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MEGAWIDE CONSTRUCTION CORPORATION

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

**Prospectus Relating to the Primary Offer in the Philippines of
30,000,000 Non-Voting Perpetual
Series 4 Preferred Shares
with an Oversubscription Option of up to
10,000,000 Series 4 Preferred Shares
with an Initial Dividend Rate of 5.30%
at an Offer Price of ₱100.00 per Series 4 Preferred Share
to be listed and traded on the
Main Board of The Philippine Stock Exchange, Inc.**

Sole Issue Manager, Lead Underwriter and Bookrunner



Co-Lead Underwriter



Selling Agents

Trading Participants of the Philippine Stock Exchange, Inc.

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

This Final Prospectus is dated October 8, 2021.

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

This Prospectus relates to the offer and sale of up to 40,000,000 cumulative, non-voting non-participating, non-convertible, redeemable (non-reissuable) perpetual preferred shares with a par value of One Peso (₱1.00) per share (the “**Series 4 Preferred Shares**”, “**Offer Shares**” or “**Shares**”) of Megawide Construction Corporation (“**Megawide**” or “**MWIDE**” or the “**Company**” or the “**Issuer**”), a corporation incorporated and existing under Philippine laws (the “**Offer**”). The Offer is for a total of up to 40,000,000 Series 4 Preferred Shares with a base offer of 30,000,000 Series 4 Preferred Shares (the “**Firm Shares**”). In the event of an oversubscription, the Sole Issue Manager, Lead Underwriter and Bookrunner, with the consent of the Company, reserves the right but not the obligation to increase the size of the Offer by up to an additional 10,000,000 Series 4 Preferred Shares (the “**Oversubscription Option**”) and the Series 4 Preferred Shares pertaining to such option, the “**Oversubscription Option Shares**”, subject to the registration requirements of the Securities and Exchange Commission (“**SEC**”). The Offer Shares are to be issued at a subscription price of ₱100.00 per share (the “**Offer Price**”). The Offer Shares will be issued by the Company from its 40,000,000 unissued cumulative, non-voting, non-participating, non-convertible, perpetual Series 4 Preferred Shares.

On February 26, 2021, the Company's Board of Directors approved the increase in the authorized capital stock of the Company from ₱5,054,000,000.00 divided into 4,930,000,000 Common Shares with par value of ₱1.00 per share and 124,000,000 cumulative, non-voting, non-participating, non-convertible, perpetual Preferred Shares with par value of ₱1.00 per share, to ₱5,080,000,000.00, divided into 4,930,000,000 Common Shares with par value of ₱1.00 per share and 150,000,000 cumulative, non-voting, non-participating, non-convertible, perpetual Preferred Shares with a par value of ₱1.00 per share.

The increase in the authorized capital stock was approved and ratified by the affirmative vote of stockholders owning at least 2/3 of the Annual Stockholders entire outstanding capital stock of the Company, during the Special Stockholders' Meeting held on May 21, 2021, whereby the stockholders likewise delegated to the Board of Directors the power and authority to: (a) implement the issuance of the preferred shares in series, subseries, or in tranches, (b) fix the terms and conditions of the preferred shares as they may be issued in series, sub-series, or in tranches, and (c) determine the manner by which the preferred shares will be subscribed and paid for, such as but not limited to, a private placement transaction or public offering. On September 9, 2021, SEC approved the Company's application for the increase in authorized capital stock.

Pursuant to such delegated authority of the Board of Directors to issue the preferred shares in series, sub-series or in tranches, the Board of Directors, in its meeting on September 13, 2021, approved the resolutions creating the 40,000,000 Series 4 Preferred Shares and its terms and conditions (the “**Enabling Resolutions**”). The SEC approved the Enabling Resolutions on September 30, 2021.

The Offer Shares will be coming from the existing unissued Series 4 Preferred Shares.

As of date, the Company has 2,503,052,137 issued shares composed of: (a) 2,013,409,717 outstanding Common Shares, (b) 386,016,410 Common Shares held in treasury; (c) 40,000,000 issued and outstanding Series 1 Preferred Shares; (d) 26,220,130 issued and outstanding Series 2A Preferred Shares; (e) 17,405,880 issued and outstanding Series 2B Preferred Shares, and (f) 20,000,000 issued and outstanding Series 3 Preferred Shares.

Following the Offer, and assuming the Oversubscription Option is exercised in full, the Company will have (a) 2,013,409,717 issued and outstanding Common Shares and 386,016,410 Common Shares held in treasury; (b) 40,000,000 issued and outstanding Series 1 Preferred Shares; (c) 26,220,130 issued and outstanding Series 2A Preferred Shares and 17,405,880 issued and outstanding Series 2B Preferred Shares; (d) 20,000,000 issued and outstanding Series 3 Preferred Shares; and (e) 40,000,000 issued and outstanding Series 4 Preferred Shares.

Following the Offer, and assuming the Oversubscription Option is not exercised, the Company will have (a) 2,013,409,717 issued and outstanding Common Shares and 386,016,410 Common Shares held in treasury; (b) 40,000,000 issued and outstanding Series 1 Preferred Shares; (c) 26,220,130 issued and outstanding Series 2A Preferred Shares and 17,405,880 issued and outstanding Series 2B Preferred Shares; (d) 20,000,000 issued and outstanding Series 3 Preferred Shares; and e) 30,000,000 issued and outstanding Series 4 Preferred Shares.

The distribution and sale of the Series 4 Preferred Shares shall be made solely in the Philippines through RCBC Capital Corporation ("**RCBC Capital**" or the "**Sole Issue Manager, Lead Underwriter and Bookrunner**") and PNB Capital and Investment Corporation ("**PNB Capital**" or the "**Co-Lead Underwriter**", together, the "**Underwriters**", and the Selling Agents named herein who shall sell and distribute the Series 4 Preferred Shares to third party buyers/investors at the Offer Price.

In the event that Oversubscription Option is exercised, the Sole Issue Manager, Lead Underwriter and Bookrunner, in consultation with the Issuer, has the discretion to allocate the Oversubscription Option Shares in Series 4 Preferred Shares at the end of the Offer Period based on actual demand.

The Series 4 Preferred Shares will be listed on the Main Board of the Philippine Stock Exchange, Inc. ("**PSE**") on October 29, 2021, (the "**Listing Date**") under the trading symbol "**MWP4**" for the Shares.

The holders of the Series 4 Preferred Shares do not have identical rights and privileges with holders of the existing Common Shares and existing Series 1, Series 2 and Series 3 Preferred Shares of the Company. Any and all Preferred Shares of the Corporation shall have preference over Common Shares in dividend distribution and in case of liquidation or dissolution. For further discussion, please refer to "*Description of Shares*".

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

As and if declared by the Board, dividends on the Series 4 Preferred Shares shall be at a fixed rate of 5.30% per annum, in all cases calculated in respect of each share by reference to the Offer Price thereof for the Dividend Period (as defined below) (the "**Initial Dividend Rate**"). Subject to the limitations described in this Prospectus, cash dividends on the Series 4 Preferred Shares will be payable on a quarterly basis in arrears on a Dividend Period (as defined herein).

Unless the Series 4 Preferred Shares have been redeemed by the Company 3.5 years from the Listing Date (the "**First Optional Redemption Date**") or on the next Banking Day in case of the First Optional Redemption Date falls on a non-Banking Day, the dividend rate will be adjusted at the higher of (a) the sum of (i) the simple average of the closing per annum rates of 5-year BVAL rate, or if such interpolated 5-year BVAL rate is not available or cannot be determined, any such successor rate generally accepted by the Bankers Association of the Philippines ("**BAP**") or the Bangko Sentral ng Pilipinas ("**BSP**"), as shown on the PDEX page (or such successor page) of Bloomberg (or such successor electronic service provider for three consecutive days ending on (and including) the day 3.5 years from the Listing Date and (ii) 4.00%; or (b) the floor rate of 8.00% (the "**Step Up Rate**").

Provided, that in the event the First Optional Redemption Date falls on day that is not a Banking Day:

- (a) the rate setting will be done on the immediately succeeding Banking Day using the average of the relevant BVAL rates for the three (3) consecutive Banking Days preceding and inclusive of the said rate setting date; and
- (b) the applicable Step Up Rate (the "**Step-Up Rate**", see "*Summary of the Offering*") will be applied commencing on the Step-Up Date (which is on the day 3.5 years from the Listing Date of the Series 4 Preferred Shares).

Dividends on the Series 4 Preferred Shares will be cumulative. If for any reason the Issuer's Board does not declare a dividend on the Series 4 Preferred Shares for a Dividend Period, the Issuer will not pay a dividend on the Dividend Payment Date for that Dividend Period. However, on any future Dividend Payment Date on which dividends are declared, holders of the Series 4 Preferred Shares as of record date of such dividends must receive the dividends due them on such Dividend Payment Date as well as all dividends due and payable or dividends in arrears in respect of prior Dividend Periods ("**Dividends in Arrears**") (see "*Description of the Shares*").

As and if declared by the Board, the Issuer may redeem the Series 4 Preferred Shares in whole (not in part), on the First Optional Redemption Date or on any Dividend Payment Date thereafter (each of the First Optional Redemption Date and the Dividend Periods thereafter, an "**Optional Redemption Date**") after giving not less than thirty (30) nor more than sixty (60) calendar days prior written notice to the shareholders of the Series 4 Preferred Shares, through the Stock Transfer Agent, and the PSE and SEC, as may be required from its intended date of redemption, at a redemption price equal to the relevant Issue Price of the Series 4 Preferred Shares plus all dividends due them on such Optional Redemption Date as well as all Dividends in Arrears after deduction of transfer costs customarily chargeable to stockholders, as applicable, to effect the redemption (the "**Redemption Price**"). Such notice to redeem shall be deemed irrevocable upon issuance thereof.

In the event an Optional Redemption Date which the Issuer has chosen as the date to redeem the Series 4 Preferred Shares falls on a day that is not a Banking Day, the redemption shall be made on the next succeeding day that is a Banking Day, without adjustment as to the Redemption Price and the amounts of dividends to be paid.

The Issuer may also redeem the Series 4 Preferred Shares in whole but not in part, at any time prior to any Optional Redemption Date if an Accounting Event or a Tax Event (each as defined below) has occurred and is continuing, having given not less than thirty (30) nor more than sixty (60) calendar days' notice to the shareholders of the Series 4 Preferred Shares, through the Stock Transfer Agent, including the PSE and SEC, as may be required prior to the intended date of redemption. The redemption due to an Accounting Event or a Tax Event shall be made by the Issuer at the Redemption Price which shall be paid within five (5) Banking Days after the exercise of the right to redeem the Series 4 Preferred Shares.

There will be no mandatory redemption date for the Series 4 Preferred Shares.

The Series 4 Preferred Share has a liquidation right equal to the Offer Price plus an amount equal to any dividends declared but unpaid in respect of the previous dividend period and any accrued and unpaid dividends for the then current dividend period to (and including) the date of commencement of the Company's winding up or the date of any such other return of capital, as the case may be (the "**Liquidation Right**").

Upon listing on the PSE, Megawide may purchase the Series 4 Preferred Shares at any time in the open market or by public tender or by private contract at any price through the PSE. The Series 4 Preferred Shares so purchased may either be redeemed (pursuant to their terms and conditions as set out in the Prospectus) and cancelled, or kept as treasury shares, as applicable.

All payments in respect of the Series 4 Preferred Shares are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of the Government of the Republic of the Philippines (the "**Government**"), including but not limited to, stamp, issue, registration, documentary, value added or any similar tax or other taxes and duties, including interest and penalties. If such taxes or duties are imposed, the Issuer will pay additional amounts so that holders of Series 4 Preferred Shares will receive the full amount of the relevant payment which otherwise would have been due and payable, provided, however, that the Issuer shall not be liable for (a) the final withholding tax applicable on dividends earned on the Series 4 Preferred Shares, (b) as applicable, any income tax (whether or not subject to withholding), percentage tax (such as stock transaction tax), and documentary stamp tax on the redemption or buy back of the Series 4 Preferred Shares or on the liquidating distributions as may be received by a holder of Series 4 Preferred Shares, (c) expanded value added tax which may be payable by any holder of the Series 4 Preferred Shares on any amount to be received from the Issuer under the Offer, (d) any withholding tax on any amount payable to any holder of Shares or any entity which is a non-resident foreign corporation and (e) applicable taxes to any subsequent sale or transfer of the

Series 4 Preferred Shares by any holder of the Series 4 Preferred Shares which shall be for the account of the said holder (or the buyer in case such buyer shall have agreed to be responsible for the payment of such taxes). If payments become subject to additional withholding or any new tax as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Shares in whole, but not in part, on any Dividend Payment Date (having given not more than thirty (30) nor less than sixty (60) calendar days' written notice to the shareholders of the Series 4 Preferred Shares, through the Stock Transfer Agent, and the PSE and SEC, as may be required, from the intended date of redemption which must be a Banking Day) at the Redemption Price (Please see "*Summary of the Offer*"; the taxes applicable on the Series 4 Preferred Shares are discussed in the section on "*Taxation*").

Documentary stamp tax for the primary issue of the Series 4 Preferred Shares and the documentation, if any, shall be for the Issuer's account.

The Series 4 Preferred Shares will constitute direct and unsecured subordinated obligations of the Issuer ranking at least *pari passu* in all respects and rateably without preference or priority among themselves and with all other preferred shares issued or to be issued by the Issuer.

The Series 4 Preferred Shares will be issued in scripless form. Title to the Series 4 Preferred Shares shall pass by endorsement and delivery to the transferee and registration in the registry of shareholders to be maintained by the Registrar and Depository Agent (as defined herein). Settlement of the Series 4 Preferred Shares in respect of such transfer or change of title to the Shares shall be similar to the transfer of title and settlement procedures for listed securities in the PSE (see "*Summary of the Offer*").

Through the Offer and based on the Offer Price set forth above, the Company expects to raise gross proceeds of approximately ₱3,000,000,000.00, or if the Oversubscription Option is exercised in full, ₱4,000,000,000.00. The net proceeds from the Offer, estimated to be at ₱2,972,811,875.00 or if the Oversubscription Option is exercised in full ₱3,967,711,875.00, determined by deducting from the gross proceeds the SEC Registration fees, underwriting and selling fees, documentary stamp taxes and other related fees and out-of-pocket expenses, will be used by the Company primarily to redeem the Company's Series 1 Preferred Shares which will be due for step up on December 3, 2021. (See "*Use of Proceeds*"). In case the Offer does not materialize or the funds raised from the Offer are insufficient to redeem the Series 1 Preferred Shares, the Company will use internally generated cash and other programmed funding to finance the redemption of the Series 1 Preferred Shares. No part of the proceeds will be used to reimburse the Company for the filing fees and expenses incurred in connection with the increase in capital stock to create the Series 4 Preferred Shares.

RCBC Capital acting as Sole Issue Manager, Lead Underwriter and Bookrunner, shall receive underwriting fees of 0.50% of the gross proceeds of the Offer, inclusive of amounts to be paid to the Co-Lead Underwriter and Selling Agents, if any. The commissions to be paid to the Selling Agent shall be equivalent to 0.125% of the total proceeds of the sale of Series 4 Preferred Shares by such Selling Agent. The 0.125% commissions shall be inclusive of VAT and will be paid to the Selling Agent less any applicable withholding tax.

No dealer, salesman, or any other person has been authorized to give any information or to make any representation not contained in this Prospectus. If given or made, any such information or representation must not be relied upon as having been authorized by the Company, and the Underwriters. The distribution of this Prospectus and the offer and sale of the Series 4 Preferred Shares may, in certain jurisdictions, be restricted by law. The Company and Underwriters require persons into whose possession this Prospectus come, to inform them of and observe all such restrictions. This Prospectus does not constitute an offer of any securities, or any offer to sell, or a solicitation of any offer to buy any securities of the Company in any jurisdiction, to or from any person to whom it is unlawful to make such offer in such jurisdiction.

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

responsibility for the accuracy of the information contained in this Prospectus. The Company and the Underwriters have exercised due diligence in ascertaining that all material representations contained in the Prospectus, its amendments and supplements, are true and correct, and that no material information was omitted which was necessary in order to make the statements contained in the aforementioned documents not misleading. The Underwriters confirm that it has exerted reasonable efforts to verify the information contained herein but do not make any representation, express or implied, as to the accuracy or completeness of the materials contained herein. The Underwriters, having made all reasonable enquiries, confirm that this document contains all information with respect to the Underwriters, and the Series 4 Preferred Shares which is material in the context of the issue and offering of the Offer Shares, that the information contained herein is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed herein are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions, that there are no other facts, the omission of which would, in the context of the issue and offering of the Series 4 Preferred Shares, make this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect and that all reasonable enquiries have been made by the Issuer to verify the accuracy of such information. The Issuer accepts responsibility accordingly.

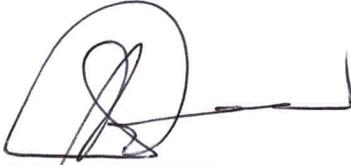
Unless otherwise indicated, all information in this Prospectus is as of date hereof. Neither the delivery of this Prospectus nor any sale made pursuant to this Prospectus shall, under any circumstances, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Company and its subsidiaries since such date. Market data and certain industry forecasts used throughout this Prospectus were obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Company, the Underwriters make any representation as to the accuracy of such information. Each person contemplating an investment in the Series 4 Preferred Shares should make his own independent investigation and analysis of the creditworthiness of Megawide and his own determination of the suitability of any such investment. The risk disclosure herein does not purport to disclose all the risks and other significant aspects of investing in the Shares. A person contemplating an investment in the Series 4 Preferred Shares should seek professional advice if he or she is uncertain of, or has not understood any aspect of the securities to invest in or the nature of risks involved in trading of securities, especially those high-risk securities. Investing in the Series 4 Preferred Shares involves a higher degree of risk compared to debt instruments. For a discussion of certain factors to be considered in respect of an investment in the Series 4 Preferred Shares, see the section entitled "*Risk Factors*".

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

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED IS TRUE AND CURRENT.

MEGAWIDE CONSTRUCTION CORPORATION

By:



EDGAR B. SAAVEDRA

Chairman, Chief Executive Officer, and President

SUBSCRIBED AND SWORN to before me this OCT 08 2021 in QUEZON CITY, Philippines, by
affiant who is personally known to me and exhibited to me [REDACTED] issued on
[REDACTED] at [REDACTED]

Doc. No.: 278
Page No.: 54
Book No.: II
Series of 2021



Charlotte King
CHARLOTTE Y. KING
Commission Expires [REDACTED]



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DEFINITION OF TERMS

Affiliate	A corporation that directly or indirectly, through one or more intermediaries, Controls, is Controlled by, or is under the common Control of, another corporation
Affordable Housing	Housing units with a price range of ₱400,000.00 to ₱3,000,000.00 per unit
Altria	Altria East Land, Inc.
Applicant	A person, whether natural or juridical, who seeks to subscribe to the Offer Shares by submitting an Application under the terms and conditions prescribed in this Prospectus
Application	An application to subscribe for Offer Shares pursuant to the Offer
Banking Day	A day (except Saturdays, Sundays and holidays) on which banks in the Philippines are open for business in Metro Manila, Philippines
BBB	Build, Build, Build Program
BIR	Bureau of Internal Revenue
Board or Board of Directors	The Board of Directors of the Company
BOT	Build-Operate-Transfer Program
BSP	Bangko Sentral ng Pilipinas, the central bank of the Philippines
BT	Build-Transfer Program
Citicore	Citicore Holdings Investment, Inc.
CMCI	Citicore-Megawide Consortium Inc.
Co-Lead Underwriter	PNB Capital and Investment Corporation
Company or Megawide	Megawide Construction Corporation
Construction Order Book	The value of construction contracts awarded to the Company during a specified period
COVID-19	A disease caused by a new strain of coronavirus. Formerly referred to as '2019 novel coronavirus' or '2019-nCoV'.
DENR	Department of Environment and Natural Resources
DepEd	Department of Education
Depository Agent	Philippine Depository and Trust Corp.
DOH	Department of Health
DOTC	Department of Transportation and Communication
DPWH	Department of Public Works and Highways
ECQ	Enhanced Community Quarantine

Eligible Investors	Applicants who are qualified to subscribe to the Offer Shares
EPC	Engineering, procurement, and construction
FIA	Foreign Investments Act of 1991, as amended
Firm Shares	30,000,000 Series 4 Preferred Shares each with a par value of ₱1.00 per share.
Formwork Systems	Temporary or permanent molds into which concrete or similar materials are poured
GDP	Gross domestic product, or the monetary value of all the finished goods and services produced within a country's borders, calculated on an annual basis
Government	The Government of the Republic of the Philippines
GMCAC	GMR-Megawide Cebu Airport Corporation, a joint venture between Megawide (60%) and GMR (40%)
GMR	GMR Infrastructure Limited
High Technology Building Systems	Pre-Cast Concrete and Formwork Systems currently employed by the Company in construction
Listing Date	The date on which the listing and trading of the Offer Shares on the PSE begin, expected to be on October 29, 2021.
MCIA	Mactan Cebu International Airport
MWCCI	Megawide World Citi Consortium, Inc., a joint venture between Megawide and World Citi, Inc.
MWMTI	MWM Terminals Inc.
MySpace	MySpace Properties Inc.
NAIA	Ninoy Aquino International Airport
NIRC	Philippine National Internal Revenue Code
Offer	The offer for subscription of 30,000,000 Series 4 Preferred Shares plus an additional oversubscription option of up to 10,000,000 Series 4 Preferred Shares, to Eligible Investors subject to the terms and conditions in this Prospectus and in the Application
Offer Period	The period commencing 9:00 a.m. on October 13, 2021 and ending at 12:00 p.m. on October 19, 2021 within which the Eligible Investors may subscribe to the Offer Shares
Offer Price	₱100.00
Offer Shares or Shares	Up to 40,000,000 Series 4 Preferred Shares each with a par value of ₱1.00
Oversubscription Option Shares	Up to 10,000,000 Series 4 Preferred Shares each with a par value of ₱1.00

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

Pursuant to SEC Memorandum Circular No. 8, Series of 2013,

which generally applies to all corporations engaged in identified areas of activities or enterprises specifically reserved, wholly or partly, to Philippine nationals by the Philippine Constitution, the FIA and other existing laws, amendments thereto, and implementing rules and regulations of said laws, for purposes of determining compliance with the constitutional or statutory ownership requirement, the required percentage of Filipino ownership shall be applied to both:

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

PNB Capital	PNB Capital and Investment Corporation
PPP	Public-Private Partnership
Pre-Cast Concrete System	A construction product resulting from casting concrete in a reusable mold which is then cured in a controlled environment, transported to the construction site and lifted into place
Prospectus	This Prospectus together with all its annexes, appendices and amendments
PSE	The Philippine Stock Exchange, Inc.
Qualified Institutional Buyer	Any of the qualified buyers provided under Rule 10 of the Securities and Regulations Code as amended by SEC Memorandum Circular No. 6, Series of 2021, and any other juridical persons that possesses at the time of registration with an authorized registrar: <ul style="list-style-type: none"> (a) have gross assets of at least One Hundred Million Pesos (₱100,000,000.00) or (b) a total portfolio investment in securities registered with the SEC or financial instruments issued by the government of at least Sixty Million Pesos (₱60,000,000.00).
R.A. No. 4566	Republic Act No. 4566 or the “Contractor’s License Law”
RCBC Capital	RCBC Capital Corporation
Receiving Agent	Rizal Commercial Banking Corporation - Trust and Investments Group
Registrar	Professional Stock Transfer, Inc.
Revised Corporation Code	Republic Act 11232 or the Revised Corporation Code of the Philippines
SEC	The Philippine Securities and Exchange Commission
Series 4 Preferred Shares	The Company’s Series 4 Preferred Shares which are subject of the Offer, each with a par value of ₱1.00
Sole Issue Manager, Lead Underwriter and Bookrunner	RCBC Capital Corporation

SRC	Republic Act No. 8799, otherwise known as "The Securities Regulation Code"
Stock Transfer Agent	Professional Stock Transfer, Inc.
Subsidiary	A corporation which is controlled, directly or indirectly, by another corporation which thereby becomes its Parent
Trading Day	Any day on which trading is allowed in the PSE
Underwriting Agreement	The agreement entered into by and between the Company and the Underwriters, indicating the terms and conditions of the Offer and providing that the Offer shall be fully underwritten by the Underwriters.
VAT	Value Added Tax

FORWARD LOOKING STATEMENTS

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

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

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

EXECUTIVE SUMMARY

The following summary is qualified in its entirety by the more detailed information, including the Company's financial statements and the notes relating thereto presented and based on a consolidated level, appearing elsewhere in this Prospectus. Prospective purchasers of the Series 4 Preferred Shares must read the entire Prospectus carefully, including the section on "Risk Factors". Capitalized terms not defined in this summary are defined in the section "Definition of Terms".

COMPANY OVERVIEW

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

The Company's Common Shares were listed at the Philippine Stock Exchange ("**PSE**") on February 18, 2011 under the trading symbol "**MWIDE**" while the Company's Series 1 Preferred Shares were listed in the PSE on December 3, 2014 under the trading symbol "**MWP**". The Company's Series 2A Preferred Shares and Series 2B Preferred Shares were listed on the PSE on November 27, 2020 under the trading symbol "**MWP2A**" and "**MWP2B**", respectively.).

On February 26, 2021, the Company's Board of Directors approved the increase in the authorized capital stock of the Company from ₱5,054,000,000.00 divided into 4,930,000,000 Common Shares with par value of ₱1.00 per share and 124,000,000 cumulative, non-voting, non-participating, non-convertible, perpetual Preferred Shares with par value of ₱1.00 per share, to ₱5,080,000,000.00, divided into 4,930,000,000 Common Shares with par value of ₱1.00 per share and 150,000,000 cumulative, non-voting, non-participating, non-convertible, perpetual Preferred Shares with a par value of ₱1.00 per share.

The increase in the authorized capital stock was approved and ratified by the affirmative vote of stockholders owning at least 2/3 of the entire outstanding capital stock of the Company, during the Special Stockholders' Meeting held on May 21, 2021, whereby the stockholders likewise delegated to the Board of Directors the power and authority to: (a) implement the issuance of the Preferred Shares in series, subseries, or in tranches, (b) fix the terms and conditions of the Preferred Shares as they may be issued in series, sub-series, or in tranches, and (c) determine the manner by which the Preferred Shares will be subscribed and paid for, such as but not limited to, a private placement transaction or public offering. On September 9, 2021, SEC approved the Company's application for the increase in authorized capital stock.

Pursuant to such delegated authority of the Board of Directors to issue the preferred shares in series, sub-series or in tranches, the Board of Directors, in its meeting on September 13, 2021, approved the resolutions creating the 40,000,000 Series 4 Preferred Shares and its terms and conditions (the "Enabling Resolutions"). The SEC approved the Enabling Resolutions on September 30, 2021.

The Offer Shares will be coming from the existing unissued Series 4 Preferred Shares.

As of date, the Company has 2,503,052,137 issued shares composed of: (a) 2,013,409,717 outstanding Common Shares, (b) 386,016,410 Common Shares held in treasury; (c) 40,000,000 issued and outstanding Series 1 Preferred Shares; (d) 26,220,130 issued and outstanding Series 2A Preferred Shares; (e) 17,405,880 issued and outstanding Series 2B Preferred Shares, and (f) 20,000,000 issued and outstanding Series 3 Preferred Shares.

Following the Offer, and assuming the Oversubscription Option is exercised in full, the Company will have (a) 2,013,409,717 issued and outstanding Common Shares and 386,016,410 Common Shares held in treasury; (b) 40,000,000 issued and outstanding Series 1 Preferred Shares; (c)

26,220,130 issued and outstanding Series 2A Preferred Shares and 17,405,880 issued and outstanding Series 2B Preferred Shares; (d) 20,000,000 issued and outstanding Series 3 Preferred Shares; and (e) 40,000,000 issued and outstanding Series 4 Preferred Shares.

Following the Offer, and assuming the Oversubscription Option is not exercised, the Company will have (a) 2,013,409,717 issued and outstanding Common Shares and 386,016,410 Common Shares held in treasury; (b) 40,000,000 issued and outstanding Series 1 Preferred Shares; (c) 26,220,130 issued and outstanding Series 2A Preferred Shares and 17,405,880 issued and outstanding Series 2B Preferred Shares; (d) 20,000,000 issued and outstanding Series 3 Preferred Shares; and e) 30,000,000 issued and outstanding Series 4 Preferred Shares.

As of date of this Prospectus, Megawide is governed by a Board of 7 directors composed of Mr. Edgar B. Saavedra, Mr. Manuel Louie B. Ferrer, Mr. Oliver Y. Tan, former Chief Justice Hilario G. Davide, Jr., Mr. Ramon H. Diaz, Mr. Celso P. Vivas and Mr. Alfredo E. Pascual. Its management team is headed by a licensed civil engineer who has been practicing for over 20 years, namely, its President, Chief Executive Officer and Chairman of the Board, Mr. Edgar B. Saavedra.

As of September 10, 2021, the Company's major shareholders are PCD Nominee Corporation (Filipino) with 57.80% of the total issued and outstanding common stock, Citicore Holdings Investment Inc. ("Citicore") with 35.41% and PCD Nominee Corporation (Non-Filipino) with 4.47%. Meanwhile, Megacore, whose common stock in the Company are lodged with PCD Nominee Corporation (Filipino), has a 30.68% ownership interest in the same.

The Company is currently servicing the majority of high-rise residential, commercial, office and mixed-use development projects in Metro Manila for several major local developers, primarily for its use of High Technology Building Systems, and quality workmanship. While Megawide is constantly invited to bid for major domestic high-rise building projects, it opts to focus on a selected clientele that provides synergy in business operations and better risk management. The Company's major clients include a variety of top and small property developers such as Suntrust Home Developers, Inc., Megaworld Corporation, 8990 Holdings, Inc., Double Dragon Properties Corp., and HTLand, Inc.

Among the new contracts sealed by the construction segment are the Suntrust Home Developers' Suncity West Side City project, Megaworld's Newport Link project, and the DOTr's Malolos Clark Railway Phase 1 Project which is a joint venture project with Hyundai Engineering & Construction Co., Ltd., and Dong-ah Geological Engineering Company Ltd. The Company also signed a joint venture agreement with the local government of Cebu City for the modernization of the Carbon Market. The new market will serve as Cebu City's heritage district and will be composed of a restored Compania Maritama, a refurbished Freedom Park, and a modernized Carbon Market. For details of these projects, see "*Description of Business*" of this Prospectus.

To support its contracts and to gear up for more projects in the upcoming years, the Company has approximately 14-hectare state-of-the-art Precast Concrete Manufacturing Complex in Taytay, Rizal. The facility is fully automated and is considered to be the largest and most advanced precast plant in the country as well as in Southeast Asia. Through this technology, Megawide will be able to realize the full potential and inherent benefits of pre-cast concrete building solutions such as shorter construction period, cost efficiency, increased productivity and enhanced operational capability.

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

COMPETITIVE STRENGTHS

The Company believes that its principal strengths are the following: (1) fully-integrated EPC services, utilizing the most modern and state-of-the-art building technologies and employing a young, modern and branded fleet of building equipment; (2) AAAA and Large B contractor's

license; (3) largest and most advanced pre-cast system facility and capacity; (4) largest private sector airport operator; (5) operates the first and only landport in the Philippines; (6) strong brand name and proven track record; and (7) organizational capability and flexibility. For a discussion of these strengths, see “*Description of Business*” of this Prospectus.

BUSINESS STRATEGY

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

RISK FACTORS

Before making an investment decision, investors should carefully consider the risks associated with an investment in the Series 4 Preferred Shares. These risks include:

1. Risks relating to the Company and its business

- The Company is exposed to the cyclical nature of a construction business coupled by risks associated with the Philippine’s property development market, including potential construction contract cancellations.
- The on-going situation of the COVID-19 pandemic or any other public health outbreaks or epidemics could have negative effects on the Company’s business operations.
- The Company is exposed to credit risk on its receivables.
- The Company is a party to a number of related party transactions.
- The Philippine Construction Industry is subject to extensive regulation by the Government.

a. Risks relating to the Construction Segment

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

b. Risks relating to the Airport (MCIA) Segment

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

c. Risks relating to the Landport (PITX) Segment

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

d. Risks relating to projects with Original Proponent Status

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

2. Risks relating to the Company's Series 4 Preferred Shares

- The Series 4 Preferred Shares may not be a suitable investment for all investors.
- The market price of the Series 4 Preferred Shares may be volatile, which could cause the value of investors' investments in the Series 4 Preferred Shares to decline.
- The dividends on the Series 4 Preferred Shares may not be paid in full, or at all.
- The Series 4 Preferred Shares are subordinate to the Issuer's other indebtedness.
- There may be insufficient distributions upon liquidation.
- The ability of the Company to make payments under the Series 4 Preferred Shares is limited by terms of Megawide's other indebtedness.
- The Series 4 Preferred Shares have no fixed Maturity Date and Megawide has the Sole Right to Redemption.
- There may be a possibility that the Shares may not be listed with the PSE hence there will be no available market for the Shares.
- There may be a lack of public market for the Series 4 Preferred Shares.
- There may be a limited market for the Series 4 Preferred Shares, so there may be limited liquidity in the market.
- Non-payment of dividends may affect the Trading Price of the Series 4 Preferred Shares
- Holders of Series 4 Preferred Shares may not be able to reinvest at a similar return on investment.
- The Series 4 Preferred Shares have no voting rights.
- There are restrictions on foreign ownership of Megawide's Series 4 Preferred Shares by non-Philippine Nationals.
- The Series 4 Preferred Shares may be affected by the Passive Income and Financial Intermediary Taxation Act ("PIFITA")

3. Risks Relating to the Philippines

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

4. Risks Relating to Pending Material Legal Proceedings

- The Company's finances may be negatively affected should any of the claims for sum of money be granted.
- The operation of the Company's construction sites may be stalled should its license as a contractor be suspended or revoked.
- The Company's goodwill or relationship with its clients and subcontractors may be negatively affected due to the issues which brought about the material legal proceedings.
- With regard to the alleged violation of the Anti-Dummy Law case, GMR Megawide Cebu Airport Corporation, the Company's subsidiary, may lose its franchise to operate the Mactan Cebu International Airport.
- The suspension of the Company's licenses and franchises may negatively affect its reputation and impact its future transactions.

CORPORATE INFORMATION

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

SUMMARY OF FINANCIAL INFORMATION

The selected financial information set forth in the following table has been derived from Megawide's unaudited interim consolidated financial statements as of and for the period ended June 30, 2021 and June 30, 2020, and the Company's audited consolidated financial statements as of and for the years ended December 31, 2020, 2019, and 2018, and should be read in conjunction with the consolidated financial statements and notes thereto contained in this Prospectus and the section entitled "Management's Discussion & Analysis of Financial Condition" and other financial information included herein.

The financial statements of the Company for the years ended December 31, 2020, 2019 and 2018 are presented and based on a consolidated level were audited by Punongbayan & Araullo. In 2020, the Group made certain prior period adjustments to reflect the appropriate classification and presentation to reflect the effect of prior period adjustment discussed in detail in the consolidated financial statements annexed in this Prospectus. The summary of financial information set forth below does not purport to project the results of operations or financial conditions of Megawide for any future period or date.

(Amounts in ₱ thousands)	As of June 30		As of December 31		
	2021	2020	2020	As Restated 2019	As Restated 2018
<u>ASSETS</u>					
CURRENT ASSETS					
Cash and cash equivalents	₱7,529,651	₱4,832,980	₱7,226,150	₱6,518,600	₱5,734,721
Trade and other receivables – net	16,928,552	14,813,942	15,299,050	17,373,477	10,212,127
Financial assets at fair value through profit or loss	-	-	-	-	26,290
Construction materials	1,741,805	1,470,288	1,719,043	1,287,128	865,035
Contract assets	4,772,391	4,119,674	4,231,600	3,975,734	3,060,771
Other current assets	8,590,829	7,416,058	7,956,744	6,310,723	4,891,541
Total Current Assets	39,563,228	32,652,942	36,432,587	35,465,662	24,790,485
NON-CURRENT ASSETS					
Financial assets as fair value through other comprehensive income	3,544	3,544	3,544	3,544	3,544
Investments in associates	889,164	959,951	929,196	959,507	926,832
Concession assets	30,215,384	29,673,224	29,928,728	29,436,586	28,289,313
Property, plant, and equipment - net	6,944,438	7,695,891	7,497,348	7,666,010	5,193,951
Investment properties	4,327,140	3,861,143	4,120,894	4,186,720	3,759,861
Deferred tax assets - net	29,824	6,528	9,626	44,299	-
Other non-current assets	2,639,556	3,488,988	2,421,846	3,001,998	2,941,724
Total Non-current Assets	45,049,050	45,689,269	44,911,182	45,298,664	41,115,225
TOTAL ASSETS	₱84,612,278	₱78,342,211	₱81,343,769	₱80,764,326	₱65,905,710
<u>LIABILITIES AND EQUITY</u>					
CURRENT LIABILITIES					
Interest-bearing loans and borrowings	₱12,442,138	₱12,670,034	13,110,458	₱14,681,061	₱6,408,573
Trade and other payables	8,739,263	8,497,412	8,291,951	8,167,589	5,252,402
Contract liabilities	7,098,298	5,072,746	4,593,930	4,931,270	4,670,483
Other current liabilities	246,964	232,366	218,177	220,062	233,818
Total Current Liabilities	28,526,663	26,472,558	26,214,516	27,999,982	16,565,276

(Amounts in ₱ thousands)	As of June 30		As of December 31		
	2021	2020	2020	2019	2018
NON-CURRENT LIABILITIES					
Interest-bearing loans and borrowings	34,190,405	33,329,061	32,809,908	33,071,851	30,371,690
Post-employment defined benefit obligation	346,821	343,566	343,402	340,208	176,799
Deferred tax liabilities - net	800,202	547,388	801,849	612,630	419,677
Other non-current liabilities	656,600	943,799	651,626	741,143	368,167
Total Non-current Liabilities	35,994,028	35,163,814	34,606,785	34,765,832	31,336,333
Total Liabilities	64,520,691	61,636,372	60,821,301	62,765,814	47,901,609
EQUITY					
Equity attributable to shareholders of the Parent Company:					
Common stock	2,399,426	2,399,426	2,399,426	2,399,426	2,399,426
Preferred stock	88,626	40,000	87,001	40,000	40,000
Additional paid-in capital	13,057,712	8,776,359	13,057,712	8,776,359	8,776,359
Revaluation reserves	(9,353)	(63,384)	(8,951)	(63,384)	15,205
Other reserves	(22,475)	(22,475)	(22,475)	(22,475)	(22,475)
Treasury shares	(4,615,691)	(4,615,449)	(4,615,691)	(3,912,618)	(3,454,826)
Retained earnings	6,163,179	6,653,314	6,404,292	7,083,443	6,752,591
Total equity attributable to shareholders of the Parent Company	17,061,424	13,167,791	17,301,314	14,300,751	14,506,280
Non-controlling interests	3,030,163	3,538,048	3,221,154	3,697,761	3,497,821
Total Equity	20,091,587	16,705,839	20,522,468	17,998,512	18,004,101
TOTAL LIABILITIES AND EQUITY	₱84,612,278	₱78,342,211	₱81,343,769	₱80,764,326	₱65,905,710

Amounts in ₱ thousands	For the six months ended June 30		For the years ended December 31		
	2021	As Restated 2020	2020	As Restated 2019	As Restated 2018
REVENUES					
Construction operation revenues	₱6,984,413	₱4,861,282	₱10,842,200	₱15,309,069	₱12,845,830
Airport operations revenues	235,012	882,260	1,108,668	3,691,112	2,995,981
Landport operations revenues	360,051	599,309	902,414	555,402	17,653
Trading operations revenues	4,390	69,346	69,944	326,222	289,895
	<u>7,583,866</u>	<u>6,412,197</u>	<u>12,923,226</u>	<u>19,881,805</u>	<u>16,149,359</u>
DIRECT COSTS					
Costs of construction operations	5,934,350	4,444,510	9,393,547	13,291,798	10,784,176
Costs of airport operations	174,628	450,303	634,707	1,536,617	941,830
Costs of landport operations	161,056	166,777	355,896	334,155	17,653
Costs of trading operations	4,204	19,730	20,960	88,214	70,358
	<u>6,274,238</u>	<u>5,081,320</u>	<u>10,405,110</u>	<u>15,250,784</u>	<u>11,814,017</u>
GROSS PROFIT	1,309,628	1,330,877	2,518,116	4,631,021	4,335,342
OTHER OPERATING EXPENSES	724,511	784,547	1,535,707	1,827,166	1,279,654
OPERATING PROFIT	585,117	546,330	982,410	2,803,855	3,055,688
OTHER INCOME (CHARGES)					
Finance costs - net	(980,045)	(995,988)	(1,811,968)	(1,541,090)	(1,112,829)
Others - net	476,082	(1,073)	219,749	172,473	444,159
	<u>(503,963)</u>	<u>(997,061)</u>	<u>(1,592,219)</u>	<u>(1,368,617)</u>	<u>(668,670)</u>
PROFIT BEFORE TAX	81,154	(450,731)	(609,809)	1,435,238	2,387,018
TAX EXPENSE (BENEFIT)	134,004	(1,388)	264,787	324,203	492,844
NET PROFIT (LOSS)	<u>(₱52,850)</u>	<u>(₱449,343)</u>	<u>(₱874,596)</u>	<u>₱1,111,035</u>	<u>₱1,894,174</u>
Net Profit					
Attributable To:					
Shareholders of the Parent Company	₱138,110	(₱289,629)	(₱398,150)	₱859,487	₱1,469,434
Non-controlling interests	(190,960)	(159,714)	(476,446)	251,547	424,740
	<u>(₱52,850)</u>	<u>(₱449,343)</u>	<u>(₱874,596)</u>	<u>₱1,111,035</u>	<u>₱1,894,174</u>
Earnings per Share:	<u>(₱0.12)</u>	<u>(₱0.21)</u>	<u>(₱0.33)</u>	<u>₱0.28</u>	<u>₱0.56</u>

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

SUMMARY OF THE OFFER

The following do not purport to be a complete listing of all the rights, obligations and privileges of the Series 4 Preferred Shares. Some rights, obligations or privileges may be further limited or restricted by other documents and subject to final documentation. Prospective shareholders are enjoined to perform their own independent investigation and analysis of the Issuer and the Series 4 Preferred Shares. Each prospective shareholder must rely on its own appraisal of the Issuer and the proposed financing and its own independent verification of the information contained herein and any other investigation it may deem appropriate for the purpose of determining whether to participate in the proposed financing and must not rely solely on any statement or the significance, adequacy or accuracy of any information contained herein. The information and data contained herein are not a substitute for the prospective shareholder's independent evaluation and analysis.

The following overview should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information in this Prospectus. This overview may not contain all of the information that prospective investors should consider before deciding to invest in the Series 4 Preferred Shares. Accordingly, any decision by a prospective investor to invest in the Series 4 Preferred Shares should be based on a consideration of this Prospectus as a whole. Should there be any inconsistency between the summary below and the final documentation, the final documentation shall prevail.

Issuer	Megawide Construction Corporation (“ Megawide ” or the “ Company ”)
Instrument	Cumulative, non-voting, non-participating, non-convertible, redeemable (non-reissuable), PHP-denominated perpetual preferred shares consisting of 30,000,000 preferred shares, and in case the oversubscription option is exercised, up to an additional 10,000,000 preferred shares (collectively, the “ Series 4 Preferred Shares ”)
Offer Size	30,000,000 Series 4 Preferred Shares (subject to the Oversubscription Option as provided below)
Oversubscription Option	In the event of oversubscription, the Sole Issue Manager, Lead Underwriter and Bookrunner in consultation with the Issuer, reserve the right, but do not have the obligation, to increase the Offer Size by up to 10,000,000 Series 4 Preferred Shares, subject to the registration requirements of the SEC. The Oversubscription Option will be exercised if during the Offer Period, the amount of subscriptions exceeds the base offer size of 30,000,000 Series 4 Preferred Shares.
Registration and Listing	To be registered with the SEC and listed on the PSE subject to compliance with SEC regulations and PSE listing rules. Upon listing, the Series 4 Preferred Shares shall be traded under the symbols “MWP4”.
Sole Issue Manager, Lead Underwriter and Bookrunner	RCBC Capital Corporation (“ RCBC Capital ”)
Co-Lead Underwriter	PNB Capital and Investment Corporation (“ PNB Capital ”)
Use of Proceeds	The net proceeds of the Offer shall be used primarily to redeem the Company's Series 1 Preferred Shares which will be due for step up on December 3, 2021. For further discussion, please refer to the section on “ <i>Use of Proceeds</i> ” of this Prospectus.
Par Value	The Series 4 Preferred Shares have a par value of ₱1.00 per share.
Offer Price	The Series 4 Preferred Shares shall be offered at a price of ₱100.00 per share. For further discussion, please refer to the section on “ <i>Determination of the Offer Price</i> ” of this Prospectus.
Offer Period	The Offer period shall commence at 9:00 a.m. on October 13, 2021 and end at 12:00 p.m. on October 19, 2021. The Company and the

	Underwriters reserve the right to extend or terminate the Offer Period with the approval of the SEC and the PSE, as applicable.
Listing Date	On October 29, 2021, or such other date when the Series 4 Preferred Shares are listed in the PSE.
Dividend Rate	<p>The Series 4 Preferred Shares shall, subject to the Conditions for the Declaration and Payment of Dividends, bear cumulative non-participating cash dividends based on the Issue Price, payable quarterly in arrears every Dividend Payment Date, at the Dividend Rate per annum from Listing Date. Dividends will be calculated on a 30/360-day basis.</p> <p>The term ("Dividend Rate") means (a) from the Listing Date up to the Step Up Date, the Initial Dividend Rate, and (b) from the Step Up Date, the applicable Step Up Rate. (Please see below relevant definitions).</p>
Initial Dividend Rate	The initial dividend rate shall be at the fixed rate of 5.30% per annum, calculated for each share by reference to the Offer Price thereof in respect of each Dividend Period (the " Initial Dividend Rate ").
Dividend Payment Dates	<p>Cash dividends will be payable on January 29, April 29, July 29, and October 29 of each year (each a "Dividend Payment Date"), being the last day of each 3-month period (a "Dividend Period"), as and if declared by the Board of Directors in accordance with the terms and conditions of the Preferred Shares.</p> <p>The first Dividend Payment Date will be on the 1st quarter after the Listing Date and the succeeding dates will be the following 3-month periods after it.</p> <p>If the Dividend Payment Date is not a Banking Day, dividends will be paid on the next succeeding Banking Day, without adjustment as to the amount of dividends to be paid.</p> <p>A "Banking Day" means a day, except Saturday or Sunday or legal holidays, in which facilities of the Philippine banking system are open and available for clearing and the banks are open for business in Metro Manila, Philippines.</p>
Conditions on Declaration and Payment of Cash Dividends	<p>The declaration and payment of cash dividends on each Dividend Payment Date will be subject to the discretion of the Board of Directors, the covenants (financial or otherwise) in the loans and credit agreements to which the Issuer is a party and the requirements under applicable laws and regulations.</p> <p>If the profits available for distribution as cash dividends are, in the opinion of the Board of Directors, not sufficient to enable the Company to pay in full cash dividends on the Series 4 Preferred Shares and cash dividends that are scheduled to be paid on or before the same date on shares that have an equal right to dividends as the Series 4 Preferred Shares ("Comparable Shares"), the Company is required to pay cash dividends on the Series 4 Preferred Shares and any Comparable Shares pro rata to the amount of the cash dividends scheduled to be paid to the Series 4 Preferred Shares and the Comparable Shares, respectively. For purposes of this paragraph, the amount scheduled to be paid shall include all dividends due on such Dividend Payment Date as well as all accumulated dividends due and payable or dividends in arrears in respect of prior Dividend Periods ("Dividends in Arrears").</p> <p>The profits available for distribution are, in general and with some adjustments pursuant to applicable laws and regulations, equal to the accumulated, realized profits of the Company less accumulated, realized loss.</p>

Optional Redemption and Purchase	<p>As and if declared by the Board of Directors of the Company and subject to the requirements of applicable laws and regulations, the Company may, at its sole option, redeem in whole (but not part) the Series 4 Preferred Shares on the date that is 3.5 years from the Listing Date (the “First Optional Redemption Date” or on any Dividend Payment Date occurring thereafter (each of the First Optional Redemption Date and the Dividend Payment Dates thereafter, an “Optional Redemption Date”), at a redemption price equal to the Issue Price of the Series 4 Preferred Shares plus all dividends due on such Optional Redemption Date as well as all Dividends in Arrears (“Redemption Price”). The Company shall give not less than thirty (30) nor more than sixty (60) calendar days prior written notice to the shareholders of the Series 4 Preferred Shares, through the Stock Transfer Agent, and the PSE and SEC, as may be required, from its intended date of redemption which notice shall be irrevocable and binding upon the Company to effect such early redemption of the Series 4 Preferred Shares at the Optional Redemption Date stated in such notice.</p> <p>The Company may also redeem the Series 4 Preferred Shares, in whole but not in part, any or both of the subseries, at any time if an Accounting Event or a Tax Event (each as defined below) has occurred and is continuing, having given not less than thirty (30) nor more than sixty (60) calendar days’ written notice to the shareholders of the Series 4 Preferred Shares, through the Stock Transfer Agent, and the PSE and SEC, as may be required, prior to the intended date of redemption which must be a Banking Day, which notice shall be irrevocable and binding upon the Company to effect such redemption of the Series 4 Preferred Shares at the redemption date stated in such notice. The redemption due to an Accounting Event or a Tax Event shall be made by the Company at the Redemption Price, which shall be paid within five Banking Days of the exercise of the right to redeem the Series 4 Preferred Shares on the date of redemption set out in the notice.</p> <p>Upon listing on the PSE, the Company may purchase the Series 4 Preferred Shares at any time in the open market or by public tender or by private contract at any price through the PSE. The Series 4 Preferred Shares so purchased may either be redeemed (pursuant to their terms and conditions as set out in the Prospectus) and cancelled, or kept as treasury shares, as applicable. Once redeemed, Series 4 Preferred Shares shall be considered retired and can no longer be reissued. However, while they are considered retired, the same remains in treasury until removed from their treasury shares by decreasing the authorized capital stock of the Company.</p>
Dividend Rate Step Up	<p>If the Series 4 Preferred Shares shall not have been redeemed by the Company on the First Optional Redemption Date the Initial Dividend Rate shall be adjusted as the higher of (a) the simple average of the closing per annum rate of 5-year BVAL or if the 5-year BVAL rate is not available or cannot be determined, any successor rate as determined by the <i>Bankers Association of the Philippines</i> (“BAP”) or the <i>Bangko Sentral ng Pilipinas</i> (“BSP”), as shown on the PDEX page (or such successor page of Bloomberg (or such successor electronic service provided) for the three (3) consecutive Banking Days preceding and inclusive of the rate setting date, plus 4.00%; or (b) the floor rate of 8.00%.</p> <p>The date of the listing of Series 4 Preferred Shares is referred to as the “Listing Date”. The day 3.5 years from the Listing Date referred to as a “Step Up Date”. The adjusted rate is referred to as a “Step Up Rate”.</p> <p>In the event the relevant Step-up Date falls on a day that is not a Banking Day:</p> <ol style="list-style-type: none"> a. the rate setting will be done on the immediately succeeding Banking Day using the average of the relevant BVAL rates for the three (3)

	<p>consecutive Banking Days preceding and inclusive of the said rate setting date, and</p> <p>b. the higher of the applicable Initial Dividend Rate and the applicable Step-Up Rate will be applied commencing on the Step-Up Date (which is on the day 3.5 years from the Listing Date).</p> <p>In the event that BVAL is replaced by a new benchmark rate as determined by the BAP or the BSP, such new benchmark rate shall be adopted for purposes of determining the Dividend Rate (the “New Benchmark Rate”). In the absence of such new replacement benchmark rate as determined by the BAP or the BSP and there is a mandatory directive by the BAP or the BSP to no longer use of apply BVAL, the Company and the Sole Issue Manager, Lead Underwriter and Bookrunner shall negotiate to adopt an alternative rate that will serve as the New Benchmark Rate.</p>
No Sinking Fund	The Company is not legally required to establish, has not established, and currently has no plans to establish, a sinking fund for the redemption of the Series 4 Preferred Shares.
Redemption by reason of an Accounting Event	In the event an opinion of a recognized accountancy firm authorized to perform auditing services in the Republic of the Philippines has been delivered to the Issuer stating that the Series 4 Preferred Shares may no longer be recorded as equity in the audited consolidated financial statements of the Company prepared in accordance with PFRS, or such other accounting standards which succeed PFRS as adopted by the Issuer for the preparation of its audited consolidated financial statements for the relevant financial year, and such event cannot be avoided by use of reasonable measures available to the Company, the Company having given not more than 60 nor less than 30 calendar days’ notice prior to the intended date of redemption which must be a Banking Day, may redeem any subseries of the Series 4 Preferred Shares in whole, but not in part at the Redemption Price. See “ <i>Summary of the Offering</i> ” and “ <i>Description of the Preferred Shares</i> ” of this Prospectus.
Redemption by reason of a Tax Event	In the event payments in respect of the Series 4 Preferred Shares become subject to additional withholding or any new tax as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such tax cannot be avoided by use of reasonable measures available to the Company, the Company having given not more than 60 nor less than 30 calendar days’ notice prior to the intended date of redemption which must be a Banking Day, may redeem any subseries of the Series 4 Preferred Shares at any time in whole but not in part, at the Redemption Price. See “ <i>Summary of the Offering</i> ” and “ <i>Description of the Preferred Shares</i> ” of this Prospectus.
Taxation	<p>All payments in respect of the Series 4 Preferred Shares are to be made free and clear of any deductions or withholding for or on account of any future taxes or duties imposed by or on behalf of Republic of the Philippines, including but not limited to, stamp, issue, registration, documentary, value added or any similar tax or other taxes and duties, including interest and penalties. If such taxes or duties are imposed, the Company will pay additional amounts so that holders of the Series 4 Preferred Shares will receive the full amount of the relevant payment which otherwise would have been due and payable. Provided, however, that the Company shall not be liable for, and the foregoing payment undertaking of the Company shall not apply to:</p> <p>(a) the final withholding tax applicable on dividends earned on the Series 4 Preferred Shares,</p>

	<p>(b) as applicable, any income tax (whether or not subject to withholding), percentage tax (such as stock transaction tax) and documentary stamp tax on the redemption of the Series 4 Preferred Shares or on the liquidating distributions as may be received by a holder of Series 4 Preferred Shares,</p> <p>(c) any expanded value added tax which may be payable by any holder of the Series 4 Preferred Shares on any amount to be received from the Company under the terms and conditions of the Series 4 Preferred Shares,</p> <p>(d) any withholding tax on any amount payable to any holder of Series 4 Preferred Shares or any entity which is a non-resident foreign corporation, and</p> <p>(e) applicable taxes to any subsequent sale or transfer of the Series 4 Preferred Shares by any holder of the Series 4 Preferred Shares which shall be for the account of the said holder (or the buyer in case such buyer shall have agreed to be responsible for the payment of such taxes).</p> <p>All sums payable by the Company to tax-exempt entries shall be paid in full without deductions for taxes, duties, assessments or governmental charges provided said entities present sufficient proof of such tax-exempt status from the tax authorities.</p> <p>Documentary stamp tax and all other costs and expenses for the issuance of the Series 4 Preferred Shares and the documentation, if any, shall be for the account of the Company.</p>
<p>Form, Title and Registration of the Preferred Shares</p>	<p>The Series 4 Preferred Shares will be issued in scripless form through the electronic book-entry system of Professional Stock Transfer, Inc. as Registrar for the Offer, and lodged with Philippine Depository and Trust Corp. as Depository Agent on Listing Date through PSE Trading Participants respectively nominated by the applicants. For this purpose, applicants shall indicate in the proper space provided for in the Application Form the name of a PSE Trading Participant under whose name their shares will be registered.</p> <p>After Listing Date, holders of the Series 4 Preferred Shares (the “Shareholders”) may request the Registrar, through their respective nominated PSE Trading Participants, to (a) open a scripless registry account and have their holdings of the Series 4 Preferred Shares registered under their name, or (b) issue stock certificates evidencing their investment in the Series 4 Preferred Shares. Any expense that will be incurred in relation to such registration or issuance shall be for the account of the requesting shareholder.</p> <p>Legal title to the Series 4 Preferred Shares will be shown in an electronic register of shareholders (“Registry of Shareholders”) which shall be maintained by the Registrar. The Registrar shall send a transaction confirmation advice confirming every receipt or transfer of the Series 4 Preferred Shares that is effected in the Registry of Shareholders (at the cost of the requesting shareholder). The Registrar shall send (at the cost of the Company) at least once every quarter a statement of account to all shareholders named in the Registry of Shareholders, except certificated shareholders and depository participants, confirming the number of shares held by each shareholder on record in the Registry of Shareholders. Such statement of account shall serve as evidence of ownership of the relevant shareholder as of the given date thereof. Any request by shareholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting shareholder.</p>

Selling and Transfer Restrictions	Initial placement and subsequent transfers of interests in the Series 4 Preferred Shares shall be subject to normal selling restrictions for listed securities as may prevail in the Philippines from time to time.
Governing Law	The Series 4 Preferred Shares will be issued pursuant to the laws of the Republic of the Philippines.
Features of the Series 4 Preferred Shares	
Status	<p>The Series 4 Preferred Shares rank or shall rank at least <i>pari passu</i> in all respects and ratably without preference of priority among themselves and with all other Preferred Shares issued or to be issued by the Company.</p> <p>The obligations of the Company in respect of the Series 4 Preferred Shares are subordinated to all indebtedness of the Company.</p> <p>The obligations of the Company under the Series 4 Preferred Shares are unsecured and will, in the event of the winding-up of the Company in rank junior in right of payment to all indebtedness of the Company and claims against the Company which rank or are expressed to rank senior to the Series 4 Preferred Shares. Accordingly, the obligations of the Company under the Series 4 Preferred Shares will not be satisfied unless the Company can satisfy in full all of its other obligations ranking senior to the Series 4 Preferred Shares.</p> <p>There is no agreement or instrument that limits the ability of the Company to issue Preferred Shares or other securities that rank <i>pari passu</i> with the Series 4 Preferred Shares.</p>
Cumulative Dividends	<p>Dividends on the Series 4 Preferred Shares will be cumulative. If for any reason the Board of Directors of the Company does not declare a dividend on the Series 4 Preferred Shares for a Dividend Period, the Company will not pay a dividend on the Dividend Payment Date for that Dividend Period. However, on any future Dividend Payment Date on which dividends is declared, holders of the Series 4 Preferred Shares shall receive the dividends due them on such Dividend Payment Date as well as all Dividends in Arrears. Holders of the Series 4 Preferred Shares shall not be entitled to participate in any other or further dividends, cash, property or stock, beyond the dividends specifically payable on the Preferred Shares.</p> <p>The Company covenants that, in the event (for any reason):</p> <ul style="list-style-type: none"> (a) any cash dividends due with respect to any Series 4 Preferred Shares then outstanding for any period are not declared and paid in full when due, (b) where there remains Dividends in Arrears on the Series 4 Preferred Shares, or (c) any other amounts payable in respect of the Series 4 Preferred Shares pursuant to the terms and conditions of the Series 4 Preferred Shares, are not paid in full when due, <p>then the Company will not:</p> <ul style="list-style-type: none"> (i) declare or pay any dividends or other distributions in respect of shares ranking <i>pari passu</i> with or junior to the Series 4 Preferred Shares (unless such payment in respect of shares ranking <i>pari passu</i> with the Series 4 Preferred Shares shall be in accordance with “Conditions on Declaration and Payment of Cash Dividends”), or

	<p>(ii) repurchase or redeem, securities ranking <i>pari passu</i> with, or junior to, the Series 4 Preferred Shares (or contribute any moneys to a sinking fund for the redemption of any securities ranking <i>pari passu</i> with, or junior to, the Series 4 Preferred Shares),</p> <p>until any and all the amounts described in (a), (b) and (c) have been paid in full to the holders of the Series 4 Preferred Shares.</p>
No Voting Rights	Holders of the Series 4 Preferred Shares will not be entitled to vote at the Company's stockholders' meetings, except as otherwise provided by law.
Non-Participating	Holders of the Series 4 Preferred Shares shall not be entitled to participate in any other or future dividends beyond the cash dividends specifically payable on the Series 4 Preferred Shares.
Non-Convertible	Holders of the Series 4 Preferred Shares shall have no right to convert the Series 4 Preferred Shares into any other preferred shares or common shares of the Company.
No Pre-emptive Rights	Holders of the Series 4 Preferred Shares will have no pre-emptive rights to subscribe to any shares (including, without limitation, treasury shares) that will be issued by the Company.
Liquidation Rights	In the event of a return of capital in respect of the liquidation, dissolution or winding up of the affairs of the Company but not on a redemption or purchase by the Company of any of its share capital, the holders of the Series 4 Preferred Shares at the time outstanding will be entitled to receive, in Philippine Pesos out of the assets of the Company available for distribution to shareholders, together with the holders of any other series of preferred shares, as regards repayment of capital, in <i>pari passu</i> with the Series 4 Preferred Shares and before any distribution of assets is made to holders of any class of shares of the Company ranking after the Series 4 Preferred Shares as regards repayment of capital, liquidating distributions in an amount equal to the Redemption Price as of (and including) the date of commencement of the winding up of the Company or the date of any such other return of capital, as the case may be. If, upon any return of capital in the winding up of the Company, the amount payable with respect to the Series 4 Preferred Shares and any other series of preferred shares of the Company ranking as to any such distribution <i>pari passu</i> with the Series 4 Preferred Shares are not paid in full, the holders of the Series 4 Preferred Shares and of such other shares will share proportionately in any such distribution of the assets of the Company in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount of the liquidating distribution to which they are entitled, the holders of the Series 4 Preferred Shares will have no right or claim to any of the remaining assets of the Company and will not be entitled to any further participation or return of capital in a winding up.
Other Terms of the Offer	
Offer Period	The Offer Period shall commence at 9:00 a.m. on October 13, 2021 and end at 12:00 p.m. on October 19, 2021. The Company and the Underwriters reserve the right to extend or terminate the Offer Period with the approval of the SEC and the PSE.
Minimum Subscription	Each Application shall be for a minimum of 500 Series 4 Preferred Shares, and thereafter, in multiples of 10 Series 4 Preferred Shares. No Application for multiples of any other number of Series 4 Preferred Shares will be considered.

Eligible Investors	<p>The Series 4 Preferred Shares may be owned or subscribed to by any person, partnership, association or corporation regardless of nationality (except U.S. Persons as defined below), provided that the Company may reject an Application or reduce the number of Series 4 Preferred Shares applied for subscription or purchase for purposes of complying with any applicable constitutional or statutory nationality requirement.</p> <p>In determining compliance with such nationality requirement, the required percentage of Filipino ownership shall be applied to both (a) the total number of outstanding shares of stock entitled to vote in the election of directors, and (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors, as set out in applicable regulations. In the case of Series 4 Preferred Shares, since these are non-voting, its determination of the compliance with the required percentage on nationality requirement will be based on test (b), the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors.</p> <p>The Offer Shares shall not be sold to persons classified as U.S. Persons under the Foreign Account Tax Compliance Act of the United States, as this may be amended from time to time. “U.S. Persons” means any of the following: (i) a U.S. citizen (including dual citizen); (ii) a U.S. resident alien for U.S. tax purposes; (iii) a US partnership; (iv) a U.S. corporation; (v) any U.S. estate; (v) any U.S. trust if: (y) a court within the United States is able to exercise primary supervision over the administration of the trust; or (z) one of more U.S. persons have the authority to control all substantial decisions of the trust; and (vi) any other person that is not a non-US person.</p> <p>Law may restrict subscription to the Series 4 Preferred Shares in certain jurisdictions. Foreign investors interested in subscribing for or purchasing the Series 4 Preferred Shares should inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. Foreign investors, both corporate and individual, shall warrant that their purchase of the Series 4 Preferred Shares will not violate the laws of their jurisdiction and that they are allowed to acquire, purchase and hold the Series 4 Preferred Shares.</p>
Procedure for Application	<p>Application to Purchase for the subscription of Series 4 Preferred Shares may be obtained from the Underwriters or Selling Agents. All applications shall be evidenced by the Application Form, duly executed in each case by an authorized signatory of the applicant and accompanied by two (2) completed signature cards, the corresponding payment for the Series 4 Preferred Shares covered by the Application and all other required documents including documents required for registry with the registrar and depository agent (“Application”). The duly executed Application Form to Purchase and required documents should be submitted to the Underwriters or Selling Agents on or prior to the deadline for submission of Applications for Underwriters and Selling Agents, respectively.</p> <p>If the applicant is a corporation, partnership, or trust account, the Application must be accompanied by the following documents:</p> <ol style="list-style-type: none"> a. a certified true copy of the applicant's latest articles of incorporation and by-laws and other constitutive documents, each as amended to date, duly certified by the corporate secretary (or equivalent officer); b. a certified true copy of the applicant's SEC certificate of

	<p>registration, duly certified by the corporate secretary (or equivalent officer);</p> <ul style="list-style-type: none"> c. a duly notarized corporate secretary’s certificate setting forth the resolution of the applicant’s board of directors or equivalent body authorizing (i) the purchase of the Series 4 Preferred Shares indicated in the Application, and (ii) the designated signatories for the purpose, including their respective specimen signatures d. two (2) specimen signature cards fully completed and signed by the applicant, and certified by the corporate secretary (or equivalent officer); and e. one (1) government issued ID of an individual applicant or signatories for a corporation <p>If the applicant is an individual, two (2) specimen signature cards duly authenticated by the Underwriters or the Selling Agent which forwarded the Application.</p>
<p>Payment for the Preferred Shares</p>	<p>The Series 4 Preferred Shares shall be paid for in full upon submission of the Application. The purchase price must be paid in full in Pesos upon the submission of the duly completed and signed Application and signature cards together with the requisite attachments.</p> <p>Payment for the Series 4 Preferred Shares being subscribed for shall be made either by: (i) cash to be paid in any RCBC branch (ii) personal, corporate or manager check drawn against an account with a Bangko Sentral ng Pilipinas (“BSP”) authorized bank at any of its branches located in Metro Manila to select RCBC branches (RCBC Plaza, One Bonifacio High Street, Tektite and Binondo) (iii) Real Time Gross Settlement (RTGS) and (iv) Fund Transfer from RCBC accounts . The check shall be made to the order of “Megawide Preferred Shares”. The check must be dated on or about (but not later than) the date of the filing of the application and crossed “For Payee’s Account Only”. Applications and proof of the related payments shall be received by the Receiving Agent via email during the Offer Period.</p> <p>Should the Applicant elect to pay through RTGS, the Application should be accompanied by a proof of payment through RTGS in an amount equal to the total Offer Price of the Shares applied for. The RTGS fees shall be for the Applicants’ expense. The soft copies of the applications and the related proof of payments shall be received via email and hard copies shall be submitted to the office of the Stock Transfer Agent within 10 calendar days from Listing Date.</p>
<p>Acceptance/Rejection of Applications</p>	<p>The actual number of Series 4 Preferred Shares that an applicant will be allowed to subscribe for is subject to the confirmation of the Sole Issue Manager, Lead Underwriter and Bookrunner. The Company in consultation with the Sole Issue Manger, Lead Underwriter and Bookrunner reserves the right to accept or reject, in whole or in part, or to reduce any application due to any grounds specified in the underwriting agreement to be entered into by the Company and the Underwriters. Applications which were unpaid or where payments were insufficient and those that do not comply with the terms of the Offer shall be rejected. Moreover, any payment received pursuant to the Application does not constitute as approval or acceptance by the Company of the Application.</p> <p>An Application, when accepted, shall constitute an agreement between the</p>

	<p>applicant and the Company for the subscription to the Series 4 Preferred Shares at the time, in the manner and subject to terms and conditions set forth in the Application Form and those described in the Prospectus. Notwithstanding the acceptance of any Application by the Company, the actual subscription by the applicant for the Series 4 Preferred Shares will become effective only upon listing of the Series 4 Preferred Shares on the PSE and upon the obligations of the Sole Issue Manager, Lead Underwriter and Bookrunner under the issue management and underwriting agreement/s becoming unconditional and not being suspended, terminated or cancelled, on or before the Listing Date, in accordance with the provision of the said agreement/s. If such conditions have not been fulfilled on or before the periods provided above, all Application payments will be returned to the applicants without interest.</p>																				
<p>Refunds for Rejected Applications</p>	<p>In the event that the number of Series 4 Preferred Shares to be allotted to an applicant, as confirmed by the Sole Issue Manager, Lead Underwriter and Bookrunner or Selling Agent, is less than the number covered by its Application, or if an Application is wholly or partially rejected by the Company, then the Company shall refund, without interest, within five (5) Banking Days from the end of the Offer Period, all or a portion of the payment corresponding to the number of Series 4 Preferred Shares wholly or partially rejected. All refunds shall be made through the Selling Agent with whom the applicant has filed the Application at the applicant's risk.</p> <p>The Selling Agents are strongly encouraged to process the refunds via RTGS. However, should the refund be made via check, an Applicant may retrieve such check refund at the office of the relevant Selling Agent with whom the Applicant has filed the Application. Refund checks that remained unclaimed after thirty (30) days from the date such checks are made available for pick-up shall be delivered through registered mail, at the Applicant's risk, to the address specified by the Applicant in the Application.</p> <p>The RTGS fees shall be at the Applicant's expense.</p>																				
<p>Expected Timetable</p>	<p>The timetable of the Offer is expected to be as follows:</p> <table border="1" data-bbox="531 1240 1214 1995"> <tr> <td>SEC en Banc approval and issuance of Pre-effective letter</td> <td>October 7, 2021</td> </tr> <tr> <td>PSE Board Approval</td> <td>October 8, 2021</td> </tr> <tr> <td>Dividend Rate Setting</td> <td>October 8, 2021</td> </tr> <tr> <td>Dividend Rate Announcement</td> <td>October 11, 2021</td> </tr> <tr> <td>Issuance of Permit to Sell and Order of Registration</td> <td>October 12, 2021</td> </tr> <tr> <td>Offer Period</td> <td>October 13- October 19, 2021</td> </tr> <tr> <td>PSE Trading Participants' Submission of Firm Undertaking</td> <td>October 15, 2021</td> </tr> <tr> <td>PSE Trading Participants' Allocation</td> <td>October 18, 2021</td> </tr> <tr> <td>Trading Participants Settlement Date</td> <td>October 19, 2021</td> </tr> <tr> <td>Listing Date and commencement of trading on the PSE</td> <td>October 29, 2021</td> </tr> </table>	SEC en Banc approval and issuance of Pre-effective letter	October 7, 2021	PSE Board Approval	October 8, 2021	Dividend Rate Setting	October 8, 2021	Dividend Rate Announcement	October 11, 2021	Issuance of Permit to Sell and Order of Registration	October 12, 2021	Offer Period	October 13- October 19, 2021	PSE Trading Participants' Submission of Firm Undertaking	October 15, 2021	PSE Trading Participants' Allocation	October 18, 2021	Trading Participants Settlement Date	October 19, 2021	Listing Date and commencement of trading on the PSE	October 29, 2021
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	Any change in the dates included above may be subject to approval of the SEC and PSE, as applicable and other conditions.
Depository Agent	Philippine Depository and Trust Corp.
Independent Auditor	Punongbayan & Araullo
Receiving Agent	Rizal Commercial Banking Corporation- Trust and Investments Group
Registrar	Professional Stock Transfer, Inc.
Selling Agents	PSE Trading Participants
Counsel to the Issuer	Picazo Buyco Tan Fider & Santos
Counsel to the Underwriters	Angara Abello Concepcion Regala & Cruz

RISK FACTORS

An investment in the Series 4 Preferred Shares, as described in this Prospectus, involves a certain number of risks. The price of securities can and does fluctuate, and any individual security may experience upward or downward movements and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made, as a result of buying and selling securities. Past performance is not a guide to future performance and there may be a large difference between the buying price and the selling price of these securities. There may be a large difference between the buying price and the selling price of the Series 4 Preferred Shares.

Investors should carefully consider all the information contained in this Prospectus, including the risk factors described below, before deciding to invest in the Series 4 Preferred Shares. The occurrence of any of the following events, or other events not currently anticipated, may have an adverse effect on our business, financial condition, results of operations, the market price of the Series 4 Preferred Shares and our ability to make dividend distributions to our shareholders. All or part of an investment in the Series 4 Preferred Shares may be lost.

This section entitled "Risk Factors" does not purport to disclose all of the risks and other significant aspects of investing in these securities. The occurrence of any of the events discussed below and any additional risks and uncertainties not presently known to the Company or that are currently considered immaterial could have a material adverse effect on the Company's business, results of operations, financial condition and prospects and on the Series 4 Preferred Shares and the investors may lose all or part of their investment. Prospective investors may request publicly available information on the Series 4 Preferred Shares and the Company from the SEC. Prospective investors should undertake independent research and study the trading of these securities before commencing any trading activity. Prospective investors should seek professional advice if he or she is uncertain of, or has not understood any aspect of the Offer or the nature of risks involved in purchasing, holding and trading the Series 4 Preferred Shares. Each potential investor should consult its own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of an investment in the Series 4 Preferred Shares.

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

RISKS RELATING TO THE COMPANY AND ITS BUSINESS

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

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

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

Megawide seeks to minimize the possible effects of a weak property market by gradually diversifying into the affordable and socialized housing segments, where real consumer demand

lies, and infrastructure projects, which the government is pushing due to its significant multiplier effect on the economy.

In the past three (3) years, Megawide did not experience client-driven project cancellations. In 2020, the Company renegotiated contracts with clients amounting to ₱6.35 billion, citing additional costs brought about by the COVID-19 pandemic, which ended unsuccessfully. This however was replenished quickly as Megawide was able to book new contracts and even achieved a record high order book of ₱68.40 billion by end of the same year.

The on-going situation of the COVID-19 pandemic or any other public health outbreaks or epidemics could have negative effects on the Company's business operations.

Currently, the world is experiencing a global pandemic that has negatively affected economies and industries to varying extent. The pandemic forced businesses to limit or stop their operations. Megawide experienced delays in their construction projects due to lack of raw materials and manpower. It has minimal operations in its Mactan-Cebu International Airport due to the imposed travel ban of the government. In addition, the operations of the Paranaque Integrated Terminal Exchange were temporarily suspended to restrict the movement of people and goods to contain the virus. As of the date of the prospectus, Metro Manila is under Alert Level 4 of the Pilot Implementation of Alert Levels System.

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

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

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

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

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

If any other disease or public health outbreaks occur such as bird flu, polio, SARS, COVID-19 and others spreads in the Philippines, it could have an adverse effect in Megawide's businesses. To mitigate, the Company will create a Response Manual, specifically for the disease in accordance to the government's guidelines. This will ensure business continuity.

The Company exposed to credit risk on its receivables.

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

Megawide follows standard industry practice of receiving a down payment for every awarded contract and subject to progress billing thereafter until project completion. There are some cases when the Company accepts payment terms that are milestone-based, subject also to down payment and prior agreement between parties. There have been no instances in the Company's history of material default or write-off in its receivables, caused by failure to deliver and complete the project, within the terms of the contract, or arising from poor workmanship and operational inefficiencies. As an extra measure, the Company strictly enforces its KYC guidelines and diligently completes the scope of work for every project, based on the details of the contract, to mitigate the risk on collection of receivables.

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

The Company is a party to a number of related party transactions.

In the course of its business activities, RPTs inevitably arise between Megawide and its parent company, subsidiaries, and affiliates (collectively, the "Megawide Group"). These RPTs ordinarily pertain to construction and management services, cash advances, and office space rentals.

Megawide understands that the existence of RPTs may create the perception or possibility of a conflicts of interest to occur. Therefore, Megawide has adopted the Related Party Transactions Policy (the "Policy"), in accordance with Memorandum Circular No. 10, Series of 2019, of the Securities and Exchange Commission ("SEC"), to ensure that all RPTs are at an arm's length basis for the protection of Megawide's stakeholders. Under the Policy, the Audit and Compliance Committee of Megawide monitors and reviews all RPTs. Additionally, RPTs falling within certain thresholds require the approval of the Chief Executive Officer and the Board of Director. Megawide has also defined material RPTs as that exceeding one percent (1%) of its consolidated assets, which is more stringent than that recommended by the SEC of ten percent (10%) of a company's total assets. Finally, Megawide fully discloses all RPTs to its stakeholders and regulators through its financial statements and annual reports. (See "*Related Party Transactions*")

On July 8, 2020, the BIR issued Revenue Regulation No. 19-2020 on the New BIR Form No. 1709 – Information Return on Transactions with Related Party to ensure that proper disclosures of related party transactions are made and that these transactions have been conducted at arm's length so as to protect the tax base, there should be an effective implementation of Philippine Accounting Standards (PAS) 24, Related Party Disclosures, for tax purposes. This Revenue Regulation requires the submission of BIR Form No. 1709 and its supporting documents following the guidelines prescribed by the related revenue issuances for the submission of the required attachments to the Annual Income Tax Returns. On December 18, 2020, the BIR issued Revenue Regulation No, 34-2020 which streamlined the guidelines and procedures for submission of BIR Form No. 1709, Transfer Pricing Documentation ("TPD") and other supporting documents by providing safe harbors and materiality thresholds. The Company has complied with the requirements of the aforementioned revenue regulations.

The Philippine Construction Industry is subject to extensive regulation by the Government.

The Megawide Group is subject to a number of laws, rules, and regulation, which includes the need to secure and maintain franchises, permits, licenses, clearances, and other regulatory requirements with the SEC, BIR, PCAB, etc. (collectively, "Regulatory Requirements"). The Megawide Group's compliance with all Regulatory Requirements is necessary for the regular conduct of its business. Hence, the Megawide Group has established the Regulatory Requirements Compliance Procedure (the "Procedure") in 2020, which provides an electronic web application and framework to monitor, track, maintain, and/or renew its Regulatory Requirements and view its status in real time. Thus far, the Procedure has proven to be an effective tool in ensuring that the Megawide Group secures its Regulatory Requirements in a timely manner; thereby, preventing or reducing any penalties or disruptions in its operations.

RISKS RELATING TO THE CONSTRUCTION SEGMENT

The construction industry is facing a skilled labor shortage.

The construction industry has persistently experienced a shortage of skilled manpower due primarily to overseas employment and lack of institutional support leading to the sector's under development. Since skilled labor supply is low and the demand is high especially for specialized projects, direct labor costs may increase and such may impact the Company's profitability.

While Megawide is affected by this industry phenomenon, the Company has a natural mitigant due to its high technology and state-of-the-art building systems, particularly the use of pre-cast technology, which utilizes less human labor than traditional construction methodologies employed by other players. The Company partners with various architectural and engineering schools and offers scholarships to potential architects and engineers to eventually become members of the team and seeks out distinguished foreign technical partners in joint venture partnership for technical collaboration.

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

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

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

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

Megawide ensures to deliver quality and satisfactory work to its clients at all times, based on the terms of the contract. The Company's brand equity may be damaged if it fails to deliver the project on time or based on specifications. In addition, the required safety guidelines under the new normal may affect productivity and project timelines.

As a safeguard, Megawide has a project management team composed of well-trained and experienced technical managers that implement measures to supervise the project's progress, schedules, and quality and ensure a smooth workflow. In addition, contracts with suppliers and subcontractors are covered by warranties, through guarantee, surety, and performance bonds and liability insurance, for workmanship and requirements for timely completion. There have been no instances in the Company's history of material default or write-off in its receivables, caused by failure to deliver and complete the project, within the terms of the contract, or arising from poor workmanship and operational inefficiencies.

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

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

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

Megawide extends credit terms to its clients, which it strictly follows to ensure that receivables remain current as much as possible. In a worst-case scenario, the Company has a sound financial position and has established credit lines with several financial institutions from which it is able to obtain loans to finance its working capital requirements.

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

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

RISKS RELATING TO THE AIRPORT (MCIA) SEGMENT

Modernization of existing and opening of new airports in the country

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

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

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

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

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

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

The Province of Cebu is the second most populous and largest economy in the Philippines outside of the National Capital Region. It is also home to a world-class furniture business and one of the preferred Business Process Outsourcing ("BPO") locations across the globe. With

the limited movement of goods and people due to community quarantines imposed to arrest the spread of the COVID-19 virus, trade and commerce will slow down and commercial travel will likely be reduced.

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

RISKS RELATING TO THE LANDPORT (PITX) SEGMENT

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

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

Long-term contract with office tenant may be affected by anti-POGO sentiments.

The office complex on top of the terminal is mainly leased out to the Philippine Online Gaming Operations (“**POGO**”) segment, contributing to 3.8% of Megawide consolidated revenues as of June 2021, which is allowed to operate under the GCQ guidelines. The continued presence of anti-POGO sentiments, however, coming from some sectors of society put pressure on the sustainability of the long-term contracts with these tenants.

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

RISK RELATING TO PROJECTS WITH ORIGINAL PROPONENT STATUS

Megawide has submitted several unsolicited and solicited proposals to the national and local governments and has been granted the Original Proponent Status (“OPS”). These projects under OPS are still under evaluation and will need to undergo the proper procedures, such as the Swiss Challenge, before being officially awarded to the Company. An OPS status provides an advantage over competing bidders as the OPS holder has the right to match competing bids on the project.

Until such process is completed, the projects remain at risk of not being awarded to the Company. Megawide’s long term strategies may evolve subject to opportunities and successful awarding of new projects. Megawide is closely coordinating with the government and all its agencies for the compliance of all the requirements relating to the OPS.

RISKS RELATING TO THE COMPANY’S SERIES 4 PREFERRED SHARES

The Series 4 Preferred Shares may not be a suitable investment for all investors.

Each potential investor in the Series 4 Preferred Shares must determine the suitability of that investment given its own features and circumstances. Each investor should:

- have sufficient knowledge and experience to make an evaluation of the Series 4 Preferred Shares, the merits and risks of relating to Series 4 Preferred Shares and the information contained in the Prospectus;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Series 4 Preferred Shares;

- understand thoroughly the terms of the Series 4 Preferred Shares and be familiar with the behavior of any relevant financial markets;
- have access to and knowledge of, appropriate tools to evaluate an investment in the Series 4 Preferred Shares and the impact the Series 4 Preferred Shares will have on its overall investment portfolio; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate, foreign exchange rate and other factors that may affect its investment and its ability to bear the applicable risks

The market price of the Series 4 Preferred Shares may be volatile, which could cause the value of investors' investments in the Series 4 Preferred Shares to decline.

The market price of our Series 4 Preferred Shares may be affected by multiple factors, including:

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

In addition, many of the risks described elsewhere in this Prospectus could adversely affect the market price of the Series 4 Preferred Shares. As a result of recent global economic downturns, the global equity markets have historically experienced price and volume volatility that has affected the share prices of many companies. Share prices for many companies have experienced wide fluctuations that have often been unrelated to the operating performance of those companies. Fluctuations such as these could adversely affect the market price of our Shares.

The dividends on the Series 4 Preferred Shares may not be paid in full or in part.

Dividends on the Series 4 Preferred Shares may not be paid in full or in part. Under the terms and conditions governing the Series 4 Preferred Shares, the Company may pay no dividends or less than full dividends on a Dividend Payment Date. Holders of the Series 4 Preferred Shares will not receive dividends on a Dividend Payment Date or for any period during which the Issuer does not have unrestricted retained earnings out of which the dividends will be paid.

If the profits available for distribution as cash dividends are, in the opinion of the Board of Directors, not sufficient to enable Megawide to pay in full cash dividends on the Series 4 Preferred Shares and cash dividends that are scheduled to be paid on or before the same date on Comparable Shares, Megawide is required to pay cash dividends on the Series 4 Preferred Shares and any Comparable Shares *pro rata* to the amount of the cash dividends scheduled to be paid to the Series 4 Preferred Shares and the Comparable Shares, respectively. For purposes of this paragraph, the amount scheduled to be paid shall include all dividends due on such Dividend Payment Date as well as all Dividends in Arrears.

The Series 4 Preferred Shares are subordinate to the Issuer's other indebtedness.

Megawide's obligations in respect of the Series 4 Preferred Shares are subordinated to all of the Company's indebtedness, and it will not make any payments under the Series 4 Preferred Shares unless it can satisfy in full all of its other obligations that rank senior to the Series 4 Preferred Shares.

Megawide's obligations under the Series 4 Preferred Shares are unsecured and will, in the event of the winding-up of the Company, rank junior in right of payment to all indebtedness of the Company and junior in right of payment to securities of, or claims against, the Company

which rank or are expressed to rank senior to the Series 4 Preferred Shares. Accordingly, Megawide's obligations under the Series 4 Preferred Shares will not be satisfied unless Megawide can satisfy in full all of its other obligations ranking senior to the Series 4 Preferred Shares.

There are no terms in the Series 4 Preferred Shares that limit Megawide's ability to incur additional indebtedness, including indebtedness that ranks senior to or *pari passu* with the Series 4 Preferred Shares.

There may be insufficient distributions upon liquidation.

In the event of liquidation, the Series 4 Preferred Shares shall rank ahead of the common shares.

Upon any voluntary or involuntary dissolution, liquidation or winding up of Megawide, holders of Series 4 Preferred Shares will be entitled only to the available assets of the Company remaining after the Company's indebtedness is satisfied. If any such assets are insufficient to pay the full amount due to the holders of the Series 4 Preferred Shares, then holders of Series 4 Preferred Shares shall share ratably in any such distribution of assets in proportion to the full distributions to which they would otherwise be respectively entitled.

The ability to make payments to the holders of Series 4 Preferred Shares is limited by the terms of Megawide's other indebtedness.

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

In relation to item (2) of the preceding paragraph, Megawide has and will continue to have a certain amount of outstanding indebtedness. The current terms of Megawide's financing agreements contain provisions that could limit the ability of the Company to make payments on the Series 4 Preferred Shares. For example, if Megawide is in default on its payment obligations to one or more of its lenders, or if it is non-compliant with certain covenants and such non-compliance is uncured for a period of thirty (30) days, the Company may be prohibited from making cash payments in respect of the Series 4 Preferred Shares. Also, Megawide may in the future, directly or indirectly through its subsidiaries, enter into other financing agreements which may restrict or prohibit the ability of the Company to make payments on the Series 4 Preferred Shares. There can be no assurance that existing or future financing arrangements will not adversely affect Megawide's ability to make payments on the Series 4 Preferred Shares.

The Series 4 Preferred Shares have no fixed maturity date and Megawide has the sole right to Redemption.

The Series 4 Preferred Shares have no fixed maturity date, and the Series 4 Preferred Shares are not repayable in cash unless the Issuer, at its sole discretion, redeems them for cash. Furthermore, holders of the Series 4 Preferred Shares have no right to require the Issuer to redeem the Series 4 Preferred Shares. The Series 4 Preferred Shares are only redeemable at the option of the Issuer on the Optional Redemption Date, or at any time, if an Accounting Event or Tax Event has occurred and is continuing. Accordingly, if a Series 4 Preferred Share holder wishes to obtain the cash value of the investment, the holder will have to sell the Series 4 Preferred Shares in the secondary market.

There will be no mandatory redemption date for the Series 4 Preferred Shares.

There may be a possibility that that the Shares may not be listed with the PSE hence there will be no available market for the Shares.

Retail and institutional investors will be required to settle for the Shares on the last day of the Offer Period and the day before the Listing Date, respectively. There is no assurance that the Shares will be listed on the scheduled Listing Date or at all. Previous issuances have been delayed or rescheduled due to various circumstances. If the PSE does not list the Shares, the investors will not be able to trade and the market for the Shares will be illiquid.

To mitigate, the Underwriters and the Issuer will coordinate closely with the PSE to meet the target schedule. However, if unforeseen events will occur, the Underwriters will work to list the shares as soon as it permits.

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

The Philippine securities markets are substantially less liquid and more volatile than major securities markets in other jurisdictions and are not as highly regulated or supervised as some of these other markets. The Company cannot guarantee that the market for the Series 4 Preferred Shares will always be active or liquid upon commencement of their trading on the PSE. The nationality restriction on ownership of the Series 4 Preferred Shares may also restrict the trading and liquidity of the Shares.

There may be a limited market for the Series 4 Preferred Shares so there may be limited liquidity in the market.

The Underwriters are not obligated to create a trading market for the Series 4 Preferred Shares and any such market making will be subject to the limits imposed by applicable law, and may be interrupted or discontinued at any time without notice. Accordingly, the Company cannot predict whether an active or liquid trading market for the Series 4 Preferred Shares will develop or if such a market develops, if it can be sustained. Consequently, a holder may be required to hold his Series 4 Preferred Shares for an indefinite period of time or sell them for an amount less than the Offer Price.

Non-payment of dividends may affect the Trading Price of the Series 4 Preferred Shares.

If dividends on the Series 4 Preferred Shares are not paid in full, or at all, the Series 4 Preferred Shares may trade at a lower price than they might otherwise have traded if dividends had been paid. The sale of Series 4 Preferred Shares during such a period by a holder of Series 4 Preferred Shares may result in such holder receiving lower returns on the investment than a holder who continues to hold the Series 4 Preferred Shares until dividend payments resume. In addition, because of the dividend limitations, the market price for the Series 4 Preferred Shares may be more volatile than that of other securities that do not have these limitations.

Holders of Series 4 Preferred Shares may not be able to reinvest at a similar return on investment.

On the Step Up Date, or any Dividend Payment Date thereafter, or at any time redemption due to a Tax Event occurs, Megawide may redeem the Series 4 Preferred Shares for cash at the redemption price, as described in "*Description of the Shares*". At the time of redemption, interest rates may be lower than at the time of the issuance of the Series 4 Preferred Shares and, consequently, the holders of the Series 4 Preferred Shares may not be able to reinvest the proceeds at a comparable rate of return or purchase securities otherwise comparable to the Series 4 Preferred Shares.

