza's building administrator and Megawide's Facilities Management unit.

For EPC, its project sites are equipped with container drums as standby water sources to address any case of water interruption.

The BUs rely on water for production and maintenance activities, hence, water interruptions can affect their operations. These effects may be seen in activities such as concrete pouring for the fabrication of precast products, cleaning and maintenance of transport vehicles, equipment, and machines of CELS, washing of frames and scaffolding equipment of Formworks, and concrete mixing and washing of concrete mixer drums and other equipment for Batching Plant, among others.

Regular repairs in the water system of Megawide's Taytay Industrial complex are conducted to take care of leaks incurred in any of the BU's processes. Alternative water sources are also maintained for emergency purposes such as the unavailability of its third-party provider. Water tanks are readily available on-site for temporary supply for any unforeseen shortage or disconnection from primary waters sources. Other third-party suppliers are also contracted as an additional option should the BUs encounter any problem with their first two suppliers.

MWM Terminals did not experience water interruptions in 2019 that would have caused major inconvenience for tenants and passengers. This is prevented by the availability of three (3) cistern tanks being used for potable and non-potable pumps.

Megawide's Opportunities and Management Approach

HoldCo's Facilities Management shall continue monitoring daily operations, which will become the basis in the formulation of a water conservation program suitable for the property. Data collected will be used as a benchmark also for future improvements.

For EPC, Environmental programs and initiatives will be further refined to reinforce water efficiency in the project sites. In the HO, EPC plans to install a filter on its faucets to reduce the need to purchase water bottles for the water dispenser on each floor.

The BUs' management is in the process of discussing the installation of a rainwater harvesting facility in the future as recycled water may lessen the use of water especially for cleaning of equipment. This will augment the current recycling initiatives done by the BUs such as Precast's BIBKO machine which recycles gray water from the concrete pouring process, and Batching Plant's initiative where 50% of recycled water is used for total water requirement for specific structures and 20% for major designs while still stringently maintaining the client's concrete specifications.

MWM Terminals also plans to improve its water conservation strategy by incorporating the following improvements: adjustment of the water pressure for potable and non-potable water systems in the facility, harvesting rainwater in the non-potable room for domestic usage and spreading awareness on water conservation practices to its tenants.

MWM Terminals has also identified that its current faucet configuration of 5-second water flow is not optimal for hand washing which leads to passengers turning on the faucet multiple times which might lead to unnecessary water consumption in the long run. It aims to determine the optimal duration of water flow as part of its means to achieve water efficiency.

GMCAC is considering MCIA's STP as a source of gray water for landscaping use and cooling tower water replenishment. This is deemed as an alternative means in minimizing the risk of water shortages and forced payments for a higher cost of water. GMCAC is in the process of getting permission to acquire the use upgrade and use of the MCIA STP.

Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		
● renewable	0	kg/liters
● non-renewable		
EPC		

● Cement		
• Gravel, Vibro Sand, Cement	31,207	bags
• Gravel G-1	178.46	cu.m.
• Tile Spacer	41	packs
● Construction Film	151	roll
● Sheet Piles	1,930	pcs
● Fuel and Oil	43	pcs
● Gravel	296	pcs
● White Sand	2,423	bags
● Lumber	310	pcs
● Backer Rod	29,175	pcs
● Deformed Rebars	21,554,397	kg
● Battery	4	pcs
● Panelboard	3	assemblies
BU-Precast		
● Diesel	80,000	liter
● Admixture	670,000	liter
● Non-shrinking Grout	595	bags
● Paste	1,630	pails
● Resin	117	set
● Lumber	308,781	pcs
● Phenolic Plywood	17,975	pcs
● Ordinary Plywood	150	pcs
● Deformed Bar	27,071,089	pcs/kg
● PVC Pipe	67,657	pcs
● Gravel	58,900	mt
BU-CELS		
● Engine Oil	21,877	liter

● Hydraulic Oil	22,385	liter
● Grease	2,508	pail
● Diesel	1,890,000	liter
BU-Formworks		
● Steel Strap	80	rolls
● Lumber	2,665	pcs
● Paint Topcoat	1,060	gallon
● Paint Thinner	696	gallon
● Phenolic Board	4,027	pcs
BU-Batching Plant		
● Admixture	1,275,835	liter
● Cement	750,000	bags
● White Sand	215,867	mt
● Gravel	217,000	mt
Percentage of recycled input materials used to manufacture the organization's primary products and services	0	%

Megawide's Impact and Management Approach

Megawide mostly sources its raw materials from external suppliers who have a proven track record in the construction industry. Primarily, the Company procures steel, cement, and aggregates that are purchased centrally at the head office for all project site requirements. Suppliers are selected based on their quality, pricing, and efficient delivery of raw materials. Megawide recognizes the risk of price volatility in raw materials. Hence, purchases are done immediately upon contract award.

Prior to the purchase of concrete, samples are tested by specialized laboratories to verify its compliance with applicable codes and standards. This is conducted as a standard procedure of ensuring the uniform quality of work Megawide offers as the Company prioritizes customer satisfaction, environmental protection, and prevention of injury or ill health. Specifically, Megawide commits to local and international standards such as Philippine National Standards (PNS), American Society for Testing and Materials (ASTM), American National Standards Institute (ANSI), American Concrete Institute (ACI), Construction Specifications Institute (CSI), American Association of State Highway and Transportation Officials (AASHTO) and ISO standard on Quality, Environmental, Safety, and Health.

The BUs prepare for their annual raw material needs through proper forecasting and planning. They categorize their material requirements into groups and conduct bidding for bulk orders to lock-in the price and minimize costs for their annual requirements.

This disclosure is not applicable to the operations of MWM and GMCAC as they mainly procured vendors

who offer services for maintenance, marketing, and other operations that raw materials are not a necessity.

Megawide's Risks and Management Approach

The availability of construction materials affects the Company's ability to complete projects within its contracts' time frame. Its principal raw materials cement and steel are both readily available in the market from different suppliers including Dee Concrete and Steel Asia Manufacturing Corporation. To mitigate the risk of not having sufficient raw materials for the duration of construction contracts, the Company transacts with a diverse set of suppliers to prevent depending on one or a limited number of suppliers.

The risks involved in the procurement of the BUs' material needs are price fluctuations, shortage of raw materials, and delivery delays. These risks can be addressed through the establishment of partnership agreements with suppliers which allows the Company to be prioritized in supply deliveries. To avoid delays, the BUs readily provide their monthly forecast and required delivery schedules so the suppliers can plan accordingly.

Megawide's Opportunities and Management Approach

The BUs commits to continuously improve its forecasting tools and alternative sourcing strategies to prevent material stock-outs which may lead to bottlenecks in the production process or total operation disruptions. Apart from these, they see the need to develop strong risk management policies, prioritize supplier relationships, and invest in the right supply chain talents.

Ecosystems and biodiversity (whether in upland/watershed or coastal/ marine)*

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N/A	
Habitats protected or restored		ha
IUCN[3] Red List species and national conservation list species with habitats in areas affected by operations		

**All Megawide properties have completed its construction and are operational as of the reporting year. For construction activities, all locations are identified to have no adjacent ecosystem and biodiversity hence, not significant to said operations.*

Megawide pursues environmental responsibility through CSR Programs such as tree planting, Eco-Brick projects, upcycling of wastes in the BUs, and others to indirectly reverse the impacts of its operations. For a more detailed discussion of the Company's environmental initiatives, kindly visit the Megawide Foundation website (https://megawide.com.ph/megawidefoundation/).

[3] International Union for Conservation of Nature

Environmental impact management

Air Emissions

GHG

Disclosure	MCC			MWM	GMCAC
	HoldCo	EPC	BU		
Direct (Scope 1) GHG Emissions*	N/A	5,580	1,830,177	7,878	7.56
Energy indirect (Scope 2) GHG Emissions	139	1,585	8,777	4,698	20,339
Emissions of ozone-depleting substances (ODS)	N/A	N/A	N/A	N/A	N/A

Figures are presented in tonnes CO2e
**Emissions from diesel and LPG consumption*

Air pollutants

Disclosure	BU	Unit
NOx		
- Batching Plant	153	tonnes CO_2e
- Precast	1,007	mg/Ncm
SOx (in Batching Plant)	951	tonnes CO_2e
Particular Matter (PM)	8	tonnes CO_2e

Disclosure	GMCAC	Unit
NOx		
- T1 Generator Set 537 kVa	589	mg/Ncm
- T2 Generator Set 1 1420 kW	1,468	mg/Ncm
- T2 Generator Set 2 1420 kW	1,552	mg/Ncm
- T2 Generator Set 3 1420 kW	1,539	mg/Ncm
CO		
- T1 Generator Set 537 kVa	54	mg/Ncm

- T2 Generator Set 1 1420 kW	41	mg/Ncm
- T2 Generator Set 2 1420 kW	96	mg/Ncm
- T2 Generator Se 3 1420 kW	164	mg/Ncm

Megawide's Impact and Management Approach

Air emissions generated from the HoldCo, EPC, and MWM are computed based on the emission factors commissioned by the US EPA. These business segments have no emission testing device to monitor such disclosure as of the reporting year. Further to this, emission testing will be conducted moving forward which is part of the self-monitoring report submitted to DENR.

Equipment is the main source of emissions in the BUs. Diesel fire burner plant 1, LPG vapor in plant 2, generator sets for the powerhouse in Precast, and transit mixers in the Batching Plant are continuously monitored and reported which is submitted quarterly to DENR as part of the yearly renewal of ECC. Precast conducts quarterly stack emission testing for all its equipment which, in 2019, passed the DENR standard for SOx and NOx.

Being the second busiest airport in the Philippines, noise pollution is one aspect that would possibly affect the nearby community. Because of this, GMCAC is planning to conduct an Information and Education Campaign to nearby stakeholders on the basic knowledge of emissions and how GMCAC contributes to it.

Megawide's Risks and Management Approach

Non-compliance to DENR emission standards may cause the failure of the renewal of the facility's ECC. Therefore, the BU, through its HSE Manager, continues to submit monitoring reports on a quarterly basis.

With the increased flights, noise pollution may also increase and potential impacts in the nearby community may worsen. GMCAC finds it necessary to communicate emissions and its effects on their stakeholders.

Megawide's Opportunities and Management Approach

Management meetings and PCO reports of the BUs will be regularly submitted to ensure compliance with DENR standards.

The Management deemed it important to maintain its compliance with air emission standards for all MCIA aircrafts.