The Series 4 Preferred Shares have no voting rights.

Holders of Series 4 Preferred Shares will not be entitled to elect the Directors of the Company. Except as provided by Philippine law, holders of Series 4 Preferred Shares will have no voting rights (see "*Description of the Shares*").

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

Under Philippine law, no franchise, certificate, or any other form of authorization for the operation of public utility shall be granted except to citizen of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens. The Philippine Constitution also limits ownership of land in the Philippines to Filipino citizens or to corporations the outstanding capital stock of which is at least sixty percent (60%) owned by Philippine Nationals. While the Philippine Constitution prescribes nationality restrictions on land ownership, there is generally no prohibition against foreigners owning building and other permanent structures. However, with respect to condominium developments, the foreign ownership of units in such developments is limited to forty percent (40%). Accordingly, the Series 4 Preferred Shares may be owned or subscribed by or transferred to any person, partnership, association or corporation regardless of nationality, provided that at any time at least 60% of the Company's outstanding capital stock shall be owned by citizens of the Philippines or by partnerships, associations or corporations, 60% of the voting stock or voting power, and 60% of the total number of outstanding shares of stock, of which is owned and controlled by citizens of the Philippines as set out in applicable regulations.

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

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

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

The Series 4 Preferred Shares may be affected by the Passive Income and Financial Intermediary Taxation Act (PIFITA).

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

In case PIFITA is signed into law in its current form whereby taxes on dividends and interest will be harmonized at 15%, the prospective individual investors will see their net dividends decrease as a result of increase in dividend tax rate (10% to 15%). Further, while said increase in dividend tax is categorized as a Tax Event, the prospective investors cannot be assured that the Series 4 Preferred Shares will be redeemed by the Issuer, as redemption is deemed optional on the part of the Issuer.

Furthermore, Package 2: Corporate Recovery and Tax Incentives for Enterprises (CREATE) which was passed has a favorable impact to the Company's financial performance due to the reduction in the corporate income tax rate. Package 3: Real Property Valuation Reform, on the other hand, will have minimal impact on the Company's financial position considering that the

Company's major business interests discussed in this Prospectus do not require significant or have limited real estate ownership.

RISKS RELATING TO THE PHILIPPINES

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

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

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

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

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

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

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

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

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

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

Generally, Philippine residents may freely dispose of their foreign exchange receipts and foreign exchange may be freely sold and purchased outside the Philippine banking system. The Monetary Board of the BSP, with the approval of the President of the Philippines, has statutory authority in the imminence of or during a foreign exchange crisis or in times of national emergency to: (i) suspend temporarily or restrict sales of foreign exchange; (ii) require licensing

of foreign exchange transactions; or (iii) require delivery of foreign exchange to the BSP or its designee banks. The Philippine government has, in the past, instituted restrictions on the conversion of Pesos into foreign currency and the use of foreign exchange received by Philippine residents to pay foreign currency obligations.

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

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

Natural catastrophes may disrupt Megawide's ability to deliver its services and impair the economic conditions in the affected areas, as well as the overall Philippine economy. The Philippines has also experienced power outages from power generation shortages and transmission problems, and from disruptions such as typhoons and floods. These types of events may materially disrupt and adversely affect Megawide's business and operations. Prospective investors cannot be assured that the insurance coverage maintained by Megawide will adequately compensate for all damages and economic losses resulting from such natural catastrophes, blackouts or possible business interruptions.

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

Territorial disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment.

The Philippines, China and several Southeast Asian nations have been engaged in a series of long standing territorial disputes over certain islands in the West Philippine Sea, also known as the South China Sea. The Philippines maintains that its claim over the disputed territories is supported by recognized principles of international law consistent with the United Nations Convention on the Law of the Sea ("UNCLOS"). The Philippines made several efforts during the course of 2011 and 2012 to establish a framework for resolving these disputes, calling for multilateral talks to delineate territorial rights and establish a framework for resolving disputes.

In July 2016, the UNCLOS tribunal rendered a decision stating that the Philippines has exclusive sovereign rights over the West Philippine Sea (in the South China Sea) and that China's claim over the same area is invalid. Despite the decision, the Chinese Government has maintained its position that the Tribunal has no jurisdiction over the dispute, and thus, the decision is not binding on the Chinese Government.

In March 2021, more than 180 Chinese military vessels were spotted on Julian Felipe Reef in the West Philippine Sea. The presence of the vessels defied a diplomatic protest and demand for the vessels to leave the area, issued by Philippine Defense Secretary Delfin Lorenzana.

Newly elected President Joe Biden has manifested that the United States would not be easing up its military operations in the West Philippine Sea. Southeast Asian nations and claimants involved in West Philippine Sea dispute also continue to enforce their sovereign rights against China as well as other Southeast Asian nations.

Should these territorial disputes continue or escalate further, the Philippines and its economy may be disrupted and the Company's operations could be adversely affected as a result. In particular, this may lead both countries to impose trade restrictions on the other's imports. The Philippines' interests in fishing, trade and offshore drilling, the volume of trade between the Philippines and China, and the supply of steel available to the Philippines may be adversely affected, which in turn may affect, among other things, real estate and infrastructure development and general economic and business conditions in the Philippines.

RISKS RELATING TO PENDING MATERIAL LEGAL PROCEEDINGS

The Company's finances may be negatively affected should any of the claims for sum of money be granted.

The Company's finances will be adversely affected should the legal proceedings involving claims for sum of money be decided against it. Moreover, the institution of a legal proceeding by or against a client may lead to the termination of the relevant contract, which means that the Company may no longer be entitled to the entire value of such contract or recover its costs and expenses.

To avoid or mitigate this, the Company strives to diligently fulfill all its commitments and obligations under each contract in order to prevent undue claims and legal proceedings from arising. Further, the Company has obtained a directors and officers liability insurance policy to cover the costs of protecting its directors and officers against such legal proceedings. Moreover, the Company also engages expert legal counsels to actively defend and protect the interest of the Company.

The operation of the Company's construction sites may be stalled should its license as a contractor be suspended or revoked.

Under Republic Act No. 4566 or the Contractor' License Law ("R.A. No. 4566"), no contractor, sub-contractor, and specialty contractor shall engage in the business of contracting without first having secured a license to conduct business from the Philippine Contractors Accreditation Board ("PCAB"). Also, all architects and engineers preparing plans and specifications work to be contracted in the Philippines shall stipulate in the invitation to bidders, whether a resident of the Philippine or not, that any bidder (contractor, sub-contractor, and specialty contractor) must have a license before its bid will be considered. As such, the Company's continued possession of its PCAB license is integral to its construction business.

In this regard, the case of AsiaTech Development and Builders Corp. ("AsiaTech") vs Megawide Construction Corporation may lead to the suspension or revocation of the Company's PCAB license, should this be decided in favor of AsiaTech.

To avoid or mitigate this risk, the Company ensures that it meets all the requirements under R.A. No. 4566, especially with regard to the qualifications for a PCAB License. The Company has also engaged expert legal counsels who actively defend and protect the interest of the Company.

The Company's goodwill or relationship with its clients and subcontractors may be negatively affected due to the issues which brought about the material legal proceedings.

The institution of legal proceedings by or against the Company's clients and subcontractors may lead to the impairment of the goodwill or severance of the relationship between the parties.

To mitigate this, the Company has diversified its pool of clients and subcontractors to avoid concentration risks, and continues to build strong relationships with new ones. Moreover, the Company strives to diligently fulfill all its commitments and obligations under each contract in order to prevent undue claims and legal proceedings from arising.

With regard to the alleged violation of the Anti-Dummy Law case, GMR Megawide Cebu Airport Corporation ("GMCAC"), the Company's subsidiary, may lose its franchise to operate the Mactan Cebu International Airport ("MCIA").

Should the alleged violation of the Anti-Dummy Law case be decided against GMCAC in the case of NBI Anti-Fraud Division vs. Atty. Steve Diccican, Manuel Louie B. Ferrer, et. al., its franchise to operate MCIA may be revoked. Even worse, the directors and officers involved may be imprisoned.

To avoid or mitigate this, GMCAC ensure that it meets all the conditions under the Concession Agreement with the Department of Transportation for the operation of MCIA, which includes

compliance with the Anti-Dummy Law. Furthermore, the Company and GMCAC have both obtained directors and officers liability insurance policy to cover the costs of protecting their directors and officers against such legal proceedings. Furthermore, the Company and GMCAC have also engaged expert legal counsels to actively defend GMCAC, including the directors and officers involved.

The suspension of the Company's licenses and franchises may negatively affect its reputation and impact its future transactions.

The suspension of the Company's licenses and franchises may prohibit it from conducting its business and undertaking future transactions, which will eventually lead to the closure of the Company. Moreover, its reputation in the industries it operates in may be negatively affected since the suspension of such license or franchise may mean that the Company has committed an illegal act, or an infraction of the law.

To avoid or mitigate this, the Company ensures that it always complies with applicable laws, rules, and regulations, and that it strictly complies with all the requirements, qualifications, terms, and conditions of its licenses and franchises. Additionally, as a publicly listed company, the Company has an Investor Relations Team that proactively manages its investor relations program to enhance and promote the Company's reputation and good will.

USE OF PROCEEDS

Megawide expects to raise gross proceeds amounting to ₱3,000,000,000.00 from the Offer. In the event that the Oversubscription Option is exercised in full, the Company expects to raise gross proceeds from the Offer of ₱4,000,000,000.00.

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

	Without Oversubscription (in ₱)	With Oversubscription (in ₱)
SEC Registration Fees	1,578,125.00	1,578,125.00
PSE Processing and Listing Fees	4,480,000.00	4,480,000.00
Documentary Stamp Tax	300,000.00	400,000.00
Underwriting Fees	9,000,000.00	12,000,000.00
Selling Fees	6,000,000.00	8,000,000.00
Legal Fees	4,480,000.00	4,480,000.00
Receiving Agency Fees	616,000.00	616,000.00
Stock Transfer Fees	616,000.00	616,000.00
Printing and IC Application Fees	118,000.00	118,000.00
Total Estimated Expenses	27,188,125.00	32,288,125.00

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

Megawide expects the net proceeds from the Offer to be ₱2,972,811,875.00 or ₱3,967,711,875.00 assuming the Oversubscription Option is fully exercised, after deducting the above expenses.

The net proceeds for this Offer will be used to fully redeem the Series 1 Preferred Shares which can be redeemed on any dividend payment date. The Series 1 Preferred Shares dividend payment dates are March 3, June 3, September 3 and December 3 of each year.

The Issuer may redeem the Series 1 Preferred Shares in whole (not in part), as and if declared by the Board, on the First Optional Redemption Date (December 3, 2019) or on any Dividend Payment Date thereafter (each of the First Optional Redemption Date and the Dividend Periods thereafter, an "Optional Redemption Date") after giving not less than thirty (30) nor more than sixty (60) calendar days prior written notice to the shareholders of the Series 1 Preferred Shares, through the Stock Transfer Agent, and the PSE and SEC, as may be required.

The Series 1 Preferred Shares to be redeemed has an issue price of ₱100.00 per share worth an aggregate amount of ₱4,000,000,000 plus all dividends due on such Optional Redemption Date.

The Company will use internally generated cash and other programmed funding to cover the difference between the net proceeds from the Offer and the amount of Series 1 Preferred Shares to be redeemed. In case the Offer does not materialize, the Company will use internally generated cash and other programmed funding to finance the redemption of the Series 1 Preferred Shares.

The net proceeds of the Series 1 Preferred Shares were used by the Issuer to finance various Public-Private Partnership ("PPP") projects such as the Mactan-Cebu International Airport ("MCIA"), Parañaque Integrated Terminal Exchange ("PITX"), Public School Infrastructure Project ("PSIP") Phase II, and Clark International Airport.

The details of allocation and use of proceeds of the Preferred Shares Series 1 are as follows:

Projects	Allocation (in ₱)
Mactan-Cebu International Airport	1,184,173,962.50
Parañaque Integrated Terminal Exchange	1,492,086,981.25
Privatization of Airports	110,542,553.28
Public School Infrastructure Project (PSIP) Phase II	542,878,283.13
Project Development of Renewable Energies	31,775,537.75
Regional Prison Facilities	23,962,320.22
Clark International Airport	553,054,644.69
Total Net Proceeds	3,938,474,282.82

While awaiting disbursements, the Company may deposit the funds in time deposits or special deposit accounts and/or invest the same in Philippine government Peso-denominated securities. The Company will not use any portion of the proceeds to reimburse any of its officers, directors, employees or shareholders for services rendered, asset previously transferred, or money loaned or advanced. Other than the fees relating to the underwriting and issue management of the Company, the Company will not use the proceeds to pay any financial obligations with the Underwriters and its affiliates.

The foregoing discussion represents a best estimate of the use of proceeds of the Offer based on the Company's current plans and anticipated expenditures. In the event there is any change in the Company's development plan, including force majeure, market conditions and other circumstances, the Company will carefully evaluate the situation and may reallocate the proceeds for future investments or other uses, and/or hold such funds in investments, whichever is better for the Company's and its shareholders' interest taken as a whole. The Company's cost estimates may also change as these plans are developed further, and actual costs may be different from budgeted costs. For these reasons, timing and actual use of the net proceeds may vary from the foregoing discussion and the Company's management may find it necessary or advisable to alter its plans. In the event of any substantial deviation, adjustment or reallocation in the planned use of proceeds, the Company shall inform the SEC and the stockholders in writing at least 30 days before such deviation, adjustment or reallocation is implemented.

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

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

DETERMINATION OF THE OFFER PRICE

The Offer Price of ₱100.00 is at a premium to the Series 4 Preferred Shares par value per share of ₱1.00. The Offer Price was arrived at by dividing the desired gross proceeds of up to ₱4,000,000,000 by the target Offer Shares.

At the same time, the Issuer in consultation with the Underwriters, also took into consideration the offer prices of the Series 1, Series 2A and Series 2B Preferred Shares, which are currently listed in the PSE. These Preferred Shares are listed and traded on the PSE under the stock symbol “**MWP**”, “**MWP2A**” and “**MWP2B**”, respectively.

As of October 8, 2021, the closing prices of the outstanding Preferred Shares are as follows:

Preferred Shares	Closing Price
MWP	₱101.50
MWP2A	₱103.00
MWP2B	₱102.00

DILUTION

The Company is offering to the public 30,000,000 Series 4 Preferred Shares, with an Oversubscription Option of up to an additional 10,000,000 Series 4 Preferred Shares with a par value of ₱1.00 per share to be issued from unissued Non-Voting Preferred Share Capital. The issuance of the Shares will not have any dilutive effect on the earnings per Common Share ("**EPS**") of the Company, since the Preferred Shares are not convertible to Common Shares. Therefore, the outstanding number of Common Shares that will be used in computing the EPS will not change.

PLAN OF DISTRIBUTION

Megawide plans to issue the Series 4 Preferred Shares to institutional and retail investors through a public offering to be conducted through the Underwriters.

THE OFFER

The offer by the Company of the Series 4 Preferred Shares is purely domestic and will not include an international offering. RCBC Capital has been appointed by the Company to act as Sole Issue Manager, Lead Underwriter and Bookrunner and PNB Capital as Co-Lead Underwriter, together the "Underwriters" for the Offer. The Trading Participants, who are member-brokers of the PSE, shall act as Selling Agents for the Offer, pursuant to the PSE's rules and regulations.

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

OBLIGATIONS OF THE UNDERWRITERS AND SELLING AGENTS

In accordance with the Underwriting Agreement to be entered into with Megawide, the Underwriters have agreed to underwrite 30,000,000 of Series 4 Preferred Shares at the Offer Price on a firm basis, and to distribute and sell the Series 4 Preferred Shares in the Offer, subject to the satisfaction of certain conditions, in consideration for certain fees and expenses.

The Underwriters have committed to underwrite the Offer up to the amount indicated below

RCBC Capital	₱ 2,500,000,000.00
PNB Capital	₱ 500,000,000.00
Total	₱ 3,000,000,000.00

The underwriting and selling fees to be paid by the Company to the Sole Issue Manager, Lead Underwriter and Bookrunner in relation to the Offer shall be equivalent to 0.50% of the gross proceeds of the Offer. This shall be inclusive of underwriting fees to be paid to the Co-Lead Underwriter and Selling Agents, if any, and commissions to be paid to the Trading Participants of the PSE, which shall be equivalent to 0.125% of the total proceeds of the sale of Series 4 Preferred Shares by such Trading Participant. The 0.125% commissions of the Trading Participant shall be inclusive of VAT and will be paid to the Trading Participants less any applicable withholding tax.

The Underwriters are duly licensed by the SEC to engage in underwriting or distribution of the Series 4 Preferred Shares. The Underwriters may, from time to time, engage in transactions with and perform services in the ordinary course of its business for Megawide or any of its subsidiaries.

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

The Underwriters have no contract or other arrangement with Megawide by which it may return to Megawide any unsold Series 4 Preferred Shares.

The Sole Issue Manager, Lead Underwriter and Bookrunner may enter into other sub-underwriting agreements with other underwriters who may want to participate in the issuance. There is no agreement for any of the Underwriters to put back to Megawide any unsold Series 4 Preferred Shares. Megawide further grants the Sole Issue Manager, Lead Underwriter and Bookrunner an option, exercisable within the Offer Period, to subscribe, on a firm basis, up to an additional 10,000,000 Series 4 Preferred Shares, on the same terms and conditions set forth in this Prospectus, solely to cover oversubscriptions, if any. In case the Oversubscription Option is exercised, the Series 4 Preferred Shares pursuant to the said Oversubscription Option will be allocated on a daily basis to the Underwriters based on actual demand. In the event the Oversubscription Option is not exercised, it is deemed cancelled and the filing fee for that oversubscription is forfeited.

Sole Issue Manager, Lead Underwriter and Bookrunner

RCBC Capital is a licensed investment house providing a complete range of capital raising and financial advisory services. Established in 1974, RCBC Capital has over 47 years of experience in the underwriting of equity, quasi-equity and debt securities, as well as in managing and arranging the syndication of loans, and in financial advisory. RCBC Capital is a wholly-owned subsidiary of the Rizal Commercial Banking Corporation and a part of the Yuchengco Group of Companies, one of the country's largest fully integrated financial services conglomerates. Prior approval from the SEC is required to effect a termination of the Underwriting Agreement.

Co-Lead Underwriter

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

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

SALE AND DISTRIBUTION

The distribution and sale of the Series 4 Preferred Shares shall be undertaken by the Underwriters who shall sell and distribute the Series 4 Preferred Shares to third party buyers/investors. The Sole Issue Manager, Lead Underwriter and Bookrunner is authorized to organize a syndicate of sub-underwriters, soliciting dealers and/or agents for the purpose of the Offer.

Of the 30,000,000 Series 4 Preferred Shares to be offered, 80% or 24,000,000 shares are being offered through the Underwriters for subscription and sale to Qualified Institutional Buyers and the general public. The Company plans to make available 20% or 6,000,000 shares for distribution to the respective clients of the 125 Trading Participants of the PSE, acting as Selling Agents. Each Trading Participant shall be allocated 48,000 shares ("Allocation Per TP") (computed by dividing the Shares allocated to the Trading Participants by 125). Trading Participants may undertake to purchase more than the Allocation per TP. Any requests for shares in excess of the Allocation per TP may be satisfied via the reallocation of any Preferred Shares not taken up by other Trading Participants. Each participating Trading Participant shall accept the terms and conditions of the Offer as set out in this Prospectus.

Any Series 4 Preferred Shares allocated to the Trading Participants but not taken up by them, will be allocated first to the Trading Participants who subscribed for their full allotment and indicated additional demand, at the sole discretion of the Sole Issue Manager, Lead Underwriter and Bookrunner.

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

Prior to the close of the Offer Period, any Series 4 Preferred Shares not taken up by the Trading Participants shall be distributed by the Underwriters directly to their clients and the general public.

All Series 4 Preferred Shares not taken up by the Trading Participants, the general public and the Underwriters' clients shall be purchased by the Underwriters pursuant to the terms and conditions of the Underwriting Agreement. Nothing herein or in the Underwriting Agreement shall limit the rights of the Underwriters from purchasing the Series 4 Preferred Shares for their own respective accounts.

The Underwriters commit to underwrite, jointly and not solidarily, the Firm Shares and nothing in the Underwriting Agreement shall be deemed to create a partnership or joint venture between and among any of the Underwriters.

TERM OF APPOINTMENT

The engagement of the Underwriters shall subsist so long as the SEC's permit to sell the Series 4 Preferred Shares remains valid, unless otherwise terminated by the Company and any of the Underwriters.

The Underwriting Agreement may be terminated by the Underwriters prior to payment being made to the Company of the net proceeds of the Series 4 Preferred Shares under certain circumstances such as (a) a cancellation order from a Government authority, (b) a change or an impending change of law that would materially and adversely affect Megawide's profitability or (c) financial, political or economic conditions in the Philippines which would materially and adversely affect the Offer.

ALLOCATION PROCESS

Mechanics of Distribution

1. Upon preparation of the Firm Undertaking report, the Sole Issue Manager, Lead Underwriter and Bookrunner shall input the number of Offer Shares requested by each TP in a spreadsheet designed for the reservation and allocation of the Offer Shares.
2. The spreadsheet shall distribute the total number of Offer Shares to be allocated to each Participating TP in accordance with the following process:
 - a. If the total number of Offer Shares requested by a Participating TP, based on its Firm Undertaking, does not exceed the allocation per TP, the Sole Issue Manager, Lead Underwriter and Bookrunner shall fully satisfy the request of such participating TP who signified its commitment to purchase Offer Shares less than or equal to the TP Allocation. The balance, if any, shall be re-distributed among those who have signified a commitment to purchase more than the Allocation per TP in their Firm Undertaking until all the Offer Shares allotted for distribution are fully allocated.
 - b. If the total number of Offer Shares requested by a Participating TP exceeds the allocation per TP, additional Shares may be sourced from the Offer Shares not taken up by the other TPs. The assigned Sole Issue Manager, Lead Underwriter and Bookrunner shall allocate the Offer Shares to Participating TPs by: (i) fully satisfying the orders to those TPs who have Firm Orders that are less than or equal to the allocation per TP; and (ii) distributing equitably the remaining TP Allocation to other TPs with orders for additional Shares, but only up to their respective Firm Order.
 - c. The allocation will be done based on the total number of shares, regardless of the series.
 - d. In no case shall any Participating TP be awarded more than the shares indicated in its Firm Undertaking
 - e. If the aggregate number of Offer Shares requested by Participating TPs who submitted a Firm Undertaking is less than the total Offer Shares allotted for distribution through the TPs, the balance shall be returned to the Underwriters.

3. The PSE Listings department will confirm and verify the final TP allocation report via email.
4. All deadlines indicated in these procedures shall be strictly followed.

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

APPLICATION TO PURCHASE

All Applications to Purchase of the Series 4 Preferred Shares shall be evidenced by a duly completed and signed Application to Purchase, together with two fully executed specimen signature cards authenticated by the Corporate Secretary with respect to corporate and institutional investors. The purchase price must be paid in full in Pesos upon the submission of the duly completed and signed Application to Purchase and specimen signature card together with requisite attachments. Payment for the Series 4 Preferred Shares shall be made by (i) over the counter payment via cash to any RCBC branches (ii) over the counter payment via manager's check/cashier's check, corporate check or personal check drawn against any BSP authorized bank or any branch thereof. All checks should be made payable to "**Megawide Preferred Shares**", crossed "Payee's Account Only" and dated on or before the date of the submission of the Application. Checks should be deposited to select RCBC branches (RCBC Plaza, One Bonifacio High Street, Tektite and Binondo) (iii) Real Time Gross Settlement (RTGS) and (iv) Fund Transfer from RCBC accounts. The soft copies of the Applications and the related proof of payments shall be sent via email to the Receiving Agent and hard copies shall be submitted to the office of the Stock Transfer Agent within 10 calendar days from Listing Date.

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

Corporate and institutional purchases must also submit a copy of the SEC Certificate of Registration, Articles of Incorporation and By-laws, General Information Sheet or such other relevant organizational or charter documents duly certified as true and correct by the SEC and the original signed and notarized Secretary's certificate confirming the resolution of the board of directors and/or committees or bodies authorizing the purchase of the Series 4 Preferred Shares and designating the authorized signatory/ies therefore. Individual Applicants must also submit a photocopy of any one of the following identification documents ("**ID**"): passport/driver's license, company ID, Social Security System/Government Service and Insurance System ID and/or Senior Citizen's ID or such other ID and documents as may be required by or acceptable to the selling bank.

An Applicant who is exempt from or is subject to withholding tax or who claims reduced tax rates under the Philippine National Internal Revenue Code, as amended ("**NIRC**") or tax treaty shall, in addition, be required to submit the following requirements to any of the Underwriters (together with their Applications) who shall then forward the same to the Registrar and Depository Agent, subject to acceptance by the Company as being sufficient in form and substance: (i) in the case of tax exemption, a certified true copy of the original tax exemption certificate, ruling or opinion on tax exemption issued by the BIR addressed to the Applicant as certified by its duly authorized officer; (ii) with respect to reduced tax rates if tax sparing applies, (a) an authenticated certification issued by the foreign tax authority that the dividends received by the non-resident foreign corporation from the domestic corporation were not among the items considered in arriving at the income tax due from the non-resident foreign corporation; (b) the income tax return of the non-resident foreign corporation for the taxable year when the dividends were received; and (c) an authenticated document issued by the foreign tax authority showing that the foreign Government allowed a credit on the tax deemed paid in the Philippines or did not impose any tax on the dividends; or (d) proof of filing of an application for ruling with the BIR; and (iii.) with respect to tax treaty relief, (a) prior to initial dividend payment, three (3) original copies of a duly accomplished BIR Form No. 0901, Tax Residency Certificate duly

issued by the foreign tax authority, as required under BIR Revenue Memorandum Order No. 14-2021 and three (3) originals of the duly notarized and consularized, if executed outside of the Philippines, Special Order of Attorney executed by the Applicant in favor of its authorized representative (if the BIR Form No. 0901 and other documents are accomplished by an authorized representative) and confirmation acceptable to the Issuer that the Applicant to the Company no later than the 1st day of the month when such subsequent dividends fall due and, if applicable, including any clarification, supplement or amendment thereto; (iii) an original of the duly notarized undertaking to immediately notify the Company and the Registrar and Depository Agent of any suspension or revocation of its tax exempt status and agreeing to indemnify and hold the Company, the Registrar and Depository Agent and the Paying Agent free and harmless against any claims, actions, suits and liabilities resulting from the non-withholding or reduced withholding of the required tax; and (iv) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities.

The Sole Issue Manager, Lead Underwriter and Bookrunner shall be responsible for accepting or rejecting any Application or scaling down the amount of Series 4 Preferred Shares applied for. The Application, once accepted, shall constitute the duly executed purchase agreement covering the amount of Series 4 Preferred Shares so accepted and shall be valid and binding on the Company and the Applicant. On the Banking Day following the Closing Date, the Underwriters shall advise all the Selling Agents, if any of any Applications that were rejected and/or scaled-down, with copy to the Company.

MINIMUM PURCHASE

A minimum purchase of 500 Series 4 Preferred Shares shall be considered for acceptance. Purchases in excess of the minimum shall be in multiples of 10 Series 4 Preferred Shares.

OFFER PERIOD

The Offer Period shall commence at 9:00 a.m. on October 13, 2021 and end at 12:00 p.m. on October 19, 2021. The Company and the Underwriters reserve the right to extend or terminate the Offer Period with the approval of the SEC and the PSE.

REFUNDS

In the event an Application is rejected or the amount of Series 4 Preferred Shares applied for is scaled down, the Underwriters, upon receipt of such rejected and/or scaled down Application shall notify the Applicant concerned that his Application has been rejected or the amount of Series 4 Preferred Shares applied is scaled down. All refunds, without interest, shall be made through the Selling Agent with whom the Applicant has filed the Application within five (5) Banking Days from the end of Offer Period.

SECONDARY MARKET

Megawide may purchase the Series 4 Preferred Shares at any time without any obligation to make pro rata purchases of Series 4 Preferred Shares from all Shareholders.

REGISTRY OF SHAREHOLDERS

The Series 4 Preferred Shares will be issued in scripless form through the electronic book-entry system of Professional Stock Transfer, Inc. as Registrar for the Offer, and lodged with PDTC as Depository Agent on Listing Date through PSE Trading Participants nominated by the Applicants. Applicants shall indicate in the proper space provided for in the Application to Purchase the name of the PSE Trading Participant under whose name their Series 4 Preferred Shares will be registered and the relevant PSE Trading Participants shall sign the Application to Purchase on the space provided therefor.

The legal title to the Series 4 Preferred Shares will be shown in an electronic register of shareholders (the "**Registry of Shareholders**") which shall be maintained by the Registrar. The Registrar shall send a transaction confirmation advice confirming every receipt or transfer of the

Series 4 Preferred Shares that is effected in the Registry of Shareholders (at the cost of the requesting Shareholder). The Registrar shall send (at the cost of the Company) at least once every quarter a Statement of Account to all Shareholders named in the Registry of Shareholders. Such Statement of Account shall service as evidence of ownership of the relevant Shareholder as of a given date thereof. Any request by Shareholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Shareholder.

EXPENSES

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

DESCRIPTION OF SHARES

Set forth below is the information relating to the Series 4 Preferred Shares. The description is qualified by reference to Philippine law and the Company's Articles of Incorporation ("Articles") and By-Laws ("By-Laws"), both as amended, copies of which are available at the SEC, and the Application to Purchase.

THE COMPANY'S SHARE CAPITAL

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

On February 26, 2021, the Company's Board of Directors approved the increase in the authorized capital stock of the Company from ₱5,054,000,000.00 divided into 4,930,000,000 Common Shares with par value of ₱1.00 per share and 124,000,000 cumulative, non-voting, non-participating, non-convertible, perpetual Preferred Shares with par value of ₱1.00 per share, to ₱5,080,000,000.00, divided into 4,930,000,000 Common Shares with par value of ₱1.00 per share and 150,000,000 cumulative, non-voting, non-participating, non-convertible, perpetual Preferred Shares with a par value of ₱1.00 per share; (ii) from ₱124,000,000 consisting of 124,000,000 preferred shares, to ₱150,000,000 consisting of 150,000,000 Preferred Shares with a par value of ₱1.00 per share.

The increase in the authorized capital stock was approved and ratified by the affirmative vote of stockholders owning at least 2/3 of the Annual Stockholders entire outstanding capital stock of the Company, during the Special Stockholders' Meeting held on May 21, 2021, whereby the stockholders likewise delegated to the Board of Directors the power and authority to: (a) implement the issuance of the preferred shares in series, subseries, or in tranches, (b) fix the terms and conditions of the preferred shares as they may be issued in series, sub-series, or in tranches, and (c) determine the manner by which the preferred shares will be subscribed and paid for, such as but not limited to, a private placement transaction or public offering. On September 9, 2021, SEC approved the Company's application for the increase in authorized capital stock.

Pursuant to such delegated authority of the Board of Directors to issue the preferred shares in series, sub-series or in tranches, the Board of Directors, in its meeting on September 13, 2021, approved the resolutions creating the 40,000,000 Series 4 Preferred Shares and its terms and conditions (the "Enabling Resolutions"). The SEC approved the Enabling Resolution on September 30, 2021.

The Offer Shares will be coming from the existing unissued Series 4 Preferred Shares.

As of date, the Company has 2,503,052,137 issued shares composed of: (a) 2,013,409,717 outstanding Common Shares, (b) 386,016,410 Common Shares held in treasury; (c) 40,000,000 issued and outstanding Series 1 Preferred Shares; (d) 26,220,130 issued and outstanding Series 2A Preferred Shares; (e) 17,405,880 issued and outstanding Series 2B Preferred Shares, and (f) 20,000,000 issued and outstanding Series 3 Preferred Shares.

Following the Offer, and assuming the Oversubscription Option is exercised in full, the Company will have (a) 2,013,409,717 issued and outstanding common shares and 386,016,410 common shares are held in treasury; (b) 40,000,000 issued and outstanding Series 1 Preferred Shares; (c) 26,220,130 issued and outstanding Series 2A Preferred Shares and 17,405,880 issued and outstanding Series 2B Preferred Shares; (d) 20,000,000 issued and outstanding Series 3 Preferred Shares; and (e) 40,000,000 issued and outstanding Series 4 Preferred Shares.

Following the Offer, and assuming the Oversubscription Option is not exercised, the Company will have (a) 2,013,409,717 issued and outstanding Common Shares and 386,016,410 Common Shares are held in treasury; (b) 40,000,000 issued and outstanding Series 1 Preferred Shares; (c)

26,220,130 issued and outstanding Series 2A Preferred Shares and 17,405,880 issued and outstanding Series 2B Preferred Shares; (d) 20,000,000 issued and outstanding Series 3 Preferred Shares; and (e) 30,000,000 issued and outstanding Series 4 Preferred Shares.

The holders of the Series 4 Preferred Shares do not have identical rights and privileges with holders of other series of preferred shares and the existing common shares of the Company.

THE PREFERRED SHARES

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

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

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

Specific to Offer Shares, please refer to the features of the Series 4 Preferred Shares in the Summary of Offer and the discussion below.

Issue Price/Offer Price

The Series 4 Preferred Shares shall be offered at a price of ₱100.00 per share.

Dividend Policy In Respect of the Series 4 Preferred Shares

The Series 4 Preferred Shares shall, subject to the conditions for the declaration and payment of dividends as set out herein, bear cumulative non-participating cash dividends based on the Issue Price, payable quarterly in arrears on January 29, April 29, July 29 and October 29 of each year (each a “**Dividend Payment Date**”), being the last day of each 3-month period (a “**Dividend Period**”), at the Dividend Rate per annum commencing from the Listing Date. Dividends will be calculated on a 30/360-day basis. If the Dividend Payment Date is not a Banking Day, dividends will be paid on the next succeeding Banking Day, without adjustment as to the amount of dividends to be paid.

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

As and if dividends are declared by the Board, dividends on the Shares shall be at the fixed rate of 5.30% (“**Initial Dividend Rate**”), in all cases calculated in respect of each Share by reference to the Offer Price thereof in respect of each Dividend Period.

If the Series 4 Preferred Shares shall not have been redeemed by the Company on the Series 4 First Optional Redemption Date, the Initial Dividend Rate shall be adjusted as the higher of (a) the simple average of the closing per annum rate of 5-year BVAL or if the 5-year BVAL rate is not available or cannot be determined, any successor rate as determined by the *Bankers Association of the Philippines* (“**BAP**”) or the *Bangko Sentral ng Pilipinas* (“**BSP**”), as shown on the PDEX page (or such successor page of Bloomberg (or such successor electronic service provided) for the three (3) consecutive Banking Days preceding and inclusive of the rate setting date, plus 4.00%; or (b) the floor rate of 8.00%.

The date of the listing of Series 4 Preferred Shares is referred to as the “**Listing Date**”. The day 3.5 years from the Listing Date referred as a “**Step Up Date**”. The adjusted rate is referred to as a “**Step Up Rate**”.

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

- (a) the rate setting will be done on the immediately succeeding Banking Day using the average of the relevant BVAL rates for the three (3) consecutive Banking Days preceding and inclusive of the said rate setting date, and
- (b) the higher of the applicable Initial Dividend Rate and the applicable Step-Up Rate will be applied commencing on the Step-Up Date (which is on the day 3.5 years from the Listing Date of the Series 4 Preferred Shares).

In the event that BVAL is replaced by a new benchmark rate as determined by the BAP or the BSP, such new benchmark rate shall be adopted for purposes of determining the Dividend Rate (the “**New Benchmark Rate**”). In the absence of such new replacement benchmark rate as determined by the BAP or the BSP and there is a mandatory directive by the BAP or the BSP to no longer use of apply BVAL, the Company and Sole Issue Manager, Lead Underwriter and Bookrunner shall negotiate to adopt an alternative rate that will serve as the New Benchmark Rate. The change in dividend rate will be disclosed via the PSE EDGE.

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

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

If the profits available for distribution as cash dividends are, in the opinion of the Board of Directors, not sufficient to enable Issuer to pay in full cash dividends on the Series 4 Preferred Shares and cash dividends that are scheduled to be paid on or before the same date on shares that have an equal right to dividends as the Series 4 Preferred Shares (“**Comparable Shares**”), the Issuer is required to pay cash dividends on the Series 4 Preferred Shares and any Comparable Shares pro rata to the amount of the cash dividends scheduled to be paid to the Series 4 Preferred Shares and the Comparable Shares, respectively. For purposes of this paragraph, the amount scheduled to be paid shall include all dividends due on such Dividend Payment Date as well as all accumulated dividends due and payable or dividends in arrears in respect of prior Dividend Periods (“**Dividends in Arrears**”).

The profits available for distribution are, in general and with some adjustments, equal to the Issuer’s accumulated, realized profits less accumulated, realized loss. In general, under Philippine law, a corporation can only declare dividends to the extent that it has unrestricted retained earnings. Unrestricted retained earnings represent the undistributed earnings of the corporation which have not been allocated for any managerial, contractual or legal purposes and which are free for distribution to the shareholders as dividends.

Dividends on the Series 4 Preferred Shares will be cumulative. If for any reason the Issuer’s Board does not declare a dividend on the Shares for a Dividend Period, the Issuer will not pay a

dividend on the Dividend Payment Date for that Dividend Period. However, on any future Dividend Payment Date on which dividends are declared, holders of the Shares must receive the dividends due them on such Dividend Payment Date as well as all accumulated dividends due and payable or dividends in arrears in respect of prior Dividend Periods (“**Dividends in Arrears**”).

Holders of Series 4 Preferred Shares shall not be entitled to participate in any other or further dividends beyond the dividends specifically payable on the Preferred Shares.

Redemption (Non-reissuable) of the Series 4 Preferred Shares

As and if declared by the Board of Directors of the Company and subject to the requirements of applicable laws and regulations, the Company may, at its sole option, redeem in whole (but not part), the Series 4 Preferred Shares on the day 3.5 years from the Listing Date (the “**First Optional Redemption Date**”) or on any Dividend Payment Date occurring thereafter, an (“**Optional Redemption Date**”) at a redemption price equal to the Issue Price of the Series 4 Preferred Shares plus all dividends due on such Optional Redemption Date as well as all Dividends in Arrears (“**Redemption Price**”). The Company shall give not less than thirty (30) nor more than sixty (60) calendar days prior written notice to the shareholders of the Series 4 Preferred Shares, through the Stock Transfer Agent, and the PSE and SEC, as may be required, from its intended date of redemption, which notice shall be irrevocable and binding upon the Company to effect such early redemption of the Series 4 Preferred Shares at the Optional Redemption Date stated in such notice.

The Company may also redeem the Series 4 Preferred Shares, in whole but not in part, at any time if an Accounting Event or a Tax Event has occurred and is continuing, having given not less than thirty (30) nor more than sixty (60) calendar days’ written notice to the shareholders of the Series 4 Preferred Shares, through the Stock Transfer Agent, and the PSE and SEC, as may be required, prior to the intended date of redemption which must be a Banking Day, which notice shall be irrevocable and binding upon the Company to effect such redemption of the Series 4 Preferred Shares at the redemption date stated in such notice. The redemption due to an Accounting Event or a Tax Event shall be made by the Company at the Redemption Price, which shall be paid within five Banking Days of the exercise of the right to redeem the Preferred Shares on the date of redemption set out in the notice.

Upon listing on the PSE, the Company may purchase the Series 4 Preferred Shares at any time in the open market or by public tender or by private contract at any price through the PSE. The Series 4 Preferred Shares so purchased may either be redeemed (pursuant to their terms and conditions as set out in the Prospectus) and cancelled, or kept as treasury shares, as applicable. Once redeemed, Series 4 Preferred Shares shall be considered retired and can no longer be reissued. However, while they are considered retired, the same remains in treasury until removed from their treasury shares by decreasing the authorized capital stock of the Company.

Early Redemption Due to Taxation

If a Tax Event occurs, the Issuer may redeem the Series 4 Preferred Shares in whole, but not in part, at any time after giving not less than thirty (30) nor more than sixty (60) calendar days written notice to the shareholders of the Series 4 Preferred Shares, through the Stock Transfer Agent, and the PSE and SEC, as may be required, prior to the intended date of redemption which must be a Banking Day. The redemption shall be made by Megawide at the Redemption Price which shall be paid within five (5) Banking Days of the exercise of the right to redeem the Series 4 Preferred Shares on the date of redemption set out in the notice, which notice shall be irrevocable and binding upon Megawide to effect such redemption of the Preferred Shares at the redemption date stated in such notice.

Early Redemption Due to Changes in Accounting Treatment of the Shares

If an Accounting Event occurs the Issuer may redeem the Series 4 Preferred Shares in whole, but not in part, at any time after giving neither less than thirty (30) nor more than sixty (60) calendar days written notice to the shareholders of the Series 4 Preferred Shares, through the

Stock Transfer Agent, and the PSE and SEC, as may be required, prior to the intended date of redemption which must be a Banking Day. The redemption shall be made by Megawide at the Redemption Price which shall be paid within five (5) Banking Days of the exercise of the right to redeem the Series 4 Preferred Shares on the date of redemption set out in the notice, which notice shall be irrevocable and binding upon Megawide to effect such redemption of the Series 4 Preferred Shares at the redemption date stated in such notice.

An Accounting Event shall occur if an opinion of any reputable firm authorized to perform auditing services in the Republic of the Philippines has stated that there is more than an insubstantial risk that the funds raised through the issuance of the Series 4 Preferred Shares may no longer be recorded as “equity” pursuant to the Philippine Financial Recording Standards (“PFRS”), or such other accounting standards which succeed PFRS, as adopted by the Republic of the Philippines and applied by Megawide for drawing up its consolidated financial statements for the relevant financial year.

There will be no mandatory redemption date for the Series 4 Preferred Shares

In General: No Voting Rights

Holders of the Series 4 Preferred Shares shall have no voting rights except as specifically provided by law. Thus, holders of the Series 4 Preferred Shares shall not be eligible, for example, to vote for or elect the Company’s Directors or to vote for or against the issuance of a stock dividend.

Holders of Series 4 Preferred Shares, however, may vote on matters which the Corporation Code considers significant corporate acts that may be implemented only with the approval of shareholders, including those holding shares denominated as non-voting in the articles of incorporation. These matters, which require the approval of shareholders representing at least two-thirds of the issued and outstanding capital stock of the Company in a meeting duly called for the purpose, are as follows:

- Amendment of the Articles of Incorporation;
- Adoption and amendment of the Company’s By-laws;
- Sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the Company’s assets;
- Incurring, creating or increasing bonded indebtedness;
- Increase or decrease of authorized capital stock;
- Merger or consolidation of the Company with another corporation or other corporations;
- Investment of corporate funds in another corporation or business or for any purpose other than the primary purpose for which the Company was organized; and
- Dissolution of the Company.

Status

The Series 4 Preferred Shares will constitute direct and unsecured subordinated obligations of the Issuer ranking at least *pari passu* in all respects and rateably without preference or priority among themselves with all other preferred shares issued or to be issued by the Issuer. The Series 4 Preferred Shares rank junior in right of payment to all indebtedness of the Issuer and claims against the Issuer which rank or are expressed to rank senior to the Preferred Shares. Accordingly, the obligations of the Issuer under the Series 4 Preferred Shares will not be satisfied unless the Issuer can satisfy in full all of its other obligations ranking senior to the Series 4 Preferred Shares.

There is no agreement or instrument that limits or prohibits the ability of the Megawide to issue preferred shares or other securities that rank *pari passu* with the Series 4 Preferred Shares.

Liquidation Rights In Respect of the Series 4 Preferred Shares

In the event of a return of capital in respect of the liquidation, dissolution or winding up of the affairs of the Issuer but not on a redemption or purchase by the Issuer of any of its share

capital, the holders of the Series 4 Preferred Shares at the time outstanding will be entitled to receive, in Philippine Pesos out of the assets of the Issuer available for distribution to shareholders, together with the holders of any series of preferred shares of the Issuer ranking, as regards repayment of capital, *pari passu* with the Series 4 Preferred Shares and before any distribution of assets is made to holders of any class of shares of the Issuer ranking after the Series 4 Preferred Shares as regards repayment of capital, liquidating distributions in an amount equal to the Redemption Price as of (and including) the date of commencement of the winding up of the Issuer or the date of any such other return of capital, as the case may be. If, upon any return of capital in the winding up of the Issuer, the amount payable with respect to the Series 4 Preferred Shares and any other series of Preferred Shares of the Issuer ranking as to any such distribution *pari passu* with the Series 4 Preferred Shares are not paid in full, the holders of the Series 4 Preferred Shares and of such other shares will share proportionately in any such distribution of the assets of the Issuer in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount of the liquidating distribution to which they are entitled, the holders of the Series 4 Preferred Shares will have no right or claim to any of the remaining assets of the Issuer and will not be entitled to any further participation or return of capital in a winding up.

Tax Payments in respect of the Series 4 Preferred Shares

All payments in respect of the Series 4 Preferred Shares are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of Republic of the Philippines, including but not limited to, stamp, issue, registration, documentary, value added or any similar tax or other taxes and duties, including interest and penalties. If such taxes or duties are imposed, the Issuer will pay additional amounts so that holders of the Series 4 Preferred Shares will receive the full amount of the relevant payment which otherwise would have been due and payable. Provided, however, that the Issuer shall not be liable for: (a) the final withholding tax applicable on dividends earned on the Series 4 Preferred Shares, (b) as applicable, any income tax (whether or not subject to withholding), percentage tax (such as stock transaction tax) and documentary stamp tax on the redemption or buy back of the Series 4 Preferred Shares or on the liquidating distributions as may be received by a holder of Series 4 Preferred Shares, (c) expanded value added tax which may be payable by any holder of the Series 4 Preferred Shares on any amount to be received from the Issuer under the terms and conditions of the Series 4 Preferred Shares, (d) any withholding tax on any amount payable to any holder of the Share or any entity which is a non-resident foreign corporation, and (e) applicable taxes to any subsequent sale or transfer of the Series 4 Preferred Shares by any holder of the Series 4 Preferred Shares which shall be for the account of the said holder (or the buyer in case such buyer shall have agreed to be responsible for the payment of such taxes).

No Pre-emptive Rights

The Amended Articles of Incorporation currently deny pre-emptive rights to subscribe to all issues or dispositions of any class of the Company, to all shareholders of the Company including the holders of Series 4 Preferred Shares. However, shareholders representing at least two-thirds of the Company's issued and outstanding capital stock voting at a shareholders' meeting duly called for the purpose may amend the Articles to grant pre-emptive rights to subscribe to a particular issue or other disposition of shares from Megawide's capital. Pre-emptive rights may not extend to shares to be issued in compliance with laws requiring stock offerings or minimum stock ownership by the public; or to shares to be issued in good faith with the approval of the shareholders representing two-thirds of the outstanding capital stock in exchange for property needed for corporate purposes or in payment of a previously contracted debt.

Transfer of Shares and Share Register

The Series 4 Preferred Shares will be issued in scripless form.

The legal title to the Series 4 Preferred Shares will be shown in the Registry of Shareholders which shall be maintained by the Registrar. The Registrar shall send (at the cost of the Issuer) at least once every quarter a Statement of Account to all Shareholders named in the Registry of

Shareholders confirming the number of Shares held by each Shareholder on record in the Registry of Shareholders. Such Statement of Account shall serve as evidence of ownership of the relevant Shareholder as of a given date thereof. Any request by Shareholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Shareholder.

Initial placement of the Series 4 Preferred Shares and subsequent transfers of interests in the Series 4 Preferred Shares shall be subject to normal Philippine selling restrictions for listed securities as may prevail from time to time.

After the Listing Date, shareholders of the Series 4 Preferred Shares may request the Registrar and Depository Agent to issue stock certificates evidencing their investment in the Series 4 Preferred Shares. Any expense that will be incurred in relation to such issuance shall be for the account of the requesting shareholder.

Philippine law does not require transfers of the Series 4 Preferred Shares to be effected on the PSE, but any off-exchange transfers will subject the transferor to a capital gains tax that may be significantly greater than the stock transfer tax applicable to transfers effected on an exchange. All transfers of shares on the PSE must be effected through a licensed stock broker in the Philippines. See the section entitled "*Taxation*".

Not Convertible into Common Shares

The Series 4 Preferred Shares shall not be convertible into Megawide's Common Shares.

Other Rights and Incidents Relating to the Series 4 Preferred Shares

Following are other rights and incidents relating to the Series 4 Preferred Shares, which may also apply to other classes of Megawide's stock.

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

Under the Philippine Constitution, no franchise, certificate, or any other form of authorization for the operation of public utility shall be granted except to citizen of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens. The Philippine Constitution also limits ownership of land in the Philippines to Filipino citizens or to corporations the outstanding capital stock of which is at least sixty percent (60%) owned by Philippine Nationals. While the Philippine Constitution prescribes nationality restrictions on land ownership, there is generally no prohibition against foreigners owning building and other permanent structures. However, with respect to condominium developments, the foreign ownership of units in such developments is limited to forty percent (40%). Accordingly, the Series 4 Preferred Shares and Megawide's other shares may be owned or subscribed by or transferred to any person, partnership, association or corporation regardless of nationality, provided that it complies with the nationality requirement under the Philippine constitution and other applicable laws. Pursuant to SEC Memorandum Circular No. 8, Series of 2013, which generally applies to all corporations engaged in identified areas of activities or enterprises specifically reserved, wholly or partly, to Philippine nationals by the Philippine Constitution, the FIA and other existing laws, amendments thereto, and implementing rules and regulations of said laws, for purposes of determining compliance with the constitutional or statutory ownership requirement, the required percentage of Filipino ownership shall be applied to both:

Directors

Unless otherwise provided by law or the Company's By-Laws, the corporate powers of the Company are exercised, its business is conducted, and its property is controlled by the Board. Megawide has seven (7) directors who are elected by holders of shares entitled to voting rights under the Articles of Incorporation during each annual meeting of the shareholders for a term of one year. As mentioned, holders of Series 4 Preferred Shares are not entitled to vote for and elect the Company's directors.

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

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

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

Appraisal Rights

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

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

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

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

Shareholders' Meeting

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

Quorum

The Revised Corporation Code provides that, except in instances where the assent of shareholders representing two-thirds of the outstanding capital stock is required to approve a corporate act (usually involving the significant corporate acts where even non-voting shares

may vote, as identified above) or where the by-laws provide otherwise, a quorum for a meeting of shareholders will exist if shareholders representing a majority of the capital stock are present in person or by proxy.

Fixing Record Dates

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

Issues of Shares

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

Change in Control

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

Mandatory Tender Offers

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

- If any acquisition of even less than thirty five percent (35%) would result in ownership of over fifty percent (50%) of the total outstanding equity securities of a public company, the acquirer shall be required to make a tender offer for all the outstanding equity securities to all remaining stockholders of the said company at a price supported by a fairness opinion provided by an independent financial advisor or equivalent third party. The acquirer in such a tender offer shall be required to accept any and all securities thus tendered.

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

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

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

No mandatory tender is required in:

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

Accounting and Auditing Requirements / Rights of Inspection

Philippine stock corporations are required to file copies of their annual financial statements with the SEC. Corporations whose shares are listed on the PSE are also required to file quarterly and annual reports with the SEC and the PSE. Shareholders are entitled to request copies of the most recent financial statements of the corporation which include a balance sheet as of the end of the most recent tax year and a profit and loss statement for that year. Shareholders are also entitled to inspect and examine the books and records that the corporation is required by law to maintain.

The Board is required to present to shareholders at every annual meeting a financial report of the operations of the corporation for the preceding year. This report is required to include audited financial statements.

Summary of Features of Megawide Preferred Shares

Features	Series 1	Series 2		Series 3	Series 4
		Series 2A	Series 2B		
Cumulative	Yes	Yes	Yes	Yes	Yes
Voting rights	None	None	None	None	None
Participating	Non-participating	Non-participating	Non-participating	Non-participating	Non-participating
Convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
Pre-emptive Rights	None	None	None	None	None
Initial Dividend Rates	7.025%	4.75%	5.75%	To be determined by the Board of Directors	5.30%
Redeemable (non-reissuable)	At option of Issuer starting on the 5 th year from the Listing Date	At option of Issuer starting on the 2 nd year and 6 th month from the Listing Date	At option of Issuer starting on the 5 th year from the Listing Date	To be determined by the Board of Directors	At option of Issuer starting on the day 3.5 years from the Listing Date
Date of Issuance	December 3, 2014	November 27, 2020	November 27, 2020		October 29, 2021
Date of first optional redemption	December 3, 2019	May 30, 2023	November 27, 2025	-	April 29, 2025
Number of shares	40,000,000	26,220,130	17,405,880	20,000,000	40,000,000 (assuming the Oversubscription Option is fully exercised)

The Company's Series 1 Preferred Shares were listed in the PSE on December 3, 2014 under the trading symbol "**MWP**", and Series 2A and 2B Preferred Shares were listed in the PSE on November 27, 2020 under the trading symbols "**MWP2A**" and "**MWP2B**", respectively. The Series 3 Preferred Shares are not listed in the PSE. The Series 4 Preferred Shares will be listed in the PSE under the trading symbol "**MWP4**".

INTEREST OF NAMED EXPERTS AND INDEPENDENT COUNSEL

LEGAL MATTERS

The validity of the Offer Shares and other legal matters concerning the Offer and the tax implications thereof were reviewed for Megawide Construction Corporation (the “Company”) by Añover San Diego & Primavera Law Offices, the independent legal and tax counsel of the Company.

Certain legal matters as to the Philippine law relating to the Offer will be passed upon by Picazo Buyco Tan Fider & Santos Law Offices, legal counsel to the Company, and Angara Abello Concepcion Regala & Cruz Law Offices, legal counsel to the Underwriters.

Each of the foregoing legal counsel has no shareholdings or any interest, direct or indirect, in the Company, or any right, whether legally enforceable or not to nominate persons or to subscribe to the securities of the Company in accordance with the standards on independence required in the Code of Professional Responsibility and as prescribed by the Supreme Court of the Philippines.

None of the aforementioned counsels has acted or will act as promoter, underwriter, voting trustee, officer, or employee of the Company.

INDEPENDENT AUDITORS

The audited consolidated financial statements (“AFS”) of the Company, for the years ended December 31, 2020, December 31, 2019, and December 31, 2018 appearing in this Prospectus have been audited by Punongbayan & Araullo (“P&A”), independent auditor (or external auditor), as set forth in their reports in the AFS, appearing elsewhere in this Prospectus.

The aggregate fees billed by P&A for each of the years ended December 31, 2020, December 31, 2019, and December 31, 2018 for professional services rendered to the Company, excluding fees directly related to the Offer, are the following (amounts in ₱):

Audit and Audit-Related Fees

Nature	Audit Fees (amounts in ₱) For the years ended December 31		
	2020	2019	2018
Audit of Financial Statements	3,346,250.00	2,875,000.00	2,600,000.00
Summary of Application of Proceeds on Preferred Shares (Q4)	150,000.00	600,000.00	600,000.00
Agreed Upon Procedures	35,000.00	-	-
Benchmarking of Accounting Policies and Procedures	-	900,000.00	-
Financial Statement Q1 Consolidated Review and Prospectus Circle-Up (for Preferred Shares Offering)	2,000,000.00	-	-
Q2 Consolidated Financial Statements Review	1,500,000.00	-	-
Quarterly Review of Financial Statements	-	300,000.00	-
Total	7,031,250.00	4,675,000.00	3,200,000.00

Tax Fees

Nature	Fees paid to P&A For the years ended December 31		
	2020	2019	2018
Tax opinion on development projects	250,000.00	580,000.00	-

Meanwhile, the aggregate fees paid by GMR Megawide Cebu Airport Corporation, a subsidiary of the Company, to SyCip Gorres Velayo & Co. ("SGV"), its independent auditor, for the years ended December 31, 2020, December 31, 2019, and December 31, 2018, are the following (amounts in ₱):

Nature	Fees paid to SGV For the years ended December 31		
	2020	2019	2018
Audit of Financial Statements	1,339,000.00	1,300,000.00	1,200,000.00

The fees presented above include out-of-pocket expenses incidental to the services of the foregoing independent auditors.

Except for the abovementioned services, the independent auditors provided no other type of services.

The Company has no disagreements with its independent auditors on any matter of accounting principles or practices, financial statements disclosure, or auditing scope or procedure.

Pursuant to the Company's Manual on Corporate Governance, its Board of Directors ("Board") has established an Audit and Compliance Committee ("ACC"), which is composed of at least three (3) Non-Executive Directors, majority of whom, including its Chairman, shall be Independent Directors. All the members shall have relevant background, knowledge, skills, and/or experience in the areas of accounting, audit, and/or finance, and are able to read and understand financial statements.

In accordance with its charter, the ACC has the following roles and responsibilities with respect to the independent auditors of the Company:

- a. Perform oversight activities over the Company's external and internal auditors. The ACC shall ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties, and personnel to enable them to objectively perform their respective audit functions. The ACC shall further guarantee that the internal and external auditors shall be free from interference by outside parties in carrying out their work and duties.
- b. Recommend and approve the appointment, reappointment, removal, and fees of the external auditor which shall be approved by the Board and ratified by the shareholders.
- c. Assess, oversee, review and monitor the external auditor's independence, integrity and objectivity and shall ensure that the external auditor has adequate quality control procedures. The ACC shall review the external auditor's suitability and effectiveness on an annual basis and shall implement a policy of rotating the external auditor's lead audit partner every five (5) years.
- d. Ensure that the external auditor is credible, competent and has the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.
- e. Review the reports submitted by the internal and external auditors. Evaluate and monitor management's responsiveness to the internal and external auditors' findings and recommendations.

- f. Prior to the commencement of the audit, discuss with the external auditors the nature, scope and expenses of the audit, and ensure coordination, if more than one audit firm is involved in the activity, to secure proper coverage and minimize duplication of efforts.

Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company's overall consultancy expenses. The ACC shall disallow any non-audit work that will conflict with the external auditor's duties or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the annual report of the Company.

DESCRIPTION OF BUSINESS

OVERVIEW OF THE COMPANY

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

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

On January 28, 2011, the PSE and the SEC approved the Company’s application for the listing of its common stock. The approval covered the initial public offering (“**IPO**”) of 292.0 million unissued common shares of the Company at ₱7.84 offer price per share and the listing of those shares in PSE’s main board on February 18, 2011. On December 3, 2014, the Company made a primary offer of 40.0 million Series 1 Preferred Shares at an offer price of ₱100.0 per share. The Series 1 Preferred Shares are also listed in the PSE.

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

On September 22, 2014, the SEC approved the amendment of the Company’s Articles of Incorporation (“**AOI**”), which includes (a) the Company’s power to extend corporate guarantees to its subsidiaries and affiliates, and (b) the increase in its authorized capital stock to ₱5.0 Billion divided into 4,930.0 million common shares and 70.0 million cumulative, non-voting, non-participating, non-convertible to common shares and redeemable, at the option of the Company, perpetual preferred shares. Both common and preferred shares have a par value of ₱1.00 per share.

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

On September 22, 2020, the SEC approved the amendment of the Company’s Articles of Incorporation, which increased its authorized capital stock to Five Billion Fifty-Four Million Pesos (₱ 5,054,000,000.00), raising the Company’s authorized capital stock by fifty-four million (54,000,000) preferred shares to a total of one hundred twenty-four million (124,000,000) preferred shares.

The SEC then issued the Certificate of Filing of Enabling Resolution approving the Company’s enabling resolution in relation to its offer and sale to the public of up to fifty million (50,000,000) Series 2 Preferred Shares, consisting of the following subseries: Series 2A Preferred Shares and Series 2B Preferred Shares, at an offer price of One Hundred Pesos (₱100.00) per share, on November 05, 2020. Thereafter, on November 06, 2020, the SEC issued the Order of Registration and the Certificate of Permit to Offer Securities for Sale for thirty million (30,000,000) non-voting perpetual Series 2 Preferred Shares, with an oversubscription option of

up to twenty million (20,000,000) non-voting perpetual Series 2 Preferred Shares. As a result of the offering of the Series 2A and 2B Preferred Shares, the Company raised a total of Four Billion Three Hundred Sixty Million Pesos (₱4,360,000,000.00). The said shares were listed in the PSE on November 27, 2020.

On September 9, 2021, the SEC approved the amendment of the Company's Articles of Incorporation, which increased its authorized capital stock to Five Billion Eighty Million Pesos (₱ 5,084,000,000.00), increasing the Company's authorized capital stock by twenty-six million (26,000,000) preferred shares to a total of one hundred twenty-four million (150,000,000) preferred shares.

The SEC then issued the Certificate of Filing of Enabling Resolution approving the Company's enabling resolution creating the forty million (40,000,000) Series 4 Preferred Share on September 30, 2021.

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

2018

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

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

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

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

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

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

2019

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

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

The airport segment continues to improve air traffic volume and passenger volume in 2019. Thirteen new international destinations such as China Southern's Guangzhou, Juneyao Airlines' Shanghai, Philippine AirAsia's Macau, Kaohsiung and Taipei, Philippine Airline PR's Nagoya, Cebu Pacific Air's Shanghai, Cathay Pacific's Hongkong, Xiamen Air's Chengdu and Quanzhou, Silk Air's Singapore, Jeju Air's Daegu and Air Busan's Incheon. Meanwhile, six new domestic destinations were added this year such as Royal Air Philippines' Manila, Davao, Puerto Princesa, Cagayan and Boracay and Cebu Pacific's Busuanga. The MCI A received various commendations and awards in 2019 such as Winner of the Completed Buildings: Transport category in the 2019 World Architecture Festival, Breastfeeding Friendly Public Place Award by Philippine Pediatric Society, 2019 International Architecture Awards, Airports and Transportation Centers Category for Terminal 2 by Chicago Athenaeum: Museum of Architecture and Design among others.

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

Construction segment ramped up its construction activities for the Clark International Airport, 8990's Housing Development's Ortigas and Tondo, Araneta's Gateway Mall, Megaworld's Worldwide Plaza, Albany Luxury Residences, One Fintech, 8 Sunset Boulevard, International Finance Center and Double Dragon projects. Order book remains to be at all time high at ₱52.86 billion, with new contracts at ₱19.42 billion at the end of December 2019 and will provide sufficient revenue stream for the construction segment in the next three years. Construction continues to enter into partnership contracts with foreign entities in bidding for infrastructure related projects such as Maynilad and Manila Water's sewage treatment plant, National Grid Corporation of the Philippines ("NGCP")'s transmission lines project and likes of Malolos Clark Railway Project, in which once it materializes, will boost up capability and technical experience of the Company. Construction for NGCP and Maynilad's 88 MLD Las Pinas project is already under way. In 2019, the construction segment broke ground for One Fintech, 8 sunset, Suntrust Financial, Two Mcwest, Newport Link, International Finance Center, Plumera, Empire East Highland Mall, Mandani Bay Phase 2, Gentry Manor, The Hive Tower C, University Tower 5 and The Corner House project. It also topped off the Albany Luxury Residences and Golden Bay Aspire projects.

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

2020

With the global outbreak of the coronavirus disease 2019 (COVID-19) pandemic last February 2020, which reached the Philippines officially on March 2020, the operations of all of Megawide's business segments (construction, airport, and landport) were severely affected resulting in unusually lower revenues. The construction and landport operations started to rebound by the third (3rd) quarter of 2020 and towards the end of the year upon the relaxation of the government of quarantine restrictions. However, due to domestic and international travel bans, the airport segment continued to struggle.

Despite the limited mobility, Megawide was able to inaugurate the renovated MCI A Terminal 1 on January 19, 2020, with no less than President Rodrigo Duterte as the guest of honor. Additionally, Megawide successfully completed the construction of CIA, as announced by DOTr on October 13, 2020.

At the height of the quarantine period, the Company focused its efforts on re-engineering its business processes, through automation and digitization, to improve the overall operational efficiencies across the organization. The construction segment continued to pursue its priority projects amidst the limitations on construction activities, which resulted in a record order book of ₱68.40 billion at the end of year. Among the new contracts sealed by the construction

segment are the Suntrust Home Developers' Suncity West Side City project, Megaworld's Newport Link project, and the DOTr's Malolos Clark Railway Phase 1 Project which is a joint venture project with Hyundai Engineering & Construction Co., Ltd., and Dong-ah Geological Engineering Company Ltd. The Company also fast-tracked negotiations with the local government of Cebu City for the modernization of the Carbon Market. The new market will serve as Cebu City's heritage district and will be composed of a restored Compania Maritima, a refurbished Freedom Park, and a modernized Carbon Market. The joint venture agreement between Megawide and Cebu City was signed on January 11, 2021.

In 2020, Megawide was the recipient of several prestigious awards and citations. It was recognized as the Third (3rd) Best Managed Company by Finance Asia and its Series 2A and Series 2B Preferred Shares Offering received the Best Small Cap-Equity Deal of the Year in the Philippines during the 14th Annual Alpha Southeast Asia Best Deal & Solutions Awards 2020. Moreover, the Company was awarded the 2019 ASEAN Asset Class PLCs (Philippines) award in relation to its 2019 ASEAN Corporate Governance (ACGS) assessment, where Megawide obtained a score of ninety-eight and 47/100 (98.47). The Company was also recognized by the Institute of Corporate Directors (ICD) with two (2) Golden Arrow Awards and was identified as the most improved publicly-listed Company in the Philippines in terms of corporate governance. Meanwhile, Mr. Edgar Saavedra, *Chairman of the Board of Directors (Board)*, *Chief Executive Officer (CEO)*, and *President of the Company*, was awarded as Property Guru Real Estate's Personality of the Year Award. GMCAC also received the "Ani ng Dangal" Award for Architecture and Allied Arts (NCCA).

HISTORY

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

2005 to 2010

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

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

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

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

In January 2010, the Company broke ground for its 10-storey corporate office tower in Quezon City. The Megawide Corporate Tower obtained a gold certification from the Leadership in Energy and Environmental Design ("**LEED**") of the United States Green Building Council. LEED is a third party certification program for the design, construction and operation of high

performance green buildings. LEED is the predominant green building rating system in the U.S. and is used around the world. The Corporate Tower marks an important landmark for Megawide, as it strives to be at the forefront of green building technology in the country. The Company was also a recipient of the Construction Safety Award from the Occupational Safety and Health Administration (“**OSHA**”) in May 2009 and September 2010. The OSHA is a Philippine government agency that establishes protective and safety standards and enforces these standards in construction jobsites all over the country.

2011

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

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

2012

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

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

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

2013

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

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

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

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

The International Organization for Standardization (“**ISO**”) awarded Megawide with the ISO 9001:2008 and ISO 14001:2004 certifications for quality and environmental management respectively.

Finance Asia awarded Megawide as one of “**Asia’s Best Managed Companies**” for its outstanding performance.

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

2014

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

On April 22, 2014, the Company, along with its joint venture partner, GMR Infrastructure Limited, was officially awarded the MCIA project under a BOT agreement. Megawide and GMR incorporated GMR- Megawide Cebu Airport Corporation ("**GMCAC**") was chosen to undertake said project which is one of the biggest PPP projects of the DOTC, involving, among others, the construction of a world-class airport passenger terminal (along with associated infrastructure and facilities), the renovation and expansion of the existing airport terminal and the operation and maintenance of both airport passenger terminals for a period of 25 years under a build-operate-transfer arrangement. GMCAC expects to take over the operations of the MCIA by the 4th quarter of 2014 and construction of the new passenger terminal to start early next year.

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

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

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

2017

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

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

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

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

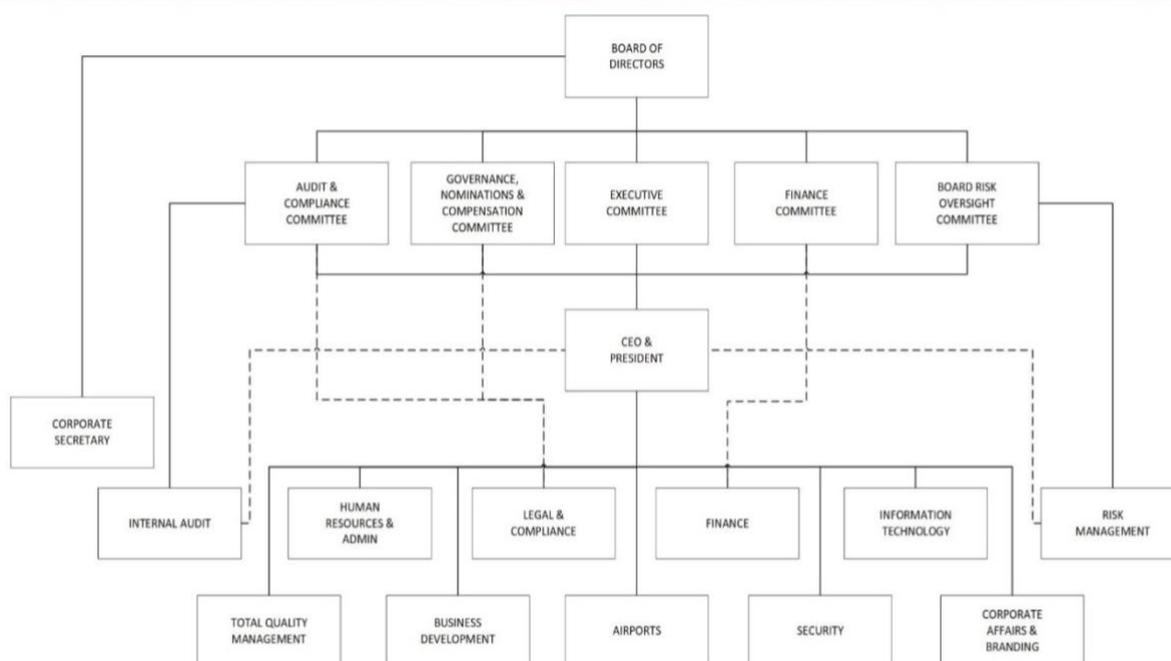
On June 20, 2017, the Company established Megawide Construction (BVI) Corporation ("**MCBVI**"), an entity incorporated in the British Virgin Islands, to primarily engage in buying and

holding shares of foreign companies. MCBVI's registered address and principal place of business is Marcy Building, 2nd floor, Purcell Estate, Road Town Tortola, British Virgin Islands. As of December 31, 2017, MCBVI has not yet started commercial operations.

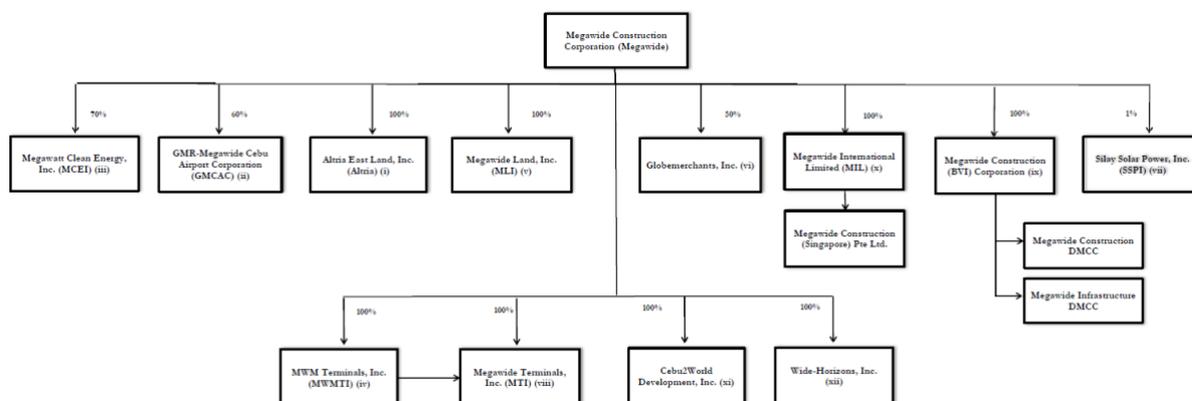
On August 16, 2017, Megacore Holdings, Inc. (“**Megacore**”) acquired 313,786,575 shares, representing 14.7% ownership of the Company from Citicore Holdings Investment, Inc. (“**Citicore**”). This resulted to a decrease in Citicore's ownership from 66.7% to 51.0%. Citicore is a company incorporated in the Philippines and is engaged in the business of a holding company through buying and holding shares of other companies.

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

ORGANIZATIONAL STRUCTURE



CORPORATE STRUCTURE



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) 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.
- (iii) 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.
- (iv) 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%.
- (v) 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.

(vi) 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. As of December 31, 2020, the Parent Company's ownership interest in GlobemERCHANTS, Inc. is 50%.

(vii) 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.

(viii) In August 2018, Megawide acquired the outstanding shares of MTI representing 100% ownership, making it a wholly owned subsidiary of Megawide.

(ix) 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.

(x) 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.

(xi) Cebu2World, whose registered office is at Unit 1504 Ayala Life FGU Center Cebu, Mindanao Avenue corner Biliran Road, Cebu Business Park, Cebu City, was incorporated on November 3, 2020.

(xii) Wide-Horizons, whose registered office is at 20 N. Domingo Street, Brgy. Valencia, Quezon City., was incorporated on November 16, 2020

SUBSIDIARIES & AFFILIATES

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

Subsidiaries:

GMR Megawide Cebu Airport Corporation (GMCAC)	60%
Megawatt Power, Inc. (MPI, <i>formerly Megawatt Clean Energy, Inc.</i>)	70%
GlobemERCHANTS, Inc. (GMI)	50%
MWM Terminals, Inc. (MWMTI)	100%
Megawide Terminals, Inc. (MTI, <i>formerly WM Properties Management, Inc.</i>)	100%
Megawide Land, Inc. (MLI)	100%
Megawide Cold Logistics, Inc. (MCLI)	60%
Megawide International Limited (MIL)	100%
Megawide Construction (Singapore) Pte. Ltd (MC SG).	100%
Megawide Construction (BVI) Corporation (MCBVI)	100%
Megawide Construction DMCC (DMCC)	100%
Megawide Infrastructure DMCC (MW Infrastructure)	100%
Cebu2World Development, Inc. (CDI or Cebu2World)	100%
Wide-Horizons Inc. (Wide-Horizons)	100%
Tiger-Legend holdings Limited (TLH)	100%
<i>Accounted for as Asset Acquisition –</i>	
Altria East Land, Inc. (Altria)	100%

Affiliates:

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

Joint Operations:

Megawide GISPL Construction Joint Venture (MGCJV)	50%
Megawide GISPL Construction Joint Venture, Inc. (MGCJVI)	50%
HDEC-Megawide-Dongah JV (HMDJV)	35%

Joint Venture:

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

GMR Megawide Cebu Airport Corporation (“GMCAC”)

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

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

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

On March 7, 2019, the BOD approved the change in company name from Megawatt Clean Energy, Inc. to Megawatt Power, Inc., and the change of principal address from 20 N. Domingo St., 1112 Valencia, Quezon City to 9/F, 45 San Miguel, 45 San Miguel Avenue, Ortigas Center, Pasig City. These changes were subsequently approved by the SEC on August 30, 2019.

Globemerchant Inc. (“GMI”)

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

MWM Terminals Inc. (“MWMTI”)

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

Megawide Terminals, Inc. (“MTI”)

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

Megawide Land, Inc. (“MLI”)

MLI was incorporated on October 28, 2016 to deal and engage in land or real estate business including housing projects, commercial, industrial, urban and other kinds of real property. As of June 30, 2021, MLI has not yet started commercial operations.

Megawide Cold Logistics, Inc. (“MCLI”)

Megawide Cold Logistics Inc. is a company incorporated and was established to engage in cold and dry storage business. MCLI is sixty percent (60%) owned by MLI. As of March 31, 2021, MCLI has not yet started commercial operations.

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 as a general building engineering design and consultancy services.

Megawide Construction (Singapore) Pte. Ltd (“MC SG”)

Megawide Construction (Singapore) Pte. Ltd was registered on March 1, 2019 as a general building engineering design and consultancy services. The Company is 100% owned by Megawide International Limited. Its registered office is located at 8 cross street #24-03/04 Manulife Tower Singapore (048424).

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 subsidiaries, DMCC and MW Infrastructure.

Megawide Construction DMCC (“DMCC”)

DMCC, which was registered on December 10, 2017 is an infrastructure conglomerate. The Company is 100% owned by Megawide Construction (BVI) Cora. Its registered office is located at Unit 4401-005 Mazaya Business Avenue BB2 Plot No JLTE-PH2-BB2 Jumeirah Lake Towers, Dubai, UAE.

Megawide Infrastructure DMCC (“MW Infrastructure”)

MW Infrastructure was registered on September 30, 2020 as a turnkey project contracting and project development consultant. Its registered office is located at Unit 4501-009 Mazaya Business Avenue BB2 Plot No JLTE-PH2-BB2 Jumeirah Lake Towers, Dubai, UAE.

Cebu2World Development, Inc. (“CDI” or “Cebu2World”)

Cebu2World was incorporated on November 03, 2020 to engage in land or real estate business, as well as to develop, manage, operate, and administer all kinds of properties, including the Carbon Market project of the Company, which was granted to it pursuant to a Joint Venture Agreement with the City of Cebu on January 11, 2021.

Wide-Horizons Inc. (“Wide-Horizons”)

Wide-Horizons was incorporated on November 16, 2020 to invest in, purchase, or otherwise acquire and dispose of real and personal property of every kind and description. Wide-Horizons shall serve as the holding company for Megawide’s airport businesses and other related projects.

Tiger-Legend holdings Limited (“TLH”)

TLH was incorporated on October 16, 2020 in the British Virgin Islands, to primarily engage in buying and holding shares of other companies. TLI’s registered address is at Vistra Corporate Serices Centre, Wickham Cay II, Road Town, Tortola, British Virgin Islands. As of March 31, 2021, TLH has not yet started commercial operations.

Altria East Land, Inc. (“Altria”)

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

Megawide World Citi Consortium, Inc. (“MWCCI”)

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

Citicore-Megawide Consortium, Inc. (“CMCI”)

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

Megawide – GISPL Construction Joint Venture (“MGCJV”)

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

Megawide GMR Construction JV, Inc. (“MGCJVI”)

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

HDEC-Megawide-Dongah JV (“HMDJV”)

HDEC is an unincorporated joint venture formed on October 27, 2020 by the Parent Company, Hyundai Engineering & construction Co., Ltd. and Dong-Ah Geological Engineering Company Ltd., each owning 57.5%, 35% and 7.5% interest, respectively, and exercising joint control. HMDJV was established to provide construction works for the civil structures, viaducts, bridges and stations of Malolos-Clark Railway Project (MCRP). HMDJV began to operate in 2021.

Mactan Travel Retail Group Corp. (“MTRGC”)

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

Select Service Partners Philippines Corp. (“SSPPC”)

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

Parent Company and Other Affiliates

Citicore Holdings Investment, Inc. (“Citicore”)

Citicore was incorporated on December 3, 2011 and operates primarily as a holding company with ownership interests in Megawide (at 35.41%), MWCCI (at 39%), My Space Properties, Inc. (at 100%), and CMCI (at 90%).

Megacore Holdings, Inc. (“Megacore”)

Megacore was incorporated on July 20, 2017 and is primarily organized to invest in or purchase or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose real or personal property including shares of stocks, subscriptions, bonds, debentures, evidences of indebtedness and any securities of any corporations. Megacore has 30.68% ownership interests in Megawide.

PH1 World Developers, Inc. (“PH1”, formerly My Space Properties, Inc. or “MySpace”)

PH1 was incorporated on February 6, 2010, and is presently engaged in real estate development. Its current project, “The Hive”, is located at San Isidro Street, Ortigas Avenue Extension, Taytay, Rizal. On November 18, 2020, the SEC approved PH1’s change of name to PH1. PH1 is a wholly-owned subsidiary of Citicore. PH1 is a wholly-owned subsidiary of Citicore.

Future State Myspace, Inc. (“FSMI”)

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

IRMO Inc. (“IRMO”)

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

Citicore Power Inc. (“CPI”)

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

Silay Solar Power Inc. (“SSPI”), recently renamed to Citicore Solar Negros Occidental, Inc. (“CSNOI”)

CSNOI 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”), recently renamed to Citicore Solar Bataan (“CSB”)

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

First Toledo Solar Energy Corp. (“First Toledo”), recently renamed to Citicore Solar Cebu (“CSC”)

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

Citicore Renewable Energy Corp. (“CREC”)

CREC is a wholly-owned subsidiary of CPI and was incorporated on May 15, 2018 to engage in power generation under Renewable Energy Law.

In 2018, CREC acquired Armstrong assets comprising of five solar farms with a total installed capacity of 60MWDC namely:

Citicore Solar Tarlac 1, Inc. (“CST1”), formerly nv vogt Philippines Solar Energy Three Inc. (SE3). An 8.8MW_{DC} solar power plant located in the Armenia property in Brgy. Armenia, Tarlac City with 138,160 square meters land area. CST1 was successfully commissioned last February 29, 2016. CST1 is currently 100% owned by CREC.

Citicore Solar Tarlac 2, Inc. (“CST2”), formerly nv vogt Philippines Solar Energy Four, Inc. (SE4). CST2 is located in Brgy. Dalayap, Tarlac City with a total land area of 103,000 square meters and with a total installed capacity of 7.55-megawatts_{DC} which was successfully commissioned last February 27, 2016. CST2 now becomes a wholly-owned subsidiary of CREC after acquisition.

Citicore Solar Clark, Inc. (“CSCI”), formerly Enfinity Philippines Renewable Resources (EPRRI), Inc. is a solar farm located in Clark Freeport Zone, Pampanga with 250,000 square meters land area and with an installed capacity of 22.33-megawatts_{DC}. This was successfully commissioned last March 12, 2016 and qualified under Feed-In-Tariff (FIT) II Program with Certificate of Compliance (“COC”) eligibility for FIT II rate from March 12, 2016 to March 12, 2036, COC No. 16-13-M00090L secured from Energy Regulatory Commission (“ERC”) on December 8, 2016. CREC holds 100% ownership of CSCI.

Citicore Solar Bulacan, Inc. (“CSBI”), formerly Bulacan Solar Energy Corp. (BSEC) is a solar power plant located in Brgy. Pasong Bangkal, San Ildefonso, Bulacan with a total installed capacity of 15MW_{DC} with 253,880 sqm land area. CSBI was commissioned last March 12, 2016. CSBI is a wholly-owned subsidiary of CREC.

Citicore Solar South Cotabato, Inc. (“CSSCI”) formerly known as SE1 is a 6.23-MW_{DC} solar plant located in Brgy. Centrala, Suralla, South Cotabato and with a land area of 79,997 square meters. CSSI solar power plant was successfully commissioned last December 9, 2015. CSSI is 100% owned by CREC.

Citicore Infrastructure Holdings Inc. (“CIHI”)

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

COMPETITIVE STRENGTHS

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

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

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

performance green buildings. It is the predominant green building rating system in the United States and is used around the world.

- Megawide owns and maintains a young, modern and branded fleet of tower cranes and earthmoving equipment to ensure maximum efficiency and minimum down time during construction.

2. AAAA and Large B Contractor's License

- Megawide has an AAAA Contractor's License from the PCAB. This is the highest classification and category for a construction company, which qualifies Megawide to bid for private projects with no limits on contract value. Likewise, Megawide obtained Large B classification for government registration which allows Megawide to participate in large infrastructure projects such as highways, roads and bridges, piers and airports, railroads, waterworks and power plants.

3. Operates in segments that are essential and catalysts for economic recovery

The Company operates in segments that are essential in the economy's path to quick recovery, such as construction (for infrastructure development) and transport-oriented developments (TODs) for safer people mobility and increased commercial activity. Construction, especially in support of the government's Build, Build, Build program, bears a significant multiplier effect critical to jumpstart the ailing economy. TODs, on the other hand, will promote safe and secure commuting and travel in the middle of the pandemic and can facilitate supply chain movement to boost business.

4. Largest and most advanced pre-cast system facility and capacity

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

5. Strong government partner in Public-Private Partnership (PPP) models

Megawide has been a solid supporter of any government's PPP program, having won four (4) different projects under the same scheme from different administrations. These are the Public School Infrastructure Project (2012), the MCIA (2014), and the PITX (2015) under the Aquino administration, and the CIA (2018), under a hybrid-model with the Duterte leadership. This track record offers the Company an edge and familiarity with the PPP process when it participates in the same modality for future projects.

6. Largest private sector airport operator

- Megawide operates and maintains the second largest international airport, the MCIA, and is the largest private sector operator of such assets in the country. MCIA's ideal location at the heart of Cebu, which serves both as a tourist and business destination and gateway to the top global tourist attractions in the

Southern Philippines, gives it a unique advantage for further portfolio expansion. Given the Company's experience and against the backdrop of the country's and region's rosy long-term economic and tourism prospects, Megawide is well positioned to participate in the government's airport modernization program, both in its existing facility and other assets across the country.

7. Operates the first and only landport in the Philippines

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

8. Strong Brand Name and Proven Track Record

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

9. Organizational Capability and Flexibility

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

BUSINESS STRATEGY

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

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

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

Expansion of existing portfolio

Megawide currently operates the MCIA and the PITX, which were awarded through PPP contracts. The Company recently completed the construction of the new passenger terminal building of the CIA, ahead of schedule, under the government's modified PPP. These projects

are on top of the construction order book in its EPC portfolio further discussed in section “Projects”.

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

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

Build on first mover advantage and award-winning proofs of concept

Megawide enjoys prime mover advantages for its TOD assets, through PITX, and award-winning airport engineering and design expertise, through MCIA and CIA. The Company will continue to cultivate these proofs of concept as it expands its portfolio vertically (i.e. other infrastructure segments) and horizontally (i.e. different locations and variations).

Capitalize on key strengths and competitive advantages

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

Leverage organizational competence and flexibility

In addition, the Company believes it has talented, resilient and dedicated employees who contribute to its success. The Company will continue to have concerted and structured initiatives for knowledge sharing and skills development through team-based programs across the organization. It will continue with its aggressive development and recruitment of young graduates with engineering, finance and business management backgrounds to sustain the quality of its management pool.

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

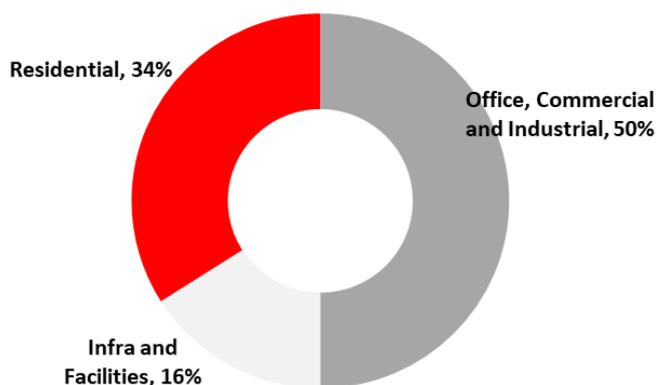
The Company’s pursuit for excellence goes beyond its products and services and extends into the value it creates for shareholders. In line with this objective, Megawide will continuously improve its operational efficiencies through value engineering, innovation, and workforce up skilling, for both its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

PROJECTS

Business Development

The Company’s current order book as of June 30, 2021 is at ₱62.8 billion. It consists of a balanced in terms of project mix composed of 50% office, commercial and industrial, 34% residential projects, and 16% infrastructure courtesy of the Malolos Clark Railway and Aglipay STP Projects.

ORDER BOOK AS OF JUNE 2021



Recently Completed Projects

The notable projects that Megawide has completed are:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Silay Solar Project – The construction and operation of an 18.3 MWdc and an expanded 6.7 MWdc ground-mounted photovoltaic power generation facility in Barangay Rizal, Silay City, Negros Occidental for a total generation capacity of 25MWdc owned by SSPI.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Project Delta Phase 1 – A plant expansion project for Zenith Foods Corporation. This includes earthworks, substructure, superstructure and roofing for the Red Ribbon Plant Expansion project at Productivity Ave., Camelray Industrial Park 1, Brgy. Canlubang, Calamba City, Laguna with a gross lot area of 5 hectares.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

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.

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.

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.

On-Going Projects

The following are the Company's on-going projects as of June 30, 2021:

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

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

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.

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

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

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

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

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

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

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

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

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

Gateway Mall & Hotel - consists of a seven (7)-floor mall with gross floor area of 120,000 square meters and adjacent to it is the Ibis styles 300-room, 24-storey hotel. The property is located in Cubao, Quezon City and is owned by Araneta Center.

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

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

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

The Corner House Project – is a residential project of Emerald Rich Properties located in P. Guevarra St., San Juan City with total floor area of 16,020.79 square meters. The construction includes three level basement, three (3)-storey commercial area and roof deck.

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

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

Aglipay STP – a Sewage Treatment Plant in Mandaluyong City, with a treatment capacity of 60 million liters per day (MLD) of wastewater and using the Moving Bed Biofilm Reactor (MBBR) process with Biological Nutrient Removal (BNR) technology. Construction of the STP is expected to be completed by 2024 and the sewer network by 2025.

Westside City Phase 1 - Site B – A 5 start hotel and casino project with Suntrust Home Developers, Inc., a subsidiary of Suncity Group Holdings Limited. The said project has a development timetable of 30 months and is located at the entertainment city in Parañaque City.

Malolos-Clark Railway Project – A 17-kilometer rail line that includes stations in Calumpit and Apalit, together with consortium partners Hyundai Engineering & Construction Co., Ltd., and Dong-ah Geological Engineering Company Ltd.

Recently Awarded Projects

The following table lists the Company's existing projects, with respective percentage completion as of June 30, 2021:

PROJECT NAME	DEVELOPER	% COMPLETION
Albany Luxury Residences	Megaworld Corp.	77%
The Corner House Project	Emerald Rich Property Inc.	88%
Hampton Building O & P	Dynamic Resources Realty Corp.	92%
Taft East Gate	Taft Properties	51%
The Hive C & D	PH1 Developers (formerly Myspace)	84%
Newport Link	Travellers International Hotel Group, Inc.	39%
Mandani Bay	HT Land, Inc.	61%
University Tower 5 (UT5)	Prince Jun Dev't Corp.	28%
Urban Deca Ortigas	8990 Holdings, Inc.	26%
Double Dragon Meridian Tower	DD Properties Corp.	0%
IFC	Megaworld Corp.	26%
Genty Manor	Megaworld Corp.	15%
Aglipay	Manila Water	6%
Plumera	John Dorf Ventures	16%
Ascott - DD Meridian Park	DD Properties Corp.	8%
8990 Cubao	8990 Holdings, Inc.	6%
MCRP	Department of Transportation ("DOTr")	2%
Suncity B (Package 1 & 2)	Sunstrust Home Developers	26%
Suncity NSCs	Sunstrust Home Developers	0%
Suncity Westside A	Travellers International Hotel Group, Inc.	0%
Corral Village	John Dorf Ventures	0%
Carbon Market (Phase 1- Package 1)	Cebu2World	0%

Projects Under and For Bidding

On top of the recently awarded contracts and ongoing projects, the Company also submitted bids for and intends to participate in other big-ticket infrastructure projects under the government's Build, Build, Build initiative, which plans to extend the country's road and rail network.

Submitted Bids

The Company submitted a bid for Package CP-104 of the Metro Manila Subway System (MMSP), in partnership with Tokyu Construction and Tobishima Construction from Japan. The consortium is awaiting the official announcement from the government on the results of the tenders. In addition, the Company participated in the bidding for Packages 1 and 7 for the North-South Commuter Rail Southline (NSCR-South) with Hong Kong-based construction company Chun Wu Development.

For Bid Submission

To further elevate Megawide's rail infrastructure portfolio, the Company, together with a well-established and highly-experienced Japanese company, is evaluating the bid for electro-mechanical and track works system for the 108-kilometer MCRP alignment over 24 stations. The scope broadly covers electrical and mechanical engineering works for MCRP's train signaling system, track works, and operation of stations, among others.

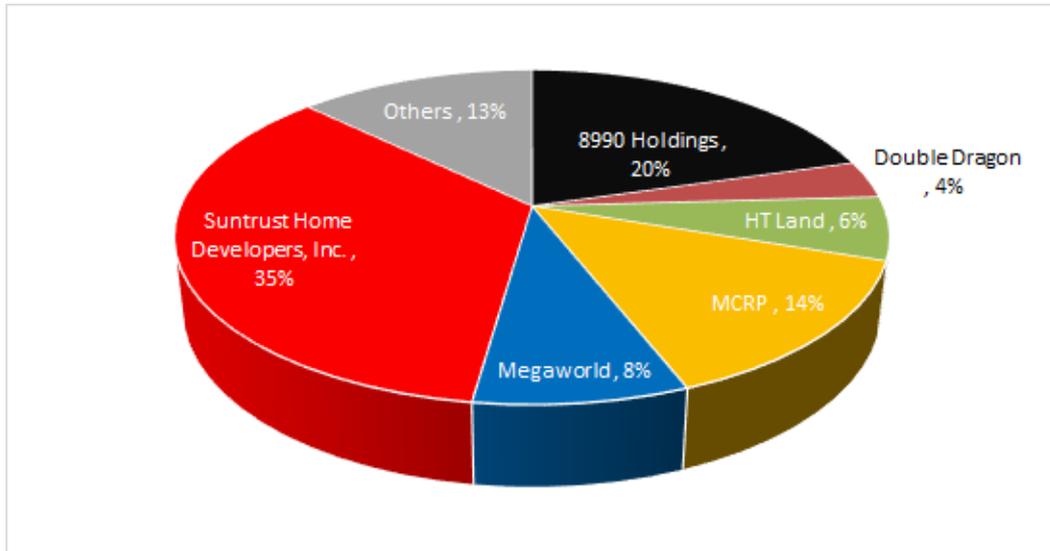
Submitted Proposals Under Discussions

The Company is also strategically expanding its transport-oriented development (TOD) portfolio, anchored on a hub-and-spoke model, currently with PITX at the core. In relation to this, the Company is currently in discussions with the Baguio City LGU for a potential landport location and also submitted a proposal for a future Bus Rapid Transit (BRT) system in Cavite.

MAJOR CUSTOMERS

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

The following graphs illustrate the percentage contributed by the Company's major customers to its Construction Order Book as of June 30, 2021:



Suntrust Home Developers, Inc. (“Suntrust”)

Suntrust is a company engaged in real estate development, mass community housing, townhouses and rowhouses development, residential subdivision and other massive horizontal land development. It is a subsidiary of Suncity Group Holdings Limited (Suncity Group), a listed company on The Stock Exchange of Hong Kong Limited, which owns fifty-one percent (51%) of the outstanding capital stock of Suntrust. Suncity Group is principally engaged in property development in Guangdong and Anhui Provinces in the People's Republic of China; property leasing in Shenzhen in the People's Republic of China; provision of hotel and integrated resort general consultancy service in Vietnam; and provision of travel related products and services.

Megaworld Corporation (“Megaworld”)

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

8990 Holdings, Inc. (“8990”)

8990 is the largest mass housing developer in the Philippines in terms of units licensed under B.P. 220 from 2011 to 2013, according to the HLURB. The company has been developing mass housing projects in high-growth areas across Luzon, Visayas and Mindanao since 2003. 8990's “DECA Homes” and “Urban DECA Homes” have also gained a strong reputation in the market, resulting in 8990 garnering numerous awards such as Q Asia Magazine's Best Housing Developer for 2012 to 2013. 8990 has 8 projects in the pipeline which are scheduled to

commence between 2015 and 2019 and in total are expected to provide approximately 64,000 units available for sale.

Double Dragon Properties Corp. (“DD”)

DD has undertaken several vertical and horizontal developments since it started its commercial operations in April 2010. DD’s vision is to accumulate 1,000,000 square meters of leasable space by 2020 primarily through the rollout of 100 community malls across provincial cities in the Philippines through its community mall chain brand “CityMall” under its subsidiary CityMall Commercial Centers Inc. and through the development of 2 major commercial office projects, DD Meridian Park and Jollibee Tower, both of which are located in prime properties in Metro Manila.

HTLand, Inc.

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

CUSTOMER AND PROJECT SELECTION

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

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

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

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

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

Terms Granted to Customers

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

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

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

HIGH TECHNOLOGY BUILDING SYSTEMS

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

Formwork Systems

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

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

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

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

Pre-Cast Concrete Systems

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

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

Reducing cost

Due to improved economies of scale, the technology enables mass production and fabrication of building frames and elements resulting in a decline of the average cost per unit. By manufacturing pre-cast panels in a controlled factory setting, less material is required because

precise mixture proportions and tighter tolerances are achievable. The factory setting also allows waste materials to be readily recycled. Any spare component and materials can be recycled and re-used in another structure.

Shortening the construction period

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

Improving quality

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

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

Increasing project volume

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

Environment friendly

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

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

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

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

World Class Pre-Cast Manufacturing Complex

The Company has also recently completed the construction of its world-class precast concrete manufacturing complex in a sprawling 15-hectare property in EPZA Taytay, Rizal. This facility is the country's largest precast facility, and is the second largest in Southeast Asia. The facility

enables the Company to expand the production of its pre-cast products to include high strength concrete frames and elements, columns, beams, floor slabs and walls. The pre-cast facility can be used for both building construction, and infrastructure construction for beams, girders, cross beams, columns, culverts and railroad cross ties.

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

Traditional Construction	Advantages
Formworks, Plywood, Plastic Face Formworks	<ul style="list-style-type: none"> • No swelling and shrinking • Stable flexural rigidity • Free from rippling and warping • Quality in concrete pouring • Fast cycle, simple assembly, early stripping, less manual labor employed • Even surfaces • Zero discoloration • Fast on-site cleaning • Zero waste • Reusable
Coco Lumber, Aluminum and Steel Scaffoldings	<ul style="list-style-type: none"> • More stable and robust • Longer lifespan • Easy assembly lock and formwork clamp

Pre-Cast

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

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

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

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

LEED Certification

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

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

The LEED rating system offers four certification levels for new construction — Certified, Silver, Gold and Platinum — that correspond to the number of credits accrued in five green design

categories: sustainable sites, water efficiency, energy and atmosphere, materials and resources and indoor environmental quality.

Fleet of Construction Equipment

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

Type	Quantity (as of June 30, 2021)
EARTHMOVING EQUIPMENT	113
LIGHT EQUIPMENT	48
MOBILE CRANE EQUIPMENT	26
PUMPCRETE EQUIPMENT	30
TRANSPORT EQUIPMENT	71
VERTICAL EQUIPMENT	104
SERVICE VEHICLES	19
FACILITY EQUIPMENTS	9

SUPPLIERS

Construction

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

Airport

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

Landport

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

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

Quality Control and Quality Assurance

Megawide's quality of work is in accordance with applicable local and international standards such as PNS, ASTM, ANSI, ACI or AASHTO. The general specifications are based on project

requirements considering local conditions, policies, available materials, local regulations and other special circumstances. In addition to on-site inspections, as a standard procedure, materials' samples are tested by specialized laboratories to verify compliance with applicable codes and standards.

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

PROJECT IMPLEMENTATION

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

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

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

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

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

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

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

- **Project Overview** – contains general project information such as the project name, location, scope of works, contract amount, and project duration. It also identifies third-party consultants that will be collaborating on each scope of works, if any. Moreover, it presents the number of towers that will be built, the level of each tower and the construction floor area.
- **Table of Organization** – identifies the human resources needs of the project such as the assistant vice president in-charge, the project manager/s, area manager/s, site manager, the safety officer, structural and finishing employees, mechanical, electrical, plumbing and fire (MEPF) engineers, and others necessary personnel. It also provides the required headcount for the project from rank and file to executive level.
- **Safety** – contains the plans on Health, Safety and Environment ("**HSE**"), specifically, Construction Safety and Health Programs ("**CSHP**"), usage of personal protective equipment, site ingress and egress during construction, evacuation plan, location of fire exits and fire extinguishers, waste management, fall protection plan, and procedures on emergency response, among others.

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

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

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

To ensure that projects are on schedule, on-site project managers monitor and control the progress of projects, mindful of the completion date pursuant to the construction contract. The project managers are responsible for accomplishing project objectives, developing the project plan and managing the project team and budget.

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

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

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

LEASED PROPERTIES

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

Date of Execution	Lessor	Area	Location	Lease Period	Rental Fee
January 2018	Josefino V. Cabrera (Attorney-in-Fact of Leovigilda V. Cabrera, et al.)	2,317 sqm.	Taguig City	01 Jan 2018 – 31 Dec 2022	2 months deposit of 372,148.58 Rate: 165,044.54 per month with 6% yearly escalation, inc. o f VAT
27 November 2018	Franpac Properties Corporation	615 sqm.	Ligid, Tipas, Taguig City	01 Mar 2018 – 01 Mar 2022	2 months deposit of 307,500.00 and one month advance rental for 153,750.00. Rate: 250.00 per sqm per month, inc. of VAT with 5% escalation every two years
15 April 2019	Aguacate Marketing Corporation	1,450 sqm.	Tipas, Taguig City	01 Nov 2018 – 31 Oct 2022	2 months deposit of 638,000.00 and one month rental of 319,000.00. Rate: 220.00 per sqm per month, inc. of VAT
18 October 2019	PHL Centre No. 19, Inc.	Office Space	5th floor, Park Centrale Building, Jose Maria del Mar St. cor Abad St., Cebu, IT Park, Cebu City 6000	1 Jan 2020 - 31 Dec. 2021	171,490.00 per month
13 February 2020	Global Gateway Development Corporation	724 sqm.	Clark Global City, Clark Freeport Zone	24 months	130,000.00 per month, inc. of taxes
25 June 2020	Capital Storage Facilities Corporation	722.67 sqm.	Km 25, Ortigas Avenue Extension, Brgy. San Isidro, Taytay, Rizal	16 Jun 2020 - 15 Oct 2020 (currently, month to month and subject to renewal)	85,058.25 per month, inclusive of VAT and net of 5% withholding tax.
25 June 2020	Capital Storage Facilities Corporation	850 sqm.	Km 25, Ortigas Avenue Extension, Brgy. San Isidro, Taytay, Rizal	16 Oct 2020 - 15 Apr 2022	1st-6th month: 100,045.00 per month, inc. of VAT 7th-18th month: 104,592.50 per month, inc. of VAT

20 February 2020	Regent Foods Corporation	2,350 sqm.	Elisco Road corner F. Manalo Street, Barrio Ibayo, Tipas, Taguig City	01 Jan 2020 – 31 Dec 2021	1st year: 470,000.00 per month, inc. of VAT and other taxes 2nd year: 481,750.00 per month, inc. of VAT and other taxes
November 2018	Retailscapes, Inc.	Santolan Town Plaza HoldCo Offices 10th floor: 1974 sqm. 11th floor: 4.80.08 sqm	Santolan Town Plaza Quezon City	10th floor: 01 Nov 2018 - 30 Apr 2022 11th floor: 01 Mar 2019 - 30 Apr 2022	1,395,100 per month
27 December 2019	L.V.N. Pictures, Inc.	2,000 sqm	Brgy. Kaunlaran, Cubao, Quezon City	27 Jan 2020 – 26 Jan 2022	1st year: 280,000.00 per month, exc. of 5% withholding tax 2nd year: 308,000.00 per month, exc. of 5% withholding tax 10% escalation per renewal
27 December 2019	L.V.N. Pictures, Inc.	2,000 sqm	Brgy. Kaunlaran, Cubao, Quezon City	27 Jan 2020 – 26 Jan 2022	1st year: 300,000.00 per month, exc. of all taxes 2nd year: 330,000.00 per month, exc. of all taxes 10% escalation per renewal
05 February 2020	L.V.N. Pictures, Inc.	2,000 sqm	Brgy. Kaunlaran, Cubao, Quezon City	16 Feb 2020 – 15 Feb 2022	1st year: 300,000 per month, net of 5% withholding tax 2nd year: 330,000 per month, net of 5% withholding tax 10% escalation per renewal
22 February 2021	Primex Domains, Inc.	Head Office Annex Parking	Aurora Blvd. cor. Broadway Ave., Quezon City	06 March 2021 – 05 March 2022	206,416.37 per month, inc. of all taxes

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

DEPENDENCE ON CUSTOMERS

Megawide is currently servicing the majority of high-rise residential, commercial, office, and mixed-use development projects in Metro Manila, for several major local developers. This is primarily due to the Company's use of High Technology Building Systems, strong design and engineering capabilities, and quality workmanship. Megawide is constantly invited to bid for major domestic real estate development projects but it opts to focus on projects that provide best synergies in business operations and offers the best value for the Company.

The Company likewise manages the concentration of its order book amongst several clients for better risk management. As of June 30, 2021, the Company continued to maintain a diverse set of clientele, with no one client comprising more than 35% of the total order book.

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

COMPETITORS IN THE INDUSTRY

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

There are also other private companies which offer engineering, procurement, and construction (“**EPC**”) services as well as provide pre-cast products on a smaller scale that compete with Megawide’s business in Metro Manila as well as in Cebu area, such as Makati Development Corp., DATEM, Inc., Frey-Fil Corporation, and Pre-cast Products Phils, Inc. among others.

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

PROPERTIES

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

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

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

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

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

In 2017 and 2016, to cater to its growing order book Megawide also invested on new construction equipment amounting to ₱275 million and ₱470 million, respectively, which includes tower cranes, earth moving equipment, formworks, and pre-cast equipment. Transportation equipment was also procured amounting to ₱54 million and ₱57 million in 2017

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

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

Airport segment

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

Terminal segment

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

The Philippine Government, acting through the DOTr and MCIAA, executed a Concession Agreement last April 22, 2014 with GMCAC whereby GMCAC was given an exclusive right to design, develop, and undertake the MCIA Project; and, enjoy complete and uninterrupted possession of the MCIA Project Assets for the purpose of implementing the MCIA Project.

At the end of the concession period, November 1, 2039, GMCAC shall hand-over the MCIA Project and the Project Assets to the Grantors without cost, free from any liens and encumbrances, including all improvements made to the airport facilities, commercial assets, works in progress, and right to receive revenues.

The Philippine Government acting through the DOTr executed a Concession Agreement on April 24, 2015 with MWMTI whereby the latter was given an exclusive right to design, develop, and undertake the PITX Project and enjoy complete and uninterrupted possession of the Project Assets for the purpose of implementing the PITX Project. At the end of the concession period, October 17, 2051, MWMTI shall hand over the PITX Project and Project Assets to the Grantor without cost, free from any liens and encumbrances, including all improvements made to the terminal facilities, commercial assets, works in progress, and right to receive revenue.

The terminal area is controlled by the Grantor while the commercial area is controlled by MWMTI. In addition, MWMTI shall be entitled to collect and receive the concessionaire revenue from the commercial area while it will be receiving fixed payments from the Grantor for the terminal area.

Megawide and its subsidiaries expects no significant additions to its properties in the next 12 months.

INSURANCE

The construction contracts entered into by Megawide require it to secure some or all of the following: a surety bond, a performance bond, a contractor's all risk insurance and a guarantee

bond. In most of the contracts, proof of compliance is required prior to the issuance of the Notice to Proceed.

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

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

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

EMPLOYEES

As of June 30, 2021, the Company's manpower complement is as follows:

Division	Regular	Project Based	Total
Operations	1924	2067	3991
Head Office	430	74	504
Total	2354	2141	4495

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

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

Division	Regular	Project Based	Total
Operations	1924	2067	3991
Head Office	430	74	504
Total	2354	2141	4495

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

The Company maintains a partially funded and non-contributory post-employment defined benefit plan covering all regular full-time employees. The Company conforms to the minimum regulatory benefit under the R.A. No. 7641, Retirement Pay Law, which is of the defined benefit type and provides a retirement benefit in lump sum equal to 22.5-day pay for every year of credited service. The regulatory benefit is paid in a lump sum upon retirement. The normal retirement age is 60 with a minimum of five years of credited service.

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

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

INTELLECTUAL PROPERTY

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

- a. for its typeface, a Certificate of Registration dated May 9, 2019 and expiring on May 9, 2029;

MEGAWIDE

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



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

 **MEGAWIDE**

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

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

COMPLIANCE WITH ENVIRONMENTAL LAWS

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

RESEARCH AND DEVELOPMENT

Megawide has an excellent Engineering Department that continuously adapts and responds to new inventions, standards and quality assurance in construction. It is also constantly working with international consultants for value engineering to achieve more cost-efficient building structures and maximum space utilization. There had been research and development expenses that are not significant or material relative to the total costs and revenues of Megawide and accounts for less than 1% of revenue for the past three (3) years.

GOVERNMENT APPROVAL AND PERMITS

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

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

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

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

Issuing Agency	Permits/ Clearances	Date of Issuance	Expiration Date	Status/ Remarks
MEGAWIDE CONSTRUCTION CORPORATION				
Business Permit and Licensing Office	Business Permit	02/08/2021	12/31/2021	Renewed
Local Government Unit-Quezon City	Community Tax Certificate	01/25/2020	12/31/2021	Renewed
Department of the Building Official	Building Permit 1 st –6 th floor	09/01/2009	N/A	
Department of the Building Official	Building Permit 7 th – 10 th floor	04/02/2014	N/A	
Philippine Contractors Accreditation Board	Contractor's License	06/26/2021	06/30/2022	Renewed
Department of the Building Official	Certificate of Operation of Existing Machinery	10/29/2020	10/29/2021	Renewed
Department of the Building Official	Certificate of Operation: Elevator	10/29/2020	10/29/2021	Renewed
Department of the Building Official	Certificate of Annual Electrical Inspection	10/29/2020	10/29/2021	Renewed
Department of the Building Official	Certificate of Operation: Internal Combustion Engine	10/29/2020	10/29/2021	Renewed
Barangay Hall of Valencia	Barangay Clearance			
Philippine Health Insurance Corporation	Certificate of Registration	05/22/2019	N/A	
Pag-Ibig Fund (Home Development Mutual Fund)	Clearance Certificate	11/14/2019	N/A	
Department of the Building Official -Final Permit Division	Certificate of Final Inspection Certificate of	07/22/2014	N/A	

	Occupancy			
Securities and Exchange Commission	Amended Articles of Incorporation	09/22/2020	N/A	
Securities and Exchange Commission	Certificate of Approval of Increase of Capital Stock	09/22/2020	N/A	
Securities and Exchange Commission	Amended Articles of Incorporation	10/10/2018	N/A	
Securities and Exchange Commission	Amended Articles of Incorporation	03/12/2018	N/A	
Securities and Exchange Commission	Amended By-Laws	09/22/2014	N/A	
Securities and Exchange Commission	Amended Articles of Incorporation	09/22/2014	N/A	
Securities and Exchange Commission	Certificate of Approval of Increase of Capital Stock	09/22/2014	N/A	
Securities and Exchange Commission	Certificate of Incorporation	07/28/2004	N/A	
ALTRIA EAST LAND, INC.				
Local Government Unit-Taytay Rizal	Community Tax Certificate	02/08/2021	12/31/2021	Renewed
Barangay Hall of San Juan	Barangay Clearance	02/08/2021	12/31/2021	Renewed
Municipal Health Office	Sanitary Permit	02/08/2020	12/31/2021	Renewed
Business Permit and Licensing Office	Business Permit	02/08/2020	12/31/2021	Renewed
Securities and Exchange Commission	Certificate of Incorporation	04/16/2010	N/A	
GLOBEMERCHANTS, INC.				
Bureau of Internal Revenue	Certificate of Registration	05/23/2016	N/A	
Social Security System	Certificate of Registration	04/20/2017-	N/A	
Securities and Exchange Commission	Certificate of Incorporation	05/05/2016	N/A	
Barangay Hall of Pusok, Lapu Lapu	Barangay Clearance	01/12/2021	12/31/2021	Renewed
Philippine Insurance Corporation	Certificate of Registration	12/13/2017	N/A	
HDMF	Certification	04/20/2017	N/A	
Bureau of Fire Protection	Fire Safety Inspection Certificate	02/09/2021	02/09/2022	Renewed
Business Permit and Licensing Office	Business Permit	02/16/2021	12/31/2021	Renewed
Food and Drug Administration	License to Operate as Food/Wholesaler	-	02/05/2022	

GMR MEGAWIDE CEBU AIRPORT CORPORATION				
Securities and Exchange Commission	Amended Articles of Incorporation	12/09/2014	N/A	
Securities and Exchange Commission	Certificate of Incorporation	01/13/2014	N/A	
Bureau of Internal Revenue	Certificate of Registration	01/13/2014	N/A	
Office of the Building Official	Certificate of Occupancy (Airport Terminal Building)	01/23/2015	N/A	
Office of the Building Official	Certificate of Use	06/08/2015	N/A	
Office of the Building Official	Certificate of Occupancy (Terminal 1 Domestic Departure Entrance Area Modification)	04/10/2015	N/A	
Office of the Building Official	Certificate of Occupancy (Terrace Office Modification)	03/13/2015	N/A	
Business Permit and Licensing Office	Business Permit	01/15/2021	12/31/2021	Renewed
Local Government Unit	Community Tax Certificate	01/13/2021	12/31/2021	Renewed
Food and Drug Administration	License to Operate an X-ray Facility	04/17/2021	04/16/2026	Renewed
Department of Environment and Natural Resources	Permit to Operate Air Pollution Source and Control Installations	01/07/2020	11/16/2024	Renewed
Department of Transportation	Certificate of Interconnection	05/07/2018	N/A	
Department of Environment and Natural Resources	Environmental Compliance Certificate	05/02/2015	N/A	
Social Security System	Employer Registration	09/16/2014	N/A	
Pag-Ibig Fund (Home Development Mutual Fund)	Employer's Data Form	10/13/2014	N/A	
Philippine Health Insurance Corporation	Employer Data Record	08/2014	N/A	
Department of Environment and Natural Resources	Hazardous Waste Generator Certificate of Registration	09/11/2019	N/A	
MEGAWATT POWER, INC. (PREVIOUSLY KNOWN AS MEGAWATT CLEAN ENERGY, INC.)				
Business Permit and Licensing Office	Business Permit	-	-	Awaiting release of Business Permit.
Barangay Hall of Valencia	Barangay Business Clearance	01/19/2021	12/31/2021	Renewed
Department of Environment and Natural resources	Environmental Compliance Certificate	01/13/2016	N/A	

Securities and Exchange Commission	Amended Articles of Incorporation (change of name)	08/30/2019	N/A	
Securities and Exchange Commission	Certificate of Incorporation	09/04/2014	N/A	
Department of Energy	Certificate of Registration	04/29/2015	N/A	
MEGAWIDE TERMINALS, INC. (PREVIOUSLY KNOWN AS WM PROPERTY MANAGEMENT, INC.)				
Business Permit and Licensing Office	Business Permit	-	-	Renewal is in process
Local Government Unit-Quezon City	Community Tax Certificate	-	-	Renewal is in process
Securities and Exchange Commission	Amended Articles of Incorporation (change of name)	01/07/2019	N/A	
Securities and Exchange Commission	Amended Articles of Incorporation	05/08/2015	N/A	
Securities and Exchange Commission	Certificate of Approval of Increase of Capital Stock	05/08/2015	N/A	
Securities and Exchange Commission	Certificate of Incorporation	11/11/2011	N/A	
MEGAWIDE LAND, INC.				
Business Permit and Licensing Office	Business Permit	01/28/2020	12/31/2020	Renewal is in process
Local Government Unit-Pasig City	Community Tax Certificate	04/13/2021	12/31/2021	Renewal is in process
Office of the City Health Office- Pasig City	Temporary Sanitary Permit to Operate	01/18/2020	12/31/2020	Renewal is in process
City Environment and Natural Resources Office	Environmental Permit to Operate	01/23/2020	12/31/2020	Renewal is in process
Barangay City Hall of San Antonio	Barangay Clearance	01/16/2020	12/31/2020	Renewal is in process
Securities and Exchange Commission	Certificate of Incorporation	10/28/2016	N/A	
MWM TERMINALS, INC.				
Business Permit and Licensing Office	Business Permit	02/05/2021	12/31/2021	Renewed
Local Government Unit - Parañaque City	Community Tax Certificate	01/19/2021	12/31/2021	Renewed
Barangay Hall of Tambo	Barangay Clearance on Business	02/05/2021	12/31/2021	Renewed
Office of the City Health Office - Parañaque City	Sanitary Permit to Operate	02/05/2021	12/31/2021	Renewed
Bureau of Fire Protection	Fire Safety Inspection Certificate	12/15/2021	12/15/2021	Renewed
Office of the Building Official	Mechanical Permit	10/04/2016	N/A	
Office of the Building Official	Fencing Permit	04/25/2016	N/A	

Office of the Building Official	Electrical Permit	10/04/2016	N/A	
Office of the Building Official	Building Permit	10/04/2016	N/A	
Office of the Building Official	Occupancy Permits	11/13/2018 11/04/2019 12/04/2019	N/A	
Office of the Building Official	Electronic Permits	10/04/2016	N/A	
Department of Environment and National Resources	Environmental Compliance Certificate	04/27/2016	N/A	
Securities and Exchange Commission	Amendment of Articles of Incorporation	12/29/2020	N/A	
Securities and Exchange Commission	Amendment of Articles of Incorporation	04/10/2018	N/A	
Securities and Exchange Commission	Amendment of Articles of Incorporation	05/04/2016	N/A	
Securities and Exchange Commission	Certificate of Approval of Increase of Capital Stock	05/04/2016	N/A	
Securities and Exchange Commission	Certificate of Incorporation	02/03/2015	N/A	
CEBU2WORLD DEVELOPMENT, INC.				
Securities and Exchange Commission	Certificate of Incorporation	11/03/2020	N/A	
WIDE-HORIZONS INC.				
Securities and Exchange Commission	Certificate of Incorporation	11/16/2020	N/A	

LEGAL PROCEEDINGS

There are no pending bankruptcy, receivership or similar proceedings against the Company.

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

Kuehne + Nagel, Inc. (“KNI”) vs. Megawide Construction Corporation

This is a case for sum of money with damages filed with the Regional Trial Court of Parañaque City Branch 258 on October 15, 2012 by KNI against Megawide, demanding payment of ₱7,460,967.22, representing the balance for the various freight, fees, and charges in transporting the defendant’s shipment from Germany to the Philippines. Megawide filed its Answer on December 18, 2012, with Special and Affirmative Defenses and Counterclaims. Megawide’s defense is primarily anchored in KNI’s failure to secure the Load Port Survey (“LPS”) Report which resulted in the delay of the release of the shipment from the Bureau of Customs. Consequently, the Bureau of Customs imposed a penalty amounting to ₱4,027,043.22. Megawide paid the penalty (₱4,027,043.22) and also paid the amount of ₱355,893.75 for storage fees for more than 2 months because KNI could not secure the immediate release of Megawide’s shipment in view of the absence of the LPS Report.

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

MC Montgear Electromech Corp. (“Montgear”) vs. Megawide

Montgear is a subcontractor of Megawide for several projects which filed a complaint against the latter for sum of money with the Regional Trial Court of Quezon City Branch 77 on October

12, 2017 seeking to recover its retention money amounting to ₱22,062,012.65. In response, Megawide filed an Answer with Counterclaim amounting to ₱77,522,330.69 corresponding to unpaid charges by Montgear. On February 4, 2020, Montgear filed a Reply with Answer to Counterclaim and Motion for Bill of Particulars. Upon Megawide's motion, the court expunged Montgear's filing due the latter's unreasonable delay in filing.

The parties filed their respective pleadings from January to February 2021. The pre-trial conference is set for September 16, 2021.

Megawide vs. Maynilad Water Services, Inc. (“Maynilad”)

The case involves an application for an Interim Measure of Protection (Preliminary Injunction with Application for an Ex Parte twenty 20-day Temporary Order of Protection filed by Megawide against Maynilad with the Regional Trial Court of Quezon City Branch 84 on August 14, 2020 in order to prevent Maynilad from calling on the Performance Security and other securities submitted by the Megawide for the 88MLD Las Piñas Water Reclamation Facility Project.

The dispute arose from the Notice of Termination of the Project due to Force Majeure issued by Megawide, which Maynilad contested. After a series of hearings and submission of pleadings, the Regional Trial Court (RTC) granted the application for a twenty (20)-day Temporary Order of Protection on November 6, 2020 and ordered the return of the amounts acquired by Maynilad from its call on the securities. Maynilad submitted a Motion for Reconsideration of the said Order, and all parties submitted their respective Memoranda in relation to the Petition for Injunction. In a Decision dated April 5, 2021, the Court granted Megawide's application for Mandatory Injunction as an interim measure of protection in aid of arbitration.

AsiaTech Development and Builders Corp. (“AsiaTech”) vs Megawide

AsiaTech filed a disciplinary action against Megawide with the Philippine Contractors Accreditation Board on August 26, 2020 for Megawide's alleged fraudulent acts arising from its failure to pay AsiaTech's receivables. Megawide filed its answer on September 28, 2020. Last July 19, 2021, Megawide received an email from PCAB with an attached Reply Affidavit filed by AsiaTech on December 14, 2020. Megawide filed its Rejoinder last August 3, 2021.

NBI Anti-Fraud Division vs. Atty. Steve Dicdican, Manuel Louie B. Ferrer, et. al.

On November 26, 2020, the National Bureau of Investigation filed a complaint before the Department of Justice (“DOJ”) for alleged violation of several laws, particularly, the Anti-Dummy Law against the following individuals:

1. Atty. Steve Dicdican, General Manager of Mactan-Cebu International Airport Authority (“MCIAA”);
2. Manuel Louie Ferrer, President of GMR Megawide Cebu Airport Corporation (“GMCAC”);
3. Edgar Saavedra, Director of GMCAC;
4. Oliver Tan, Director of GMCAC;
5. Jez Dela Cruz, Director of GMCAC;
6. Srinivas Bommidala, Chairman of GMCAC;
7. P. Sripathy, Director of GMCAC;
8. Vivek Singhai, Director of GMCAC;
9. Andrew Acquaaah-Harrison, Chief Executive Advisor of GMCAC;
10. Ravi Bhatnagar, Chief Finance Advisor of GMCAC;
11. Ravishankar Saravu, Chief Commercial Adviser of GMCAC;
12. Michael Lenane, Chief Operations Officer of GMCAC;
13. Sudarshan MD, Deputy Chief Commercial Adviser of GMCAC;
14. Kumar Gauray, Manager of ORAT;
15. Magesh Nambiar, Deputy Human Resources Head of GMCAC;
16. Rajesh Madan, Head of Finance of GMCAC; and
17. Other John and/or Jane Does

(the “Respondents”).

This case stemmed from a complaint filed by a certain Atty. Larry Iguidez, Jr. (the "Complainant") with the Anti-Fraud and Action Division of the NBI on September 7, 2020.

In a Subpoena dated December 18, 2020, Respondents were given until January 20, 2021 to obtain copies of the complaint, supporting affidavits, and other evidence filed against them. The Respondents were also given ten (10) days from January 20, 2021 to file their counter-affidavits.

Respondents Ferrer, Saavedra, Tan, and Dela Cruz filed their Joint Counter-Affidavit on February 1, 2021. Respondents P. Sripathy and Singhal filed their Joint Counter-Affidavit dated February 5, 2021, and Respondents Harrison, Bhatnagar, Saravu, Sudarshan, and Nambiar filed their Joint Counter-Affidavit on February 8, 2021.

On April 21, 2021, Respondents received a copy of Complainant's Reply-Affidavit dated April 16, 2021. In a Subpoena dated April 28, 2021, the DOJ ordered Respondents to file their Rejoinder-Affidavits on or before May 12, 2021. Respondents Ferrer, Saavedra, Tan, and Dela Cruz filed their Joint Rejoinder-Affidavit on said date.

Subsequently, DOJ issued an Order dated July 7, 2021, received by the Company on July 14, 2021, requiring the parties to submit their respective Memoranda within thirty (30) days from receipt of the same. Respondents Ferrer, Saavedra, Tan, and Dela Cruz filed their Memorandum on August 12, 2021. This complaint has been submitted for the decision of the DOJ.

CORPORATE GOVERNANCE

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

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

- a) In compliance with SEC M.C. No. 19, Series of 2016, Megawide adopted its New Manual and has taken several steps to apply its principles, such as constituting all the Board committees required therein:
 - i. Executive Committee;
 - ii. Finance Committee;
 - iii. Audit and Compliance Committee;
 - iv. Risk Oversight Committee; and
 - v. Governance, Nomination, and Compensation Committee.The charters and compositions of the foregoing Board committees are in accordance with the New Manual.
- b) The Company has elected three (3) independent directors to ensure that the Board will protect, not only the interests of the Company, but its shareholders as well.
- c) To further its corporate governance initiatives, Megawide, in 2018, implemented its Code of Business Conduct and Ethics, Code of Conduct and Ethical Standards for Suppliers, Insider Trading Policy, and Conflict of Interest Policy Supplemental Guidelines and Conflict of Interest Disclosure Form. Further, Megawide actively rolled out its Whistleblowing Policy to its employees, suppliers, vendors, and clients, to encourage the disclosure of illegal and dishonest activities occurring within the Company.
- d) In 2019, Megawide adopted its Anti-Fraud Policy, Board Self-Evaluation Policy, and introduced changes to its Related Party Transactions Policy in compliance with SEC M.C. No. 10 series of 2019. It also conducted an Annual Corporate Governance Training on November 13, 2019, with the assistance of the Institute of Corporate Directors, which was attended by the Company's directors and key officers.
- e) The Board revised the Company's vision, mission, and values, which it launched in 2019.
- f) To reinforce the Megawide's adherence to good corporate governance, and in compliance with its New Manual and SEC Memorandum Circular No. 04, Series of 2019, attached is the Company's Sustainability Report as Exhibit "4".

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

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

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

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

The following management's discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the Company's audited and unaudited financial statements, including the related notes, contained in this Prospectus. The financial information presented in this Prospectus is presented and based on a consolidated level. In 2020, the Group made certain prior period adjustments to reflect the appropriate classification and presentation to reflect the effect of prior period adjustment discussed in detail in the consolidated financial statements annexed in this Prospectus. This Prospectus contains forward-looking statements that involve risks and uncertainties. The Company cautions investors that its business and financial performance is subject to substantive risks and uncertainties. The Company's actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including, without limitation, those set out in "Risk Factors" of the Prospectus. In evaluating the Company's business, investors should carefully consider all of the information contained in "Risk Factors" of the Prospectus.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS AS OF AND FOR THE SIX (6) MONTHS ENDED JUNE 30,
2021 COMPARED TO SIX (6) MONTHS ENDED JUNE 30, 2020**

Results of Operations

Amounts in ₱ thousands	For the six months ended June 30		HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
	2021	2020	Increase (Decrease)		2021	2020
			Amount	%		
REVENUES						
Construction operation revenues	₱6,984,413	₱4,861,282	2,123,131	44%	92%	76%
Airport operations revenues	235,012	882,260	(647,248)	-73%	3%	14%
Landport operations revenues	360,051	599,309	(239,258)	-40%	5%	9%
Trading operations revenues	4,390	69,346	(64,956)	-94%	0%	1%
	7,583,866	6,412,197	1,171,669	18%	100%	100%
DIRECT COSTS						
Costs of construction operations	5,934,350	4,444,510	1,489,840	34%	78%	69%
Costs of airport operations	174,628	450,303	(275,675)	-61%	2%	7%
Costs of landport operations	161,056	166,777	(5,721)	-3%	2%	3%
Costs of trading operations	4,204	19,730	(15,526)	-79%	0%	0%
	6,274,238	5,081,320	1,192,918	23%	83%	79%
GROSS PROFIT	1,309,628	1,330,877	(21,249)	-2%	17%	21%
OTHER OPERATING EXPENSES	724,511	784,547	(60,036)	-8%	10%	12%
OPERATING PROFIT	585,117	546,330	38,787	7%	8%	9%
OTHER INCOME (CHARGES)						
Finance costs - net	(980,045)	(995,988)	15,943	-2%	-13%	-16%
Others - net	476,082	(1,073)	477,155	-44469%	6%	0%
	(503,963)	(997,061)	493,098	-49%	-7%	-16%
PROFIT BEFORE TAX	81,154	(450,731)	531,885	-118%	1%	-7%
TAX EXPENSE	134,004	(1,388)	135,392	-9754%	2%	0%
NET PROFIT (LOSS)	(52,850)	(449,343)	396,493	-88%	-1%	-7%

Review of results for the six (6) months ended June 30, 2021 as compared with the results for the six (6) months ended June 30, 2020

Revenues increased by 18% or ₱1.2 billion

Consolidated revenues for the period amounted to ₱7.58 billion, 18% or ₱1.2 billion higher from the same period last year. The construction segment revenue amounted to ₱6.98 billion, 44% or ₱2.1 billion above from year ago levels and contributed 92% to the consolidated revenues. From quarantine restrictions imposed by the government last March 16, 2020, construction segment slowly transitioned to normal levels starting 3rd quarter of 2020. In 2021 operations of on-going projects started to normalize and continued to ramp up due to the start of newly awarded projects such as Suntrust Home Developers' Suncity West Side City project, Megaworld's Newport Link project, and the DOTr's Malolos Clark Railway Phase 1 Project which is a joint 3 venture project with Hyundai Engineering & Construction Co., Ltd., and Dongah Geological Engineering Company Ltd.

Airport segment continues to struggle with 10% of the pre-pandemic air traffic volume though remains optimistic of a turnaround once the global vaccination program has been effectively rolled out. Revenue during the period amounted to ₱235 million, 73% or ₱647 million lower than the same period last year and contributed 3% to the total consolidated revenue due to the effect of international and local travel restrictions, beginning March 16, 2020 and persisted until June 30, 2021, as a means to control the spread of COVID-19. International passenger arrivals from COVID-19 affected countries like China, Japan, and Korea are still down while domestic volumes declined as the government declared a state of public emergency and placed Luzon under ECQ, which persisted during the MECQ and general community quarantine (GCQ) periods. Airport merchandising segment, which is ancillary to airport operations, likewise experienced a slowdown in sales due to reduced passenger traffic translating to 94% decline in revenue.

Landport operations delivered revenue of ₱360 million from office towers and commercial spaces for the first six months of the year and contributed 5% to the total consolidated revenues. Due to the restrictions in foreign travel, Philippine Offshore Gaming Operators (POGO) experienced indefinite disruption on their operations, resulting in lower office occupancy levels and translated to 40% or P239 million lower revenue from the same period last year. PITX continued to serve as a transportation convergence point during ECQ and ever since terminal operations reopened last June 8, 2020 after Manila was placed under GCQ by the government and resumed near normalcy in operations to serve commuters going to different places of work.

Direct Costs increased by 23% or ₱1.2 billion

Direct costs amounted to ₱6.27 billion and were higher by 23% or ₱1.2 billion. The movement was consistent with the revenue performance across all three segments, taking in consideration fixed costs and depreciation expenses despite reduced passenger volumes and lower occupancy rate at the airport and landport terminals.

Gross Profit decreased by 2% or ₱21 million

Consolidated gross profit amounted to P1.3 billion for the first half of 2021, translating to a consolidated gross profit margin of 17%. The construction business contributed P1.0 billion or 80% of the Group's gross profit. Airport operations and merchandising segment accounted for P60 million or 5% while terminal operations contributed P199 million or 15% to the total gross profit.

Other Operating Expenses decreased by 8% or ₱60 million

Net Other Operating Expenses for the six-month period amounted to ₱724 million. The decrease of ₱60 million is mainly related to conscious and aggressive cost reduction measures in the terminal and merchandising segments amid substantially lower than normal operations for the period.

Other Income (Charges) decreased by 49% or ₱493 million

Other charges - net, which consists of finance cost, finance income and other income (expenses) amounted to ₱504 million, 49% lower from year-ago levels. The reduction is due mainly to the recognition of gain on loan modification amounting to ₱208 million in 2021, mark-to-market gain on the airport segment's interest rate swap recognized this year compare to

market-to-market loss on IRS booked on the same period last last year and the Group's financial management program to take advantage of more favorable interest rates in the first half of 2021, resulting in lower other income (charges).

Tax Expense increased by ₱135 million

Total tax expense increased in 2021 due to the improvement in the operations of the construction segment. Tax expense under construction increased by ₱234 million due to the net income recognized for the period, as compared to the net loss incurred last year. This is offset by the decrease in tax expense in the landport segment, which is directly related to the decrease in its net income, and the reduction in tax rate from 30% to 25% under the CREATE law. In addition, adjustment for the reduction in tax rate for the second half of 2020 were recognized in 2021 as the CREATE law was passed this year, translating to a decrease in income tax by ₱18.52 million.

Consolidated Net Loss decreased by 88% or P396 million

Consolidated net loss amounted to ₱53 million compared to consolidated net loss of ₱449 million in 2020. Marginal improvement is related to improvement in construction operations, though was offset by airport segment as minimal revenues were generated from airport and travel-related segments due to disrupted operations arising from the global response to the COVID-19 crisis.

Financial Condition

(Amounts in ₱ thousands)	June 30	December 31	HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
	2021	2020	Increase (Decrease) Amount	%	2021	2020
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	₱7,529,651	₱7,226,150	₱303,501	4%	9%	9%
Trade and other receivables – net	16,928,552	15,299,050	1,629,502	11%	20%	19%
Construction materials	1,741,805	1,719,043	22,762	1%	2%	2%
Contract assets	4,772,391	4,231,600	540,791	13%	6%	5%
Other current assets	8,590,829	7,956,744	634,085	8%	10%	10%
Total Current Assets	39,563,228	36,432,587	3,130,641	9%	47%	45%
NON-CURRENT ASSETS						
Financial assets as fair value through other comprehensive income	3,544	3,544	-	0%	0%	0%
Investments in associates	889,164	929,196	(40,032)	-4%	1%	1%
Concession assets	30,215,384	29,928,728	286,656	1%	36%	37%
Property, plant, and equipment -net	6,944,438	7,497,348	(552,910)	-7%	8%	9%
Investment properties	4,327,140	4,120,894	206,246	5%	5%	5%
Deferred tax assets - net	29,824	9,626	20,198	210%	0%	0%
Other non-current assets	2,639,556	2,421,846	217,710	9%	3%	3%
Total Non-current Assets	45,049,050	44,911,182	137,868	0%	53%	55%
TOTAL ASSETS	₱84,612,278	₱81,343,769	3,268,509	4%	100%	100%
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Interest-bearing loans and borrowings	₱12,442,138	₱13,110,458	(668,320)	-5%	15%	16%
Trade and other payables	8,739,263	8,291,951	447,312	5%	10%	10%
Contract liabilities	7,098,298	4,593,930	2,504,368	55%	8%	6%
Other current liabilities	246,964	218,177	28,787	13%	0%	0%
Total Current Liabilities	28,526,663	26,214,516	2,312,147	9%	34%	32%
NON-CURRENT LIABILITIES						
Interest-bearing loans and borrowings	34,190,405	32,809,908	1,380,497	4%	40%	40%
Post-employment defined benefit obligation	346,821	343,402	3,419	1%	0%	0%
Deferred tax liabilities - net	800,202	801,849	(1,647)	0%	1%	1%
Other non-current liabilities	656,600	651,626	4,974	1%	1%	1%
Total Non-current Liabilities	35,994,028	34,606,785	1,387,243	4%	43%	43%
Total Liabilities	64,520,691	60,821,301	3,699,390	6%	76%	75%
EQUITY						
Equity attributable to shareholders of the Parent Company:						
Common stock	2,399,426	2,399,426	-	0%	3%	3%
Preferred stock	88,626	87,001	1,625	2%	0%	0%
Additional paid-in capital	13,057,712	13,057,712	-	0%	15%	16%
Revaluation reserves	(9,353)	(8,951)	(402)	4%	0%	0%
Other reserves	(22,475)	(22,475)	-	0%	0%	0%
Treasury shares	(4,615,691)	(4,615,691)	-	0%	-5%	-6%
Retained earnings	6,163,179	6,404,292	(241,113)	-4%	7%	8%
Total equity attributable to shareholders of the Parent Company	17,061,424	17,301,314	(239,890)	-1%	20%	21%
Non-controlling interests	3,030,163	3,221,154	(190,991)	-6%	4%	4%
Total Equity	20,091,587	20,522,468	(430,881)	-2%	24%	25%
TOTAL LIABILITIES AND EQUITY	₱84,612,278	₱81,343,769	₱3,268,509	4%	100%	100%

Review of financial conditions as of June 30, 2021 as compared with financial conditions as of December 31, 2020

ASSETS

Current Assets increased by 9% or by ₱3.1 billion

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

Cash and Cash Equivalents increased by 4% or ₱304 million

The increase in cash and cash equivalents was due to proceeds from the down payments of clients for newly awarded projects during the period and increase in operating cash flow from construction segment. This is offset by payment of ₱1.1 billion finance cost, ₱253 million dividends on preferred shares and various acquisitions of precast and construction equipment to ramp up capacity.

Trade and Other Receivables increased by 11% or by ₱1.6 billion

The increase in contract receivables by ₱1.6 billion is related to milestone payment contractual arrangement with customers, special payment arrangements to key clients and timing difference in collections as substantial portion of work accomplishment has been billed towards the end of the quarter and hence are being reviewed by the client whereas some recently billed receivable are not yet due. Meanwhile, receivables from Terminal operations increased by ₱230 million due to relaxation of payment schedule with the tenants in support to Bayanihan to Heal as One Act. To minimize credit risk, PITX as a matter of policy, ensures that there is sufficient amount of security deposits and advance rentals to cover unpaid balances.

Construction Materials increased by 1% or by ₱23 million

The increase in inventory levels during the period was due to the new projects started during the period, as well as to comply with the Company's business strategy to maintain buffer levels of inventory at site, considering longer procurement lead time during the quarantine period imposed by the government.

Contract assets increased by 13% or ₱541 million

The increase in contract assets is attributed to timing difference on actual billing for portion of work-in-progress completed during the period, which can be billed and evaluated by the client upon completion of the said scope or activity.

Other Current Assets increased by 8% or by ₱634 million

The increase was mainly due to advances made by the Parent to its suppliers and subcontractors for its new projects to lock in prices for steel required for the structural construction of Sun City Project and the advances to supplier amounting to ₱199 million for MCRP. The related input VAT also increased as a result of payments made to subcontractors. Also, deferred fulfillment cost, which refers to project cost of contracts awaiting signature or under evaluation, increased due to various bidding and pre-construction activities. This is offset by the decrease in creditable withholding taxes under the construction segment that is directly related to the increase in tax expense.

Non-Current Assets amounted to ₱45 billion

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

Investments in Associates and Joint Ventures decreased by 4% or by ₱40 million

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

Concession Assets increased by ₱287 million

The increase in Concession Assets was attributed to capital investments of GMCAC related to its obligations under the concession agreement. Meanwhile, amortization charges for the period amounted to ₱17 million.

Property, Plant and Equipment decreased by 7% or by ₱553 million

The Group recognized depreciation charges on property, plant and equipment amounting to ₱621 million and procured certain pre-cast equipment to expand capacity of construction support and service units and various specialized equipment to support specification requirement of the ongoing projects.

Investment Properties increased by 5% or by ₱206 million

The increase is mainly related to the reclassification of completed works that were previously classified as construction in progress under property and equipment account after considering the depreciation charges for the period amounting to ₱57 million.

Deferred tax assets increased by 210% or ₱20 million

The increase was due to recognition of deferred tax assets of a subsidiary in Dubai, UAE, related to a project development consultancy for the construction of an airport in India.

Other Non-Current Assets increased by 9% or ₱218 million

The increase in Other Non-Current Assets was mainly due to increase in the deferred input VAT balance of GMCAC as well as higher refundable deposits under MWM.

LIABILITIES AND EQUITY

Current Liabilities increased by 9% or by ₱2.3 billion

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

Interest-Bearing Loans and Borrowings-Current decreased by 5% or by ₱668 million

On May 4, 2021, GMCAC and the lenders executed the second amendment to the amended and restated Omnibus Loan and Security Agreement (OLSA), revising and pushing the schedule of the principal repayment to 2024. As a result, the loans of GMCAC were reclassified from current to non-current amounting to ₱824 million. This decrease in current portion of interest bearing loans is offset by the availments and reclassification of currently maturing loans and lease liabilities in accordance with the terms of the loan agreement after considering lease payments made during the period.

Trade and Other Payables increased by 5% or by ₱447 million

The increase is related to contractors with back-to-back payment arrangement from collection of customer receivables from subcons nominated by the clients, deferment of March to June interest payments of GMCAC based on the amended OLSA by two (2) months, and availment of vendor payment extension program to maximize cash.

Contract liabilities increased by 55% or ₱2.5 billion

The increase is mainly related to downpayments received in 2021 for newly awarded contracts such as SunCity and share in MCRP. The same is reduced by the recoupment against billings to clients for its ongoing projects as well catch up realization of profit for projects nearing completion or physical handover with client.

Other Current Liabilities increased by 13% or by ₱29 million

The increase is due to the increase in tax liabilities of the Group such as withholding taxes and output VAT.

Non-Current Liabilities increased by 4% or ₱1.4 billion

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

Interest-Bearing Loans and Borrowings-Non-Current increased by 4% or P1.4 billion

On May 4, 2021, GMCAC and the lenders executed the second amendment to the amended and restated Omnibus Loan and Security Agreement, which revised the schedule of the principal repayments to 2024. As a result of this arrangement, current portion of long term loan from GMCAC amounting to ₱824 million was reclassified to back to non-current loans. Meanwhile, current portion of finance lease payables were reclassified to current loans based on scheduled payments within one year horizon.

Deferred tax liabilities decreased by ₱1.6 million

The decrease in deferred tax liabilities was due to the recognition of deferred tax asset on the airport and landport segment, and can be traced to the impact on taxes of the airport's depreciation policy.

Other non-current liabilities increased by ₱5.0 million

The increase is due to the net movement in security deposits and advanced rent from the landport and airport segments during the period arising from new lease contracts.

Equity attributable to Parent decreased by 1% or by ₱240 million

The decrease in equity was mainly due to dividend payments to preferred stock shareholders and net loss for the period.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS AS OF AND FOR THE FULL YEAR ENDED DECEMBER 31, 2020 COMPARED TO FULL YEAR ENDED DECEMBER 31, 2019

Results of Operations

Amounts in ₱ thousands	For the years ended December 31		HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
	2020	2019	Increase (Decrease)		2020	2019
			Amount	%		
REVENUES						
Construction operation revenues	₱10,842,200	₱15,309,069	(4,466,869)	-29%	84%	77%
Airport operations revenues	1,108,668	3,691,112	(2,582,444)	-70%	9%	19%
Landport operations revenues	902,414	555,402	347,012	62%	7%	3%
Trading operations revenues	69,944	326,222	(256,278)	-79%	1%	2%
	12,923,226	19,881,805	(6,958,579)	-35%	100%	100%
DIRECT COSTS						
Costs of construction operations	9,393,547	13,291,798	(3,898,251)	-29%	73%	67%
Costs of airport operations	634,707	1,536,617	(901,910)	-59%	5%	8%
Costs of landport operations	355,896	334,155	21,741	7%	3%	2%
Costs of trading operations	20,960	88,214	(67,254)	-76%	0%	0%
	10,405,110	15,250,784	(4,845,674)	-32%	81%	77%
GROSS PROFIT	2,518,116	4,631,021	(2,112,905)	-46%	19%	23%
OTHER OPERATING EXPENSES	1,535,707	1,827,166	(291,459)	-16%	12%	9%
OPERATING PROFIT	982,410	2,803,855	(1,821,445)	-65%	8%	14%
OTHER INCOME (CHARGES)						
Finance costs - net	(1,811,968)	(1,541,090)	(270,878)	18%	-14%	-8%
Others - net	219,749	172,473	47,276	27%	2%	1%
	(1,592,219)	(1,368,617)	(223,602)	16%	-12%	-7%
PROFIT BEFORE TAX	(609,809)	1,435,238	(2,045,047)	-142%	-5%	7%
TAX EXPENSE	264,787	324,203	(59,416)	-18%	2%	2%
NET PROFIT (LOSS)	(874,596)	1,111,035	(1,985,631)	-179%	-7%	6%

Revenues at ₱12.92 billion or 35% lower than FY2019

Consolidated revenues for the period amounted to ₱12.92 billion, 35% or ₱6.96 billion lower from 2019 levels. The construction segment revenue amounted to ₱10.84 billion, ₱4.47 billion or 29% below from year ago levels and contributed 84% to the consolidated revenues. Since the government imposed the enhanced community quarantine (ECQ) last March 17, 2020, construction activities have been suspended. During the modified enhanced community quarantine (MECQ) beginning May 16, 2020, construction activities resumed but labor availability and supply chain has been disrupted, resulting in slow down and delayed ramp up of construction revenues. As government started to ease restrictions beginning June, operations

started to improve during the second (2nd) half, though still lower than normal levels due to limited mobility and supply chain constraints.

Airport operations delivered ₱1.11 billion in revenue in 2020, 70% or ₱2.58 billion lower from full year 2019 due to travel restrictions imposed during the quarantine periods. International passenger arrivals from COVID-19 affected countries like China, Japan, and Korea went down beginning February while domestic volumes declined as the government declared a state of public emergency and placed Luzon under ECQ, which persisted during the MECQ and general community quarantine (GCQ) periods. Airport merchandising segment, which is ancillary to airport operations, likewise experienced a slowdown in sales beginning February due to reduced passenger throughput and generated revenue of ₱70 million.

Landport operations, which started full operations in latter half of 2019, delivered revenue of ₱902 million in 2020 and contributed 7% share to the consolidated revenues. Revenues mostly came from office tower and commercial space leases. Despite temporary suspension of terminal operations due to the ECQ beginning second (2nd) half of March 2020, PITx continued to serve as a transportation convergence point for healthcare workers and frontliners. Terminal operations reopened last June 8, 2020, after Manila was placed under GCQ by the government, and continued to operate near normalcy to serve commuters going to different places of work.

Direct Costs decreased by 32% or ₱4.85 billion

Direct costs amounted to ₱10.41 billion, lower by 32% or ₱4.85 billion versus same period last year. The decline in costs was related to the decrease in construction activities and limited airport and landport operations and in line with the lower revenues for the year.

Gross Profit at ₱2.52 billion

Consolidated gross profit amounted to ₱2.52 billion, translating to a consolidated gross profit margin of 19%. Construction operations contributed the bulk at ₱1.45 billion or 58% to the consolidated gross profit. The landport and airport operations contributed ₱547 million and ₱474 million, respectively, comprising 22% and 19% shares, respectively. The balance came from the airport merchandising segment.

Other Operating Expenses lower by 16% or ₱291 million

Net Other Operating Expenses for 2020 amounted to ₱1.54 billion, ₱291 million or 16% lower from 2019 levels. The decrease was mainly related to the cost cutting measures and process improvements implemented in 2020 in response to the COVID-19 pandemic.

Other Income (Charges) increased by 16% or ₱224 million

Other income (charges), which consists of finance cost, finance income and other income (expenses), increased due to full year recognition of interest expense from PITx loans availed in the last quarter of 2019, additional interest from GMCAC from unamortized borrowing cost with the official completion of Terminal renovation in January 2020, and the reduction of other income for the year.

Tax Expense decreased by ₱59 million or 18%

Tax expense for the year amounting to ₱265 million mainly pertained to deferred tax expense of GMCAC due to the timing of recognition of amortization of concession asset for tax purposes and tax expense from net profit of landport and construction segment.

Consolidated Net Loss for the period amounted to ₱875 million

The consolidated net loss of ₱875 million for 2020 was mainly attributed to minimal revenues generated from construction and airport segments due to limited construction activities and travel restrictions, respectively, imposed by the government to mitigate increase of COVID-19 cases.

Financial Condition

(Amounts in ₱ thousands)	December 31		HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
	2020	2019	Increase (Decrease)		2020	2019
			Amount	%		
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	₱7,226,150	₱6,518,600	₱707,550	11%	9%	8%
Trade and other receivables – net	15,299,050	17,373,477	(2,074,427)	-12%	19%	22%
Construction materials	1,719,043	1,287,128	431,915	34%	2%	2%
Contract assets	4,231,600	3,975,734	255,866	6%	5%	5%
Other current assets	7,956,744	6,310,723	1,646,021	26%	10%	8%
Total Current Assets	36,432,587	35,465,662	966,925	3%	45%	44%
NON-CURRENT ASSETS						
Financial assets as fair value through other comprehensive income	3,544	3,544	-	0%	0%	0%
Investments in associates	929,196	959,507	(30,311)	-3%	1%	1%
Concession assets	29,928,728	29,436,586	492,142	2%	37%	36%
Property, plant, and equipment -net	7,497,348	7,666,010	(168,662)	-2%	9%	9%
Investment properties	4,120,894	4,186,720	(65,826)	-2%	5%	5%
Deferred tax assets - net	9,626	44,299	(34,673)	-78%	0%	0%
Other non-current assets	2,421,846	3,001,998	(580,152)	-19%	3%	4%
Total Non-current Assets	44,911,182	45,298,664	(387,482)	-1%	55%	56%
TOTAL ASSETS	₱81,343,769	₱80,764,326	579,443	1%	100%	100%
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Interest-bearing loans and borrowings	13,110,458	₱14,681,061	(1,570,603)	-11%	16%	18%
Trade and other payables	8,291,951	8,167,589	124,362	2%	10%	10%
Contract liabilities	4,593,930	4,931,270	(337,340)	-7%	6%	6%
Other current liabilities	218,177	220,062	(1,885)	-1%	0%	0%
Total Current Liabilities	26,214,516	27,999,982	(1,785,466)	-6%	32%	35%
NON-CURRENT LIABILITIES						
Interest-bearing loans and borrowings	32,809,908	33,071,851	(261,943)	-1%	40%	41%
Post-employment defined benefit obligation	343,402	340,208	3,194	1%	0%	0%
Deferred tax liabilities - net	801,849	612,630	189,219	31%	1%	1%
Other non-current liabilities	651,626	741,143	(89,517)	-12%	1%	1%
Total Non-current Liabilities	34,606,785	34,765,832	(159,047)	0%	43%	43%
Total Liabilities	60,821,301	62,765,814	(1,944,513)	-3%	75%	78%
EQUITY						
Equity attributable to shareholders of the Parent Company:						
Common stock	2,399,426	2,399,426	-	0%	3%	3%
Preferred stock	87,001	40,000	47,001	118%	0%	0%
Additional paid-in capital	13,057,712	8,776,359	4,281,353	49%	16%	11%
Revaluation reserves	(8,951)	(63,384)	54,433	-86%	0%	0%
Other reserves	(22,475)	(22,475)	-	0%	0%	0%
Treasury shares	(4,615,691)	(3,912,618)	(703,073)	18%	-6%	-5%
Retained earnings	6,404,292	7,083,443	(679,151)	-10%	8%	9%
Total equity attributable to shareholders of the Parent Company	17,301,314	14,300,751	3,000,563	21%	21%	18%
Non-controlling interests	3,221,154	3,697,761	(476,607)	-13%	4%	5%
Total Equity	20,522,468	17,998,512	2,523,956	14%	25%	22%
TOTAL LIABILITIES AND EQUITY	₱81,343,769	₱80,764,326	₱579,443	1%	100%	100%

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

ASSETS

Current Assets increased by 3% or ₱967 million

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

Cash and Cash Equivalents increased by 11% or ₱708 million

The increase in cash and cash equivalents was due to proceeds from the preferred shares issued in November 2020, offset by the acquisition of shares, dividend payments for the 2019 declaration, and decrease in operating cash flow from its airport and PITx in 2020.

Trade and Other Receivables decreased by 12% or ₱2.07 billion

The decrease in contract receivables was largely due to the ₱3.50 billion collection from the Clark airport project representing the first (1st) and second (2nd) milestone payments. Lower receivables from airport segment is due to lower revenues. Meanwhile, receivables from terminal operations increased due to recognition of additional lease income of ₱142 million in accordance with PFRS 16 and uncollected billings from tenants of ₱385 million due to deferral of payments granted to tenants.

Inventory of Construction Materials increased by 34% or ₱432 million

The increase towards the last quarter of the year is consistent to the Company's business strategy to keep enough levels of inventory at site considering longer procurement lead time during the quarantine period imposed by the government.

Contract assets increased by 6% or ₱256 million

The increase in contract assets is attributed to costs to mobilize newly awarded projects and ramp-up costs arising from the quarantine periods as production capacity is still to reach normal levels.

Other Current Assets increased by 26% or ₱1.65 billion

The increase was mainly due to advances made by the Parent to its suppliers and subcontractors for its new projects to lock in supply and cost of major raw materials. The related input VAT also increased as a result of payments made to subcontractors. Also, deferred fulfillment cost which refers to project cost of contracts awaiting signature or under evaluation increased due to various bidding and pre-construction activities.

Non-Current Assets decreased by 1% or ₱387 million

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

Investments in Associates and Joint Ventures decreased by 3% or ₱30 million

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

Concession Assets increased by 2% or ₱492 million

The increase in Concession Assets was attributed to capital investments of GMCAC related to the renovation of Terminal 1 at the airport. Meanwhile, amortization charges for the year amounted to ₱163 million.

Investment Properties decreased by 2% or ₱66 million

The decrease was related to the amortization for the year amounting to ₱106 million and additions to Land amounting to ₱40 million.

Property, Plant and Equipment decreased by 2% or ₱169 million

The decrease in the account resulted from the Group's recognition of depreciation charges on property, plant and equipment amounting to ₱1.02 billion and procurement of certain construction equipment to support specific requirements of the ongoing projects.

Deferred tax assets decreased by ₱35 million or 78%

The decrease was due to recognition of deferred tax liabilities of landport segment, hence, the net balance is now presented as part of deferred tax liabilities.

Other Non-Current Assets decreased by 19% or ₱580 million

The decrease in Other Non-Current Assets was mainly due to the release of GMCAC's "Cash Flow Waterfall Accounts" as required under the Omnibus Loan and Security Agreement in payment for GMCAC's maturing loans.

LIABILITIES AND EQUITY

Current Liabilities decreased by 6% or ₱1.79 billion

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

Interest-Bearing Loans and Borrowings-Current decreased by 11% or ₱1.57 million

The decrease in short-term loans and borrowings was related to the payment of short-term loans for the Clark Airport project upon collection of the portion of receivables from the said project. Payment was made in accordance with the terms of the loan agreement.

Trade and Other Payables increased by 2% or by ₱124 million

The increase was mainly due to volume and timing of purchases and payments to suppliers and subcontractors. Some invoices pertaining to delivery of construction materials were received and processed by end of year.

Contract liabilities decreased by 7% or ₱337 million

The decrease in contract liabilities was related to recoupment for ongoing projects.

Other Current Liabilities decreased by 1% or by ₱2 million

The decrease in other current liabilities was attributed to the net decrease in VAT payable of the Group, particularly for the airport segment.

Non-Current Liabilities decreased by ₱159 million

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

Interest-Bearing Loans and Borrowings-Non-Current decreased by ₱262 million or 1%

The decrease in long-term loans and borrowings was due to reclassification of current portion of both GMCAC and MWMTI's long-term debt to current.

Post-employment defined benefit obligation increased by 1% or ₱3 million

The increase was mainly related to the recognition of current service cost of GMCAC.

Deferred tax liabilities increased by 31% or ₱189 million

The increase in deferred tax liabilities was traced to the impact on taxes of the recognition of additional revenue and finance cost in accordance with PFRS 16 as well as the airport's depreciation policy.

Other non-current liabilities decreased by 12% or ₱90 million

The decrease the account was mainly due to application of security deposits on expired or cancelled contracts for the landport and airport operations.

Equity attributable to shareholders of the Parent Company increased by 21% or ₱3 billion

The increase in equity was mainly the function of the proceeds received from the issuance of preferred shares amounting to ₱4.3 billion, partially offset by the share buyback program of the Parent amounting to ₱703 million, dividend payments to preferred stock shareholders, and net loss for the period.

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

Results of Operations

Amounts in ₱ thousands	For the years ended December 31		HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
	2019	2018	Increase (Decrease)		2019	2018
			Amount	%		
REVENUES						
Construction operation revenues	₱15,309,069	₱12,845,830	2,463,239	19%	77%	80%
Airport operations revenues	3,691,112	2,995,981	695,131	23%	19%	19%
Landport operations revenues	555,402	17,653	537,749	3046%	3%	0%
Trading operations revenues	326,222	289,895	36,327	13%	2%	2%
	19,881,805	16,149,359	3,732,446	23%	100%	100%
DIRECT COSTS						
Costs of construction operations	13,291,798	10,784,176	2,507,622	23%	67%	67%
Costs of airport operations	1,536,617	941,830	594,787	63%	8%	6%
Costs of landport operations	334,155	17,653	316,502	1793%	2%	0%
Costs of trading operations	88,214	70,358	17,856	25%	0%	0%
	15,250,784	11,814,017	3,436,767	29%	77%	73%
GROSS PROFIT	4,631,021	4,335,342	295,679	7%	23%	27%
OTHER OPERATING EXPENSES	1,827,166	1,279,654	547,512	43%	9%	8%
OPERATING PROFIT	2,803,855	3,055,688	(251,833)	-8%	14%	19%
OTHER INCOME (CHARGES)						
Finance costs - net	(1,541,090)	(1,112,829)	(428,261)	38%	-8%	-7%
Others - net	172,473	444,159	(271,686)	-61%	1%	3%
	(1,368,617)	(668,670)	(699,947)	105%	-7%	-4%
PROFIT BEFORE TAX	1,435,238	2,387,018	(951,780)	-40%	7%	15%
TAX EXPENSE	324,203	492,844	(168,641)	-34%	2%	3%
NET PROFIT (LOSS)	1,111,035	1,894,174	(783,139)	-41%	6%	12%

Megawide generated consolidated revenues of ₱19.88 billion for the year 2019, 23% higher than ₱16.15 billion posted in 2018. Megawide also recorded consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) of ₱4.81 billion, 9% more than the previous year. This was driven by airport operations, which recorded a 10% growth to ₱2.33 billion and contributed 48% to total, and construction, which grew to ₱2.25 billion from ₱2.18 billion last year and comprised 47% of the total. The remaining 5% came from the combined terminal and merchandising operations. The Company's net profit came in at ₱1.11 billion, of which 55% or ₱609 million was delivered by airport operations and merchandising segments, while the remaining 45% was from the construction and terminal businesses. Overall, the 2019 results were fueled by the recovery in construction, sustained momentum from airport operations, and initial contribution from landport operations.

Revenues increased by 23% or by ₱3.73 billion

The Company's consolidated revenues increased by ₱3.73 billion or 23% in 2019 due to improving contributions across all business segments.

Construction

The construction segment contributed 77% of Megawide's total revenue, amounting to ₱15.31 billion against ₱12.85 billion in the previous year. Revenues for the year increased by ₱2.46 billion or 19% as a result of ramp up in construction activities in 2019. Major projects undertaken during the year includes Clark International Airport, 8990's Housing Development's Ortigas and Tondo, Araneta's Gateway Mall, Megaworld's Worldwide Plaza, Albany Luxury Residences, One Fintech, 8 Sunset Boulevard, International Finance Center and Double Dragon projects.

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

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

Airport Operations

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

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

Airport Merchandising

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

Terminal Operations

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

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

Direct Costs increased by 29% or by ₱3.44 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 MCI's Terminal 2 and additional costs to operate it.

Gross Profit increased by 7% or by ₱296 million

Consolidated gross profit amounted to ₱4.63 billion in 2019 and translated to a consolidated gross profit margin of 23%. Construction gross profit decreased by ₱44 million, or 2%, to ₱2.02 billion. Airport operations grew by ₱100 million, or 5%, to ₱2.15 billion while airport merchandising grew by ₱18 million, or 8%, to ₱238 million. Terminal operations gross profit

accelerated to ₱221 million as revenue stream from concessionaires and office towers commenced last year.

Other Operating Expenses increased by 43% or ₱548 million

Other operating expenses amounted to ₱1.83 billion in 2019 and was largely attributable to overhead expenses associated with the full year of MCIAs 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 ₱700 million or 105%

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 ₱6 billion. Also, the Company availed loans to finance its working capital and capital expenditure program.

Tax Expense decreased by ₱169 million or 34%

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

Financial Condition

(Amounts in ₱ thousands)	December 31		HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
	2019	2018	Increase (Decrease) Amount	%	2019	2018
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	₱6,518,600	₱5,734,721	₱783,879	14%	8%	9%
Trade and other receivables – net	17,373,477	10,212,127	7,161,350	70%	22%	15%
Financial assets at fair value through profit or loss	-	26,290	(26,290)	-100%	0%	0%
Construction materials	1,287,128	865,035	422,093	49%	2%	1%
Contract assets	3,975,734	3,060,771	914,963	30%	5%	5%
Other current assets	6,310,723	4,891,541	1,419,182	29%	8%	7%
Total Current Assets	35,465,662	24,790,485	10,675,177	43%	44%	38%
NON-CURRENT ASSETS						
Financial assets as fair value through other comprehensive income	3,544	3,544	-	0%	0%	0%
Investments in associates	959,507	926,832	32,675	4%	1%	1%
Concession assets	29,436,586	28,289,313	1,147,273	4%	36%	43%
Property, plant, and equipment -net	7,666,010	5,193,951	2,472,059	48%	9%	8%
Investment properties	4,186,720	3,759,861	426,859	11%	5%	6%
Deferred tax assets - net	44,299	-	44,299		0%	0%
Other non-current assets	3,001,998	2,941,724	60,274	2%	4%	4%
Total Non-current Assets	45,298,664	41,115,225	4,183,439	10%	56%	62%
TOTAL ASSETS	₱80,764,326	₱65,905,710	14,858,616	23%	100%	100%
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Interest-bearing loans and borrowings	₱14,681,061	₱6,408,573	8,272,488	129%	18%	10%
Trade and other payables	8,167,589	5,252,402	2,915,187	56%	10%	8%
Contract liabilities	4,931,270	4,670,483	260,787	6%	6%	7%
Other current liabilities	220,062	233,818	(13,756)	-6%	0%	0%
Total Current Liabilities	27,999,982	16,565,276	11,434,706	69%	35%	25%
NON-CURRENT LIABILITIES						
Interest-bearing loans and borrowings	33,071,851	30,371,690	2,700,161	9%	41%	46%
Post-employment defined benefit obligation	340,208	176,799	163,409	92%	0%	0%
Deferred tax liabilities - net	612,630	419,677	192,953	46%	1%	1%
Other non-current liabilities	741,143	368,167	372,976	101%	1%	1%
Total Non-current Liabilities	34,765,832	31,336,333	3,429,499	11%	43%	48%
Total Liabilities	62,765,814	47,901,609	14,864,205	31%	78%	73%
EQUITY						
Equity attributable to shareholders of the Parent Company:						
Common stock	2,399,426	2,399,426	-	0%	3%	4%
Preferred stock	40,000	40,000	-	0%	0%	0%
Additional paid-in capital	8,776,359	8,776,359	-	0%	11%	13%
Revaluation reserves	(63,384)	15,205	(78,589)	-517%	0%	0%
Other reserves	(22,475)	(22,475)	-	0%	0%	0%
Treasury shares	(3,912,618)	(3,454,826)	(457,792)	13%	-5%	-5%
Retained earnings	7,083,443	6,752,591	330,852	5%	9%	10%
Total equity attributable to shareholders of the Parent Company	14,300,751	14,506,280	(205,529)	-1%	18%	22%
Non-controlling interests	3,697,761	3,497,821	199,940	6%	5%	5%
Total Equity	17,998,512	18,004,101	(5,589)	0%	22%	27%
TOTAL LIABILITIES AND EQUITY	₱80,764,326	₱65,905,710	₱14,858,616	23%	100%	100%

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

ASSETS

Current Assets increased by 43% or by ₱10.68 billion

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

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

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

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

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

Construction Materials increased by 49% or by ₱422 million

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

Contract assets increased by 30% or ₱915 million

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

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

The increase is mainly due to downpayments made to suppliers during the year for newly started projects and the increase in prepaid taxes of the Company due to application of ₱406 million write-off of receivables against its taxable income. Deferred fulfillment costs decreased as contracts have been executed or partially fulfilled in 2019.

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

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

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

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

Concession Assets increased by 4% or ₱1.15 billion

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

Property, Plant and Equipment increased by 48% or by ₱2.47 billion

Megawide procured new construction equipment, mobilized new batching plants, and expanded precast capacity in 2019 to support the internal requirements of the construction segment and expand its external market in the future. In addition, the Company acquired the property lot where its N. Domingo head office is located. In January 1, 2019, the Company made certain prior period adjustments to reflect the appropriate classification and presentation of certain parcels of land amounting to ₱302.1 million which were previously recognized and presented as part of Property, Plant and Equipment account to Investment Property accounts as those properties were originally intended to be held for capital appreciation.

Investment Properties increased by 11% or by ₱426 million

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

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

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

LIABILITIES AND EQUITY

Current Liabilities increased by 69% or by ₱11.43 billion

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

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

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

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

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

Contract liabilities increased by 6% or ₱261 million

The increase is mainly related to additional ₱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 ₱14 million

The decrease mainly relates to the decrease in withholding taxes.

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

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

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

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

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

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

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

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

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

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

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

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

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

Results of Operations

Amounts in ₱ thousands	For the years ended December 31		HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
	2018	2017	Increase (Decrease)		2019	2018
			Amount	%		
REVENUES						
Construction operation revenues	₱12,845,830	₱16,712,639	(3,866,809)	-23%	80%	87%
Airport operations revenues	2,995,981	2,298,404	697,577	30%	19%	12%
Landport operations revenues	17,653	-	17,653		0%	0%
Trading operations revenues	289,895	148,100	141,795	96%	2%	1%
	16,149,359	19,159,143	(3,009,784)	-16%	100%	100%
DIRECT COSTS						
Costs of construction operations	10,784,176	14,084,102	(3,299,926)	-23%	67%	74%
Costs of airport operations	941,830	420,246	521,584	124%	6%	2%
Costs of landport operations	17,653	-	17,653		0%	0%
Costs of trading operations	70,358	40,797	29,561	72%	0%	0%
	11,814,017	14,545,145	(2,731,128)	-19%	73%	76%
GROSS PROFIT	4,335,342	4,613,998	(278,656)	-6%	27%	24%
OTHER OPERATING EXPENSES	1,279,654	1,191,277	88,377	7%	8%	6%
OPERATING PROFIT	3,055,688	3,422,721	(367,033)	-11%	19%	18%
OTHER INCOME (CHARGES)						
Finance costs - net	(1,112,829)	(653,591)	(459,238)	70%	-7%	-3%
Others - net	444,159	57,728	386,431	669%	3%	0%
	(668,670)	(595,863)	(72,807)	12%	-4%	-3%
PROFIT BEFORE TAX	2,387,018	2,826,858	(439,840)	-16%	15%	15%
TAX EXPENSE	492,844	579,049	(86,205)	-15%	3%	3%
NET PROFIT (LOSS)	1,894,174	2,247,809	(353,635)	-16%	12%	12%

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

REVENUES

The Company posted consolidated revenues of ₱16.1 billion for the 12 months ended December 31, 2018, compared with the ₱19.2 billion of consolidated revenues for the same period of 2017.

Construction

The construction segment contributed 80% of Megawide's total revenue amounting to ₱12.85 billion against ₱16.7 billion in the previous year. Lower revenues were recognized as a result of the varying stages of on-going construction projects where several projects are in the tail end while others were just mobilized in the 4th quarter of 2018. The projects that were substantially completed during the year were Cyber Park Tower 2, Arthaland Superstructure, BGC 5th Avenue, Project Delta Phase 1, The Hive Tower A, Landers Arcovia, and Landers Alabang while the projects that were mobilized towards the end of

2018 include Hampton O&P, Cold Storage Caloocan, 8990 Ortigas, Ascott-DD Meridian Park, and Double Dragon Tower Phase 3.

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

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

Airport Operations

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

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

Per segment, share of Passenger Service Charge (PSC), representing 55% of airport revenues, increased by 29% to ₱1.66 billion driven by the double-digit growth in passenger throughput. On the other hand, non-aero or commercial revenues grew by 34% to ₱970 million and contributed 32% to airport operations. The remaining 12% is accounted for by aero-related revenues, which increased by 26% to ₱372 million.

Airport Merchandising

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

COSTS AND EXPENSES

Direct Costs decreased by 19% or by ₱2.73 billion

Consolidated direct costs down by 19% to ₱11.81 billion in 2018 due to the lower construction revenues.

Gross Profit lower by 6% or by ₱279 million

Consolidated gross profit amounted to ₱4.34 billion in 2018 and translated to a consolidated gross profit margin of 27% versus 24% in 2017, despite the 6% drop from the previous year's ₱4.61 billion. Gross profit by the construction business reached ₱2.06 billion or 48% of the consolidated gross profit while the airport business delivered ₱2.05 billion or 47%. The balance came from the airport merchandising segment.

Operating Profit lower by 11% or by ₱367 million

Consolidated operating profit amounted to ₱3.05 billion in 2018 due to lower construction revenues generated. Airport operations contributed ₱1.80 billion which is 18% higher compared with ₱1.52 billion in 2017.

Finance Costs – net increased by 70% or by ₱459 million

The increase in finance costs was due to the loan availments of the airport segment in 2018 and recognizing half-year interest expenses in Terminal 2 of MCI. Moreover, construction

segment availed of working capital loans, recognized a one-time loss related to the impairment of disputed construction receivables, and adoption of the new accounting standard PFRS 15, Revenue from Contracts with Customers. This was offset by the improvement in finance income by 19% or by ₱36 million mainly attributed to the interest hike in 2018.

Other Income, net increased by 669% or by ₱386 million

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

Tax Expense decreased by 15% or by ₱86 million

Consolidated tax expenses declined by 11% to ₱493 million due to a decline in the operating profit of Megawide.

Financial Condition

(Amounts in ₱ thousands)	December 31		HORIZONTAL ANALYSIS		VERTICAL ANALYSIS	
	2018	2017	Increase (Decrease)		2018	2017
			Amount	%		
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	₱5,734,721	₱4,930,939	₱803,782	16%	9%	9%
Trade and other receivables – net	10,212,127	6,527,753	3,684,374	56%	15%	12%
Financial assets at fair value through profit or loss	26,290	3,209,482	(3,183,192)	-99%	0%	6%
Construction materials	865,035	577,294	287,741	50%	1%	1%
Contract assets	3,060,771	2,095,587	965,184	46%	5%	4%
Other current assets	4,891,541	1,358,089	3,533,452	260%	7%	2%
Total Current Assets	24,790,485	18,699,144	6,091,341	33%	38%	34%
NON-CURRENT ASSETS						
Financial assets as fair value through other comprehensive income	3,544	-	3,544		0%	0%
Available-for-sale financial assets	-	933,318	(933,318)	-100%	0%	2%
Investments in associates	926,832	1,104,219	(177,387)	-16%	1%	2%
Concession assets	28,289,313	25,608,295	2,681,018	10%	43%	47%
Property, plant, and equipment -net	5,193,951	5,218,064	(24,113)	0%	8%	10%
Investment properties	3,759,861	135,610	3,624,251	2673%	6%	0%
Other non-current assets	2,941,724	2,719,166	222,558	8%	4%	5%
Total Non-current Assets	41,115,225	35,718,672	5,396,553	15%	62%	66%
TOTAL ASSETS	₱65,905,710	₱54,417,816	11,487,894	21%	100%	100%
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Interest-bearing loans and borrowings	₱6,408,573	₱2,561,488	3,847,085	150%	10%	5%
Trade and other payables	5,252,402	5,245,249	7,153	0%	8%	10%
Contract liabilities	4,670,483	527,071	4,143,412	786%	7%	1%
Billings in excess of costs on uncompleted contracts	-	939,418			0%	0%
Other current liabilities	233,818	140,006	93,812	67%	0%	0%
Total Current Liabilities	16,565,276	9,413,232	7,152,044	76%	25%	17%
NON-CURRENT LIABILITIES						
Interest-bearing loans and borrowings	30,371,690	26,386,980	3,984,710	15%	46%	48%
Post-employment defined benefit obligation	176,799	173,266	3,533	2%	0%	0%
Deferred tax liabilities - net	419,677	70,534	349,143	495%	1%	0%
Other non-current liabilities	368,167	238,360	129,807	54%	1%	0%
Total Non-current Liabilities	31,336,333	26,869,140	4,467,193	17%	48%	49%
Total Liabilities	47,901,609	36,282,372	11,619,237	32%	73%	67%
EQUITY						
Equity attributable to shareholders of the Parent Company:						
Common stock	2,399,426	2,399,426	-	0%	4%	4%
Preferred stock	40,000	40,000	-	0%	0%	0%
Additional paid-in capital	8,776,359	8,776,359	-	0%	13%	16%
Revaluation reserves	15,205	(3,950)	19,155	-485%	0%	0%
Other reserves	(22,475)	(22,475)	-	0%	0%	0%
Treasury shares	(3,454,826)	(2,627,739)	(827,087)	31%	-5%	-5%
Retained earnings	6,752,591	6,501,997	250,594	4%	10%	12%
Total equity attributable to shareholders of the Parent Company	14,506,280	15,063,618	(557,338)	-4%	22%	28%
Non-controlling interests	3,497,821	3,071,826	425,995	14%	5%	6%
Total Equity	18,004,101	18,135,444	(131,343)	-1%	27%	33%
TOTAL LIABILITIES AND EQUITY	₱65,905,710	₱54,417,816	₱11,487,894	21%	100%	100%

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

ASSETS

Current Assets increased by 33% or by ₱6.09 billion

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

Cash and Cash Equivalents increased by 16% or ₱804 million

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

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

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

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

The construction receivables increased by ₱400 million due to timing differences in the collection cycle of the trade receivables of Megawide which is 45 to 60 days from invoice date, while retention receivables increased by ₱258 million. Retention receivables pertain to progress billings which is withheld by the project owner equivalent to 5% to 10% of the project. Retention receivables are collected upon issuance of the certificate of completion by the project owner. In airport operations, receivables increased by ₱189 million basically due to an increase in revenue. The increase in other receivables is mainly due to the accrual of interest income of Megawide. Advances to affiliates also increased in 2018 due to bridge financing extended to affiliates for business expansion and diversification program.

Construction Materials increased by 50% or by ₱288 million

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

Contract Assets increased by 46% or by ₱965 million

The increase is mainly due to projects fulfillment cost in relation to MWMTI contract with the government and other newly awarded contract which are on mobilized phase.

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

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

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

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

Investments in Associates and Joint Ventures decreased by 16% or by ₱177 million

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

Concession Assets increased by 10% or ₱2.68 billion

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

Property, Plant and Equipment decreased by ₱24 million

Megawide procured new property, plant and equipment amounting to ₱942 million, which included the Company's capital investments in land, warehouses, construction and transportation equipment, to support its expanding order book and GMCAC's investments in new systems and office equipment to support the growing airport operation offset by depreciation expense for the period.

Investment Properties increased by ₱3.62 billion

In 2018, the Company acquired the 49% stake of WMPMI in MWMTI that resulted to a change in the accounting treatment by the Company of its investment in MWMTI from an

investment in joint venture to an investment in subsidiary. The consolidation of the MWMTI in the books of the Company resulted to the recognition of investment in properties amounting to ₱3.32 billion. MWMTI has a CA with the government to build and operate the PITX for 35 years and also allows for the construction and development of office buildings and commercial establishments which was recorded as investment in properties in the books of MWMTI. In January 1, 2019, the Company made certain prior period adjustments including 2018 financials to reflect the appropriate classification and presentation of certain parcels of land amounting to ₱302.1 million which were previously recognized and presented as part of Property, Plant and Equipment account to Investment Property accounts as those properties were originally intended to be held for capital appreciation.

Other Non-Current Assets increased by 8% or by ₱223 million

The increase is due to the additional placement of unrestricted cash amounting to ₱216 million in the restricted funds of GMCAC's "Cash Flow Waterfall Accounts" as required under the Omnibus Loan and Security Agreement to match the new loan availments of GMCAC.

LIABILITIES AND EQUITY

Current Liabilities increased by 76% or by ₱7.15 billion

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

Interest-Bearing Loans and Borrowings-Current increased by 150% or by ₱3.85 billion

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

Trade and Other Payables increased by ₱7 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.

Contract Liabilities increased by 786% or by ₱4.14 billion

The net increase is due to the new downpayments received by the Company for its new projects. Billing in excess of costs on uncompleted contracts – net Contract liabilities increased by 26% or ₱246 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 ₱94 million

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

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

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

Interest-Bearing Loans and Borrowings-Non-Current increased by 15% or by ₱3.98 billion

The increase is the net of GMCAC's loan availments amounting ₱3.90 billion and the Company's loan repayment amounting to ₱684 million. In addition, MWMTI's current loan amounting to ₱825 million was also consolidated under the Company.

Deferred tax liabilities increased by 495% or by ₱349 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 ₱130 million

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

Equity attributable to Company decreased by 4% or ₱557 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.

MATERIAL EVENTS AND UNCERTAINTIES

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

Other than the impact of COVID to the business which is disclosed in the consolidated financial statements, there are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing Megawide's liquidity in any material way. Megawide does not anticipate having any cash flow or liquidity problems. It is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

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

Megawide has capital commitment on unutilized proceeds of Preferred Shares Series 2 amounting to P2,726.5 million for various PPP projects. Other than that, there are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonably expected to have a material impact on the continuing operations of Megawide.

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

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

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

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. Megawide does not anticipate having any cash flow or liquidity problems. It is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments. Megawide is not aware of any events that will trigger direct or contingent financial obligations that are material to it, including any default or acceleration of an obligation.

KEY PERFORMANCE INDICATORS

The following table summarizes Megawide's Key Performance Indicators ("KPIs") and Ratios as of and for the six months ended June 30, 2021 and 2020 and as of and for the years ended December 31, 2020, 2019, and 2018:

	June 30		December 31		
	2021	2020	2020	2019	2018
Current Ratio ⁽¹⁾	1.39	1.23	1.39	1.27	1.50
Debt to Equity Ratio ⁽²⁾	2.32	2.75	2.24	2.65	2.04
Asset to Equity Ratio ⁽³⁾	4.21	4.69	3.96	4.49	3.66
Interest Coverage Ratio ⁽⁴⁾	1.06	-0.62	0.73	1.71	3.33
Book Value per Share ⁽⁵⁾	4.37	4.58	4.49	5.02	5.06
Earnings per Share ⁽⁶⁾	-0.12	-0.21	-0.33	0.28	0.56
Return on Assets ⁽⁷⁾	-0.00	-0.02	-0.01	0.01	0.03
Return on Equity ⁽⁸⁾	-0.00	-0.03	-0.05	0.06	0.10
Gross Profit Margin ⁽⁹⁾	17%	21%	19%	23%	27%
Operating Profit Margin ⁽¹⁰⁾	8%	9%	8%	14%	19%

Notes:

(1) *Current Assets / Current Liabilities*

(2) *Interest bearing loans and borrowings / Stockholder's Equity*

(3) *Total Assets / Stockholder's Equity*

(4) *Earnings before Interest and Taxes (EBIT) / Interest Charges*

(5) *Equity Attributable to Shareholders of the Parent Company less Preferred Equity / Issued and Outstanding Shares*

(6) *Net Income / Issued and Outstanding Shares*

(7) *Net Income/ Stockholder's Equity*

(8) *Net Income/ Total Assets*

(9) *Gross Profit/ Total Revenues*

(10) *Operating Profit/ Total Revenues*

The KPIs were chosen to provide management with a measure of Megawide's financial strength (Current Ratio, Debt to Equity Ratio, Asset to Equity Ratio, and Interest Coverage Ratio), and profitability (Earnings per Share, Return on Assets, Return on Equity, Gross Profit and Operating Profit Margin). Analyses are employed by comparisons and measurements based on the financial data of the current period against the same period of previous year as discussed in section "Management's Discussion and Analysis of Financial Condition and Results of Operation".