Solid and Hazardous Wastes

Solid Waste

Disclosure	MCC			MWM	GMCAC
	HoldCo	EPC	BU		
Total solid waste generated (in kg)	40	2,060,029 1,942*	17,182,312 1,418*	Due to increasing occupants in 2019, there is no formal record for food wastes.	1,126,241
Reusable (in kg)	0	0	0		66,744
Recyclable (in kg)	0	2,055,631 1,086*	1,232,602 1,214*		
Composted (in kg)	0	0	0		0
Incinerated (in kg)	0	0	33,280		0
Residuals/Landfilled (in kg)	40	4,398 856*	15,916,430 204*		1,059,497

**in cubic meters*

Hazardous Waste

Disclosure	MCC			MWM	GMCAC
	HoldCo	EPC	BU		
Total weight of hazardous waste generated (in kg)	8*	0	30,272 9,600**	No formal data in 2019	9,126
Total weight of hazardous waste transported (in kg)	8*	0	0		100

**in pieces*
***in liters*

Megawide's Impact and Management Approach

Megawide ensures the proper management of its generated waste. Daily waste disposal is logged to properly monitor the Company's waste generation. Waste is then segregated into hazardous waste, biodegradable, non-biodegradable, scrap metal, and debris, with proper labels upon storage in Material Recovery Facilities.

The Company contracts accredited haulers to pick up the segregated waste on a scheduled date/s depending on the management. This is in compliance with the regulatory bodies, Department of Environment and Natural Resources (DENR), Laguna Lake Development Authority (LLDA), and Department of Labor and Employment (DOLE), where the Company is required to submit its documents, proof of compliance, and other necessary documents.

In the long-run, Megawide aims to be a plastic-free company since a large portion of the waste on Earth is plastic. To do this, it aims to improve the efficiency of its material recovery facilities in all project sites.

All solid wastes generated in HoldCo are generated by staff and business processes which are disposed of through the building's MRF as part of the agreement terms with the administration. Around the facility, bins are available to promote segregation in the common office and meeting rooms. Additionally, Facilities Management will constitute house rules for the property.

For hazardous wastes, the HoldCo transfers them to the Head Office (HO) for proper disposal by the accredited third-party handler.

EPC Management engaged with accredited haulers to pick up wastes from the project sites. In the HO, a strict ban of bottled water in the office will be implemented as part of the Zero Plastic Program. Moreover, food wastes in the canteen are encouraged to be collected by employees to divert waste and use for their interests such as composting in their gardens or as food for pets.

The Precast Plant is the largest contributor of wastes in the Megawide Industrial Complex. With the movement in the production requirements/targets, the volume of wastes generation is affected. Accredited haulers from the Head Office are engaged with for proper disposal of wastes. Precast waste such as phenolic, styro plastic, metals, and rebar are recyclable. Once these scraps are awarded, they will be scheduled for hauling. Styrofoam wastes are collected by CEMEX, the third-party collector, every week. Before collection, they are crushed into smaller pieces.

Precast Plant has its own temporary MRF. Plans in establishing such are also for discussion for other BUs. This encourages the segregation of waste generated for the whole facility.

In the Batching Plant, solid waste is disposed of by the same haulers who deliver raw materials to the batching plant site which minimizes associated cost in their proper disposal and cultivates a favorable relationship with suppliers as well. Concrete waste produced by the plant is strictly monitored and managed to minimize potential loss. There are several measures taken by the plant to reuse concrete waste, in the order as follows: diversion to other project sites, development of concrete blocks, or discharging at either the concrete reclaimer or settling pond.

As MWM's foot traffic continues to grow, it has experienced an increase in passengers and tenants which, in turn, increased the generation of waste for PITX. The Company manages its waste, particularly its disposal, through contracting the services of an accredited transporter for proper disposal.

Cost implications and continuous generation of waste will manifest to the environment. Hence, an accredited solid waste hauler is being contracted to haul out all non-hazardous wastes generated within the terminal and as well as wastes from the aircraft. Segregation at source has been practiced, minimizing landfill disposal. Hazardous wastes are being stored and treated following the DENR-Environmental Management Bureau (EMB) guidelines.

In compliance with the Environmental Compliance Certificate provided by the DENR-EMB which allows GMCAC in its business as an airport operator, the Company strictly follows the government regulations on solid waste management and handling, storage, and disposal of hazardous wastes. Part of its initiative is to extend this responsibility to stakeholders and concessionaires through the provision of a Management Information Notice (MIN) so that they can work hand-in-hand with the Company to comply with these rules.

Megawide's Risks and Management Approach

Although the risk brought about by wastes does not manifest in the office operations, generated wastes

may impact externalities such as the increase of wastes transported to landfills. Hence, HoldCo considers decreasing its waste footprint through proper segregation in the property and implementation of House Rules.

Improper management of solid and hazardous waste may cease operations in the construction sites of EPC. The Management takes measures to ensure that the hauler has complied with all regulatory requirements from DENR and that their business permits are updated.

Delays or decreased chances for hauling or collection due to improper segregation of wastes may eventuate. Hence, the BU strictly implements the “no proper segregation, no collection” policy. This eases the identification of residuals and recyclables. Used oil and plastics are managed based on RA 9003. Plastic bottles are isolated from other wastes through a collector.

The operations of tenants belonging to the food industry have caused an increase in the amount of food waste generated in MWM. This resulted in a sudden increase in the level of the sewage pit. The Company's STP contractor and building engineering team regularly monitor the sewage pit levels and quality of water discharge to ensure the Company’s compliance with environmental laws.

The high cost of hauling and treatment for solid and hazardous waste may be incurred in the operating expenses of GMCAC. In this regard, the Management tapped the ABS-CBN Bantay Langis Program for the treatment and disposal of used cooking oil. For solid wastes, 30% of the sales from recyclable wastes are remitted back to GMCAC.

Megawide’s Opportunities and Management Approach

HoldCo will continue to monitor all solid and hazardous wastes on a monthly basis. As stated in the house rules, all employees of HoldCo are encouraged to practice waste segregation and to limit their paper consumption by reusing paper and limiting all paper printing activities. Policy improvements on the house rules are considered for proper disposal and treatment of wastes generated from the HoldCo property.

Designing of waste and recycling policy is considered for proper disposal and treatment of wastes generated from the HoldCo property.

Construction sites shall continue to uphold MCC Procedures for waste management to avoid the stoppage of activities and deliver work based on the schedule.

All BUs support plastic segregation. There are plans for the provision of appropriate garbage bins for proper segregation of wastes. As much as possible, the BU maintains clean surroundings for the whole vicinity of the Megawide Industrial Complex. All housekeeping practices per area continuously improved through management cooperation.

MWM aims to manage its increasing food waste through daily inspections and monitoring of food tenants. This is to ensure that the waste generated in the facilities are properly handled and disposed of.

All employees of GMCAC are expected to strictly observe no to single-use plastics and segregation within the terminal to further minimize plastic wastes. Communications and awareness seminars will be conducted to routinize best practices waste management in the terminal.

Effluents

Disclosure	MCC			MWM	GMCAC
	HoldCo	EPC	BU		
Total volume of water discharges	0	3,277	50,519	52,841*	400,457
Percent of wastewater recycled	0	0	9	0	0

**calculated based on 144.77 cu.m. discharge per day*

Megawide's Impact and Management Approach

All water discharges go to the sewage treatment plant (STP) of the Santolan Town Plaza building administrator. In the project sites, there were no major effluents generated during the reporting year.

The facilities in the Megawide Industrial Complex are equipped with an STP that is designed to treat 300 cubic meters per day. In the Batching Plant, wastewater generated from the reclaimer and settling pond is reused by the plant in several methods, including reincorporation to the fresh concrete mixture in acceptable volumes, cleaning of various equipment, and occasional dust suppression. 50% of recycled water is used for specific structures and 20% is for major designs.

The BUs partnered with a third-party organization in the effluent monitoring of upstream and downstream activities in the BU. The said organization submits monitoring reports to the DENR as part of the BUs' compliance with water discharge standards.

MWM discharges approximately 145 cu. m. of wastewater a day and has installed an STP in its facility to treat its wastewater before discharging through public drainage. Its effluents are managed, and its volume and quality are regularly monitored by an accredited contractor to guarantee that the discharge would not have a significant impact on nearby water bodies.

Treatment and disposal of domestic wastewater are being handled by MCIA management which GMCAC monitors monthly to ensure that it is within set standards prior to discharge.

Megawide's Risks and Management Approach

Work stoppage order may be issued if the BU is identified to have mismanagement of discharges as reflected in the monitoring reports submitted to DENR and LLDA. To prevent such risk, the BU submits monitoring reports on a quarterly basis per year.

Non-compliance to effluent standards would affect MWM through penalties or work stoppage. This is prevented through the daily checking and inspection of the Company's STP by its engineering team, along with the accredited contractor. One of the indicators being monitored is the flow rate of the wastewater from the sewage pump.

Megawide's Opportunities and Management Approach

The BUs continuously run regular preventive maintenance and checks of all its equipment to ensure

maximum efficiency of operations. The management plans to rehabilitate the system in making sure no clogging in the sewer will occur and cement grout spillage will be lessened. Cleaning and unclogging are conducted annually to avoid the breakage of equipment. These activities are motivated by BUs' proactive compliance for the issuance of the discharge permit as mandated under the DENR Administrative Order 2016-08 Standard for Effluent Discharge.

As a means to improve the quality of its effluents, MWM conducts regular siphoning of the grease chamber by an accredited siphoning contractor. It also monitors the status of the grease chamber for proper maintenance.

GMCAC considers upgrading MCIA STP in which treated wastewater will be used for the maintenance of landscapes and cooling tower water replenishment. As discussed in the management for "Water Consumption within the organization", GMCAC is working on the approval for the said upgrade.

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity*	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	0	#

**Figures represent all entities*

The Company has not identified any non-compliance with any environmental laws and/or regulations for the year 2019.

As a business engaged in construction activities, Megawide adheres to various environmental laws such as Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990, Ecological Solid Waste Management Act of 2000, and the submission of Environmental Impact Statement (EIS) and acquisition of Environmental Compliance Certificate (ECC). Part of Megawide's expenses are payments for regulatory fees in compliance with said laws, and changes in such laws and regulations may increase Megawide's operating expenses.

In 2019, Megawide has adopted a Regulatory Requirements Compliance Procedure that aims to provide Megawide and all its subsidiaries, affiliates, BUs, departments, and project sites ("Megawide Group") with an efficient process to comply with, manage, and maintain its regulatory requirements, which includes, permits, clearances, licenses, registrations, certifications, and all other requirements necessary for the business, operations, and good standing of Megawide Group. Megawide Group's compliance team ensures that permits and licenses are updated and keeps track of new environmental regulations.