DIRECTORS, EXECUTIVE OFFICERS, AND KEY PERSONS

DIRECTORS AND SENIOR MANAGEMENT

As of date, Megawide is governed by a Board of seven (7) directors composed of Mr. Edgar B. Saavedra, Mr. Manuel Louie B. Ferrer, Mr. Oliver Y. Tan, Mr. Ramon H. Diaz, former Chief Justice Hilario G. Davide, Jr., Mr. Celso P. Vivas and Mr. Alfredo E. Pascual. Its management team is headed by a licensed civil engineer who has been practicing for over twenty (20) years, namely, its President, Chief Executive Officer (“CEO”) and Chairman of the Board, Mr. Edgar B. Saavedra.

Directors shall hold office for one (1) year or until their successors are elected and qualified. The first directors are also the incorporators. The annual meeting of the stockholders shall be held every June 30 of each year.

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

The 2016 Code of Corporate Governance for Publicly-Listed Companies requires that at least at least three directors, or such number as to constitute at least one-third of the members of the Board, whichever is higher, are independent directors. The Amended Articles and Incorporation and By-Laws of Megawide provide that the seven (7) directors shall include such number of independent directors as may be required by law.

The table below sets forth the members of Megawide’s Board as of date.

Name	Age	Citizenship	Positions	Term of Office	Directorships Held in Other Companies/ Business Experience
Edgar B. Saavedra	46	Filipino	Chairman of the Board, CEO, and President	Yearly	<ul style="list-style-type: none"> - Chairman of the Board, MWMTI, MTI, Altria, PH1, Cebu2World, CIHI, CMCI, MLI, and Wide-Horizons - Director and President, Citicore - Director and Vice President, MCFI - Director, GMCAC and GMI
Manuel Louie B. Ferrer	46	Filipino	Executive Director, Infrastructure Development and Chief Corporate Affairs and Branding Officer	Yearly	<ul style="list-style-type: none"> - Chairman of the Board and President, MCFI - Vice Chairman of the Board, PH1 - Director and President, GMCAC, MWMTI, MTI, Altria, Cebu2World, and Wide-Horizons - Director, Citicore, PH1, MLI, and GMI - Managing Director, MagicWorx Licensing Inc. - Former Associate Marketing Engineer, OCB International Co., Ltd
Oliver Y. Tan	43	Filipino	Director	Yearly	<ul style="list-style-type: none"> - Director and President, CIHI and CMCI - Director, Vice President, and Treasurer, Cititcore - Director and Treasurer, MTI and MLI

					<ul style="list-style-type: none"> - Director, CMCI and MWCCI - Director and Corporate Secretary, FSMI and IRMO
Ramon H. Diaz	62	Filipino	Executive Director, Group Chief Financial Officer	Yearly	<ul style="list-style-type: none"> - Director, GMCAC, Altria, CIHI, CMCI, and MWMTI - Director and Treasurer, Cebu2World and Wide-Horizons - 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.
Hilario G. Davide, Jr.	85	Filipino	Lead Independent Director	Yearly	<ul style="list-style-type: none"> - Independent Director and Vice-Chairman, Manila Bulletin Publishing Corporation - Independent Director, Philippine Trust Company - Trustee, University of San Carlos in Cebu City - Former Permanent Representative of the Republic of the Philippines to the United Nations in New York, - Chief Justice of the Supreme Court of the Philippines - Commissioner, 1986 Constitutional Commission
Celso P. Vivas	74	Filipino	Independent Director	Yearly	<ul style="list-style-type: none"> - Lead Independent Director and Chairman of Audit and Risk Management Committee, Keppel Holdings, Inc. - Independent Director and Chairman of Audit and Risk Management Committee, Keppel Philippines Marine, Inc. - Independent Director and member of Audit Committee, Keppel Philippines Properties, Inc. - Independent Director and Member of Audit and Risk Management Committee, SM Keppel Properties, Inc. - Independent Director,

					Chairman of Governance, Nomination, and Remuneration Committee, and member of Audit and Risk Management Committee, Republic Glass Holdings, Inc. - Former Risk Consulting Partner and Assurance Business Advisory Partner, SGV
Alfredo E. Pascual	72	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

The business experience of each of the Company's directors and officers covering the past five years are described below.

Board of Directors

The following is a brief description of the business experience of each of the Directors:

EDGAR B. SAAVEDRA – age 46; Filipino; co-founder of the Company; first elected Director of Megawide on 28 July 2004; Chairman of the Board since 18 September 2017; Chairman of the Executive Committee; and Member of the Board Risk Oversight Committee.

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

Mr. Saavedra is the Chairman of the Board, Chief Executive Officer, and President of the Company. He is also the Chairman of the Board of MWM Terminals, Inc. ("MWM TI"), Megawide Terminals, Inc. ("MTI"), Altria East Land Inc. ("Altria"), PH1 World Developers, Inc. ("PH1"), Cebu2World Development, Inc. ("Cebu2World"), Citicore Infrastructure Holdings, Inc. ("CIHI"), Citicore-Megawide Consortium, Inc. ("CMCI"), Megawide Land, Inc. ("MLI"), and Wide-Horizons Inc. (Wide-Horizons). Moreover, he is a Director and President of Citicore Holdings Investment Inc. ("Citicore"), a Trustee and Vice President of Megawide Corporate Foundation, Inc. ("MCFI"), and a Director of GMR Megawide Cebu Airport Corporation ("GMCAC"), and GlobeMerchants, Inc. ("GMI").

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

MANUEL LOUIE B. FERRER – age 46; Filipino; first elected Director of Megawide on 18 September 2017; subsequently elected as Executive Director, Infrastructure Development on 06 November 2020; Vice Chairman of the Executive Committee; and Member of the Governance, Nominations, and Compensation Committee.

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

Mr. Ferrer has acted as Megawide's Chief Corporate Affairs and Branding Officer since 2011. He is the Chairman of the Board of Trustees and President of MCFI and the Vice Chairman of the Board of PH1. He is also a Director and President of GMCAC, MWMTI, MTI, Altria, Cebu2World, and Wide-Horizons. He is a Director of Citicore, MLI, and GMI. He previously served as a Managing Director at MagicWorx Licensing Inc.

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

OLIVER Y. TAN – age 43; Filipino; first elected Director of Megawide on 16 September 2016; Vice Chairman of the Finance Committee; and Member of the Executive Committee and Audit and Compliance Committee.

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

Mr. Tan serves as a Director and President of CIHI and CMCI. He is also a Director, Vice President, and Treasurer of Citicore, a Director and Treasurer of MTI and MLI, and a Director of Megawide World Citi Consortium, Inc.

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

RAMON H. DIAZ – 62; Filipino; first elected Executive Director of Megawide on 30 June 2021; Chairman of the Finance Committee; Member of the Executive Committee and Board Risk Oversight Committee; Group Chief Financial Officer of the Company, Director and Treasurer of Cebu2World and Wide-Horizons and a Director of GMCAC, MWMTI, Altria, CIHI, and CMCI.

Mr. Diaz obtained his Bachelor of Science in Commerce, Major in Accounting degree from the University of San Carlos and his Masters in Business Management (finished academics without thesis) from the Asian Institute of Management, as a scholar of the Ford Motor Company.

Mr. Diaz was the President and Chief Operating Officer of Metro Pacific Zamboanga Hospital Corporation. He also served as Chief Finance Officer of PT Internux (Indonesia), East Manila Hospitals Managers Corporation, Mt. Kitanglad Agri Services, Inc., and Actron Industries, Inc. Furthermore, he was the Chief Operating Officer of PT Jababeka Infrastruktur and Tolamn Mfg., Inc.

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

HILARIO G. DAVIDE, JR. – age 85; Filipino; first elected Independent Director of Megawide on 18 September 2017; Chairman of the Governance, Nominations, and Compensation Committee; Vice Chairman of the Audit and Compliance Committee; Member of the Finance Committee and Board Risk Oversight Committee; and Lead Independent Director.

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

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

CELSO P. VIVAS – age 74; Filipino; first elected Independent Director of Megawide on 02 July 2018; Chairman of the Audit and Compliance Committee; Vice Chairman of the Board Risk Oversight Committee; Member of the Governance, Nominations, and Compensation Committee, and Finance Committee; and Independent Trustee of MCFI.

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

Mr. Vivas is an Independent Director of Keppel Philippines Holdings, Inc. since June 2005 and is currently its Lead Independent Director and Chairman of its Audit and Risk Management Committee. He is an Independent Director and Chairman of the Audit and Risk Management Committee of Keppel Philippines Marine, Inc. He is also an Independent Director and member of the Audit Committee of Keppel Philippines Properties, Inc. Lastly, he is an Independent Director of Republic Glass Holdings Corporation, Chairman of its Governance, Nomination, and Remuneration Committee, and member of its Audit and Risk Management Committee.

ALFREDO E. PASCUAL – age 72; Filipino; first elected Independent Director of Megawide on 09 October 2018; Chairman of the Board Risk Oversight Committee; Vice Chairman of the Governance, Nominations, and Compensation Committee; and Member of the Audit and Compliance Committee and Finance Committee.

He finished MBA and BS Chemistry (*Cum Laude*) at the University of the Philippines ("UP").

Mr. Pascual is the Lead Independent Director of SM Investments Corporation and an Independent Director of Concepcion Industrial Corporation, Asiabest Group International Inc., and Enderun Colleges, Inc. He is also the Chairman of Arkstone Group, Inc.

In 2018 and 2019, Mr. Pascual was the President and Chief Executive Officer of the Institute of Corporate Directors. He is now a Trustee of the Institute of Corporate Directors, the Institute for Solidarity in Asia, University of the Philippines Foundation, Inc., and the FINEX Academy. From 2011 to 2017, he led the UP System as President and Board Co-Chair. Before UP, Mr. Pascual worked at the Asian Development Bank ("ADB") for nineteen (19) years in such positions as Director for Private Sector Operations, Director for Infrastructure Finance, and Advisor for Public-Private Partnership (Infrastructure Development). At ADB, he had postings in the Philippines, India, and Indonesia, and represented ADB on the board of its investee companies in China, India, and Philippines. Earlier on, Mr. Pascual held executive positions in investment houses, such as, First Metro Investment Corporation, and was a finance professor at the Asian Institute of Management.

Key Officers

Maria Belinda B. Morales, 62, Filipino, is the Chief Human Resources Officer of Megawide. She is also a Director of MWMTI and Cebu2World. A seasoned HR leader, she has more than twenty-five (25) years of work experience in all aspects of Human Resources and Organization Transformation. Prior to joining Megawide she was a Former Head of Talent Management for Asia Pacific in Misys International Banking Systems, Former Senior Vice President of HR at Standard Chartered Bank, Philippines, Former Vice President for Training and Development at Citytrust Banking & Bank of the Philippine Islands. She was also an Executive Coach at Rockwell Land Corporation and has coached their senior executives and managers on leadership and professional development and work-life balance concerns. She graduated at St. Paul College, Manila with a Bachelor of Science degree in Psychology, and attained her Masters in Arts Major in Psychology from Ateneo De Manila University, Quezon City in 2010.

Raymund Jay S. Gomez – 49; Filipino; Chief Legal Officer, Compliance Officer and Data Protection Officer of Megawide. Mr. Gomez is the Chief Legal Counsel, Compliance Officer, and Data Privacy Officer of the Company. He is also a Director of Altria, CIHI, CMCI, MLI, MTI, and

MWMTI. Before joining Megawide, he was the Vice President of the Human Resources, Legal and Regulatory Affairs Department of Beneficial Life Insurance Company, Inc. Mr. Gomez also served as Assistant Vice President of the Legal and Corporate Services Department of Aboitiz Equity Ventures, Inc., as Director of the Corporate Legal Affairs and Litigation Department at JG Summit Holdings, Inc., as Legal Counsel for Cebu Air, Inc. (Cebu Pacific Air), and as an Associate Lawyer of Ledesma, Saludo and Agpalo Law Offices. He obtained his Bachelor of Laws degree from San Beda College.

Anthony Leonard G. Topacio – 39; Filipino; Mr. Topacio is the Corporate Secretary, Assistant Compliance Officer, and Corporate Information Officer of the Company. He is also the Corporate Secretary of MTI, Altria, Cebu2World, CIHI, CMCI, MLI, MWMTI, Wide-Horizons, and MCFI. Prior to joining the Company, he served as Corporate Secretary, Compliance Officer, Data Protection Officer, and Acting Head of the Human Resources, Legal and Regulatory Affairs Department at Beneficial Life Insurance Company, Inc. He was also a Legal Manager at International Container Terminal Services, Inc., an Associate General Counsel at Aboitiz Equity Ventures, Inc., an Associate at Ponce Enrile & Manalastas Law Offices, and a Tax Supervisor at KPMG Philippines Manabat San Agustin & Company. Mr. Topacio obtained his Bachelor of Laws degree from San Beda College.

Kama Neson Ganeson, 55, Malaysian, Acting Chief Risk Officer of Megawide. Prior to joining Megawide, he was assigned as Country Director of ECC International Philippines, Chief Operating Officer of ECCI Consultancy Malaysia, Senior Operations Director of KELSEAT Corporation, Operations Director (South East Asia) of General Motors, and QMS Manager of Robert Bosch GMBH.

Zheena E. Ocampo, 28, Filipino, Acting Chief Audit Executive of Megawide. Prior to joining Megawide, she holds a position as Audit Supervisor in Deloitte Philippines. She is a Certified Public Accountant and holds an MBA degree from Asian Institute of Management.

Christopher A. Nadayag, 37, Filipino, Treasurer and Deputy Chief Financial Officer. Mr. Nadayag is the Treasurer and Deputy Chief Financial Officer. He is also a Director of Citicore, CMCI and Wide-Horizons. Previously, he served as the Accounting Manager of Megawide. He worked for SGV & Co. as a Senior Associate Auditor. He received his Bachelor of Science in Accountancy degree from San Sebastian College.

Charlotte Y. King, 33, Filipino citizen. Ms. King is the Assistant Corporate Secretary of the Company, MTI, Altria, Cebu2World, CIHI, CMCI, MLI, MWMTI, and Wide-Horizons. She obtained her Bachelor of Laws degree from San Beda College.

Jasmine M. Jimenez, 37, Filipino citizen. Ms. Jimenez is the Assistant Corporate Secretary of the Company. She also serves as Corporate Secretary for Bling Philippines, Inc., CMP Freeport, Inc., Ceraco Corporation, Colombo Merchant Phils., Inc., Getz Pharma (Phils.), Inc., MXGlobal Inc., Parex Realty Corporation, Rotam Philippines, Inc., and Saddleback Church Manila, Inc. Ms. Jimenez obtained her Bachelor of Laws degree from Ateneo de Manila University.

SIGNIFICANT EMPLOYEE

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

FAMILY RELATIONSHIPS

None of the directors are related to each other.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

Except as disclosed in the Legal Proceedings section of this Prospectus, as of the date of this Prospectus and during the past five (5) years, Megawide is not aware of the occurrence of any of the following events that are material to the evaluation of the ability or integrity of any director or executive officer:

1. Any bankruptcy petition filed by or against any director, or any business of a director, nominee for election as director, or executive officer who was a director, general partner or executive officer of said business either at the time of the bankruptcy or within 2 years prior to that time;
2. Any director, nominee for election as director, or executive officer being convicted by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
3. Any director, nominee for election as director, or executive officer being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
4. Any director, nominee for election as director, or executive officer being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

COMPENSATION OF DIRECTORS AND OFFICERS

The compensation of directors and senior officers is included in the compensation table below (in ₱ millions).

Name and Position	<i>Fiscal Year</i>	Annual Salary	<i>Bonus</i>	<i>Other Compensation</i>
Edgar B. Saavedra <i>Chairman, CEO, and President</i> Manuel Louie B. Ferrer <i>Infrastructure Development and Chief Corporate Affairs and Branding Officer</i> Markus Hennig <i>EVP – Business Units</i> Reynaldo Rodrin <i>VP – Operations</i>				
CEO & Most Highly Compensated Executive Officers	Estimate 2021	95.92	-	1.16
	Actual 2Q2021	47.96	-	0.58
	Actual 2020	93.38	11.35	1.46
	Actual 2019	89.10	6.72	2.66
	Actual 2018	85.43	6.32	1.74
Aggregate	Estimate 2021	137.74	2.6	8.14

compensation paid to all other officers and directors as a group unnamed	Actual 2Q2021	68.87	1.3	4.07
	Actual 2020	117.09	13.46	3.12
	Actual 2019	110.73	19.73	7.62
	Actual 2018	49.27	7.98	-

Compensation of Directors

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

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

Subsequently, on October 10, 2018, the Board resolved to increase the director's per diem per Board meeting to ₱44,000.00 for Executive Directors, ₱62,000.00 for Non-Executive Directors, and ₱ 58,000.00 for Independent Directors. The total per diem paid to directors for the year ending December 31, 2020 was ₱6,747,000.00.

Standard Arrangements and Other Arrangements

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

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

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

Warrants and Options

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

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL SHAREHOLDERS

Common Shareholders

Top 20 Common Shareholders

There are approximately 30 holders of common equity as of June 30, 2021. The following are the top 20 common stockholders of the Company:

	Title of Class	Stockholder	Number of Common Shares Held	Percentage of Total Shares
1	Common	PCD Nominee Corporation (Filipino)	1,162,149,562	57.72%
2	Common	Citicore Holdings Investment Inc.	712,925,501	35.41%
3	Common	PCD Nominee Corporation (Non-Filipino)	91,535,195	4.55%
4	Common	Suyen Corporation	22,900,000	1.14%
5	Common	Aeternum Holdings, Inc.	21,389,904	1.06%
6	Common	Ellie Chan	1,666,901	0.08%
7	Common	Carousel Holdings, Inc.	500,000	0.02%
8	Common	John I. Bautista, Jr.	159,799	0.01%
9	Common	Regina Capital Dev. Corp. 000351	34,754	Nil
10	Common	Jharna Chandnani	23,000	Nil
11	Common	Pacifico Silla &/or Marie Paz Silla &/or Nathaniel Silla	20,000	Nil
12	Common	Jose Emmanuel B. Salcedo	16,177	Nil
13	Common	Juan Miguel B. Salcedo	16,177	Nil
14	Common	Grace Q. Bay	15,243	Nil
15	Common	Camille Patricia Dominique T. Ang	14,547	Nil
16	Common	Pacifico Silla &/or Marie Paz Silla Sagum &/or Nathaniel Silla	9,456	Nil
17	Common	Pacifico C. Silla &/or Catherine M. Silla &/or Alexander M. Silla	9,456	Nil
18	Common	Myra P. Villanueva	8,900	Nil
19	Common	Joyce M. Briones	7,868	Nil
20	Common	Frederick E. Ferraris &/or Ester E. Ferraris	5,674	Nil

As of June 30, 2021, 4.55% of the Company's outstanding capital stock is owned by foreign nationals.

Preferred Shareholders

Series 1 Preferred Shares

As of June 30, 2021, there are approximately 12 holders of the Company's Series 1 Preferred Shares, to wit:

	Title of Class	Stockholder	Number of Preferred Shares Held	Percentage of Total Shares
1	Preferred	PCD Nominee Corporation (Filipino)	39,422,030	98.56%
2	Preferred	PCD Nominee Corporation (Non-Filipino)	248,470	0.62%
3	Preferred	Knights of Columbus Fraternal Assn. of the Phils. Inc.	100,000	0.25%
4	Preferred	First Life Financial Co., Inc.	87,500	0.22%

5	Preferred	Pedrito G. Polo or Renaida G. Polo	42,000	0.11%
6	Preferred	Alicia Lee Ong or Kimberly Lee Ong	38,000	0.10%
7	Preferred	Reynaldo Garcia Alejandro &/or Sylvia Lopez Alejandro	30,000	0.08%
8	Preferred	G.D. Tan & Co., Inc.	13,000	0.03%
9	Preferred	Modesto Cervantes	10,000	0.03%
10	Preferred	Ronne Tan Sy Su or Chadwick Co Sy Su	4,300	0.01%
11	Preferred	Ernesto Kiong Lim or Flora Go Lim	3,000	0.01%
12	Preferred	Cindy Chan Lim or Lunedi Khoo Lim	1,700	Nil

Series 2A Preferred Shares

As of June 30, 2021, there are approximately 2 holders of the Company's Series 2A Preferred Shares, to wit:

	Title of Class	Stockholder	Number of Preferred Shares Held	Percentage of Total Shares
1	Preferred	PCD Nominee Corporation (Filipino)	25,802,060	98.41%
2	Preferred	PCD Nominee Corporation (Non-Filipino)	418,070	1.59%

Series 2B Preferred Shares

As of June 30, 2021, there are approximately 4 holders of the Company's Series 2B Preferred Shares, to wit:

	Title of Class	Stockholder	Number of Preferred Shares Held	Percentage of Total Shares
1	Preferred	PCD Nominee Corporation (Filipino)	16,872,850	96.94%
2	Preferred	PCD Nominee Corporation (Non-Filipino)	493,030	2.83%
3	Preferred	Nelson Chua Lim	30,000	0.17%
4	Preferred	Antonio Tan Chua	10,000	0.06%

Series 3 Preferred Shares

As of June 30, 2021, there is 1 holder of the Company's Series 3 Preferred Shares, to wit:

	Title of Class	Stockholder	Number of Preferred Shares Held	Percentage of Total Shares
1	Preferred	Citicore Holdings Investment Inc.	13,500,000	100.00%

Beneficial Owners

Owners of record of more than 5% of Megawide's shares of common stock as of June 30, 2021 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. – Stockholder No. 20 N. Domingo Street, Barangay Valencia, Quezon City	Edgar B. Saavedra Mr. Saavedra is a majority stockholder of Citicore.	Filipino	712,925,501	35.41%
Common	Megacore Holdings, Inc. ¹ – Stockholder No. 20 N. Domingo Street, Barangay Valencia, Quezon City	Edgar B. Saavedra Mr. Saavedra is a majority stockholder of Megacore.	Filipino	617,709,197	30.68%
Common	PCD Nominee Corporation (Filipino) – Stockholder 37/F Tower I, The Enterprise Center, 6766 Ayala Avenue, corner Paseo de Roxas	Publicly-Held Shares	Filipino	1,548,160,044	57.72%

Security Ownership of Directors and Management

As of June 30, 2021, the following table sets forth security ownership of the Company's Directors and Officers:

Title of Shares	Name of Beneficial Owner	Type of Ownership		Citizenship	%
		Direct	Indirect		
Common	Edgar B. Saavedra <i>Chairman of the Board, CEO, and President</i>	1	973,282,259	Filipino	48.34%
Common	Manuel Louie B. Ferrer <i>Infrastructure Development and Chief Corporate Affairs and Branding Officer</i>	0	1	Filipino	Nil
Common	Oliver Y. Tan <i>Director</i>	0	18,767,852	Filipino	0.93%
Common	Ramon H. Diaz <i>Executive Director and Group Chief Financial Officer</i>	1	349,999	Filipino	0.02%
Common	Chief Justice Hilario G. Davide, Jr. (Ret.) <i>Lead Independent Director</i>	1	0	Filipino	Nil
Common	Celso P. Vivas <i>Independent Director</i>	1	0	Filipino	Nil

¹ Megacore Holdings, Inc.'s shares are lodged with the PCD Nominee Corporation (Filipino).

Common	Alfredo E. Pascual <i>Independent Director</i>	1	10,900	Filipino	Nil
Common	Christopher A. Nadayag <i>Treasurer and Deputy Chief Financial Officer</i>	0	49	Filipino	Nil
Common	Maria Belinda Morales <i>Chief Human Resources Officer</i>	0	35,000	Filipino	Nil
Common	Zheena E. Ocampo <i>Acting Chief Audit Executive</i>	0	7,500	Filipino	Nil

Aside from Mr. Edgar B. Saavedra who owns 48.34% by direct and indirect shares of Megawide, there is no other director or key officer of Megawide who owns at least 10% of Megawide's issued and outstanding shares of common stock.

Voting Trust Holders of 5% or More

There is no voting trust arrangement executed among the holders of 5% or more of the issued and outstanding shares of common stock of Megawide.

Change in Control

There are no arrangements entered into by Megawide or any of its stockholders which may result in a change of control of Megawide. For information on Changes in Control, see the section "*Description of Shares*" of this Prospectus.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Related party transactions are transfers of resources, services or obligations between Megawide and its related parties, regardless of whether a price is charged. Transactions between Megawide and related parties are conducted at estimated market rates and on an arm's length basis and in accordance with the Company's Related Party Transactions Policy.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with Megawide; (b) associates and joint ventures; (c) individuals owning, directly or indirectly, an interest in the voting power of Megawide that gives them significant influence over Megawide and close members of the family of any such individual; and, (d) Megawide's funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

All material related party transactions and related party transactions involving directors and/or officers shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions and related party transactions involving directors and/or officers. In case that a majority of the independent directors' vote is not secured, the material related party transactions and related party transactions involving directors and/or officers may be ratified by the vote of the stockholders representing at least two-third of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of 1% of Megawide's total consolidated assets, the same BOD approval would be required for the transaction/s that meet and exceeds the materiality threshold covering the same related party. Under SEC Memorandum Circular No. 10, Series of 2019, *Rules on Material Related Party Transactions for Publicly-listed Companies*, the minimum threshold to be considered as a material related party transaction is 10% of the total assets based on the latest audited consolidated financial statements.

Directors with personal interest in a certain related party transaction should abstain from participating in the discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

In the normal course of business, Megawide provides construction services to related parties under common ownership, associate, a certain previous shareholder and other related parties. The related revenue from these transactions amounted to ₱177.8 million in 2021 and ₱185.7 million in 2020 and is recorded as part of Construction operation revenues account in the consolidated statements of income. Services rendered to the above related parties are based on normal terms similar to terms that would be available to non-related parties.

The outstanding contract receivables from these transactions, which are generally unsecured and settled through cash within three to six months, and the related retention receivables, which can only be collected after a certain period of time upon acceptance by project owners of the certificate of completion, are presented as part of Contract and Retention receivables under Trade and Other Receivables account in the consolidated statements of financial position.

Megawide is a lessee of certain parcels of land and building owned by related parties under common ownership.

Advances to officers and employees represent unsecured, noninterest-bearing cash advances for business-related expenditures that are to be liquidated 60 days from the date the cash advances were received. The outstanding receivables from these transactions are presented as part of Trade and Other Receivables.

Megawide obtained unsecured, noninterest-bearing cash advances from certain related parties to finance portion of its working capital requirement payable upon demand. The outstanding balance from these transactions is shown under Trade and Other Payables account in the consolidated statements of financial position.

Megawide has provided unsecured, interest-bearing cash advances to its associates and certain related parties under common ownership for their working capital requirements.

The outstanding balance from these transactions is shown under Trade and Other Receivables account in the consolidated statements of financial position. Interest income earned from these advances are presented as part of Finance Income under Other Income (Charges) account in the consolidated statements of income. The outstanding balance from interest income is presented as part of Trade and Other receivable) account in the consolidated statements of financial position.

Further, upon assessment of recoverability based on the capacity to pay and expected collectability of these advances, no impairment losses were recognized in both periods.

Megawide's outstanding receivables from and payables to the same related parties as presented can be potentially offset to the extent of their corresponding outstanding balances.

The 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.

The Parent Company's retirement plan is in the form of a bank-trustee managed account. The fair value of the retirement plan totaled ₱4.6 million as of June 30, 2021 and December 31, 2020.

The summary of Megawide's transactions with related parties is as follows:

Related Party Category	June 30, 2021		June 30, 2020	
	Amount of Transaction	Outstanding Receivable (Payable)	Amount of Transaction	Outstanding Receivable (Payable)
Ultimate Parent Company:				
Cash granted	₱142,429	₱3,089,437,538	₱16,546,044	₱3,085,917,769
Interest receivable	110,250,000	615,787,823	110,250,000	399,225,323
Shareholders:				
Revenue from services	147,310,692	122,083,380	36,687,390	64,461,146
Cash granted	-	757,143	-	-
Associate:				
Revenue from services	100,588,110	1,016,283,022	-	905,413,727
Cash granted	22,428,668	64,634,636	36,178,642	42,178,642
Cash obtained	-	(20,000,000)	2,250,786	(17,749,214)
Rent income	26,786	272,277	26,786	-
Joint Arrangement:				
Revenue from services	1,942,671	545,580,400	154,532,083	136,924,502
Cash granted	-	1,356,355	(5,331,872)	72,395
Cash obtained	-	-	-	-
Related Parties Under Common Ownership:				
Rent income	80,357	6,842,869	2,659,363	-
Revenue from services	123,077,347	339,466,904	51,374,999	291,918,615
Rent expense	-	-	-	-
Cash granted	(298,810,809)	2,978,264,291	11,762,981	3,190,363,863
Cash obtained	-	-	-	-
Interest receivable	110,250,000	615,787,823	110,250,000	399,225,323
Retirement fund	-	4,634,679	-	4,384,701
Advances to Officers and Employees	22,765,184	97,246,491	51,992,131	103,495,920

Related Party Category	December 31, 2020		December 31, 2019	
	Amount of Transaction	Outstanding Receivable (Payable)	Amount of Transaction	Outstanding Receivable (Payable)
Ultimate Parent Company:				
Cash granted	₱19,923,383	₱3,089,295,108	₱2,923,049,503	₱3,069,371,725
Interest receivable	216,562,500	505,537,823	220,500,000	288,975,323
Minority Shareholder and their Affiliates:				
Cash granted	115,289,394	153,195,975	(841,103)	-
Associate:				
Revenue from services	231,199,602	1,093,283,188	313,577	905,413,727
Cash granted	36,205,968	42,205,968	6,000,000	6,000,000
Cash obtained	-	(20,000,000)	(20,000,000)	(20,000,000)
Rent income	53,571	229,286	53,571	57,321
Joint Arrangement:				
Revenue from services	272,993,860	364,434,825	598,911,864	298,184,597
Cash granted	(4,047,912)	1,356,355	4,329,601	5,404,267
Cash obtained	-	-	14,883,628	-
Related Parties Under Common Ownership:				
Rent income	5,956,791	332,411	3,662,298	3,703,186
Revenue from services	338,869,209	202,211,820	187,922,352	130,204,606
Rent expense	-	-	1,766,433	-
Cash granted	90,304,593	3,277,075,100	42,399,786	3,186,770,507
Cash obtained	-	-	44,683,199	-
Interest receivable	216,562,500	505,537,823	288,975,323	288,975,323
Retirement fund	295,978	4,634,679	295,910	4,384,701
Advances to Officers and Employees	22,977,518	74,481,307	17,232,250	51,503,789
Key Management Personnel:				
Compensation	320,043,868	-	310,903,975	-

CAPITALIZATION

The following table sets out the unaudited consolidated long-term debt and capitalization of Megawide as of 30 June 2021 and as adjusted to give effect to the issuance of the Series 4 Preferred Shares. This table should be read in conjunction with Group's unaudited interim condensed consolidated financial statements and the related notes attached to this Prospectus.

(Amounts in ₱ thousands)	Actual	Assuming ₱3 Billion Offer	Assuming ₱ 4 Billion Offer
LIABILITIES AND EQUITY			
Liabilities - net of issuance costs			
Interest-bearing loans and borrowings - current portion	12,442,138	12,442,138	12,442,138
Interest-bearing loans and borrowings - long term debt	34,190,405	34,190,405	34,190,405
Total Interest-bearing loans and borrowings	46,632,543	46,632,543	46,632,543
EQUITY			
Common stock	2,399,426	2,399,426	2,399,426
Preferred shares	87,001	118,626	128,626
Additional paid-in capital	13,057,712	16,000,523 ²	16,985,423
Revaluation reserves	(9,353)	(9,353)	(9,353)
Other reserves	(22,475)	(22,475)	(22,475)
Treasury shares	(4,615,691)	(4,615,691)	(4,615,691)
Retained earnings	6,163,179	6,163,179	6,163,179
Non-Controlling Interests	3,030,163	3,030,163	3,030,163
Total Equity	20,091,587	23,064,398	24,059,298
Total Capitalization	66,724,130	69,696,941	70,691,841

² Preferred Shares includes ₱40,000,000 Series 1 Preferred Shares, ₱30,000,000 Series 2 Preferred Shares and the ₱5,000,000 paid up portion of the subscribed ₱20,000,000 Series 3 Preferred Shares

DIVIDEND POLICY

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

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

On October 5, 2021, the Board of Directors approved the terms and conditions of the offer and sale of the Series 2 Preferred Shares, including the following initial fixed dividend rates of:

- (a) Series 2A Preferred Shares: 4.25% - 4.75% per annum; and
- (b) Series 2B Preferred Shares: 5.25% - 5.75% per annum.

On issue date, the Series 2A Preferred Shares and Series 2B Preferred Shares had fixed dividend of 4.75% and 5.75%, per annum, respectively, which shall be payable quarterly as and if declared by the Board of Directors, in accordance with the terms and conditions of the Series 2 Preferred Shares.

On September 13, 2021, the Board of Directors approved the terms and conditions of the offer and sale of the Series 4 Preferred Shares, including the initial dividend rate equivalent to 5.30% per annum.

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

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

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

SERIES 1 PREFERRED SHARES (MWP)				
Date Approved	Record Date	Amount	Rate	Date of Payment
January 30, 2018	February 15, 2018	₱70,250,000.00	₱ 1.75625	March 3, 2018
May 3, 2018	May 18, 2018	₱70,250,000.00	₱ 1.75625	June 3, 2018
August 1, 2018	August 16, 2018	₱70,250,000.00	₱ 1.75625	September 3, 2018

October 30, 2018	November 16, 2018	₱70,250,000.00	₱ 1.75625	December 3, 2018
January 8, 2019	February 13, 2019	₱70,250,000.00	₱ 1.75625	March 3, 2019
April 3, 2019	May 16, 2019	₱70,250,000.00	₱ 1.75625	June 3, 2019
July 8, 2019	August 14, 2019	₱70,250,000.00	₱ 1.75625	September 3, 2019
October 10, 2019	November 15, 2019	₱70,250,000.00	₱ 1.75625	December 3, 2019
January 8, 2020	February 6, 2020	₱70,250,000.00	₱ 1.75625	March 3, 2020
May 8, 2020	May 25, 2020	₱70,250,000.00	₱ 1.75625	June 3, 2020
July 27, 2020	August 10, 2020	₱70,250,000.00	₱ 1.75625	September 3, 2020
October 5, 2020	November 6, 2020	₱70,250,000.00	₱ 1.75625	December 3, 2020
January 11, 2021	February 8, 2021	₱70,250,000.00	₱ 1.75625	March 3, 2021
April 8, 2021	May 18, 2021	₱70,250,000.00	₱ 1.75625	June 3, 2021
June 30, 2021	August 9, 2021	₱70,250,000.00	₱ 1.75625	September 3, 2021

SERIES 2 PREFERRED SHARES (MWP2A)				
Date Approved	Record Date	Amount	Rate	Date of Payment
January 18, 2021	February 3, 2021	₱31,136,404.00	₱ 1.1875	March 1, 2021
April 8, 2021	May 4, 2021	₱31,136,404.00	₱ 1.1875	May 27, 2021
June 30, 2021	August 5, 2021	₱31,136,404.00	₱ 1.1875	August 27, 2021

SERIES 2 PREFERRED SHARES (MWP2B)				
Date Approved	Record Date	Amount	Rate	Date of Payment
January 18, 2021	February 3, 2021	₱25,020,953.00	₱ 1.4375	March 1, 2021
April 8, 2021	May 4, 2021	₱25,020,953.00	₱ 1.4375	May 27, 2021
June 30, 2021	August 5, 2021	₱25,020,953.00	₱ 1.4375	August 27, 2021

COMMON SHARES (MWIDE)				
Date Approved	Record Date	Amount	Rate	Date of Payment
December 11, 2017	December 26, 2017	₱106,928,874.85	₱ 0.05	December 29, 2017
October 1, 2018	October 15, 2018	₱256,629,299.64	₱ 0.12	November 12, 2018
December 26, 2019	January 15, 2020	₱247,636,058.04	₱ 0.12	January 31, 2020

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

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

During the past three (3) years, Megawide has received cash dividends from the following subsidiary:

Globemercants, Inc. (GMI)

Date Approved	Record Date	Amount	Rate	Date of Payment
May 9, 2019	November 30, 2018	₱50,000,000.00	₱2.50	May 21, 2019
November 4, 2019	November 4, 2019	₱50,000,000.00	₱2.50	February 26, 2020

On December 22, 2020, GMI's Board of Directors and the shareholders approved the declaration of stock dividends to stockholders of record as at December 31, 2019, amounting to ₱25,000,000.00 or ₱1.00 per share, payable on or before December 31, 2020. Stock dividends declared were subsequently distributed on December 31, 2020, thus increasing the subscribed and issued capital stock of GMI by ₱25,000,000.00.

RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES

Megawide has not sold any unregistered securities within the past 3 years, except for the Series 3 Preferred Shares which was issued in support of the application for the increase in authorized capital stock to create the Series 2 Preferred Shares and the Series 4 Preferred Shares.

MATERIAL CONTRACTS

The Company's principal contracts generally consist of construction contracts for its projects, PPP contracts, operating and finance lease commitment, contracts for the lease of its office spaces, motor pools and equipment yards, surety arrangement and guarantees, joint venture agreements, and loan agreements. Other than these, the Company is not a party to any contract of any material importance and outside the usual course of business, and the Directors do not know of any such contract involving the Company.

CONSTRUCTION CONTRACTS

Majority of the Company's contracts are for general construction works and may be classified into several scopes namely: site development, earthworks, structural and civil works, masonry works, architectural finishes, and mechanical, electrical, plumbing and sanitary, and fire protection (MEPF) works.

In terms of payment, the customer generally pays the down payment upon submission of certain documents (e.g. bonds) and the balance is paid through monthly progress payments upon submission of Megawide's monthly progress billing. These monthly payments are subject to ten percent (10%) retention ("Retention Amount") to be released upon lapse of a certain amount of time after the completion and/or turn-over of the project (defects liability period) or the submission of the requisite bond in an amount equal to the Retention Amount. The Retention Amount requisite bond shall guarantee the repair of any defects, other than from ordinary wear and tear or not attributable to the Company, that may occur within one (1) year from acceptance.

These contracts also usually provide for the payment of liquidated damages in case of the Company's delay which is computed at 1/10 of one percent (1%) of the total contract price per calendar day of delay and is capped at ten percent (10%) of the total contract amount.

PPP CONTRACTS

The Company, on its own and through its subsidiaries, executed the following PPP agreements:

(i) *Agreements executed by the Department of Education and CMCI for the PSIP I Projects*

- (a) Build Lease Transfer Agreement (for Package B) dated October 8, 2012 with a contract price of ₱5,229,899,136 for the construction of school buildings in Region III;
- (b) Build Lease Transfer Agreement (for Package C) dated October 8, 2012 with a contract price of ₱7,229,899,136 for the construction of school buildings in Region IV-A; and

The PSIP involves the construction, maintenance, and lease of school buildings under a Build-Lease Transfer ("BLT") framework. Under the BLT, Citicore-Megawide Consortium will build over 7000 classrooms then lease the same to the DepED for ten (10) years before transferring the school buildings to the DepEd.

(ii) *Agreement executed by the Department of Education and Megawide for the PSIP II Projects*

October 17, 2013, the Company executed a Build Transfer Agreement with the DepEd for the construction of school buildings in Regions I, II, III, and CAR with contract price of ₱2,255,923,096.49

(iii) *Concession Agreement executed by GMCAC and the DOTC and the MCIAA*

On April 22, 2014, GMCAC executed the concession agreement for the renovation of the Mactan Cebu International Airport and the construction of a new and world-class airport passenger terminal (along with associated infrastructure and facilities), the renovation and expansion of the existing airport terminal and the operation and maintenance of both

airport passenger terminals for a period of 25 years under a build-operate-transfer arrangement.

The Concession Period is for 25 years.

(iv) *Concession Agreement executed by MWM Terminals, Inc. and the DOTC*

On 24 April 2015, MWM Terminals, Inc. executed the concession agreement for the design and construction, of: (1) an intermodal transport terminal near Coastal Road and Cavite Expressway, (2) access road to and from said facility, and (3) the pedestrian connection between the terminal and LRT1 Cavite Extension Asia World stations as well as the operation and maintenance of the terminal for a period of 35 years under a build-transfer-operate scheme.

The Concession Period is for 35 years.

OPERATING AND FINANCE LEASE

In the conduct of its ordinary course of business, Megawide enters into finance lease agreements with financing companies for its vehicles and equipment for terms of 36 – 60 months. As of date hereof, the Company's leased property under such arrangement has a total cost of ₱701,317,660, total rental is ₱474,350,703 and total monthly rental of ₱13,448,267.

LOAN AGREEMENTS

The Company has existing short term credit lines granted per bank (amounts in ₱ millions) as of June 30, 2021:

Bank	Credit Line	Outstanding Loan	Available Credit Line
BDO Unibank, Inc.	6,000.00	3,584.27	2,415.73
Land Bank	3,500.00	3,458.57	41.43
Philippine National Bank	3,000.00	1,200.00	1,800.00
Bank of Philippine Islands	1,500.00	1,500.00	-
Metrobank	1,500.00	1,442.75	57.25
Security Bank	1,000.00	635.75	364.25
RCBC	1,000.00	350.00	650.00
Unionbank	2,000.00	-	2,000.00

The Company obtained these various bank loans representing unsecured short-term loans from other local banks. The loans bear fixed annual interest rates ranging from 5.10% to 7.5% in 2021 and 2020.

Additionally, the Company has the following loan agreements:

₱5 Billion Notes Facility Agreement

On February 19, 2020, the Company signed a 5 year ₱5,000.0 million 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. In 2020, the Company made its first drawdown on its third unsecured corporate note amounting to ₱3,600.0 million and remained outstanding as at June 30, 2021.

The Parent Company has complied with all the debt covenants set forth in the notes facility agreement as the transactions during the intervening periods are under the ordinary course of business.

The notes, among other things, restrict the Company's ability to:

- (a) incur any indebtedness to be secured by or to benefit from any lien, in favor of any creditor on, or in respect of any present or future assets or revenues or the right to receive income;
- (b) make any material change in the nature of its business from that being carried on as of the signing date;
- (c) enter into any merger or consolidation except if the issuer retains control of the surviving corporation, such merger or consolidation is required by law, and such merger does not result in material adverse effect;
- (d) amend its articles of incorporation and/or by-laws except as required by law;
- (e) declare or pay any cash dividend to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the notes are current and updated and provided that any such payment is made out of retained earnings and the debt to equity ratio of 2:33:1 are maintained;
- (f) sell, assign, lease, transfer, and/or dispose all or substantially all of its properties;
- (g) assign, transfer or otherwise convey any right to receive any of its income or revenues;
- (h) voluntarily suspend its business operations in a manner that will result in a material adverse effect;
- (i) extend any loan, advance or subsidy to any person (other than to its subsidiaries or affiliates, or transactions in the ordinary course of business, or financing or guarantees for the direct or indirect purchase or sale of the assets of the issuer, its subsidiaries or affiliates). Neither shall the issuer make any deposit, credit to, or investment in, any person, except for bank deposit, credit placements, and other transactions in the ordinary course of business;
- (j) permit its financial debt to equity ratio to exceed 2.33:1; nor permit its debt service coverage ratio to fall below 1.1 and,
- (k) after event of default, voluntarily prepay any indebtedness.

₱4.0 Billion Notes Facility Agreement

On February 19, 2013, the Company, as Issuer, entered into a ₱4 Billion Notes Facility Agreement with a local universal bank. The ₱4 Billion Notes Facility Agreement is for the purpose of funding the Company's working capital requirements and for general corporate purposes.

The notes constitute direct, unconditional, unsubordinated, general and unsecured obligation ranking at least *pari passu* with all other present and future direct, unconditional, unsubordinated and unsecured obligations of the Company.

The notes are issued in three tranches with the following details:

	<u>Principal</u>	<u>Term in Years</u>	<u>Interest Rate</u>
Tranche A	P 650,000,000	5	5%
Tranche B	3,250,000,000	7	6%
Tranche C	<u>100,000,000</u>	10	6%
	<u><u>P 4,000,000,000</u></u>		

The nominal rates refer to the Philippine Dealing System Treasury Fixing (PDST-F) rates with respect to the term of each tranche plus an interest spread of 1.75% for Tranche A and B and 1.50% for Tranche C.

The notes, among other things, restrict the Company's ability to:

- (a) incur any indebtedness to be secured by or to benefit from any lien, in favor of any creditor on, or in respect of any present or future assets or revenues or the right to receive income;
- (b) make any material change in the nature of its business from that being carried on as of the signing date;

- (c) enter into any merger or consolidation except if the issuer retains control of the surviving corporation, such merger or consolidation is required by law, and such merger does not result in material adverse effect;
- (d) amend its articles of incorporation and/or by-laws except as required by law;
- (e) declare or pay any cash dividend to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the notes are current and updated and provided that any such payment is made out of retained earnings and the debt to equity ratio of 2:1 are maintained;
- (f) sell, assign, lease, transfer, and/or dispose all or substantially all of its properties;
- (g) assign, transfer or otherwise convey any right to receive any of its income or revenues;
- (h) voluntarily suspend its business operations in a manner that will result in a material adverse effect;
- (i) extend any loan, advance or subsidy to any person (other than to its subsidiaries or affiliates, or transactions in the ordinary course of business, or financing or guarantees for the direct or indirect purchase or sale of the assets of the issuer, its subsidiaries or affiliates). Neither shall the issuer make any deposit, credit to, or investment in, any person, except for bank deposit, credit placements, and other transactions in the ordinary course of business;
- (j) permit its financial debt to equity ratio to exceed 2:1; and,
- (k) after event of default, voluntarily prepay any indebtedness.

The Parent Company has complied with all the debt covenants set forth in the notes facility agreement as the transactions during the intervening periods are under the ordinary course of business.

In February 2018 and February 2020, Tranche A and B, respectively, has matured already, leaving Tranche C outstanding as of June 30, 2021, with a carrying value of ₱69.8 million.

₱2.0 Billion Notes Facility Agreement

In 2016, the Company entered into various notes facility arrangement with a local bank to refinance the corporate note issued in 2011 and to finance its capital expenditure and general corporate requirements.

The notes are issued with the following details:

Date Issued	Principal	Term years	in	Interest Rate
September 16, 2016	₱650,000,000	10		5.50%
December 5, 2016	350,000,000	10		6.37%
December 16, 2016	1,000,000,000	10		6.37%
	₱ 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. As of June 30, 2021, the outstanding amount on the Notes Facility is ₱1,920 million.

These 10-year corporate notes bear an interest rate based on the closing per annum rates of a ten (10)-year PDST-R2 rate on the PDS Group website plus a certain spread. The Company has to maintain a debt-to-equity ratio of not more than 2.33 and a debt service coverage ratio of at least 1.1.

The notes, among other things, restrict the Company's ability to:

- (a) Engage in any business or make or permit any material change in the character of its business from that authorized on its amended articles of incorporation and by-laws;
- (b) Amendment of articles of incorporation and by-laws which would cause a material adverse effect or be inconsistent with the provisions of the finance document;

- (c) Change of ownership and management if as a result the stockholdings of Citicore Investments Holdings Inc. will fall below 51% or enter into profit sharing, partnership or joint venture whereby its profits are shared with any other person that may have a material adverse effect;
- (d) Sale of asset, transfer or dispose of all or substantially all of its properties and assets except in the ordinary course of business;
- (e) Declaration of dividends or retirement of capital if the issuer shall not be in compliance with the financial covenants or would result to an event of default;
- (f) Loans and advances to its directors, officers and stockholders (other than to its subsidiaries or affiliates, or transactions in the ordinary course of business, or financing or guarantees for the direct or indirect purchase or sale of the assets of the issuer, its subsidiaries or affiliates). Neither shall the issuer make any deposit, credit to, or investment in, any person, except for bank deposit, credit placements, and other transactions in the ordinary course of business;
- (g) Make a capital expenditure not in the ordinary course of business;
- (h) Incur additional debt or act as surety on behalf of third parties or incur monetary obligation which shall cause the issuer to breach the financial covenants;
- (i) Loans and advances to any person (other than to its subsidiaries or affiliates, or transactions in the ordinary course of business, or financing or guarantees for the direct or indirect purchase or sale of the assets of the issuer, its subsidiaries or affiliates). Neither shall the issuer make any deposit, credit to, or investment in, any person, except for bank deposit, credit placements, and other transactions in the ordinary course of business;
- (j) Directly or indirectly incur or suffer to exist any lien upon any assets and revenues, present and future of the issuer or enter into any loan facility agreement secured by or to be secured by a lien upon any assets and revenues, present and future whether registered or unregistered of the issuer;
- (k) Except for permitted investments, invest in or acquire any (i) share in or any security issued by any person, (ii) acquire directly or indirectly the business or going concern or all substantially all the properties and assets or business of any other corporation or entity or invest in a controlling entity therein; and,
- (l) It will not voluntarily suspend or discontinue its entire or a substantial portion of its business operation.

On August 10, 2017, the Parent Company sent a letter to the bank requesting the waiver of one of the loan's negative covenants that prohibits the stockholdings of Citicore in the Parent Company to fall below 51% or prohibits the Parent Company to enter into profit sharing, partnership or joint venture whereby its profits are shared with any other person that may have a material adverse effect. In September 2017, the request was granted by the bank. The Parent Company is in compliance with all other covenants required to be observed under the loan facility agreement as of June 30, 2021.

₱11.3 Billion Omnibus Loan and Security Agreement

On December 17, 2014, GMCAC entered into a ₱20,000.0 million (which at GMCAC's option may be increased up to ₱23,300.0 million) OLSA with various local universal banks, as onshore lenders. On January 26, 2015, the parties amended the facility to include another universal bank as offshore lender to contribute US \$75.0 million (or equivalent to ₱3,500.0 million) into the facility. On June 22, 2018, the Company amended the Amended and Restated OLSA increasing the Peso denominated loan facility by ₱870.0 million. The additional loan facility (onshore) was used to finance the investment related to the Fuel Hydrant System Infrastructure.

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
₱20,870.0 million onshore loan	Sum of Base Rate 1 (PDST-R2) benchmark yield) and credit spread	Sum of Base Rate 2 (PDST-R2) benchmark yield) and credit spread
US\$75.0 million offshore loan	LIBOR plus credit spread	LIBOR plus credit spread

**On October 29, 2018, the Bankers Association of the Philippines (BAP) launched its new set of reference rates, the PHP BVAL Reference Rates to replace the previous set of PDST Reference (PDST-R1 & PDST-R2).*

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 June 30, 2021, and December 31, 2020, the carrying amount of the assets pledged, in the form of a trust fund investment, as collateral amounted to ₱422.4 million and ₱401.5 million, respectively.

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 at December 31, 2020, the Company has debt-to-equity ratio of 68:32 and DSCR of 0.09, hence unable to comply with the financial covenants. GMCAC, therefore, made negotiations with the lenders as more fully discussed in the succeeding paragraphs.

On May 4, 2021, GMCAC and the lenders executed the second amendment to the amended and restated OLSA. The second amendment agreement include among others the following significant provisions:

- Changes in the principal repayment schedule as follows:

2020	1.00%
2024	8.00%
2025	9.40%
2026	12.04%
2027	11.00%
2028	11.28%
2029	16.78%
2030	<u>30.00%</u>
	99.50%

The remaining 0.5% pertains to principal repayment in December 15, 2019 amounting to ₱104.4 million and US\$0.4 million on the onshore and offshore loan facility, respectively. Principal repayment date will start June 15, 2024 and every six months thereafter;

- Deferral of interest payment incurred from September 15, 2020 to March 31, 2021. 19.97% of the accrued interest related to the period shall be paid in May 2021, the balance or 80.03% shall be paid on June 15, 2023 together with the interest accrued;
- For interest incurred from March 31, 2021 to December 15, 2021, 37.12% of the accrued interest related to the period shall be paid monthly starting May 15, 2021 until December 15, 2021, the balance or 62.88% shall be paid on December 2023 together with the interest accrued;
- Shareholders' loan extension (subordinated debt) totaling ₱640.0 million which shall be deposited in the Debt Service Reserve account on or before June 15, 2021;
- Changes in certain financial covenants. For debt to equity ratio, maintain a maximum debt to equity ratio of 75:25 for the period commencing on January 1, 2021 and ending on December 31, 2023, and 70:30 for the period commencing on January 1, 2024 and ending on the date on which all indebtedness under the finance documents has been irrevocably paid in full. For debt service coverage ratio, maintain a debt service coverage ratio at all times of at least 1.1x until the maturity date from the project completion date (other than

during the period commencing on January 1, 2021 and ending on the date that the recovery conditions stated in sponsor's support section have been satisfied;

- Additional coverage ratio of at least 1.1x at all times during the period commencing on December 31, 2024 and ending on the date that the recover conditions stated in the sponsor's support section have been satisfied;
- Changes in the composition of retained earnings during the relief period of January 1, 2021 to December 31, 2023 taking into consideration the impact of deferred interest.

In the event of a default, the loan and all interest accrued and unpaid shall be due and payable as instructed by the Lender and all declared commitments terminated, then Lender may foreclose upon any of the Collateral pursuant to the terms of the Finance Documents.

Events of default constitutes default on loan payment due and payable, except due to technical or administrative error, material misrepresentation, non-remediable violation of the covenants in the Finance Documents, revocation of the Finance documents or project documents, cross default, failure to observe material obligations in the Project Documents or Finance documents or it becomes unlawful resulting to a material adverse effect, suspension, insolvency, payment of decree or writ of garnishment, the Collateral are substantially impaired or seized, disqualification by Grantors or notice of Award withdrawn, and any event resulting in a material adverse effect.

Moreover, GMCAC's BOD authorized GMCAC to establish, maintain and operate trust and investment accounts with a Security Trustee to ensure the prompt payment of the required amortization, interest and principal of the long-term loan, which was established and maintained by GMCAC during the reporting period.

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 June 30, 2021 and December 31, 2020, GMCAC recognized ₱85.3 million and ₱121.9 million derivative liability arising from this interest rate swap transaction.

₱3.9 Billion Omnibus Loan and Security Agreement

In 2015, the MWMTI entered into an Omnibus Loan and Security Agreement (OLSA), with the Parent Company as guarantor, with a local universal bank for a loan facility amounting to ₱3,300,000,000 to finance the construction of the ITS Project. In 2019, the MWMTI requested the lender to increase the loan by ₱600,000,000 making the total principal loan to ₱3,900,000,000.

In 2017, the MWMTI made its first drawdown amounting to ₱825,000,000 while the remaining loan facility was fully drawn in 2019 in tranches amounting to ₱3,075,000,000.

The loan principal shall be amortized quarterly over 15 years and the first principal repayment is due on January 16, 2021. The interest-bearing loan is secured by the Joint Venturers and bear annual interest of 4.62%, 6.89%, and 6.89% in 2020, 2019, and 2018, respectively.

The interest-bearing loan requires the MWMTI to maintain a maximum debt-to-equity ratio of 70:30. In addition, the MWMTI is also required to observe at all times until full payment of the loan a debt service coverage ratio of at least 1.25. Compliance to the ratios is monitored on a quarterly basis.

With regard to the loans aforementioned, MWMTI has complied with affirmative and negative covenants.

The following are affirmative provisions that are common across Megawide's long term loan facilities:

- (a) Maintenance, continuity of business/insurance
- (b) Tax and law compliance
- (c) Indebtedness, Contractual and other obligations
- (d) Notice of legal proceeding and adverse action

- (e) Continuing consents and approvals
- (f) Environmental, occupational, and health, safety guidelines
- (g) Maintenance of Books of Accounts and records
- (h) Submission of unaudited and audited financials
- (i) Certificate of No Default, Compliance and Notice of Default
- (j) Notice of Change of Address
- (k) Use of Proceeds
- (l) Dividends from subsidiaries (as far as permitted)
- (m) Seniority of debt
- (n) Further assurances

SHAREHOLDERS AGREEMENTS

Agreement with GMR Holdings Overseas (Singapore) Pte. Limited in relation to Globemercants, Inc.

On 01 December 2018, the Company entered into a Shareholders' Agreement with GMR Holdings Overseas (Singapore) Pte. Limited ("GMR"), to establish a company that will engage in the supply and delivery of Destination Products to Duty Free Philippines Corporation. In view thereof, the Parties established a special purpose vehicle known as Globemercants, Inc. ("SPV").

Under the Shareholders' Agreement, the shareholding ratio between the Company and GMR in the SPV is 50% each. The equity financing and guarantees of the SPV shall be undertaken by the Parties in proportion to their shareholding ratio.

SPV's Board is comprised of six (6) directors, of whom both GMR and the Company have designated three (3) directors each ("Board"). The Board approves all financial and operational matters for the implementation of the Business.

Agreement with GMR Megawide Cebu Airport Corporation (GMCAC), GMR Airports International B.V (GAIBV), and Select Service Partner Philippines Corporation ("SSP PH")

On 7 September 2018, GMCAC, a corporation established by the consortium led by the Company and GMR Infrastructure Limited, entered into a Shareholders' Agreement with GAIBV and SSP-PH for the establishment, setting up, development, operation, maintenance, and management of the food and beverage outlets at MCIA. Pursuant to the Shareholders' Agreement, SSP Mactan Cebu Corporation ("SSP-MCC") was incorporated as the joint venture company for GMCAC, GAIBV and SSP-PH. The said Shareholders' Agreement provides for the terms and conditions for participation by GMCAC, GAIBV and SSP-PH in the SSP-MCC, their relationship as shareholders, and their rights and obligations in relation to the operation and management of the SSP-MCC.

Agreement with GMAC, GAIBV, and United Travel Retail Partners, Inc. ("UTRPI")

On 29 June 2018, GMCAC entered into a Shareholders' Agreement with GAIBV and UTRPI for the setting up, development, operation, maintenance and management of the retail outlets at MCIA ("Project"). The said Shareholders' Agreement provides for, among others, the rights and obligations of the parties with respect to the incorporation of a joint venture between GMCAC, GAIBV and UTRPI ("JV") for purposes of carrying out the Project, local regulatory compliances, banking and funding requirements of the JV, subscription to/acquisition of the shareholdings in the JV, contracting, manpower and operational requirements, day to day operations, cost control and profitability of the JV.

REGULATORY AND ENVIRONMENTAL MATTERS

Contractor's License Law

R.A. No. 4566, as amended by PD No. 1746, requires a construction company seeking to operate in the Philippines to obtain either a regular or a special license from the PCAB. A regular license is issued to a domestic construction firm (a Filipinos sole-proprietorship or a partnership/corporation with at least 60% Filipino equity) and is renewed annually, on or before June 30 of each year. PCAB has issued Resolution No. 333, Series of 2013 allowing foreign construction firms with more than 40% foreign equity to qualify for a regular AAAA license provided that such firms comply with the following requirements:

- (a) ₱1.0 billion minimum capitalization;
- (b) Compliance with SEC registration and equity requirements;
- (c) Engagement is limited to private domestic construction projects with contract cost of at least ₱1.0 billion;
- (d) Procurement of civil liability insurance;
- (e) Compliance with Philippine laws; and
- (f) Provided there is compliance with the PCAB qualification standards for a Filipino authorized managing officer, such firms may hire a foreign authorized managing officer.

A foreign contractor who is not able to meet the ₱1.0 billion capitalization may be granted a special license to engage in the construction of a specific project or undertaking with a project cost of at least ₱1.0 billion if there is limited local capability in technology as determined by the Philippine Domestic Construction Board.

Furthermore, on 27 March 2017, PCAB issued Resolution No. 079, Series of 2017 which categorizes AAAA license into two types:

- (a) AAAA Platinum – This may be granted to locally-owned contractors with at least ₱1.0 billion minimum capitalization; and
- (b) AAAA Gold – This may be granted to foreign-owned domestic corporations with at least ₱1.0 billion minimum capitalization.

AAAA Gold contractors may undertake private projects under the following contract costs: (1) minimum contract cost of ₱5.0 billion for vertical projects; and (2) minimum contract cost of ₱3.0 billion for horizontal projects.

AAAA Platinum contractors may undertake government and private projects of any contract cost.

On the other hand, a special license is issued to a joint venture, a consortium, a foreign constructor, or a project owner who authorizes the licensee to engage only in the construction of a single, specific project/undertaking and is cancelled by PCAB upon completion of the single specific undertaking/project authorized by the license.

In order to enforce the licensing requirements, all architects and engineers preparing plans and specifications and all public or private agencies or entities conducting biddings and/or letting out contracts for construction work to be contracted and undertaken in the Philippines, shall include in their invitation to bidders and other bidding documents necessary stipulations to convey to every bidder, whether he is a resident of the Philippines or not, the information that it will be necessary for him to have a license before his bid is considered.

Moreover, PCAB is authorized to institute the proper action in court and secure a writ of injunction without bond, restraining any person or firm not licensed, or whose license is under suspension or has expired or been revoked, from engaging or attempting to engage in the business of construction contracting and it shall be the duty of all duly constituted law enforcement officers of the national, provincial, city and municipal government or any political

subdivision thereof, to enforce the provisions of the said law and to report to PCAB any violation of the same.

Classification and Categorization

For the purpose of a more accurate evaluation of a constructor's capability, regular licensees are further classified as those engaged in (a) general engineering construction, (b) general building construction and (c) specialty construction and the classification of a constructor shall be determined by the training and experience of the constructor or of his Sustaining Technical Employee. A constructor may apply for and be issued more than one classification; provided that one of which shall be designated by the applicant as his principal classification. The rest shall be considered as other classification(s). A licensed constructor shall operate within the classification(s) that he is authorized, by his license, to engage in. A regular license constructor shall, however, be allowed to undertake an extra classification work, if it is incidental and/or supplementary to a project under his contract and to be undertaken in conjunction with the implementation of the said project.

In addition to classification, every constructor shall be graded and assigned a category as an adjunct to his licensing. Evaluation of category shall be based on the following criteria quantified by equivalent credit points in scales as determined by the Board:

- a) financial capacity measured in terms of net worth;
- b) equipment capacity in terms of the book value;
- c) experience of the company in terms of aggregate number of years in which the firm has actively engaged in construction contracting and operation and average annual value of work completed during the past three (3) years; and
- d) experience of the technical personnel.

General Engineering and General Building constructors shall be categorized based on a scale of seven grades, namely: AAAA (Platinum)/AAAA (Gold), AAA, AA, A, B, C, and D.

The PCAB issues two (2) kinds of licenses, a regular or a special license. Under the Implementing Rules and Regulations ("**PCAB IRR**") of Republic Act No. 4566, otherwise known as the "Contractors' License Law" ("**PCAB Law**"), a PCAB Regular License may only be issued by the PCAB to construction firms of Filipino sole proprietorship, or partnerships or corporations with at least 60% percent Filipino equity participation and duly organized and existing under Philippine law.

However, the Supreme Court, in the case of *Philippine Contractors Accreditation Board v. Manila Water Co., Inc.* (G.R. No. 217590, March 10, 2020) has recently ruled that foreigners can obtain regular licenses from the PCAB. It ruled that the construction industry is not one which the Constitution has reserved exclusively for Filipinos. There is also no prohibition in the law for foreigners to enter into the same projects as Filipinos in the field of construction. "Private domestic construction contracts" has also been removed from the Foreign Investments Negative List since 1998. Thus, the provision, requiring foreigners to obtain a special license has been declared null and void, along with the provision limiting the regular license to construction firms at least 60% of which is owned by Filipinos. In light of this ruling, foreigners can now obtain regular licenses from the PCAB.

Megawide is principally classified as General Building ("**GB**") 1 for building and industrial plant construction with general engineering construction as its "other classification" and is categorized as AAAA.

Building Permits

Presidential Decree No. 1096 or the National Building Code provides that in order for a person or corporation to erect, construct, alter, repair, move, convert, or demolish any building or structure, a building permit must first be secured from the Building Official assigned at the place where the building work is to be done. A building permit is a written authorization granted by the building official to an applicant allowing him to proceed with the construction of a building after plans, specifications and other pertinent documents required for the construction of the structure have been found to be in conformity with the Building Code.

Referral to Arbitration

Executive Order No.1008 vests the Construction Industry Arbitration Commission (“**CIAC**”) with original and exclusive jurisdiction over disputes arising from, or connected with, contracts entered into by parties involved in construction in the Philippines, whether the dispute arises before or after the completion of the contract, or after the abandonment or breach thereof. These disputes may involve government or private contracts. The jurisdiction of the CIAC may include, but is not limited, to violation of specifications for materials and workmanship; violation of the terms of agreement; interpretation and/or application of contractual time and delays; maintenance and defects; payment, default of employer or contractor and changes in contract cost.

The CIAC may acquire jurisdiction in two ways, either by providing an arbitration clause in the contract between the parties, or by agreement of the parties to submit the dispute to CIAC. Thus, the fact that the parties incorporated an arbitration clause in their contract is sufficient to vest the CIAC with jurisdiction over any construction controversy, notwithstanding any reference made to another arbitral body. CIAC’s jurisdiction over construction disputes is conferred by law; as such, it may not be waived by mere agreement of the parties.

Liability of Engineers, Architects and Contractors

Under the Civil Code, the engineer or architect who drew up the plans and specifications for a building is liable for damages if within fifteen (15) years from the completion of the structure, the same should collapse by reason of a defect in those plans and specifications, or due to the defects in the ground. The contractor is likewise responsible for the damages if the edifice falls, within the same period, on account of defects in the construction or the use of materials of inferior quality furnished by him, or due to any violation of the terms of the contract. If the engineer or architect supervises the construction, he shall be solitarily liable with the contractor. The acceptance of the building, after completion, does not imply waiver of any of the causes of action by reason of any of the foregoing defects. The action arising therefrom must be brought within 10 years following the collapse of the building.

NATIONALITY RESTRICTION

The Company owns land, hence, Philippine laws limit foreign shareholdings in the Company to a maximum of 40% of its issued and outstanding capital stock. Any subsequent transfer of the Company’s Shares by Filipinos to non-Filipinos will also be subject to the limitation that any such transfers will not cause foreign shareholdings in the Company to exceed 40% of the Company’s issued and outstanding capital stock. In the event that foreign ownership of the Company’s issued and outstanding capital stock will exceed 40%, the Company has the right to reject a transfer request by persons to persons other than Philippine Nationals. In addition, under the implementing rules and regulations of Executive Order No. 146 dated 13 November 2013, a corporation applying for land reclamation must submit proof that it is 60% owned by Philippine nationals.

Partnerships with the Government

Republic Act No.6957 or the Build-Operate-Transfer Law (“**BOT Law**”), as amended, governs the conduct of bidding in infrastructure projects. The BOT Law allows private sector participation in large infrastructure projects, power plants, highways, ports, airports, canals, dams, hydropower projects, water supply, irrigation, telecommunications, railroads and railways, transport systems, land reclamation, housing, government buildings, tourism projects, markets, slaughter houses, warehouses, solid waste management, information technology networks and database infrastructure, education and health facilities, sewerage, drainage, dredging and other projects as may be authorized by the appropriate government agency. It recognizes various kinds of contractual arrangements, including build-operate- and-transfer, build-and-transfer, build-own-and-operate, build-lease-and-transfer, build-transfer-and- operate, contract-add-and-operate, develop-operate-and-transfer, rehabilitate-operate-and-transfer and rehabilitate-own-and-operate.

The BOT Law provides that these projects must be awarded through the conduct of a public bidding. Such public bidding must be done by publishing a notice inviting prospective project investors once a week for three consecutive weeks in at least two newspapers of general circulation and one local newspaper in the place where the project is to be constructed. The public bidding must be conducted under a two-envelope/two-stage system: the first envelope to contain the technical proposal and the second envelope to contain the financial proposal.

Depending on the type of arrangement, as in the case of a build-operate-and-transfer arrangement, for instance, the contract shall be awarded to the bidder who has satisfied the minimum financial, technical, organizational and legal standards required, and has submitted the lowest bid and most favorable terms for the project, and shall be granted the franchise to operate and maintain the facility. In the case of a build-and-transfer, or a build-lease-and-transfer, the law provides that a Filipino contractor who submits an equally advantageous bid with exactly the same price and technical specifications as those of a foreign contractor shall be given preference.

Before the submission of actual bids, the bidder must first submit proof that it is legally, technically and financially qualified to undertake the project. The legal requirements include proof showing compliance with the nationality requirements, if the project will involve a public utility. If the bidder is an unincorporated consortium, the identity of each of the members must be disclosed and must also undergo the pre-qualification process. Moreover, the members shall submit an undertaking binding themselves to be solidarily liable for the obligations under the contract. If the consortium is a duly registered corporation with the SEC, the corporation must be the one to execute such undertaking. Lastly, the prospective bidder must indicate the contractor it seeks to engage once the contract is awarded to it. The contractor must be duly licensed and accredited by the PCAB, if a Filipino, or its equivalent in a foreign country, if a foreigner.

Aside from the legal requirements, the prospective bidder must also show that it has the technical expertise and has ample experience in similar or related infrastructure projects. For this purpose, the consortium must submit a business plan, which shall include the identity of its members, the equity interest/contribution of each member of the consortium, their prospective contractor(s), capacity of the consortium to undertake the project, and the description and respective roles of each member and the contractor.

Lastly, it must also demonstrate that it has the financial capability to undertake the project. In this regard, it must show proof that it has the minimum amount of equity to the project measured in terms of the net worth of the company or the net worth of the lead member (in case of a consortium). It must also show that it can set aside a deposit equivalent to the minimum equity required. Moreover, a letter testimonial from a domestic universal/commercial bank or an international bank with a subsidiary/branch in the Philippines or any international bank recognized by the BSP certifying that the bidder is an account holder, is in good financial standing and is able to obtain credit accommodations from such banks to finance the project.

Law on Public Utilities

The operation of an airport terminal is within the definition of a public utility as the use thereof is held out generally to the public. Thus, it is subject to the requirements of the Philippine Constitution which provides that franchises, privileges and other authority to operate a public utility shall be given to corporations, associations or firms at least 60 percent of capital of which is owned by Filipino citizens.

However, House Bill No. 78 ("**New Public Service Act**") was approved by the House on 3 March 2020. If approved by the Senate, it would limit the term "public utility" to apply only to distribution of electricity, transmission of electricity, water pipeline distribution, and sewerage pipeline. The National Economic and Development Authority ("**NEDA**"), in consultation with the Philippine Competition Commission ("**PCC**"), can also recommend to Congress the classification of a public service as a public utility when certain criteria are met. Operation of an airport terminal is not among the enumerated activities considered to be a public utility in the proposed New Public Service Act. Accordingly, it will not be subject to the Constitutional restrictions on foreign ownership

Operation of an Airport

The operation of the MCIA is under the supervision of the Mactan-Cebu International Airport Authority ("**MCIAA**"). MCIAA was created pursuant to Republic Act No. 6958 in order to control, manage and supervise the Mactan International Airport and the Lahug Airport. MCIAA has the following functions, powers and duties, among others: (i) to control, supervise, construct, maintain, operate and provide such facilities or services as shall be necessary for the efficient functioning of the airports; (ii) promulgate rules and regulations governing the planning, development, maintenance, operation and improvement of the airports, and to control and supervise the construction of any structure or the rendition of any service within the airports; (iii) levy and collect dues, charges, fees or assessments for the use of airport premises, works, appliances, facilities or concessions, or for any service provided by the MCIAA; and (iv) provide services, whether on its own or otherwise, within the airports and the approaches thereof as may be necessary or in connection with the maintenance and operation of the airports and their facilities.

Aside from MCIAA, the Civil Aviation Authority of the Philippines ("**CAAP**") is also responsible for the planning, development, construction, operation, maintenance or the expansion of airports in the Philippines. Among others, the CAAP Board has the power to determine and fix landing fees, parking space fees, royalties on sales or deliveries, direct or indirect, to any aircraft for its use of aviation gasoline, oil and lubricants, spare parts, accessories and supplies, tools, other royalties, fees or rentals for the use of any of the property under its management and control.

The rules and regulations of these agencies will have an impact on the operations of the MCIA.

Department of Human Settlements and Urban Development Act

Republic Act No. 11201, otherwise known as "Department of Human Settlements and Urban Development Act" was signed by the President on February 14, 2019. The Implementing Rules and Regulations of the Act was approved on July 19, 2019. This Act created the Department of Human Settlements and Urban Development ("**DHSUD**") through the consolidation of the Housing and Urban Development Coordinating Council ("**HUDCC**") and the Housing and Land Use Regulatory Board ("**HLURB**"), simultaneously with the reconstitution of HLURB into Human Settlement Adjudication Commission ("**HSAC**"). The functions of the HUDCC and the planning and regulatory functions of HLURB shall be transferred to and consolidated in the DHSUD, while the HSAC shall assume and continue to perform the adjudication functions of HLURB.

The DHSUD shall:

1. Act as the primary national government entity responsible for the management of housing, human settlement and urban development
2. Be the sole and main planning and policy-making, regulatory, program, coordination, and performance monitoring entity for all housing, human settlement and urban development concerns, primarily focusing on the access to an affordability of basic human needs. The following functions of HLURB are transferred to DHSUD:
 - a. The land use planning and monitoring function, including the imposition of penalties for noncompliance to ensure that LGUs will follow the planning guidelines and implement their CLUPs and ZOs;
 - b. The regulatory function, including the formulation, promulgation, and enforcement of rules, standards and guidelines over subdivisions, condominiums and similar real estate developments, and imposition of fines and other administrative sanctions for violations, pursuant to PD 957, as amended, BP 220 and other related laws; and
 - c. The registration, regulation and supervision of Homeowners Associations, including the imposition of fines for violations, pursuant to RA 9904, Section 26 of

RA 8763 in relation to Executive Order No. (EO) 535, series of 1979, and other related laws; and

- d. The adjudicatory mandate of the HLURB.
3. Develop and adopt a national strategy to immediately address the provision of adequate and Affordable Housing to all Filipinos, and ensure the alignment of the policies, programs, and projects of all its attached agencies to facilitate the achievement of this objective.

All existing policies, and rules and regulations of the HUDCC and the HLURB shall continue to remain in full force and effect unless subsequently revoked, modified or amended by the DHSUD or the HSAC, as the case may be.

All applications for permits, licenses and other issuances pending upon the effectivity of the Act and filed during the transition period shall continue to be acted upon by the incumbents until transition shall have been completed.

All cases and appeals pending with the HLURB shall continue to be acted upon by the HLURB Arbiters and the Board of Commissioners, respectively, until transition shall have been completed and the Commission's operations are in place. Thereafter, the Regional Adjudicators and the Commission shall correspondingly assume jurisdiction over those cases and appeals. All decisions of the Commission shall thenceforth be appealable to the Court of Appeals under Rule 43 of the Rules of Court.

The transition period shall commence upon the effectivity of the Implementing Rules and Regulations and shall end on December 31, 2019. Thereafter, the Act shall be in full force and effect.

ENVIRONMENTAL LAWS

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

The EIS refers to both the document and the study of a project's environmental impact, including a discussion of the direct and indirect consequences to human welfare and ecological as well as environmental integrity. The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas. EIS or an IEE may vary from project to project, as a minimum; it contains all relevant information regarding the projects' environmental effects. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The issuance of an ECC is a Government certification that the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the EIS System; and that the proponent is committed to implement its approved environmental management plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund (“**EGF**”) when the ECC is issued to projects determined by the DENR to pose a significant public risk to life, health, property and the environment or where the project requires rehabilitation or restoration. The EGF is intended to answer for damages caused by such a project as well as any rehabilitation and restoration measures.

Project proponents that prepare an EIS are mandated to include a commitment to establish an Environmental Monitoring Fund (“**EMF**”) when an ECC is eventually issued. The EMF shall be used to support the activities of a multi-partite monitoring team which will be organized to monitor compliance with the ECC and applicable laws, rules and regulations.

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

Although the obligation to obtain the ECC is normally with the project owner, there are instances when the project owner requests the Company assist in securing the ECC. The Company incurs expenses for the purposes of complying with environmental laws that consist primarily of payments for Government regulatory fees. Such fees are standard in the industry and are minimal.

Discharge Permit

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

Other Environmental Laws

Other regulatory environmental laws and regulations applicable to Megawide’s business includes the following:

Toxic Substances and Hazardous and Nuclear Wastes Control Act

DENR, through its authority granted by Republic Act No. 6969, or the Toxic Substances and Hazardous and Nuclear Wastes Act, is mandated to regulate, restrict or prohibit the importation, manufacture, processing, sale, distribution, use and disposal of chemical substances and mixtures that present unreasonable risk and/or injury to health or the environment. Entities that generate or produce hazardous wastes must register as Hazardous Waste Generators with the EMB Regional Office having jurisdiction over the location of the waste generator and submit quarterly reports to DENR specifying the type and quantity of hazardous waste generated, produced or transported outside, and such other information as may be required.

Ecological Solid Waste Management

Ecological Solid Waste Management Act of 2000, which provides for the proper management of solid waste which includes, discarded commercial waste and non-hazardous institutional and industrial waste. The said law prohibits, among others, the transporting and dumping of collected solid wastes in areas other than prescribed centers and facilities. The National Solid Waste Management Commission, together with other government agencies and the different local government units, are responsible for the implementation and enforcement of the said law.

Philippine Clean Air Act

Philippine Clean Air Act of 1999 (the “**Clean Air Act**”) provides for specific emission standards for stationary sources of air pollution, for motor vehicles and other sources. It also sets specifications for fuel and fuel-related substances; bans incineration; provides for phasing-out of ozone-depleting substances; reduction and elimination of greenhouse gas emissions and persistent organic pollutants; and proper handling of radioactive emissions. To implement the foregoing, the Clean Air Act requires establishments with machinery or equipment that are sources of regulated air pollutants to obtain a permit to operate from the EMB. This permit is valid for one year, renewable at least 30 days prior to its expiration date. The permits issued by

DENR shall state the limitations for regulated air pollutants to achieve and maintain air quality standards.

Philippine Clean Water Act

Philippine Clean Water Act of 2004 applies to water quality management in all bodies of water. DENR implements a wastewater charge system in all management areas. DENR requires owners or operators of facilities that discharge regulated effluents to secure a permit to discharge. This permit for the discharge of effluents shall state the quality and quantity of effluent that the facilities are allowed to discharge into a particular body of water, compliance schedule and monitoring requirement.

The EMB, in partnership with other Philippine government agencies and the respective local government units, is tasked by the Implementing Rules of the Clean Water Act to identify existing sources of water pollutants and strictly monitor pollution sources which are not in compliance with the effluent standards provided in the law. In addition, they have the right to (a) enter any premises or have access to documents and relevant materials; (b) inspect any pollution or waste source, control device, monitoring equipment or method required; and (c) test any discharge. If there is fish kill, the Department of Agriculture may also enter the establishment reported to have caused the incident.

LABOR AND EMPLOYMENT

The Philippine Constitution

The Philippine Constitution provides that the State shall regulate the relations between workers and employers, recognizing the right of labor to its just share in the fruits of production and the right of enterprises to reasonable returns on investments, and to expansion and growth. The seven basic rights that are specifically guaranteed by the Philippine Constitution are as follows:

- (a) Right to organize;
- (b) Right to conduct collective bargaining or negotiation with management;
- (c) Right to engage in peaceful concerted activities, including strikes in accordance with law;
- (d) Right to enjoy security of tenure;
- (e) Right to work under humane conditions;
- (f) Right to receive a living wage; and
- (g) Right to participate in policy and decision-making processes affecting their rights and benefits as may be provided by law.

Labor Code of the Philippines

Presidential Decree No. 442, as amended, or the Labor Code of the Philippines ("**Labor Code**") seeks to protect labor, promote full employment, ensure equal opportunities regardless of sex, race or creed and regulate the relations between workers and employers. All doubts in the implementation and interpretation of the provisions of the Labor Code shall be resolved in favor of labor.

The Department of Labor and Employment ("**DOLE**") is the lead agency in the enforcement of labor laws.

The Labor Code and other statutory laws specify the minimum statutory benefits that employers are required to grant to their employees.

Retirement Benefits

All employees are entitled to receive retirement benefits that they have earned upon retirement under existing laws or collective bargaining agreements. An employee's retirement benefits under a collective bargaining agreement and other agreements must not be less than those provided under the Labor Code. In the absence of a retirement plan or agreement providing for retirement benefits of employees, an employee, upon reaching the age of 60 years or more, but

not beyond 65 years, who has served at least five years in the establishment, may retire and shall be entitled to retirement pay equivalent to at least 1/2 month salary for every year of service.

DOLE Department Order No. 174-17 was issued on 17 March 2017. It implemented Articles 106-109 of the Labor Code, particularly governing contracting and subcontracting arrangements. "Contracting" or "Subcontracting" refers to an arrangement whereby a principal agrees to farm out to a contractor the performance or completion of a specific job or work within a definite or predetermined period, regardless of whether such job or work is to be performed or completed within or outside the premises of the principal. It imposes an absolute prohibition on Labor-only contracting which refers to an arrangement where the contractor or subcontractor merely recruits, supplies or places workers to perform a job or work for a principal and the elements enumerated in the law are present.

However, said Department Order does not apply to contracting or subcontracting arrangements in the Construction Industry, under the licensing coverage of the PCAB. These shall continue to be governed by Department Order No. 19, Series of 1993 (Guidelines Governing the Employment of Workers in the Construction Industry) and Department Order No. 13, Series of 1998 (Guidelines Governing the Occupational Safety and Health in the Construction Industry); and DOLE-DPWH-DILG-DTI and PCAB Memorandum of Agreement-Joint Administrative Order No. 1, Series of 2011 (on coordination and harmonization of policies and programs on occupational safety and health in the construction industry).

Section 2, Subparagraph 2.5 of Department Order No. 19, Series of 1993, provides:

"Contracting and subcontracting. — The practice of contracting out certain phases of a construction project is recognized by law, particularly wage legislations and wage orders, and by industry practices. The Labor Code and its Implementing Regulations allow the contracting out of jobs under certain conditions. Where such job contracting is permissible, the construction workers are generally considered as employees of the contractor or subcontractor, as the case may be, subject to Article 109 of the Labor Code , as amended."

Pursuant to Presidential Decree No. 1746 Series of 1980, licensing and the exercise of regulatory powers over the construction industry is lodged with the PCAB of the Construction Industry Authority of the Philippines ("**CIAP**").

The PCAB registers all types of contractors in the construction industry and regulates the same by ensuring compliance with DOLE issuances. Thus, the DOLE through its Regional Offices shall not require contractors licensed by PCAB to register under D.O. 174, Series of 2017. However, findings of violation/s on labor standards and occupational health and safety standards shall be coordinated with PCAB for its appropriate action, including possible cancellation/suspension of the contractor's license.

Social Security System, PhilHealth and the Pag-IBIG Fund

An employer, or any person who uses the services of another person in business, trade, industry or any undertaking is required under the Social Security Act of 1997 to ensure coverage of employees following procedures set out by the law and the Social Security System ("**SSS**"). Under the said law, an employer must deduct from its employees their monthly contributions based on a given schedule, pay its share of contribution and remit these to the SSS within a period set by law and/or SSS regulations.

Employers are likewise required to ensure enrollment of its employees in a National Health Program administered by the Philippine Health Insurance Corporation ("**PhilHealth**"), a government corporation attached to the DOH tasked with ensuring sustainable, affordable and progressive social health insurance pursuant to the provisions of the National Health Insurance Act of 1995. Under the Home Development Mutual Fund Law of 2009, all employees who are covered by the Social Security Act of 1997 must also be registered with and covered by the Home Development Mutual Fund, more commonly referred to as the Pag-IBIG Fund.

Workers' Health and Safety

The Rules for Occupational Safety and Health Standards (“**OSHS**”) issued by the Bureau of Working Conditions of the DOLE establishes the threshold limit values (“**TLV**”) for toxic and carcinogenic substances which may be present in the atmosphere of the work environment. The TLV refer to airborne concentration of substances and represent the conditions under which it is believed that nearly all workers may be repeatedly exposed daily without adverse effect. The TLV refers to the time weighted concentrations for an eight-hour workday and a total of 48 work hours per week.

The employees' exposure to the substances identified in the OSHS must be limited to the ceiling value given for the relevant substance in the OSHS or must not exceed the 8-hour time weighted average limit given for that substance in the OSHS, as the case may be.

To protect the employees, an employer is required to furnish its workers with protective equipment for the eyes, face, hands, and feet as well as protective shields and barriers, whenever necessary, by reason of the hazardous nature of the process or environment, chemical or radiological or other mechanical irritants or hazards capable of causing injury or impairment in the function of any part of the body through absorption, inhalation or physical contact. The employer is responsible for ensuring the adequacy and proper maintenance of personal protective equipment used in its workplace.

To ensure compliance with the OSHS, every establishment or place of employment will be inspected at least once a year. Special inspection visits may be authorized by the Regional Labor Office to investigate accidents, occupational illnesses or dangerous occurrences, especially those resulting in permanent total disability or death, to conduct surveys of working conditions for the purpose of evaluating and assessing environmental contaminants and physical conditions, or to conduct investigations, inspections or follow-up inspections upon request of an employer, worker or a labor union of the establishment.

Any violation of the provisions of the OSHS will be subject to the applicable penalties provided in the Labor Code. The Labor Code imposes a fine of not less than ₱1,000.00 nor more than ₱ 10,000.00 or imprisonment of not less than three months nor more than three years, or both such fine and imprisonment, at the discretion of the court. If the offense is committed by a corporation, the penalty will be imposed upon the guilty officers of such corporation.

Depending on the size of the workforce and the nature of the work place as either hazardous or non- hazardous, an employer is obliged to provide certain free medical and dental attendance and facilities. For large-scale industries where the number of workers is from 200 to 600, the employer is required to provide the services of a part-time occupational health physician and a part-time dentist, each of whom is required to stay in the premises of the workplace at least four hours a day, six times a week, and each working in alternate periods with the other. It is also required to provide the services of a full-time occupational health nurse and a full-time first aider. The employer must further maintain an emergency clinic, unless there is a hospital or dental clinic which can be reached in 25 minutes of travel, and it has facilities readily available for transporting its workers to the hospital or clinic in case of emergency.

Under the OSHS, every place of employment is required to have a health and safety committee. Further, the employer has the duty to write administrative policies on safety in conformity with OSHS. It must report to the DOLE copies of the policies adopted and the health and safety organization established to carry out the program on safety and health within one month after the organization or reorganization of the health and safety committee.

DOLE released Department Order No. 198-18 which implemented Section 32 of Republic Act No. 11058. It aims to protect every worker against injury, sickness or death through safe and healthful working conditions. It characterizes the workplaces in the construction industry as high risk establishments. It assures the right of workers to report accidents, to have personal protective equipment, to have safety signages and devices and the like.

It mandates the Company to create an Occupational Safety and Health Program which needs to be approved by DOLE prior to construction. Any willful failure or refusal of an employer, contractor or subcontractor to comply with the following OSH standards or with a compliance

order issued by the Secretary of Labor and Employment or his/her authorized representative shall be penalized with administrative fines.

Moreover, Republic Act No. 7877 makes it the duty of every employer to create a committee on decorum and investigation of sexual harassment cases. Such committee must be composed of at least one representative each from management, the union, the employees from the supervisory rank, and the rank-and-file employees. In addition, it is likewise the duty of the employer to promulgate rules and regulations prescribing the procedure for the investigation of sexual harassment cases and the administrative sanctions therefor, which rules must be formulated in consultation with and later jointly approved by the employees.

DATA PRIVACY LAWS

Data Privacy Act

The Philippines government enacted legislation with the aim to protect the fundamental human right to privacy while ensuring the free flow of information. Republic Act No. 10173, or the “Data Privacy Act of 2012” applies to processing of all types of information, whether that be of individuals or legal entities, except for publicly available information, or those required for public functions. The law provides that when an entity collects personal data, the purpose and extent of processing of such information collected must be legitimate and declared specifically to the owner of the personal information (i.e. whether such information will be used for marketing, data-sharing and the like), and that consent must be obtained from the owner. This requirement applies to all data collectors and data processors. The term “data collectors” refers to a natural or juridical person who controls or supervises the person collecting, storing, or processing the relevant personal information, while the term data processors refers to a natural or juridical person who processes the information, whether or not outsourced by the data collector.

Personal information that is collected must be retained only for a reasonable period of time. Such a reasonable period of time is the reasonable amount of time the collector needs the information for its purposes, and the collector must notify the owner of the personal information of that duration. The data collector must implement appropriate measures for the storage and protection of the collected personal information from accidental alteration, destruction, disclosure and unlawful processing. Furthermore, the data controller must assign compliance officer(s) to ensure compliance with the provisions of the data privacy law and its accompanying implementing rules and regulations.

ANTITRUST LAWS

Philippine Competition Act

Republic Act No. 10667 or the Philippine Competition Act (the “**PCA**”) came into effect August 5, 2015 and is the primary competition law in the Philippines. It aims to enhance economic efficiency and promote free and fair competition in trade, industry and all commercial activities. This law created the Philippine Competition Commission (the “**PCC**”) which is tasked with the implementation of the PCA and regulating, among others things, the conduct of business entities in the market as well as mergers and acquisitions. The PCA prohibits and imposes sanctions on:

- (a) Anti-competitive agreements between or amongst competitors that restrict competition as to price or other terms of trade and those fixing price at an auction or in any form of bidding including cover bidding, bid suppression, bid rotation and market allocation and other analogous practices of bid manipulation; and those which have the object or effect of substantially preventing, restricting or lessening competition;
- (b) Practices which are regarded as abuse of dominant position by engaging in conduct that would substantially prevent, restrict or lessen competition; and
- (c) Mergers or acquisitions which substantially prevent, restrict or lessen competition in the relevant market or in the market for goods or services.

A dominant market position is presumed by law if an enterprise has at least 50% of the relevant geographic or product market. Moreover, the parties to a merger, acquisition or joint venture are required to comply with the compulsory notification requirements of the PCC before consummating the transaction if specified thresholds set out under the PCA and its implementing rules are met. An agreement consummated in violation of the compulsory notification requirement shall be considered void, and shall subject the parties to an administrative fine of 1% to 5% of the value of the transaction.