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	MCC			MWM	GMCAC	Units
	HoldCo	EPC	BU			
Total number of employees[4]	104	1,147	2,757	48	283	#
a. Number of female employees	56	277	217	21	120	#
b. Number of male employees	48	870	2,540	27	163	#
Attrition rate[5]	Not measured yet*	27	24	2	5	rate
Ratio of lowest paid employee against minimum wage	1:1	1:1	1:1	1:1	5:3	ratio

**In June 2019, the Head Office expanded its operations into a new office in Santolan Town Plaza. Hence, data relating to employees serve as a baseline for the next reporting years.*

Employee benefits

HoldCo			
List of Benefits	Y/N	% of female employees who availed for the Year	% of male employees who availed for the Year
SSS	Y	9	4
PhilHealth	Y	9	4
Pag-ibig	Y	9	6
Parental leaves	Y	4	4
Vacation leaves	Y	36	37
Sick leaves	Y	36	37
Medical benefits (aside from PhilHealth)	Y	36	37
Housing assistance (aside from Pag-ibig)	N	N/A	N/A
Retirement fund (aside from SSS)	N	N/A	N/A

[4] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)

[5] Attrition rate = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

Further education support	N	N/A	N/A
Company stock options	N	N/A	N/A
Telecommuting	N	N/A	N/A
Flexible-working Hours	N	N/A	N/A
(Others)	N	N/A	N/A

EPC			
List of Benefits	**Y/N**	**% of female employees who availed for the Year**	**% of male employees who availed for the Year**
SSS (Sickness	Y	1	1
SSS (Maternity)	Y	5	0
PhilHealth	Y	2	1
Pag-ibig	Y	19	8
Parental leaves	Y	5	8
Vacation leaves	Y	92	89
Sick leaves	Y	70	61
Medical benefits (aside from PhilHealth)	Y	45	55
Housing assistance (aside from Pag-ibig)	N	N/A	N/A
Retirement fund (aside from SSS)	N	N/A	N/A
Further education support	N	N/A	N/A
Company stock options	N	N/A	N/A
Telecommuting	N	N/A	N/A
Flexible-working Hours	N	N/A	N/A
(Others)	N	N/A	N/A

BU-Precast Plant			
List of Benefits	**Y/N**	**% of female employees who availed for the Year**	**% of male employees who availed for the Year**
SSS	Y	4	20
PhilHealth	Y	4	30
Pag-ibig	Y	0	25
Parental leaves	Y	3	1
Vacation leaves	Y	25	19
Sick leaves	Y	30	32
Medical benefits (aside from PhilHealth)	N	N/A	N/A
Housing assistance (aside from Pag-ibig)	N	N/A	N/A
Retirement fund (aside from SSS)	N	N/A	N/A
Further education support	N	N/A	N/A
Company stock options	N	N/A	N/A
Telecommuting	N	N/A	N/A
Flexible-working Hours	N	N/A	N/A
(Others)	N	N/A	N/A

BU-CELS			
List of Benefits	**Y/N**	**% of female employees who availed for the Year**	**% of male employees who availed for the Year**
SSS	Y	1	22
PhilHealth	Y	1	88
Pag-ibig	Y	10	242
Parental leaves	Y	0	0
Vacation leaves	Y	15	242
Sick leaves	Y	16	617

Medical benefits (aside from PhilHealth)	Y	1	122
Housing assistance (aside from Pag-ibig)	N	N/A	N/A
Retirement fund (aside from SSS)	N	N/A	N/A
Further education support	N	N/A	N/A
Company stock options	N	N/A	N/A
Telecommuting	N	N/A	N/A
Flexible-working Hours	N	N/A	N/A
(Others)	N	N/A	N/A

BU-Formworks			
List of Benefits	**Y/N**	**% of female employees who availed for the Year**	**% of male employees who availed for the Year**
SSS	Y	10	100
PhilHealth	Y	2	23
Pag-ibig	Y	4	88
Parental leaves	Y	2	6
Vacation leaves	Y	18	81
Sick leaves	Y	13	59
Medical benefits (aside from PhilHealth)	Y	Data of utilization c/o HoldCo	
Housing assistance (aside from Pag-ibig)	N	N/A	N/A
Retirement fund (aside from SSS)	N	N/A	N/A
Further education support	N	N/A	N/A
Company stock options	N	N/A	N/A
Telecommuting	N	N/A	N/A
Flexible-working Hours	N	N/A	N/A
(Others)	N	N/A	N/A

BU-Batching Plant			
List of Benefits	**Y/N**	**% of female employees who availed for the Year**	**% of male employees who availed for the Year**
SSS	Y	25	19
PhilHealth	Y	4	5
Pag-ibig	Y	22	31
Parental leaves	Y	5	3
Vacation leaves	Y	62	65
Sick leaves	Y	44	86
Medical benefits (aside from PhilHealth)	Y	100	100
Housing assistance (aside from Pag-ibig)	Y	0	0
Retirement fund (aside from SSS)	Y	0	0
Further education support	N	N/A	N/A
Company stock options	N	N/A	N/A
Telecommuting	Y	2	0
Flexible-working Hours	Y	0	1
(Others)	N	N/A	N/A

MWM Terminals, Inc.			
List of Benefits	**Y/N**	**% of female employees who availed for the Year**	**% of male employees who availed for the Year**
SSS	Y	10	22
PhilHealth	Y	No records available for 2019	
Pag-ibig	Y	0	0
Parental leaves	Y	0	7
Vacation leaves	Y	52	59
Sick leaves	Y	30	41

Medical benefits (aside from PhilHealth)	Y	No records available for 2019	
Housing assistance (aside from Pag-ibig)	N	N/A	N/A
Retirement fund (aside from SSS)	N	N/A	N/A
Further education support	N	N/A	N/A
Company stock options	N	N/A	N/A
Telecommuting	N	N/A	N/A
Flexible-working Hours	N	N/A	N/A
(Others)	Y	86	81

GMCAC			
List of Benefits	**Y/N**	**% of female employees who availed for the Year**	**% of male employees who availed for the Year**
SSS*	Y	100	100
PhilHealth*	Y	100	100
Pag-ibig*	Y	100	100
Parental leaves	Y	0	4
Vacation leaves	Y	100	100
Sick leaves	Y	85	65
Medical benefits (aside from PhilHealth)	Y	No records available for 2019 due to Data Privacy Law	
Housing assistance (aside from Pag-ibig)	Y	0	5
Retirement fund (aside from SSS)	Y	0	1
Further education support	Y	0	0
Company stock options	N	N/A	N/A
Telecommuting	N	N/A	N/A
Flexible-working Hours	N	N/A	N/A
(Others)	N	N/A	N/A

**Remitted contributions*

Megawide's Impact and Management Approach

Megawide believes that its continued success can be attributed to its people. With the undertaking of new projects, mergers, and acquisitions, it is also expanding its employee base. With this, the Company aims to attract and retain qualified engineers, project managers, and technical personnel to maintain the quality of performance it promises to its customers. This is particularly a challenge for the construction industry due to the competition for such skilled workers.

To ensure its appeal to potential and current employees, the Company provides attractive compensation packages and benefits. For its project employees, it provides basic wages, allowances, performance bonuses, and project completion bonuses. It also provides a retirement plan in accordance with the Retirement Pay Law (Republic Act No. 7641). Qualified employees are given a retirement benefit equivalent to 23 days' worth of pay for every year of service in Megawide.

HoldCo boasts a low turnover rate of 22%. Usual reasons for turnovers are better career opportunities and personal reasons like starting their own family business.

EPC, being the construction arm of Megawide, has a high percentage of project-based employment typical for the construction industry. This leads to high turnover rates and frequent transfers of employees across different project sites. Because of this, EPC's HR undertook several initiatives for 2019. It streamlined its recruitment process and formulated new hiring strategies such as strengthening academe linkages, extending recruitment to provinces, increasing the Company's presence in social media, and introducing cadetship training programs. It also started its conduct of manpower forecasting and planning to ensure that manpower requirements would be adequately met, and established manpower dashboards to properly monitor the frequent transfers of employees. With these initiatives, by year-end, EPC was able to improve its hiring fill rate and placed critical hires that eventually closed long overdue manpower requirements.

The BUs hiring process is dependent on the manpower needs of each department. They are currently working on having a strong onboarding program to ensure that its new hires would be properly oriented on their responsibilities and Megawide's mission, vision, and corporate values.

The BUs recognize the importance of providing appropriate benefits and conducting activities for its employees - these give them proper work-life integration that allows them to work more efficiently and effectively. Examples of these employee engagements include learning and development, employee well-being programs, employee hour, Mother's Day, Father's Day, Family/Children's Day, team buildings, employee *Kumustahan,* quarterly performance evaluations, and toolbox meetings. Batching Plant launched additional employee engagement methods such as the Gratitude Board, which allows employees to express their thankfulness to other employees, and *Oplan Balik Eskwela*, which provided school supplies to the elementary- and junior high school-level children of regular employees. Through these programs, the employees can have personal growth and strengthen bonds with each other and with their respective families. The BUs also recognize their exemplary employees through the Champion Team Member award.

The BUs also face usual challenges in employee retention. The common reasons for employee turnover are other opportunities and absence without official leave. There were also special circumstances that caused employee turnovers, for instance, due to the transfer of office location from Quezon City to Taytay, some employees opted to resign due to the long periods of commute.

MWM believes that having a strong employee base starts in executing a robust recruitment process. It sources its applicants through Jobstreet where it can readily review applicants and develop a shortlist

based on their relevant experience and accomplishments and competency. Eligible applicants are called for their initial and final interviews, and a background investigation is done to ensure the quality of potential employees. Successful applicants are then presented with the corresponding job offer.

Employees of PITX enjoy benefits such as salary increase, regular performance reviews, premium pay for holidays and night differential, and discounts from selected restaurants in PITX. The Company has ensured the confidentiality of the employees' records due to the Company's data privacy policy.

GMCAC also enjoys a lower attrition rate due to its carefully planned employee benefits. Each year, GMCAC reviews its benefits offering and offers new benefits or enhances existing packages that are fit and relevant to its employees' needs.

Megawide's Risks and Management Approach

In line with the objective of finding the best people for the job, Holdco's HR added steps in its hiring process, especially for executive-level employees. This includes a comprehensive executive checkup, a third-party background check, and a panel interview with the participation of direct reports, colleagues, immediate superiors, and select members of the Executive Committee. With this rigorous process, the turnaround time for this rank is more than 90 days.

However, this may negatively affect the productivity of employees under a specific function while the executive-level position is on the process for a fill-up. To avoid a decrease in productivity, an officer-in-charge is delegated to manage functions for continued and uninterrupted operations.