Further, penalties for violation of the law consist of administrative fines which can be as high as ₱100 million for the first offense and ₱250 million for the second offense. The law also grants private parties who suffer damages as a result of a violation the right to file an action for damages against the violating parties. The law subjects violations of the provisions on price fixing and bid rigging between and among competitors to criminal liability in addition to the administrative and civil liabilities provided thereunder.

PHILIPPINE CONSTRUCTION INDUSTRY

The information in this section has been derived from various government and private publications, and unless otherwise indicated, has not been prepared or independently verified by the Company or the Underwriters or any of their respective affiliates or advisors. Please refer to the section "Regulatory and Environmental Matters" of this Prospectus.

Regulated Industry

R.A. No. 4566 as amended by PD No. 1746 requires a construction company seeking to operate in the Philippines to obtain either a regular or a special license with the PCAB. In order to enforce the licensing requirements, all architects and engineers preparing plans and specifications and all public or private agencies or entities conducting biddings and/or letting out contracts for construction work to be contracted and undertaken in the Philippines, shall include in their invitation to bidders and other bidding documents necessary stipulations to convey to every bidder, whether he is a resident of the Philippines or not, the information that it will be necessary for him to have a license before his bid is considered.

Classification and Categorization

Constructors are classified into three main contracting classifications, based on capability and specialization:

Classification	Areas of Specialization
General Engineering Construction	a.) Road, highway, pavement and bridge b.) Irrigation and flood control c.) Dam, reservoir and tunneling d.) Port, harbor and offshore engineering
General Building Construction	a.) Building and industrial plant b.) Sewerage and sewage treatment/disposal plant and system c.) Water treatment plant and system d.) Park, playground and recreational work
Specialty Construction	a.) Foundation work b.) Structural steel work c.) Concrete pre-casting and pre-stressing d.) Plumbing and sanitary work e.) Electrical work f.) Mechanical work g.) Mechanical work (ventilation-refrigeration) h.) Mechanical work (elevator-conveyor) i.) Fire protection work j.) Waterproofing work k.) Painting work

Source: Rules and Regulations Governing Licensing and Accreditation of Constructors in the Philippines

In addition, each constructor is evaluated, graded and assigned a category based on the following criteria and quantified by equivalent credit points:

- 1) financial capacity measured in terms of net worth;
- 2) equipment capacity in terms of the book value;
- 3) experience of the company in terms of aggregate number of years in which the firm has actively engaged in construction contracting and operation and average annual value of work completed during the past three (3) years; and
- 4) experience of the technical personnel

Class	Category	Minimum Qualification Requirements					Overall CPR (2)
		Financial Capacity		Construction Experience Requirement			
		Equity' (in million P)	CPR (1)	Individual	Aggregate	Minimum CPR	
General Engineering	AAAA	1,000.00	10,000.00	10	60	300.00	10,300.00
	AAA	180.00	1,800.00	10	60	300.00	2,850.00
	AA	90.00	900.00	10	50	250.00	1,365.15
	A	30.00	300.00	7	21	105.00	475.00
	B	10.50	100.00	5	10	50.00	177.50
	C	6.00	60.00	3	3	15.00	105.50
	D	2.00	20.00	3	3	15.00	35.00
General Building	AAAA	1,000.00	10,000.00	10	60	300.00	10,300.00
	AAA	180.00	1,800.00	10	60	300.00	2,810.00
	AA	90.00	900.00	10	50	250.00	1,345.00
	A	30.00	300.00	7	21	105.00	471.00
	B	10.50	100.00	5	10	50.00	175.50
	C	6.00	60.00	3	3	15.00	96.50
	D	2.00	20.00	3	3	15.00	35.00
Specialty	AAAA	1,000.00	10,000.00	10	60	300.00	10,300.00
	AAA	180.00	1,800.00	10	60	300.00	2,410.00
	AA	90.00	900.00	10	50	250.00	1,145.00
	A	30.00	300.00	7	21	105.00	421.00
	B	10.50	100.00	5	10	50.00	165.50
	C	6.00	60.00	3	3	15.00	90.50
	D	2.00	20.00	3	3	15.00	35.00
Specialty – Trade	E	0.10	1.00	none	none	none	1

Source: CIAP

Notes:

¹CPR – Credit Points Required

²Overall credit points inclusive of Equipment Capacity (10point/₱100,000); Experience of Firm (10 points/year of active existence and 1point/₱100,000 of 3 year average annual volume of work accomplished; and COMTCP points if STEs are COMTCP certified

Construction Licenses Issued

Under the law, only contractors accredited by the PCAB are allowed to enter into a construction contract with clients. For 2017 to 2018, PCAB has issued a total of 10,112 contractors' licenses. The following table shows the breakdown of contractors per type:

In terms of Size	Share to total
Large Contractors (AAA & AA)	6.0%
Medium-sized Contractors (A & B)	33.0%
Small Contractors	61.0%
In terms of Principal Classification	Share to total
General Engineering (GE) Contractors	44.0%
General Building (GB) Contractors	34.0%
Trade Contractors	9.0%
Specialty Contractors	12.0%

Source: Philippine Contractors Accreditation Board

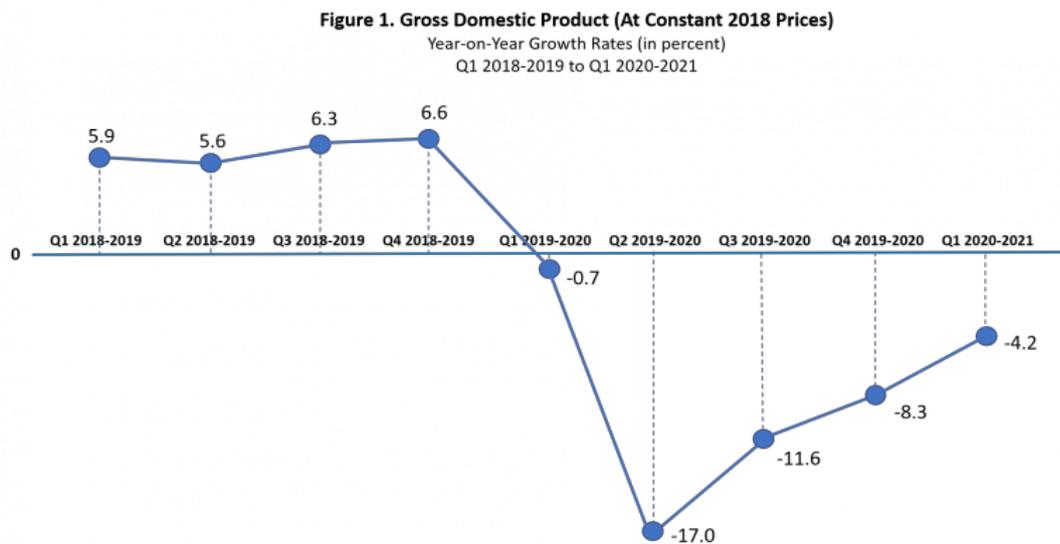
Also, the PCAB has issued special licenses to 26 foreign contractors, majority of these contractors were Chinese (12), followed by Japanese (3), and Korean (3) firms, while the

remaining were Dutch (1), Spanish (1), French (1), Singaporean (1), Italian (1), Australian (1), Malaysian (1) and American (1).

The PCAB issues two (2) kinds of licenses, a regular or a special license. Under the Implementing Rules and Regulations (“**PCAB IRR**”) of Republic Act No. 4566, otherwise known as the “Contractors’ License Law” (“**PCAB Law**”), a PCAB Regular License may only be issued by the PCAB to construction firms of Filipino sole proprietorship, or partnerships or corporations with at least 60% percent Filipino equity participation and duly organized and existing under Philippine law.

However, the Supreme Court, in the case of *Philippine Contractors Accreditation Board v. Manila Water Co., Inc.* (G.R. No. 217590, March 10, 2020) has recently ruled that foreigners can obtain regular licenses from the PCAB. It ruled that the construction industry is not one which the Constitution has reserved exclusively for Filipinos. There is also no prohibition in the law for foreigners to enter into the same projects as Filipinos in the field of construction. “Private domestic construction contracts” has also been removed from the Foreign Investments Negative List since 1998. Thus, the provision requiring foreigners to obtain a special license has been declared null and void, along with the provision limiting the regular license to construction firms at least 60% of which is owned by Filipinos. In light of this ruling, foreigners can now obtain regular licenses from the PCAB.

CONSTRUCTION INDUSTRY PERFORMANCE



Source: Philippine Statistics Authority

The Philippine GDP declined by -4.2% in the first quarter of 2021 at constant 2018 prices. One of the main contributors to the decline is the construction industry with a decline of -24.2%. The industry has been severely impacted by the government’s efforts to contain the virus. It declared lockdowns which delayed and paused construction projects throughout the country. In addition, the government reduced infrastructure spending target for 2020 by 15.8% from ₱989 billion to ₱833 billion due to reallocation of budget to offset the economic damage caused by the pandemic.

However, Fitch Solutions raised its growth projection for the country’s construction industry this year due to the allocation of the 2021 National Budget. It estimated that the industry will grow by 13% due to higher budget allocations for the Departments of Public Work and Highways (DPWH) and of Transportation (DoTr). In particular, private and public works of roads, bridges, water infrastructure, rail and renewable energy will contribute to the industry’s overall growth in 2021.

CONSTRUCTION DEMAND

The Philippine Government gathers statistics on the demand for private construction from approved building permits that relate to data on new construction, additions, alterations and repairs of existing residential and non-residential buildings and other structures undertaken in all cities/municipalities in the country.

From 2020 to 2021, residential building permits accounted for 69.5% of total number of constructions. This type of construction increased at an annual rate of 6.2 percent which was contradictory to the annual decline of -27.2 percent in the same quarter of the previous year. Non-residential constructions, which accounted for 15.8 percent of the total constructions, decreased at an annual rate of -13.5%. Commercial buildings account for 67.4% of the total non-residential constructions.

Approved Building Permits For All Types of Construction in number of applicants

Segment	1Q 2021	1Q 2020
Non-Residential Building	5,297	6,126
Residential Building	23,364	21,992
Additions, alterations, repairs	4,966	5,055
Total	71,084	76,156

Source: Construction Industry Authority of the Philippines

In terms of value, residential building construction, composed of single type, duplex, apartment and residential condominiums, accounted for a larger portion of the total value of private building construction, is ₱46.2 billion% in 1Q 2021. This construction value grew by 19.3% from ₱38.8 billion total construction in 1Q2020. This is followed by non-residential building construction, which includes commercial, industrial, agricultural and institutional buildings, which contributed ₱29.1 billion in 1Q 2021 which translates to a -37.7% downturn from a ₱46.6 billion value in 1Q 2020.

Total Value of Construction In ₱Billions

Segment	1Q 2021	1Q 2020
Non-Residential Building	29.08	46.65
Residential Building	46.22	38.75
Additions, alterations, repairs	4.72	5.65
Total	80.02	91.04

Source: Construction Industry Authority of the Philippines

In terms of area, the bulk of the value of construction originated from Luzon, with the National Capital Region, CALABARZON and Central Luzon regions still accounting for more than half of the value of private building construction in 2021.

PROSPECTS

Despite the ongoing pandemic, the industry is expected to improve from a decline last year, driven by the government's dedication to pursue the country's infrastructure projects.

In 2021, the government is still set to ramp up its BBB program. It plans to stimulate economic rebound through the revival of infrastructure development, mainly through the Build, Build, Build Program which is expected to generate 1.1 million direct and indirect jobs and catalyze business activities all over the country.

For infrastructure projects under the DPWH, some ₱317.7 billion will be implemented for its core programs, particularly, the Asset Preservation Program (₱66.0 billion), Network Development Program (₱124.5 billion), Bridge Program (₱25.4 billion) and Flood Management Program (₱101.8 billion). Funding support for the DOTr's Rail Transport Program (₱47.7 billion), Land Public Transportation Program (₱12.64 billion), and Maritime Infrastructure Program (₱562.41 million) is also provided next year.

Source: Fitch Solutions Inc., Department of Budget and Management

BUILD, BUILD, BUILD PROJECTS

The Philippine Government's continued policy of pursuing infrastructure programs will help fuel construction, as infrastructure projects necessitate the heavy involvement of construction. The Build, Build, Build projects by the Duterte administration which is proposed at ₱8 Trillion have been various infrastructure projects in transportation, power and electrification, water resources, communications and digital infrastructure, and social infrastructure, among others.

Some of the notable Build, Build, Build projects are:

Project	Cost (Billions ₱)
Metro Cebu Expressway Project	28.02
Pasacao-Balatan Tourism Coastal Highway	13.28
LRT 2 West Extension	10.12
Camarines Sur Expressway	8.67
Metro Manila Subway Project (Phase 1)	11.2
North-South Commuter Railway System	21.1
Water	
New Centennial Water Source - Kaliwa Dam Project	12.19
Urban Development and Renewal	
Metro Manila Priority Bridges for Seismic Improvement Project	7.933
Pasig-Marikina River Channel Improvement Phase IV	33.10
Integrated Disaster Risk Reduction and Climate Change Adaptation Measures in the Low-Lying Areas of Pampanga Bay	16.50
Cavite Industrial Area Flood Management Program	9.89
Reconstruction and Development Plan for Greater Marawi (JICA grant)	0.970
Power	
Agus-Pulangi Rehabilitation Project	20.0

Megawide considers this as a big opportunity as it also expands its business from being the emerging leader in high-rise construction into venturing into infrastructure projects such as Affordable Housing, classroom building, elevated expressways, construction of roads and bridges, and heavy industries related to energy and power plants

Aside from expected growth in Infrastructure projects, other opportunities for new businesses are available.

1. **Boom in real estate and construction** have increased the demand for construction services as more workers are vaccinated.
2. **Ease of Doing Business (Republic Act 11032)** would encourage greater investments and take office spaces (which could also increase the demand for construction services); the Implementing Rules and Regulations of the Ease of Doing Business Law was signed last July 2019 and is expected to be fully implemented within the next 2 years.
3. **Proposed easing of foreign ownership restrictions in economic sectors** (telecommunications, transportation, construction, and retail) should attract new businesses to invest in the country.
4. **Second phase of the tax reform package (CITIRA Bill)**, which was recently passed, reduces corporate income taxes from 30% to 20% which will increase companies' income and spending as well as attract investors into the country; expansion of existing and new companies may need additional manpower which will create demand for residential spaces.

Due to these factors, there are certain risks that will affect the industry

1. **Some delays in major infrastructure projects due to the pandemic and government processes** could also affect the income of construction companies.
2. **Recent developments on Philippine Offshore Gaming Operators (POGO)** such as government's suspension of new applications for POGOs, any further crackdown on illegal Chinese online gaming activities as discussed by the Chinese and Philippine governments, intensified collection of taxes from POGOs/POGO workers, and the proposed transfer of POGO operations to self-contained hubs could adversely affect the construction of new projects targeted to cater to this market.
3. **Ban on new economic zones in Metro Manila** will limit supply of office space in the capital and could slow down the demand for new construction projects (however, this will encourage more projects in areas outside Metro Manila).

PHILIPPINE STOCK MARKET

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by the Company or the Underwriters or any of their respective affiliates or advisors in connection with sale of the Offer Shares.

BRIEF HISTORY

The Philippines initially had two stock exchanges, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1965. Each exchange was self-regulating, governed by its respective Board of Governors elected annually by its members.

Several steps initiated by the Government have resulted in the unification of the two bourses into the PSE. The PSE was incorporated in 1992 by officers of both the Makati and the Manila Stock Exchanges. In March 1994, the licenses of the two exchanges were revoked. While the PSE maintains two trading floors, one in Makati City and the other in Pasig City, these floors are linked by an automated trading system, which integrates all bids, and ask quotations from the bourses.

In June 1998, the Philippine SEC granted the Self-Regulatory Organization status to the PSE, allowing it to impose rules as well as implement penalties on erring trading participants and listed companies. On August 8, 2001, the PSE completed its demutualization, converting from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the Philippine Securities Regulation Code. The PSE has an authorized capital stock of 120 million shares, of which, of which 82,579,794 shares are subscribed and fully paid up as of 25 November 2019. Each of the 184 member-brokers was granted 50,000 common shares of the new PSE at a par value of ₱1.00 per share. In addition, a trading right evidenced by a Trading Participant Certificate was immediately conferred on each member broker allowing the use of the PSE's trading facilities. As a result of the demutualization, the composition of the PSE Board of Governors was changed, requiring the inclusion of seven brokers and eight non-brokers, one of whom is the President.

On December 15, 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippine securities industry.

Classified into financial, industrial, holding firms, property, services, and mining and oil sectors, companies are listed either on the PSE's Main Board or the Small, Medium and Emerging Board. Previously, the PSE allowed listing on the First Board, Second Board or the Small, Medium and Enterprises Board. As a result of the issuance by the PSE of Memorandum No. CN-No. 2013-0023 dated June 6, 2013, revisions to the PSE Listing Rules were made. Among such changes are the removal of the Second Board listing and the requirement that lock-up rules be embodied in the articles of the incorporation of the issuer. Each index represents the numerical average of the prices of component shares. The PSE has an index, referred to as the PHISIX, which as at the date thereof reflects the price movements of selected shares listed on the PSE, based on traded prices of shares from the various sectors. The PSE shifted from full market capitalization to free float market capitalization effective April 3, 2006, simultaneous with the migration to the free float index and the renaming of the PHISIX to PSEi. The PSEi is composed of shares of 30 selected companies listed on the PSE. On July 26, 2010, the PSE's new trading system, now known as PSE Trade, was launched. In June 2015, the PSE Trade system was replaced by PSE Trade XTS.

With the increasing calls for good corporate governance, the PSE has adopted an online daily disclosure system to improve the transparency of listed companies and to protect the investing public. In 2005, the Online Disclosure System ("**ODiSy**") was implemented, which provided for online system access for the submission and announcement of all types of disclosures. In 2013, the ODiSy was replaced by the PSE Electronic Disclosure Generation Technology ("**EDGE**"). The PSE EDGE is equipped with a variety of features to further standardize the disclosure reporting process of listed companies on the PSE, improve investors' disclosure searching and viewing experience, and enhance overall issuer transparency in the market. The PSE also launched its Corporate Governance Guidebook in November 2010 as another initiative of the

PSE to promote good governance among listed companies. It is composed of ten guidelines embodying principles of good business practice and based on internationally recognized corporate governance codes and best practices.

In 2018, the PSE moved its corporate offices to PSE Tower in Bonifacio Global City, Taguig City, which currently houses the unified trading floors in Makati City and Pasig City.

On 22 March 2018, the PSE completed a stock rights offering of 11,500,000 common shares offered at the price of ₱252.00 per share, or a total of ₱2,898,000,000. The proceeds of the stock rights offering will be used to fund the acquisition of PDS and the product and technology development initiatives of the PSE. As of the date of this Prospectus, the PSE has an authorized capital stock of ₱120 million, of which 85,406,248,164,091 are issued. Out of this total, 81,892,297,650,137 are outstanding and 3,513,951,954 are treasury shares.

SELECTED STOCK EXCHANGE DATA

The table below sets forth movements in the composite index from 1995 to 2019 and as of December 31, 2020, and shows the number of listed companies, market capitalization, and value of shares traded for the same period:

Year	Composite Index at Closing	Number of Listed Companies	Aggregate Market Capitalization (in ₱ billions)	Combined Value of Turnover (in ₱ billions)
1995	2,594.2	205	1,545.7	379.0
1996	3,170.6	216	2,121.1	668.8
1997	1,869.2	221	1,251.3	586.2
1998	1,928.8	221	1,373.7	408.7
1999	2,142.9	222	1,936.5	781.0
2000	1,494.5	225	2,576.5	357.7
2001	1,168.1	229	2,141.4	159.6
2002	1,014.4	231	2,083.2	159.7
2003	1,442.4	234	2,973.8	145.4
2004	1,822.8	236	4,766.3	206.6
2005	2,096.0	237	5,948.4	383.5
2006	2,982.5	239	7,173.2	572.6
2007	3,621.6	244	7,977.6	1,338.3
2008	1,872.9	246	4,069.2	763.9
2009	3,052.7	248	6,029.1	994.2
2010	4,201.1	253	8,866.1	1,207.4
2011	4,372.0	245	8,697.0	1,422.6
2012	5,812.7	254	10,952.7	1,771.7
2013	5,889.8	257	11,931.3	2,546.3
2014	7,230.6	263	14,251.7	2,130.1
2015	6,952.1	265	13,465.2	2,151.4
2016	7,796.2	268	14,438.8	1,929.5
2017	8,558.4	267	17,583.1	1,958.4
2018	7,466.0	267	16,146.7	1,740.0
2019	7,815.3	271	16,705.3	1,772.6
2020	7,139.71	274	15,888.92	1,770.90

Source: Philippine Stock Exchange, Inc. and PSE Annual Reports

TRADING

The PSE is a double auction market. Buyers and sellers are each represented by stockbrokers. To trade, bid or ask prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one broker at the same price are crossed at the PSE at the indicated

price. Payment of purchases of listed securities must be made by the buyer on or before the third trading day (the settlement date) after the trade.

On regular days, wholesale trading on the PSE starts at 9:30 a.m. and ends at 3:30 p.m., with trading recess from 12:00 nn to 1:30 p.m. There is also a provision for ten-minute extensions during which transactions may be conducted, provided that they are executed at the last traded price and are only for the purpose of completing unfinished orders. The PSE may effect changes to the hours and schedule of a trading day, as the circumstance warrants. Trading days are Monday to Friday, except legal and special holidays, days when the BSP is closed for various reasons, and such other days as may otherwise be declared by the SEC or the PSE, through its President or other duly authorized representative, to be a non-trading day. During the pandemic, trading hours for the PSE starts at 9:30 p.m. and ends at 1:00 p.m., with no trading recess.

Minimum trading lots range from five (5) to one million (1,000,000) shares depending on the price range and nature of the security traded. Odd-sized lots are traded by brokers on a board specifically designed for odd lot trading.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, whenever the price of an order breaches the trading threshold of a security during any trading day, the trading of that security will be frozen. Orders cannot be posted, modified or cancelled for a security that is frozen. In cases where an order has been partially matched, only the portion of the order that will result to a breach of the trading threshold will be frozen. Where the order results in a breach of the trading threshold, the following procedures shall apply:

- (i) In case the static threshold is breached, the PSE will accept the order, provided the price is within the allowable percentage price difference under the implementing guidelines of the revised trading rules (i.e., 50% of the previous day's reference or closing price, or the last adjusted closing price); otherwise, such order will be rejected. In cases where the order is accepted, the PSE will adjust the static threshold to 60%. All orders breaching the 60% static threshold will be rejected by the PSE.
- (ii) In case the dynamic threshold is breached, the PSE will accept the order if the price is within the allowable percentage price difference under existing regulations (i.e., 20% for security cluster A and newly-listed securities, 15% for security cluster B and 10% for security cluster C); otherwise, such order will be rejected by the PSE.

NON-RESIDENT TRANSACTIONS

When the purchase/sale of Philippine shares of stock involves a non-resident, whether the transaction is effected in the domestic or foreign market, it shall be the responsibility of the securities dealer/broker to register the transaction with the BSP. The local securities dealer/broker shall file with the BSP, within three Banking Days from the transaction date, an application in the prescribed registration form. After compliance with other required undertakings, the BSP shall issue a Certificate of Registration. Under BSP rules, all registered foreign investments in Philippine securities including profits and dividends, net of taxes and charges, may be repatriated.

SCRIPLESS TRADING

In 1995, the PDTC (formerly the Philippine Central Depository, Inc.), was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. On December 16, 1996, the PDTC was granted a provisional license by the Philippine SEC to act as a central securities depository.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and

corporate actions including shareholders' meetings, dividend declarations and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the current settlement banks.

In order to benefit from the book-entry system, securities must be immobilized into the PDTC system through a process called lodgment. Lodgment is the process by which shareholders transfer legal title (but not beneficial title) over their shares of stock in favor of the PCD Nominee Corporation ("PCD Nominee"), a corporation wholly-owned by the PDTC, whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged in the PDTC. Immobilization is the process by which the warrant or share certificates of lodging holders are canceled by the transfer agent and the corresponding transfer of beneficial ownership of the immobilized shares in the account of the PCD Nominee through the PDTC participant will be recorded in the issuing corporation's registry. This trust arrangement between the participants and PDTC through the PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the Philippine SEC. No consideration is paid for the transfer of legal title to the PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished via book-entry settlement.

Thus, each beneficial owner of shares, through his participant, will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. All lodgments, trades and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant's aggregate holdings, in the PDTC system, and with respect to each beneficial owner's holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers and/or participant custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must course the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP, and into the PDTC system. Once it is determined on the settlement date (trading date plus three trading days) that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the SCCP Central Clearing and Central Settlement system, in accordance with the SCCP and PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities.

If a shareholder wishes to withdraw his stockholdings from the PDTC system, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the upliftment of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under the PCD Nominee. The expenses for upliftment are for the account of the uplifting shareholder.

The difference between the depository and the registry would be on the recording of ownership of the shares in the issuing corporations' books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are canceled and a confirmation advice is issued in the name of PCD Nominee to confirm new balances of the shares lodged with the PDTC. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of the PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the PCD Nominee's name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company's transfer agents' books or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing from the broker its current de facto custodianship role.

AMENDED RULE ON LODGEMENT

On June 24, 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that, beginning July 1, 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the SEC, without any jumbo or mother certificate in compliance with the requirements of Section 43 of the Securities Regulation Code. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in Article III Part A of the Revised Listing Rules.

Further, the PSE apprised all listed companies and market participants on May 21, 2010, through Memorandum No. 2010-0246, that the Amended Rule on Lodgment of Securities under Section 16 of Article III, Part A of the Revised Listing Rules of the PSE shall apply to all securities that are lodged with the PDTC or any other entity duly authorized by the SEC.

For listing applications, the amended rule on lodgment of securities is applicable to:

- a) The offer shares/securities of the applicant company in the case of an initial public offering;
- b) The shares/securities that are lodged with the PDTC, or any other entity duly authorized by the Commission in the case of a listing by way of introduction;
- c) New securities to be offered and applied for listing by an existing listed company; and
- d) Additional listing of securities of an existing listed company.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof to wit:

- a) For new companies to be listed at the PSE as of July 1, 2009 the usual procedure will be observed but the Transfer Agent on the companies shall no longer issue a certificate to PCN Nominee Corp but shall issue a Registry Confirmation Advice, which shall be the basis for the PDTC to credit the holdings of the Depository Participants on listing date.
- b) For existing listed companies, the PDTC shall wait for the advice of the Transfer Agents that it is ready to accept surrender of PCNC jumbo certificates and upon such advice the PDTC shall surrender all PCNC jumbo certificates to the Transfer Agents for cancellation. The Transfer Agents shall issue a Registry Confirmation Advice to PCNC evidencing the total number of shares registered in the name of PCNC in the Issuer's registry as of confirmation date.

SETTLEMENT

The Securities Clearing Corporation of the Philippines ("SCCP") is a wholly owned subsidiary of the PSE, and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. SCCP received its permanent license to operate on January 17, 2002. It is responsible for:

- Synchronizing the settlement of funds and the transfer of securities through Delivery versus Payment clearing and settlement of transactions of Clearing Members, who are also Trading Participants of the PSE;
- Guaranteeing the settlement of trades in the event of a Trading Participant's default through the implementation of its Fails Management System and administration of the Clearing and trade Guaranty Fund; and
- Performance of Risk Management and Monitoring to ensure final and irrevocable settlement.

SCCP settles PSE trades on a 3-day rolling settlement environment, which means that settlement of trades takes place three (3) Banking Days after transaction date (T+3). The deadline for settlement of trades is 12:00 noon of T+3. Securities sold should be in scripless form and lodged under the PDTCs book entry system. Each Trading Participant maintains a Cash Settlement Account with one of the four existing Settlement Banks of SCCP which are BDO Unibank, Inc., Rizal Commercial Banking Corporation, Metropolitan Bank & Trust Company and Deutsche Bank AG (Manila Branch), Union Bank of the Philippines, the Hongkong and Shanghai Banking Corporation (Manila), Asia United Bank Corporation, Maybank Philippines, Inc., and Chinabank Philippines. Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker level.

SCCP implemented the CCCS last May 29, 2006. CCCS employs multilateral netting whereby the system automatically offsets “buy” and “sell” transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each Clearing Member. All cash debits and credits are also netted into a single net cash position for each Clearing Member. Novation of the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the Central Counterparty to each PSE-Eligible trade cleared through it.

ISSUANCE OF CERTIFICATED SHARES

On or after the listing or re-issuance of the shares on the PSE, any beneficial owner of the shares may apply to the PDTC through his broker or custodian-participant for a withdrawal from the book- entry system and return to the conventional paper-based settlement. If a stockholder wishes to withdraw his stockholdings from the PDTC System, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the stockholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the upliftment of shares lodged under the name of PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under PCD Nominee. The expenses for upliftment are for the account of the uplifting shareholder.

Upon the issuance of certificated shares in the name of the person applying for upliftment, such shares shall be deemed to be withdrawn from the PDTC book-entry settlement system, and trading on such shares will follow the normal process for settlement of certificated securities. The expenses for upliftment of beneficial ownership in the shares to certificated securities will be charged to the person applying for upliftment. Such shares cannot be traded on the PSE without lodging them once again in the depository, in accordance with existing PSE and PDTC rules that were approved by the SEC. Pending completion of the upliftment process, the beneficial interest in the shares covered by the application for upliftment is frozen and no trading and book-entry settlement will be permitted until certificated shares shall have been issued by the relevant company’s transfer agent.

AMENDED RULE ON MINIMUM PUBLIC OWNERSHIP

Under the PSE Amended Rule on Minimum Public Ownership (“MPO”), listed companies are required, at all times, to maintain a minimum percentage of listed securities held by the public of 10% of the listed companies’ total issued and outstanding shares (i.e., exclusive of treasury shares), or at such percentage that may be prescribed by the PSE. The determination of whether shareholdings are considered public or non-public is based on: a) amount of shareholdings and its significant to the total outstanding shares; b) purpose of investment; and c) extent of involvement in the management of the company.

For purposes of determining compliance with the MPO, shares held by the following are generally considered “held by the public”: (i) individuals (as long as the shares held are not of a significant size (i.e., less than 10%) and are non-strategic in nature); (ii) trading participants (as long as the shares held are non-strategic in nature); (iii) investment and mutual funds; (iv) pension funds; (v) PCD nominees if the relevant account constitutes a number of shareholders, none of which has significant holdings (provided that if an owner of shares under the PCD Nominee has a shareholding that is 10% or more of the total issued and outstanding shares, then the shareholder is considered a principal stockholder); and (vi) social security funds.

If an investment in a listed company is meant to partake of sizable shares for the purpose of gaining substantial influence on how the company is being managed, then the shareholdings of such investor are considered non-public. Ownership of 10% or more of the total issued and outstanding shares of a listed company is considered significant holding and therefore non-public.

Listed companies which become non-compliant with the MPO on or after January 1, 2013 will be suspended from trading for a period of not more than six (6) months and will automatically be delisted if they remain non-compliant with the MPO after the lapse of the suspension period. Suspended or delisted shares will not be traded on the exchange. In addition, sales of shares of listed companies that do not maintain the MPO are not considered publicly listed for taxation purposes and should, therefore, be subjected to capital gains tax and documentary stamp tax.

The SEC also issued its Rules and Regulations on Minimum Public Ownership on Initial Public Offerings (SEC Memorandum Circular No. 13, series of 2017) (the “Memorandum Circular”). Under this Memorandum Circular, any company applying for the registration of its shares of stocks for the purpose of conducting an initial public offering and listing of its shares in an exchange (the “Covered Company”) must have a public float that meets the 20% MPO requirement. The Covered Company shall, at all times, maintain the 20% MPO. Public float refers to the portion of the issued and outstanding shares that are freely available and tradable in the market and are non-strategic in nature or those not meant for the purpose of gaining substantial influence on the management of the company. The rules consider significant shareholdings of 10% or more of the total issued and outstanding shares of the company as strategic and thus excluded from the public float of the Covered Company.

In the event a Covered Company’s MPO falls below 20%, at any time after registration, it is obligated to bring its public float back to at least 20% within a maximum period of 12 months from the date of such fall.

Covered Companies shall establish and implement an internal policy and procedure to monitor its MPO and shall immediately report to the SEC within the next Banking Day if its MPO has fallen below 20%. The Covered Company shall submit to the SEC (a) a time-bound business plan to bring back the public float to at least 20% within a maximum period of 12 months from the date of such decline and (b) a public ownership report and progress report on submitted business plan within 15 days after end of each month until such time that its public float reaches the required level.

The Memorandum Circular expressly provides that it is not meant to amend the existing rules or guidelines of an exchange (e.g., PSE) on minimum public float that have been duly approved by the SEC.

The requirement of minimum public ownership shall also form part of the requirement for the registration of securities. Non-compliance with these requirements shall subject publicly listed companies to administrative sanctions, including suspension and revocation of their registration with the SEC.

The PSE has also issued Memorandum Circular 2020-0076 on August 3, 2020 which contain the Guidelines on Minimum Public Ownership Requirement for Initial and Backdoor Listings (the “2020 MPO Guidelines”).

The following are the salient points of the 2020 MPO Guidelines:

1. A company applying for initial listing through an initial public offering (“IPO”) is required to have a minimum public offer size of 20% to 33% of its outstanding capital stock post-IPO, as follows:

Market Capitalization	Public Offer
Not exceeding P500M	33% or P50M, whichever is higher
Over P500M to P1B	25% or P100M, whichever is higher
Over P1B	20% or P250M, whichever is higher

The company must maintain a public ownership level of at least 20% at all times after initial listing.

2. A company applying for listing by way of introduction is required to have at least 20% public float upon and after listing.
3. A company doing a backdoor listing is required to have at least 20% public float upon and after listing.

As of date, the SEC is looking at increasing the MPO requirement of existing listed companies to 15.0%, such proposed rules on MPO are yet to be issued by SEC for comments by the public.

MARKET INFORMATION

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

2017	High	High (adjusted)	Low	Low (adjusted)
First Quarter	18.00	n/a	14.16	n/a
Second Quarter	19.86	n/a	16.90	n/a
Third Quarter	18.86	n/a	14.90	n/a
Fourth Quarter	19.00	n/a	15.42	n/a
2018				
First Quarter	22.15	n/a	17.66	n/a
Second Quarter	25.00	n/a	19.80	n/a
Third Quarter	20.60	n/a	15.46	n/a
Fourth Quarter	19.40	n/a	14.02	n/a
2019				
First Quarter	21.50	n/a	17.06	n/a
Second Quarter	23.00	n/a	18.78	n/a
Third Quarter	19.52	n/a	17.60	n/a
Fourth Quarter	19.00	n/a	16.32	n/a
2020				
First Quarter	16.80	n/a	5.35	n/a
Second Quarter	7.44	n/a	7.17	n/a
Third Quarter	7.25	n/a	7.11	n/a
Fourth Quarter	10.90	n/a	6.69	n/a
2021				
First Quarter	8.90	n/a	5.91	n/a
Second Quarter	7.32	n/a	5.90	n/a

On October 8, 2021, the closing price of the Company's common shares on the PSE was ₱6.28 per share.

The Company's Series 1 Preferred Shares were listed in the PSE on December 3, 2014 under the trading symbol "MWP". The Company's Series 2A Preferred Shares and Series 2B Preferred Shares were listed on the PSE on November 27, 2020 under the trading symbol "MWP2A" and "MWP2B", respectively). The Series 3 is not listed in the PSE.

The following table sets out, for the periods indicated, the high and low closing prices for the Company's MWP shares as reported on the PSE:

MWP	High	High (adjusted)	Low	Low (adjusted)
2019				
First Quarter	102	n/a	98	n/a
Second Quarter	103	n/a	100	n/a
Third Quarter	102.5	n/a	99.7	n/a
Fourth Quarter	102	n/a	98.05	n/a
2020				
First Quarter	101	n/a	98.2	n/a
Second Quarter	101	n/a	97.5	n/a
Third Quarter	101.5	n/a	100	n/a
Fourth Quarter	101.7	n/a	100.4	n/a
2021				
First Quarter	102	n/a	99.9	n/a
Second Quarter	102.1	n/a	100	n/a

The following table sets out, for the periods indicated, the high and low closing prices for the Company's MWP2A shares as reported on the PSE:

MWP2A	High	High (adjusted)	Low	Low (adjusted)
2020				
Fourth Quarter	100.9	n/a	95	n/a
2021				
First Quarter	101	n/a	98.5	n/a
Second Quarter	105	n/a	100	n/a

The following table sets out, for the periods indicated, the high and low closing prices for the Company's MWP2B shares as reported on the PSE:

MWP2B	High	High (adjusted)	Low	Low (adjusted)
2020				
Fourth Quarter	101	n/a	98.4	n/a
2021				
First Quarter	101.8	n/a	99.8	n/a
Second Quarter	101.8	n/a	100	n/a

As of October 8, 2021, the closing prices of the outstanding Preferred Shares are as follows:

Preferred Shares	Closing Price
MWP	₱101.50
MWP2A	₱103.00
MWP2B	₱102.00

PHILIPPINE FOREIGN INVESTMENT, FOREIGN OWNERSHIP AND EXCHANGE CONTROLS

REGISTRATION OF FOREIGN INVESTMENTS AND EXCHANGE CONTROLS

Under current BSP regulations, a foreign investment in listed Philippine securities (such as common shares) must be registered with the BSP if the foreign exchange needed to service the repatriation of capital and the remittance of dividends, profits and earnings which accrue thereon will be sourced from the Philippine banking system. If the foreign exchange required for servicing such capital repatriation or dividends, profits, and earnings remittance will be sourced outside the banking system, registration with the BSP is not required.

The application for registration must be filed by a stockbroker/dealer or an underwriter directly with a custodian bank designated by the investor. A custodian bank may be any commercial bank or offshore banking unit in the Philippines appointed by the investor to register the investment, hold shares for the investor, and represent the investor in all necessary actions in connection with his investments in the Philippines. Custodian banks are authorized to issue on behalf of the BSP a Bangko Sentral Registration Document ("**BSRD**"). The original copy of the BSRD shall remain in the custody of the issuing custodian bank, while the duplicate copy shall be submitted to the BSP accompanied by the following supporting documents: (i) a purchase invoice, or subscription agreement and/or proof of listing in the PSE; (ii) the original Certificate of Inward Remittance of foreign exchange and its conversion to pesos through an authorized agent bank following the prescribed format by the BSP; and (iii) for annotation in the BSP registration document of stock dividends which accrued to registered investments, the PSE Notice (Circular for Brokers) announcing the stock dividend declaration.

Upon registration of the investment, proceeds of divestments, or dividends of registered investments are repatriable or remittable immediately in full through the Philippine commercial banking system, net of applicable tax, without need of BSP approval. Capital repatriation of investments in listed securities is permitted upon presentation of the BSRD, or BSRD Letter Advice from the registering custodian bank and the broker's sales invoice, at the exchange rate applicable on the date of actual remittance. Remittance of dividends is permitted upon presentation of: (i) the BSRD or BSRD Letter Advice; (ii) a photocopy of PSE-cash dividends notice from the PSE and the PDTC (formerly the PCD) showing a printout of cash dividend payment or computation of interest earned; (iii) a photocopy of the corporate secretary's sworn statement attesting to the board resolution covering the dividend declaration; (iv) a photocopy of the latest audited financial statements or interim financial statements covering the dividend declaration period (for direct foreign equity investments); (v) for direct foreign equity investments, a photocopy of clearance pertaining to the investee firm from BSP-Supervision and Examination Sector (for non-PSE listed banks), Insurance Commission (for insurance companies), Department of Energy or from the National Power Corporation (for oil/gas/geothermal energy exploration companies); and (vi) a detailed computation of the amount applied for in the format prescribed by the BSP. Pending repatriation or reinvestment, divestment proceeds, as well as dividends of registered investments, may be lodged temporarily in interest-bearing deposit accounts with any authorized agent bank. Interest earned thereon, net of taxes, is also remittable in full through any authorized agent bank without prior BSP approval. Remittance of divestment proceeds of dividends of registered investments may be reinvested in the Philippines if the investments are registered with the BSP or the investor's custodian bank.

The foregoing is subject to the power of the BSP, through the Monetary Board, with the approval of the President of the Philippines, to suspend temporarily, restrict the availability of foreign exchange, require licensing of foreign exchange transactions or require delivery of foreign exchange to the BSP or its designee during an exchange crisis, when an exchange crisis is imminent or in times of national emergency. Furthermore, there can be no assurance that the foreign exchange regulations issued by the BSP will not be made more restrictive in the future.

The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor.

RESTRICTION ON FOREIGN OWNERSHIP

The Philippine Constitution and related statutes set forth restrictions on foreign ownership of companies engaged in certain activities, among them ownership of private land. The Constitution, in relation to Commonwealth Act No. 141, states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens.

Since the Company owns land, the Company must comply with the foregoing restrictions on foreign ownership.

The operation of an airport terminal is within the definition of a public utility as the use thereof is held out generally to the public. Thus, it is subject to the requirements of the Philippine Constitution which provides that franchises, privileges and other authority to operate a public utility shall be given to corporations, associations or firms at least 60 percent of capital of which is owned by Filipino citizens.

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

PHILIPPINE TAXATION

The following is a general description of certain Philippine tax aspects of the investment in the Company. This discussion is based upon laws, regulations, rulings, income tax conventions (treaties), administrative practices and judicial decisions in effect at the date of this Prospectus. Subsequent legislative, judicial or administrative changes or interpretations may be retroactive and could affect the tax consequences to the prospective investor.

The tax treatment of a prospective investor may vary depending on such investor's particular situation and certain investors may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to an investor. This general description does not purport to be a comprehensive description of the Philippine tax aspects of the investments in shares and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing the shares under applicable tax laws of other applicable jurisdictions and the specific tax consequence in light of particular situations of acquiring, owning, holding and disposing the shares in such other jurisdictions. This summary does not purport to address all tax aspects that may be important to a holder of the Preferred Shares.

EACH PROSPECTIVE HOLDER SHOULD CONSULT WITH HIS OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF PURCHASING, OWNING AND DISPOSING OF THE OFFER SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY LOCAL AND NATIONAL TAX LAWS.

The Tax Reform for Acceleration and Inclusion (“TRAIN”) Law

The Philippine government, with a stated goal of building an economy that promotes sustainable and inclusive growth and reduces poverty, promulgated Republic Act No. 10963 (“R.A. 10963” or otherwise known as the TRAIN Law). The TRAIN Law, which took effect on January 1, 2018, amended several provisions of the National Internal Revenue Code of 1997 (“**Tax Code**”). It is the first of five packages of the Comprehensive Tax Reform Program envisioned by the Philippine government.

The first package of tax reform aims to address, among others, the deficiencies of the previous tax system by lowering and simplifying personal income tax, simplifying estate and donors' taxes, expanding the value-added tax (“**VAT**”) base, adjusting oil and automobile excise taxes and introducing an excise tax on sugar-sweetened beverages, among others.

Corporate Recovery and Tax Incentives for Enterprises Act (“CREATE”)

On March 26, 2021, the second package of the Comprehensive Tax Reform Program, Republic Act No. 11534, otherwise known as the CREATE Act, was signed into law, amending provisions of the Tax Code, as amended, relating to, among others, corporate income tax, lowering corporate income taxes and modernizing fiscal incentives in a bid to complement the expected incremental revenues from the first package.

The salient provisions of the CREATE Act include:

- (i) reduction in corporate income tax (**CIT**) from the current 30% to 20% for MSMEs and to 25% for other corporate taxpayers by July 1, 2020;
- (ii) reduction in the minimum corporate income tax rate to 1% effective July 1, 2020 until June 30, 2023;
- (iii) effective July 1, 2020, a period of four to seven years during which export enterprises may enjoy the 5% special corporate income based on the gross income earned in lieu of all national and local taxes;
- (iv) extension of the applicability of the net operating loss carryover for losses incurred

during the first three years from the start of commercial operation by registered projects or activities, from the current three to five consecutive taxable years immediately following the year of such loss;

- (v) net capital gains derived by resident foreign corporations on the sale of shares of stock of domestic corporations not traded on the Philippine stock exchange will be subject to a final tax of 15%, increased from the current rate of 5% on the first ~US\$2,000 and 10% on the excess thereof;
- (vi) Regional Operating Headquarters will be subject to regular CIT rates effective January 1, 2022, increased from the current 10% rate on taxable income;
- (vii) Qualified Registered Business Enterprises (“**RBE**”) will be granted an income tax holiday for four to seven years, depending on the assigned RBE category level. After the income tax holiday period, a special corporate income tax rate of 5% beginning July 1, 2020 will be imposed on gross income earned in lieu of all national and local taxes. The duration of the special corporate income tax is five to ten years depending on the assigned Registered Business Enterprises tier level; and
- (viii) in lieu of the special corporate income tax, enhanced deductions may be granted for a period of five to ten years depending on the assigned Registered Business Enterprises category level.

CORPORATE INCOME TAX

A domestic corporation is subject to a tax of 25% of its taxable income from all sources within and outside the Philippines beginning July 1, 2020, provided that domestic corporations with net taxable income not exceeding ₱5,000,000.00 and with total assets not exceeding ₱100,000,000.00 (excluding land on which the particular business entity’s office, plant, and equipment are situated during the taxable year for which the tax is imposed) (“**MSMEs**”) shall be taxed at 20%. Taxable net income refers to items of income specified under Section 32 (A) of the Tax Code, less itemized deductions under Section 34 of the Tax Code or those allowed under special laws, or the optional standard deduction equivalent to an amount not exceeding 40% of the corporation’s gross income.

Passive income of a domestic corporation is taxed as follows: (i) gross interest income from Philippine currency bank deposits and yield from deposit substitutes, trust funds and similar arrangements as well as royalties from sources within the Philippines which are generally taxed at the lower final withholding tax rate of 20% of the gross amount of such income; and (b) interest income from a depository bank under the expended foreign currency deposit system which is subject to a final tax at the rate of 15% of such income.

Beginning July 1, 2020 and until June 30, 2023, a minimum corporate income tax of 1% of the gross income as of the end of the taxable year is imposed on a domestic corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the minimum corporate income tax is greater than the ordinary corporate income tax, provided that after June 30, 2023, the rate of minimum corporate income tax shall be 2% of the gross income as of the end of the taxable year.

Any excess of the minimum corporate income tax, however, over the ordinary corporate income tax shall be carried forward and credited against the latter for the three immediately succeeding taxable years. Likewise, subject to certain conditions, the minimum corporate income tax may be suspended with respect to a corporation which suffers losses on account of a prolonged labor dispute, or because of force majeure, or because of legitimate business reverses.

TAX ON DIVIDENDS

Cash and property dividends received from a domestic corporation by individual shareholders who are either citizens or residents of the Philippines are subject to income tax at the rate of 10%, which shall be withheld by the Company. Cash and property dividends received by domestic corporations or resident foreign corporations from a domestic corporation are not subject to tax.

Cash and property dividends received from a domestic corporation by non-resident alien individuals engaged in trade or business in the Philippines are subject to a 20% tax on the gross amount thereof, while cash and property dividends received by non-resident alien individuals not engaged in trade or business in the Philippines are subject to tax at 25% of the gross amount, subject, however, to the applicable preferential tax rates under tax treaties executed between the Philippines and the country of residence or domicile of such non-resident foreign individuals. A non-resident alien who comes to the Philippines and stays in the country for an aggregate period of more than 180 days during any calendar year will be deemed a non-resident alien engaged in trade or business in the Philippines. A non-resident alien who comes to the Philippines and stays in the country for an aggregate period of 180 days or less during any calendar year is considered a non-resident alien not engaged in trade or business within the Philippines.

Cash and property dividends received from a domestic corporation by a non-resident foreign corporation not engaged in trade or business in the Philippines are generally subject to income tax at a final withholding tax rate of 25%, effective July 1, 2020. Subject to requirements of the tax sparing rule under the Philippine Tax Code, cash and property dividends received are subject to final withholding tax at the rate of 15.0%; provided that the country in which the non-resident foreign corporation is domiciled (i) imposes no taxes on foreign-sourced dividends or (ii) allows a credit against the tax due from the non-resident foreign corporation taxes deemed to have been paid in the Philippines equivalent to the difference between the regular income tax of 25% on corporations and the 15.0% tax on dividends.

In order to avail of the 15% tax sparing rate, Revenue Memorandum Circular No. 80-91 dated August 12, 1991 (Publishing the Resolution of the Supreme Court, dated March 7, 1990 in G.R. No. 76573 entitled "Marubeni Corporation vs. Commissioner of Internal Revenue and Court of Tax Appeals" re: pre-requisites for the availment of 15% preferential tax rate under then Section 24(b)(1) [now Section 25(b)(5)(B)] of the Tax Code, as amended) states that the non-resident foreign holder must submit the following documents to the payor of the cash dividends: (i) an authenticated certification issued by the foreign tax authority that the dividends received by the non-resident foreign corporation from the domestic corporation were not among the items considered in arriving at the income tax due from the non-resident foreign corporation; (ii) the income tax return of the non-resident foreign corporation for the taxable year when the dividends were received; and (iii) an authenticated document issued by the foreign tax authority showing that the foreign government allowed a credit on the tax deemed paid in the Philippines or did not impose any tax on the dividends. The income recipient may also file a request for a ruling from the BIR that the 15% income tax rate is applicable to its receipt of the dividends and the request has to comply with relevant International Tax Affairs Division ("ITAD") issuances. The income recipient should provide the payor of the cash dividends with proof of its filing of an application for a ruling with the BIR before the deadline for the remittance to the BIR of the withholding tax on the dividends.

The abovementioned tax rates are without prejudice to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile of the non-resident holder. Most tax treaties to which the Philippines is a party provide for a reduced tax rate of 15% in cases where the dividend arises in the Philippines and is paid to a resident of the other contracting state. In addition, some treaties provide that the withholding tax rate may be reduced to 10% in cases where the recipient of the dividend beneficially owns at least 10% or 25% of the issuer, depending on which treaty applies. However, most tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the interest or dividend, who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant dividend-earning interest is effectively connected with such permanent establishment.

The BIR prescribed certain procedures for availment of tax treaty relief on dividends under Revenue Memorandum Order No. 14-2021 (Streamlining the Procedures and Documents for the Availment of Treaty Benefits dated March 31, 2021). The preferential treaty rates shall be applied by the withholding agent/income payor provided that the non-resident income recipient submits, before the dividends are credited or paid, BIR Form No. 1901 or the Application Form for Treaty Purposes, Tax Residency Certificate duly issued by the foreign tax authority, and the relevant provision of the applicable tax treaty.

When the treaty rates have been applied by the withholding agent on the income earned by the non-resident, the former shall file with the ITAD a request for confirmation on the propriety of the withholding tax rates applied on that item of income. On the other hand, if the regular rates have been imposed on the said income, the non-resident shall file a Tax Treaty Relief Application (“TTRA”) with ITAD.

The request for confirmation shall be filed by the withholding agent at any time after the payment of withholding tax but shall in no case be later than the last day of the fourth month following the close of each taxable year.

If the BIR determines that the withholding tax rate applied is lower than the rate that should have been applied on an item of income pursuant to the treaty, or that the non-resident taxpayer is not entitled to treaty benefits, it will issue a BIR Ruling denying the request for confirmation or TTRA. Consequently, the withholding agent shall pay the deficiency tax plus penalties. If the withholding tax rate applied is proper or higher than the rate that should have been applied, the BIR will issue a certificate confirming the non-resident income recipient’s entitlement to treaty benefits. In the latter case, the taxpayer may apply for a refund of excess withholding tax.

Transfer taxes (e.g. documentary stamp tax, local transfer tax) may be payable if the dividends declared are property dividends, depending on the type of property distributed as dividends. Stock dividends distributed pro rata to all holders of shares are not subject to Philippine income tax. A stock dividend constitutes income if it gives the shareholder an interest different from that which his former stock holdings represented. A stock dividend does not constitute income if the new shares confer no different rights or interest than did the old. The sale, exchange or disposition of shares received as property dividends by the holder is subject to either capital gains tax and documentary stamp tax or stock transaction tax.

The following table lists some of the countries with which the Philippines has tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

	Dividends (%)	Stock transaction tax on sale or disposition effected through the PSE (%)⁽⁹⁾	Capital Gains tax due on disposition of Shares outside the PSE (%)
Canada	25 ⁽¹⁾	0.6	May be exempt ⁽¹³⁾
China	15 ⁽²⁾	Exempt ⁽¹⁰⁾	May be exempt ⁽¹³⁾
France	15 ⁽³⁾	Exempt ⁽¹¹⁾	May be exempt ⁽¹³⁾
Germany	15 ⁽⁴⁾	Exempt ⁽¹²⁾	May be exempt ⁽¹³⁾
Japan	15 ⁽⁵⁾	0.6	May be exempt ⁽¹³⁾
Singapore	25 ⁽⁶⁾	0.6	May be exempt ⁽¹³⁾
United Kingdom	25 ⁽⁷⁾	0.6	Exempt ⁽¹⁴⁾
United States	25 ⁽⁸⁾	0.6	May be exempt ⁽¹³⁾

Notes:

(1) 15% if recipient company which is a resident of Canada controls at least 10% of the voting power of the company paying the dividends; 25% in all other cases.

(2) 10% if the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividends; 15% in all other cases.

- (3) 10% if the recipient company (excluding a partnership) holds directly at least 10% of the voting shares of the company paying the dividends; 15% in all other cases.
- (4) 5% if the recipient company (excluding a partnership) holds directly at least 70% of the capital of the company paying the dividends; 10% if the recipient company (excluding a partnership) holds directly at least 25% of the capital of the company paying the dividends; 15% in all other cases.
- (5) 10% if the recipient company holds directly at least 10% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the period of six months immediately preceding the date of payment of the dividends; 15% in all other cases.
- (6) 15% if during the part of the taxable year of the paying company which precedes the date of payment of dividends and during the whole of its prior taxable year at least 15% of the outstanding shares of the voting shares of the paying company were owned by the recipient company; 25% in all other cases.
- (7) 15% if the recipient company is a company which controls directly or indirectly at least 10% of the voting power of the company paying the dividends; 25% in all other cases.
- (8) 20% if during the part of the taxable year of the paying company which precedes the date of payment of dividends and during the whole of its prior taxable year, at least 10% of the outstanding shares of the voting shares of the paying corporation were owned by the recipient corporation; 25% in other cases. Notwithstanding the rates provided under the Convention between the Government of the Republic of the Philippines and the Government of the United States of America with respect to Taxes on Income, corporations which are residents of the United States may avail of the 15% withholding tax rate under the tax-sparing clause of the Philippine Tax Code provided certain conditions are met.
- (9) If the stock transaction tax is not expressly included in the tax treaty, the income recipient will be subject to stock transaction tax at the rate of 0.6% of the gross selling price as provided under Section 127 of the NIRC as amended by Section 39 of the TRAIN Law.
- (10) Article 2(1)(b) of the Agreement between the Government of the Republic of the Philippines and the Government of the People's Republic of China for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income was signed on November 18, 1999.
- (11) Article 1 of the Protocol to the Tax Convention between the Government of the Republic of the Philippines and the Government of the French Republic Signed on January 9, 1976 was signed in Paris, France on June 26, 1995 signed on June 26, 1995.
- (12) Article 2 (3)(a) of Agreement between the Government of the Republic of the Philippines and the Federal Republic of Germany for the Avoidance of Double Taxation with Respect to Taxes on Income and Capital signed on September 9, 2013.
- (13) Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist principally of real property situated in the Philippines, in which case the sale is subject to Philippine taxes.
- (14) Under the income tax treaty between the Philippines and the United Kingdom, capital gains on the sale of the shares of Philippine corporations are subject to tax only in the country where the seller is a resident, irrespective of the nature of the assets of the Philippine corporation.

When availing of capital gains tax exemption on the sale of shares of stock under an income tax treaty, a tax treaty exemption ruling from the BIR shall be necessary in order to completely implement the transfer. For sale of shares made outside the PSE, a CAR from the BIR is required before the transfer is registered in the stock and transfer book. The BIR issues a CAR only after verifying that the applicable taxes have been paid. Thus, in lieu of proof of payment of

capital gains tax, the tax treaty relief ruling should be submitted to the BIR office processing the CAR.

The requirements for a tax treaty relief application in respect of capital gains tax or the stock transaction tax on the sale of shares are set out in Revenue Memorandum Order No. 14-2021. These include documentary requirements such as the supporting contract; stock certificates; the General Information Sheet; secretary's certificate; BIR Form No. 0605; BIR Form No. 2000-OT; BIR Form No. 1707; audited financial statements; interim financial statements as of the date of transfer, and proof of residence in the country that is a party to the income tax treaty. Proof of residence consists of a consularized certification from the tax authority of the country of residence of the seller of shares which provides that the seller is a resident of such country under the applicable income tax treaty. If the seller is a juridical entity, authenticated certified true copies of its articles of incorporation or association issued by the proper government authority should also be submitted to the BIR in addition to the certification of its residence from the tax authority of its country of residence.

SALE, EXCHANGE OR DISPOSITION OF SHARES

Capital Gains Tax, if sale was made outside the PSE

Capital gains realized by domestic corporations from the sale of shares of stock not traded in the stock exchange are subject to a final tax at the rate of 15%. Net capital gains realized by a resident foreign corporation during each taxable year from the sale, exchange or disposition of shares of stock outside the facilities of the PSE, are subject to tax as follows: 5% on gains not exceeding ₱100,000.00 and 10% on gains over ₱100,000.00. If an applicable tax treaty exempts such gains from tax or provides preferential rates, an application for tax treaty relief must be filed with (and approved) by the Philippine tax authorities in order to obtain an exemption or to apply a preferential rate under a tax treaty.

The capital gains tax described above shall apply (unless an applicable treaty exempts such gains from tax or provides for preferential rates) to the secondary sale of the common shares by the holder thereof to another party made outside the facilities of the PSE.

Stock Transaction Tax

A sale or other disposition of shares of stock through the facilities of the PSE by a resident or a non-resident holder, other than a dealer in securities, is subject to a stock transaction tax at the rate of 0.60% of the gross selling price or gross value in money of the shares of stock sold or otherwise disposed, unless an applicable treaty exempts such sale from said tax. This tax is required to be collected by and paid to the Philippine Government by the selling stockbroker on behalf of his client. The stock transaction tax is classified as a percentage tax in lieu of a capital gains tax. Under certain tax treaties, the exemptions from capital gains tax discussed herein may not be applicable to the stock transaction tax.

Value Added Tax

Value Added Tax of 12% may generally be imposed on the gross income earned by dealers in securities on the sale of shares and on the commission earned by the PSE-registered broker, which is generally passed on to the client.

DOCUMENTARY STAMP TAX

Under the Tax Code, certain documents, instruments, papers, acceptances, assignments, sales and transfers of obligations, rights or property are subject to documentary stamp tax. Documentary stamp tax will be levied, collected and paid for by the person making, signing, issuing, accepting or transferring the document, wherever the document is made, signed, issued, accepted or transferred, when the relevant obligation or right arises from a Philippine source or the relevant property is situated in the Philippines.

The original issue of shares of stock is subject to documentary stamp tax of ₱2.00 on each ₱200.00 par value, or a fraction thereof, of the par value of the shares of stock issued. In case

the original issue of shares of stock are without par value, the amount of documentary stamp tax shall be based upon the actual consideration for the issuance of such shares of stock. In the case of stock dividends, the documentary stamp tax shall be based on the actual value represented by each share.

The secondary transfer of shares of stock outside of the facilities of the PSE by assignment in blank, by delivery, by any paper or agreement, or memorandum or other evidences of transfer or sale (including transfers to secure the future payment of money or for the future transfer of stock) is subject to a documentary stamp tax of ₱1.50 on each ₱200.00 par value, or a fractional part thereof, of the par value of share of stock transferred. In case of stock without par value, the amount of the documentary stamp tax shall be equivalent to fifty percent (50%) of the documentary stamp tax paid upon the original issue of said stock.

The sale, barter, or exchange of shares of stock listed and traded through the PSE is exempt from the DST.

In addition, the borrowing and lending of securities executed under the Securities Borrowing and Lending Program of a registered exchange, or in accordance with regulations prescribed by the appropriate regulatory authority, are likewise exempt from documentary stamp tax. However, the securities borrowing and lending agreement should be duly covered by a master securities borrowing and lending agreement acceptable to the appropriate regulatory authority, and should be duly registered and approved by the BIR.

ESTATE AND GIFT TAXES

Shares issued by a corporation organized under Philippine laws are deemed to have a Philippine *situs*, and any transfer thereof by way of donation or succession, even if made by a non-resident decedent or donor outside the Philippines, is subject to Philippine estate or donor's tax.

The transfer of shares of stock upon the death of an individual holder to his heirs by way of succession, whether such holder was a citizen of the Philippines or an alien, regardless of residence, is subject to Philippine estate tax at a flat rate of 6% of the value of the net estate.

On the other hand, individual and corporate holders, whether or not citizens or residents of the Philippines, who transfer shares of stock by way of gift or donation are liable to pay Philippine donors' tax at a flat rate of 6% of the total gifts or donations made during the calendar year in excess of ₱250,000. When property (other than real property subject to capital gains tax) is transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the property exceeded the value of the consideration shall be deemed a gift or donation subject to donors' tax. However, a sale, exchange, or other transfer of property made in the ordinary course of business, or a transaction made at arm's length and free from donative intent, will be considered as made for an adequate and full consideration in money or money's worth, and will not be subject to donors' tax.

Estate and donor's taxes, however, shall not be collected in respect of intangible personal property, such as shares of stock: (a) if the decedent at the time of his death or the donor at the time of the donation was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character, in respect of intangible personal property of citizens of the Philippines not residing in that foreign country, or (b) if the laws of the foreign country of which the decedent or donor was a citizen and resident at the time of his death or donation allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

TAXATION OUTSIDE THE PHILIPPINES

Shares of stock in a domestic corporation are considered under Philippine law as situated in the Philippines and the gain derived from their sale is entirely from Philippine sources; hence such gain is subject to Philippine income tax and the transfer of such shares by gift (donation) or succession is subject to the donor's or estate taxes stated above. The tax treatment of a non-

resident holder of shares of stock in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of domicile or business activities and such holder's particular situation. This Prospectus does not discuss the tax considerations on non-resident holders of shares of stock under laws other than those of the Philippines.

FINANCIAL AND OTHER INFORMATION

1. Consolidated Audited Financial Statements as of December 31, 2020, **Annex A.**
2. Consolidated Reviewed Interim Financial Statements as of March 31, 2021, **Annex B.**
3. Consolidated Reviewed Interim Financial Statements as of June 30,2021, **Annex C.**

ISSUER

Megawide Construction Corporation
20 N. Domingo St., 1112
Valencia, Quezon City

SOLE ISSUE MANAGER, LEAD UNDERWRITER AND BOOKRUNNER

RCBC Capital Corporation
21st Floor Tower 2, RCBC Plaza,
6819 Ayala Avenue, Makati City

CO-LEAD UNDERWRITER

PNB Capital and Investment Corporation
9th Floor, PNB Financial Center
Pres. Diosdado Macapagal Boulevard,
Pasay City, 1300

LEGAL COUNSELS

LEGAL COUNSEL TO THE ISSUER

Picazo Buyco Tan Fider & Santos Law Offices
Penthouse, Liberty Center
104 H.V. dela Costa Street
Salcedo Village, Makati City

LEGAL COUNSEL TO THE UNDERWRITERS

**Angara Abello Concepcion Regala & Cruz Law
Offices**
22nd Floor ACCRALAW Tower, 2nd Ave. corner
30th Street
Crescent Park West, Bonifacio Global City
Taguig City

INDEPENDENT AUDITOR

Punongbayan & Araullo
19th and 20th Floor, Tower 1,
The Enterprise Center, Ayala Avenue,
Makati City, Philippines

REGISTRAR

Professional Stock Transfer, Inc.
10th Floor, Telecom Plaza,
316 Sen. Gil J. Puyat Ave,
Makati City

RECEIVING AGENT

**Rizal Commercial Banking Corporation - Trust
& Investments Group**
7th Floor Yuchengco Tower, RCBC Plaza,
6819 Ayala Avenue, Makati City, Philippines

Annex A
Consolidated Audited Financial Statements as of December 31, 2020



P&A
Grant Thornton

Consolidated Financial Statements and
Independent Auditors' Report

**Megawide Construction Corporation
and Subsidiaries**

December 31, 2020, 2019 and 2018
(With Corresponding Figures as of January 1, 2019)

April 8, 2021

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

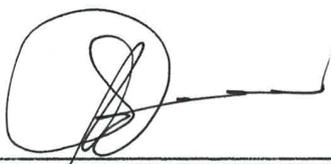
The management of **Megawide Construction Corp. and its subsidiaries** (the Group) is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2020, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, 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 and Chief Executive Officer
195-661-064-000



RAMON H. DIAZ
Group Chief Financial Officer
133-692-824-000

SUBSCRIBED AND SWORN TO before me this
APR 13 2021 at QUEZON CITY affiants
exhibiting to me their valid Tax Identification Numbers stated above.

Signed this APR 13 2021 day of .

DOCS 383
PAGE 78
BOOK I
SERIES 2021

Charlotte King
CHARLOTTE Y. KING
Commission Serial No. NP-210 (2020-2021)
Notary Public for Quezon City
Until 31 December 2021
Roll of Attorney No. 66162
IBP Lifetime No. 015223
PTR No. 0684045; 6 January 2021; Quezon City
MCLE Compliance No. VI 0004991; 21 December 2017
No. 70 N Domingo St., Brgy. Valencia, Quezon City, 1112

Report of Independent Auditors

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

T +63 2 8988 2288

**The Board of Directors and Stockholders
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, 2020 and 2019, 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, 2020, 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, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 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 Matter

We draw attention to Note 1 to the financial statements, which describes management's assessment of the continuing impact on the Group's financial statements of the business disruption brought by the COVID-19 pandemic. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

(a) Revenue and Cost Recognition on Construction Contracts***Description of the Matter***

The Group's revenue from construction contracts amounting to P10,842.2 million represents 84% of its total revenues in 2020. 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*.

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 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 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 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,
 - 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; 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, 2020, the carrying values of the concession assets amounted to P29,928.7 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 of intangible assets 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 37% 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, including consideration of the impact of COVID-19;
- 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;
- Performing sensitivity analysis 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; and,
- Evaluating the sufficiency and appropriateness of disclosures in the Group's consolidated financial statements in accordance with PAS 36.

(c) *Expected Credit Loss Model and Recoverability of Trade Receivables, Advances to and Receivables from Related Parties and Contract Assets*

Description of the Matter

As at December 31, 2020, the carrying amount of the Group's trade receivables, advances to and receivables from related parties (including accrued interest) and contract assets amounted to P5,817.5 million, P9,233.6 million and P4,231.6 million, respectively. These financial assets totaling to P19,282.7 million which are disclosed in Notes 6 and 9, to the consolidated financial statements represent 24% of the total assets of the Group as at the end of the reporting period. The Group's management exercises significant judgment and makes estimates in determining when the trade receivables, advances to and receivables from related parties and contract assets are impaired and how much impairment losses need to be recognized in accordance with the expected credit loss (ECL) model under PFRS 9, *Financial Instruments*. The Group's significant accounting policies, management judgment and estimates, which are described in Notes 2 and 3 to the consolidated financial statements while the disclosures relating to credit risk applicable to these financial assets are disclosed in Notes 28 and 32 to the consolidated financial statements.

Because of the complexity of the requirement of PFRS 9 in determining ECL and the high level of uncertainties involved in management's use of judgment and estimates, we identified the use of ECL model and recoverability of the Group's trade receivables, advances to and receivables from related parties and contract assets discussed above as a key audit matter.

How the Matter was Addressed in the Audit

Our audit procedures to determine the appropriateness of the ECL model adopted by the Group, and the recoverability of trade receivables, advances to related parties and contract assets, and the adequacy of the related allowance for credit losses on these assets included, among others, the following:

- Evaluating appropriateness of the Group's ECL model based on the requirements of the standard and the related policies and procedures of the Group;
- Identifying any customers, on a sample basis, with financial difficulty and/or breach of contract resulting in default on payments through discussion with management, inspecting the customers' payment history, performing an independent evaluation of their ability to pay and determining any related retention liability that can be recovered by the Group in settlement of the selected past due or delinquent customer's accounts;
- For advances to and receivables from related parties, evaluating the capacity of the related parties to pay by assessing their liquidity and whether there are any valid business purposes on which these advances are made;
- For contract assets, identifying whether such costs are recoverable and subsequently billable based on the terms of the specific contract;
- Evaluating the appropriateness and reasonableness of underlying assumptions, including forward-looking information and the sufficiency, reliability and relevance of the data used by the Group;
- Checking the mathematical accuracy of the provision matrix applicable to the ECL model, including testing of aging of trade receivables; and,

- Evaluating the sufficiency and appropriateness of disclosures in the Group's consolidated financial statements in accordance with PFRS 9.

(d) Performing Significant Portion of Audit Remotely

Description of the Matter

As disclosed in Note 1 of the financial statements, COVID-19 started to become widespread in the Philippines in early March 2020 wherein certain 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 error due to less visibility of the client personnel and lack of access to the original client records. 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;
- Performing inquiries through video call in order to judge body language and other cues and to have a more interactive audit engagement;
- Reviewing of workpapers of component auditors remotely through share screen facility 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, 2020, 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, 2020 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 Mailene Sigue-Bisnar.

PUNONGBAYAN & ARAULLO



By: Mailene Sigue-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 8533222, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 0396-AR-3 (until Oct. 1, 2021)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-020-2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 8, 2021

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES

(A Subsidiary of Citicore Holdings Investment, Inc.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

(With Corresponding Figures as of January 1, 2019)

(Amounts in Philippine Pesos)



	Notes	December 31, 2020	(As Restated - see Note 2) December 31, 2019	(As Restated - see Note 2) January 1, 2019
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	5	P 7,226,149,912	P 6,518,599,861	P 5,734,720,648
Trade and other receivables - net	6	15,299,050,115	17,373,476,547	10,212,127,250
Financial assets at fair value through profit or loss	7	-	-	26,290,139
Construction materials	8	1,719,042,863	1,287,127,532	865,035,029
Contract assets	9	4,231,600,246	3,975,734,097	3,060,770,976
Other current assets	12	7,956,744,328	6,310,724,077	4,891,540,884
Total Current Assets		36,432,587,464	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	3,544,472
Investments in associates and joint venture	11	929,195,986	959,506,555	926,832,112
Concession assets - net	13	29,928,727,717	29,436,586,470	28,289,313,079
Property, plant and equipment - net	14	7,497,348,324	7,666,010,436	5,193,951,034
Investment properties - net	15	4,120,894,365	4,186,720,456	3,759,860,763
Deferred tax assets - net	26	9,626,113	44,298,557	-
Other non-current assets	12	2,421,844,626	3,001,997,171	2,941,723,207
Total Non-current Assets		44,911,181,603	45,298,664,117	41,115,224,667
TOTAL ASSETS		P 81,343,769,067	P 80,764,326,231	P 65,905,709,593

	Notes	December 31, 2020	December 31, 2019 (As Restated - see Note 2)	January 1, 2019 (As Restated - see Note 2)
<u>LIABILITIES AND EQUITY</u>				
CURRENT LIABILITIES				
Interest-bearing loans and borrowings	18	P 13,110,457,751	P 14,681,061,253	P 6,408,573,493
Trade and other payables	17	8,291,951,223	8,167,589,445	5,252,402,324
Contract liabilities	19	4,593,930,101	4,931,269,957	4,670,482,671
Other current liabilities	20	218,177,495	220,061,764	233,817,574
Total Current Liabilities		26,214,516,570	27,999,982,419	16,565,276,062
NON-CURRENT LIABILITIES				
Interest-bearing loans and borrowings	18	32,809,907,556	33,071,851,424	30,371,690,492
Post-employment defined benefit obligation	24	343,402,205	340,207,630	176,798,596
Deferred tax liabilities - net	26	801,849,193	612,629,956	419,677,416
Other non-current liabilities	20	651,625,679	741,142,106	368,165,977
Total Non-current Liabilities		34,606,784,633	34,765,831,116	31,336,332,481
Total Liabilities		60,821,301,203	62,765,813,535	47,901,608,543
EQUITY				
Equity attributable to shareholders of the Parent Company:	27			
Capital stock		2,486,427,137	2,439,426,127	2,439,426,127
Additional paid-in capital		13,057,711,509	8,776,358,765	8,776,358,765
Revaluation reserves		(8,950,923)	(63,383,647)	15,204,702
Other reserves		(22,474,837)	(22,474,837)	(22,474,837)
Treasury shares		(4,615,690,576)	(3,912,617,536)	(3,454,826,462)
Retained earnings		6,404,291,624	7,083,442,710	6,752,591,330
Total equity attributable to shareholders of the Parent Company		17,301,313,934	14,300,751,582	14,506,279,625
Non-controlling interests		3,221,153,930	3,697,761,114	3,497,821,425
Total Equity		20,522,467,864	17,998,512,696	18,004,101,050
TOTAL LIABILITIES AND EQUITY		P 81,343,769,067	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, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	<u>2020</u>	<u>2019</u> (As Restated - see Note 2)	<u>2018</u> (As Restated - see Note 2)
REVENUES	21			
Construction operations		P 10,842,199,945	P 15,309,069,383	P 12,845,830,360
Airport operations		1,108,667,715	3,691,112,459	2,995,981,030
Landport operations		902,413,963	555,401,827	17,653,392
Trading operations		<u>69,944,842</u>	<u>326,221,179</u>	<u>289,894,795</u>
		<u>12,923,226,465</u>	<u>19,881,804,848</u>	<u>16,149,359,577</u>
DIRECT COSTS	22			
Cost of construction operations		9,393,546,769	13,291,797,615	10,784,175,855
Costs of airport operations		634,707,332	1,536,616,861	941,829,853
Costs of landport operations		355,895,519	334,155,026	17,653,392
Costs of trading operations		<u>20,960,367</u>	<u>88,214,264</u>	<u>70,358,260</u>
		<u>10,405,109,987</u>	<u>15,250,783,766</u>	<u>11,814,017,360</u>
GROSS PROFIT		2,518,116,478	4,631,021,082	4,335,342,217
OTHER OPERATING EXPENSES				
General and administrative	23	1,508,417,615	1,827,127,389	973,815,407
Impairment losses	6	<u>27,289,069</u>	<u>38,591</u>	<u>305,839,093</u>
		<u>1,535,706,684</u>	<u>1,827,165,980</u>	<u>1,279,654,500</u>
OPERATING PROFIT		<u>982,409,794</u>	<u>2,803,855,102</u>	<u>3,055,687,717</u>
OTHER INCOME (CHARGES)	25			
Finance costs		(2,506,745,214)	(2,308,927,779)	(1,333,427,143)
Finance income		694,776,972	767,837,912	220,598,157
Others - net		<u>219,749,372</u>	<u>172,472,301</u>	<u>444,159,599</u>
		<u>(1,592,218,870)</u>	<u>(1,368,617,566)</u>	<u>(668,669,387)</u>
PROFIT (LOSS) BEFORE TAX		(609,809,076)	1,435,237,536	2,387,018,330
TAX EXPENSE	26	<u>264,786,815</u>	<u>324,202,722</u>	<u>492,844,159</u>
NET PROFIT (LOSS)		<u>(P 874,595,891)</u>	<u>P 1,111,034,814</u>	<u>P 1,894,174,171</u>
Net Profit (Loss) Attributable To:				
Shareholders of the Parent Company		(P 398,149,922)	P 859,487,439	P 1,469,434,494
Non-controlling interests		<u>(476,445,969)</u>	<u>251,547,375</u>	<u>424,739,677</u>
		<u>(P 874,595,891)</u>	<u>P 1,111,034,814</u>	<u>P 1,894,174,171</u>
Earnings (Loss) per Share	30	<u>(P 0.33)</u>	<u>P 0.28</u>	<u>P 0.56</u>

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, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

	Note	<u>2020</u>	2019 (As Restated - see Note 2)	2018 (As Restated - see Note 2)
NET PROFIT (LOSS)		(<u>P 874,595,891</u>)	P <u>1,111,034,814</u>	P <u>1,894,174,171</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will be reclassified subsequently profit or loss				
Foreign currency translation adjustment		(<u>8,756</u>)	74,555	-
Realized loss on sale of financial assets at FVOCI		<u>-</u>	<u>-</u>	(<u>8,263,159</u>)
		(<u>8,756</u>)	74,555	(<u>8,263,159</u>)
Item that will not be reclassified subsequently to profit or loss				
Remeasurements of post-employment defined benefit plan	24	77,543,235	(114,672,272)	40,962,085
Tax income (expense)	26	(<u>23,262,970</u>)	<u>34,401,682</u>	(<u>12,288,626</u>)
		<u>54,280,265</u>	(<u>80,270,590</u>)	<u>28,673,459</u>
Other Comprehensive Income (Loss) – net of tax		<u>54,271,509</u>	(<u>80,196,035</u>)	<u>20,410,300</u>
TOTAL COMPREHENSIVE INCOME (LOSS)		(<u>P 820,324,382</u>)	P <u>1,030,838,779</u>	P <u>1,914,584,471</u>
Total Comprehensive Income (Loss) Attributable To:				
Shareholders of the Parent Company		(<u>P 343,717,198</u>)	P 780,899,090	P 1,488,589,086
Non-controlling interests		(<u>476,607,184</u>)	<u>249,939,689</u>	<u>425,995,385</u>
		(<u>P 820,324,382</u>)	P <u>1,030,838,779</u>	P <u>1,914,584,471</u>

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, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

		Attributable to Shareholders of the Parent Company									
Note	Common Stock	Preferred Stock	Treasury Shares	Additional Paid-in Capital	Revaluation Reserves	Other Reserves	Retained Earnings	Total	Non-controlling Interests	Total	
	Balance at January 1, 2020	P 2,399,426,127	P 40,000,000	(P 3,912,617,536)	P 8,776,358,765	(P 63,383,647)	(P 22,474,837)	P 7,083,442,710	P 14,300,751,582	P 3,697,761,114	P 17,998,512,696
27	Acquisition of treasury shares	-	-	(703,073,040)	-	-	-	(281,001,164)	(703,073,040)	-	(703,073,040)
27	Cash dividends	-	-	-	-	-	-	281,001,164	(281,001,164)	-	(281,001,164)
	Subscription of preferred shares	-	47,001,010	-	4,281,352,744	-	-	-	4,328,353,754	-	4,328,353,754
	Total comprehensive loss for the year	-	-	-	-	54,432,724	-	(398,149,922)	(343,717,198)	(47,607,184)	(820,524,382)
	Balance at December 31, 2020	P 2,399,426,127	P 87,001,010	(P 4,615,690,576)	P 13,057,711,509	(P 8,950,923)	(P 22,474,837)	P 6,404,291,624	P 17,301,313,934	P 3,221,153,930	P 20,522,467,864
	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 14,306,279,625	P 3,497,821,425	P 18,004,101,050
27	Acquisition of treasury shares	-	-	(457,791,074)	-	-	-	(457,791,074)	(457,791,074)	-	(457,791,074)
27	Cash dividends	-	-	-	-	(78,588,549)	-	(528,636,059)	(528,636,059)	(50,000,000)	(578,636,059)
	Total comprehensive income for the year	-	-	-	-	-	-	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	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 5,820,786,136	P 14,382,407,416	P 3,071,826,040	P 17,454,233,456
27	Acquisition of treasury shares	-	-	(827,087,577)	-	-	-	(537,629,300)	(827,087,577)	-	(827,087,577)
27	Cash dividends	-	-	-	-	-	-	1,469,434,494	(537,629,300)	-	(537,629,300)
	Total comprehensive income (loss) for the year	-	-	-	-	19,154,592	-	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

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, 2020, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss) before tax		(P 609,809,076)	P 1,435,237,536	P 2,387,018,330
Adjustments for:				
Finance costs	25	2,506,745,214	2,308,927,779	1,333,427,143
Depreciation and amortization	23	1,473,642,619	1,757,625,213	1,023,451,211
Finance income	25	(694,776,972)	(767,837,912)	(220,598,157)
Unrealized mark-to-market loss (gain) in interest rate swap	25	43,343,700	104,842,394	(45,218,078)
Equity share in net losses (gains) on associates and joint venture	25	30,310,530	(32,674,443)	(10,209,371)
Gain on disposals of property, plant and equipment	25	(1,874,270)	(9,603,796)	(2,876,025)
Gain on bargain purchase	25	-	-	(307,365,622)
Operating profit before working capital changes		2,747,581,745	4,796,516,771	4,157,629,431
Decrease (increase) in trade and other receivables		2,650,694,608	(3,727,036,956)	(221,393,350)
Increase in construction materials		(431,915,331)	(422,092,503)	(287,740,960)
Decrease in costs in excess of billings on uncompleted contracts		-	-	1,474,818,478
Increase in contract assets		(255,866,150)	(914,963,121)	(3,060,770,976)
Increase in other current assets		(1,422,128,570)	(1,568,441,790)	(3,478,911,678)
Decrease (increase) in non-current assets		580,695,992	(49,938,920)	(229,489,685)
Increase (decrease) in trade and other payables		(209,236,378)	2,766,510,754	(535,244,430)
Decrease in billings in excess of costs on uncompleted contracts		-	-	(939,417,541)
Increase (decrease) in contract liabilities		(559,137,655)	2,440,922	3,978,063,088
Increase (decrease) in other liabilities		(91,400,696)	359,220,316	223,617,847
Increase in post-employment defined benefit obligation		57,466,084	70,736,626	22,321,536
Cash generated from operations		3,066,753,649	1,312,952,099	1,103,481,760
Cash paid for income taxes		(288,222,518)	(98,343,152)	(33,392,637)
Net Cash From Operating Activities		2,778,531,131	1,214,608,947	1,070,089,123
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property, plant and equipment, and computer software license	12, 14	(881,622,780)	(3,506,120,788)	(941,566,129)
Additions to concession assets	13	(655,426,311)	(1,885,869,964)	(3,061,212,015)
Acquisitions of investment properties	15	(40,093,061)	(470,408,696)	(1,868,851,065)
Interest received	28	57,936,688	308,463,357	135,625,877
Proceeds from sale of property, plant and equipment	14	4,361,282	92,128,142	30,085,388
Proceeds from sale of financial assets at fair value through profit or loss		-	-	3,183,191,442
Proceeds from disposal of retail treasury bond	10	-	-	913,306,185
Acquisition of a subsidiary	25	-	-	(344,149,804)
Acquisition of investment in joint venture	11	-	-	(116,648,000)
Net Cash Used in Investing Activities		(1,514,844,182)	(5,461,807,949)	(2,070,218,121)
<i>Balance carried forward</i>		P 1,263,686,949	(P 4,247,199,002)	(P 1,000,128,998)

	Notes	2020	2019	2018
<i>Balance brought forward</i>		<u>P 1,263,686,949</u>	<u>(P 4,247,199,002)</u>	<u>(P 1,000,128,998)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of interest-bearing loans and borrowings	18	(11,937,589,953)	<u>(10,172,979,511)</u>	<u>(4,780,636,563)</u>
Proceeds from interest-bearing loans	18	9,904,514,914	<u>21,006,508,168</u>	<u>11,832,650,285</u>
Proceeds from issuance of preferred shares	27	4,328,353,754	<u>-</u>	<u>-</u>
Interest paid	18	(1,484,260,375)	<u>(2,026,444,738)</u>	<u>(1,060,838,047)</u>
Acquisition of treasury shares	27	(703,073,040)	<u>(457,791,074)</u>	<u>(827,087,577)</u>
Dividends paid	27	(520,939,022)	<u>(338,698,201)</u>	<u>(537,629,300)</u>
Financing granted to related parties		(356,449,098)	<u>(3,149,257,701)</u>	<u>(3,145,163,652)</u>
Financing collected to related parties		213,305,922	<u>174,319,915</u>	<u>145,709,106</u>
Net Cash From (Used In) Financing Activities		<u>(556,136,898)</u>	<u>5,035,656,858</u>	<u>1,627,004,252</u>
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS				
		-	<u>(4,578,643)</u>	<u>(22,884,808)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS				
		707,550,051	<u>783,879,213</u>	<u>603,990,446</u>
CASH ACQUIRED FROM SUBSIDIARY				
		-	<u>-</u>	<u>199,791,025</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR				
		<u>6,518,599,861</u>	<u>5,734,720,648</u>	<u>4,930,939,177</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR				
		<u>P 7,226,149,912</u>	<u>P 6,518,599,861</u>	<u>P 5,734,720,648</u>

Supplemental Information on Non-cash Investing and Financing Activities:

In 2020, the Company recognized right-of-use assets and lease liabilities amounting to P157.2 million and P230.4 million, respectively.

In 2019, the Group recognized right-of-use assets and lease liabilities amounting to P424.5 million and P397.4 million, respectively (see Notes 16 and 34).

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, 2020, 2019 AND 2018
(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 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.

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.

On September 22, 2020, SEC has approved the Parent Company's increase in its authorized capital stock to P5,054.0 million, divided into the 4,930.0 million common shares and 124.0 million cumulative, non-voting, non-participating, non-convertible, perpetual preferred shares (see Note 27.1). Both common and preferred shares have a par value of P1.0 per share.

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, 2020 and 2019 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.

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):

<u>Subsidiaries/Associates/Joint Operations/Joint Ventures</u>	<u>Notes</u>	<u>Percentage of Effective Ownership</u>		
		<u>2020</u>	<u>2019</u>	<u>2018</u>
Subsidiaries:				
GMR Megawide Cebu Airport Corporation (GMCAC)	a	60%	60%	60%
Megawatt Clean Energy, Inc. (MCEI)	b	70%	70%	70%
Globemercants, Inc. (GMI)	c	50%	50%	50%
Megawide Land, Inc. (MLI)	d	100%	100%	100%
Megawide Cold Logistics, Inc. (MCLI)	d	60%	60%	60%
Megawide Construction (BVI) Corporation (MCBVI)	e	100%	100%	100%
Megawide Construction DMCC (DMCC)	e	100%	100%	100%
Megawide Infrastructure DMCC (MW Infrastructure)	e	100%	-	-
MWM Terminals, Inc. (MWMTI)	j	100%	100%	100%
Megawide Terminals, Inc. (MTI)				
<i>(formerly WM Property Management, Inc.)</i>	i	100%	100%	100%
Megawide International Limited (MIL)	h	100%	100%	-
Megawide Construction (Singapore) Pte. Ltd. (MC-SG)	h	100%	100%	-
Cebu2World Development, Inc. (CDI)	o	100%	-	-
Wide-Horizons, Inc. (WHI)	p	100%	-	-
<i>Accounted for as Asset Acquisition –</i>				
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%	50%
Joint Ventures:				
Mactan Travel Retail Group Corp. (MTRGC)	m	25%	25%	25%
Select Service Partners Philippines Corp. (SSPPC)	n	25%	25%	25%

a) GMCAC

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

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

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

b) MCEI

MCEI was incorporated in 2014 to engage in the development of clean or renewable energy sources for power generation. Its registered address, which is also its principal place of business, is located at 20 N. Domingo St. Brgy. Valencia, Quezon City. As of December 31, 2020, 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, 2020.

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 subsidiaries, DMCC and MW Infrastructure. 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.

MW Infrastructure was registered on September 30, 2020 as a turnkey project contracting and project development consultant. Its registered office is located at Unit 4501-009 Mazaya Business Avenue BB2 Plot No JLTE-PH2-BB2 Jumeirah 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 despite the percentage of the Parent Company's ownership interest over these entities [see Notes 3.1(j), 3.1(m) 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 Airport project (see Note 11.4). MGCJVI 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.

o) CDI

CDI, whose registered office is at Unit 1504 Ayala Life FGU Center Cebu, Mindanao Avenue corner Biliran Road, Cebu Business Park, Cebu City, was incorporated on November 3, 2020 to deal, engage, or otherwise acquire an interest in land or real estate business, without engaging in real estate investment trust. As of December 31, 2020, CDI has not yet started commercial operations.

p) WHI

WHI, whose registered office is at 20 N. Domingo Street, Brgy. Valencia, Quezon City., was incorporated on November 16, 2020 to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real and personal property of every kind and description. As of December 31, 2020, WHI has not yet started commercial operations.

1.3 Impact of COVID-19 on the Group's Business

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020. The measures taken by the government to contain the virus have affected economic conditions and the Group's business operations.

The following are the impact of the COVID-19 pandemic to the Group's business:

- suspension of construction activities, including temporary suspension of PITX commercial operations and MCIA landport operations during the enhanced community quarantine lockdown periods;
- in accordance with the mandate of Department of Trade and Industry, the airport segment waived the minimum monthly guarantee for landport concessionaires, tenants or airport service providers who pay monthly fees for using or accessing the airport facilities to retail their goods and offer their services to the general public and air traveling community quarantine;
- decrease in aeronautical revenues e.g., passenger service charge, tacking, parking and lightning fees by 76% or P1.5 billion, commercial revenues e.g., rental, advertising and revenue share by 53% or P543.4 million;
- decrease in airport trading sales by 79% or P256.3 million due to decrease in air traffic movement in the airport segment;
- decline in construction operation revenues by 29% or P4.5 billion due to work stoppage during the second quarter of 2020 as mandated by the government;
- recognition of additional impairment on trade receivables for the Parent Company MWMTI, and GMCAC totalling to P27.3 million; and,
- administrative expenses were incurred to ensure health and safety of its employees, subcontractors and customers, although these are not considered substantial in amount.