There are several risks involved in the recruitment process of EPC which may affect the conduct of its projects. Shortage in manpower or low quality of hires may lead to project delays and overworked employees which could cause higher occupational injuries/illnesses. Meanwhile, the lack of proactive manpower planning may lead to surplus which would affect the project's budget. Also, the ambiguity of the processes involved in moving employees across different projects may lead to labor cases and job dissatisfaction due to the frequent change of target deliverables and environment.

To address these risks, EPC's HR implemented several process changes. First is the launch of EPC's Manpower Forecasting process in partnership with the Planning and Operations group to carefully plan EPC's manpower needs based on project pipelines and phases. It also strengthened the process of Employee Movements which includes stricter assessments before transferring project employees. HR also prioritizes internal manpower, current project-based employees from ending projects, to augment manpower needs for other EPC projects to avoid delays in the recruitment process and to provide the employees continued career opportunities despite their employment status.

During the reporting year, the BUs encountered a few issues in their hiring process. One instance is the absence of approved manpower planning which caused a minimal impact in the operations since the HR & OD department reorganized the workforce to support the hiring requirements. They launched a Recruitment Referral Program to strengthen the Company's recruitment strategies.

Another issue faced was the limited availability of applicants that are already knowledgeable about System Formworks, an uncommon technology in the country due to the need to import materials. Because of this, the Company experienced an effect on its productivity since new hires usually require months of training before they can effectively carry out their tasks.

Meanwhile, for current employees, the BUs recognized the need to have proper grievance mechanisms to ensure that their employees are well taken care of and can air their complaints in proper places.

Employees can choose to be anonymous and submit through the Employee Suggestion Box, or they can choose to air their grievances in the regular Employee Hour, *Kumustahan*, and UMAGAHAN sessions. Employee Hour is held monthly for HR to cascade new policies, updates, and scheduled activities. *Kumustahan* is an interactive meeting where employee needs and concerns are discussed. UMAGAHAN sessions are conducted quarterly to provide updates on the Company's performance, plans, and directions.

For MWM Terminals, it has identified the risks of increased turnover, low job satisfaction, and prolonged vacancies. These risks could affect the operations and quality of service that the Company can provide. To mitigate these risks, it ensures that its employees are satisfied and motivated. The Company provides above minimum wage salaries for entry-level jobs, and impart salary increase for employees who stayed for a year.

Providing competitive salaries and benefits are good motivators for applicants and employees, but too much investment in these does not guarantee satisfaction and retention of employees and might lead to unnecessary expenditures. The GMCAC management regularly reviews the benefits it provides to ensure its alignment to industry and market standards. This allows the Company to provide an appropriate amount of benefits that would attract and retain employees while not incurring unnecessary costs.

Megawide's Opportunities and Management Approach

Holdco plans to improve its hiring process through the development and implementation of a talent acquisition strategy and manpower planning system to proactively address business requirements. To increase new hires and lessen employee turnover, HR intends to create a talent pipeline, especially for critical positions within the organization. In addition, it plans to institutionalize Megawide's Onboarding Program for all levels and implement the Employer branding program.

With the breakthroughs that EPC implemented for 2019, it still has plans to continuously improve its process such as the introduction of an HR system to support the process of manpower planning and end-to-end recruitment process, the conduct of succession planning programs to ensure that Megawide maintains and improves its operations even with new leaders at the helm, regular performance reviews of high performing employees to improve employee retention and determine career development path initiatives, and meeting prescribed turnaround time to maintain the enthusiasm of applicants.

The BUs aim to strengthen the onboarding program and expand their reach to potential employees through participation in job fairs, posting in online job portals, collaboration with Public Employment Service Office (PESO), Local Government Units (LGUs), technical-vocational institutions, colleges, and universities. These initiatives would be done in parallel with the Referral Program which showed success in terms of hiring. Through the developed Recruitment Tracker, the status of sourcing and hiring is easily monitored and discussed during weekly alignment meetings of the HR team.

For the case of retaining employees, the BUs aim to strengthen the Employee Retention and Withdrawal Behaviors (EWB) initiatives and training provided to assure the employees of continued personal growth and development. The Company has set its key performance indicators in terms of attrition rate and retention to effectively monitor the success of its initiatives.

For MWM Terminals, initiatives on its hiring and retention process would be considered successful if it has reduced turnover and separations. Some of its planned programs are the conduct of team building workshops, training programs, and monthly employee engagement activities; rewarding with year-end performance bonus; implementation of leadership development programs; and reaching out to

employees through surveys, suggestions, and meetings, to increase their involvement in the Company's development.

Even with the possibility of overinvesting on employee benefits, GMCAC recognizes that this is a factor that increases employee morale and productivity. With the proper appropriation of benefits, the Company can maximize the employees' productivity. Thus, with the regular review of the Company's benefits, it assures its employees that these would not be downgraded.

Employee Training and Development

Disclosure	MCC			MWM	GMCAC
	HoldCo	EPC	BU		
Total training hours provided to employees*	1,104	17,258	16,128	29	9,366
a. Female employees	560	5,724	4,916	12	3,956
b. Male employees	544	11,534	11,212	17	5,410
Average training hours provided to employees**	11	8	6	1	33
a. Female employees	10	8	23	1	33
b. Male employees	11	8	4	1	33

**in hours*
***in hours/employee*

Megawide's Impact and Management Approach

Holdco aims to maintain its skilled workforce and in doing so, it conducts a Training Needs Analysis for each department to determine the necessary skills and competencies relevant to each department. Aside from this, it maintains a Performance Management System for each employee to determine individual training and development needs.

EPC has several initiatives for the training and development of its employees. This includes competency and performance gaps, competency profiling, and training needs analysis which can identify individual and department-level competency needs which can be resolved through training. Another is the transition from manual processing of training reports and evaluations to online processing to improve the HR systems in general. For 2019, EPC was able to conduct performance and career development reviews for 67-100% of employees, depending on their rank.

Continued employment for employees who reached retirement age is available, with some technical positions filled up by these employees following consultancy arrangements. These arrangements are subject to the recommendation of their respective Department Heads.

For the BUs, a developed workforce is needed to deliver excellent service to their clients and to properly embody the Vision, Mission, and Values of Megawide. Thus, the Company prioritizes and invests in the training and development of employees to increase their productivity and output quality and to boost their confidence. This also ensures that employees are satisfied with their jobs and are keen on staying with the Company for a long time. Investing in its employees also helps the image of the Company as a

quality employer and could attract high potential applicants.

The BUs use several tools to determine the training needs of their employees. These include the Training Needs Analysis, Strengths, Weaknesses, Opportunities, and Threats (SWOT) Analysis, strategic plan, Individual Development Plan, and performance evaluations. Recommendations from immediate superiors are also considered. The identified gaps in a department or employee's performance are then closed through the provision of training and development programs.

Some of the trainings conducted in 2019 are Root Cause Analysis, 7 Habits of Highly Effective People, First Aid and Basic Life Support Training, 47th Certified Management Accountant Program, SMART Writing, and Effective Presentation Skills Training, PSI Basic Leadership Seminar, MS Project Computer-Aided Project Management, Autodesk Revit Architecture.

Employee performance and manpower efficiency can be attributed to how much the Company invests in the development of its employees. In MWM, there was one (1) training conducted for organic employees and contractors in 2019 - Crisis Management Plan Seminar which covers the types of incidents, alert levels/color codings, and appropriate response to emergencies. Additionally, a medical response orientation was facilitated by the Company nurses and emergency medical technicians with the attendance of the entire security guard force. Being a major transport hub in the National Capital Region, PITX deemed this training necessary to ensure that its employees would be ready at the onset of any emergency.

Training and development is a priority for GMCAC - this commitment is evidenced by the annual allocation of budget for this endeavor. It is important to the Company since a continuous improvement of its talents would make them more technically and behaviorally suitable for their jobs. It is also vital in preparing employees for upcoming changes in the Company's operations such as the adoption of new systems, organizational development initiatives, and process improvements.

Megawide's Risks and Management Approach

The construction industry requires a highly skilled workforce, resulting in fierce competition in terms of recruitment. With this situation, Megawide has identified the risk of separation of key employees - which would be considered a loss of investment and would entail larger costs due to the additional training requirements to properly replace them. Thus, the Company works hard in implementing its retention programs to capture the loyalty of its employees. Also, another approach to prevent pirating of key personnel is the inclusion of non-compete clauses in their contracts. This prevents employees from readily pursuing opportunities with Megawide's competitors.

Holdco commits to strengthening its Learning and Development Group by hiring a manager who will focus on the learning and development of employees, regardless of rank.

Some of the risks for EPC's training and development are lack of established career development plans; lack of available technical training and trainers for professionals, technical staff, and engineers; and lack of succession planning and talent review. These risks are mitigated by EPC through its Human Capital Management System, Performance Management System, succession planning, and development of technical training programs for engineers and skilled workforce.

In the construction industry, innovation is the key to progress. With this in mind, employees without proper training could be a risk to the Company's goals and direction since they would not be able to properly carry out their responsibilities and execute Megawide's Mission, Vision, and Values. Employees should be able to adapt to different trends in the construction industry and accept new and improved systems. Therefore, the BUs emphasized learning and development programs to equip their employees with essential knowledge and skills. They also keep an updated record of the employee's performance and training history to be able to immediately provide interventions.

Meanwhile, for MWM Terminals, the lack of training, especially the Crisis Management Plan conducted in 2019, would lead to poor employee performance and might lead to unmanaged or mismanaged crises that could harm the general public, with PITX being a major transportation hub in Metro Manila.

For GMCAC, the resignation of employees would mean that its training investment has not been maximized. The Company does not practice the use of training bonds in hopes of maximizing its training investment; instead, it takes a more strategic approach in employee retention through strong employee engagement and welfare programs. This includes 30 employee engagement programs, talent review, and succession planning, internal job posting, family-centric benefits and welfare, health and wellness programs, and performance appraisal management. This strategy is proven to be effective with GMCAC having a low attrition rate.

Megawide's Opportunities and Management Approach

In line with HoldCo's goal to strengthen its Learning and Development Group, it plans to conduct Training Needs Analysis and revisit the Performance Development Plan in the Performance Appraisal form so it can create training modules to provide programs that would be relevant to the employees and executives.

EPC's identified points for improvement are the establishment of a reliable HR system to improve training and performance management processes, institutionalizing career development path programs, the establishment of job and competency profiling, and designing tailor-fit programs for engineers and skilled workers.

The BUs apply different approaches to the learning and development of their employees. Learning is not limited to classroom-type sessions and can include job rotations and project assignments. This is because the Company has identified that its employees do not have the same learning curve and have different receptions to different training techniques.