In response to this matter, the Company has taken the following actions:

- implemented effective cost-reduction and cash preservation strategies, including flexible working arrangement, recruitment freeze, deferral of some non-essential and capital expenditures, maximizing credit terms provided by suppliers and creditors and focus to collect outstanding receivables;

- utilization of government program – Republic Act (RA.) No. 11469, *Bayaniban to Heal as One Act* and Republic Act (RA.) No. 11494, *Bayaniban to Recover as One Act*, related to the deferral of principal and interest payments of loans;
- comprehensive and regular monitoring of the Group’s liquidity position and cash flow;
- for airport segment, negotiation with lenders to amend certain provisions of the Omnibus Loan Agreement which include among others changes in the timing of principal payments and changes in the debt covenant requirements for debt to equity ratio and debt service coverage ratio (see Note 18);
- review of insurance coverage to protect against potential risk;
- automation and digitization to improve processes, enhance operational efficiencies, and support remote work arrangements;
- regular information updates on health and safety protocols to all its employees; and,
- implemented flexible working arrangements like hybrid or full remote work setup, where applicable, to ensure employee safety but at the same time minimize operational disruptions.

Based on the above actions and measures taken by management to mitigate the adverse effect of the pandemic, it projects that the Group would continue to report positive results of operations and would remain liquid to meet current obligation as it falls due. Accordingly, management has not determined any material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern.

1.4 Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2020 (including the comparative consolidated financial statements as of December 31, 2019 and for the years ended December 31, 2019 and 2018, and the corresponding figures as of January 1, 2019) were authorized for issue by the Parent Company’s Board of Directors (BOD) on April 8, 2021.

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 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. In 2020, the Group presented a statement of financial position as of January 1, 2019 to reflect the effect of prior period adjustment discussed in item (d) below.

(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.

(d) *Prior Period Adjustment and Reclassification of Accounts*

The Group made certain prior period adjustments to reflect the appropriate classification and presentation of certain parcels of land which were previously recognized and presented as part of Property, Plant and Equipment account to Investment Property accounts as those properties were originally intended to be held for capital appreciation. Moreover, the Company grossed-up fixed aircon charges and common usage service area (CUSA) charges to reflect the income and expense arising from these transactions as management determined that the Group is acting as a principal on these transactions. Finally, reclassification of Income from Rental of Equipment in 2018 was made from Others – net under Other Income (Charges) to to Construction Operations Revenue to conform to the current classification and presentation of the account. The effects of prior period adjustments on the Group's consolidated statements of financial position as of January 1, 2019 and December 31, 2019 are presented below.

	<u>As Previously Reported</u>	<u>Prior Period Adjustments</u>	<u>As Restated</u>
<u>December 31, 2019</u>			
<i>Change in non-current assets :</i>			
Property, Plant and Equipment – net	P 7,968,155,611	(P 302,145,175)	P 7,666,010,436
Investment Properties - net	3,884,575,281	302,145,175	4,186,720,456
<u>January 1, 2019</u>			
<i>Change in non-current assets :</i>			
Property, Plant and Equipment – net	P 5,496,096,209	(P 302,145,175)	P 5,193,951,034
Investment Properties – net	3,457,715,588	302,145,175	3,759,860,763

The effects of these prior period reclassifications in the statement of comprehensive income for the year ended December 31, 2019 and 2018 are summarized as follows:

	<u>As Previously Reported</u>	<u>Prior Period Reclassifications</u>	<u>As Restated</u>
<u>December 31, 2019</u>			
Direct Costs –			
Cost of landport operations	P 311,649,506	P 22,505,520	P 334,155,026
Other Operating Expenses	1,810,238,513	16,927,467	1,827,165,980
Other Income (Charges) –			
Others – net	133,033,747	<u>39,432,987</u>	172,466,734
		<u>P -</u>	
<u>December 31, 2018</u>			
Revenues –			
Construction operations revenue	P 12,688,462,210	P 157,368,150	P 12,845,830,360
Other Income (Charges) –			
Others – net	601,527,749	<u>(157,368,150)</u>	444,159,599
		<u>P -</u>	

2.2 Adoption of New and Amended PFRS

(a) Effective in 2020 that are Relevant to the Group

The Group adopted for the first time the following amendments, and revisions to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2020:

Conceptual Framework	:	Revised Conceptual Framework for Financial Reporting
PAS 1 and PAS 8 (Amendments)	:	Presentation of Financial Statements, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material
PFRS 3 (Amendments)	:	Business Combinations – Definition of Business
PFRS 7 and PFRS 9 (Amendments)	:	Financial Instruments: Disclosures and Financial Instruments – Interest Rate Benchmark Reform

Discussed below are the relevant information about these pronouncements.

- (i) Revised Conceptual Framework for Financial. 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.

Management has assessed that this has no impact on the Group's consolidated financial statements.

- (ii) PAS 1 (Amendments), *Presentation of Financial Statements* and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*. 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. The application of these amendments did not have significant impact on the Group's consolidated financial statements.
- (iii) PFRS 3 (Amendments), *Business Combinations – Definition of Business*. The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.
- (iv) PFRS 7 (Amendments), *Financial Instruments: Disclosures*, and PFRS 9 (Amendments), *Financial Instruments – Interest Rate Benchmark Reform*. The amendments clarify that an entity would continue to apply certain hedge accounting requirements assuming that the interest benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of the interest rate benchmark reform. The application of these amendments had no significant impact on the Group's consolidated financial statements.

(b) *Effective Subsequent to 2020 but not Adopted Early*

There are amendments to existing standards effective for annual periods subsequent to 2020, which are adopted by the FRSC. Management will adopt the 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) PFRS 16 (Amendments), *Leases – COVID-19-Related Rent Concessions* (effective from June 30, 2020). The amendments permit lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications.
- (ii) PFRS 3 (Amendments), *Business Combination – Reference to the Conceptual Framework* (effective from January 1, 2022). The amendments update an outdated reference to the Conceptual Framework in PFRS 3 without significantly changing the requirements in the standard.
- (iii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022). The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- (iv) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective January 1, 2022). The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
- (v) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Group but have no significant impact to the Group's consolidated financial statements:
 - PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities*. The improvements clarify the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
 - Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*. The improvement merely removes from the example, the illustrations of the reimbursement of leasehold improvements by lessor in order to resolve any potential confusion regarding the treatment of lease incentives.

- (vi) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective January 1, 2023). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.
- (vii) 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 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 and Accounting for Investments in Subsidiaries, Investments in Subsidiaries and Associates, and Interests in Joint Arrangements*

The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiaries, 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 is 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 arrangement. 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. Any goodwill that 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 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 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*

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.

(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. 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 recognized 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. Any goodwill that 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 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 Group'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 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 solely payments of principal and interest (SPPI) on the principal amount outstanding.

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, *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.

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 pertains only to derivatives arising from interest rate swap entered by GMCAC (see Notes 2.16 and 7).

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.

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. 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 uses 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 financial assets other than trade and other receivables and contract assets, 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 recognized 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, estimated useful lives and method of depreciation 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 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, MWMTI 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 below:

- (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], and other non-current liabilities (except unearned rent income) are recognized when the Company becomes a party to the contractual terms of the instrument. These are recognized initially at their fair values and subsequently measured at amortized cost, using the effective interest method for maturities beyond one year, less settlement payments. All interest-related charges incurred on a financial liability, except capitalized borrowings costs which is recognized as part of the related qualifying asset (see Note 2.22), are recognized as an expense in profit or loss under the caption Finance Costs in the statement of income.

Interest-bearing loans and borrowings are raised for support of short-term or long-term 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, and are subsequently remeasured 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 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.

2.17 Revenue and Expense Recognition

Revenue arises mainly from rendering of construction services, airport operations, trading operations and landport operations.

To determine whether to recognize revenue, the Group follows a five-step process described below:

- 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 Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and, the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

The Group often enters into transactions involving construction services, airport operations, airport merchandising operations, landport 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* – This include revenue from construction activities such as construction works, sale of construction materials, management fee and rental of construction equipment.
 - i. *Contract revenues* – This include 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* – Revenue from sale of ready mixed concrete and precast materials are recognized over time as goods are manufactured as there are no alternate use for these construction materials.
 - 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.

- iv. Rental revenue* – Revenue from rentals arising from the lease of its construction equipment is recognized on the straight-line basis over the lease term based on the provisions of the covering lease contracts, including any minimum rent free period therein, plus additional rent free period as mutually agreed by the contracting parties [see Note 2.14(b)]. This is outside the scope of PFRS 15.
- (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 landport 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) Trading 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) Landport operations revenue* – Landport 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 landport 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 food and non-food items* – This is recognized at a point in time upon transferring control of the promised goods or services to a customer.

- (g) *Common use service area (CUSA) charges* – CUSA is recognized over time when the performance of contractually agreed task has been rendered. Furthermore, recoveries from utility expenses are recognized net of related expenses as the Group acts only as an agent of the utility companies.

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 Construction Operation 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 fulfilment 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 fulfilment costs recognized as part of Other Current Assets in the consolidated statement of financial position are subsequently included as part of construction costs and considered in determining the stage of completion of the project. 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 fulfilment 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 under the relevant contract.

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 and 2020)*

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)

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 statements 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;
- (ii) 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 stock.

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

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 at 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) *Trading 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 MClA, 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) *Landport Operation Revenues*

The Group has the control over the landport area and the right to collect concessionaire revenue. The Group determined that its revenue from landport 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 landport 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., customer type and rating).

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.

With respect to refundable security and bond deposits, management does not expect significant risks of collectability 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.

On the basis of the assessment made by management ,the acquisition of ownership in Altria was 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 to have significant influence over CMCI, due to the Group's ability to participate over the entity's relevant activities. Hence, the investee is treated as an associate (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 Silay 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 recognize a financial asset and/or an intangible asset if the conditions below 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 landport facilities, commercial assets, works in progress, and right to receive revenue.

The PITX Project is composed of separately identifiable landport and commercial areas under a certain development plan with different degrees of control between the Grantor and MWMTI. The landport 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 landport area.

Consequently, MWMTI has identified that the Concession Arrangement with respect to the landport 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 landport 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, 2020 and 2019. 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.

(o) *Evaluating Principal Versus Agent Consideration*

The Group exercises judgment to determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e., the Group is a principal) or to arrange for the other party to provide those goods or services (i.e., the Group is an agent). Failure to make the right judgment will result in misstatement of revenues and expenses accounts. The Group assessed that it is only acting as an agent for utility transactions of its tenants under operating leases. Moreover, the Group also assessed that it is the principal in its revenue arrangements pertaining to CUSA and air-conditioning charges in its office and retail spaces.

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*

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 [see Note 2.18(a)]. 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 and investment in SSPI, 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 2020, 2019 and 2018.

(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 computer software 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.

There were no changes in the estimated useful lives of property, plant and equipment and intangible assets in 2020 and 2019.

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 2020 and 2019, amortization expense recognized relating to concession assets amounted to P163.5 million and P738.6 million, respectively.

The carrying amounts of intangible assets are analyzed in Notes 12.5 and 13. The carrying amount of property, plant and equipment is analyzed in Note 14.

(g) *Principal Assumption for Estimation of Fair Value of Investment Properties*

The Group's investment properties composed of land and commercial area of the PTTX Project comprising of asset held for lease and 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 approximates its fair value as it was only newly constructed in March 2019. On the other hand, the Group determines the fair value of the land either through appraisals by independent valuation specialists or using market-based valuation approach where prices of comparable properties are adequate for specific market factors such as location and condition of the property or using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations.

The fair value disclosures related to the investment properties are further discussed in Note 33.6.

(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, 2020 and 2019 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 12.3% and 10.9% as of December 31, 2020 and 2019. 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

Management assesses on an annual basis the impact of the current and future economic outlook to the abovementioned assumptions in making its cash flow projections. In 2020, management has taken into consideration the continuing impact of the COVID-19 pandemic in its cash flow projections, including its effect on the abovementioned assumptions.

The carrying value of the concession assets not yet available for use amounted to P9,007.9 million and P8,670.7 million as at December 31, 2020 and 2019, respectively (see Note 13).

Management has assessed that no impairment losses are required to be recognized on the Group's non-financial assets in 2020, 2019 and 2018.

(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, 2020, 2019 and 2018, and for the years ended December 31, 2020, 2019 and 2018 (amounts in thousands).

	Construction		Airport		Landport		Total	
	2020	2019	2018	2020	2019	2018	2020	2018
Results of operations								
Sales to external customers	P 10,842,200	P 15,309,069	P 12,845,830	P 1,178,613	P 4,017,334	P 3,285,876	P 902,414	P 555,402
Intersegment sales	P 363,371	P 651,419	P 1,134,169	P 1,178,613	P 4,017,334	P 3,285,876	P 902,414	P 555,402
Segment Revenues	P 11,205,571	P 15,960,488	P 13,979,999	P 1,178,613	P 4,017,334	P 3,285,876	P 902,414	P 555,402
Cost and other operating expenses:								
Cost of construction, airport and landport operations excluding depreciation and amortization	8,779,449	13,033,918	11,089,723	492,171	886,235	631,994	145,176	233,979
Depreciation and amortization	1,019,034	837,723	595,696	229,837	803,232	425,438	222,508	111,093
Interest income	(458,515)	(472,442)	(227,470)	(32,543)	(78,022)	(23,556)	(8,208)	(210)
Interest expense	1,220,377	1,213,032	618,497	1,080,725	957,954	670,127	214,205	114,758
Material non-cash items	(2,192)	12,476	9,297	(144,597)	(32,796)	203,481	-	-
Interest in profit or loss of associates and joint ventures (equity method)	-	-	-	40,965	26,248	2,839	-	-
Other income (charges) - net	(59,323)	(138,611)	(7,066)	(23,479)	(13,652)	(280,658)	(194,421)	(131,221)
Tax expense: (income)	(59,584)	127,526	287,719	217,456	219,818	196,716	106,772	(34,361)
Other expenses	642,350	706,711	812,798	490,807	691,881	427,747	203,700	267,574
	11,081,596	15,322,553	13,179,194	2,368,300	3,408,342	2,248,450	689,732	561,612
Segment Net Profit (Loss)	P 123,975	P 638,135	P 800,805	(P) 1,189,687	P 608,992	P 1,037,426	P 212,682	(P) 6,210
Consolidated Statements of Financial Position								
Total Segment Assets	P 44,909,291	P 43,330,597	P 33,098,176	P 35,286,304	P 35,034,459	P 35,137,295	P 7,321,688	P 7,998,133
Total Segment Liabilities	P 29,079,082	P 31,030,326	P 20,437,361	P 27,034,748	P 26,491,719	P 26,184,165	P 5,497,864	P 7,451,163
Capital Expenditures	P 467,180	P 2,817,196	P 1,058,135	P 1,050,949	P 2,206,838	P 2,754,437	P 216,133	P 838,345
Investment in associates and joint ventures accounted for by the equity method	P -	P -	P -	P 104,770	P 145,735	P 119,487	P -	P -

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).

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Profit or loss			
Segment net profit (loss)	(P 853,030)	P 1,240,917	P 1,818,928
Other unallocated income (expense)	(<u>21,565</u>)	(<u>129,882</u>)	<u>75,246</u>
Net profit (loss) as reported in the consolidated statements of income	(P <u>874,595</u>)	P <u>1,111,035</u>	P <u>1,894,174</u>
Assets			
Total segment assets	P 87,510,283	P 87,263,188	P 72,662,349
Elimination of intercompany accounts	(7,877,956)	(9,031,919)	(8,391,125)
Other unallocated assets	<u>1,711,442</u>	<u>2,533,057</u>	<u>1,634,485</u>
Total assets as reported in the consolidated statements of financial position	P <u>81,343,769</u>	P <u>80,764,326</u>	P <u>65,905,710</u>
Liabilities			
Total segment liabilities	P 61,611,694	P 64,973,208	P 50,371,072
Elimination of intercompany accounts	(1,823,709)	(4,083,754)	(3,605,142)
Other unallocated liabilities	<u>1,033,316</u>	<u>1,876,360</u>	<u>1,135,679</u>
Total liabilities as reported in the consolidated statements of financial position	P <u>60,821,301</u>	P <u>62,765,814</u>	P <u>47,901,609</u>

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 2020, 2019 and 2018 accounted for 45%, 35%, and 28% 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:

	<u>2020</u>	<u>2019</u>
Cash on hand	P 5,400,865	P 8,010,339
Cash in banks	2,165,007,181	4,047,584,897
Short-term placements	<u>5,055,741,866</u>	<u>2,463,004,625</u>
	<u>P 7,226,149,912</u>	<u>P 6,518,599,861</u>

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 0.7% to 1.6% and 2.0% to 6.0% in 2020 and 2019, respectively.

The interests income earned from these financial assets amounted to P57.9 million, P110.6 million, and P77.8 million in 2020, 2019 and 2018, 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:

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Contract receivables:			
Third parties		P 2,840,546,754	P 5,769,575,204
Related parties	28.1	<u>944,337,644</u>	<u>498,607,908</u>
		<u>3,784,884,398</u>	<u>6,268,183,112</u>
Retention receivables:			
Third parties		1,534,199,721	1,750,053,759
Related parties	28.1	<u>868,788,166</u>	<u>835,195,022</u>
		<u>2,402,987,887</u>	<u>2,585,248,781</u>
Advances to:			
Related parties	28.4	6,410,689,673	6,267,546,499
Officers and employees	28.3	<u>74,481,307</u>	<u>51,503,789</u>
		<u>6,485,170,980</u>	<u>6,319,050,288</u>
Receivables from airport operations	21.2	<u>570,230,462</u>	<u>814,927,327</u>
Rental receivables:			
Lease receivable – effect of straight-line method	21.4	524,235,954	382,476,437
Lease receivable – per contract		<u>385,466,377</u>	<u>142,092,645</u>
		<u>909,702,331</u>	<u>524,569,082</u>
<i>Balance carried forward</i>		<u>P14,152,976,058</u>	<u>P16,511,978,590</u>

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
<i>Balance brought forward</i>		<u>P14,152,976,058</u>	<u>P16,511,978,590</u>
Receivables from sale of goods	21.4	<u>766,766</u>	<u>60,380,697</u>
Accrued interest receivables	28.4	<u>1,011,075,646</u>	<u>577,950,645</u>
Other receivables	28.2	<u>172,164,286</u>	<u>234,122,687</u>
		15,336,982,756	17,384,432,619
Allowance for impairment		(<u>37,932,641</u>)	(<u>10,956,072</u>)
		<u>P15,299,050,115</u>	<u>P17,373,476,547</u>

Contract receivable amounting to P20.5 million and P3.3 billion, as of December 31, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019, rent receivables arising from the effect of straight-lining method amounted to P524.2 million and P382.5 million, respectively (see Note 21.3).

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 which are subject to liquidation, are subject to credit risk exposure [see Note 32.2(b)].

Allowance for Impairment

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 are presented below.

Total allowance for impairment for long outstanding contract, retention and airport receivables provided by the Group amounted to P37.9 million and P11.0 million as of December 31, 2020 and 2019, respectively.

A reconciliation of the allowance for impairment at the beginning and end of 2020 and 2019 is shown below.

	Note	<u>2020</u>	<u>2019</u>
Balance at beginning of year		P 10,956,072	P 416,532,310
Impairment losses	23	27,289,069	38,591
Write off		(312,500)	(405,614,829)
Balance at end of year		<u>P 37,932,641</u>	<u>P 10,956,072</u>

After a series of demands and negotiation related to a long outstanding and disputed receivables from a certain customer, which ended up into a settlement agreement, the Group has written off in 2019 certain receivables with amounting to P405.6 million. The impairment loss of P305.5 million was recognized on these receivables in 2018 on top of the P94.9 million recognized prior to 2018.

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 within a range of 1.79% to 2.65% and receives floating rate of six-month US\$ LIBOR on the notional amount.

As at December 31, 2020 and 2019, GMCAC recognized P121.9 million and P78.6 million derivative liability shown under Trade and Other Payables (see Note 17). 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\$0.88 million or P43.3 million in 2020 and US\$1.6 million or P104.8 million in 2019, and unrecognized gain of US\$0.5 million or P45.2 million in 2018 (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 which 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. 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 P72.4 million in 2018, 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. There was no similar transaction in 2020 and 2019.

8. CONSTRUCTION MATERIALS

At the end of 2020 and 2019, construction materials were stated at cost which is lower than net realizable value. This account consists of the following:

	<u>2020</u>	<u>2019</u>
Work in progress	P 963,166,389	P 457,942,166
Consumables and spare parts	281,222,077	297,630,728
Mechanical electrical plumbing and fireproof materials	219,528,702	221,448,225
Precast	92,773,144	38,330,842
Hardware	60,728,374	77,832,491
Rebars	31,159,478	52,724,034
Others	<u>70,464,699</u>	<u>141,219,046</u>
	<u>P 1,719,042,863</u>	<u>P 1,287,127,532</u>

Work in progress inventories pertains to various construction materials delivered to project warehouses and are yet to be installed or used by its subcontractors.

Others pertain to construction materials which include painting materials, nails and adhesive items.

9. CONTRACT ASSETS

The significant changes in the contract assets balances during the reporting periods are as follows:

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	P 3,975,734,097	P 3,060,770,976
Increase as a result of changes in measurement of progress	9,642,837,195	16,207,809,210
Decrease as a result of reversal to trade receivables	(9,386,971,046)	(15,292,846,089)
Balance at end of year	<u>P 4,231,600,246</u>	<u>P 3,975,734,097</u>

The balance of contract assets as of December 31, 2020 and 2019 is net of allowance for impairment amounting to P288.2 million (see Note 32.2).

Contract assets pertains 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 2020 and 2019 also include the cost of the landport area of the PITX Project amounting to P510.1 million 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

The financial assets pertain to the Group's equity investment acquired in 2015 wherein the Parent Company does not exercise control or significant influence (designated as at FVOCI) and golf club shares (see Note 2.4(a)(ii)).

The details of the financial assets at FVOCI as of 2020 and 2019 is shown below.

Investment securities at FVOCI:

Investment in SSPI	P	2,500,000
Golf club shares		<u>1,044,472</u>
	P	<u>3,544,472</u>

In 2018, the Group sold retail treasury bonds (RTBs) with original face values of P921.5 million for P913.3 million. Consequently, the Group recognized a loss amounting to P8.2 million, 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, 2020 and 2019.

As of December 31, 2020 and 2019, the amounts of the Group's non-current financial assets approximate its fair values.

11. 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	<u>2020</u>	<u>2019</u>
Investments in:			
Associates	11.1	P 824,426,033	P 813,771,562
Joint ventures	11.3	<u>104,769,953</u>	<u>145,734,993</u>
		<u>P 929,195,986</u>	<u>P 959,506,555</u>

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:

	<u>Note</u>	<u>2020</u>	<u>2019</u>
Acquisition cost:			
MWCCI		P 580,890,000	P 580,890,000
CMCI		<u>200,000,000</u>	<u>200,000,000</u>
		<u>780,890,000</u>	<u>780,890,000</u>
Equity advances in MWCCI		<u>23,572,864</u>	<u>23,572,864</u>
Equity share in net profit:			
Balance at beginning of year		9,308,698	2,882,282
Equity in net profit for the year	25.3	<u>10,654,471</u>	<u>6,426,416</u>
Balance at end of year		<u>19,963,169</u>	<u>9,308,698</u>
		P 824,426,033	P 813,771,562

These associates do not have any other comprehensive income or loss both in 2020 and 2019.

(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, 2020 and 2019, 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, 2020 and 2019, the Parent Company owns 10% interest in CMCI as a joint venture partner. The rights and powers of the Parent Company over the management 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, 2020 and 2019 of the associates (amounts in thousands of PHP).

		<u>Current Assets</u>	<u>Non-current Assets</u>	<u>Current Liabilities</u>	<u>Non-current Liabilities</u>	<u>Revenues</u>	<u>Net Income (Loss)</u>
2020							
MWCCI	P	338,947	P 847,397	P 87,447	P -	P -	P 5,999
CMCI		3,608,377	2,646,046	1,916,524	2,026,347	344,183	75,945
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

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).

	<u>Notes</u>	<u>% Interest Held</u>	<u>Net Asset Value</u>	<u>Share in Net Asset</u>	<u>Carrying Value of Investments</u>
2020					
MWCCI	a	51%	P 1,098,896	P 560,437	P 587,070
CMCI	b	10%	2,311,552	<u>231,155</u>	<u>237,356</u>
Total				<u>P 791,592</u>	<u>P 824,426</u>
2019					
MWCCI	a	51%	P 1,098,896	P 560,437	P 584,010
CMCI	b	10%	2,297,616	<u>229,762</u>	<u>229,762</u>
Total				<u>P 790,199</u>	<u>P 813,772</u>

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, 2020 and 2019, 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, 2020 and 2019, 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:

Cash in bank	P	486,426
Bond deposits		1,500,958
Land		303,468,569
Accrued expenses	(	<u>100,000</u>)
		<u>P 305,355,953</u>

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). The Parent Company charged P0.05 million in 2020 and 2019 and P0.1 million in 2018 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:

	Note	2020	2019
Acquisition costs:			
MTRGC		P 58,324,000	P 58,324,000
SSPPC		<u>58,324,000</u>	<u>58,324,000</u>
		<u>116,648,000</u>	<u>116,648,000</u>
Equity share in net profit (losses):			
Balance at beginning of year		29,086,993	2,838,966
Equity in net profit (loss)			
for the year	25.3	(<u>40,965,040</u>)	<u>26,248,027</u>
Balance at end of year		(<u>11,878,047</u>)	<u>29,086,993</u>
		<u>P 104,769,953</u>	<u>P 145,734,993</u>

These joint ventures do not have any other comprehensive income or loss both in 2020 and 2019.

GMCAC has 42% 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, 2020 and 2019 (amounts in thousands of PHP):

	<u>Current Assets</u>	<u>Non-current Assets</u>	<u>Current Liabilities</u>	<u>Non-current Liabilities</u>	<u>Revenues</u>	<u>Net Income (Loss)</u>
2020						
MTRGC	P 141,805	P 93,376	P 131,121	P 3,509	P 66,230	(P 39,251)
SSPPC	39,742	392,420	266,256	17,017	177,640	(59,080)
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

Additional financial information for these joint ventures are as follows:

	<u>MTRGC</u>		<u>SSSPC</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	P 12,235,148	P 17,084,509	P 22,863,451	P 107,221,042
Depreciation and amortization	21,797,175	14,513,362	59,934,709	40,391,372
Interest income	21,948	75,970	591,536	351,310
Interest expense	5,092,877	1,986,846	1,447,420	1,463,337
Income tax expense (income)	16,518,484	1,392,248	(26,863,886)	24,369,136

A reconciliation of the summarized financial information to the carrying amount of the investments in associates is shown below (amounts in thousands of PHP).

	<u>Net Asset Value</u>	<u>Share in Net Assets</u>	<u>Carrying Value of Investments</u>
2020			
MTRGC	P 100,552	P 41,890	P 42,743
SSPPC	148,888	62,027	62,027
Total		P 103,917	P 104,770
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

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.

There were no capital commitments for the year ended December 31, 2020 and 2019.

As of and for the years ended December 31, 2020 and 2019, 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:

	<u>Before</u>		<u>After</u>
	<u>Elimination</u>	<u>Elimination</u>	<u>Elimination</u>
<i>December 31, 2020</i>			
<i>Assets:</i>			
Cash and cash equivalents	P 1,009,152,103	P -	P 1,009,152,103
Trade and other receivables	238,784,962	(221,052,328)	17,732,634
Other current assets	26,892,943	-	26,892,943
Property, plant, and equipment – net	<u>4,941,729</u>	<u>-</u>	<u>4,941,729</u>
	<u>P 1,279,771,737</u>	<u>(P 221,052,328)</u>	<u>P 1,058,719,409</u>
<i>Liabilities:</i>			
Trade and other payables	P 647,181,181	P -	P 647,181,181
Due to related parties	<u>3,088,767</u>	<u>-</u>	<u>3,088,767</u>
	<u>P 650,269,948</u>	<u>P -</u>	<u>P 650,269,948</u>
<i>Revenues and Expenses:</i>			
Contract revenues	P 1,313,678,683	(P 214,945,351)	P 1,098,733,332
Contract costs	(1,058,509,197)	161,497,804	(897,011,393)
Other operating expenses	(68,202,200)	-	(68,202,200)
Finance income	<u>(6,639,558)</u>	<u>-</u>	<u>(6,639,558)</u>
	<u>P 180,327,728</u>	<u>(P 53,447,547)</u>	<u>P 126,880,181</u>
<i>December 31, 2019</i>			
<i>Assets:</i>			
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	<u>10,624,220</u>	<u>-</u>	<u>10,624,220</u>
	<u>P 5,182,263,943</u>	<u>(P 224,587,759)</u>	<u>P 4,957,676,184</u>
<i>Liabilities:</i>			
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	<u>3,750,000,000</u>	<u>-</u>	<u>3,750,000,000</u>
	<u>P 4,686,813,074</u>	<u>P -</u>	<u>P 4,686,813,074</u>
<i>Revenues and Expenses:</i>			
Contract revenues	P 3,553,993,205	(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	<u>(34,209,783)</u>	<u>-</u>	<u>(34,209,783)</u>
	<u>P 294,095,050</u>	<u>(P 32,830,084)</u>	<u>P 261,264,966</u>

12. OTHER ASSETS

This account is composed of the following:

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Current:			
Advances to contractors and suppliers	12.1	P 4,857,992,746	P 3,636,414,208
Prepaid taxes	12.4	812,495,632	723,415,162
Deferred fulfilment costs	12.8	787,283,237	579,089,321
Input VAT	12.2	775,596,442	591,350,448
Deferred input VAT	12.2	455,773,123	477,092,309
Refundable security and bond deposits		155,107,192	164,136,039
Prepaid insurance		37,516,325	13,122,680
Prepaid subscription		17,966,039	9,402,172
Prepaid rent		16,699,653	17,505,228
Deferred transaction cost	12.7	-	7,252,715
Miscellaneous		40,313,939	91,943,795
		<u>7,956,744,328</u>	<u>6,310,724,077</u>
Non-current:			
Deferred input VAT	12.2	P 1,798,604,430	P 1,909,715,112
Investment in trust fund	12.6	401,525,300	862,704,457
Deposits for condominium units	12.3	121,265,571	136,301,359
Computer software license – net	12.5	47,859,287	47,315,840
Refundable security deposits	2.4	44,421,967	32,643,694
Advances to contractors and suppliers	12.1	7,999,946	13,316,709
Miscellaneous		168,125	-
		<u>2,421,844,626</u>	<u>3,001,997,171</u>
		<u>P10,378,588,954</u>	<u>P 9,312,721,248</u>

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.

Impairment of current portion of advances to contractors and suppliers was assessed through determining the position of the contractors and suppliers on their capacity to comply according to their performance obligation. Despite the impact of COVID 19, the Group deemed the advances to be recouped by qualifying contractors and suppliers through their work progress as well as using outstanding liability of the Group to the contractors and suppliers as leverage.

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 P1,729.3 million and P1,809.4 million as of December 31, 2020 and 2019, 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.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cost	P 147,037,422	P 129,596,424	P 104,219,678
Accumulated amortization	(99,178,135)	(82,280,584)	(67,238,882)
	<u>P 47,859,287</u>	<u>P 47,315,840</u>	<u>P 36,980,796</u>

A reconciliation of the carrying amounts of computer software license at the beginning and end of the reporting periods is shown below.

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Balance at beginning of year		P 47,315,840	P 36,980,796
Additions	13	17,440,998	27,538,033
Reclassification	14	-	(2,264,142)
Amortization expense for the year	23	(16,897,551)	(14,938,847)
Balance at end of year		<u>P 47,859,287</u>	<u>P 47,315,840</u>

In 2019, certain computer software license was reclassified under concession asset in relation to the construction of the new T2 building and structural designs (see Note 14).

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, 2020 and 2019, 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). The deferred transaction cost was already fully amortized in 2020.

12.8 Deferred Fulfilment Cost

Deferred fulfilment cost pertains to costs that are directly related to a specific construction 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.

The policy on initial and subsequent measurement of these deferred fulfilment costs are discussed in Note 2.17.

The movement of deferred fulfilment costs is shown below:

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	P 579,089,321	P 1,633,221,503
Additions	430,684,262	2,691,241,931
Amortization	(222,490,346)	(3,745,374,113)
Balance at end of year	<u>P 787,283,237</u>	<u>P 579,089,321</u>

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:

	<u>Airport Upfront Fees</u>	<u>Infrastructure</u>	<u>Total</u>
December 31, 2020			
Cost			
Balance at beginning of year	P 18,299,678,949	P 12,651,605,702	P 30,951,284,651
Additions	359,368,150	296,058,161	655,426,311
Reclassification	<u>-</u>	<u>212,000</u>	<u>212,000</u>
Balance at end of year	<u>18,659,047,099</u>	<u>12,947,875,863</u>	<u>31,606,922,962</u>
Accumulated amortization			
Balance at beginning of year	(735,299,726)	(779,398,455)	(1,514,698,181)
Amortization for the year	<u>(66,653,264)</u>	<u>(96,843,800)</u>	<u>(163,497,064)</u>
Balance at end of year	<u>(801,952,990)</u>	<u>(876,242,255)</u>	<u>(1,678,195,245)</u>
Net carrying amount	<u>P 17,857,094,109</u>	<u>P 12,071,633,608</u>	<u>P 29,928,727,717</u>
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	<u>399,758,404</u>	<u>1,486,111,560</u>	<u>1,885,869,964</u>
Balance at end of year	<u>18,299,678,949</u>	<u>12,651,605,702</u>	<u>30,951,284,651</u>
Accumulated amortization			
Balance at beginning of year	(501,163,876)	(274,937,732)	(776,101,608)
Amortization for the year	<u>(234,135,850)</u>	<u>(504,460,723)</u>	<u>(738,596,573)</u>
Balance at end of year	<u>(735,299,726)</u>	<u>(779,398,455)</u>	<u>(1,514,698,181)</u>
Net carrying amount	<u>P 17,564,379,223</u>	<u>P 11,872,207,247</u>	<u>P 29,436,586,470</u>
January 1, 2019			
Cost	P 17,899,920,545	P 11,165,494,142	P 29,065,414,687
Accumulated amortization	<u>(501,163,876)</u>	<u>(274,937,732)</u>	<u>(776,101,608)</u>
Net carrying amount	<u>P 17,398,756,669</u>	<u>P 10,890,556,410</u>	<u>P 28,289,313,079</u>

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 P610.5 million and P684.6 million as at December 31, 2020 and 2019, respectively, at a capitalization rate of 4.99% to 9.69% in 2020 and 2019.

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, 2020, and 2019, concession assets not yet available for use amounted to P9,007.9 million and P8,670.7 million, respectively. The breakdown of concession assets not yet available for use are shown below.

	<u>2020</u>	<u>2019</u>
Capacity augmentation	P 7,881,311,850	P 7,350,467,193
Fuel hydrant	903,350,447	808,000,392
Link bridge	223,214,286	223,214,286
Variation order	<u>-</u>	<u>289,063,263</u>
	<u>P 9,007,876,583</u>	<u>P 8,670,745,134</u>

Concession assets not yet available for use are not amortized but tested for impairment at December 31, 2020 and 2019 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 19-year period, the remaining life of the concession. The pre-tax discount rate applied to cash flow projections is 12.3% and 10.9% as of December 31, 2020 and 2019. 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, 2020 and 2019 are shown below.

	Land [As Restated - See Note 2.1d]	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, 2020									
Cost	P 994,061,255	P 499,811,749	P 683,560,326	P 814,391,979	P 881,408,747	P 7,748,453,297	P 653,700,622	P 849,731,333	P13,125,119,308
Accumulated depreciation	<u>-</u>	<u>(127,375,631)</u>	<u>(276,713,333)</u>	<u>(574,332,343)</u>	<u>(582,525,580)</u>	<u>(3,825,473,738)</u>	<u>-</u>	<u>(241,350,359)</u>	<u>(5,627,770,984)</u>
Net carrying amount	<u>P 994,061,255</u>	<u>P 372,436,118</u>	<u>P 406,846,993</u>	<u>P 240,059,636</u>	<u>P 298,883,167</u>	<u>P3,922,979,559</u>	<u>P 653,700,622</u>	<u>P 608,380,974</u>	<u>P7,497,348,324</u>
December 31, 2019 –									
Cost	P 989,509,286	P 481,860,502	P 675,212,912	P722,955,234	P 813,691,664	P 7,584,937,751	P 164,766,976	P 701,317,660	P12,134,251,985
Accumulated depreciation	<u>-</u>	<u>(88,688,776)</u>	<u>(221,638,815)</u>	<u>(353,045,181)</u>	<u>(493,990,199)</u>	<u>(3,178,005,390)</u>	<u>-</u>	<u>(132,873,188)</u>	<u>(4,468,241,549)</u>
Net carrying amount	<u>P 989,509,286</u>	<u>P 393,171,726</u>	<u>P 453,574,097</u>	<u>P 369,910,053</u>	<u>P 319,701,465</u>	<u>P 4,406,932,361</u>	<u>P 164,766,976</u>	<u>P 568,444,472</u>	<u>P 7,666,010,436</u>
January 1, 2019									
Cost	P 703,175,409	P 283,116,297	P 549,726,531	P 541,034,388	P 700,901,288	P 5,832,197,808	P 150,907,111	P -	P 8,761,058,832
Accumulated depreciation	<u>-</u>	<u>(78,258,889)</u>	<u>(165,925,458)</u>	<u>(241,886,402)</u>	<u>(453,068,963)</u>	<u>(2,627,968,086)</u>	<u>-</u>	<u>-</u>	<u>(3,567,107,798)</u>
Net carrying amount	<u>P 703,175,409</u>	<u>P 204,857,408</u>	<u>P 383,801,073</u>	<u>P 299,147,986</u>	<u>P 247,832,325</u>	<u>P3,204,229,722</u>	<u>P 150,907,111</u>	<u>P -</u>	<u>P5,193,951,034</u>

A reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of 2020 and 2019 is shown below.

	Land [As Restated - See Note 2.1(d)]	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, 2020, net of accumulated depreciation									
As previously reported	P 1,291,654,461	P 393,171,726	P 453,574,097	P 369,910,053	P 319,701,465	P 4,406,932,361	P 164,766,976	P 568,444,472	P 7,968,155,611
Restatement	(302,145,175)	-	-	-	-	-	-	-	(302,145,175)
As restated	989,509,286	393,171,726	453,574,097	369,910,053	319,701,465	4,406,932,361	164,766,976	568,444,472	7,666,010,436
Additions	4,551,969	17,951,247	15,799,464	90,988,975	71,748,419	190,208,703	472,933,005	157,183,969	1,021,365,751
Disposal	-	-	-	(107,288)	(47,849)	(1,095,170)	-	(1,236,705)	(2,487,012)
Reclassification due to CIP Reversal	-	-	(9,021,062)	1,743,112	(3,803,589)	5,399,725	16,000,641	(10,530,827)	(212,000)
Depreciation charge for the year	-	(38,686,855)	(53,505,506)	(222,475,216)	(88,715,279)	(678,466,060)	-	(105,479,935)	(1,187,328,851)
Balance at December 31, 2020, net of accumulated depreciation	<u>P 994,061,255</u>	<u>P 372,436,118</u>	<u>P 406,846,993</u>	<u>P 240,059,636</u>	<u>P 298,883,167</u>	<u>P 3,922,979,559</u>	<u>P 653,700,622</u>	<u>P 608,380,974</u>	<u>P 7,497,348,324</u>
Balance at January 1, 2019, net of accumulated depreciation									
As previously reported	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 -	P 5,496,096,209
Restatement	(302,145,175)	-	-	-	-	-	-	-	(302,145,175)
As restated	703,175,409	204,857,408	383,801,073	299,147,986	247,832,325	3,204,229,722	150,907,111	-	5,193,951,034
Effect of adoption of PFRS 16	-	-	-	-	(43,014,177)	(134,891,630)	-	212,183,448	34,277,641
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	<u>P 989,509,286</u>	<u>P 393,171,726</u>	<u>P 453,574,097</u>	<u>P 369,910,053</u>	<u>P 319,701,465</u>	<u>P 4,406,932,361</u>	<u>P 164,766,976</u>	<u>P 568,444,472</u>	<u>P 7,666,010,436</u>

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 2020, 2019 and 2018, certain property, plant and equipment were sold for P4.3 million, P92.1 million and P30.1 million, respectively. As a result, the Group recognized gains amounting to P1.9 million, P9.6 million, and P2.9 million in 2020, 2019 and 2018, 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, 2020 and 2019, the gross carrying amounts of the Group's fully-depreciated property, plant and equipment that are still in use are P708.6 million and P596.1 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	2020	2019	2018
Contract costs	22.1	P 924,021,681	P 773,562,002	P 552,073,867
Cost of landport operations	22.3	104,800,106	56,627,495	-
Other operating expenses	23	158,507,064	130,351,293	82,184,444
		<u>P 1,187,328,851</u>	<u>P 960,540,790</u>	<u>P 634,258,311</u>

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 [As Restated - see Note 2.1(d)]	Commercial Area	Total
December 31, 2020			
Cost	P 502,509,171	P 3,767,853,349	P 4,270,362,520
Accumulated depreciation	<u>-</u>	<u>(149,468,155)</u>	<u>(149,468,155)</u>
Net carrying amount	<u>P 502,509,171</u>	<u>P 3,618,385,194</u>	<u>P 4,120,894,365</u>
December 31, 2019			
Cost	P 462,416,110	P 3,767,853,349	P 4,230,269,459
Accumulated depreciation	<u>-</u>	<u>(43,549,003)</u>	<u>(43,549,003)</u>
Net carrying amount	<u>P 462,416,110</u>	<u>P 3,724,304,346</u>	<u>P 4,186,720,456</u>
January 1, 2019			
Cost	P 437,755,175	P 3,322,105,588	P 3,759,860,763
Accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>
Net carrying amount	<u>P 437,755,175</u>	<u>P 3,322,105,588</u>	<u>P 3,759,860,763</u>

Investment properties account includes parcels of land that are not used by the Group for administrative and supply of goods or services of the business and only held for capital appreciation amounting to P502.5 million and P462.4 million as of December 31, 2020 and 2019, respectively. Based on management's assessment, the carrying amounts of these assets are fully recoverable, hence, no impairment loss is required in both years. The fair value these assets for 2020 and 2019 amounts to P1,859.5 million (see Note 33.6).

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 landport 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:

	<u>2020</u>	<u>2019</u>
Landport area (see Note 9)	P 510,141,518	P 510,141,518
Commercial area	<u>3,618,385,194</u>	<u>3,724,304,346</u>
	<u>P4,128,526,712</u>	<u>P4,234,445,864</u>

Costs incurred for the landport 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, costs incurred for the commercial area are presented as part of Investment Properties in the 2020 and 2019 consolidated statements 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.

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 [As Restated - see Note 2.1(d)]	Commercial Area	Total
Balance at January 1, 2020, net of accumulated depreciation and amortization	P 462,416,110	P 3,724,304,346	P 4,186,720,456
Additions	40,093,061	-	40,093,061
Depreciation and amortization charges for the year	-	(105,919,152)	(105,919,152)
Balance at December 31, 2020, net of accumulated depreciation and amortization	<u>P 502,509,171</u>	<u>P 3,618,385,194</u>	<u>P 4,120,894,365</u>
Balance at January 1, 2019, net of accumulated depreciation and amortization	P 437,755,175	P 3,322,105,588	P 3,759,860,763
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	<u>P 462,416,110</u>	<u>P 3,724,304,346</u>	<u>P 4,186,720,456</u>

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 consolidated statements 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.

	<u>Number of right-of-use assets leased</u>	<u>Range of remaining term</u>	<u>Number of average remaining lease term</u>	<u>Number of leases with extension options</u>	<u>Number of leases with options to purchase</u>	<u>Number of leases with termination options</u>
Transportation equipment	162	1 – 5 years	3 years	-	49	-
Precast and construction equipment	164	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, 2020 and 2019 and the movements during the period are shown below.

		<u>Precast and Construction Equipment</u>	<u>Transportation Equipment</u>	<u>Total</u>
Balance as of January 1, 2020	P	376,631,729	P 191,812,743	P 568,444,472
Additions		121,647,007	35,536,960	157,183,967
Disposals		-	(1,236,701)	(1,236,701)
Reclassification	(	6,727,240)	(3,803,589)	(10,530,829)
Depreciation and amortization	(	51,127,125)	(56,352,810)	(107,479,935)
Balance at December 31, 2020	P	<u>440,424,371</u>	<u>165,956,603</u>	<u>606,380,974</u>
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 December 31, 2019	P	<u>376,631,729</u>	P <u>191,812,743</u>	P <u>568,444,472</u>

16.2 *Lease Liabilities*

Lease liabilities are presented in the consolidated statements of financial position as part of Interest-bearing Loans and Borrowings (see Note 18) as at December 31, 2020 and 2019 as follows:

	<u>2020</u>	<u>2019</u>
Current	P 195,172,595	P 139,443,656
Non-current	<u>337,495,382</u>	<u>334,907,047</u>
	<u>P 532,667,977</u>	P <u>474,350,703</u>

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, 2020, and 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 pertaining to short-term leases and low-value assets amounted to P30.1 million and P47.4 million in 2020 and 2019, respectively, and is presented as Rentals as part of Administrative expenses under Other Operating Expenses (Income) in the consolidated statements 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 P172.0 million and P115.3 million in 2020 and 2019, respectively, and is presented as part of Repayment of interest-bearing loans and borrowings in the statement of cash flows. Interest expense in relation to lease liabilities amounted to P36.1 million and P22.1 million in 2020 and 2019, respectively, and is presented as part of Finance costs under Finance Income (Costs) in the consolidated statements of income (see Note 25.1).

The lease liabilities are secured by the related underlying assets. The maturity analysis of lease liabilities at December 31, 2020 and 2019 is as follows:

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Total
<i>December 31, 2020</i>						
Lease payments	P 232,933,013	P 192,140,869	P 115,203,419	P 57,409,144	P 8,266,159	P 605,952,604
Finance charges	(37,760,418)	(22,308,392)	(10,165,774)	(2,843,661)	(206,382)	(73,284,627)
Net present value	<u>P 195,172,595</u>	<u>P 169,832,477</u>	<u>P 105,037,645</u>	<u>P 54,565,483</u>	<u>P 8,059,777</u>	<u>P 532,667,977</u>
<i>December 31, 2019</i>						
Lease payments	P 173,754,977	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	<u>P 139,443,656</u>	<u>P 131,703,773</u>	<u>P 105,084,152</u>	<u>P 65,342,696</u>	<u>P 32,776,426</u>	<u>P 474,350,703</u>

17. TRADE AND OTHER PAYABLES

This account consists of the following:

	Notes	2020	2019
Trade payables		P 4,002,239,479	P 3,954,928,198
Retention payable		2,195,156,203	2,166,300,006
Interest payable	18	920,315,247	119,628,207
Accrued expenses		749,582,769	1,235,331,916
Derivative liability	7	121,895,954	78,552,254
Security deposits	20	119,723,716	149,921,652
Due to related parties	28.5	20,000,000	20,000,000
Dividends payables	27.2	-	239,937,858
Non-trade payables	27.4	-	25,000,000
Others		<u>163,037,855</u>	<u>177,989,354</u>
		<u>P 8,291,951,223</u>	<u>P 8,167,589,445</u>

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 pertain to dividends payable to non-controlling interests. Dividends payables relate solely to the dividends declared by the Parent Company.

Accrued expenses include mainly unpaid utilities.

Others include accrued salaries 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	<u>2020</u>	<u>2019</u>
Current:			
Bank loans	18.2, 29.4	P 12,915,285,156	P 10,791,617,597
Notes payable	18.1, 29.4	-	3,750,000,000
Lease liability	16.2	<u>195,172,595</u>	<u>139,443,656</u>
		<u>13,110,457,751</u>	<u>14,681,061,253</u>
Non-current:			
Bank loans	18.2, 29.4	26,881,620,942	27,634,014,387
Notes payable	18.1, 29.4	5,590,791,232	5,102,929,990
Lease liability	16.2	<u>337,495,382</u>	<u>334,907,047</u>
		<u>32,809,907,556</u>	<u>33,071,851,424</u>
		<u>P 45,920,365,307</u>	<u>P 47,752,912,677</u>

The total unpaid interest from the foregoing interest-bearing loans and borrowings as of December 31, 2020 and 2019 amounted to P920.3 million and P119.6 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, current portion of Notes Payables pertains to 50% share in loans availed by MGCJVI. On March 22, 2018, MGCJVI entered into a P7.5 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 were used to partially finance the capital expenditures and costs in relation to the Project. The loans were paid in full in 2020 upon receipt of project milestone billings.

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.

<u>Principal Repayment Schedule</u>	<u>Milestone payment from BCDA - at 100% (in Bn)</u>	<u>Principal repayment of the Loan amount</u>
First	P5.58	85% of milestone payment
Second	1.66	100% of milestone payment
Third	2.12	remaining balance of loan

- 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 nil in 2020.

MGCJVI has complied with all the debt covenants set forth in the notes facility agreement.

(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:

	<u>Principal</u>	<u>Term in Years</u>	<u>Interest Rate</u>
Tranche A	P 650,000,000	5	5%
Tranche B	3,250,000,000	7	6%
Tranche C	<u>100,000,000</u>	10	6%
	<u>P 4,000,000,000</u>		

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.

Tranche A has matured already, leaving tranche B and C outstanding, with a carrying value of P3,162.9 million as at December 31, 2019. In 2020, Tranche B has matured already, leaving tranche C outstanding with a carrying value of P70.8 million as at December 31, 2020.

(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:

<u>Date Issued</u>	<u>Principal</u>	<u>Term in years</u>	<u>Interest Rate</u>
September 16, 2016	P 650,000,000	10	5.5%
December 5, 2016	350,000,000	10	6.37%
December 16, 2016	<u>1,000,000,000</u>	10	6.37%
	<u>P 2,000,000,000</u>		

These 10-year corporate notes bear an interest rate based on the closing per annum rates of a ten (10)-year PDST-R2 rate on the PDS Group website plus a certain spread. 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,
It will not voluntarily suspend or discontinue its entire or a substantial portion of its business operation.

All of the three tranches of the second corporate note remained outstanding, with a carrying value of P1,920.0 million and P1,940.0 million as at December 31, 2020 and 2019, respectively. The whole carrying amount is presented under non-current portion of notes payable.

The Parent Company has complied with all the debt covenants set forth in the notes facility agreement.

(d) 2020 Various Notes Facility

On February 19, 2020, the Parent Company signed a P5,000.0 million corporate note facility, the proceeds of which will be used by the Parent Company to (a) retire maturing debt obligations, (b) to fund growth projects, and (c) for general corporate purposes.

The notes constitute direct, unconditional, unsubordinated, general and unsecured obligation ranking at least pari passu with all other present and future direct, unconditional, unsubordinated and unsecured obligations of the Company.

The notes will be issued in five tranches as follows:

	<u>Principal</u>
Tranche A	P 3,600,000,000
Tranche B	350,000,000
Tranche C	350,000,000
Tranche D	350,000,000
Tranche E	<u>350,000,000</u>
	<u>P 5,000,000,000</u>

These 4.5-year corporate notes bear an interest rate based on the closing per annum rates of a 4.5-year PHP BVAL reference rate on the PDS Group website plus a certain spread, subject to a floor rate of 5%. The Company has to maintain a debt-to-equity ratio of not more than 2.33 and a debt service coverage ratio of at least 1.10. Debt pertains to all interest-bearing loans and borrowing.

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 70:30 is maintained. Debt pertains to all interest-bearing loans and borrowing.;
- 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) purchase or repurchase the indebtedness, or assume, guarantee, endorse, or otherwise become directly contingently liable for or in connection with any person (other than to its subsidiaries or affiliates, or financing or guarantees for the direct or indirect purchase or sale of the assets of Company, its subsidiaries or affiliates).
- 9) voluntarily suspend its business operations in a manner that will result in a material adverse effect;

- 10) 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 Company, 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; permit its financial debt to equity ratio to exceed 70:30 nor permit its debt service coverage ratio to fall below 1.10x. Debt pertains to all interest-bearing loans and borrowing; and, voluntarily prepay any indebtedness.

In 2020, the Parent Company made its first drawdown on its third unsecured corporate note amounting to P3,600.0 million and remained outstanding as at December 31, 2020.

As of December 31, 2020 and 2019, the carrying amount of all the corporate notes are P5,590.8 million and P8,852.9 million, respectively.

Total interest on these notes payable amounted to P338.1 million, P304.8 million and P341.7 million in 2020, 2019 and 2018, 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, 2020 and 2019 amounting to P31.3 million and P29.8 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, 2020 and 2019.

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 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, 2020, the carrying amount of the total onshore and offshore loans amounted to P23,863.9 million, of which current and non-current portion are P823.8 million and P23,040.1 million, respectively. 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.

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, 2020, the carrying amount of the total onshore and offshore loans amounted to P23,863.9 million, of which current and non-current portion are P823.8 million and P23,040.1 million, respectively. 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.

The facility has a term of 15 years, the repayment of which starts in 2019 and shall continue every year thereafter until 2030; and, interest requirements that are payable annually based on the following:

	<u>First 7 Years</u>	<u>Last 8 Years</u>
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 pledged 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, 2020 and 2019, the carrying amount of the assets pledged, in the form of a trust fund investment, as collateral amounted to P401.5 million and P862.7 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, GMCAC has complied with the financial and non-financial covenants. However, as at December 31, 2020, the Company has debt-to-equity ratio of 68:32 and DSCR of 0.09, therefore unable to comply with the financial covenants. GMCAC, therefore, made negotiations as more fully discussed in the succeeding paragraphs.

GMCAC has availed of the following reliefs and renegotiated the terms of its existing loan agreements with its lenders as follows:

- Deferment of the Principal and Interest Payments due on June 15, 2020 and December 15, 2020

Pursuant to Schedule V of the OLSA, GMCAC has principal and interest payable due on June 15, 2020, with the principal payable equivalent to 1% of total loan and with the interest accrued payable covering the period from December 15, 2019 to June 15, 2020. On May 29, 2020, GMCAC requested from the Lenders through a formal letter request, for the deferment of the principal and interest that will fall due on June 15, 2020 to July 15, 2020 or a 30-day grace period, citing as basis the provisions of Bayanihan to Heal as One Act (the "Bayanihan Act"). On June 11, 2020, GMCAC received a reply from the Lenders unanimously approving the 30-day grace period for principal and interest, of which interest on the outstanding principal shall continue to accrue during the 30-day grace period.

GMCAC subsequently requested to further defer the payment of principal and interest for another 30 days, resulting to a further extended due date of August 14, 2020. On August 13, 2020, GMCAC requested for deferment of principal and interest due to at least September 15, 2020, or as agreed with Lenders. On September 15, 2020, the said principal and interest due were paid by GMCAC. Additional interest on the principal and interest due, accruing from June 15 to September 15, 2020, were also paid.

Pursuant to Schedule V of the OLSA, GMCAC has principal and interest payable due on December 15, 2020, with the principal payable equivalent to 1% of total loan and with the interest accrued payable covering the period from June 16, 2020 to December 15, 2020. On December 11, 2020, GMCAC requested from the Lenders through a formal letter request, for the deferment of the principal and interest that will fall due on December 15, 2020 to February 15, 2021. On December 15, 2020, GMCAC received a reply from the Lenders unanimously approving the deferment for principal and interest, of which interest on the outstanding principal shall continue to accrue until February 15, 2021, as if such date were an interest payment date.

On a letter dated February 14, 2021, GMCAC requested for further extension of payment date from February 15, 2021 to March 31, 2021. Interest on the outstanding principal shall continue to accrue until March 31, 2021, as if such date were an interest payment date and the current interest period shall be extended, and the succeeding interest period shall be shortened accordingly. The Lenders approved the request on February 15, 2021.

- Renegotiation of the terms of the OLSA

On April 20, 2020, GMCAC has sent notification to the Lenders requesting for the relaxation of debt to equity ratio requirement, waiver on any breach to the maintenance of DSCR until 2022, and change in composition of DSCR computation, to take into account the expected temporary decline of cash flows related to the COVID-19 pandemic.

GMCAC has sent a revised notification to the Lenders requesting for the amendment of the terms of the OLSA which includes new principal and interest repayment schedules, additional interest due, required equity contribution by the stockholders, waiver on the breach to the maintenance of DSCR and revision of debt to equity ratio from 70:30 to 75:25, among others. As at April 8, 2021, GMCAC and the Lenders are completing the documentation and Management is confident that the agreement will be finalized by 2021.

The covenant ratios provide comfort to lenders that GMCAC has the capacity to service its obligations. On the other hand, such ratios may trigger an event of default, under the terms of the OLSA, if a written notice from Lenders is received by GMCAC indicating under performance from such ratios. Moreover, a succeeding written notice is further issued, declaring any unpaid principal and interest to be immediately demandable, if such under performance remain outstanding after 30 days upon receipt of the initial notice from the Lenders.

As of April 8, 2021, GMCAC has not yet received any written demands or notices from the Lenders which can be the basis for the loan to be classified as current. As such, the total carrying value of bank loans of GMCAC amounting to P23,040.1 million as at December 31, 2020 is still presented under the non-current portion of bank loans.

Based on GMCAC's assessment, the deferment of the principal and interest payments due on June 15, 2020 and December 15, 2020, constitute modifications in the contractual cash flows but is not substantial and therefore do not result in the derecognition of the affected financial liabilities.

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).

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 movements of debt issuance cost relating to drawn amounts follows:

	<u>2020</u>	<u>2019</u>
Balance at the beginning of the year	P 266,359,488	P 293,695,919
Additions	-	3,411,467
Amortization during the year	(<u>25,694,865</u>)	(<u>30,747,898</u>)
Balance at the end of the year	<u>P 240,664,623</u>	<u>P 266,359,488</u>

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 P1,050.7 million, P946.2 million and P552.9 million in 2020, 2019 and 2018, 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 P834.1 million and P71.2 million as of December 31, 2020 and 2019, 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 uncanceled 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, 2020 and 2019, GMCAC recognized P121.9 million and P78.6 million derivative liability arising from this interest rate swap transaction (see Note 17).

(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%, and 6.89% in 2020, 2019, and 2018, respectively.

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.

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 confirmed by one of the Bank's officers. MWMTI was also able to increase its credit line and drawdown and has been up to date in servicing of its loan. In addition, it has not received any written notice from the bank that the loan is already due and demandable, as required in the loan agreement to classify the loan as current as of the date of the issuance of the 2019 consolidated financial statements. Hence the loan was classified as non-current as of December 31, 2019. In 2020, MWMTI has already complied with affirmative and negative covenants indicated in the OLSA.

Total interest expense on these loans, including the amortization of debt issue costs, amounted to P173.5 million and P112.5 million in 2020 and 2019, respectively, and is presented as part of Interest expense from bank loans under Finance costs under Other Income (Charges) account in the 2020 and 2019 consolidated statements of income (see Note 25.1). Total accrued interest amounting to P17.5 million and P22.1 million as of December 31, 2020 and 2019, respectively, is presented as part of Interest payable under Trade and Other Payables in the consolidated statements of financial position (see Note 17).

The total carrying value of bank loans of MWMTI as of December 31, 2020 amounting to P59.0 million and P3,841.5 million are presented under the current and non-current portion, respectively, of bank loans. As of December, 31,2019, the carrying amount amounting to P3,900.0 million is presented under the non-current portion of bank loans.

Other Bank Loans

In addition, the Group also obtained various bank loans with total outstanding balance of P12,032.9 million and P10,247.7 million as of December 31, 2020 and 2019, respectively, representing unsecured short-term loans from other local banks. The loans bear fixed annual interest rates ranging from 5.10% to 7.5% in 2020, 5.13% to 7.0% in 2019 and 2.6% to 2.8% in 2018. Total interest on these bank loans amounted to P624.4 million, P629.9 million and P160.9 million in 2020, 2019 and 2018, 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 P37.4 million and P18.7 million as of December 31, 2020 and 2019, 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 P12,032.9 million and P10,247.7 million as at December 31, 2020 and 2019, respectively, are presented under the current portion of bank loans.

(c) Finance Cost, Events of Default and Covenant Compliance

Total interest on interest bearing loans and borrowings amounted to P338.1 million, P304.8 million and P341.7 million in 2020, 2019 and 2018, respectively, and is presented as Interest expense from notes payable under Finance Costs account in the statements of income (see Note 25.1). Unpaid interest as of December 31, 2020 and 2019 amounting to P31.3 million and P29.8 million, respectively, and is presented as Interest payable under Trade and Other Payables account in the statements of financial position (see Note 17).

The Group is in compliance with all other covenants required to be observed under the loan facility agreements, except for GMCAC which breached the loan covenant during 2020, however retains its loan to non-current, due to on-going negotiation with their syndicated loan with the banks. Also, MWMTI failed to comply with the covenants from the loan facility but retains the loan to non-current classification due to the absence of notice from the bank of a demand which is provided in the loan agreement to constitute reclassification of loan to current.

In the event of a default, the loan and all interest accrued and unpaid shall be due and payable as instructed by the facility agent and all declared commitments terminated, then the Security Trustee and the Lenders may foreclose upon any of the Security pursuant to the terms of the Agreement and the proceeds of any sale, disposition or other realization or foreclosure shall be paid to the loan distributed in the manner stated in the Agreement.

Events of default constitutes default on loan payment due and payable, except due to technical or administrative error, material misrepresentation, non-remediable violation of the covenants in the Loan Document, revocation of the project documents, cross default, failure to observe material obligations in the Project Documents or it becomes unlawful resulting to a material adverse effect, suspension, insolvency, payment of decree or writ of garnishment, the assigned assets are substantially impaired or seized and any event resulting in a material adverse effect.

19. CONTRACT LIABILITIES

The significant changes in the contract liability balances during the reporting periods are as follows:

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	P 4,931,269,957	P4,670,482,671
Increase due to billings excluding amount recognized as revenue during the year	1,604,069,732	3,931,138,000
Revenue recognized that was included in contract liability at the beginning of the year	(2,049,952,403)	(3,765,451,114)
Effect of financing component	<u>108,542,815</u>	<u>95,100,400</u>
Balance at end of year	<u>P 4,593,930,101</u>	<u>P 4,931,269,957</u>

20. OTHER LIABILITIES

The details of this account are as follows:

	<u>2020</u>	<u>2019</u>
Current:		
Deferred output VAT	P 82,996,745	P 70,994,272
Withholding taxes	54,023,865	80,913,142
Deferred revenue	13,284,012	12,147,113
Others	<u>67,872,873</u>	<u>56,007,237</u>
	<u>P 218,177,495</u>	<u>P 220,061,764</u>
Non-current:		
Security deposits	P 464,587,591	P 586,498,441
Unearned rent income	<u>187,038,088</u>	<u>154,643,665</u>
	<u>P 651,625,679</u>	<u>P 741,142,106</u>

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, 2020 and 2019, security deposits pertain mainly to the amounts received from lessees in relation to GMCAC's airport operations. In 2019, the Group received additional security deposits upon full operations of MWMTT's PITX. These deposits on lease agreements will be refunded at the end of the lease terms, which ranges from one to eight years. The resulting day one loss from discounting security deposits amounting to P0.05 million in 2020 and day one gain amounting to P79.2 million in 2019 are presented as part of finance income in statements of comprehensive income (see Note 25.2). Interest expense, arising from the unwinding of discount on these deposits, amounted to P40.7 million and P2.2 million in 2020 and 2019, respectively, is presented as accretion of security deposits under Finance Costs in the statements of comprehensive income (see Note 25.1)

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 are 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
2020:						
Construction operations	21.1					
Contract revenues	P	-	P 10,424,370,239	P -	P10,424,370,239	P 10,424,370,239
Sale of precast		-	328,824,112	328,824,112	-	328,824,112
Sale of ready mix concrete		-	15,546,847	15,546,847	-	15,546,847
Equipment rental		-	73,458,747	73,458,747	-	73,458,747
		-	10,842,199,945	417,829,706	10,424,370,239	10,842,199,945
Airport operations:	21.2					
Aeronautical revenues		-	487,465,797	487,465,797	-	487,465,797
Aero related revenues		-	131,628,599	131,628,599	-	131,628,599
Non-aero related revenues		-	489,573,319	489,573,319	-	489,573,319
		-	1,108,667,715	1,108,667,715	-	1,108,667,715
Trading operations:	21.4					
Food revenues		40,763,655	-	40,763,655	-	40,763,655
Non-food revenues		29,181,187	-	29,181,187	-	29,181,187
		69,944,842	-	69,944,842	-	69,944,842
Landport operations	21.3					
Rental revenue – effect of straight-line method		-	141,759,518	-	141,759,518	141,759,518
Rental revenue – per contract		-	759,069,445	-	759,069,445	759,069,445
Construction revenue		-	1,585,000	-	1,585,000	1,585,000
		-	902,413,963	-	902,413,963	902,413,963
		P 69,944,842	P12,853,281,623	P1,596,442,263	P11,326,784,202	P 12,923,226,465
2019:						
Construction operations	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
		48,707,959	15,260,361,424	907,177,612	14,401,891,771	15,309,069,383
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
		-	3,691,112,459	3,691,112,459	-	3,691,112,459
Trading operations:	21.4					
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
		326,221,179	-	361,221,279	-	326,221,179
Landport operations	21.3					
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
		-	555,401,827	-	555,401,827	555,401,827
		P 374,929,138	P19,506,875,710	P4,959,511,350	P14,957,293,598	P 19,881,804,848

	Note	Point in time	Over time	Short-term	Long-term	Total
2018:						
Construction operations	21.1					
Contract revenues		P -	P 12,381,076,732	P -	P 12,381,076,732	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
Equipment rental		-	157,368,150	157,368,150	-	157,368,150
		<u>13,479,829</u>	<u>12,832,350,531</u>	<u>464,753,628</u>	<u>12,381,076,732</u>	<u>12,845,830,360</u>
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
		<u>-</u>	<u>2,995,981,030</u>	<u>2,995,981,030</u>	<u>-</u>	<u>2,995,981,030</u>
Trading operations:	21.4					
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
		<u>289,894,795</u>	<u>-</u>	<u>-</u>	<u>289,894,795</u>	<u>289,894,795</u>
Landport operations	21.3					
		<u>-</u>	<u>17,653,392</u>	<u>-</u>	<u>17,653,392</u>	<u>17,653,392</u>
		<u>P 303,374,624</u>	<u>P 15,688,616,803</u>	<u>P 3,303,366,508</u>	<u>P 12,688,624,919</u>	<u>P 15,991,991,427</u>

21.1 Construction Operation Revenues

The details of this account for the years ended December 31, 2020, 2019 and 2018 are composed of the revenues from:

	2020	2019	2018
Contracts in progress	P 9,821,566,592	P 15,140,197,972	P 12,254,954,833
Completed contracts	1,020,633,353	168,871,411	590,875,527
	<u>P 10,842,199,945</u>	<u>P 15,309,069,383</u>	<u>P 12,845,830,360</u>

About 8%, 7%, and 3% of the contract revenues for 2020, 2019 and 2018, respectively, were earned from contracts with an associate and certain related party under common ownership (see Note 28.1).

21.2 Airport Operations Revenues

The details of this account are composed of the revenues from:

Note	2020	2019	2018
Aeronautical	P 487,465,797	P 2,017,492,164	P 1,654,502,111
Concession	175,215,890	606,495,158	506,752,023
Rental	29.1 140,209,403	514,492,251	445,114,709
Others	305,776,625	552,632,886	389,612,187
	<u>P 1,108,667,715</u>	<u>P 3,691,112,459</u>	<u>P 2,995,981,030</u>

Others include non-aero related services like taxi and bus ticket collection, service charges, advertising license and fees, and the likes.

21.3 Landport Operations Revenue

The PITX Project undertaken by the Group with the DOTr gives the Group the control over the landport 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 landport 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 December 31, 2020 and 2019.

The details of landport operations revenue for the years ended December 31, 2020, 2019 and 2018 are composed of the revenues from:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Rental revenue – per contract	P 759,069,445	P 146,237,035	P -
Rental revenue – effect of straight-line method	141,759,518	382,476,437	-
Construction revenue	<u>1,585,000</u>	<u>26,688,355</u>	<u>17,653,392</u>
	<u>P 902,413,963</u>	<u>P 555,401,827</u>	<u>P 17,653,392</u>

21.4 Trading Operations Revenue

The details of this account for the years ended December 31, 2020, 2019 and 2018 are as follow:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Sale of food	P 40,763,655	P 143,559,337	P 142,792,131
Sale of non-food items	29,181,187	112,473,557	45,193,644
Consignment	<u>-</u>	<u>70,188,285</u>	<u>101,909,020</u>
	<u>P 69,944,842</u>	<u>P 326,221,179</u>	<u>P 289,894,795</u>

22. DIRECT COSTS

22.1 Cost of Construction Operations

The following is the breakdown of this account for the years ended December 31:

	<u>Notes</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Materials		P 3,589,871,892	P 5,522,579,742	P 3,918,321,688
Outside services		3,183,737,819	4,731,572,291	4,273,853,758
Salaries and employee benefits	24.1	1,243,034,290	1,424,719,436	1,019,472,422
Depreciation	14	924,021,681	773,562,002	552,073,867
Project overhead		<u>452,881,087</u>	<u>839,364,144</u>	<u>1,020,454,120</u>
	23	<u>P 9,393,546,769</u>	<u>P 13,291,797,615</u>	<u>P 10,784,175,855</u>

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	2020	2019	2018
Amortization of concession asset	13	P 163,497,064	P 738,596,573	P 380,194,399
Utilities		130,674,364	268,586,765	194,614,309
Outside services		74,646,023	147,038,962	114,570,441
Repairs and maintenance		97,065,819	133,298,432	62,582,204
Salaries and employee benefits	24.1	53,714,354	65,635,177	52,363,844
Insurance		33,841,627	33,414,799	27,171,465
Technical service charge		31,219,996	29,567,996	26,617,230
Airline collection charges	23	20,278,680	44,826,143	28,667,430
Airport operator's fee	23, 29.3.1(b)	14,264,771	47,585,582	38,774,762
Others		<u>15,504,634</u>	<u>28,066,432</u>	<u>16,273,769</u>
	23	<u>P 634,707,332</u>	<u>P 1,536,616,861</u>	<u>P 941,829,853</u>

22.3 Cost of Landport Operations

For 2020, 2019 and 2018, the following is the breakdown of cost of landport operations:

	Notes	2020	2019	2018
Depreciation and amortization	14, 23	P 210,719,258	P 100,176,498	P -
Terminal costs	14	132,919,417	176,099,593	-
Construction cost		1,585,000	26,688,354	17,653,392
Others		<u>10,671,844</u>	<u>31,190,581</u>	<u>-</u>
	23	<u>P 355,895,519</u>	<u>P 334,155,026</u>	<u>P 17,653,392</u>

22.4 Costs of Trading Operations

The following is the breakdown of cost of airport merchandising operations for the years ended December 31, 2020, 2019, and 2018:

	Note	2020	2019	2018
Cost of goods sold:				
Food		P 12,902,173	P 37,059,400	P 40,586,331
Non-food		8,442,905	16,474,013	29,820,697
Consignment		-	34,367,114	-
Spoilage and pilferages		-	348,442	11,163
Purchase discounts		(384,711)	(34,705)	(59,931)
	23	<u>P 20,960,367</u>	<u>P 88,214,264</u>	<u>P 70,358,260</u>

23. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature are shown below.

	<u>Notes</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Materials, supplies and facilities		P 3,599,452,974	P 5,551,240,778	P3,686,294,789
Outside services		3,374,009,996	5,273,914,333	4,686,645,439
Salaries and employee benefits	24.1	1,854,709,508	1,991,316,155	1,477,935,003
Depreciation and amortization	12.5, 13, 14, 15	1,473,642,618	1,757,625,213	1,023,451,211
Project overhead		452,881,087	866,052,497	1,038,107,512
Taxes and licenses		366,303,578	276,163,672	60,664,159
Utilities		192,945,464	363,250,340	229,536,350
Repairs and maintenance		137,452,380	195,120,440	80,495,117
Professional fees		127,678,354	146,976,840	63,943,006
Insurance		46,694,512	46,861,446	26,681,266
Rentals	16.3, 28.2, 29.1.1	30,137,601	47,439,832	40,656,518
Travel and transportation		28,713,738	48,771,300	23,285,952
Impairment losses on receivables	6	27,289,069	38,591	305,839,093
Airline collection charges	22.2	20,278,680	44,826,143	28,667,430
Cost of trading operation	22.4	20,960,367	88,214,264	70,358,260
Selling expense		17,482,839	85,147,602	73,730,322
Airport operator's fee	22.2, 29.3.1(b)	14,264,771	47,585,582	38,774,762
Representation		13,839,364	30,074,308	15,756,881
Advertising		9,114,956	56,363,309	19,467,781
Security services		4,821,098	3,437,271	8,278,781
Gas and oil		1,040,848	859,601	1,180,339
Miscellaneous		127,102,869	156,670,229	93,921,889
		<u>P 11,940,816,671</u>	<u>P17,077,949,746</u>	<u>P13,093,671,860</u>

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:

	Note	2020	2019	2018
Cost of construction operations	22.1	P 9,393,546,769	P13,291,797,615	P10,784,175,855
Costs of airport operations	22.2	634,707,332	1,536,616,861	941,829,853
Cost of landport operations	22.3	355,895,519	334,155,026	17,653,392
Costs of airport trading operations	22.4	20,960,367	88,214,264	70,358,260
Other operating expenses		<u>1,535,706,684</u>	<u>1,827,165,980</u>	<u>1,279,654,500</u>
		<u>P 11,940,816,671</u>	<u>P17,077,949,746</u>	<u>P13,093,671,860</u>

24. POST-EMPLOYMENT DEFINED BENEFIT OBLIGATION

24.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are presented below.

	Notes	2020	2019	2018
Short-term employee benefits		P 1,789,849,973	P1,954,902,308	P1,443,324,841
Post-employment benefit	24.2	<u>64,859,535</u>	<u>36,413,847</u>	<u>34,610,162</u>
	23	<u>P 1,854,709,508</u>	<u>P1,991,316,155</u>	<u>P1,477,935,003</u>

The expenses are allocated in the consolidated statements of income as follows:

	Notes	2020	2019	2018
Contract costs	22.1	P 1,243,034,290	P1,424,719,436	P1,019,472,422
Costs of airport operations	22.2	53,714,354	65,635,177	52,363,844
Other operating expenses		<u>557,960,864</u>	<u>500,961,542</u>	<u>406,098,737</u>
	23	<u>P 1,854,709,508</u>	<u>P1,991,316,155</u>	<u>P1,477,935,003</u>

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 2020, 2019 and 2018.

The amounts of post-employment DBO in the consolidated statements of financial position are determined as follows:

	<u>2020</u>	<u>2019</u>
Present value of the DBO	P 348,036,884	P 344,592,331
Fair value of plan assets	(4,634,679)	(4,384,701)
	<u>P 343,402,205</u>	<u>P 340,207,630</u>

The movements in the present value of the DBO are as follows:

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	P 344,592,331	P 180,733,570
Current service cost	64,859,535	36,413,847
Interest cost	17,891,726	12,772,283
Benefits paid directly from book reserve	(1,785,008)	(153,459)
Remeasurement/actuarial losses (gains) arising from:		
Experience adjustments	(65,494,335)	10,329,077
Changes in financial assumptions	(8,729,618)	104,497,013
Changes in demographic assumptions	(3,297,747)	-
Balance at end of year	<u>P 348,036,884</u>	<u>P 344,592,331</u>

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.

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	P 4,384,701	P 3,934,974
Interest income	228,443	295,909
Return on plan assets (excluding amounts included in net interest)	21,535	153,818
Balance at end of year	<u>P 4,634,679</u>	<u>P 4,384,701</u>

The plan assets as of December 31, 2020 and 2019 consist mainly of the Unit Investment Trust Fund (UITF) amounting to P4.6 million and P4.4 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 P0.25 million and P0.45 million in 2020 and 2019 respectively, and actual loss on plan assets amounted to P0.04 million in 2018.

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)]:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>Recognized in consolidated profit or loss:</i>			
Current service cost	P 64,859,535	P 36,413,847	P 34,610,162
Net interest expense	<u>17,663,283</u>	<u>12,476,374</u>	<u>9,884,306</u>
	<u>P 82,522,818</u>	<u>P 48,890,221</u>	<u>P 44,494,468</u>
<i>Recognized in consolidated other comprehensive income (loss):</i>			
Actuarial gains (losses) arising from:			
Experience adjustments	P 65,494,335	(P 10,329,077)	(P 20,082,761)
Changes in financial assumptions	8,729,618	(104,497,013)	60,160,684
Changes in demographic assumptions	3,297,747	-	1,155,807
Return on plan assets (excluding amounts included in net interest)	<u>21,535</u>	<u>153,818</u>	<u>(271,645)</u>
	<u>P 77,543,235</u>	<u>(P 114,672,272)</u>	<u>P 40,962,085</u>

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:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Discount rate	3.95%	5.20%	7.62%
Expected return on plan assets	5.00%	5.00%	5.00%
Employee turn-over rate	3.00%	3.00%	3.00%
Salary increase rate	4.50%	6.00%	6.00%

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 24 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 and if the return on plan asset falls below this rate, it will create a deficit in the plan. As of December 31, 2020, and 2019, 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		
	<u>Change in Assumption</u>	<u>Increase in Assumption</u>	<u>Decrease in Assumption</u>
2020:			
Discount rate	+/- 1%	(P 46,651,074)	P 56,964,885
Salary growth rate	+/- 1%	56,040,280	(46,744,083)
2019:			
Discount rate	+/- 1%	(P 48,502,483)	(P 59,729,362)
Salary growth rate	+/- 1%	58,622,237	(48,589,911)

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:

	<u>2020</u>	<u>2019</u>
More than 1 year to 5 years	P 44,463,455	P 53,612,047
More than 5 years to 10 years	<u>109,802,351</u>	<u>122,066,472</u>
	<u>P 154,265,806</u>	<u>P 175,678,519</u>

The weighted average duration of the DBO at the end of the reporting period is 16.1 years.

25. OTHER INCOME (CHARGES)

25.1 Finance Costs

The breakdown of this account in is as follows:

	Notes	2020	2019	2018
Interest expense from:				
Bank loans	18.2	P 1,848,485,140	P 1,696,106,457	P 717,968,215
Notes payable	18.1	338,071,478	304,778,086	341,717,197
Lease liability	16.2	36,104,890	22,133,682	10,987,097
Accretion of security deposit	20, 25.2	40,688,625	2,164,623	-
		2,263,350,133	2,025,182,848	1,070,672,509
Finance cost – PFRS 15	19	221,797,799	258,346,364	104,906,299
Interest expense on retirement obligation – net	24.2	17,663,283	12,476,374	9,884,306
Bank charges		3,933,999	9,501,226	4,381,750
Foreign currency losses – net		-	3,420,967	135,378,464
Loss on fair value changes at FVOCI (previously AFS financial assets)	10	-	-	8,203,815
		P 2,506,745,214	P 2,308,927,779	P 1,333,427,143

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	2020	2019	2018
Interest income from:				
Advances to related parties	28.4	P 433,125,000	P 441,000,000	P 70,429,966
Cash in banks	5	39,741,791	105,406,640	41,520,356
Short-term placements	5	18,194,897	5,152,906	36,258,500
Financial assets at FVTPL	7	-	-	72,389,335
Foreign currency gains – net	18.2(a)	203,569,550	137,098,221	-
Day one gain	20	-	79,180,145	-
Other finance income		145,734	-	-
		P 694,776,972	P 767,837,912	P 220,598,157

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 is a result of a discounting the nominal amount of security deposits to its present value at initial recognition of an instrument. Subsequently, this is amortized as interest expense with corresponding credit to the security deposit account. The day one gain amounting to P79.2 million in 2019 pertains to security deposits collected from leases recorded by MWMTI at amortized cost using effective interest method [See Note 20].

25.3 Others – Net

This consists of the following:

	<u>Notes</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Common usage				
service area charges		P 109,477,445	P 34,506,436	P -
Utility recoveries		81,823,643	4,926,560	-
Unrealized gain (loss)				
on interest rate swap	7	(43,343,700)	(104,842,394)	45,218,078
Equity in net profit				
(losses)of associates	11.1,			
and joint venture	11.3	(30,310,569)	32,674,443	10,209,371
Consultancy fee		29,603,415	102,906,182	-
Penalties and charges		8,208,087	5,567	-
Gain on disposals				
of property				
and equipment	14	1,874,270	9,603,796	2,876,025
Income from				
scrap sales	8	1,682,895	7,294,766	3,369,824
Gain on bargain				
purchase	15	-	-	307,365,622
Others	11.2, 28.2	60,733,886	85,396,945	75,120,679
		<u>P 219,749,372</u>	<u>P 172,472,301</u>	<u>P 444,159,599</u>

CUSA pertains to fees charged used to maintain the common areas such as restroom, lobby, and other shared spaces that can be used by all tenants of the building and its customer. The recognition of CUSA was a result of the restatement made by MWMTI by grossing up charges to reflect the income and expense arising from these transactions as management determined that the MWMTI is acting as a principal on transactions. The restatement only applies to 2019, consequently, 2020 follows the prior year presentation as restated.

Utility recoveries is also a result of the for 2019. This pertains to the

Consultancy fee pertains to fees charged by the Group to its clients for the engineering and design services rendered.

Others represent various technical and management services provided by the Group arising from the execution of its contract with the customers.

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 take full 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	<u>164,847,111</u>
	<u>2,202,170,497</u>
Fair value of liabilities assumed:	
Interest-bearing loan	(825,000,000)
Trade and other payables	(<u>415,687,982</u>)
	(<u>1,240,687,982</u>)
Fair value of net assets acquired	<u>961,482,515</u>
Fair value of consideration transferred –	
Cash	344,149,804
Previously-held interest in MWMTI	<u>309,967,089</u>
	<u>654,116,893</u>
Gain on bargain purchase	<u>P 307,365,622</u>

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)].

Fair value of net assets acquired were determined through valuation techniques using net present value computation which makes use of the streams of cash flows related to the investment property. 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 September 22, 2020, the Company filed another request for extension of the ITH incentive with the BOI until February 28, 2022, due to delays in obtaining ownership documents and necessary permits as condition for release of Certificate of Final Acceptance.

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 incentive for Phase 2 O&M of T2 for the taxable year 2019. For taxable year 2020, the Company also filed with the BOI a formal notice of its intention to waive the ITH incentive for Phase 2 O&M of T2 on July 24, 2020. The formal notice was acknowledged as received by BOI on the same day. GMCAC subjected all revenues and expenses of Phase 2 to RCIT for the year ended December 31, 2020.

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 presented in the below and in the succeeding page.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>Reported in consolidated profit or loss</i>			
Current tax expense:			
Regular corporate income tax (RCIT) at 30%	P 35,073,613	P 34,250,758	P 132,111,752
Minimum corporate income tax (MCIT) at 2%	14,295,448	67,906,224	-
MCBVI at 42% and 17%	1,760,064	18,719,686	-
Gross income tax (GIT) at 5%	8,980,018	15,865,847	-
Final tax at 20% and 7.5%	<u>4,909,100</u>	<u>3,872,695</u>	<u>23,877,358</u>
	65,018,243	140,615,210	155,989,110
Deferred tax expense relating to origination and reversal of temporary differences			
	<u>199,768,572</u>	<u>183,587,512</u>	<u>336,855,049</u>
	<u>P 264,786,815</u>	<u>P 324,202,722</u>	<u>P 492,844,159</u>
<i>Reported in consolidated other comprehensive income (loss)</i>			
Deferred tax expense (income) relating to origination and reversal of temporary differences	<u>P 23,262,970</u>	<u>(P 34,401,682)</u>	<u>P 12,288,626</u>

A reconciliation of tax on pretax profit (loss) computed at the applicable statutory rates to tax expense for the year ended December 31 is as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Tax on pretax profit (loss) at 30%	(P 182,942,723)	P 430,571,261	P 716,105,499
Adjustment for income subjected to lower tax rates	(39,474,543)	(31,988,819)	(32,502,891)
Tax effects of:			
MCIT applied	11,126,212	-	-
Non-taxable income	-	(128,453,670)	(36,156,168)
Unrecognized deferred tax asset	487,260,685	32,592,470	-
Non-deductible expenses	60,742,970	52,247,644	208,679,709
Non-taxable net profit under ITH	<u>(71,925,786)</u>	<u>(30,766,164)</u>	<u>(363,281,990)</u>
	<u>P 264,786,815</u>	<u>P 324,202,722</u>	<u>P 492,844,159</u>

The net deferred tax assets and net deferred tax liabilities recognized in the consolidated statements of financial position as of December 31, 2020 and 2019 relate to the following:

	<u>2020</u>	<u>2019</u>
Deferred tax assets:		
Unrealized foreign currency losses (gains) – net	P 9,626,113	(P 105,745,702)
Net operating loss carryover (NOLCO)	-	111,051,212
Advance payments from customers	-	<u>38,993,047</u>
	<u>P 9,626,113</u>	<u>P 44,298,557</u>
Deferred tax liabilities:		
Amortization of concession assets	(P 761,999,676)	(P 593,363,264)
Excess of estimated costs over actual costs	(227,139,057)	(224,534,781)
Post-employment defined benefit obligation	103,139,219	102,062,289
Unrealized foreign currency losses (gains)	(6,946,427)	52,060,207
Effect of significant financing component	68,001,650	34,025,156
Uncollected non-taxable income*	(71,737,469)	(29,576,382)
Excess MCIT	35,082,251	38,863,664
Deferred revenue	2,425,502	5,177,553
Impairment losses on trade receivables	52,791,561	3,286,823
Effect of PFRS 16	75,467	(432,271)
Fair value gains on financial assets at FVTPL	(198,950)	(198,950)
Accrued expenses with no withholding taxes	<u>4,656,736</u>	<u>-</u>
	<u>(P 801,849,193)</u>	<u>(P 612,629,956)</u>

*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:

	<u>Profit or Loss</u>			<u>Other Comprehensive Income</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Excess of actual over estimated cost	P 2,604,277	P -	P 331,989,735	P -	P -	P -
Amortization of concession assets	168,636,412	241,597,225	174,509,471	-	-	-
Impairment losses on trade receivables	(8,104,548)	121,672,870	(91,751,729)	-	-	-
Uncollected non-taxable income*	(17,367,198)	114,683,656	(56,603,445)	-	-	-
NOLCO	65,934,913	(111,051,212)	-	-	-	-
Post-employment defined benefit obligation	(24,512,631)	(14,621,028)	(13,273,078)	23,262,971	(34,401,682)	12,288,626
Construction revenue – PFRS 15	(33,976,495)	(28,530,120)	(5,495,035)	-	-	-
Deferred revenue	2,752,051	(3,134,801)	(2,117,065)	-	-	-
Advance payments from customers	(12,487,551)	(38,993,047)	2,055,875	-	-	-
Excess MCIT	3,781,413	(38,512,489)	(1,237,944)	-	-	-
Deferred charges on loans	-	-	(905,210)	-	-	-
Unrealized foreign currency gains (losses) – net	57,688,237	(59,955,813)	(321,932)	-	-	-
Leases – PFRS 16	(523,573)	432,271	-	-	-	-
Accruals	(4,656,735)	-	-	-	-	-
Fair value gains on financial assets at FVTPL	-	-	5,406	-	-	-
Deferred tax expense (income)	<u>P 199,768,572</u>	<u>P 183,587,512</u>	<u>P 336,855,049</u>	<u>P 23,262,971</u>	<u>(P 34,401,682)</u>	<u>P 12,288,626</u>

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. In 2020, only GMI reported MCIT.

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 2020 and 2019, respectively.

In 2020, 2019 and 2018, 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		
	2020	2019	2018	2020	2019	2018
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	335,792,310	309,660,510	260,842,702	P 3,912,617,536	P3,454,826,462	P2,627,738,885
Reacquisition	50,224,100	26,131,800	48,817,808	703,073,040	457,791,074	827,087,577
Balance at end of year	386,010,410	335,792,310	309,660,510	P 4,615,690,576	P3,912,617,536	P3,454,826,462
Issued and outstanding	2,013,409,717	2,063,633,817	2,089,765,617			
Preferred shares – P1 par value						
Authorized	124,000,000	70,000,000	70,000,000	P 124,000,000	P 70,000,000	P 70,000,000
Issued and outstanding:						
Balance at beginning of year:						
Series 1	40,000,000	40,000,000	40,000,000	P 40,000,000	P 40,000,000	P 40,000,000
Issuance during the year:						
Series 2A	26,220,130	-	-	26,220,130	-	-
Series 2B	17,405,880	-	-	17,405,880	-	-
Series 3	3,375,000	-	-	3,375,000	-	-
Balance at end of year	87,001,010	40,000,000	40,000,000	P 87,001,010	P 40,000,000	P 40,000,000

On September 22, 2020, the SEC has approved the increase of the authorized capital stock of the Parent Company increasing the total authorized capital stock of the Parent Company to P5,054,000,000, divided into the following classes:

- 4,930,000,000 voting common shares with the P1 par value; and
- 124,000,000 cumulative, non-voting, non-participating, non-convertible, perpetual preferred shares with the P1 par value

The Preferred Shares shall be issued in series, sub-series or in tranches as the BOD may determine, and authority is hereby expressly granted to the BOD, to establish and designate the series, sub-series or tranches of the Preferred Shares, fix the issue price and the number of shares in each sub-series or tranche, establish the specific terms and conditions of each sub-series or tranche and determine the manner by which the Preferred Shares will be subscribed and paid for, such as but not limited to, a private placement transaction or public offering.

Preferred shares of stock shall be cumulative, non-voting, non-participating, non-convertible, perpetual; Provided, that no share will be issued below par value. The preferred shares shall have the following features, rights and privileges:

- a. The issue value of shares shall be determined by the BOD at the time of the issuance of the shares;
- b. The BOD shall declare a dividend rate equivalent to the 7-year benchmark rate or any other rate determined by the BOD as of issue date, payable on a date to be set by the BOD in accordance with Philippine laws, rules and regulations;
- c. Preferred shares shall be non-convertible into common shares;
- d. Preference over holders of common stock in the distribution of the corporate assets in the event of dissolution and liquidation of the corporation and in the payment of the dividend at the rate specified at the time of issuance;
- e. Preferred shares shall be cumulative;
- f. Preferred shares shall be non-participating in any other or further dividends beyond that specifically payable on the shares;
- g. Holders of preferred shares shall have no pre-emptive rights to any issue of shares, common or preferred; and
- h. The preferred shares may be redeemed by the corporation at the sole option of the BOD at the price to be determined by the BOD.

On September 30, 2020, the Parent Company entered into a Subscription Agreement with CHI whereby CHI subscribed to 13,500,000 preferred shares of the Parent Company at P1.00 each and paid 25% of such subscription in cash amounting to P3.4 million.

On November 5, 2020, the SEC has approved the Parent Company's offer and sale of Series 2 preferred shares which are to be issued in two subseries: Series 2A and Series 2B preferred shares, at a subscription price of P100.00. As of December 31, 2020, 26,220,130 and 17,405,880 of Series 2A and 2B preferred shares, respectively, were subscribed and listed in the PSE.

In 2020, the Parent Company recognized additional paid in capital amounting to P4.3 billion, arising from the excess of subscription price over par value of the issuance of Series 2A and 2B preferred shares. The Parent Company also recognized issuance-related costs amounting to P37.1 million which was charged against the additional paid in capital recorded from the issuance of Series 2A and 2B preferred shares.

As of December 31, 2020, and 2019, the Parent Company has 26 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 P7.9 and P16.4 per share in 2020 and 2019, respectively. The Company has 2,399.4 million common shares traded in the PSE as of December 31, 2020 and 2019.

As of December 31, 2020, and 2019, the Parent Company has 40.0 million, 26.2 million and 17.4 million of Series 1, Series 2A and Series 2B preferred shares, respectively, traded in the PSE. The Series 1, Series 2A and Series 2B preferred shares prices closed at P100.5, P100.0 and P100.9 per share, respectively, as of December 31, 2020. The Series 1 preferred shares closed at P96.0 per share as of December 31, 2019.

27.2 Retained Earnings

In 2020 and 2019, the Parent Company's BOD approved the declaration of cash dividends of P1.76 per share or equivalent to P70.3 million per quarter (total of P281.0 million per year) to holders of Series 1 preferred shares, which were taken out of the unrestricted earnings of the Company as of December 31, 2020 and 2019, respectively. The series of record dates and payments are as follows:

	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>
<u>2020:</u>				
Approval dates	January 8, 2020	May 8, 2020	July 7, 2020	October 5, 2020
Record dates	February 6, 2020	May 25, 2020	August 8, 2020	November 6, 2020
Payment dates	March 3, 2020	June 3, 2020	September 3, 2020	December 3, 2020
<u>2019:</u>				
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
<u>2018:</u>				
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, the BOD approved the declaration of cash dividends for common shares at P0.12 per share or equivalent to P256.6 million. The cash dividends were paid on November 12, 2018, to all common stockholders of record as of October 15, 2018. The dividends were paid out of the unrestricted retained earnings of the Parent Company as of December 31, 2017.

The Parent Company's retained earnings are restricted to the extent of the cost of treasury shares (see Note 27.3).

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.

On March 3, 2020, the Parent's BOD approved an additional P3.0 billion to its share buyback program, making it a total of P5.0 billion and removal of the period within which to execute the program, making it open-ended. Total cost of acquired treasury shares in 2020 amounted to P703.1 million, which is equivalent to 50.2 million shares.

27.4 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).

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 below.

	<u>2020</u>	<u>2019</u>
Current assets	P 1,961,180,023	P 2,484,974,268
Non-current assets	<u>33,187,261,618</u>	<u>33,233,226,229</u>
Total assets	<u>P35,148,441,641</u>	<u>P 35,718,200,497</u>
Current liabilities	P 2,984,748,802	P 1,927,502,224
Non-current liabilities	<u>24,025,818,279</u>	<u>24,468,439,808</u>
Total liabilities	<u>P27,010,567,081</u>	<u>P26,395,942,032</u>
Equity	P 8,137,874,560	P 9,322,258,465
NCI in equity	3,152,592,306	3,626,345,966
Net profit	(1,183,980,866)	529,233,776
Net income allocated to GMCAC	(473,592,346)	211,693,510

In 2019, GMI declared dividends amounting to P50.0 million to non-controlling 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, MCLI, MCEI, and GMI have not declared nor paid any dividends.

27.5 Revaluation and Other Reserves

The movements of this account are as follows:

	Retirement Benefit Obligation (see Note 24.2)	Foreign Currency Translation (see Note 2.19)	Other Reserves (see Note 2.25)	<u>Total</u>
Balance as of January 1, 2020	(P 63,458,202)	P 74,555	(P 22,474,837)	(P 85,858,484)
Remeasurements of post-employment defined benefit plan	77,773,544		-	77,773,544
Foreign currency translation	<u>-</u>	(<u>8,756</u>)	<u>-</u>	(<u>8,756</u>)
Other comprehensive income (loss) before tax	77,773,544	(8,756)	-	77,764,788
Tax expense	(<u>23,332,064</u>)	<u>-</u>	<u>-</u>	(<u>23,332,064</u>)
Other comprehensive income (loss) after tax	<u>54,441,480</u>	(<u>8,756</u>)	<u>-</u>	<u>54,432,724</u>
Balance as of December 31, 2020	<u>(P 9,016,722)</u>	<u>P 65,799</u>	<u>(P 22,474,837)</u>	<u>(P 31,425,760)</u>

	Retirement Benefit Obligation (see Note 24.2)	Foreign Currency Translation (see Note 2.19)	Other Reserves (see Note 2.25)	Total
Balance as of January 1, 2019	<u>P 15,204,702</u>	<u>P -</u>	<u>(P 22,474,837)</u>	<u>(P 7,270,135)</u>
Remeasurements of post-employment defined benefit plan	(112,375,577)	-	-	(112,375,577)
Foreign currency translation	-	<u>74,555</u>	-	<u>74,555</u>
Other comprehensive income (loss) before tax	(112,375,577)	74,555	-	(112,301,022)
Tax income	<u>33,712,673</u>	-	-	<u>33,712,673</u>
Other comprehensive income (loss) after tax	(<u>78,662,904</u>)	<u>74,555</u>	-	(<u>78,588,349</u>)
Balance as of December 31, 2019	<u>(P 63,458,202)</u>	<u>P 74,555</u>	<u>(P 22,474,837)</u>	<u>(P 85,858,484)</u>
Balance as of January 1, 2018	<u>(P 12,213,049)</u>	<u>P 8,263,159</u>	<u>(P 22,474,837)</u>	<u>(P 26,424,727)</u>
Remeasurements of post-employment defined benefit plan	39,168,216	-	-	39,168,216
Recycled to profit or loss	-	(<u>8,263,159</u>)	-	(<u>8,263,159</u>)
Other comprehensive income (loss) before tax	39,168,216	(8,263,159)	-	30,905,057
Tax expense	(<u>11,750,465</u>)	-	-	(<u>11,750,465</u>)
Other comprehensive income (loss) after tax	<u>27,417,751</u>	(<u>8,263,159</u>)	-	<u>19,154,592</u>
Balance as of December 31, 2018	<u>P 15,204,702</u>	<u>P -</u>	<u>(P 22,474,837)</u>	<u>(P 7,270,135)</u>

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, 2020 is as follows:

<u>Related Party Category</u>	<u>Notes</u>	<u>Outstanding Amount of Transaction</u>	<u>Receivable (Payable)</u>	<u>Terms</u>	<u>Conditions</u>
Ultimate Parent Company –					
Cash granted	6, 28.4	P 19,923,383	P 3,089,295,108	Interest-bearing	Unsecured; Unimpaired
Interest receivable	6, 28.4	216,562,500	505,537,823	On demand; Noninterest-bearing	Unsecured; Unimpaired
Minority shareholders and their affiliates:					
Revenue from services	6, 21.1, 28.1	115,289,396	153,195,977	Normal credit terms	Unsecured; Unimpaired
Associate:					
Revenue from services	6, 21.1, 28.1	231,199,602	1,093,283,188	Normal credit terms	Unsecured; Unimpaired
Cash granted	6, 28.4	36,205,968	42,205,968	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash obtained	17, 28.4, 28.4	-	(20,000,000)	On demand; Noninterest-bearing	Unsecured; Unimpaired
Rent income	6, 28.2	53,571	229,286	Normal credit terms	Unsecured; Unimpaired
Joint Arrangement:					
Revenue from services	6, 21.1, 28.1	272,993,860	364,434,825	Normal credit terms	Unsecured; Unimpaired
Cash granted	6, 28.4	(4,047,911)	1,356,355	On demand; Noninterest-bearing	Unsecured; Unimpaired
Related Parties Under Common Ownership:					
Rent income	6, 28.2	5,956,791	332,411	Normal credit terms	Unsecured; Unimpaired
Revenue from services	6, 21.1, 28.1	338,869,209	202,211,820	Normal credit terms	Unsecured; Unimpaired
Cash granted	6, 28.4	90,304,593	3,277,832,242	On demand; Interest-bearing and noninterest-bearing	Unsecured; Unimpaired
Interest receivable	6, 28.4, 25.2	216,562,500	505,537,823	On demand; Noninterest-bearing	Unsecured; Unimpaired
Retirement fund		295,978	4,634,679	Upon retirement of beneficiaries	Partially funded; Unimpaired
Advances to Officers and Employees	6, 28.3	22,977,518	74,481,307	Upon liquidation, Noninterest-bearing	Unsecured; Unimpaired
Key Management Personnel – Compensation	28.7	320,043,868	-	On demand	Unsecured; Unimpaired

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	6, 28.4	P 2,923,049,503	P 3,069,371,725	Interest-bearing	Unsecured; Unimpaired
Interest receivable	6, 25.2, 28.4	220,500,000	288,975,323	On demand; Noninterest-bearing	Unsecured; Unimpaired
Minority shareholders and their affiliates:					
Cash granted	6, 28.4	(841,103)	-	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	6, 28.4	6,000,000	6,000,000	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash obtained	17, 28.4, 28.4	(20,000,000)	(20,000,000)	On demand; Noninterest-bearing	Unsecured; Unimpaired
Rent income	6, 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	6, 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	23, 28.2	1,766,433	-	Normal credit terms	Unsecured; Unimpaired
Cash granted	6, 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	6, 25.2, 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	28.7	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	28.4	(P 148,848,438)	P 146,322,222	Interest-bearing	Unsecured; Unimpaired
Shareholders –					
Revenue from services	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	28.4	841,103	841,103	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash obtained	28.4, 28.5	(172,939,978)	-	On demand; Noninterest-bearing	Unsecured; Unimpaired
Associate:					
Revenue from services	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	21.1, 28.1	769,940,008	29,082,652	Normal credit terms	Unsecured; Unimpaired
Cash granted	28.4	(1,890,090)	1,074,666	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash obtained	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	21.1, 28.1	172,643,575	237,415,489	Normal credit terms	Unsecured; Unimpaired
Rent expense	23, 28.2	2,811,703	-	Normal credit terms	Unsecured; Unimpaired
Cash granted	28.4	3,144,351,971	3,144,370,721	On demand; Interest-bearing and noninterest-bearing	Unsecured; Unimpaired
Cash obtained	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	28.3	12,375,774	34,271,539	Upon liquidation, Noninterest-bearing	Unsecured; Unimpaired
Key Management Personnel – Compensation	28.7	209,941,711	-	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 P894.2 million, P787.1 million and P1,110.5 million and in 2020, 2019 and 2018, respectively, and is recorded as part of Construction Operation 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 2020, 2019 and 2018.

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 2020, 2019 and 2018., the Group recognized rent expense amounting to nil, P1.8 million and P2.8 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, 2020 and 2019.

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 P6.1 million, P3.7 million, and P0.3 million in 2020, 2019 and 2018, respectively, 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 2020, 2019 and 2018 for these advances.

28.4 Advances to and from Related Parties

In 2019, the Group obtained unsecured, noninterest-bearing cash advances from certain related parties to finance portion of its working capital requirement payable upon demand. In 2019, Advances obtained amounted to P20.0 million, while advances settled amounted to P59.6 million. The outstanding balance from these transactions is shown under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

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. Interest income arising from advances to related parties amounted to P433.1 million and P441.0 million in 2020 and 2019, respectively are presented under finance income (see Note 25.2). Outstanding interest receivable relating to advances to related parties amounting to P1,009.7 million and P578.0 million in 2020 and 2019, are presented under trade and other receivables (see Note 6). 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 2020 and 2019, the Group granted advances totaling P356.2 million and P3,150.1 million, respectively, while advances collected amounted to P214.1 million and P174.3 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).

	<u>2020</u>	<u>2019</u>
<i>Due to related parties:</i>		
Associates	<u>P 20,000,000</u>	<u>P 20,000,000</u>
<i>Advances to related parties:</i>		
Related party under common ownership	P 3,277,832,242	P 3,186,770,507
Ultimate parent company	3,089,295,108	3,069,371,725
Associates	42,205,968	6,000,000
Joint arrangement	<u>1,356,355</u>	<u>5,404,267</u>
	<u>P 6,410,689,673</u>	<u>P 6,267,546,499</u>

Further, upon assessment of recoverability based on the capacity to pay and expected collectability of these advances, no impairment losses were recognized in 2020, 2019 and 2018.

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 33.2).

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 P4.6 million and P4.4 million as of December 31, 2020 and 2019, 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:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Short-term employee benefits	P 308,711,552	P 293,002,231	P 207,383,418
Post-employment benefits	11,332,316	17,901,744	2,558,293
	<u>P 320,043,868</u>	<u>P 310,903,975</u>	<u>P 209,941,711</u>

29. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Group:

29.1 Lease Commitments - 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 P900.8 and P555.4 million in 2020 and 2019, respectively, which is recognized under Landport Operations Revenues in the consolidated statements of income (see Note 21.3).

The future minimum lease receivables under the non-cancellable operating leases as of the end of 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Within one year	P 896,772,705	P 952,549,221
After one year but not more than five years	895,774,372	1,209,649,121
After one year but not more than five years	905,056,337	1,225,521,865
After one year but not more than five years	945,869,663	1,272,848,994
After one year but not more than five years	10,210,671	1,152,623,864
More than five years	<u>5,672,295</u>	<u>2,996,343</u>
	<u>P 3,659,356,043</u>	<u>P 5,816,189,408</u>

Variable rent, which pertains to a certain percentage share in the lessees' sales, is included as part of total rent income amounting to P36.7 million and P40.0 million in 2020 and 2019, respectively.

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, 2020 and 2019, 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 in the succeeding page.

- (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 2020, 2019 and 2018 amounted to P14.3 million, P47.6 million and P38.8 million, respectively (see Notes 22.2 and 23).

29.3.2 Parañaque Integrated 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 landport 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 landport 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 landport 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 landport 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 landport facilities, commercial assets, works in progress and right to receive commercial revenues.

On November 5, 2018, MWMTI opened the landport while the construction of commercial areas and related developments were completed in 2019.

29.4 Credit Lines and Guarantees

29.4.1 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 2020 and 2019.

The Group availed of bank loans totalling P40,384.4 million and \$75.0 million (P3,778.6 million) for 2020 and 2019 (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, 2020 amounted to P5,051.6 million.

29.4.2 Guarantees and Others

On December 26, 2019 the BOD approved the issuance of corporate guaranty in the amount of P4.5 billion in favor of CHI. Subsequently on March 28, 2020, the BOD of the Parent Company approved the reduction of the amount of corporate guaranty from P4.5 billion to P1.5 billion. The approval is part of the governance initiative of the Parent Company and is deemed a regular corporate transaction 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 consistent contributors to the Group. These include forward integration opportunities in real estate development such as affordable housing segment and mid to high-end residential developments as well as in high-growth potential and fast-growing industries to support Group's long-term goal of strengthening its portfolio to provide additional legs for next level of growth.

On March 23, 2015, CMCI, with the Parent Company as guarantor, executed an RPA with certain local commercial banks, whereby the CMCI shall offer an outstanding finance lease receivable arising from PPP school infrastructure project within the purchase period on a limited recourse basis such as upon the occurrence of certain repurchase event under the RPA. Pursuant to the continuing obligations of the CMCI under the RPA, CMCI has been in compliance with the RPA during the reporting periods.

MWMTI entered in to an OLSA with a local universal bank in 2015, with the Parent Company as guarantor, for a loan facility amounting to P3,300.0 million to finance the construction of the ITS Project. In 2019, the Company requested the lender to increase the loan facility by P600.0 million making the total principal loan to P3,900.0 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 P4,362.6 million for various expansion of its facilities and construction of infrastructure projects as stated in the use of proceeds report. As of December 31, 2020, the balance of the unutilized proceeds amounted to P4,109.6 million.

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 (LOSS) PER SHARE

Earnings (loss) per share is calculated as Company's profit divided by the outstanding shares of its common stock (see Notes 2.26) and computed as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net profit (loss) attributable to shareholders of the Parent Company	(P 398,149,922)	P 859,487,439	P 1,469,434,494
Dividends on cumulative preferred shares	(<u>281,000,000</u>)	<u>(281,000,000)</u>	<u>(281,000,000)</u>
Net profit (loss) available to common shareholders of the Parent Company	(679,049,922)	578,487,439	1,188,434,494
Divided by weighted average number of outstanding common shares	<u>2,036,285,370</u>	<u>2,081,168,982</u>	<u>2,130,249,359</u>
Basic and diluted earnings (loss) per share	(<u>P 0.33</u>)	<u>P 0.28</u>	<u>P 0.56</u>

The Group does not have dilutive potential common shares outstanding as of December 31, 2020, 2019 and 2018; hence, diluted earnings (loss) per share is equal to the basic earnings (loss) per share.

31. EVENTS AFTER THE END OF THE REPORTING PERIOD

31.1 Declaration of Dividends

On January 18, 2021, the Parent Company's BOD approved the declaration of cash dividends of P1.19 per share and P1.4 per share or equivalent to P31.1 million and P25.0 million, respectively, to holders of Series 2A and Series 2B preferred shares, respectively, on record as of February 3, 2021. The dividends which is payable on March 1, 2021, shall be taken out of the unrestricted earnings of the Parent Company as of December 31, 2021.

On January 11, 2021, the Company's BOD approved the declaration of cash dividends of P1.76 per share or equivalent to P70.3 million to holders of Series 1 preferred shares on record as of February 8, 2021. The dividends which is payable on March 3, 2021, shall be taken out of the unrestricted earnings of the Company as of December 31, 2020.

31.2 Increase in Authorized Capital Stock

On February 26, 2021, the BOD has approved the resolution to increase the authorized capital stock of the Parent Company to 5,080.0 million, divided into the 4,930.0 million common shares and 150.0 million cumulative, non-voting, non-participating, non-convertible, perpetual preferred shares. Both common and preferred shares have a par value of P1.0 per share.

31.3 Republic Act No. 11524, Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

On March 26, 2021, R.A. No. 11534, Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, amending certain provisions of the National Internal Revenue Code of 1997, as amended, was signed into law with veto on certain provisions and shall be effective 15 days after its publication. The CREATE Act has several provisions with retroactive effect beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to the Group:

- (a) regular corporate income tax rate is decreased from 30% to 25% starting July 1, 2020;
- (b) minimum corporate income tax rate is decreased from 2% to 1% starting July 1, 2020 until June 30, 2023;
- (c) the imposition of 10% tax on improperly accumulated retained earnings is repealed; and,
- (d) the allowable deduction for interest expense is reduced to 20% (from 33%) of the interest income subjected to final tax.

Given that the CREATE Act was signed after the end of the current reporting period, the Group determined that this event is a non-adjusting subsequent event. Accordingly, its impact was not reflected in the Group's financial statements as of and for the year ended December 31, 2020, and instead, will be taken up prospectively in the next applicable reporting period. The Group used the prevailing tax rates as of December 31, 2020 in determining its current and deferred taxes in its 2020 financial statements.

As a result of the application of the lower regular corporate income tax (RCIT) rate of 25% starting July 1, 2020, the current income tax expense and income tax payable (or asset, in case of overpayment), as presented in the 2020 annual income tax return (ITR) of the Group, would be lower than the amount presented in the 2020 financial statements.

In addition, the recognized deferred tax assets and deferred tax liabilities as of December 31, 2020 would be remeasured to 25% in the 2021 financial statements. This will result in a decline in the recognized deferred tax asset in 2020 by P1.6 million, and decline in recognized deferred tax asset in 2020 by P133.6 million, and both will be charged to 2021 profit or loss, unless it can be recognized in other comprehensive income as provided in the applicable financial reporting standard (see Notes 26.3).

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 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:

	<u>2020</u>	<u>2019</u>
Cash in banks	P 394,519,021	P 854,304,390
Investment in trust fund	401,525,300	106,182,000
Trade and other payables	(235,394,706)	(693,575,565)
Long-term debt	(3,436,885,000)	(3,778,637,000)
	<u>(P2,876,235,385)</u>	<u>(P3,511,726,175)</u>

If the Philippine peso had strengthened by 9.51% and 12.93% in 2020 and 2019, respectively, against the US dollar, with all other variables held constant, loss before tax in 2020 would have decreased by P273.5 million and profit before tax in 2019 would have increased by P454.1 million. If the Philippine peso had weakened by the same percentages against the US dollar, then loss before tax in 2020 and profit before tax in 2019 would have increase and 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, 2020 and 2019, 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.

In November 2015, the Company entered into an interest rate swap transaction to hedge the interest rate exposure on its floating rate US dollar-denominated loan maturing in June 2022, start date is on December 15, 2017. A notional amount of US\$75.0 million floating rate loan was swapped to fixed rate. Under the interest rate swap agreement, the Company pays annual fixed interest rate of a range of 1.79% to 2.65% and receives floating rate of nine-month US\$ LIBOR on Bloomberg Page on the notional amount.

As at December 31, 2020 and 2019, the Group recognized P121.9 million and P78.6 million derivative liability, respectively (see Notes 7 and 17). The Group recognized in the Group's consolidated statements of income under Other Income (Charges), unrealized loss from change in fair value of the interest rate swap amounting to US\$1.0 million or P43.3 million in 2020, US\$1.6 million or P104.8 million in 2019, and unrealized gain of US\$0.5 million or P45.2 million in 2018 respectively (see Notes 7 and 25.3).

The Company entered into interest rate swap as economic hedges of underlying exposure arising from its foreign currency-denominated loan. Such interest swap is accounted for as derivative not designated for hedges.

The following table shows the information about the Group's financial instruments that are exposed to cash flow (floating rate instrument) and fair value (fixed rate instrument) interest rate risks and presented by maturity profile (in thousands):

	<u>Within 1 year</u>	<u>1-2 years</u>	<u>More than 2 years</u>	<u>Total</u>	<u>Debt Issuance Cost</u>	<u>Carrying Value</u>
December 31, 2020						
Cash and Cash Equivalents	P 978,956	P -	P -	P 978,956	P -	P 978,956
Investment in trust fund	-	401,525	-	401,525	-	401,525
	<u>P 978,956</u>	<u>P 401,525</u>	<u>P -</u>	<u>P 1,380,481</u>	<u>P -</u>	<u>P 1,380,481</u>
Derivative Liability	<u>P 121,896</u>	<u>P -</u>	<u>P -</u>	<u>P 121,896</u>	<u>P -</u>	<u>P 121,896</u>
Long-term debt:						
PHP (P20 billion loan facility)	P 730,450	P 1,460,900	P 18,365,000	P 20,556,350	(P 208,442)	P 20,347,908
USD (\$75 million loan facility)	126,060	252,121	3,169,518	3,547,699	(32,222)	3,515,477
	<u>P 856,510</u>	<u>P 1,713,021</u>	<u>P 21,534,518</u>	<u>P 24,104,049</u>	<u>(P 240,664)</u>	<u>P 23,863,385</u>
December 31, 2019						
Cash and Cash Equivalents	P 1,167,717	P -	P -	P 1,167,717	P -	P 1,167,717
Investment in trust fund	-	862,704	-	862,704	-	862,704
	<u>P 1,167,717</u>	<u>P 862,704</u>	<u>P -</u>	<u>P 2,030,421</u>	<u>P -</u>	<u>P 2,030,421</u>
Derivative liability	<u>P 78,552</u>	<u>P -</u>	<u>P -</u>	<u>P 78,552</u>	<u>P -</u>	<u>P 78,552</u>
Long-term debt:						
PHP (P20 billion loan facility)	P 417,400	P 521,750	P 19,826,500	P 20,765,650	(P 235,101)	P 20,530,549
USD (\$75 million loan facility)	75,953	94,941	3,607,743	3,778,637	(31,259)	3,747,378
	<u>P 493,353</u>	<u>P 616,691</u>	<u>P 23,434,243</u>	<u>P 24,544,287</u>	<u>(P 266,360)</u>	<u>P 24,277,927</u>

As at December 31, 2020 and 2019, 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 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 (loss) before tax is analyzed based on a reasonably possible change in interest rates of +/-205.0, +/-248.0 and +/-291.0 basis points in 2020, 2019 and 2018, 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 205.0 basis points, 248.0 basis point and 291.0 basis points, loss before tax in 2020 and profit before tax in 2019 and 2018, respectively, would have increased by P280.5 million in 2020, decreased by P194.4 million in 2019 and increased by P108.3 million in 2018. 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.

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	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	5	P 7,226,149,912	P 6,518,599,861
Trade and other receivables – net (<i>excluding advances to officers and employees</i>)	6	15,224,568,808	17,321,972,758
Refundable security and bond deposits	12	199,529,159	196,779,733
Investment in trust fund	12	401,525,300	862,704,457
Contract assets	9	<u>4,231,600,246</u>	<u>3,975,734,097</u>
		<u>P 27,283,373,425</u>	<u>P 28,875,790,906</u>

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents, 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, 2020 or 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 been able to settle the receivables when due, depending on the terms with customers or after completion and acceptance of the stage of completion as represented by the billings. In making the assessment, the Group considers the net position of the customer after advances and deposits received from the customer, reason for non-payment (i.e. dispute related to quality of work completed has been raised by the customer) and the credit standing of the customer. 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. When customer is unlikely to pay a past due account in the next year due to financial difficulty, an ECL is recognized in the books. The Group has determined that the credit standing and liquidity of the significant portion of its receivables and customers from the construction segment are not affected severely by COVID19 as these customers have reputable cash management strategies.

On that basis, the loss allowance as at December 31, 2020 and January 1, 2020 (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, 2020:					
<i>Expected credit loss rate</i>				14.1%	
Receivables from airport operations	P 157,516,613	P 18,873,677	P 299,744,561	P 94,095,611	P 570,230,462
Lease receivables	194,850,003	50,981,057	115,257,688	24,377,629	385,466,377
Contract receivables	3,307,983,008	77,268,346	249,035,019	150,598,025	3,784,884,398
Receivable from sale of goods	766,766	-	-	-	766,766
Other receivables	173,475,088	-	-	-	173,475,088
	P 3,834,591,478	P 147,123,080	P 664,037,268	P 269,071,265	P 4,914,823,091
Loss Allowance	-	-	-	37,932,641	37,932,641
December 31, 2019:					
<i>Expected credit loss rate</i>				2.7%	
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	P 7,519,706,468
Loss Allowance	-	-	-	10,956,072	10,956,072

For contract assets, the Group has recognized an allowance for ECL amounting to P288.2 representing unbilled costs incurred by the Group and assessed to be not recoverable. No additional impairment losses on contract assets have been recognized in 2020 and 2019.

(c) *Investment in Trust Fund*

In 2020 and 2019, the Group is exposed to credit risk on its investments in 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*

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.

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.

	<u>Current</u>		<u>Non-current</u>
	<u>Within 6 Months</u>	<u>6 to 12 Months</u>	<u>1 to 5 Years</u>
December 31, 2020:			
Interest-bearing loans and borrowings	P 12,669,450,003	P 1,050,381,301	P 34,211,924,687
Trade and other payables	8,291,951,223	-	-
Security deposits (gross of unearned income)	-	-	464,587,591
	<u>P 20,961,401,226</u>	<u>P 1,050,381,301</u>	<u>P 34,676,512,278</u>
December 31, 2019:			
Interest-bearing loans and borrowings	P 14,614,706,850	P 66,354,402	P 33,882,124,037
Trade and other payables	8,167,589,445	-	-
Security deposits (gross of unearned income)	-	-	586,498,441
	<u>P 22,782,296,295</u>	<u>P 66,354,402</u>	<u>P 34,468,622,478</u>

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.

	Notes	2020		2019	
		Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets					
At amortized cost:					
Cash and cash equivalents	5	P 7,226,149,912	P 7,226,149,912	P 6,518,599,861	P 6,518,599,861
Trade and other receivables – net	6	15,224,568,808	15,224,568,808	17,321,972,758	17,321,972,758
Refundable security and bond deposits	12	199,529,159	199,529,159	196,779,733	196,779,733
Investment in trust fund	12	401,525,300	401,525,300	862,704,457	862,704,457
		<u>23,051,773,179</u>	<u>23,051,773,179</u>	<u>24,900,056,809</u>	<u>24,900,056,809</u>
Financial assets at FVOCI					
Club shares	10	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
		<u>3,544,472</u>	<u>3,544,472</u>	<u>3,544,472</u>	<u>3,544,472</u>
		<u>P 23,055,317,651</u>	<u>P 23,055,317,651</u>	<u>P 24,903,601,281</u>	<u>P 24,903,601,281</u>
Financial Liabilities					
At amortized cost:					
Interest-bearing loans and borrowings	18	P 45,920,365,307	P 47,931,755,991	P 47,752,912,677	P 48,563,185,289
Trade and other payables	17	8,291,951,223	8,291,951,223	8,167,589,445	8,167,589,445
Security deposits*	20	464,587,591	464,587,591	586,498,441	586,498,441
		<u>P 54,676,904,121</u>	<u>P 56,688,294,805</u>	<u>P 56,507,000,563</u>	<u>P 57,317,273,175</u>

*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

Currently, all other financial assets and financial liabilities are settled on a gross basis and no offsetting of financial instruments has been made in 2020 and 2019. However, each party to the financial instrument (particularly related parties) will have the option to settle 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. In addition, the Group's investment in trust fund account (see Note 12) held as security can be offset against the Group's outstanding interest-bearing loans and borrowings (see Note 18) in the event of default in payments.

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

Since the fair value of the Group's financial assets through FVOCI approximates the cost amounting to P1.0 million as of December 31, 2020 and 2019, the fair value change is deemed immaterial (see Note 10). The Company's financial assets through FVOCI are under Level 2 of 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, 2020 and 2019.

	<u>Notes</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2020</u>					
<i>Financial assets:</i>					
Equity securities:					
SSPI	10	P -	P -	P 2,500,000	P 2,500,000
Golf club shares	10	-	1,044,472	-	1,044,472
		<u>P -</u>	<u>P 1,044,472</u>	<u>P 2,500,000</u>	<u>P 3,544,472</u>
<i>Financial liabilities:</i>					
Derivative liability	17	<u>P -</u>	<u>P 121,895,954</u>	<u>P -</u>	<u>P 121,895,954</u>

	<u>Notes</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2019</u>					
<i>Financial assets:</i>					
Equity securities:					
SSPI	10	P -	P -	P 2,500,000	P 2,500,000
Golf club shares	10	<u>P -</u>	<u>P 1,044,472</u>	<u>P -</u>	<u>P 1,044,472</u>
		<u>P -</u>	<u>P 1,044,472</u>	<u>P 2,500,000</u>	<u>P 3,544,472</u>
<i>Financial liabilities:</i>					
Derivative liability	17	<u>P -</u>	<u>P 78,552,254</u>	<u>P -</u>	<u>P 78,552,254</u>

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years.

Described below 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, 2020, and 2019, 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 as at December 31, 2020 and 2019, 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.

The Group has equity interest of 1% in SSPI as of December 31, 2020 and 2019. These securities were valued based on entity specific estimate, thus included in Level 3.

(b) Derivative Liability

The fair value of the Group's derivative liability are measured under Level 2. As of December 31, 2020 and 2019, the fair values of the Group's derivative financial instruments classified as financial liabilities at FVTPL, were valued using pricing models whose inputs, such as foreign exchange rates and interest rates, are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including forward contracts and swaps) or are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

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.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
2020:				
<i>Financial assets:</i>				
Cash and cash equivalents	P 7,226,149,912	P -	P -	P 7,226,149,912
Trade and other receivables - net	-	-	15,224,568,808	15,224,568,808
Refundable security and bond deposits	-	-	199,529,159	199,529,159
Investment in trust fund	<u>401,525,300</u>	<u>-</u>	<u>-</u>	<u>401,525,300</u>
	<u>P 7,627,675,212</u>	<u>P -</u>	<u>P 15,424,097,967</u>	<u>P 23,051,773,179</u>
<i>Financial liabilities:</i>				
Interest-bearing loans and borrowings	P -	P -	P 45,920,365,307	P 45,920,365,307
Trade and other payables	-	-	8,291,951,223	8,291,951,223
Security deposits	<u>-</u>	<u>-</u>	<u>464,587,591</u>	<u>464,587,591</u>
	<u>P -</u>	<u>P -</u>	<u>P 54,676,904,121</u>	<u>P 54,676,904,121</u>
2019:				
<i>Financial assets:</i>				
Cash and cash equivalents	P 6,518,599,861	P -	P -	P 6,518,599,861
Trade and other receivables - net	-	-	17,321,972,758	17,321,972,758
Refundable security and bond deposits	-	-	196,779,733	196,779,733
Investment in trust fund	<u>862,704,457</u>	<u>-</u>	<u>-</u>	<u>862,704,457</u>
	<u>P 7,381,304,318</u>	<u>P -</u>	<u>P 17,518,752,491</u>	<u>P 24,900,056,809</u>
<i>Financial liabilities:</i>				
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	<u>-</u>	<u>-</u>	<u>586,498,441</u>	<u>586,498,441</u>
	<u>P -</u>	<u>P -</u>	<u>P 57,317,273,175</u>	<u>P 57,317,273,175</u>

33.6 Fair Value Measurement for Investment Property Carried at Cost

The table below shows the fair value of the Group's investment property measured at cost but for which fair value is disclosed and determined under the Level 3 fair value hierarchy.

	<u>Note</u>	<u>2020</u>	<u>2019</u>
Building for lease	15	P 3,618,385,194	P 3,724,304,346
Land	15	<u>1,869,480,787</u>	<u>1,848,237,722</u>
		<u>P 5,487,865,981</u>	<u>P 5,572,542,068</u>

The fair value of certain parcels of land are determined on the basis of the appraisals performed by an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Company's management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location. On the other hand, the fair value of other parcels of land was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations. Both valuation process was applied as sale comparable method.

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.

The fair value of the Building approximates its carrying value as the building was only newly constructed in March 2019 (see Note 15).

There has been no change to the valuation techniques used by the Group for its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2020.

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	Notes Payable	Lease	
	(Note 18.2)	(Note 18.1)	Liabilities	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance as of January 1, 2020	P 38,425,631,984	P 8,852,929,990	P 474,350,703	P 47,752,912,677
Cash flows from financing activities:				
Additional borrowings	6,231,300,000	3,600,000,000	-	9,831,300,000
Repayment of borrowings	(4,903,369,586)	(6,862,138,758)	(172,081,609)	(11,937,589,953)
Non-cash financing activities				
Unrealized loss on interest rate swap	43,343,700	-	-	43,343,700
Additional lease liabilities	<u> -</u>	<u> -</u>	<u>230,398,883</u>	<u>230,398,883</u>
Balance at December 31, 2020	<u>P 39,796,906,098</u>	<u>P 5,590,791,232</u>	<u>P 532,667,977</u>	<u>P 45,920,365,307</u>
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	-	20,609,061,958
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
Additional lease liabilities	<u> -</u>	<u> -</u>	<u>397,446,210</u>	<u>397,446,210</u>
Effect of adoption of PFRS 16	<u> -</u>	<u> -</u>	<u>34,277,641</u>	<u>34,277,641</u>
Balance at December 31, 2019	<u>P 38,425,631,984</u>	<u>P 8,852,929,990</u>	<u>P 474,350,703</u>	<u>P 47,752,912,677</u>

	Bank Loans (Note 18.2)	Notes Payable (Note 18.1)	Lease Liabilities (Note 16.2)	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	<u>P 30,775,838,256</u>	<u>P 5,846,502,472</u>	<u>P 157,923,257</u>	<u>P 36,780,263,985</u>

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.

	Note	2020	2019
Interest-bearing loans and borrowings	18	P 45,920,365,307	P 47,752,912,677
Total equity		<u>20,531,593,346</u>	<u>17,998,512,696</u>
		<u>2.24: 1.00</u>	<u>2.65: 1.00</u>



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

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

T +63 2 8988 2288

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, 2020, on which we have rendered our report dated April 8, 2021. 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. 8533222, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 0396-AR-3 (until Oct. 1, 2021)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-020-2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 8, 2021

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
LIST OF SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020

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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, 2020

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 Position as of Reporting Period	Valued Based on Market Quotation at End of Reporting Period	Income Received and Accrued (iii)
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Fair Value through Profit of Loss (FVTPL)

	P -	P -	P -	P -
	-	-	-	-
	-	-	-	-
	-	-	-	-
TOTAL	-	-	-	-

Fair Value through Other Comprehensive Income (FVTOCI)

Investment in Club shares - The City Club, Alphaland Makati Place	P -	P 1,044,472	P 1,044,472	P -
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 -	P 7,226,149,912	P 7,226,149,912	P 25,540,676
Trade and other receivables - net	-	15,224,568,808	15,224,568,808	433,125,000
Refundable security and bond deposits	-	199,529,159	199,529,159	-
Investment in trust fund	-	401,525,300	401,525,300	32,396,012
	-	-	-	-
TOTAL	-	P 23,051,773,179	P 23,051,773,179	P 491,061,688

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, 2020

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 CATA CUTAN	-	-	-	-	-	-	-
ADRIAN KUCZMIK	141,259	-	-	-	141,259	-	141,259
AIKO B. TALORETE	25,000	-	-	-	25,000	-	25,000
ALBERTO DACUMA	1,238	300,000	-	-	301,238	-	301,238
ALEJANDRO MANALO	155,000	-	-	-	155,000	-	155,000
ALEXANDER UMALI	4,500	-	-	-	4,500	-	4,500
ALFRED JOSEPH MOLINA	99,600	56,923	115,798	-	40,725	-	40,725
ALFREDO C. CASASIS	12,500	-	-	-	12,500	-	12,500
ALLAN L. VALENZUELA	1,920	257,187	44,375	-	214,732	-	214,732
ALMA GARCIA	32,000	-	-	-	32,000	-	32,000
ALVIN ESGUERRA	100,400	-	-	-	100,400	-	100,400
ALVIN SOGUILON	3,241	-	-	-	3,241	-	3,241
ALVIN TORRES	141,550	-	-	-	141,550	-	141,550
ALYANA GRACE T. ROBLEZA	193,702	-	-	-	193,702	-	193,702
ANA CLARISSA D. ILAGAN	105,000	906,738	-	-	1,011,738	-	1,011,738
ANA LIZA MANLAPAZ	-	-	-	-	-	-	-
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	430,000	-	-	-	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 BAGUAJON	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	-	-	-	-	-	-	-
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
AVGAEL MANINGO	100,000	-	-	-	100,000	-	100,000
BANAG, AUDREY PRESA	9,738	-	-	-	9,738	-	9,738
BEJIE VILLON	-	-	-	-	-	-	-
BENA KRISTIE S. UDQUIN	2,528,696	-	-	-	2,528,696	-	2,528,696
BENJAMIN R. DELA CRUZ	100,000	-	-	-	100,000	-	100,000
BENJAMIN S. FABROA JR.	40,358	1,586,093	1,611,135	-	15,315	-	15,315
BENJAMIN VICENTE JR.	28,208	-	-	-	28,208	-	28,208
BERNADETTE LAURENTE	55,000	-	-	-	55,000	-	55,000
BOBBY FERNAN	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	211,077	54,963	52,354	-	213,686	-	213,686
CARLOS LEITAO	182,396	198,465	-	-	380,860	-	380,860
CARLOS TRECE	50,000	-	-	-	50,000	-	50,000
CARLOS VILCHEZ	48,402	-	-	-	48,402	-	48,402
CARMEN ANNE LOUISE V. CONTEMPLACION	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	221,598	173,350	221,598	-	173,350	-	173,350
CHITO BILOG	57,412	217,229	10,000	-	264,641	-	264,641
<i>Balance forwarded</i>	P 9,393,093	P 3,750,948	P 2,063,699	-	P 11,080,341	-	P 11,080,341

Name	Balance at End of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
<i>Balance carried forward</i>	P 9,393,093	P 3,750,948	P 2,063,699	-	P 11,080,341	-	P 11,080,341
CHRISTIAN ALISANDAO	4,000	-	-	-	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	10,640	-	-	-	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
CRYSTALLINE B. MANALANG	-	156,525	-	-	156,525	-	156,525
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	4,000	-	-	-	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	-	-	-	-	-	-	-
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 RANOLA	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	176,909	96,500	5,000	-	268,409	-	268,409
DEXTER SUAZO	2,625	-	-	-	2,625	-	2,625
DHANNY JEAN AUGUSTO	2,500	-	-	-	2,500	-	2,500
DIANA JOY D. VICTORIA	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 BARLIN JR.	80	-	-	-	80	-	80
DONABELLE SISON	32,000	278,694	60,000	-	250,694	-	250,694
DONNA MAY VILLENA	248,598	133,400	377,298	-	4,700	-	4,700
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
EDLITO C. TAPIC	46,523	-	-	-	46,523	-	46,523
EDGAR NUGUIT	975	-	-	-	975	-	975
EDGAR VALERA	1,043,587	289,941	-	-	1,333,529	-	1,333,529
EDGAR VALERA	-	-	-	-	-	-	-
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
EDUARDO 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	4,000	-	-	-	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	-	59,125	-	26,752	-	26,752
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	-	-	-	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.	66,760	-	-	-	66,760	-	66,760
ESTELITO M. CENSON JR.	78,402	-	-	-	78,402	-	78,402
<i>Balance forwarded</i>	P 12,972,893	P 4,706,009	P 2,571,622	-	P 15,107,280	-	P 15,107,280

Name	Balance at End of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
<i>Balance carried forward</i>	P 12,972,893	P 4,706,009	P 2,571,622	-	P 15,107,280	-	P 15,107,280
ESTRELLA A. ALVARADO	95,421	313,056	-	-	408,477	-	408,477
EUTEMIO R. SARNO	28,800	-	-	-	28,800	-	28,800
EURENO BIETE	-	226,030	-	-	226,030	-	226,030
EVELYN ALRARAN 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
FELVIC LIGATUB	53,657	53,471	21,657	-	85,471	-	85,471
FELLOWES, GRANT LEE	539,000	539,000	-	-	1,078,000	-	1,078,000
FERDINAND A. PADDAYUMAN	74,963	-	-	-	74,963	-	74,963
FERDINAND B. RODRIGUEZ	15,099	-	-	-	15,099	-	15,099
FERMIN CHAVEZ JR.	700	248,027	-	-	248,727	-	248,727
FERNANDO L. PAGATPATAN	1,119	-	-	-	1,119	-	1,119
FIDEL P. CUERDO	15,664	54,250	52,408	-	17,506	-	17,506
FLORANTE C. PACTAO	1,475	-	-	-	1,475	-	1,475
FLORVAR BALDOZA	2,223	-	-	-	2,223	-	2,223
FRANCESCA MICAEALA SANTECO	11,273	-	-	-	11,273	-	11,273
FRANCIS LUIS C. DE GUZMAN	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	97,000	-	-	-	97,000	-	97,000
FRITZ LIM	26,895	-	-	-	26,895	-	26,895
GAURAV AGGARWAL	65,138	-	-	-	65,138	-	65,138
GEEVERGESE MATHEW - JOHN	13,674	-	-	-	13,674	-	13,674
GENEROSO LLAGONO JR.	4,000	-	-	-	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
GERMAN NESTOR OCTAVIANO	-	144,988	40,000	-	104,988	-	104,988
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 NEMUCINO	1,550	-	-	-	1,550	-	1,550
GILBERT TUGADE	-	127,500	-	-	127,500	-	127,500
GINO TALIBONG	4,000	-	-	-	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
GRACE ABEGAIL CASEM	-	76,100	33,627	-	42,473	-	42,473
GRETCHEN SALDARIA 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	23,998	37,090	43,998	-	17,090	-	17,090
HEHERSON AGCAOILI	609,824	122,265	137,265	-	594,824	-	594,824
HERMIE CORNELIO	1,550	-	-	-	1,550	-	1,550
HERMINIGILDO BAUTISTA JR.	1,550	-	-	-	1,550	-	1,550
HESOLER RANDY JEMAR	4,000	-	-	-	4,000	-	4,000
HONIE JOY RAAGAS	-	228,967	-	-	228,967	-	228,967
IRENEO NARCISO JR.	3,200	-	-	-	3,200	-	3,200
IRINEO AGUIHAP	42,600	813,400	115,931	-	740,069	-	740,069
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
JAIMIE BAMBALAN	1,550	-	-	-	1,550	-	1,550
JAIMIE 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	429,357	913,908	-	-	1,343,266	-	1,343,266
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	11,500	-	-	-	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	281,430	1,947,995	452,848	-	1,776,577	-	1,776,577
JEFFRY QUICAY	1,550	-	-	-	1,550	-	1,550
JEFLYN ALEXIS C. DIZON	42,000	-	-	-	42,000	-	42,000
JEMIMAH NAOMI DE LOS SANTOS	4,000	-	-	-	4,000	-	4,000
JENEFER G. ALBA	706,071	1,090,071	384,000	-	1,412,143	-	1,412,143
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	83,302	-	-	-	83,302	-	83,302
JERALBINE R. NUGUID	131	-	-	-	131	-	131
JERBY CONCEPCION	-	109,800	-	-	109,800	-	109,800
JEREMIAH CARL ALCERA	45	-	-	-	45	-	45
JEREMIAH JO	1,419	-	-	-	1,419	-	1,419
JERICH A JAN M. IGNACIO	32,000	-	-	-	32,000	-	32,000
JERMYN LEAL	81,357	-	-	-	81,357	-	81,357
JEROME C. CABANES	1,650	-	-	-	1,650	-	1,650
JEROME MALUPAY	9,891	-	-	-	9,891	-	9,891
JERRUIN SALINAS	1,550	-	-	-	1,550	-	1,550
<i>Balance forwarded</i>	P 17,941,777	P 11,751,927	P 3,863,856	-	P 25,829,848	-	P 25,829,848

Name	Balance at End of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
<i>Balance carried forward</i>	P 17,941,777	P 11,751,927	P 3,863,856	-	P 25,829,848	-	P 25,829,848
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	313,000	167,000	-	-	480,000	-	480,000
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. TAMPINA	15,000	28,393	-	-	43,393	-	43,393
JIMSON D. CUEVAS	3,498	328,600	-	-	332,098	-	332,098
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	51,266	484,178	222,208	-	313,236	-	313,236
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	233,590	248,590	174,590	-	307,590	-	307,590
JOHN HAROLD B. MANUEL	149,238	-	-	-	149,238	-	149,238
JOHN HENRY JAY G. MANAIT	52,875	-	-	-	52,875	-	52,875
JOHN KALVIN CARRERON	246,792	240,000	-	-	486,792	-	486,792
JOHN PAUL CADAY	333,169	333,169	-	-	666,337	-	666,337
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	805,670	-	-	903,199	-	903,199
JOSE M. GORPIDO, JR.	1,475	800,426	-	-	801,901	-	801,901
JOSE RENE D. ESCOMEN	1,027	-	-	-	1,027	-	1,027
JOSEPH CABOL	1,550	-	-	-	1,550	-	1,550
JOSEPH CORTIZ	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
JOSIE M. PARREÑO	-	338,399	-	-	338,399	-	338,399
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	-	10,500	-	-	10,500	-	10,500
JULIUS C. MANDAWE	1,650	671,000	-	-	672,650	-	672,650
JUSTINE C. RIVERA	14,400	-	-	-	14,400	-	14,400
KARA MAE MENDIOLA	41,600	-	-	-	41,600	-	41,600
KARL JOSEPH A. DEINLA	131,558	-	-	-	131,558	-	131,558
KARRI, LACHA REDDY	1,460	1,300,000	-	-	1,301,460	-	1,301,460
KATHERINE DUGTONG	3,148	-	-	-	3,148	-	3,148
KATHERINE P. VIENA	2,600,000	-	-	-	2,600,000	-	2,600,000
KATHILEEN M. TAPIA	32,000	-	-	-	32,000	-	32,000
KATHY ROSE S. BACANI	349,351	249,625	-	-	598,976	-	598,976
KEESHELY M. DE VERA	35,331	-	-	-	35,331	-	35,331
KEITH ANTHONY CALMAG	875,271	584,471	721,971	-	737,771	-	737,771
KEITH CLARKE	-	379,464	-	-	379,464	-	379,464
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. BONGHANOUY	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
KRISTINE MAE REYES	-	375,429	-	-	375,429	-	375,429
KRISTOFFER JAN V. SERIOSA	24,304	-	-	-	24,304	-	24,304
LALAINA 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	199,998	-	28,376	-	171,622	-	171,622
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
LORIEEN MARIE CRISOSTOMO	40,000	-	-	-	40,000	-	40,000
LLOYD NIÑO A. MASCARIÑAS	73,828	-	-	-	73,828	-	73,828
LINO VILLANUEVA	-	355,215	-	-	355,215	-	355,215
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 IEBRILLA	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
<i>Balance forwarded</i>	P 25,820,586	P 19,452,056	P 5,011,001	-	P 40,261,640	-	P 40,261,640

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			Amounts Collected	Written Off	Current	Non-current	
<i>Balance carried forward</i>	P 25,820,586	P 19,452,056	P 5,011,001	-	P 40,261,640	-	P 40,261,640
MA. ABIGAEI JANE LIBRANDO	135,317	266,700	-	-	402,017	-	402,017
MA. CECILIA TRABALLO	5,245	-	-	-	5,245	-	5,245
MA. CRISTINA STEPHANIE DAGANTA	4,300	-	-	-	4,300	-	4,300
MA. DARRREN CORRE	169,311	-	-	-	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	42,900	-	-	-	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	-	-	-	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	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-
MARIA SULPICIA POLINGA	9,566	-	-	-	9,566	-	9,566
MARIA THERESA PASCUAL	69,520	105,000	30,000	-	144,520	-	144,520
MARIBETH J. MONTERO	30,000	-	-	-	30,000	-	30,000
MARICAR V. CRUZ	9,533	-	-	-	9,533	-	9,533
MARICEL CO	97,750	-	-	-	97,750	-	97,750
MARICEL LUNA	17,500	111,850	17,500	-	111,850	-	111,850
MARICEL REYES	12,327	-	-	-	12,327	-	12,327
MARICOR AMATA	156,000	-	-	-	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	630,618	-	-	640,868	-	640,868
MARILAG LATORRE	12,208	-	-	-	12,208	-	12,208
MARILYN ORDENIS	200,000	-	-	-	200,000	-	200,000
MARIO LOPE PAR	99,105	563,010	-	-	662,115	-	662,115
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	1,676,987	2,330,059	257,000	-	3,750,046	-	3,750,046
MARK NIEVERA	359,365	618,967	-	-	978,333	-	978,333
MARK ROCAFORT	-	143,326	-	-	143,326	-	143,326
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	356,541	10,717	141,327	-	225,931	-	225,931
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	258,768	243,918	-	77,727	-	77,727
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	95,600	-	-	-	95,600	-	95,600
MARY ROSE HOPE PATRICIO	963	-	-	-	963	-	963
MARYCON SALAZAR	1,905	-	-	-	1,905	-	1,905
MASASHI WATANABE	619,428	813,334	582,437	-	850,325	-	850,325
MAURO SAN JOSE	62,054	20,018	-	-	82,071	-	82,071
MELCHOR V. HERRERA	1,650	-	-	-	1,650	-	1,650
MELISSA P. DAVID	110,000	-	-	-	110,000	-	110,000
MELONA DABLO	1,005,891	-	1,668	-	1,004,223	-	1,004,223
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	-	-	-	-	-	-	-
MENCHIE DIASEN	33,520	-	-	-	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	16,400	31,800	26,400	-	21,800	-	21,800
MICHELE A. BARROZO	10,000	148,295	-	-	158,295	-	158,295
<i>Balance forwarded</i>	P 35,259,798	P 25,504,516	P 6,311,251	-	P 54,453,063	-	P 54,453,063

Name	Balance at End of Period		Deductions		Ending Balance		Balance at End of Period					
			Amounts Collected	Written Off	Current	Non-current						
<i>Balance carried forward</i>	P	35,259,798	P	25,504,516	P	6,311,251	-	P	54,453,063	-	P	54,453,063
MISCHIEL U. ENRIQUEZ		36,905		-		31,560			5,345			5,345
MICHELLE GATAL		-		148,295		-			148,295			148,295
MOTHI LAL		3,800		-		-			3,800			3,800
MYLENE TIBON		335		-		-			335			335
NAZARENO C. ABALOS		-		125,693		-			125,693			125,693
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. ABRIL		8,925		-		-			8,925			8,925
NESTOR L. SIERYO JR		20,117		-		-			20,117			20,117
NIGANOR NICKIE B. ARENAS		13,875		-		-			13,875			13,875
NIDA H. GREFALDO		-		507,522		-			507,522			507,522
NIKKO F. DEL ROSARIO		7,609		-		-			7,609			7,609
NINO DELOS REYES		124,195		358,247		287,938			194,504			194,504
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		2,873,712		1,284,182		2,479,669			1,678,225			1,678,225
NORMAN RESURECCION		3,000		-		-			3,000			3,000
PANFILO MARTIN, JR.		1,876,654		1,736,654		-			3,613,308			3,613,308
PEDRO PISUENA		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		681,038		315,519		-			996,557			996,557
PHOEBE KATHERINE B. REYES		29,554		-		-			29,554			29,554
POLICARPIO VEGA JR.		15,000		-		-			15,000			15,000
PREMIER C. SEMILLA		48,320		6,720		-			55,040			55,040
PRINCESS DELOS SANTOS		5,367		-		-			5,367			5,367
PRINCESS GUMIRAN		14,000		9,000		-			23,000			23,000
RACHILLE E. CUYOS		525		-		-			525			525
RAFFY FELICIANO		8,000		-		-			8,000			8,000
RAIZA JACKIE LOUISE ESPINO		19,974		448,497		374,178			94,293			94,293
RALPH LIM		237,496		-		-			237,496			237,496
RAMON LOR		56,283		61,833		-			118,117			118,117
RAMON PACHECO III		19,900		2,600		-			22,500			22,500
RANDY ADRIANO		28,870		16,970		-			45,840			45,840
RANDY ESGUERRA		3,000		-		-			3,000			3,000
RANDY RETES		1,550		-		-			1,550			1,550
RANIEL ASUELO MONTEROLA		4,000		2,000		-			6,000			6,000
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		46,295		-		-			46,295			46,295
RAYMUNDO LAYSON		346,188		187,788		58,560			475,416			475,416
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			-			-
REDINTO M. OLIVERAS		1,475		-		-			1,475			1,475
REGAN A. TACANDONG		6,720		-		-			6,720			6,720
REGAN TACANDONG		825,504		-		-			825,504			825,504
REGGIE DASALLA		1,550		-		-			1,550			1,550
REGIE DELOS NINOS		1,650		-		-			1,650			1,650
REGINA CARMELLI TOLOSA		20,000		-		-			20,000			20,000
REGOR TITO		497,857		85,000		45,000			537,857			537,857
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		4,000		-		-			4,000			4,000
REYNALDO CANDO		3,200		-		-			3,200			3,200
REYNALDO RODRIN		688,990		115,640		-			804,630			804,630
REYNOLD JAZARENO		2,600		-		-			2,600			2,600
RHEA A. TANE0		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		75,000		140,196		46,134			169,062			169,062
RICARDO SABANAL		2,525		-		-			2,525			2,525
RICHARD ORTEGA		2,400		-		-			2,400			2,400
RICHARD PELOTOS		8,000		12,000		20,000			-			-
RICHEL BORDE		41,600		-		-			41,600			41,600
RICHEL PAGAWITAN		3,800		-		3,800			-			-
RICHIE R. MANLAPAZ		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		20,000		-			21,475			21,475
ROBY CHARLIE G. MALLARI		15,631		-		-			15,631			15,631
RODERIC CORPORAL		1,650		-		-			1,650			1,650
RODNEY ANDRE MORALES		5,000		23,654		-			28,654			28,654
RODNEY C. GARCIA		3,000		-		-			3,000			3,000
RODNEY DELICANO		1,550		-		-			1,550			1,550
RODRIGO S. PAMAHOY		22,292		1,225,000		-			1,247,292			1,247,292
ROGELIO RAMOS JR.		1,225,000		-		-			1,225,000			1,225,000
ROGLYN PONES		29,667		-		-			29,667			29,667
<i>Balance forwarded</i>	P	48,177,128	P	32,337,526	P	9,831,848	-	P	70,682,807	-	P	70,682,807

Name	Balance at End of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
<i>Balance carried forward</i>	P 48,177,128	P 32,337,526	P 9,831,848	-	P 70,682,807	-	P 70,682,807
ROHSAN ARIEL N. LUCES	1,150	-	-	-	1,150	-	1,150
ROLAND N. RINA	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	110,096	54,305	-	57,441	-	57,441
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	45,200	-	-	681,208	-	681,208
ROMMEL ONDONG	150,801	-	-	-	150,801	-	150,801
ARABELLE VALENCIA	-	218,750	140,000	-	78,750	-	78,750
ROMMEL S. OBISPO	988	-	-	-	988	-	988
ROMNICK T. LLENADO	1,650	-	-	-	1,650	-	1,650
RONALD ALLAN M. NICOLAS	31,374	-	-	-	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	-	-	-	-	-	-	-
RONILO C. PONSICA	1,650	-	-	-	1,650	-	1,650
RONNIE SALINGAY	1,550	-	-	-	1,550	-	1,550
ROSE ANN ENRIQUEZ	204,310	-	-	-	204,310	-	204,310
ROSE CELINE CASTRO	524,000	524,000	290,330	-	757,670	-	757,670
ROWENA B. TRILLANA	21,637	-	-	-	21,637	-	21,637
ROY GARCHITORENA	4,000	-	-	-	4,000	-	4,000
ROYCE MILTON CATACUTAN	20,159	-	-	-	20,159	-	20,159
RUBEN PEÑALOSA	2,525	-	-	-	2,525	-	2,525
RUBIELZA ALBAY	128,572	-	-	-	128,572	-	128,572
RUFINO DIZO	-	90,735	70,385	-	20,350	-	20,350
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	660	-	-	-	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
SHEILA 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
TEDDY 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	-	-	-	-	-	-	-
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.	50,552	-	-	-	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	277,579	113,150	95,071	-	277,579	-	277,579
YASMIN LAMBATAN	56,000	-	-	-	56,000	-	56,000
YOLANDA D. SURIO	32,000	20,000	-	-	52,000	-	52,000
YUNICE C. PRADHAN	2,500	-	-	-	2,500	-	2,500
ZANDY BAUT	48,906	-	-	-	48,906	-	48,906
TOTAL ADVANCES TO OFFICERS AND EMPLOYEES	P 51,503,789	P 33,459,458	P 10,481,940	-	P 74,481,307	-	P 74,481,307
<i>Advances to related parties under common ownership</i>							
Future State Myspace, Inc.	30,257	3,317	-	-	33,574	-	33,574
MySpace Properties Inc.	10,144,834	90,650,799	-	-	100,795,633	-	100,795,633
ISOC Holdings, Inc.	757,143	-	(757,143)	-	-	-	-
Megawide Foundation	-	39,845	-	-	39,845	-	39,845
ESA Group of Companies Inc.	30,805	-	(30,805)	-	-	-	-
Altria East Land, Inc.	3,779	56,649	-	-	60,428	-	60,428
Citicore Infrastructure Holdings, Inc.	-	31,716	-	-	31,716	-	31,716
Citicore Power Inc.	3,175,803,689	310,214	-	-	3,176,113,903	-	3,176,113,903
TOTAL ADVANCES TO RELATED PARTIES UNDER COMMON OWNERSHIP	3,186,770,507	91,092,541	(787,948)	-	3,277,075,099	-	3,277,075,099
ULTIMATE PARENT COMPANY	3,069,371,725	19,023,383	-	-	3,089,295,108	-	3,089,295,108
<i>Advances to non-controlling interest</i>							
Others	11,404,267	32,915,199	-	-	44,319,466	-	44,319,466
TOTAL ADVANCES TO MINORITY INTEREST	11,404,267	32,915,199	-	-	44,319,466	-	44,319,466
	6,319,050,288	177,390,581	9,693,992	-	6,485,170,980	-	6,485,170,980

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES

Schedule C

Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
December 31, 2020

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 1,517,747,144	P -	P 679,350,028	P -	P 838,397,116	P -	P 838,397,116
Megawide Construction (BVI) Corporation (MCBVI)	148,353,434	-	-	-	148,353,434	-	148,353,434
Megawide Terminals, Inc. (MTI)	480,178,708	66,740	-	-	480,245,448	-	480,245,448
Globemerchants, Inc.	25,000,000	-	25,000,000	-	-	-	-
Megawide Land Inc. (MLI)	2,643,495	15,549,370	-	-	18,192,865	-	18,192,865
Megawide International Limited (MIL)	102,906,182	148,426,012	-	-	251,332,194	-	251,332,194
Cebu2World Development, Inc.	-	2,084,290	-	-	2,084,290	-	2,084,290
Wide-Horizons, Inc.	-	1,250,000	-	-	1,250,000	-	1,250,000
GMR Megawide Cebu Airport Corporation (GMCAC), Subsidiary	229,987,749	-	11,829,387	-	218,158,362	-	218,158,362

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
Long-Term Debt
December 31, 2020

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 39,796,906,098	P 12,915,285,156	P 26,881,620,942
Note payable (ii)	5,590,791,232	-	5,590,791,232
Lease liabilities (iii)	532,667,977	195,172,595	337,495,382
Total	P 45,920,365,307	P 13,110,457,751	P 32,809,907,556

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 three notes facility agreement with a local bank for private placement amounting to P100.0 million in 2013, P2,000.0 million in 2016, and P3,600.0 million in 2020. 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 requirements.

In February 2020, the Parent Company availed P3,600.0 unsecured corporate loans from its third loan facility for repayment of maturing debts, funding of new projects and general corporate requirements.

- (iii) *Lease liabilities have an effective interest rate of 7.0% and 6.0% in 2020 and 2019 with maturity of three to five years from the date of transaction.*

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
Schedule E
Indebtedness to Related Parties
December 31, 2020

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
Advances from Citicore-Megawide Consotium, Inc. (CMCI)	P 20,000,000	P 20,000,000
Total	P 20,000,000	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 CMCI in 2012. These advances are noninterest-bearing and payable on demand.*

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES

Schedule F

Guarantees of Securities of Other Issuers

December 31, 2020

Name of Related Party	Amount	
MWM Terminals, Inc. (MWMTI)	P	3,900,000,000
Citicore Holdings, Inc. (CHI)		1,500,000,000
Citicore Megawide Consortium, Inc. (CMCI)		656,000,000
Total	P	6,056,000,000

Supplementary information on Guarantees of Securities and Other Issuers

¹ MWMTI entered in to an OLSA with a local universal bank in 2015, with the Parent Company as guarantor, for a loan facility amounting to P3,300.0 million to finance the construction of the ITS Project. In 2019, the Company requested the lender to increase the loan facility by P600.0 million making the total principal loan to P3,900.0 million.

² On December 26, 2019, the Parent Company's Board of Directors approved the issuance of corporate guaranty in the amount of P4,500.0 million in favour 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 consistent to the Group. Subsequently on March 28, 2021, the BOD of the Parent Company approved the reduction of the amount of corporate guaranty to P1.5 billion.

³ On March 23, 2015, CMCI, with the Parent Company as guarantor, executed an RPA with certain local commercial banks, whereby the CMCI shall offer an outstanding arising from PPP school infrastructure project finance lease receivable within the purchase period on a limited recourse basis such as upon the occurrence of certain repurchase event under the RPA. Pursuant to the continuing obligations of the CMCI under the RPA, CMCI has been in compliance with the RPA during the reporting periods. CMCI has an outstanding loan amounting to P656 million as of December 31, 2020

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
 Schedule G
 Capital Stock
 December 31, 2020

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown Under the Related Statement of Financial Position Caption (i)	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held By		
				Related Parties	Directors, Officers and Employees	Others
Common	4,930,000,000	2,013,409,717	-	1,330,634,698	18,775,289	663,999,730
Preferred	124,000,000	87,001,010.00	-	-	-	87,001,010

(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.

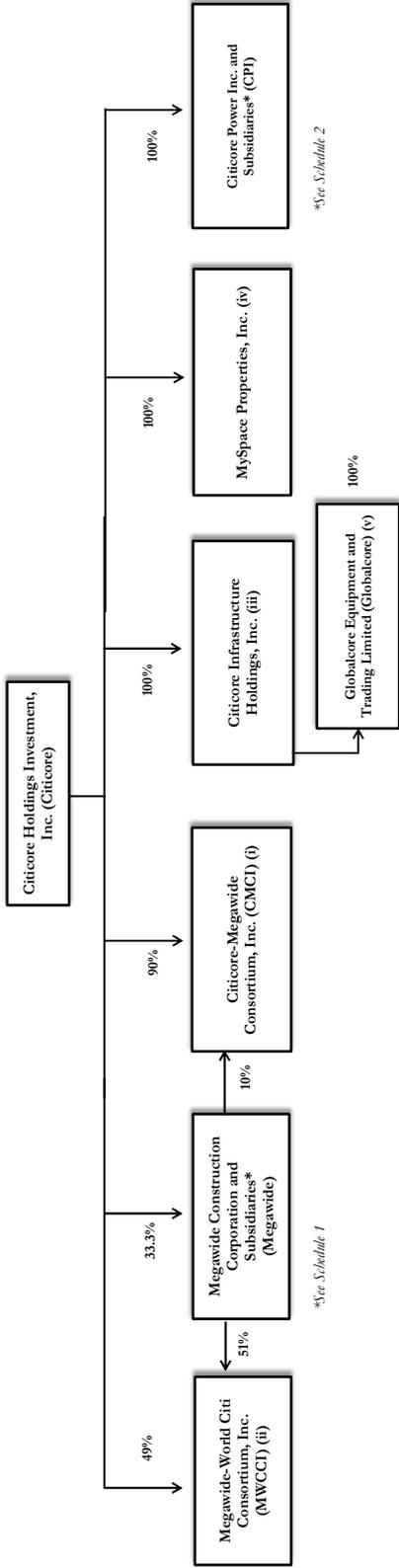
On October 1, 2018, the Parent Company's BOD approved a share buyback program worth up to P2.0 billion over a period of two years. Total cost to acquire treasury shares in 2018 amounted to P824.77 million which is equivalent to 48.81 shares. In 2019, pursuant to the share buyback program, the Company 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.

On September 30, 2020, the Parent Company entered into a Subscription Agreement with CHI whereby CHI subscribed to 13,500,000 preferred shares of the Parent Company at P1.00 each, and paid 25% of such subscription in cash amounting to P3.38 million. On November 5, 2020, the SEC has approved the Parent Company's offer and sale of Series 2 preferred shares which are to be issued in two subseries: Series 2A and Series 2B preferred shares, at a subscription price of P100.00. As of December 31, 2020, 26,220,130 and 17,405,880 of Series 2A and 2B preferred shares, respectively, were subscribed and listed in the PSE.

MEGAWIDE CONSTRUCTION CORPORATION
Reconciliation of Retained Earnings Available for Dividend Declaration
For Year Ended December 31, 2020

Unappropriated Retained Earnings of the Parent Company at Beginning of Year	P	1,147,521,577
Prior Periods' Outstanding Reconciling Item		
Deferred tax income	(	<u>124,563,177</u>)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted		1,022,958,400
Net Profit of the Parent Company Realized During the Year		
Net profit per audited financial statements		123,975,469
Non-actual/unrealized income		
Deferred tax income related to deferred tax assets recognized in the profit or loss during the year	(	89,561,778)
Other Transaction During the Year		
Treasury shares - at cost	(	703,073,040)
Cash dividends to preferred and common shareholders	(	<u>281,001,164</u>)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	P	<u>73,297,887</u>

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
 MAP SHOWING THE RELATIONSHIP BETWEEN THE COMPANY AND ITS RELATED ENTITIES
 December 31, 2020



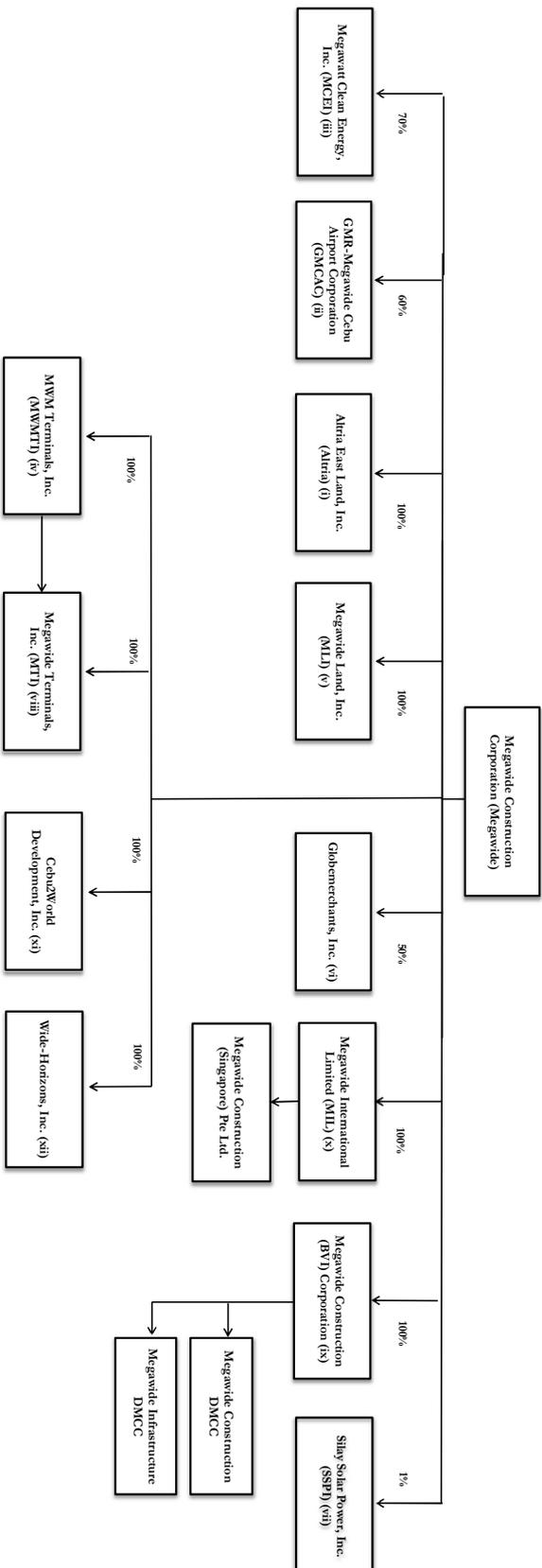
*See Schedule 1

*See Schedule 2

Supplementary information:

- (i) 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.
- (ii) 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.
- (iii) In March 2015, CHI acquired 100% ownership to CHH. CHH was established primarily to engage in buying and holding shares of other companies, either by subscribing to misused shares of capital stock in public or private offering or by purchasing the shares of other stockholders by way of assignment in private sale.
- (iv) In January 2012, upon execution of Deed of assignment between CHI and Myspace's stockholders, the 100% ownership of Myspace was transferred to CHI.
- (v) Globalcore is a foreign registered and domiciled in Hong Kong, which is primarily engaged in buying, selling, importing, and exporting of general equipment.

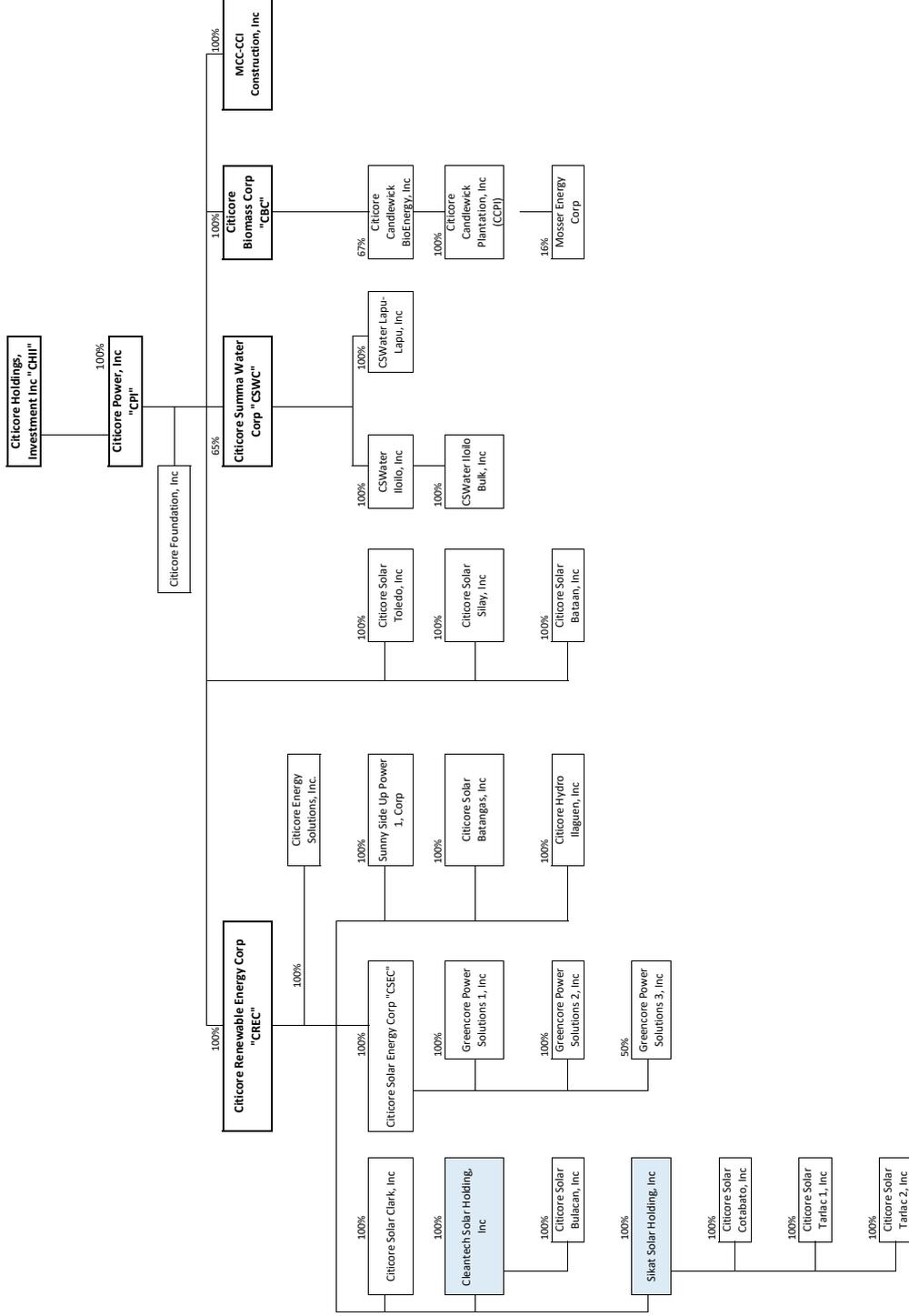
MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
MAP SHOWING THE RELATIONSHIP BETWEEN THE COMPANY AND ITS RELATED ENTITIES
 Schedule 1: Megawide Construction Corporation and Subsidiaries
 December 31, 2020



Supplementary information:

- (i) Megawide's acquisition of Altra is treated as an acquisition of asset and not a business acquisition. Hence, Altra is not considered a subsidiary of the Megawide.
- (ii) Megawide acquired 150 million shares of stock of CNMCC which represent 60% of CNMCC's issued and outstanding capital stock, giving Megawide control over the financial and operations of CNMCC.
- (iii) 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.
- (iv) MWT/MTI was accounted for as a subsidiary due to the acquisition of 100% ownership in MWT, resulting to the increase in effective ownership of Megawide in MWT/MTI from 51% to 100%.
- (v) 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.
- (vi) On May 5, 2016, the Parent Company acquired a 50% ownership interest in Ghebenmerchants, a company incorporated in the Philippines, primarily engaged in exporting, buying, selling, distributing, marketing of a wholesale in so far as may be permitted by law all kinds of goods, wares and merchandise of every kind and description. As of December 31, 2020, the Parent Company's ownership interest in Ghebenmerchants, Inc. is 50%.
- (vii) In February 2016, SSP's national shares of stock were acquired by CR resulting in a 75% equity interest over SSP and holding Megawide's equity interest over SSP from 100% to 25%. Hence, SSP ultimately become a subsidiary of CRP. In 2016, the Megawide's equity interest was reduced from 100% to 1% upon acquisition of a related party under common ownership.
- (viii) In August 2018, Megawide acquired the outstanding shares of MTI representing 100% ownership, making it a wholly owned subsidiary of Megawide.
- (ix) On June 20, 2017, the Parent Company acquired a 100% ownership interest in MCEI, an entity incorporated in the territory of British Virgin Islands, a primarily engage in buying and holding shares of other companies.
- (x) MLI, whose registered office is at Mary Building, 2nd Floor, Primal Estate, P.O. Box 2416, Road Town, Tortola, British Virgin Islands, was incorporated on July 26, 2019.
- (xi) Cebu2World, whose registered office is at Unit 1504, Ayuda 1 Jife FCU Center Cebu, Mindanao Avenue corner Bisanan Road, Cebu Business Park, Cebu City, was incorporated on November 3, 2020.
- (xii) Wide-Horizon, whose registered office is at 20 N. Domingo Street, Brgy. Valentin, Quezon City, was incorporated on November 16, 2020.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
 MAP SHOWING THE RELATIONSHIP BETWEEN THE COMPANY AND ITS RELATED ENTITIES
 Schedule 2: Citicore Power, Inc. and Subsidiaries
 December 31, 2020



Supplementary information:

- (i) In February 2016, SVP1, issued shares of stock were acquired by CPI resulting in a 75% equity interest over SVP1 and diluting Megawide's equity interest over SVP1 from 100% to 25%. Hence, SVP1 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.
- (ii) In 2016, the following newly incorporated entities: HBP, CESI, HCEESI, NGEESI, LGEESI and CGEESI, became wholly owned subsidiaries of the CPI upon subscription on their common shares. In 2015, CPI acquired additional shares of NGPPTC through conversion of advances to equity investments. In November 2015, CPI entered into a share purchase agreement (SPA) for the acquisition of FTSEEC for \$12.0 million. CPI paid the former stockholder of FTSEEC amounting to P40.1 million. The agreement was subsequently amended and reduced the purchase price to \$3.6 million. CPI gained control on FTSEEC in May 2016 upon significant compliance of the parties to the SPA. CPI then reorganized FTSEEC as its subsidiary.



Report of Independent Auditors on Components of Financial Soundness Indicators

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

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

T +63 2 8988 2288

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, 2020 and 2019, on which we have rendered our report dated April 8, 2021. 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, 2020 and 2019 and for each of the two years in the period ended December 31, 2020 and no material exceptions were noted.

PUNONGBAYAN & ARAULLO

By: **Mailene Sigue-Bisnar**
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 8533222, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 0396-AR-3 (until Oct. 1, 2021)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-020-2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

April 8, 2021

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
Supplemental Schedule of Financial Soundness Indicators
December 31, 2020 and 2019

Ratio	Formula	2020	Formula	2019
Current ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets 36,432,587,464 Divide by: Total Current Liabilities 26,214,516,570 Current ratio 1.39	1.39	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
Acid test ratio	Quick assets (Total Current Assets less Inventories, Contract Assets and Other Current Assets) divided by Total Current Liabilities Total Current Assets 36,432,587,464 Less: Inventories (1,719,042,863) Contract Assets (4,231,600,246) Other Current Assets (7,956,744,328) Quick Assets 22,525,200,027 Divide by: Total Current Liabilities 26,214,516,570 Acid test ratio 0.86	0.86	Quick assets (Total Current Assets less Inventories Contract Assets and Other Current Assets) divided by Total Current Liabilities Total Current Assets 35,465,662,114 Less: Inventories (1,287,127,532) Contract Assets (3,975,734,097) Other Current Assets (6,310,724,077) Quick Assets 23,892,076,408 Divide by: Total Current Liabilities 27,999,982,419 Acid test ratio 0.85	0.85
Solvency ratio	Total Assets divided by Total Liabilities Total Assets 81,343,769,067 Divide by: Total Liabilities 60,821,301,203 Solvency ratio 1.34	1.34	Total Assets divided by Total Liabilities Total Assets 80,764,326,231 Divide by: Total Liabilities 62,765,813,535 Solvency ratio 1.29	1.29
Debt-to-equity ratio	Total Liabilities divided by Total Equity Total Liabilities 60,821,301,203 Divide by: Total Equity 20,522,467,864 Debt-to-equity ratio 2.96	2.96	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
Assets-to-equity ratio	Total Assets divided by Total Equity Total Assets 81,343,769,067 Divide by: Total Equity 20,522,467,864 Assets-to-equity ratio 3.96	3.96	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
Interest rate coverage ratio	Earnings before interest and taxes (EBIT) divided by Interest expense EBIT 1,653,541,057 Divide by: Interest expense 2,263,350,133 Interest rate coverage ratio 0.73	0.73	Earnings before interest and taxes (EBIT) divided by Interest expense EBIT 3,460,420,384 Divide by: Interest expense 2,025,182,848 Interest rate coverage ratio 1.71	1.71
Return on equity	Net Profit divided by Total Equity Net Profit (874,595,891) Divide by: Total Equity 20,522,467,864 Return on equity (0.04)	(0.04)	Net Profit divided by Total Equity Net Profit 1,111,034,814 Divide by: Total Equity 17,998,512,696 Return on equity 0.06	0.06
Return on assets	Net Profit divided by Total Assets Net Profit (874,595,891) Divide by: Total Assets 81,343,769,067 Return on assets (0.01)	(0.01)	Net Profit divided by Total Assets Net Profit 1,111,034,814 Divide by: Total Assets 80,764,326,231 Return on assets 0.01	0.01
Net profit margin	Net Profit divided by Total Revenue Net Profit (874,595,891) Divide by: Total Revenue 12,923,226,465 Net profit margin (0.07)	(0.07)	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

Annex B

Consolidated Reviewed Interim Financial Statements as of March 31, 2021



P&A
Grant Thornton

Interim Condensed Consolidated
Financial Statements and
Independent Auditors' Report

Megawide Construction Corporation and Subsidiaries

For the Three Months ended March 31, 2021, 2020 and 2019



May 19, 2021

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 as of March 31, 2021 and December 31, 2020 and for the three months ended March 31, 2021, 2020, and 2019, 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 the 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, have reviewed the financial statements of the Group in accordance with Philippine Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, and in their report to the stockholders, have expressed their conclusion on the fairness of presentation upon completion of such review.

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

RAMON H. DIAZ
Group Chief Financial Officer
133-692-824-000





SUBSCRIBED AND SWORN TO before me this
MAY 19 2021 at QUEZON CITY this
affiants
exhibiting to me their valid Tax Identification Numbers stated above.

Signed this MAY 19 2021 day of _____.

DO 489
PAGE 99
BOOK 7
SERIES OF 2021

Charlotte King
CHARLOTTE Y. KING
Commission Serial No. TBP-210 (2020-2021)
Notary Public for Quezon City
Until 31 December 2021
Roll of Attorneys No. 60162
TBP Lifetime No. 011723
PTR No. 0604015, 6 January 2021, Quezon City
MCE Compliance No. 1190-199, 21 August 2017
No. 20 N. Domingo St., Brgy. Valencia, Quezon City 1112





Report on Review of Interim Condensed Consolidated Financial Statements

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

T +63 2 8988 2288

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Megawide Construction Corporation (the Parent Company) and subsidiaries (collectively referred to herein as "the Group"), which comprise the interim condensed consolidated statement of financial position as of March 31, 2021 and 2020, and the related interim condensed consolidated statement of income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three months ended March 31, 2021, 2020 and 2019, and notes to the condensed consolidated interim financial statements, including a summary of significant accounting policies.

Management's Responsibility for the Condensed Consolidated Interim Financial Statements

Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of interim condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with Philippine Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Philippine Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements do not present fairly, in all material respects, the interim condensed consolidated financial position of the Group as of March 31, 2021 and 2020, and its interim condensed consolidated financial performance and its interim condensed consolidated cash flows for the three months ended March 31, 2021, 2020 and 2019 in accordance PAS 34.

Emphasis of Matter

We draw attention to Note 1 to the interim condensed consolidated financial statements, which describes management's assessment of the continuing impact on the Group's financial statements of the business disruption brought about by the COVID-19 pandemic. Our report is not modified with respect to this matter.

Other Matter

We have previously audited the consolidated financial statements of the Group as of December 31, 2020, including the consolidated statement of financial position, which is presented herein for comparative purposes, on which we have rendered our report thereon dated April 8, 2021.