Another method that is being explored by the BUs is the identification of subject matter experts within the organization who can also serve as trainers to cascade and pass down their competencies to the team. With this approach, the Company is sure to preserve the knowledge and skills of its people.

With technological advancements in the conduct of training, the Company is also taking advantage of free webinars to enhance the employees' technical and soft skills. This is a cost-effective method that would allow the employees to gain additional knowledge even at the comfort of their homes.

With its continuous investment for employees, GMCAC aims to become the benchmark and leading airport operator in the Philippines. It also plans to groom and develop internal subject matter experts for the following topics: Strategic Planning, Performance Management, and have employee-driven groups and projects.

Labor-Management Relations

Disclosure	MCC			MWM	GMCAC
	HoldCo	EPC	BU*		
Percentage of employees covered with Collective Bargaining Agreements	Non-unionized		14	Non-unionized	
Number of consultations conducted with employees concerning employee-related policies			4		

**in BU-Batching Plant*

Megawide's Impact and Management Approach

Megawide maintains a harmonious relationship between the management and employees. As of 2019, there have not been any instances of work stoppages due to labor disputes. Because of the highly mechanized processes, the Company is not dependent on manual labor for production and structural works.

While employees in HoldCo, MWM, and GMCAC are provided channels to address their concerns, no unions were formed, and all concerns were resolved with due process by any department responsible.

EPC is proactive in managing its employees' concerns and issues which is why it invests in various Employee Listening Strategies. By knowing the feedback of its employees early on, the Company can provide interventions right away to prevent the escalation to a full-blown issue. The various strategies are:

- Quarterly Employee Hour - HR conducts site visits in all project sites to update employees, facilitate value formation activities and solicit feedback from employees
- Share Your Concern - an online tool where employees can anonymously share their work-related concerns through the link/QR code provided
- Employee Engagement Survey - regularly conducted to identify the engagement level of employees to the Company's activities and decision-making
- Proactive Labor Relations Strategy - managers are continuously educated concerning discipline handling and Project Employees Management.

The BUs maintain their exemplary labor-management relations through strict implementation of the Code of Conduct, administering the due process for violators, reinforcing consequences, and recognizing exemplary employee performance. For 2019, 315 Precast employees were given memos/sanctions in relation to their attendance, performance, and compliance with the Company's rules and regulations.

Megawide's Risks and Management Approach

With EPC's Employee Listening Strategies in place, it has identified that the common issues raised by employees are regarding the facilitation of government-mandated and company-initiated benefits. The Company has established a key performance indicator (KPI) for the formulation of action plans on raised issues - within 25 working days, HR must revert to the concerned employee the action plan taken depending on their concern.

Aside from maintaining a good working environment, BUs recognize that it must take care of labor-management relations to prevent incurring fines and reputational damage. For violators, the Company ensures that they are given due process and are reminded of the organizational rules and guidelines to prevent repeat incidents.

To prevent the risk of industrial or labor disputes that may affect the Company's business, financial conditions, or operations, the BUs ensure that they are complying to regulatory bodies/government agencies, following the Labor Code, strengthening employee engagement programs, and always seeking assistance from the Legal Department for the peaceful resolution of concerns/disputes.

One part of maintaining good labor-management relations is the identification and resolution of employee issues. For Precast, the main issues identified for 2019 were overtime pay and non-approval of leaves. These were resolved through the conduct of one-on-one conversations with employees for an in-depth explanation of these issues.

Megawide's Opportunities and Management Approach

Listening strategies in EPC will be continually conducted to build a working environment that is open and where employees are thoroughly considered of their concerns.

The BUs plan to determine the gaps in the knowledge of employees regarding the rules and regulations of the Company. Once identified, they plan to hold interventions such as reorientations to prevent issues that may arise from non-compliances.

They also plan to improve the communication and connections with employees through regular *kumustahan* sessions through social media platforms and other online engagement activities such as MegaTalk launched by the Batching Plant. MegaTalk ensures that employees are regularly updated on the Company's plans. It aims to let the employees know that the Company empathizes (*Me-Karamay*), digitizes (*Me-KaTech*), and stands (*Me-Kaagapay*) with its employees to maintain the familial bonds. Another method specific to Precast is the activation of its suggestion box, to enable employees to anonymously send in their concerns and suggestions.

Diversity and Equal Opportunity

Disclosure	MCC			MWM	GMCAC
	HoldCo	EPC	BU		
% of female workers in the workforce	46	24	8	44	42
% of male workers in the workforce	54	76	92	56	58
Number of employees from indigenous communities and/or vulnerable sector*	0	0	2**	0	7

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*
***Employee of BU-Formworks*

Megawide's Impact and Management Approach

EPC values diversity in its employee base and supports members of vulnerable groups such as solo parents and persons with disabilities. It is compliant with the following laws and regulations:

1. The Anti-Age Discrimination in Employment Act (Republic Act No. 10911)
2. The Magna Carta of Women (Republic Act No. 9710)
3. The Solo Parents' Welfare Act (Republic Act No. 8972)
4. The Magna Carta for Persons with Disability (Republic Act No. 7277, as amended)

The BUs do not discriminate during their hiring process since they recognize that each employee will have unique capabilities and significant contributions. They hire based on the applicants' competencies regardless of their age, gender, race, etc. They provide fair and equal treatment since it increases productivity and efficiency, encourages diversity in skillsets, improves company culture, and creates a breeding ground for innovation.

Achieving diversity in MWM's employee population provides a perception of fairness which would increase its employees' morale.

GMCAC's recruitment strategy is fair and inclusive. There is no gender and civil status preference across all job positions as it aims to have an equal male and female representation across all levels of the organization to promote diversity in its operations. It also provides equal leave benefits to all employees and additional leaves and benefits for members of the vulnerable sector.

Megawide's Risks and Management Approach

The HoldCo and EPC see no significant risk regarding diversity and equal opportunity.

The BUs see minimal risks in terms of diversity since they ensure that they observe government rules in their HR processes. Their operations are also unlikely to have child labor and forced labor issues since applicants are required to provide documents to prove their age prior to employment. And for minors hoping to be employed as trainees, the Company requires them to submit a signed document for parental consent.

For MWM Terminals, the possible risks of having a non-diverse employee population are increased turnover and decreased job satisfaction.

GMCAC has not identified risks in diversity since gender balance is present in the decision-making body of the Organization. It currently has 6 female Heads of Departments out of 15 in the senior leadership team, a good balance of females and males for proper representation.

Megawide's Opportunities and Management Approach

Santolan Town Plaza, where the HoldCo is based, provides facilities for customers and tenants belonging to vulnerable groups.

The BUs currently have no facilities or features specifically for vulnerable groups such as breastfeeding rooms, ramps, and facilities for religious activities. However, the Company plans to include this in the future to comply with existing laws and regulations. Vulnerable groups in the workplace and other regular

employees are also encouraged to discuss their needs during regular meetings for the company to accommodate their needs.

They also conduct benchmarking for best practices of other companies in terms of inclusivity to ensure that the Company is on par with the other players in the industry.

GMCAC recognizes the need to empower more women in the workplace. With the increasing number of female leaders in the Company, other women are also encouraged to pursue greater responsibilities, leading to gender equality in the workplace in the long run.

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	MCC			MWM	GMCAC
	HoldCo	EPC	BU		
Safe Man-Hours	N/A	9,822,743*	8,573,636	98,255	619,623
No. of work-related injuries		9	84	0	1
No. of work-related fatalities		0	0	0	0
No. of work-related ill-health		0	0	0	0
No. of safety drills		21	3	1	2

**Safe man-hours in project sites and in the Head Office are cumulative for the period of January to December 2019.*

Megawide's Impact and Management Approach

Megawide puts high importance on the health and safety of its people. For hazardous materials, the Company requires suppliers to have a material safety data sheet (MSDS) before storing the chemical stock in the warehouse. All project sites undergo a monthly audit to ensure that the supplier is compliant with regulatory and statutory requirements.

Also, the stock of chemicals is placed in areas with proper signages to avoid confusion on the site. Its Facility Management Department also gives prior notice if there is a scheduled general cleaning at the site to avoid occupational injuries or ill-health.

An OHS system is a significant part of EPC's operations. It provides the necessary controls for projects and departments to ensure that each task is done safely and efficiently. It also prevents the Company from committing violations to government policies.

The Company's OHS system is guided by the Philippine Occupational Safety and Health (OSH) standards implemented and monitored by the Department of Labor and Employment (DOLE). In addition, the Company is certified with OHSAS 18001 which provides standards for OHS procedures, policies, forms, and methodologies.

Before the start of employment, workers are required to undergo physical and medical examinations to prove they are fit to work. After completion, they are required to attend an Environmental, Health and

Safety Orientation before working at the site to ensure that workers are equipped with the basic safety knowledge so that they can perform their jobs safely.

At the project sites, toolbox and health talks are regularly conducted before the start of shifts for regular reminders of health and safety protocols. A dedicated project nurse is also available on-site for easy monitoring of the workers' health condition and to provide immediate care in case of emergencies.

To ensure that there are proper health and safety controls on-site, each site work is required to have an approved method statement and Job Hazard and Risk Assessment prior to its conduct. The controls are regularly monitored to ensure compliance. Safety inspections and audits are also conducted at the project sites where all observations are coordinated to the persons-in-charge for immediate corrective action.

The BUs also have an OHS system in place which effectively minimizes the hazards in the workplace that are likely to cause death or serious physical harm. Parts of the OHS system include the equipping of Personal Protective Equipment (PPE), the conduct of Safety and Health awareness sessions, posting of policies and updates on the Safety Bulletin Board, and the provision of Training and Seminars.

The Health, Safety, and Environment Department has issued an MCC Industrial Park HSE Manual/Program that provides necessary guidelines to be implemented inside the Megawide Industrial Complex. Their OHSMC Policy states that the Company "… commits itself to customer satisfaction, environmental protection, and prevention of injury or ill health among its employees and stakeholders whom it interacts with."

For the BUs' HSE Committee, safety is everybody's concern and every employee has specific duties and responsibilities toward the prevention of injury, damage to property, and natural resources and has their specific duty in complying with the existing HSE Policy. The HSE Management provides one (1) physician, two (2) nurses - day shift and night shift and three (3) Safety Officers, three (3) Safety Advisors, and one (1) PCO.

Workers are equipped with health and safety training and safety drills such as Basic Fire Safety Training, Fire Drill and Earthquake Drill, Chemical Safety Training, LOTO and Electrical Training, First Aid and Basic Life Support Training by Red Cross, DOLE Orientation on RA11058, Dengue Awareness Seminar, HIV AIDS Awareness to ensure their awareness on health & safety topics and of necessary procedures in case of emergencies.

The BUs' HSE departments also conduct free glucose screening, surprise drug tests, free cholesterol screening, and bloodletting programs as simple measures to protect the health and welfare of its employees.

MWM's OHS system covers its employees, agencies/service providers, tenants, government agencies, bus operators/drivers, and passengers. Its employees are covered by a health card and undergo annual physical examinations to ensure that they are fit to work. For 2019, the Company was able to record zero (0) occupational accidents, ill-health, and fatalities.

One of its OHS initiatives is the Crisis Management Plan that covers man-made (fire, bomb threats, terrorism), biological (pandemic & epidemic), natural (earthquake, volcanic eruption, storms), and technical emergencies (major power outage, IT network failure & breach, telecommunications failure). Having this initiative prevents extensive loss of life, property damage, reputation damage, and loss of concession agreements.

GMCAC's main initiatives for OHS are the provision of PPEs and the conduct of information education campaigns (IECs) on health and safety to prevent the occurrence of accidents in the workplace and to ensure that the employees maintain their good health.

For 2019, one (1) incident was recorded where an employee entered an area under renovation without the prescribed PPE. This resulted in a minor injury and the employee was able to work within 24 hours or the next shift schedule.

Megawide's Risks and Management Approach

Risks involving injuries due to construction accidents are inherent in the nature of the Company's business. With this, EPC puts a strong emphasis on complying with the highest construction safety standards. For instance, it is adopting the European Standard on Safety Scaffoldings which requires the use of safety scaffoldings to provide a safe workplace with safe access. The Company also strictly enforces the use of PPE in accordance with its Zero Accident Safety Program, which follows the ideology that accidents or serious injuries to workers can be prevented. With this program, a Safety Engineer is stationed in each construction site to oversee the safety protocols.

EPC recorded nine (9) safety incidents for the reporting year. After each incident, an investigation team is formed consisting of Site Supervisors, Foremen, Safety Advisor, Safety Officer, and Nurse. The statement of witnesses and persons involved are gathered to support the investigation. EPC conducts a root cause analysis and corrective and preventive actions are done to ensure that there will be no recurrence of the same incident. All lessons learned from the incident are then cascaded to all employees through the toolbox meetings, health and safety committee meetings, and project safety alerts.

The Company also has a policy of ensuring that all projects are sufficiently covered with a Contractors' All Risk Insurance to cover for possible injuries, death, or property damage.

The BUs' HSE Department established its Job Hazard and Risk Assessment Procedure to standardize the practice of identifying the hazards in the workplace and gauging the risk of potential accidents. Through this, the department has identified several OHS Hazards for its operations in the Megawide Industrial Complex such as electric shock and electrocution, eye contact with fibrous materials or irritating chemicals, falling light and heavy objects, falling from a certain height, fire or explosion, and slipping, tripping, or falling at the same level. These are mitigated through risk management, provision of PPEs, the conduct of training, regular cleaning of yard or office, calibration of failed injectors of vehicles, and installation of good lighting systems.

Emergencies that are accounted for in the Company's protocols are fire, bomb threat, earthquake, flooding, chemical spill, and weather disturbances. The BUs have also established procedures in managing incidents/accidents in the workplace starting from the notification of the HSE Department or clinic about the occurrence of an incident to providing and maintaining corrective actions. For 2019, they only recorded minor injuries that were mostly caused by unsafe behaviors and conditions. Each incident was thoroughly investigated where possible causes were reviewed, and improvements were recommended.

For MWM Terminals, its property management is responsible for the Hazard Identification and Risk Assessment prerogative. With proper identification, the Company can provide interventions and cascade safety measures to organic employees and service providers through lectures and seminars. Employees are also constantly reminded of safety initiatives through bulletin boards and email blasts.

GMCAC conducts hazard identification, risk assessment, and recommends controls. One of its identified

hazards is the spread of communicable diseases from infected passengers. With the number of employees, personnel, and customers that go to the airport daily, diseases can be easily transmitted which might cause employees and personnel to not report for work and would lead to disruption of operations. For this biological hazard, GMCAC prepared adjustments in its conduct of operations to prevent potential spread.

Megawide's Opportunities and Management Approach

EPC continuously seeks for opportunities and means to improve the implementation of its OHS System. One method is by reviewing incidents that happened and using the information as the basis for action plans to prevent the recurrence of incidents. Another method is through conducting a Hazard Risk Assessment and Control (HIRAC) which would provide an additional basis for controls and actions to take.

The BUs aim to continuously achieve zero (0) fatality in its operations through strict implementation and monitoring of house rules and regulations, compliance to OHS standards, and conducting a risk assessment and HIRAC. It also set specific targets for the year 2019 such as zero lost time, maintenance of first aid cases at three to five incidents per month, medical cases at one to two counts per month, and restricted work cases at one incident per month. These objectives provide a clear path for the BUs to follow to improve its health and safety statistics.

For 2020, MWM Terminals plans to strengthen its health awareness programs and include vaccination programs for its employees. It is also planning to procure additional PPE and conduct training for their proper use.

GMCAC commits to improve its OHS initiatives through budget allocation for the improvement of its health facilities (inclusion of emergency treatment/isolation room, clinic), sign contracts with health providers (doctors, nurses) for medical surveillance at the workplace, and maintain communication with the Department of Health Bureau Of Quarantine and the local government unit.

Labor Laws and Human Rights

Disclosure	MCC			MWM	GMCAC
	HoldCo	EPC	BU		
No. of legal actions or employee grievances involving forced or child labor	0	0	0	0	0

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	**N**	
Child labor	**N**	
Human Rights	**Y**	See "Megawide's Impact and Management Approach"

Megawide's Impact and Management Approach

Megawide strictly complies with labor laws and human rights laws which led to zero (0) legal actions or employee grievances involving forced or child labor. In fact, Megawide's Code of Business Conduct and Ethics contains the following provisions in relation to labor laws and human rights:

> *Non-Discriminatory Environment*
> The Company fosters a work environment in which all individuals are treated with respect and dignity. The Company promotes equal opportunity and does not discriminate against Company Personnel, potential employees, officers, or directors on the basis of race, color, religion, sex, national origin, age, sexual orientation, or disability. The Company will only make reasonable accommodations for its Company Personnel in compliance with applicable laws, rules, and regulations. The Company is committed to actions and policies to assure fair employment, including equal treatment in hiring, promotion, training, compensation, termination, and corrective action, and will not tolerate discrimination by Company Personnel. This policy also applies equally to the treatment of the Company's customers/clients.
>
> *Harassment-Free Workplace*
> The Company will not tolerate any form of harassment of Company Personnel, customers, or suppliers, which shall include sexual harassment. Sexual harassment is illegal, and Company Personnel are prohibited from engaging in any form of sexually harassing behavior. Sexual harassment means unwelcome sexual conduct, either visual, verbal or physical, and may include but is not limited to, unwanted sexual advances, unwanted and/or suggestive touching, language of a sexual nature, telling sexual jokes, innuendoes, suggestions, suggestive looks and displaying sexually suggestive visual materials.
>
> *Workplace Violence*
> It is the policy of the Company to ensure that all inter-relationships among persons in the workplace will be professional and free from bias, harassment, and/or violence. Thus, the workplace must be free from any kind of violent behavior. Threatening, intimidating, or aggressive behavior, as well as bullying, subjecting others to ridicule, or other similar behavior toward fellow Company Personnel or others in the workplace will not be tolerated.
>
> Any form of violent misconduct, discrimination, harassment, retaliation, and/or other forms of violent behavior, even if not unlawful, will be subject to disciplinary action. Additionally, any misconduct that is also unlawful may be subject to civil and criminal liability.

GMCAC is compliant with labor laws and human rights requirements. This positively impacts team dynamics, work culture, and stakeholder relations since this shows that GMCAC is a reliable Company that takes care of its employees. It ensures proper compliance with these laws and regulations through the conduct of the Organizational Climate Survey, Employee Engagement Survey, HR Buddy System, and Department Coordination Meetings. It has also organized the Banwag and Employee Engagement Committees.

Megawide's Risks and Management Approach

Megawide has no risk of violating child labor since its HR Department ensures that all its officers and employees are of legal age, applying the best practices in hiring and employment. As to forced labor, in again applying the best practices in employment and talent retention, the HR Department, together with

the Legal Department, safeguards that all officers and employees of Megawide are not forced, harassed, or intimidated to doing or accepting work against their will.

As to contractors, suppliers, and service providers, in relation to non-violation of child labor and forced labor, the Legal Department of Megawide strictly implements, as a company policy, that all its contracts contain representations and warranties that parties to such contracts are, and should be, compliant with all applicable laws, rules, and regulations, and that violation of such representations and warranties will result in the immediate termination of the pertinent contracts. This measure, if it does not completely avoid, mitigates the risk of Megawide being involved in child labor and forced labor through its contractors, suppliers, or service providers.

For GMCAC, non-compliance to labor laws would include risks such as labor unrest, labor cases, and concession agreements. To prevent this, GMCAC maintains its communication channels and engagement activities with its employees. For Child Labor, GMCAC automatically prevents non-compliance to this through the registration of all personnel to regulatory requirements (SSS, PAG-IBIG, Philhealth, and BIR) which require employees to be at least 18 years of age.

Megawide's Opportunities and Management Approach

As earlier mentioned, all of Megawide's contracts contain representations and warranties that parties to such contracts are, and should be, compliant with all applicable laws, rules, and regulations. To reinforce this, Megawide has an accreditation process through which contractors, suppliers, and service providers are required to submit documentary requirements to show that they are legally in good standing and compliant with applicable laws.

For GMCAC, permits are reviewed by its legal team while the finance team requires certifications or documentation of compliance or remittances from stakeholders and the process owners when processing payments and supplier accreditations. GMCAC also engages in supplier and employee feedback mechanisms. Processes and checklists are complied with by suppliers, stakeholders, and internal departments. There are also regular internal and external audits conducted for Megawide and GMCAC to assure compliance and to proactively draw out what can be improved in the process, programs, and activities.

Potential improvements in GMCAC's compliance with labor laws are benchmarking best practices, reflecting on the core values of the Company, and defining a positive and engaging work culture/environment. Corresponding actions include investment in employee training, employee engagement activities, and continuous communication with employees for updates and concerns.

For 2019, zero cases are filed regarding any labor laws and human rights concerns.

As of the reporting year, GMCAC has no penalties/zero fines for any non-compliance of socio-economic regulations. GMCAC uses an integrated approach between Finance and Legal. Permits are being reviewed by Legal while Finance requires certifications/documentation of compliance or remittances from stakeholders and the process owners when processing payments and supplier accreditations. There are regular internal and external audits conducted to assure compliance and to proactively draw out what can be improved in the process, programs, and activities. Regular reports are submitted such as premium remittances, application of statutory benefits, and certification of compliance are being issued by these government agencies.