PUNONGBAYAN & ARAULLO



By: Mailene Sigue-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 8533222, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 0396-AR-3 (until Oct. 1, 2021)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-020-2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

May 19, 2021

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2021 AND DECEMBER 31, 2020
(Amounts in Philippine Pesos)

	Notes	(Unaudited) March 31, 2021	(Audited) December 31, 2020
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	4	P 8,037,169,905	P 7,226,149,912
Trade and other receivables - net	5	16,230,081,455	15,299,050,115
Construction materials		1,884,016,161	1,719,042,863
Contract assets		4,255,143,686	4,231,600,246
Other current assets	7	8,125,729,432	7,956,744,328
		<u>38,532,140,639</u>	<u>36,432,587,464</u>
NON-CURRENT ASSETS			
Financial assets at fair value			
through other comprehensive income		3,544,472	3,544,472
Investments in associates and joint venture	7	903,973,186	929,195,986
Concession assets - net	9	30,075,312,977	29,928,727,717
Property, plant and equipment - net	10	7,504,720,500	7,497,348,324
Investment properties - net	11	4,347,133,348	4,120,894,365
Deferred tax assets - net		27,538,855	9,626,113
Other non-current assets - net	8	2,149,509,152	2,421,844,626
		<u>45,011,732,490</u>	<u>44,911,181,603</u>
TOTAL ASSETS		<u>P 83,543,873,129</u>	<u>P 81,343,769,067</u>

	Notes	(Unaudited) March 31, 2021	(Audited) December 31, 2020
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14	P 13,302,011,967	P 13,110,457,751
Trade and other payables	13	8,433,895,007	8,291,951,223
Contract liabilities	15	6,752,106,322	4,593,930,101
Other current liabilities	16	<u>290,426,756</u>	<u>218,177,495</u>
Total Current Liabilities		<u>28,778,440,052</u>	<u>26,214,516,570</u>
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14	32,780,167,397	32,809,907,556
Post-employment defined benefit obligation		345,111,464	343,402,205
Deferred tax liabilities - net		730,781,460	801,849,193
Other non-current liabilities	16	<u>651,177,254</u>	<u>651,625,679</u>
Total Non-current Liabilities		<u>34,507,237,575</u>	<u>34,606,784,633</u>
Total Liabilities		<u>63,285,677,627</u>	<u>60,821,301,203</u>
EQUITY			
Equity attributable to shareholders of the Parent Company:	19		
Capital stock		2,486,427,137	2,486,427,137
Additional paid-in capital		13,057,711,509	13,057,711,509
Revaluation reserves		(8,929,435)	(8,950,923)
Other reserves		(22,474,837)	(22,474,837)
Treasury shares		(4,615,690,576)	(4,615,690,576)
Retained earnings		<u>6,280,732,050</u>	<u>6,404,291,624</u>
Total equity attributable to shareholders of the Parent Company		17,177,775,848	17,301,313,934
Non-controlling interests		<u>3,080,419,654</u>	<u>3,221,153,930</u>
Total Equity		<u>20,258,195,502</u>	<u>20,522,467,864</u>
TOTAL LIABILITIES AND EQUITY		<u>P 83,543,873,129</u>	<u>P 81,343,769,067</u>

See Notes to Interim Condensed Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2021, 2020 AND 2019
(UNAUDITED)
(Amounts in Philippine Pesos)

	Notes	2021	2020 (As Restated - see Note 2)	2019 (As Restated - see Note 2)
REVENUES				
	17			
Construction operation revenues	P	3,421,061,971	P 3,799,434,584	P 2,567,727,559
Airport operations revenues		113,938,106	808,626,970	891,994,561
Landport operations revenue		187,020,505	286,947,160	20,003,363
Trading operations revenues		<u>1,144,222</u>	<u>64,794,831</u>	<u>84,918,604</u>
		<u>3,723,164,804</u>	<u>4,959,803,545</u>	<u>3,564,644,087</u>
DIRECT COSTS				
	18			
Cost of construction operations		2,922,534,425	3,232,058,267	2,171,979,201
Costs of airport operations		84,009,072	349,075,030	366,841,747
Costs of landport operations		83,595,977	111,492,570	15,936,544
Costs of trading operations		<u>2,014,082</u>	<u>16,519,606</u>	<u>22,031,831</u>
		<u>3,092,153,556</u>	<u>3,709,145,473</u>	<u>2,576,789,324</u>
GROSS PROFIT		631,011,248	1,250,658,072	987,854,763
OTHER OPERATING EXPENSES		<u>374,587,287</u>	<u>407,137,414</u>	<u>257,118,581</u>
OPERATING PROFIT		<u>256,423,961</u>	<u>843,520,658</u>	<u>730,736,182</u>
OTHER INCOME (CHARGES)				
Finance costs	(	639,365,418	(675,993,086)	(401,720,449)
Finance income		121,506,788	127,533,188	54,277,535
Others - net		<u>108,487,088</u>	<u>3,207,846</u>	<u>65,413,358</u>
	(	<u>409,371,542</u>	(545,252,052)	(282,029,556)
PROFIT (LOSS) BEFORE TAX	(	152,947,581	298,268,606	448,706,626
TAX EXPENSE	(	<u>15,029,473</u>	<u>124,202,928</u>	<u>167,049,268</u>
NET PROFIT (LOSS)	(P	<u>137,918,108</u>	<u>P 174,065,678</u>	<u>P 281,657,359</u>
Net Profit (Loss) Attributable To:				
	24			
Shareholders of the Parent Company	P	2,847,782	P 200,943,093	P 239,255,161
Non-controlling interests	(	<u>140,765,890</u>	(26,877,415)	<u>42,402,198</u>
	(P	<u>137,918,108</u>	<u>P 174,065,678</u>	<u>P 281,657,359</u>
Earnings (Loss) per Share	24	<u>(P 0.06)</u>	<u>P 0.06</u>	<u>P 0.08</u>

See Notes to Interim Condensed Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2021, 2020 AND 2019
(UNAUDITED)
(Amounts in Philippine Pesos)

	<u>2021</u>	<u>2020</u> (As Restated - see Note 2)	<u>2019</u> (As Restated - see Note 2)
NET PROFIT	(P 137,918,108)	P 174,065,678	P 281,657,359
OTHER COMPREHENSIVE INCOME			
Item that will not be reclassified subsequently to profit or loss			
Foreign currency translation adjustment	(P 25,934)	P -	P -
Tax income (expense)	<u>79,036</u>	<u>-</u>	<u>-</u>
Other Comprehensive Income (Loss) – net of tax	<u>53,102</u>	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>(P 137,865,006)</u>	<u>P 174,065,678</u>	<u>P 281,657,359</u>
Total Comprehensive Income Attributable To:			
Shareholders of the Parent Company	P 2,869,270	P 200,943,093	P 239,255,161
Non-controlling interests	(<u>140,734,276</u>)	(<u>26,877,415</u>)	<u>42,402,198</u>
	<u>(P 137,865,006)</u>	<u>P 174,065,678</u>	<u>P 281,657,359</u>

See Notes to Interim Condensed Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2021, 2020 AND 2019
(UNAUDITED)
(Amounts in Philippine Pesos)

	Attributable to Shareholders of the Parent Company							Non-controlling Interests	Total
	Common Stock	Preferred Stock	Treasury Shares	Additional Paid-in Capital	Revaluation Reserves	Other Reserves	Retained Earnings		
Balance at January 1, 2021	P 2,399,426,127	P 87,001,010	(P) 4,615,690,576	P 13,057,711,509	(P) 8,950,923	(P) 22,474,837	P 6,404,291,624	P 3,221,153,930	P 20,522,467,864
Cash dividends	-	-	-	-	-	-	(126,407,356)	-	(126,407,356)
Total comprehensive income (loss) for the period	-	-	-	-	21,488	-	2,847,782	(140,734,276)	(137,865,006)
Balance at March 31, 2021	P 2,399,426,127	P 87,001,010	(P) 4,615,690,576	P 13,057,711,509	(P) 8,929,435	(P) 22,474,837	P 6,280,732,050	P 3,080,419,654	P 20,258,095,502
Balance at January 1, 2020	P 2,399,426,127	P 40,000,000	(P) 3,912,617,536	P 8,776,358,765	(P) 63,383,647	(P) 22,474,837	P 7,083,442,710	P 3,697,761,114	P 17,998,512,696
Acquisition of treasury shares	-	-	(722,965,177)	-	-	-	-	-	(722,965,177)
Cash dividends	-	-	-	-	-	-	(70,250,000)	-	(70,250,000)
Total comprehensive income (loss) for the period	-	-	-	-	-	-	200,943,093	(26,877,415)	174,065,678
Balance at March 31, 2020	P 2,399,426,127	P 40,000,000	(P) 4,635,582,713	P 8,776,358,765	(P) 63,383,647	(P) 22,474,837	P 7,214,135,803	P 3,670,883,699	P 17,379,363,197
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 3,497,821,425	P 18,004,101,050
Acquisition of treasury shares	-	-	(99,521,677)	-	-	-	-	-	(99,521,677)
Cash dividends	-	-	-	-	-	-	(70,250,000)	-	(70,250,000)
Total comprehensive income for the period	-	-	-	-	-	-	239,255,161	42,402,198	281,657,359
Balance at March 31, 2019	P 2,399,426,127	P 40,000,000	(P) 3,554,348,139	P 8,776,358,765	P 15,204,702	(P) 22,474,837	P 6,921,596,491	P 3,540,223,623	P 18,115,986,732

See Notes to Interim Condensed Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2021, 2020 AND 2019
(UNAUDITED)
(Amounts in Philippine Pesos)

	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (loss) before tax	(P 152,947,581)	P 298,268,606	P 448,706,626
Adjustments for:			
Finance costs	639,365,418	675,993,087	401,720,456
Depreciation and amortization	362,267,025	466,940,414	349,326,060
Finance income	(121,506,788)	(133,044,625)	(54,277,541)
Unrealized mark-to-market loss in interest rate swap	811,722	-	-
Equity in net losses (gains) on associates and joint venture	25,222,800	(5,777,994)	763,913
Gain on disposals of property, plant and equipment	(3,769,323)	(2,935,367)	-
Operating profit before working capital changes	749,443,273	1,299,444,121	1,146,239,514
Decrease (increase) in trade and other receivables	(820,781,340)	1,840,150,708	(94,525,047)
Decrease (increase) in construction materials	(164,973,298)	(21,340,891)	33,274,026
Increase in contract assets	(23,543,440)	(139,336,863)	(549,685,336)
Increase in other current assets	(257,965,579)	(1,208,958,806)	(698,168,237)
Decrease (increase) in non-current assets	618,610,863	(186,001,711)	-
Increase (decrease) in trade and other payables	(116,651,003)	(932,242,231)	143,745,684
Increase (decrease) in contract liabilities	2,147,233,773	(22,504,521)	(888,811,898)
Increase in other liabilities	71,800,836	92,317,893	29,593,875
Increase in post-employment defined benefit obligation	1,762,361	1,633,568	1,354,533
Cash generated from (used in) operations	2,204,936,446	723,161,267	(876,982,886)
Cash paid for income taxes	15,029,473	(124,202,928)	(167,049,268)
Net Cash From (Used In) Operating Activities	2,219,965,919	598,958,339	(1,044,032,154)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property, plant and equipment, and computer software license	(609,079,929)	(191,211,255)	(216,218,686)
Decrease in investment in trust fund	(332,674,752)	(305,438,663)	(722,551,855)
Additions to concession assets	(153,638,024)	(193,734,617)	(221,384,503)
Proceeds from sale of property, plant and equipment	14,232,617	-	-
Interest received	11,256,788	23,559,657	54,277,541
Acquisitions of investment properties	(3,809,422)	-	(331,289,620)
Acquisition of investment in joint venture	-	(3,059,965)	-
Proceeds from sale of financial assets at fair value through profit or loss	-	-	26,290,139
Net Cash Used in Investing Activities	(1,073,712,722)	(669,884,843)	(1,410,876,984)
Balance carried forward	P 1,146,253,197	(P 70,926,504)	(P 2,454,909,138)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>Balance brought forward</i>	P 1,146,253,197	(P 70,926,504)	(P 2,454,909,138)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	(374,043,414)	(317,886,058)	(70,250,000)
Proceeds from interest-bearing loans	352,508,222	8,325,000,000	1,459,731,916
Repayment of interest-bearing loans and borrowings	(235,797,685)	(9,349,854,151)	(165,634,971)
Interest paid	(77,900,327)	(141,145,832)	(202,939,614)
Acquisition of treasury shares	<u>-</u>	<u>(722,965,177)</u>	<u>(99,521,677)</u>
Net Cash From (Used In) Financing Activities	<u>(335,233,204)</u>	<u>(2,206,851,218)</u>	<u>921,385,654</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	811,019,993	(2,277,777,722)	(1,533,523,484)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>7,226,149,912</u>	<u>6,518,599,861</u>	<u>5,734,720,648</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>P 8,037,169,905</u>	<u>P 4,240,822,139</u>	<u>P 4,201,197,164</u>

See Notes to Condensed Consolidated Financial Statements

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
SELECTED NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
MARCH 31, 2021, 2020 AND 2019 AND DECEMBER 31, 2020
(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 19.1).

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. 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 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.

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

On September 22, 2020, SEC has approved the Parent Company's increase in its authorized capital stock to 5,054.0 million, divided into the 4,930.0 million common shares and 124.0 million cumulative, non-voting, non-participating, non-convertible, perpetual preferred shares. Both common and preferred shares have a par value of P1.0 per share.

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, 2020 and 2019 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.

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

1.2 Subsidiaries, Associates and Joint Arrangements

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

<u>Subsidiaries/Associates/Joint Operations/Joint Ventures</u>	<u>Notes</u>	<u>Percentage of Ownership</u>
Subsidiaries:		
GMR Megawide Cebu Airport Corporation (GMCAC)	a	60%
Megawatt Clean Energy, Inc. (MCEI)	b	70%
Globemercants, Inc. (GMI)	c	50%
Megawide Land, Inc. (MLI)	d	100%
Megawide Cold Logistics, Inc. (MCLI)	d	60%
Megawide Construction (BVI) Corporation (MCBVI)	e	100%
Megawide Construction DMCC (DMCC)	e	100%
Megawide Infrastructure DMCC (MW Infrastructure)	e	100%
MWM Terminals, Inc. (MWMTI)	j	100%
Megawide Terminals, Inc. (MTI) <i>(formerly W/M Property Management, Inc.)</i>	i	100%
Megawide International Limited (MIL)	h	100%
Megawide Construction (Singapore) Pte. Ltd. (MC-SG)	h	100%
Cebu2World Development, Inc. (CDI)	o	100%
Wide-Horizons, Inc. (WHI)	p	100%
Tiger Legend Holdings Limited (TLH)	q	100%
<i>Accounted for as asset acquisition –</i> Altria East Land, Inc. (Altria)	f	100%
Associates:		
Megawide World Citi Consortium, Inc. (MWCCI)	g	51%
Citicore Megawide Consortium, Inc. (CMCI)	g	10%
Joint Operations:		
Megawide GISPL Construction Joint Venture (MGCJV)	k	50%
Megawide GMR Construction Joint Venture, Inc. (MGCJVI)	l	50%
HDEC- Megawide-Dongah JV (HMDJV)	r	35%
Joint Ventures:		
Mactan Travel Retail Group Corp. (MTRGC)	m	25%
Select Service Partners Philippines Corp. (SSPPC)	n	25%

a) GMCAC

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

GMCAC was established for the purpose of implementing the provisions of the Concession Agreement (see Note 9) 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 MCI 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 March 31, 2021, 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.

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 March 31, 2021.

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 subsidiaries, DMCC and MW Infrastructure. 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.

MW Infrastructure was registered on September 30, 2020 as a turnkey project contracting and project development consultant. Its registered office is located at Unit 4501-009 Mazaya Business Avenue BB2 Plot No JLTE-PH2-BB2 Jumeirah 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.

g) MWCCI and CMCI

The Group's investments in MWCCI and CMCI are accounted for as investments in associates despite the percentage of the Parent Company's ownership interest over these entities.

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 controls 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. In November 2018, MWMTI commenced commercial operations.

With the Parent Company's acquisition of 100% ownership interest in MTI in 2018, 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.

k) MGCJV

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

l) MGCJVI

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

m) MTRGC

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

n) SSPPC

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

o) CDI

CDI, whose registered office is at Unit 1504 Ayala Life FGU Center Cebu, Mindanao Avenue corner Biliran Road, Cebu Business Park, Cebu City, was incorporated on November 3, 2020 to deal, engage, or otherwise acquire an interest in land or real estate business, without engaging in real estate investment trust. As of March 31, 2021, CDI has not yet started commercial operations.

p) WHI

WHI, whose registered office is at 20 N. Domingo Street, Brgy. Valencia, Quezon City, was incorporated on November 16, 2020 to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real and personal property of every kind and description. As of March 31, 2021, WHI has not yet started commercial operations.

q) TLH

On October 16, 2020, TLH was incorporated in the territory of British Virgin Islands to primarily engage in buying and holding shares of other companies. TLH's registered address is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, British Virgin Islands. As of March 31, 2021, TLH has not yet started commercial operations.

r) HMDJV

HMDJV is an unincorporated joint venture formed on October 27, 2020 by the Parent Company, Hyundai Engineering & Construction Co., Ltd. and Dong-Ah Geological Engineering Company Ltd., each owning 57.5%, 35%, and 7.5% interest, respectively, and exercising joint control. HMDJV was established to provide construction works for the civil structures, viaducts, bridges and stations of Malolos- Clark Railway Project (MCRP). HMDJV began to operate in 2021.

1.3 Impact of COVID-19 on the Group's Business

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020. The measures taken by the government to contain the virus have affected economic conditions and the Group's business operations. In 2020, landport and construction segments slowly went back to its normal operations while airport segment continues to be affected. The following are the impact of the COVID-19 pandemic to the Group's business:

- decrease in aeronautical revenues e.g., passenger service charge, tacking, parking and lightning fees for the period ended March 31, 2021 as compared to period ended March 31, 2020 by 93% or P391.4 million, commercial revenues e.g., rental, advertising and revenue share by 83% or P253.5 million;
- decrease in airport trading sales by 98% or P63.7 million due to decrease in air traffic movement in the airport segment for the period ended March 31, 2021 as compared to period ended March 31, 2020;

- in accordance with the mandate of Department of Trade and Industry, the airport segment waived the minimum monthly guarantee for landport concessionaires, tenants or airport service providers who pay monthly fees for using or accessing the airport facilities to retail their goods and offer their services to the general public and air traveling community quarantine;
- administrative expenses were incurred to ensure health and safety of its employees, subcontractors and customers, although these are not considered substantial in amount.

In response to this matter, the Group has taken the following actions:

- implemented effective cost-reduction and cash preservation strategies, including flexible working arrangement, recruitment freeze, deferral of some non-essential and capital expenditures, maximizing credit terms provided by suppliers and creditors and focus to collect outstanding receivables;
- utilization of government program – Republic Act (RA) No. 11469, *Bayaniban to Heal as One Act*, and RA No. 11494, *Bayaniban to Recover as One Act*, related to the deferral of principal and interest payments of loans;
- comprehensive and regular monitoring of the Group’s liquidity position and cash flow;
- for airport segment, negotiation with lenders to amend certain provisions of the Omnibus Loan Agreement which include among others changes in the timing of principal payments and changes in the debt covenant requirements for debt to equity ratio and debt service coverage ratio (see Note 14);
- review of insurance coverage to protect against potential risk;
- automation and digitization to improve processes, enhance operational efficiencies, and support remote work arrangements;
- regular information updates on health and safety protocols to all its employees; and,
- implemented flexible working arrangements like hybrid or full remote work setup, where applicable, to ensure employee safety but at the same time minimize operational disruptions.

Based on the above actions and measures taken by management to mitigate the adverse effect of the pandemic, it projects that the Group would continue to report positive results of operations and would remain liquid to meet current obligation as it falls due. Accordingly, management has not determined any material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern.

1.4 Approval of the Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements of the Group as of and for the three months ended March 31, 2021 (including the interim consolidated financial statements as of December 31, 2020 and for the periods ended March 31, 2020 and 2019) were authorized for issue by the Parent Company’s Board of Directors (BOD) on May 19, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial statements have been prepared in accordance with the accounting policies adopted by the Group in its recent annual consolidated financial statements for the year ended December 31, 2020.

These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 *Basis of Preparation of Interim Condensed Consolidated Financial Statements*

(a) *Statement of Compliance with Philippine Financial Reporting Standards*

The interim condensed consolidated financial statements of the Group have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. They do not include all of the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended December 31, 2020.

The preparation of interim condensed consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. There were no changes in estimates of amounts reported in prior financial years that have material effect in the current interim period.

(b) *Presentation of Interim Condensed Consolidated Financial Statements*

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

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

(c) *Functional and Presentation Currency*

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

(d) *Prior Period Adjustment and Reclassification of Accounts*

The Group made certain prior period adjustments to reflect the appropriate classification and presentation of certain accounts. The Company grossed-up fixed aircon charges and common usage service area (CUSA) charges to reflect the income and expense arising from these transactions as management determined that the Group is acting as a principal on these transactions. The effects of prior period adjustments on the Group's interim condensed consolidated statements of comprehensive income for the periods March 31, 2020 and March 31, 2019 are presented below.

	<u>As Previously Reported</u>	<u>Prior Period Reclassifications</u>	<u>As Restated</u>
<u>March 31, 2020</u>			
Direct Costs –			
Cost of landport operations	P 55,534,561	P 55,958,009	P 111,492,570
Other Operating Expenses	399,553,633	7,583,781	407,137,414
Other Income (Charges) –			
Finance income	133,044,625	5,511,437	127,533,188
Others – net	(65,845,381)	(<u>69,053,227</u>)	3,207,846
		<u>P -</u>	
<u>March 31, 2019</u>			
Direct Costs –			
Cost of landport operations	P 15,927,020	P 9,524	P 15,936,544
Other Income (Charges) –			
Others – net	65,403,834	(<u>9,524</u>)	65,413,358
		<u>P -</u>	

2.2 Adoption of New and Amended PFRS

(a) *Effective Subsequent to March 2021 but not Adopted Early*

There are amendments to existing standards effective for annual periods subsequent to March 31, 2021, which are adopted by the FRSC. Management will adopt the 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 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022). The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

- (ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective January 1, 2022). The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
- (iii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Group but have no significant impact to the Group’s consolidated financial statements:
- PFRS 9 (Amendments), *Financial Instruments – Fees in the ‘10 per cent’ Test for Derecognition of Liabilities*. The improvements clarify the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
 - Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*. The improvement merely removes from the example, the illustrations of the reimbursement of leasehold improvements by lessor in order to resolve any potential confusion regarding the treatment of lease incentives.
- (iv) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective January 1, 2023). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.
- (v) PFRS 16 (Amendments), *Leases – COVID-19-Related Rent Concessions* (effective from June 30, 2020). The amendments permit lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications.
- (vi) PFRS 3 (Amendments), *Business Combination – Reference to the Conceptual Framework* (effective from January 1, 2022). The amendments update an outdated reference to the Conceptual Framework in PFRS 3 without significantly changing the requirements in the standard.

- (viii) 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 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 or contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

3. SEGMENT REPORTING

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

3.1 Business Segments

- (a) *Construction 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 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.

3.2 Segment Assets and Liabilities

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of allowances and provisions. Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all operating liabilities and consist principally of accounts, wages, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred taxes.

3.3 Analysis of Segment Information

Presented below are the relevant operating segment information about the results of operations for the three-months ended March 31, 2021, 2020 and 2019 and financial position of the Group's business segments as of March 31, 2021 and December 31, 2020 and 2019 (amounts in thousands).

	Construction			Airport			Landport			Total		
	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2021	March 31, 2020	March 31, 2019
Results of operations												
Sales to external customers	P 3,421,062	P 3,799,435	P 2,567,728	P 115,082	P 873,422	P 976,913	P 187,021	P 286,947	P 20,003	P 3,723,165	P 4,959,804	P 3,564,644
Intersegment sales	<u>4</u>	<u>4</u>	<u>189,547</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>189,547</u>
Segment Revenues	<u>3,421,066</u>	<u>3,799,435</u>	<u>2,757,275</u>	<u>115,082</u>	<u>873,422</u>	<u>976,913</u>	<u>187,021</u>	<u>286,947</u>	<u>20,003</u>	<u>3,723,169</u>	<u>4,959,804</u>	<u>3,754,191</u>
Cost and other operating expenses												
Cost of construction and airport operations excluding depreciation and amortization	P 2,662,898	P 2,977,299	P 2,291,689	P 78,970	P 216,335	P 215,093	P 28,916	P 2,857	P 13,810	P 2,770,784	P 3,216,491	P 2,430,592
Depreciation and amortization	283,302	243,601	153,161	18,502	166,108	191,645	57,736	55,588	4,377	359,540	465,387	349,183
Interest income	(6,335)	(19,188)	(4,057)	(4,223)	(7,631)	(1,536)	(128)	(5,973)	-	(10,983)	(132,404)	(61,593)
Interest expense	236,400	576,425	241,486	274,473	289,590	511,864	38,272	53,658	-	541,145	889,673	753,312
Material non-cash items	-	-	(72,369)	38,342	93,057	-	-	-	-	38,142	93,057	(72,389)
Increase in profit or loss of associates and joint ventures (equity method)	9,991	8,270	(6,426)	15,232	(568)	(764)	-	-	-	25,223	(8,838)	(7,190)
Other changes (income) - net	(63,639)	(229,730)	(64,502)	987	16,384	(286,454)	(44,430)	(2,819)	(739)	(107,082)	(209,164)	(321,686)
Tax expense (income)	35,849	35,531	89,234	(63,814)	(44,694)	(71,810)	8,071	43,827	-	(34,984)	124,032	167,048
Other expenses	152,282	172,246	91,461	109,135	156,228	145,729	53,754	33,092	5,850	315,378	361,523	243,121
Segment Net Profit (loss)	<u>P 3,289,555</u>	<u>P 3,675,012</u>	<u>P 2,579,643</u>	<u>P 465,085</u>	<u>P 944,797</u>	<u>P 877,448</u>	<u>P 142,191</u>	<u>P 180,618</u>	<u>P 23,307</u>	<u>P 3,897,351</u>	<u>P 4,800,427</u>	<u>P 3,880,398</u>
	P 131,511	P 124,423	P 177,632	(P 350,523)	(P 71,375)	P 99,465	P 44,830	P 106,329	(P 3,204)	(P 374,182)	P 159,377	P 273,793

	Construction			Airport			Landport			Total		
	March 31, 2021	December 31, 2020	December 31, 2019	March 31, 2021	December 31, 2020	December 31, 2019	March 31, 2021	December 31, 2020	December 31, 2019	March 31, 2021	December 31, 2020	December 31, 2019
Consolidated Statements of Financial Position												
Total Segment Assets	P 47,772,164	P 44,902,291	P 43,530,597	P 34,703,075	P 35,286,304	P 35,934,459	P 7,263,108	P 7,321,688	P 7,796,133	P 89,838,347	P 87,510,283	P 87,263,189
Total Segment Liabilities	P 31,259,578	P 29,079,082	P 31,030,326	P 26,805,475	P 27,034,748	P 26,491,719	P 5,994,498	P 5,497,864	P 7,451,163	P 63,589,551	P 61,611,694	P 64,973,298
Capital Expenditures	P 555,040	P 467,180	P 231,719	P 55,075	P 1,050,949	P 2,206,858	P 41,611	P 216,153	P 838,345	P 651,726	P 1,744,282	P 5,862,392
Investment in associates and joint ventures accounted for by the equity method	P 814,435	P 824,426	P 813,772	P 89,538	P 104,770	P 145,735	P -	P -	P -	P 903,973	P 929,196	P 919,407

3.4 Reconciliation

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

	2021 <u>(Unaudited)</u>	2020 <u>(Unaudited)</u>	2019 <u>(Unaudited)</u>
Profit or loss			
Segment net profit	(P 174,182)	P 159,377	P 273,793
Other unallocated income (expense)	<u>36,264</u>	<u>14,689</u>	<u>7,864</u>
Net profit as reported in the Interim condensed consolidated statements of income	<u>(P 137,918)</u>	<u>P 174,066</u>	<u>P 281,657</u>
	March 31, 2021 <u>(Unaudited)</u>	December 31, 2020 <u>(Audited)</u>	December 31, 2019 <u>(Audited)</u>
Assets			
Total segment assets	P 89,838,347	P 87,510,283	P 87,263,188
Elimination of intercompany accounts	(9,406,013)	(7,877,956)	(9,031,919)
Other unallocated assets	<u>3,111,539</u>	<u>1,711,442</u>	<u>2,533,057</u>
Total assets as reported in the Interim condensed consolidated statements of financial position	<u>P 83,543,873</u>	<u>P 81,343,769</u>	<u>P 80,764,326</u>
Liabilities			
Total segment liabilities	P 63,559,551	P 61,611,694	P 64,973,208
Elimination of intercompany accounts	(2,406,476)	(1,823,709)	(4,083,754)
Other unallocated liabilities	<u>2,132,602</u>	<u>1,033,316</u>	<u>1,876,360</u>
Total liabilities as reported in the Interim condensed consolidated statements of financial position	<u>P 63,285,678</u>	<u>P 60,821,301</u>	<u>P 62,765,814</u>

3.5 Other Segment Information

The Group has not identified any segment based on geographical location since the Group's operation is concentrated in one country of location.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are as follows:

	March 31, 2021 <u>(Unaudited)</u>	December 31, 2020 <u>(Audited)</u>
Cash on hand	P 6,918,219	P 5,400,865
Cash in banks	4,848,593,736	2,165,007,181
Short-term placements	<u>3,181,657,950</u>	<u>5,055,741,866</u>
	<u>P 8,037,169,905</u>	<u>P7,226,149,912</u>

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 0.7% to 6.0% in 2021, 2020 and 2019.

5. TRADE AND OTHER RECEIVABLES

This account consists of the following:

	March 31, 2021 <u>(Unaudited)</u>	December 31, 2020 <u>(Audited)</u>
Contract receivables:		
Third parties	P 3,293,599,673	P 2,840,546,754
Related parties	<u>1,021,315,058</u>	<u>944,337,644</u>
	<u>4,314,914,731</u>	<u>3,784,884,398</u>
Retention receivables:		
Third parties	1,462,733,115	1,534,199,721
Related parties	<u>832,522,313</u>	<u>868,788,166</u>
	<u>2,295,255,428</u>	<u>2,402,987,887</u>
Advances to:		
Related parties	6,433,175,868	6,410,689,673
Officers and employees	<u>92,896,218</u>	<u>74,481,307</u>
	<u>6,526,072,086</u>	<u>6,485,170,980</u>
Receivables from airport operations	<u>560,171,517</u>	<u>570,230,462</u>
Lease receivable	537,850,363	524,235,954
Lease receivable – PFRS 16	<u>519,366,141</u>	<u>385,466,377</u>
Receivables from lease	<u>1,057,216,504</u>	<u>909,702,331</u>
<i>Balance carried forward</i>	<u>P14,753,630,266</u>	<u>P14,152,976,058</u>

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
<i>Balance brought forward</i>	<u>P14,753,630,266</u>	<u>P14,152,976,058</u>
Receivables from sale of goods	<u>2,163,750</u>	<u>766,766</u>
Accrued interest receivables	<u>1,122,834,919</u>	<u>1,009,764,844</u>
Other receivables	<u>398,876,058</u>	<u>173,475,088</u>
	16,277,504,993	15,336,982,756
Allowance for impairment	(<u>47,423,538</u>)	(<u>37,932,641</u>)
	<u>P 16,230,081,455</u>	<u>P 15,299,050,115</u>

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.

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.

Certain advances to related parties are earmarked for potential investment opportunities being pursued by the said related party in line with the Parent Company's expansion and diversification plans.

Trade and other receivables except advances to related parties do not bear any interest.

All receivables, except Advances to officers and employees are subject to credit risk exposure. These receivables are evaluated by the Group for impairment and assessed that no ECL should be provided for the periods presented.

6. CONTRACT ASSETS

The balance of contract assets presented in the interim condensed consolidated statements of financial position as of March 31, 2021 and December 31, 2020 is P4.3 billion and P4.2 billion, respectively, which is net of allowance for impairment amounting to P288.2 million.

The significant changes in the contract assets balances during the reporting periods are as follows:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at beginning of the period	P 4,231,600,246	P 3,975,734,097
Increase as a result of changes in measurement of progress	3,018,123,105	9,642,837,195
Decrease as a result of reversal to trade receivables	(2,994,579,665)	(9,386,971,046)
Balance at end of the period	<u>P 4,255,143,686</u>	<u>P 4,231,600,246</u>

Contract assets pertain to the gross amount due from customers for contract works of all contracts in progress which are not yet billed. Contract assets also include the cost of the terminal area of the PITX Project amounting to P510.1 million, which is to be recovered through the Grantor payments.

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.

7. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE

The carrying values of Investments in Associates and Joint Venture account are shown below:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Investments in:		
Associates	7.1 P 814,434,819	P 824,426,033
Joint ventures	7.3 <u>89,538,367</u>	<u>104,769,953</u>
	<u>P 903,973,186</u>	<u>P 929,195,986</u>

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.

7.1 Equity Advances and Investments in Associates

The components of the carrying values of this account are as follows:

	March 31, 2021 <u>(Unaudited)</u>	December 31, 2020 <u>(Audited)</u>
Acquisition cost:		
MWCCI	P 580,890,000	P 580,890,000
CMCI	<u>200,000,000</u>	<u>200,000,000</u>
	<u>780,890,000</u>	<u>780,890,000</u>
Equity advances in MWCCI	<u>23,572,864</u>	<u>23,572,864</u>
Equity share in net profit (losses):		
Balance at beginning of period	19,963,169	9,308,698
Equity in net profit for the period	<u>(9,991,214)</u>	<u>10,654,471</u>
Balance at end of period	<u>9,971,955</u>	<u>19,963,169</u>
	<u>P 814,434,819</u>	<u>P 824,426,033</u>

These associates do not have any other comprehensive income or loss both in 2021 and 2020.

(a) MWCCI

MWCCI was incorporated in the Philippines on January 16, 2014 and is primarily established to undertake and implement the construction of a 700-bed capacity super-specialty tertiary orthopedic hospital (New Hospital Facility), under the MPOC Project. MWCCI's registered office, which is also its principal place of business, is at 20 N. Domingo Street, 1112 Valencia, Quezon City. The Parent Company has 51% ownership interest in MWCCI.

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. CMCI was incorporated in the Philippines on October 15, 2012 and is primarily engaged in general construction business. CMCI's registered address, which is also its principal place of business, is located at 20 N. Domingo Street, Brgy. Valencia, Quezon City.

The Parent Company owns 10% interest in CMCI as a joint venture partner. The rights and powers of the Parent Company over the management and control of CMCI are exercised through a seat in the BOD of CMCI. Taking this into consideration, the Group concluded that it has significant influence over the investee; accordingly, the investment is accounted for as an investment in an associate.

Management determined that the difference between the respective share in the net assets of the associates and the carrying amount of the investment is not material to the consolidated financial statements.

The Parent Company did not receive any dividends from its associates in both reporting periods.

7.2 Acquisition of Assets of Altria

On December 26, 2012, pursuant to a memorandum of agreement dated December 17, 2012, the Parent Company acquired 100% ownership interest in Altria. Altria is a company incorporated in the Philippines and holds an investment property in the form of land. The registered office of Altria, which is also its principal place of business, is located at Coastal Road Bangiad, San Juan, Taytay, Rizal.

As of the reporting periods, Altria has no operations and its assets mainly pertain to the land where the Parent Company's precast and batching facilities are constructed. In accordance with Group's policy, the transaction is treated by the Group as an asset acquisition since the transaction does not constitute a business combination.

The purchase price upon acquisition was allocated among the following accounts based on their relative fair values:

Cash in bank	P 486,426
Bond deposits	1,500,958
Land	303,468,569
Accrued expenses	(<u>100,000</u>)
	<u>P 305,355,953</u>

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.

7.3 Interest in Joint Ventures

This account includes the carrying values of the following components:

	March 31, 2021	December 31, 2020
	<u>(Unaudited)</u>	<u>(Audited)</u>
Acquisition costs:		
MTRGC	P 58,324,000	P 58,324,000
SSPPC	<u>58,324,000</u>	<u>58,324,000</u>
	<u>116,648,000</u>	<u>116,648,000</u>
Equity share in net profit (losses):		
Balance at beginning of year	(11,878,047)	29,086,993
Equity in net profit (losses) for the year	(<u>15,231,586</u>)	(<u>40,965,040</u>)
Balance at end of year	(<u>27,109,633</u>)	(<u>11,878,047</u>)
	<u>P 89,538,367</u>	<u>P 104,769,953</u>

GMCAC has 41.66% interest in Mactan Travel Retail Group Corp. (MTRGC) and Select Service Partners Philippines Corporation (SSPPC), which are primarily engaged in the set-up, operation and management of duty paid retail, food and beverage outlets and provision of related services thereto in the airport terminals (T1 and T2). Equity in net profit of these joint ventures as recorded as part of Others – net account under Other Income (Charges) section in the consolidated statements of income.

7.4 Interest in Joint Operations

As discussed in Note 1.2, MGCJV shall undertake the construction works for the renovation and expansion of the MCI A Project in Cebu, MGCJVI shall undertake the construction works of the Clark Airport, while HMDJV shall undertake the construction works of the Malolos-Clark Railway. The Parent Company's interests in MGCJV, MGCJVI and HMDJV 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, MGCJVI and HMDJV.

As of March 31, 2021 and December 31, 2020 and for the three-month period ended March 31, 2021 and 2020, the relevant financial information of the Group's interest in MGCJV and MGCJVI which are included in the appropriate accounts in the Group's interim condensed consolidated statements of financial position and interim condensed consolidated statements of income is as follows:

	Before <u>Elimination</u>	<u>Elimination</u>	After <u>Elimination</u>
March 31, 2021 (Unaudited)			
<i>Assets:</i>			
Cash and cash equivalents	P 2,183,630,526	P -	P 2,183,630,526
Trade and other receivables	442,061,270	(228,192,585)	213,868,685
Other current assets	73,201,990	-	73,201,990
Property, plant, and equipment – net	<u>23,052,015</u>	<u>-</u>	<u>23,052,015</u>
	<u>P 2,721,945,801</u>	<u>(P 228,192,585)</u>	<u>P 2,493,753,216</u>

	<u>Before Elimination</u>	<u>Elimination</u>	<u>After Elimination</u>
<i>Liabilities:</i>			
Trade and other payables	P 754,564,956	P -	P 754,564,956
Due to related parties	3,088,767	-	3,088,767
Other liabilities	<u>22,224,055</u>	<u>-</u>	<u>22,224,055</u>
	<u>P 779,877,778</u>	<u>P -</u>	<u>P 779,877,778</u>
<i>Revenues and Expenses:</i>			
Contract revenues	P 128,384,983	P -	P 128,384,983
Contract costs	(108,829,018)	-	(108,829,018)
Other operating expenses	(2,729,398)	-	(2,729,398)
Finance income	<u>570,182</u>	<u>-</u>	<u>570,182</u>
	<u>P 17,396,749</u>	<u>P -</u>	<u>P 17,396,749</u>
 <i>December 31, 2020 (Audited)</i>			
<i>Assets:</i>			
Cash and cash equivalents	P 1,009,152,103	P -	P 1,009,152,103
Trade and other receivables	238,784,962	(221,052,328)	17,732,634
Other current assets	26,892,943	-	26,892,943
Property, plant, and equipment – net	<u>4,941,729</u>	<u>-</u>	<u>4,941,729</u>
	<u>P 1,279,771,737</u>	<u>(P 221,052,328)</u>	<u>P 1,058,719,409</u>
 <i>Liabilities:</i>			
Trade and other payables	P 647,181,181	P -	P 647,181,181
Due to related parties	<u>3,088,767</u>	<u>-</u>	<u>3,088,767</u>
	<u>P 650,269,948</u>	<u>P -</u>	<u>P 650,269,948</u>
 <i>March 31, 2020</i>			
<i>Revenues and Expenses:</i>			
Contract revenues	P 453,858,607	(P 76,837,471)	P 377,021,136
Contract costs	(405,901,880)	69,052,372	(336,849,508)
Other operating expenses	(12,963,680)	-	(12,963,680)
Other income (charges)	<u>(9,028,895)</u>	<u>-</u>	<u>(9,028,895)</u>
	<u>P 25,964,152</u>	<u>(P 7,785,099)</u>	<u>P 18,179,053</u>

8. OTHER ASSETS

This account is composed of the following:

	Notes	March 31, 2021 <u>(Unaudited)</u>	December 31, 2020 <u>(Audited)</u>
Current:			
Advances to contractors and suppliers	8.1	P 4,976,472,516	P 4,857,992,746
Prepaid taxes	8.4	645,774,936	812,495,632
Deferred fulfilment costs		813,270,511	787,283,237
Input VAT	8.2	808,885,614	775,596,442
Deferred input VAT	8.2	457,861,296	455,773,123
Refundable security and bond deposits		166,957,433	155,107,192
Prepaid insurance		114,107,458	37,516,325
Prepaid subscription		69,466,050	17,966,039
Prepaid rent		37,735,235	16,699,653
Miscellaneous		<u>35,198,383</u>	<u>40,313,939</u>
		<u>8,125,729,432</u>	<u>7,956,744,328</u>
Non-current:			
Deferred input VAT	8.2	1,800,209,277	1,798,604,430
Deposits for condominium units	8.3	121,265,571	121,265,571
Refundable security deposits		103,991,147	44,421,967
Investment in trust fund	8.5	68,850,548	401,525,300
Computer software license – net		47,022,756	47,859,287
Advances to contractors and suppliers	8.1	7,999,946	7,999,946
Miscellaneous		<u>169,907</u>	<u>168,125</u>
		<u>2,149,509,152</u>	<u>2,421,844,626</u>
		<u>P10,275,238,584</u>	<u>P10,378,588,954</u>

8.1 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.

Impairment of current portion of advances to contractors and suppliers was assessed through determining the position of the contractors and suppliers on their capacity to comply according to their performance obligation. Despite the impact of COVID 19, the Group deemed the advances to be recouped by qualifying contractors and suppliers through their work progress as well as using outstanding liability of the Group to the contractors and suppliers as leverage.

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.

8.2 Input VAT

Input VAT under other current assets pertains to the payment of VAT on purchases of services and goods that is recoverable within 12 months. Deferred input VAT pertains to the unamortized input VAT on purchases of capital goods exceeding P1.0 million and bid premium. Deferred input VAT arising from purchase of capital goods exceeding P1.0 million is to be amortized and credited against output tax evenly over five years or the life of the asset, whichever is shorter.

Non-current portion of input VAT represents GMCAC's input VAT, pertaining mainly to VAT from the payment of bid premium in 2014, which will be recovered in future years. The balance is to be transferred to input VAT under Other Current Assets systematically on the basis of the Group's projected output VAT payments over the term of the Concession Agreement.

8.3 Deposits for Condominium Units

Deposits for condominium units represent initial down payments made for the purchase of condominium units. These will be reclassified to investment property upon execution of contract to sell and deed of sale.

8.4 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.

8.5 Investment in Trust Fund

On November 28, 2014, GMCAC's BOD authorized GMCAC to establish, maintain and operate trust and investment accounts with a local universal bank (Security Trustee). The investment in trust fund constitutes (i) Revenue Accounts; (ii) Future Major Maintenance Fund Account; (iii) Debt Service Reserve Accounts; (iv) Debt Service Payment Account; and, (v) Distribution Accounts, collectively referred to as "Cash Flow Waterfall Accounts" and Loan Disbursement Accounts under a certain Omnibus Loan and Security Agreement (OLSA) to ensure the prompt payment of the required amortization, interest and principal of the long-term loan.

The OLSA provided that the Security Trustee shall invest and reinvest the monies in the collateral accounts.

9. 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 RA 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.

The balance of concession assets as of March 31, 2021 and December 31, 2020 amounted to P30,075.3 million and P29,928.7 million, respectively.

10. PROPERTY, PLANT AND EQUIPMENT

As of March 31, 2021, and December 31, 2020, the Property, Plant and Equipment is composed of building, construction equipment, improvements, and right-of-use assets totalling P7,504.7 million and P7,497.3 million, respectively.

There are no restrictions on title, and property, plant and equipment pledged as security liabilities.

There is also no contractual commitment to acquire property and equipment.

There were no items of property, plant and equipment that were impaired, lost or given up as of March 31, 2021, and December 31, 2020.

11. INVESTMENT PROPERTIES

MWMTI was granted an exclusive right and obligation under the Concession Agreement. Relative to the arrangement, MWMTI incurred cost necessary to construct the facility. The separately identifiable accumulated costs incurred in the development of the PITX Project are allocated based on development and implementation plan for the terminal and commercial areas

Investment properties account includes parcels of land that are not used by the Group for administrative and supply of goods or services of the business and only held for capital appreciation amounting to P506.3 million and P502.5 million as of March 31, 2021 and December 31, 2020, respectively. Based on management's assessment, the carrying amounts of these assets are fully recoverable, hence, no impairment loss is required in both years.

There are no restrictions on the realizability of investment property or the remittance of income and proceeds of disposal.

No contractual obligations to purchase, construct, or develop investment property, or for repairs and maintenance or enhancements has been agreed with.

As of March 31, 2021, and December 31, 2020, the Investment Properties has a fair value amounting to P5,487.9 million which was recognized under the Level 3 fair value hierarchy (see Note 27.6).

12. 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 consolidated statements 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 ensure 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 interim condensed consolidated statement of financial position.

	<u>Number of right-of-use assets leased</u>	<u>Range of remaining term</u>	<u>Number of average remaining lease term</u>	<u>Number of leases with extension options</u>	<u>Number of leases with options to purchase</u>	<u>Number of leases with termination options</u>
March 31, 2021						
Transportation equipment	165	1 – 5 years	3 years	-	52	-
Precast and construction equipment	164	2 – 10 years	6 years	-	54	-
December 31, 2020						
Transportation equipment	162	1 – 5 years	3 years	-	52	-
Precast and construction equipment	164	2 – 10 years	6 years	-	54	-

12.1 Right-of-use Assets

The carrying amounts of the Group's right-of-use assets as at March 31, 2021 and December 31, 2020 and the movements during the period are shown below.

	<u>Precast and Construction Equipment</u>	<u>Transportation Equipment</u>	<u>Total</u>
Balance as of			
January 1, 2021 (audited)	P 440,424,371	P 167,956,603	P 608,380,974
Additions	-	2,674,000	2,674,000
Reclassification	-	(3,403,289)	(3,403,289)
Depreciation and amortization	(<u>27,177,792</u>)	(<u>11,327,389</u>)	(<u>38,505,181</u>)
Balance at			
March 31, 2021 (unaudited)	<u>P 413,246,579</u>	<u>P 155,899,925</u>	<u>P 569,146,504</u>
Balance as of			
January 1, 2020 (audited)	P 376,631,729	P 191,812,743	P 568,444,472
Additions	121,647,007	35,536,960	157,183,967
Disposals	-	(1,236,701)	(1,236,701)
Reclassification	(6,727,240)	(3,803,589)	(10,530,829)
Depreciation and amortization	(<u>51,127,125</u>)	(<u>56,352,810</u>)	(<u>107,479,935</u>)
Balance at			
December 31, 2020 (audited)	<u>P 440,424,371</u>	<u>P 165,956,603</u>	<u>P 606,380,974</u>

12.2 Lease Liabilities

Lease liabilities are presented in the interim condensed consolidated statements of financial position as part of Interest-bearing Loans and Borrowings are as follows:

	<u>March 31, 2021 (Unaudited)</u>	<u>December 31, 2020 (Audited)</u>
Current	P 189,479,294	P 195,172,595
Non-current	<u>293,925,580</u>	<u>337,495,382</u>
	<u>P 483,404,874</u>	<u>P 532,667,977</u>

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 March 31, 2021 and December 31, 2020, the Group has not committed to any leases which had not commenced.

12.3 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 P8.8 million and P7.1 million in 2020 and 2021, respectively, and is presented as part of Other Operating Expenses in the interim condensed consolidated statements of income.

12.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases amounted to P62.7 million, P49.0 million and P102.1 million in 2021, 2020 and 2019, respectively. Interest expense in relation to lease liabilities amounted to P10.9 million, P11.0 million and P22.1 million in 2021, 2020 and 2019, respectively, and is presented as part of Finance costs under Other Income (Charges) in the interim condensed consolidated statements of income.

The lease liabilities are secured by the related underlying assets. The maturity analysis of lease liabilities are as follows:

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Total
March 31, 2021 <i>(unaudited)</i>						
Lease payments	P 224,004,093	P 175,563,506	P 103,403,894	P 39,377,628	P 4,671,691	P 547,020,812
Finance charges	(34,524,799)	(19,191,686)	(8,112,693)	(1,676,201)	(110,559)	(63,615,938)
Net present value	<u>P 189,479,294</u>	<u>P 156,371,820</u>	<u>P 95,291,201</u>	<u>P 37,701,427</u>	<u>P 4,561,132</u>	<u>P 483,404,874</u>
December 31, 2020 <i>(audited)</i>						
Lease payments	P 232,933,013	P 192,140,869	P 115,203,419	P 57,409,144	P 8,266,159	P 605,952,604
Finance charges	(37,760,418)	(22,308,392)	(10,165,774)	(2,843,661)	(206,382)	(73,284,627)
Net present value	<u>P 195,172,595</u>	<u>P 169,832,477</u>	<u>P 105,037,645</u>	<u>P 54,565,483</u>	<u>P 8,059,777</u>	<u>P 532,667,977</u>

13. TRADE AND OTHER PAYABLES

This account consists of the following:

	Notes	March 31, 2021 <u>(Unaudited)</u>	December 31, 2020 <u>(Audited)</u>
Trade payables		P 3,221,369,738	P 4,002,239,479
Retention payable		2,220,295,696	2,195,156,203
Interest payable	14.2 (c)	1,066,672,823	920,315,247
Accrued expenses		1,515,409,360	749,582,769
Derivative liability		122,707,676	121,895,954
Security deposits		116,497,536	119,723,716
Due to related parties		20,000,000	20,000,000
Others		<u>150,942,178</u>	<u>163,037,855</u>
		<u>P 8,433,895,007</u>	<u>P 8,291,951,223</u>

Retention payable pertains to amounts withheld from payments made to subcontractors to ensure compliance and completion of contracted projects ranging from 5% to 10% of every billing made by the contractor. Upon completion of the subcontracted projects, the amounts are returned to the subcontractors.

Accrued expenses include mainly unpaid utilities, while others accrued and other non-trade payables

14. INTEREST-BEARING LOANS AND BORROWINGS

The details of short-term and long-term interest-bearing loans and borrowings are as follows:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Current:		
Bank loans	P13,112,532,673	P 12,915,285,156
Lease liability	<u>189,479,294</u>	<u>195,172,595</u>
	<u>13,302,011,967</u>	<u>13,110,457,751</u>
Non-current:		
Bank loans	26,896,450,586	26,881,620,942
Notes payable	5,589,791,231	5,590,791,232
Lease liability	<u>293,925,580</u>	<u>337,495,382</u>
	<u>32,780,167,397</u>	<u>32,809,907,556</u>
	<u>P46,082,179,364</u>	<u>P 45,920,365,307</u>

14.1 Notes Payable

(a) 2013 Notes Facility

On February 19, 2013, the Parent Company executed a notes facility agreement with a local universal bank. In this agreement, the Parent Company desired to offer and issue fixed-rate corporate notes in the aggregate principal amount of P4,000.0 million. The net proceeds of the notes after deducting direct issue costs, such as underwriting fees and commissions, documentary stamp tax and other expenses associated with the issuance, amounted to P3,957.3 million.

The notes constitute direct, unconditional, unsubordinated, general and unsecured obligation ranking at least pari passu with all other present and future direct, unconditional, unsubordinated and unsecured obligations of the Parent Company.

The notes are issued in three tranches with the following details:

	<u>Principal</u>	<u>Term in Years</u>	<u>Interest Rate</u>
Tranche A	P 650,000,000	5	5%
Tranche B	3,250,000,000	7	6%
Tranche C	<u>100,000,000</u>	10	6%
	<u>P 4,000,000,000</u>		

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:

- (a) incur any indebtedness to be secured by or to benefit from any lien, in favor of any creditor on, or in respect of any present or future assets or revenues or the right to receive income;
- (b) make any material change in the nature of its business from that being carried on as of the signing date;
- (c) enter into any merger or consolidation except if the issuer retains control of the surviving corporation, such merger or consolidation is required by law, and such merger does not result in material adverse effect;
- (d) amend its articles of incorporation and/or by-laws except as required by law;
- (e) declare or pay any cash dividend to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the notes are current and updated and provided that any such payment is made out of retained earnings and the debt to equity ratio of 2:1 are maintained;
- (f) sell, assign, lease, transfer, and/or dispose all or substantially all of its properties;
- (g) assign, transfer or otherwise convey any right to receive any of its income or revenues;
- (h) voluntarily suspend its business operations in a manner that will result in a material adverse effect
- (i) extend any loan, advance or subsidy to any person (other than to its subsidiaries or affiliates, or transactions in the ordinary course of business, or financing or guarantees for the direct or indirect purchase or sale of the assets of the issuer, its subsidiaries or affiliates). Neither shall the issuer make any deposit, credit to, or investment in, any person, except for bank deposit, credit placements, and other transactions in the ordinary course of business;
- (j) permit its financial debt to equity ratio to exceed 2:1; and,
- (k) voluntarily prepay any indebtedness.

The Parent Company has complied with all the debt covenants set forth in the notes facility agreement.

In February 2018 and February 2020, Tranche A and B, respectively, have matured already, leaving tranche C outstanding with a carrying value of P69.8 million and P70.8 million as at March 31, 2021 and December 31, 2020, respectively.

(b) 2016 Various Notes Facility

In 2016, the Parent Company entered into various notes facility arrangement with a local bank to refinance the corporate note issued in 2011 and to finance its capital expenditure and general corporate requirements.

The notes are issued with the following details:

<u>Date Issued</u>	<u>Principal</u>	<u>Term in years</u>	<u>Interest Rate</u>
September 16, 2016	P 650,000,000	10	5.5%
December 5, 2016	350,000,000	10	6.37%
December 16, 2016	<u>1,000,000,000</u>	10	6.37%
	<u>P 2,000,000,000</u>		

These 10-year corporate notes bear an interest rate based on the closing per annum rates of a ten (10)-year PDST-R2 rate on the PDS Group website plus a certain spread. The Parent Company has to maintain a debt-to-equity ratio of not more than 2.33 and a debt service coverage ratio of at least 1.1.

The notes, among other things, restrict the Parent Company's ability to:

- (a) Engage in any business or make or permit any material change in the character of its business from that authorized on its amended articles of incorporation and by-laws;
- (b) Amendment of articles of incorporation and by-laws which would cause a material adverse effect or be inconsistent with the provisions of the finance document;
- (c) Change of ownership and management if as a result the stockholdings of Citicore Investments Holdings Inc. will fall below 51% or enter into profit sharing, partnership or joint venture whereby its profits are shared with any other person that may have a material adverse effect;
- (d) Sale of asset, transfer or dispose of all or substantially all of its properties and assets except in the ordinary course of business;
- (e) Declaration of dividends or retirement of capital if the issuer shall not be in compliance with the financial covenants or would result to an event of default;
- (f) Loans and advances to its directors, officers and stockholders (other than to its subsidiaries or affiliates, or transactions in the ordinary course of business, or financing or guarantees for the direct or indirect purchase or sale of the assets of the issuer, its subsidiaries or affiliates). Neither shall the issuer make any deposit, credit to, or investment in, any person, except for bank deposit, credit placements, and other transactions in the ordinary course of business;
- (g) Make a capital expenditure not in the ordinary course of business;
- (h) Incur additional debt or act as surety on behalf of third parties or incur monetary obligation which shall cause the issuer to breach the financial covenants;
- (i) Loans and advances to any person (other than to its subsidiaries or affiliates, or transactions in the ordinary course of business, or financing or guarantees for the direct or indirect purchase or sale of the assets of the issuer, its subsidiaries or affiliates). Neither shall the issuer make any deposit, credit to, or investment in, any person, except for bank deposit, credit placements, and other transactions in the ordinary course of business;
- (j) Directly or indirectly incur or suffer to exist any lien upon any assets and revenues, present and future of the issuer or enter into any loan facility agreement secured by or to be secured by a lien upon any assets and revenues, present and future whether registered or unregistered of the issuer;
- (k) Except for permitted investments, invest in or acquire any (i) share in or any security issued by any person, (ii) acquire directly or indirectly the business or going concern or all substantially all the properties and assets or business of any other corporation or entity or invest in a controlling entity therein; and,
- (l) It will not voluntarily suspend or discontinue its entire or a substantial portion of its business operation.

All of the three tranches of the second corporate note remained outstanding, with a carrying value of P1,920.0 million as at March 31, 2021 and December 31, 2020, respectively. The whole carrying amount is presented under non-current portion of notes payable.

The Parent Company has complied with all the debt covenants set forth in the notes facility agreement.

(c) 2020 Various Notes Facility

On February 19, 2020, the Parent Company signed a P5,000.0 million corporate note facility, the proceeds of which will be used by the Parent Company to (a) retire maturing debt obligations, (b) to fund growth projects, and (c) for general corporate purposes. The notes constitute direct, unconditional, unsubordinated, general and unsecured obligation ranking at least pari passu with all other present and future direct, unconditional, unsubordinated and unsecured obligations of the Company.

The notes will be issued in five tranches as follows:

	<u>Principal</u>
Tranche A	P 3,600,000,000
Tranche B	350,000,000
Tranche C	350,000,000
Tranche D	350,000,000
Tranche E	<u>350,000,000</u>
	<u>P 5,000,000,000</u>

These 4.5-year corporate notes bear an interest rate based on the closing per annum rates of a 4.5-year PHP BVAL reference rate on the PDS Group website plus a certain spread, subject to a floor rate of 5%. The Company has to maintain a debt-to-equity ratio of not more than 2.33 and a debt service coverage ratio of at least 1.10. Debt pertains to all interest-bearing loans and borrowing.

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 70:30 is maintained. Debt pertains to all interest-bearing loans and borrowing.;
- 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) purchase or repurchase the indebtedness, or assume, guarantee, endorse, or otherwise become directly contingently liable for or in connection with any person (other than to its subsidiaries or affiliates, or financing or guarantees for the direct or indirect purchase or sale of the assets of Company, its subsidiaries or affiliates).
- 9) voluntarily suspend its business operations in a manner that will result in a material adverse effect; and,

- 10) 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 Company, 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; permit its financial debt to equity ratio to exceed 70:30 nor permit its debt service coverage ratio to fall below 1.10x. Debt pertains to all interest-bearing loans and borrowing; and, voluntarily prepay any indebtedness.

In 2020, the Parent Company made its first drawdown on its third unsecured corporate note amounting to P3,600.0 million and remained outstanding as at March 31, 2021 and December 31, 2020.

As of March 31, 2021, and December 31, 2020, the carrying amount of all the corporate notes are P5,589.8 million P5,590.8 million, respectively.

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 March 31, 2021 and December 31, 2020.

14.2 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 pledged 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 March 31, 2021, and December 31, 2020, the carrying amount of the assets pledged, in the form of a trust fund investment, as collateral amounted to P68.4 million and P401.5 million, respectively (see Note 8.5).

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 at December 31, 2020, the Company has debt-to-equity ratio of 68:32 and DSCR of 0.09, hence unable to comply with the financial covenants. GMCAC, therefore, made negotiations with the lenders as more fully discussed in the succeeding paragraphs.

GMCAC has availed of the following reliefs and renegotiated the terms of its existing loan agreements with its lenders as follows:

- Second amendment agreement to the amended and restated OLSA

On May 4, 2021, GMCAC and the lenders executed the second amendment to the amended and restated OLSA. The second amendment agreement include among others the following significant provisions:

- Changes in the principal repayment schedule as follows:

2020	1.00%
2024	8.00%
2025	9.40%
2026	12.04%
2027	11.00%
2028	11.28%
2029	16.78%
2030	30.00%
	<u>99.50%</u>

The remaining 0.5% pertains to principal repayment in December 15, 2019 amounting to P104.4 million and US\$0.4 million on the onshore and offshore loan facility, respectively.

Principal repayment date will start June 15, 2024 and every six months thereafter;

- Deferral of interest payment incurred from September 15, 2020 to March 31, 2021. 19.97% of the accrued interest related to the period shall be paid in May 2021, the balance or 80.03% shall be paid on June 15, 2023 together with the interest accrued;
- For interest incurred from March 31, 2021 to December 15, 2021, 37.12% of the accrued interest related to the period shall be paid monthly starting May 15, 2021 until December 15, 2021, the balance or 62.88% shall be paid on December 2023 together with the interest accrued;
- Shareholders' loan extension (subordinated debt) totaling P640.0 million which shall be deposited in the Debt Service Reserve account on or before June 15, 2021;
- Changes in certain financial covenants. For debt to equity ratio, maintain a maximum debt to equity ratio of 75:25 for the period commencing on January 1, 2021 and ending on December 31, 2023, and 70:30 for the period commencing on January 1, 2024 and ending on the date on which all indebtedness under the finance documents has been irrevocably paid in full. For debt service coverage ratio, maintain a debt service coverage ratio at all times of at least 1.1x until the maturity date from the project completion date (other than during the period commencing on January 1, 2021 and ending on the date that the recovery conditions stated in sponsor's support section have been satisfied);
- Additional coverage ratio of at least 1.1x at all times during the period commencing on December 31, 2024 and ending on the date that the recover conditions stated in the sponsor's support section have been satisfied;
- Changes in the composition of retained earnings during the relief period of January 1, 2021 to December 31, 2023 taking into consideration the impact of deferred interest.

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.

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 uncanceled 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 March 31, 2021 and December 31, 2020, GMCAC recognized P122.7 million and P121.9 million derivative liability arising from this interest rate swap transaction.

(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%, and 6.89% in 2020, 2019, and 2018, respectively.

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. MWMTI has complied with affirmative and negative covenants.

(c) Other Bank Loans

In addition, the Group also obtained various bank loans with total outstanding balance of P12,214.5 million and P12,032.9 million as of March 31, 2021 and December 31, 2020, respectively, representing unsecured short-term loans from other local banks. The loans bear fixed annual interest rates ranging from 5.10% to 7.5% in 2021 and 2020. Total interest on these bank loans is presented as part of Interest expense from bank loans under Finance costs under Other Income (Charges) account in the consolidated statements of income. The unpaid portion of these interest is presented as part of Interest payable under Trade and Other Payables account in the consolidated statements of financial position.

(d) Events of Default and Covenant Compliance

The Group is in compliance with all other covenants required to be observed under the loan facility agreements, except for GMCAC which breached the loan covenant during 2020, however retains its loan to non-current, due to on-going negotiation with their syndicated loan with the banks. After the approved re-negotiated loan, there were no breach made on its loan covenants as of March 31, 2021.

In the event of a default, the loan and all interest accrued and unpaid shall be due and payable as instructed by the facility agent and all declared commitments terminated, then the Security Trustee and the Lenders may foreclose upon any of the Security pursuant to the terms of the Agreement and the proceeds of any sale, disposition or other realization or foreclosure shall be paid to the loan distributed in the manner stated in the Agreement.

Events of default constitutes default on loan payment due and payable, except due to technical or administrative error, material misrepresentation, non-remediable violation of the covenants in the Loan Document, revocation of the project documents, cross default, failure to observe material obligations in the Project Documents or it becomes unlawful resulting to a material adverse effect, suspension, insolvency, payment of decree or writ of garnishment, the assigned assets are substantially impaired or seized and any event resulting in a material adverse effect.

15. CONTRACT LIABILITIES

The significant changes in the contract liability balances during the reporting periods are as follows:

	March 31, 2021 <u>(Unaudited)</u>	December 31, 2020 <u>(Audited)</u>
Balance at beginning of period	P 4,593,930,101	P 4,931,269,957
Increase due to billings excluding amount recognized as revenue during the period	135,380,570	1,604,069,732
Advances received from customers	2,308,482,954	51,025,148
Revenue recognized that was included in contract liability at the beginning of the period	(296,629,751)	(2,100,977,551)
Effect of financing component	<u>10,942,448</u>	<u>108,542,815</u>
Balance at end of period	<u>P 6,752,106,322</u>	<u>P 4,593,930,101</u>

16. OTHER LIABILITIES

The details of this account are as follows:

	March 31, 2021 <u>(Unaudited)</u>	December 31, 2020 <u>(Audited)</u>
Current:		
Deferred output VAT	P 130,788,214	P 82,996,745
Withholding taxes	55,048,834	54,023,865
Deferred revenue	13,200,953	13,284,012
Others	88,776,797	67,872,873
VAT payable	<u>2,611,958</u>	<u>-</u>
	<u>P 290,426,756</u>	<u>P 218,177,495</u>
Non-current:		
Security deposits	P 467,379,427	P 464,587,591
Unearned rent income	<u>183,797,827</u>	<u>187,038,088</u>
	<u>P 651,177,254</u>	<u>P 651,625,679</u>

Deferred revenue represents advance payments from customers and concessionaires that are subject to refund or future billing applications within 12 months from the end of the reporting period.

Unearned rent income pertains to the difference between the fair value and principal amount of security deposits received at the inception of the lease with concessionaires, which shall be amortized over the corresponding lease term.

Others under current liabilities significantly include government-related payables for employee benefits.

17. 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.

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
March 31, 2021:						
Construction operations						
Contract revenues	17.1	P -	P 3,003,232,266	P -	P3,003,232,266	P 3,003,232,266
Sale of precast		-	328,824,111	328,824,111	-	328,824,111
Sale of ready mix concrete		15,546,847	-	15,546,847	-	15,546,847
Equipment rental		-	73,458,747	73,458,747	-	73,458,747
Airport operations:						
Aeronautical revenues	17.2	-	31,228,396	31,228,396	-	31,228,396
Aero related revenues		-	14,558,855	14,558,855	-	14,558,855
Non-aero related revenues		-	68,150,855	68,150,855	-	68,150,855
Trading operations:						
Food revenues	17.3	773,625	-	773,625	-	773,625
Non-food revenues		370,597	-	370,597	-	370,597
Landport operations						
Rental revenue – effect of straight-line method	17.4	-	191,890,319	-	191,890,319	191,890,319
Rental revenue – per contract		-	(4,869,814)	-	(4,869,814)	(4,869,814)
						P 3,723,164,804
March 31, 2020:						
Construction operations						
Contract revenues	17.1	P -	P 3,653,926,733	P -	P 3,653,926,733	P 3,653,926,733
Sale of precast		-	129,905,412	129,905,412	-	129,905,412
Sale of ready mix concrete		1,759,371	-	1,759,371	-	1,759,371
Equipment rental		-	13,843,068	13,843,068	-	13,843,068
Airport operations						
Aeronautical revenues	17.2	-	422,603,527	422,603,527	-	422,603,527
Aero related revenues		-	96,287,543	96,287,543	-	96,287,543
Non-aero related revenues		-	289,735,900	289,735,900	-	289,735,900
Trading operations						
Food revenues	17.3	36,519,974	-	36,519,974	-	36,519,974
Non-food revenues		28,274,857	-	28,274,857	-	28,274,857
Landport operations						
Rental revenue – effect of straight-line method	17.4	-	233,763,124	-	233,763,124	233,763,124
Rental revenue – per contract		-	53,184,036	-	53,184,036	53,184,036
						P 4,959,803,545
March 31, 2019:						
Contract operations						
Contract revenues	17.1	P -	P 2,333,373,105	P -	P 2,333,373,105	P 2,333,373,105
Sale of precast		-	153,519,335	153,519,335	-	153,519,335
Sale of ready mix concrete		18,286,808	-	18,286,808	-	18,286,808
Equipment rental		-	62,548,311	62,548,311	-	62,548,311
Airport operations						
Aeronautical revenues	17.2	-	469,867,706	469,867,706	-	469,867,706
Aero related revenues		-	175,827,790	175,827,790	-	175,827,790
Non-aero related revenues		-	246,299,065	246,299,065	-	246,299,065
Trading operations:						
Food revenues	17.3	47,547,120	-	-	47,547,120	47,547,120
Non-food revenues		37,371,483	-	-	37,371,483	37,371,484
Landport operations						
	17.4	-	20,003,362	-	20,003,362	20,003,363
						P 3,564,644,087

17.1 Construction Operation Revenues

The details of this account are composed of the revenues from:

	<u>2021</u> <u>(Unaudited)</u>	<u>2020</u> <u>(Unaudited)</u>	<u>2019</u> <u>(Unaudited)</u>
Contracts in progress	P 3,092,060,802	P 3,438,074,076	P 2,462,408,314
Completed contracts	<u>329,001,169</u>	<u>361,360,508</u>	<u>105,319,245</u>
	<u>P 3,421,061,971</u>	<u>P 3,799,434,584</u>	<u>P 2,567,727,559</u>

About 5%, 3%, and 2% of the contract revenues for 2021, 2020 and 2019, respectively, were earned from contracts with an associate and certain related parties under common ownership.

17.2 Airport Operations Revenues

The details of this account are composed of the revenues from:

	<u>2021</u> <u>(Unaudited)</u>	<u>2020</u> <u>(Unaudited)</u>	<u>2019</u> <u>(Unaudited)</u>
Aeronautical	P 31,228,396	P 422,603,527	P 485,063,920
Concession	19,782,767	128,815,722	147,082,722
Rental	7,068,016	123,069,195	125,704,298
Others	<u>55,858,927</u>	<u>134,138,526</u>	<u>134,143,621</u>
	<u>P 113,938,106</u>	<u>P 808,626,970</u>	<u>P 891,994,561</u>

17.3 Trading Operation Revenues

The details of this account are composed of the revenues from:

	<u>2021</u> <u>(Unaudited)</u>	<u>2020</u> <u>(Unaudited)</u>	<u>2019</u> <u>(Unaudited)</u>
Food revenues	P 773,625	P 36,519,974	P 47,547,120
Non-food revenues	<u>370,597</u>	<u>28,274,857</u>	<u>37,371,484</u>
	<u>P 1,144,222</u>	<u>P 64,794,831</u>	<u>P 84,918,604</u>

17.4 Landport Operations Revenue

The details of this account for the three-months period ended March 31 are composed of the revenues from:

	<u>2021</u> <u>(Unaudited)</u>	<u>2020</u> <u>(Unaudited)</u>	<u>2019</u> <u>(Unaudited)</u>
Rental revenue – per contract	P 191,890,319	P 233,763,124	P -
Rental revenue – effect of straight-line method	(4,869,814)	53,184,036	-
Construction revenue	<u>-</u>	<u>-</u>	<u>20,003,363</u>
	<u>P 187,020,505</u>	<u>P 286,947,160</u>	<u>P 20,003,363</u>

18. DIRECT COSTS

18.1 Cost of Construction Operations

The following is the breakdown of contract costs for the period ended March 31:

	2021	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)
Outside services	P 1,110,972,805	P 1,292,823,307	P 857,350,662
Materials	1,168,603,159	1,260,502,724	703,320,311
Depreciation and amortization	259,640,895	234,755,078	147,417,789
Salaries and employee benefits	224,095,236	258,564,661	290,068,434
Project overhead	159,222,330	185,412,497	173,822,005
	<u>P 2,922,534,425</u>	<u>P 3,232,058,267</u>	<u>P 2,171,979,201</u>

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.

18.2 Costs of Airport Operations

The following is the breakdown of cost of services:

	2021	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)
Utilities	P 20,632,567	P 56,684,787	P 65,620,472
Repairs and maintenance	17,664,557	35,432,924	33,332,728
Salaries and other benefits	10,771,002	15,051,660	14,828,419
Insurance	9,800,882	9,404,169	8,317,761
Amortization of concession asset	7,052,764	149,259,607	173,780,681
Airport operator's fee	1,580,275	10,398,054	13,350,225
Airline collection charges	1,125,635	17,490,796	8,277,510
Others	15,381,390	55,353,033	49,333,951
	<u>P 84,009,072</u>	<u>P 349,075,030</u>	<u>P 366,841,747</u>

18.3 Costs of Trading Operations

The following is the breakdown of cost of trading:

	2021	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)
Cost of food	P 899,850	P 9,547,385	P 9,599,930
Cost of non-food	748,108	6,943,584	12,431,901
Freight	366,124	28,637	-
	<u>P 2,014,082</u>	<u>P 16,519,606</u>	<u>P 22,031,831</u>

18.4 Cost of Landport Operations

The details of this account for the three-months period ended March 31 are composed of the revenues from:

	2021	2020	2019
	(Unaudited)	(Unaudited; As restated - see Note 2.1d)	(Unaudited; As restated - see Note 2.1d)
Cost of terminal operations	P 23,737,975	P 52,649,502	P 15,927,021
Depreciation	54,679,511	52,677,612	-
Miscellaneous	5,178,491	6,165,456	9,524
	<u>P 83,595,977</u>	<u>P 111,492,570</u>	<u>P 15,936,545</u>

19. EQUITY

19.1 Capital Stock

Capital stock as of March 31, 2021, and December 31, 2020 and 2019 consists of:

	<u>Shares</u>			<u>Amount</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Common shares – P1 par value						
Authorized	4,930,000,000	4,930,000,000	4,930,000,000	P 4,930,000,000	P 4,930,000,000	P 4,930,000,000
Subscribed and paid in:	2,399,426,127	2,399,426,127	2,399,426,127	P 2,399,426,127	P 2,399,426,127	P 2,399,426,127
Less:						
Treasury shares						
Balance at beginning of year	386,016,410	335,792,310	309,660,510	P 4,615,690,576	P 3,912,617,536	P 3,454,826,462
Reacquisition	<u>-</u>	<u>50,224,100</u>	<u>26,131,800</u>	<u>-</u>	<u>703,073,040</u>	<u>457,791,074</u>
Balance at end of year	<u>386,016,410</u>	<u>386,016,410</u>	<u>335,792,310</u>	<u>P 4,615,690,576</u>	<u>P 4,615,690,576</u>	<u>P 3,912,617,536</u>
Issued and outstanding	<u>2,013,409,717</u>	<u>2,013,409,717</u>	<u>2,063,633,817</u>			
Preferred shares – P1 par value						
Authorized	<u>124,000,000</u>	<u>124,000,000</u>	<u>70,000,000</u>	<u>P 124,000,000</u>	<u>P 124,000,000</u>	<u>P 70,000,000</u>
Issued and outstanding:						
Balance at beginning of year:						
Series 1	40,000,000	40,000,000	40,000,000	P 40,000,000	P 40,000,000	P 40,000,000
Series 2A	26,220,130	-	-	26,220,130	-	-
Series 2B	17,405,880	-	-	17,405,880	-	-
Series 3	3,375,000	-	-	3,375,000	-	-
Issuance during the year:						
Series 2A	<u>-</u>	<u>26,220,130</u>	<u>-</u>	<u>-</u>	<u>26,220,130</u>	<u>-</u>
Series 2B	<u>-</u>	<u>17,405,880</u>	<u>-</u>	<u>-</u>	<u>17,405,880</u>	<u>-</u>
Series 3	<u>-</u>	<u>3,375,000</u>	<u>-</u>	<u>-</u>	<u>3,375,000</u>	<u>-</u>
Balance at end of year	<u>87,001,010</u>	<u>87,001,010</u>	<u>40,000,000</u>	<u>P 87,001,010</u>	<u>P 87,001,010</u>	<u>P 40,000,000</u>

On February 26, 2021, the Parent Company's BOD approved the resolution increasing the Corporation's authorized capital stock of preferred shares by 26.0 million shares, to a total of 150.0 million cumulative, non-voting, non-participating, non-convertible, perpetual preferred shares; thereby increasing the Corporation's total authorized capital stock to P5,080.0 billion. The SEC has not yet approved the increase in capital stock of preferred shares as of the report date.

19.2 Dividends

In 2021 and 2020, 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 January 31, 2021 and December 31, 2020, respectively.

In 2021, pursuant to the Parent Company's BOD resolution approving the terms of the offer of up to 50,000,000 Series 2A and 2B Preferred Shares, the BOD approved the declaration of cash dividends of P1.19 per share and P1.4 per share or equivalent to P31.1 million and P25.0 million, respectively, to holders of Series 2A and Series 2B preferred shares, which were taken out of the unrestricted earnings of the Parent Company as of January 30, 2021.

The series of record dates and payments are as follows:

	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>
2021:				
<i>Series 1 Preferred Shares:</i>				
Approval dates	January 11, 2021	n/a	n/a	n/a
Record dates	February 8, 2021	n/a	n/a	n/a
Payment dates	March 1, 2021	n/a	n/a	n/a
<i>Series 2A Preferred Shares:</i>				
Approval dates	January 18, 2021	n/a	n/a	n/a
Record dates	February 3, 2021	n/a	n/a	n/a
Payment dates	March 3, 2021	n/a	n/a	n/a
<i>Series 2B Preferred Shares:</i>				
Approval dates	January 18, 2021	n/a	n/a	n/a
Record dates	February 3, 2021	n/a	n/a	n/a
Payment dates	March 3, 2021	n/a	n/a	n/a
2020:				
<i>Series 1 Preferred Shares:</i>				
Approval dates	January 8, 2020	May 8, 2020	July 7, 2020	October 5, 2020
Record dates	February 6, 2020	May 25, 2020	August 8, 2020	November 6, 2020
Payment dates	March 3, 2020	June 3, 2020	September 3, 2020	December 3, 2020

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.

19.3 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 2018 amounted to P827.1 million which is equivalent to 48.8 million shares.

On March 3, 2020, the BOD approved an additional P3 billion to its Share buyback program (the “Program”), making it a total of P5 billion and removal of the period within which to execute the Program, making it open-ended.

19.4 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.

20. 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 for the three months ended March 31, 2021 is as follows:

<u>Related Party Category</u>	<u>Notes</u>	<u>Amount of Transaction</u>	<u>Receivable (Payable)</u>	<u>Terms</u>	<u>Conditions</u>
Ultimate Parent Company –					
Cash granted	5, 20.4	P 1,170	P 3,089,296,278	Interest-bearing	Unsecured; Unimpaired
Interest receivable	5, 20.4	55,125,000	560,662,823	On demand; Noninterest-bearing	Unsecured; Unimpaired
Minority shareholders and their affiliates:					
Revenue from services	5, 17.1, 20.1	82,461,128	99,115,639	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 20.4	-	757,143	On demand; Noninterest-bearing	Unsecured; Unimpaired
Associate:					
Revenue from services	5, 17.1, 20.1	-	1,014,752,409	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 20.4	22,428,668	64,634,636	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash obtained	14, 20.4	-	(20,000,000)	On demand; Noninterest-bearing	Unsecured; Unimpaired
Rent income	5, 20.2	13,393	243,616	Normal credit terms	Unsecured; Unimpaired
Joint Arrangement:					
Revenue from services	5, 17.1, 20.1	293,642	486,224,192	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 20.4	-	1,356,355	On demand; Noninterest-bearing	Unsecured; Unimpaired

<u>Related Party Category</u>	<u>Notes</u>	<u>Amount of Transaction</u>	<u>Receivable (Payable)</u>	<u>Terms</u>	<u>Conditions</u>
Related Parties Under Common Ownership:					
Rent income	5, 20.2	40,179	475,714	Normal credit terms	Unsecured; Unimpaired
Revenue from services	5, 17.1, 20.1	59,977,813	253,745,131	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 20.4	56,357	3,277,131,457	On demand; Interest-bearing and noninterest-bearing	Unsecured; Unimpaired
Interest receivable	5, 20.4	55,125,000	560,662,823	On demand; Noninterest-bearing	Unsecured; Unimpaired
Retirement fund	20.6	-	4,634,679	Upon retirement of beneficiaries	Partially funded; Unimpaired
Advances to Officers and Employees	5, 20.3	18,414,911	92,896,218	Upon liquidation, Noninterest-bearing	Unsecured; Unimpaired

The summary of the Group's transactions with related parties as for the three months ended March 31, 2020 is as follows:

<u>Related Party Category</u>	<u>Notes</u>	<u>Amount of Transaction</u>	<u>Receivable (Payable)</u>	<u>Terms</u>	<u>Conditions</u>
Ultimate Parent Company:					
Cash granted	5, 20.4	P 16,545,821	P 3,085,917,546	Interest-bearing	Unsecured; Unimpaired
Interest receivable	5, 20.4	55,125,000	344,100,323	On demand; Noninterest-bearing	Unsecured; Unimpaired
Shareholder:					
Revenue from services	5, 17.1, 20.1	26,789,862	62,957,748	Normal credit terms Noninterest-bearing	Unsecured; Unimpaired
Minority Shareholder and their affiliates –					
Cash granted	5, 20.4	757,143	757,143	Normal credit terms Noninterest-bearing	Unsecured; Unimpaired
Associate:					
Revenue from services	5, 17.1, 20.1	-	905,413,727	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 20.4	30,013,778	36,013,778	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash obtained	14, 20.4	-	(20,000,000)	On demand; Noninterest-bearing	Unsecured; Unimpaired
Rent income	20.2	13,393	-	Normal credit terms	Unsecured; Unimpaired
Joint Arrangement:					
Revenue from services	5, 17.1, 20.1	109,694,733	367,480,789	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 20.4	(2,013,737)	3,390,530	On demand; Noninterest-bearing	Unsecured; Unimpaired

<u>Related Party Category</u>	<u>Notes</u>	<u>Amount of Transaction</u>	<u>Receivable (Payable)</u>	<u>Terms</u>	<u>Conditions</u>
Related Parties Under Common Ownership:					
Rent income	20.2	40,179	-	Normal credit terms	Unsecured; Unimpaired
Revenue from services	5, 17.1, 20.1	49,207,840	151,522,460	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 20.4	3,593,356	3,190,363,863	On demand; Interest-bearing and noninterest-bearing	Unsecured; Unimpaired
Interest receivable	5,20.4	55,125,000	334,100,323	On demand; Noninterest-bearing	Unsecured; Unimpaired
Retirement fund	20.6	-	4,384,701	Upon retirement of beneficiaries	Partially funded; Unimpaired
Advances to Officers and Employees	5, 20.3	74,239,879	125,743,668	Upon liquidation, Noninterest-bearing	Unsecured; Unimpaired

The summary of the Group's transactions with related parties as of December 31, 2020 is as follows:

<u>Related Party Category</u>	<u>Notes</u>	<u>Amount of Transaction</u>	<u>Receivable (Payable)</u>	<u>Terms</u>	<u>Conditions</u>
Ultimate Parent Company –					
Cash granted	4, 20.4	P 19,923,383	P 3,089,295,108	Interest-bearing	Unsecured; Unimpaired
Interest receivable	4, 20.4	216,562,500	505,537,823	On demand; Noninterest-bearing	Unsecured; Unimpaired
Minority shareholders and their affiliates:					
Revenue from services	4, 17.1, 20.1	115,289,394	153,195,975	Normal credit terms	Unsecured; Unimpaired
Cash granted	4, 20.4	757,143	757,143	On demand; Noninterest-bearing	Unsecured; Unimpaired
Associate:					
Revenue from services	4,17.1, 20.1	231,199,602	1,093,283,188	Normal credit terms	Unsecured; Unimpaired
Cash granted	4, 20.4	36,205,968	42,205,968	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash obtained	14, 20.4	-	(20,000,000)	On demand; Noninterest-bearing	Unsecured; Unimpaired
Rent income	4, 20.2	53,571	229,286	Normal credit terms	Unsecured; Unimpaired
Joint Arrangement:					
Revenue from services	4, 17.1, 20.1	272,993,860	364,434,825	Normal credit terms	Unsecured; Unimpaired
Cash granted	4, 20.4	(4,047,911)	1,356,355	On demand; Noninterest-bearing	Unsecured; Unimpaired

<u>Related Party Category</u>	<u>Notes</u>	<u>Amount of Transaction</u>	<u>Receivable (Payable)</u>	<u>Terms</u>	<u>Conditions</u>
Related Parties Under Common Ownership:					
Rent income	4, 20.2	5,956,791	332,411	Normal credit terms	Unsecured; Unimpaired
Revenue from services	4, 17.1, 20.1	338,869,209	202,211,820	Normal credit terms	Unsecured; Unimpaired
Cash granted	4, 20.4	90,304,593	3,277,832,242	On demand; Interest-bearing and noninterest-bearing	Unsecured; Unimpaired
Interest receivable	4, 20.4	216,562,500	505,537,823	On demand; Noninterest-bearing	Unsecured; Unimpaired
Retirement fund	2.6	295,978	4,634,679	Upon retirement of beneficiaries	Partially funded; Unimpaired
Advances to Officers and Employees	4, 20.3	22,977,518	74,481,307	Upon liquidation, Noninterest-bearing	Unsecured; Unimpaired

20.1 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 P177.8 million, P185.7 million and P53.8 million in 2021, 2020 and 2019, respectively, and is recorded as part of Construction Operation Revenues account in the consolidated statements of income. Services rendered to the above related parties are based on normal terms similar to terms that would be available to non-related parties.

The outstanding contract receivables from these transactions, which are generally unsecured and settled through cash within three to six months, and the related retention receivables, which can only be collected after a certain period of time upon acceptance by project owners of the certificate of completion, are presented as part of Contract and Retention receivables under Trade and Other Receivables account in the consolidated statements of financial position.

20.2 Rental of Building

The Group is a lessee of building owned by related parties under common ownership.

20.3 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.

20.4 Advances to and from Related Parties

The Group obtained unsecured, noninterest-bearing cash advances from certain related parties to finance portion of its working capital requirement payable upon demand. The outstanding balance from these transactions is shown under Trade and Other Payables account in the consolidated statements of financial position.

The Group has provided unsecured, interest-bearing cash advances to its associates and certain related parties under common ownership for their working capital requirements. The outstanding balance from these transactions is shown under Trade and Other Receivables account in the consolidated statements of financial position.

Further, upon assessment of recoverability based on the capacity to pay and expected collectability of these advances, no impairment losses were recognized in both periods.

The Group's outstanding receivables from and payables to the same related parties as presented can be potentially offset to the extent of their corresponding outstanding balances.

20.5 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.

20.6 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 P4.6 million as of March 31, 2021 and December 31, 2020.

20.7 Key Management Compensation

The compensation of key management personnel for the periods ended March 31, 2021, 2020 and 2019 pertains only to short-term employee benefits amounting to P65.7 million, P76.4 million and P42.1 million, respectively.

21. COMMITMENTS AND CONTINGENCIES

There are commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying interim condensed consolidated financial information. Management is of the opinion, that losses, if any, from these items will not have any material effect on its interim condensed consolidated financial information.

22. SEASONAL OR CYCLICALITY OF OPERATIONS

Due to the seasonal nature of the airport operation business, higher revenues and operating profits are usually expected in the months of January, April, May, July and December. Higher revenues from these months are mainly attributed to the increased traffic during the peak holiday season in the Philippines and other neighbouring countries.

23. CHANGES IN ACCOUNTING ESTIMATES

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

24. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share were computed as follows:

	<u>2021</u> <u>(Unaudited)</u>	<u>2020</u> <u>(Unaudited)</u>	<u>2019</u> <u>(Unaudited)</u>
Net profit (loss) attributable to shareholders of the Parent Company	P 2,847,782	P 200,943,093	P 239,255,166
Dividends on cumulative preferred shares	(126,407,356)	(70,250,000)	(70,250,000)
Net profit (loss) available to common shareholders of the Parent Company	(123,559,574)	130,693,093	169,005,166
Divided by weighted average number of outstanding common shares	<u>2,013,409,717</u>	<u>2,068,963,066</u>	<u>2,088,843,960</u>
Basic and diluted earnings (loss) per share	<u>(P 0.06)</u>	<u>P 0.06</u>	<u>P 0.08</u>

The Group does not have dilutive potential common shares outstanding as of March 31, 2021, 2020 and 2019; hence, diluted EPS is equal to the basic EPS.

25. EVENTS AFTER THE REPORTING PERIOD

On April 8, 2021, the Parent Company's BOD approved the declaration of cash dividends of P1.19 per share and P1.4 per share or equivalent to P31.1 million and P25.0 million, respectively, to holders of Series 2A and Series 2B preferred shares, respectively, on record as of May 4, 2021. The dividends which is payable on May 27, 2021, shall be taken out of the unrestricted earnings of the Parent Company as of March 31, 2021.

Also on April 8, 2021, the Company's BOD approved the declaration of cash dividends of P1.76 per share or equivalent to P70.3 million to holders of Series 1 preferred shares on record as of May 18, 2021. The dividends which is payable on June 3, 2021, shall be taken out of the unrestricted earnings of the Company as of March 31, 2021.

26. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to its financial instruments. The Group's financial assets and financial liabilities by category are summarized below. The main types of risk are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated with the Group's Parent Company, in close cooperation with the BOD, and focuses on actively securing the Group's short-to-medium term cash flows by minimizing the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The relevant financial risks to which the Group is exposed to are described below and in the succeeding pages.

26.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from its US dollar-denominated cash and cash equivalents and loans payable which have been used to fund the Cebu Mactan Airport project. The principal and interest of the loans payable will be funded by the US dollar-denominated sales generated by the airport operation. Exposures to foreign exchange rates vary during the period depending on the volume of foreign currency transactions.

(b) Interest Rate Risk

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually made at fixed rates.

The Group is exposed to changes in market rates through its cash in banks and short-term placements which are subject to monthly repricing intervals and some short-term working capital loans which are subject to variable interest rate. Any increase in finance costs due to changes in interest rates will be mitigated by the finance income on cash and cash equivalents and short-term placements.

26.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, such as the granting of loans and receivables to customers and related parties and placing deposits with local banks and investment in bonds and UITF.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

The maximum credit risk exposure of financial assets and contract assets is the carrying amount of the related assets as shown in the consolidated statements of financial position or in the detailed analysis provided in the notes to the consolidated financial statements, as summarized below.

	March 31, 2021 <u>(Unaudited)</u>	December 31, 2020 <u>(Audited)</u>
Cash and cash equivalents	P 8,037,169,905	P 7,226,149,912
Trade and other receivables – net (<i>excluding advances to officers and employees</i>)	16,137,185,237	15,224,568,808
Refundable security and bond deposits	270,948,580	199,529,159
Investment in trust fund	68,850,548	401,525,300
Contract assets	<u>4,255,143,686</u>	<u>4,231,600,246</u>
	<u>P 28,769,297,956</u>	<u>P 27,283,373,425</u>

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents and trade and other receivables as described below.

(a) *Cash and Cash Equivalents*

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) *Trade and Other Receivables and Contract Asset*

The Group applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables and other receivables and contract assets.

To measure the ECL, trade and other receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due (age buckets). The Group also concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other receivables as it shares the same credit risk characteristics.

The expected loss rates are based on the payment and aging profiles over a period of 36 months before March 31, 2021 or December 31, 2020, 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 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 been able to settle the receivables when due, depending on the terms with customers or after completion and acceptance of the stage of completion as represented by the billings. In making the assessment, the Group considers the net position of the customer after advances and deposits received from the customer, reason for non-payment (i.e. dispute related to quality of work completed has been raised by the customer) and the credit standing of the customer. 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. When customer is unlikely to pay a past due account in the next year due to financial difficulty, an ECL is recognized in the books. The Group has determined that the credit standing and liquidity of the significant portion of its receivables and customers from the construction segment are not affected severely by COVID-19 as these customers have reputable cash management strategies.

On that basis, the loss allowance as at March 31, 2021 and December 31, 2020 was determined based on months past due.

For contract assets, the Group has recognized an allowance for ECL amounting to P288.2 million representing unbilled costs incurred by the Group and assessed to be not recoverable. No additional impairment losses on contract assets have been recognized in 2021 and 2020.

(c) *Investment in Trust Fund*

The Group is exposed to credit risk on its investments in UITF, short-term commercial papers and trust fund. However, the Group has assessed that such risk is minimal since the counterparties are reputable listed leasing company and financial institutions with high quality external credit ratings.

(d) *Refundable Security and Bond Deposits*

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.

26.3 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.

	Current		Non-current
	Within 6 Months	6 to 12 Months	1 to 10 Years
March 31, 2021 (Unaudited):			
Interest-bearing loans and borrowings	P 13,550,749,892	P 750,039,513	P 33,943,187,823
Trade and other payables	8,433,895,007	-	
Security deposits (gross of unearned income)	-	-	467,379,427
	<u>P 21,984,644,899</u>	<u>P 794,775,215</u>	<u>P34,410,567,250</u>
December 31, 2020 (Audited):			
Interest-bearing loans and borrowings	P 12,669,450,003	P1,050,381,301	P 34,211,924,687
Trade and other payables	8,291,951,223	-	-
Security deposits (gross of unearned income)	-	-	464,587,591
	<u>P 20,961,401,226</u>	<u>P1,050,381,301</u>	<u>P 34,676,512,278</u>

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.

27. CATEGORIES, OFFSETTING AND FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

27.1 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.

	March 31, 2021 (Unaudited)		December 31, 2020 (Audited)	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets				
At amortized cost:				
Cash and cash equivalents	P 8,037,169,905	P 8,037,169,905	P 7,226,149,912	P 7,226,149,912
Trade and other receivables – net	16,230,081,455	16,230,081,455	15,224,568,808	15,224,568,808
Refundable security and bond deposits	270,948,580	270,948,580	199,529,159	199,529,159
Investment in trust fund	68,850,548	68,850,548	401,525,300	401,525,300
	<u>24,607,050,488</u>	<u>24,607,050,488</u>	<u>23,051,773,179</u>	<u>23,051,773,179</u>
Financial assets at FVOCI				
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
	<u>3,544,472</u>	<u>3,544,472</u>	<u>3,544,472</u>	<u>3,544,472</u>
	<u>P 24,610,594,960</u>	<u>P 24,610,594,960</u>	<u>P 23,055,317,651</u>	<u>P 23,055,317,651</u>
Financial Liabilities				
At amortized cost:				
Interest-bearing loans and borrowings	P 46,082,179,364	P 48,243,977,229	P 45,920,365,307	P 47,931,755,991
Trade and other payables	8,433,895,007	8,433,895,007	8,291,951,223	8,291,951,223
Security deposits*	467,379,427	467,379,427	464,587,591	464,587,591
	<u>P 54,983,453,798</u>	<u>P 57,145,251,663</u>	