GMCAC engages in supplier and employee feedback mechanisms. Processes and checklists are complied with by suppliers, stakeholders, and internal departments. Its initiatives include the Organizational

Climate Survey, Employee Engagement Survey, HR Buddy System, Banwag Committee, Employee Engagement Committee, Department Coordination Meetings, Compensation, and Benefits Benchmarking, and Supplier and Stakeholder Feedbacking Survey.

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

Yes

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N*	If Yes, cite reference in the supplier policy
Environmental performance	Y	Accreditation Policy
Forced labor	Y	Master Agreement Contract
Child labor	Y	Master Agreement Contract
Human rights	Y	Master Agreement Contract
Bribery and corruption	Y	Master Agreement Contract

**applicable only to BU*

Megawide's Impact and Management Approach

Megawide believes its organizational objectives and goals are shared with all its stakeholders. Each process in its operations is attributed to the successes of fair negotiations and dealings with its suppliers, contractors, and vendors. As the Company grows in the construction industry, it collaborates with them in working on its vision of building a First-World Philippines.

The supplier accreditation policy impacts the quality and delivery of Megawide's products and services. Megawide, through its Procurement function, assesses the capability of its suppliers to provide quality and original products by requiring them to submit documentary requirements. Quality and originality of materials are seen in the suppliers' Certificate of Distributorship that gives assurance to Megawide that they are the exclusive distributor of the item. Plant visits and background checks are conducted to validate the suppliers' compliance with all Philippine Standards and their financial capability to assure their capability on the timely delivery of requirements.

Megawide maintains long-lasting partnerships with its suppliers. This has helped in delivering quality work that is uniform and is aligned with various industry standards such as Philippine National Standards (PNS), American Society for Testing and Materials (ASTM), American National Standards Institute (ANSI), American Concrete Institute (ACI), Construction Specifications Institute (CSI), American Association of State Highway and Transportation Officials (AASHTO) and ISO standard on Quality, Environmental, Safety, and Health.

In the reporting year, the SBUs have no environmental and social criteria for the accreditation of suppliers. Their respective Procurement departments select suppliers based on the legitimacy of its operations through requirements such as business registration and other governmental licenses and permits. Because of this, EPC and GMCAC consider digging deeper to assure the individual responsibilities of their suppliers to the environment and society. Hence, the procurement policy will be further reviewed to incorporate provisions for environmental and social criteria.

Megawide's Risks and Management Approach

The Company considers the following as major risks in its supply chain: (1) failure of third party accreditor to execute proper process and evaluation based on guidelines set by Megawide; (2) misconduct of suppliers in providing fake documents; and (3) undeclared relationships of suppliers with the Company's executives and employees. Therefore, Megawide enforces the strict implementation of its Supplier Accreditation Policy to minimize the likelihood and magnitude of these risks to occur.

As there are no provisions for environmental and social criteria in the present procurement policy of EPC and GMCAC, the Procurement departments continue to strictly enforce the policy otherwise, the risk may manifest in their reputation.

Megawide's Opportunities and Management Approach

In EPC, the Procurement function, although enforces anti-fraud and whistleblowing policies as integrative in the accreditation process, it considers including environmental and social criteria to better assess suppliers on top of what is required by the Philippine regulations.

The BUs are continuously trying to strengthen and improve the quality of the accreditation process while working to increase access, affordability, and completion. As a Company that invests in high building technology systems, the BUs encourage innovation through developments, new validation models, or alternative accreditation systems designed to produce high-quality outcomes at an affordable price.

Continual conduct of supplier audits in GMCAC will help identify items or criteria to add in the current procurement process as part of the environmental and social responsibility.

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
Megawide Corporate Office	San Juan City	N/A	N	None	Maintenance of a clean and healthy working environment
BU-Precast	Taytay, Rizal	Local Community	N	Right to a balanced and healthful ecology	Identification of risk including risk reduction plans or measures,
BU-CELS					
BU-Formworks					

					Compliance to Environmental Laws
Mandani Bay	Mandaue City	Local Community	N	Right to a balanced and healthful ecology	Compliance to Local Laws, Building Code, Environmental Laws and Labor Laws on safety and health of workers
Urban Deca Ortigas	Pasig City				
Corner House	San Juan City				
Worldwide Plaza	Taguig City				
Golden Bay Tower Aspire	Pasay City				
Transport Operations (PITX)	Parañaque City	Elderly, PWDs, Pregnant Women	N	Right to a healthy environment Access to public transportation	Dedicate priority lanes at all ticket booths, in elevators, washrooms, boarding gates, boarding procedures Provide wheelchairs and pushcarts at entrances Provide additional assistance in going around the terminal
Commercial Operations (PITX)	Parañaque City	Elderly, PWDs, Pregnant Women	N	Right to a healthy environment Access to food, retail, and other services	Work with tenants in enforcing proper waste management procedures and in mitigating air pollution Push tenants to partner with food delivery businesses (Grab, Lalamove, etc.) to make service more accessible to nearby communities

					Provide spaces for services zone (bills payment, courier services, photocopy, and imaging services)
Tower Operations (PITX)	Parañaque City	N/A	N	Right to a healthy environment	Enforce proper waste management procedures in all towers while working with the tenants
MARINA Satellite Office and Land Transportation Office (LTO) on Wheels at PITX	Parañaque City	N/A	N	Access to government services	Provide additional space and seats for higher foot traffic in the areas covered
Not applicable to GMCAC as it has already completed the construction of Terminal 2. This is more relevant during the pre-construction and construction phase of Terminal 2 when it has community/barangay regulations that it was required to abide with.					

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: N/A

For HoldCo, EPC, BU, and PITX

Certificates	Quantity	Units
FPIC process is still undergoing	0	#
CP secured	0	#

Megawide's Impact and Management Approach

Megawide operations are strategically situated in areas where they can reach their optimal efficiency. However, this has brought direct and indirect negative impacts on neighboring communities of project sites, manufacturing sites, and areas where machineries are utilized and fleets for circulation within and outside the facilities.

Activities in the construction sites as well as in the Megawide Industrial Complex contribute to noise pollution, generate dust and wastes, and cause traffic congestion around the vicinity. Hence, Megawide installed technology that reduces noise and dust generation. Traffic management plans are also implemented to reduce traffic congestion in project sites.

Facilities in MWM Terminals also cater to the needs of the vulnerable population. Employees and staff are available in assisting passengers. MWM Terminals upgrades its facilities as anticipation for an increase in foot traffic in the coming years. However, with increasing passenger traffic and tenants in the facility, MWM recognizes its environmental impact that occurs at the facility due to its transport, commercial, and tower operations. These impacts include air pollution (dust and smoke) and waste generation. There is also an increase in traffic congestion in the area. To mitigate these impacts, MWM terminals ensure the proper implementation of waste management procedures and the formulation of more efficient traffic flow to avoid congestion.

Megawide's Risks and Management Approach

Non-compliance with pertinent environmental laws also violates the rights of Megawide's host communities for balanced and healthful ecology. If not addressed immediately, its operations may be ceased. Eventually, damages may need to be liquidated due to the delay caused by ceasing operations in the construction and significantly cuts its production in the Megawide Industrial Complex.

In lieu of this, Megawide constantly complies with environmental laws to avoid such risks. The zero-plastic-waste campaign by MWM Terminals will be enforced to encourage proper waste management. Furthermore, crisis management activities and plans are in place to ensure business continuity in its business segments.

Megawide's Opportunities and Management Approach

The Company continuously improves its project management for all construction activities and remains to accomplish all projects on schedule. Through the regular monitoring of compliance to standards and regulations, the Company can keep track of the validity of its licenses and permits as assurance that all activities and operations are permitted and legal.

Most importantly, Megawide will continue to build better relationships with residents and business owners who are near the operations. Consultations and engagements with local government and communities will be necessary to improve the operations. New and better approaches will be developed in transport operations to provide safer and more organized passenger traffic flow.

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction		
- MWM	Surveys were commenced in 2020	**N**
- GMCAC	4.23	**N**

Megawide's Impact and Management Approach

Opened on November 5, 2018, the first fully modern intermodal land transport terminal is maintained of

its customer-centric amenities to provide maximum comfort and high-quality service to its passengers. Some of the notable services the facility offers are electronic ticketing, QR code-capable turnstiles, real-time announcement of arrival and departure times, multi-faith meditation room, family room/breastfeeding area, clinic, and wheelchairs/emergency response team. In 2019, it has launched the PITX Online Application where passengers can conveniently reserve seats for trips, access live bus schedules, terminal guides, promotions, and updates, and schedule trips with its in-app trip planner.

While it keeps its reputation of being the friendly terminal, it has received 8,806 complaints through walk-ins, emails, calls, or text messages. The majority of the complaints raised were on the lack of trip schedules which passengers have highly recommended to increase the trips going to nearby provinces. These complaints were responded and addressed accordingly by the concerned department. All complaints of any nature must be responded within two working days.

MWM deems customer satisfaction as a top priority. For the reporting year, the facility has established a baseline to measure the satisfaction of the customers in the use of facilities and other amenities. Hence, customer satisfaction surveys will be expected in 2020.

It is believed that there is a direct correlation between customer satisfaction and the passengers' propensity to spend. In this case, the Mactan-Cebu International Airport Authority (MCIA) continues to measure quality and customer satisfaction through the Airport Service Quality (ASQ) survey which considers 33 service parameters. Complaints are managed with due process, expecting to respond or acknowledge within 2 days and to close within 5 days as per the Minimum Performance Specifications and Standards (MPSS).

GMCAC continues to improve its services and facilities through regular data collection and reporting activities, and audits and process monitoring programs. This is part of the Airport Quality Service Program that sees both objective and subjective parameters. In 2020, GMCAC is targeting to have a certification for the Integrated Management System.

Megawide's Risks and Management Approach

As both client-facing businesses, any failures to manage and address concerns of customers may impose risks directly to MWM and GMCAC reputation and, ultimately, Megawide's reputation. Hence, the two affiliates maintain a complaints management system wherein customer-related concerns and feedback are closely monitored. MWM has a 24-hour feedback center where all concerns are catered to, addressed, and documented. In addition to this, training programs are provided to employees who are at the forefront of delivering services to customers.

Megawide's Opportunities and Management Approach

MWM and GMCAC are currently on its expansion phases while continuing with their improvements for better monitoring and management of customer feedback.

MWM anticipates the presence of additional commercial businesses within the PITX facility, providing more entertainment and basic services to the customers. In response to the usual concern of additional trip schedules, the facility is working on new routes to cater to more passengers.

The facility maintains partnerships with the government for continued compliance with various regulations and guidelines for safe and uninterrupted operations.

For GMCAC, 2019 was a breakthrough year as it has been recognized by local and international organizations. It has garnered the following awards and recognitions:

- MCIA Terminal 2 as a winner of the Completed Buildings: Transport Category by the 2019 World Architecture Festival
- Finalist for the 2019 Surface Travel Awards, Stations and Terminal Category by The Surface Travel Awards 2019
- DSWD Valuable Partner in recognition of extending support to its PWD graduates by proving employment opportunities through the provision of free space at MCIA for their massage services
- 16th Best Airport in Asia by SleepininAirports.net
- 2019 International Architecture Awards, Airports, and Transportation Centers Category for Terminal 2 by Chicago Athenaeum: Museum of Architecture and Design
- Breastfeeding Friendly Public Place Award by Philippine Pediatric Society (PPS)
- Airport Bar of the Year – The Cabin Bar by SSP

These awards further motivated better services in the coming years. In 2020, GMCAC is expecting an increase of 11% passengers as compared in 2019 which leads to new routes, more domestic and foreign tourists, ground-breaking of a mall and hotel, more dining in experiences, and in-terminal activities that highlight the international festivals of top destinations.

Health and Safety

Disclosure	Quantity	
	MWM	GMCAC
No. of substantiated complaints on product or service health and safety*	0	0
No. of complaints addressed	0	0

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

Megawide's Impact and Management Approach

Customary in Megawide's systems is health and safety facilities and protocols that ensure the comfort of customers while inside the facilities.

GMCAC has no reports of health and safety concerns from the passengers. All passenger health-related issues are mostly pre-existing conditions and viral infections. Similar, safety concerns such as inattentiveness of passenger causing bumps to the glass partitions, parents or guardians' failure to watch over their children causing minor accidents like hot water burn, fall from chairs, and others relating to negligence of passengers are not identified as incidents influenced by any of the facilities or operations of GMCAC and did not incur operational lapses. Any complaints reported to the management are addressed in the GMCAC clinic.

The Group trains its security personnel in strengthening the security forces assigned in their respective business segments. Training and seminars offered during the reporting year were Basic Occupational and Safety Seminar, Certified Safety Professional Seminar, Certified Security Management Specialist Seminar, Basic Aviation Security Training (in GMCAC), Recurrency Training, Orientation on Medical Response, Basic Report Writing, Emergency Preparedness and Response Training (including Medical Response, Bomb

Threat, Gun Safety and Basic Fire Fighting), and Community Informant Net Seminar. Regular formation and security drills were also practiced along with daily status monitoring and filing of spot report/incident report in case of complaint and other related concerns.

Megawide's Risks and Management Approach

Megawide recognizes that security threats and vulnerabilities, primarily theft and vandalism, may still occur within the facilities. These incidents are considered unacceptable by the Company and are addressed immediately with due process. Practices and training, as mentioned in the "Impacts" section of this disclosure, are continually conducted to refresh all employees in different health and safety protocols.

Megawide's Opportunities and Management Approach

Megawide is putting efforts in improving its health and safety facilities on all BUs. The Group implements policies and procedures for emergency responses.

For MWM, a team of experts was engaged in formulating the Crisis Management Plan. As of 2019, on-site surveys were conducted to identify key areas in PITX that need to be developed where occupants and passengers can be accommodated in emergencies.

Marketing and labelling

Disclosure	Quantity**	Units
No. of substantiated complaints on marketing and labelling*	0	#
No. of complaints addressed	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*
***Applicable for all entities*

Megawide's Impact and Management Approach

Megawide has established its portfolio in the construction industry. With its strong brand name and proven track record of providing quality construction services and of managing the airport and terminal operations, Megawide has taken its place in the market.

The Company obtained its quadruple A license from PCAB in 2017 which opened doors for private contracts with no limits on contract value. It has participated in biddings for large infrastructure projects due to its Large B classification for government registration. Properties and future developments are aimed to obtain ISO and LEED certification as a commitment of the Company to provide quality work to its clients and to advocate environmental responsibility in its operations.

Equipment utilized in the different business segments is also secured with pertinent certifications and licenses. Because of its nature of delivering construction services and management of the airport and terminal operations, environmental and safety licenses were applied and renewed. The Company continuously obtains permits from LLDA, DENR, and DOLE to ensure a healthy and safe work environment

in the manufacturing and project sites. This information is cascaded to prospective clients that Megawide is duly compliant with the regulatory requirements. To assist them in having informed decisions, they are invited for plant visits in the Megawide Industrial Complex in Taytay in which clients are given short briefings explaining how the construction elements will be manufactured and what materials were used in the process.

In its transport and airport operations, Megawide engages with different stakeholders, especially passengers in providing information on PITX and MCIA services. MWM distributes flyers that contain the vicinity map, route map, and terminal guide. MWM is expanding its partnerships with different organizations to increase the marketability of the Landport. In 2019, MWM has partnered with government agencies in establishing satellite offices within the facility. These include the Philippine Security System (SSS), Department of Foreign Affairs (DFA), and LTO among others, to provide convenience to passengers in obtaining their government requirements. Other partners include the Department of Agriculture (DA) in forming the TienDA program that features local produce and other agricultural products from partner provinces of PITX and the Department of Tourism (DOT) in helping develop Southwest areas of Metro Manila as tourism destinations.

MWM continues to upgrade PITX's best-in-class facilities to provide Filipinos with seamless interconnectivity through convenient commuting experiences.

GMCAC invites the academic community, hotel groups, travel groups, transport groups, and the media to acquaint themselves with the structure and services the MCIA offers.

Megawide's Risks and Management Approach

Any internal or external factors that influence the success of marketing strategies and activities may affect Megawide's reputation. Corporate plans and strategies are aimed to provide a greater advantage over the Company's competitors in the industry.

Megawide is exposed to the risk that its name or marks, or those confusingly similar to them, will be used, copied, reproduced, imitated, or infringed by an unauthorized third party. Moreover, such risk includes the use of Megawide's name or marks for projects, goods, or services which it is not a part of, is not produced, or is not offered by the Company. This results in the unfair and illegal appropriation of the goodwill associated with Megawide's name and marks.

To minimize or address the marketing and labeling related risks faced by Megawide, it has registered its name and marks with the Intellectual Property Office of the Philippines (IPO). Particularly, the IPO has issued Certificates of Registration for Megawide's typeface, logo, and logo with typeface. Meanwhile, Megawide has received a Notice of Allowance for its tagline from the IPO and has paid the required fees for the issuance of the Certificate of Registration.

By registering its name and marks with the IPO, Megawide is protected against the unauthorized use or infringement of its name and marks, or those confusingly similar to them. Additionally, Megawide is assured that it is the owner of such name and marks and has the exclusive right to utilize the same.

Megawide's Opportunities and Management Approach

Megawide, as a fair competitor in the industry, continues to uphold its accreditation and certifications from regulatory and voluntary codes. Along with maintaining the uniqueness of its brand and trademark, processes across the SBUs are also being managed to maintain quality and timely delivery of work that

are true all accreditations and certifications of the Company.

Construction products and services and Terminal and Airport operations are marketed through various platforms and media. The Branding Team continuously develops its marketing strategies to effectively communicate Megawide's products and services to wider audiences. The Team is coming up with fresh ideas that would maximize the use of digital platforms that may contribute to the increase of sales moving forward. Digital templates are being developed and are expected to be released in 2020.

Customer privacy

Disclosure	MCC			MWM	GMCAC
	HoldCo	EPC	BU		
No. of substantiated complaints on customer privacy*	N/A	N/A	N/A	0	0
No. of complaints addressed				0	0
No. of customers, users and account holders whose information is used for secondary purposes				0	0

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

Data Security

Disclosure	MCC			MWM	GMCAC
	HoldCo	EPC	BU		
No. of data breaches, including leaks, thefts, and losses of data	N/A	N/A	N/A	0	0

Megawide's Impact and Management Approach

The Megawide Group invests in strong IT management systems. Although IT functions serve as support in all business lines, the Company employs the highest technology standards for data security.

In compliance with the Data Privacy Act of 2012 (RA 10173) and other relevant policies issued by the National Privacy Commission, Megawide has designated Mr. Raymund Jay S. Gomez as its Data Privacy Officer. The Company also adopted privacy and data protection policies and procedures such as the MCC Data Privacy Manual, Hard Disk Drive Low-Level Formatting, and Firewall Configuration Management and Monitoring.

For 2019, there were no identified cases of data breaches due to the individual security permissions on each department folder. The Company has a security vault where it serves as the backup tape storage.

Megawide's Risks and Management Approach

There may be instances when protection and security of personal information get destroyed, lost, altered, or disclosed, accessed, and processed without consent. To prevent such cases of digital identity theft, fraud, and file corruption, the Company uses software utility tools that monitor security breaches and intrusion detection systems that alert the Company for any attempt to interrupt or disturb the system.

Megawide is consistent with the principles of transparency, legitimate purpose, and proportionality as it works towards its organizational goals. The Company ensures full protection of data through abiding by Information Security Policy, Cyber Security and Incident Management, Email Usage Policy, Removable Storage Device Policy, File Server Usage Policy, Access Control Policy, and Physical and Environmental Security Policy.

Megawide's Opportunities and Management Approach

The Company's IT department maintains a backup file for all personal data under its custody. The presence of any inconsistencies or alterations resulting from incidents or breaches is always identified through comparing with the backup of the affected file/s.

As the Company grows, it continuously works on improving its systems. Among the improvements for data security systems are: (1) attention and treatment to every internet and external threats; (2) encryption for mobile devices; (3) device controls; (4) multi-factor authentication; and (5) protection of data and perimeter. All employees will be communicated and educated with the existing IT Information Security Policies to make them fully aware of the risks and manner in addressing any IT concern.

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Construction and Manufacturing Operations	SDG 8: Decent Work and Economic Growth SDG 9: Industry, Innovation	Air pollution and dust generation	Compliance to DENR policies and procedures in minimizing contribution to pollution
		High risk of accidents due to the nature of works in the construction	Compliance with DOLE safety standards for construction and manufacturing activities
Transport-oriented Operation	SDG 8: Decent Work and Economic Growth SDG 9: Industry, Innovation SDG 11: Sustainable Cities and Communities	Traffic congestion in surrounding areas	Traffic management plan
Social Responsibility Activities	SDG 3: Good Health and Well-Being SDG 11: Sustainable Cities and Communities SDG 13: Climate Action SDG 15: Life on Land	None since these activities aim to contribute to the betterment of beneficiaries.	

**None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed*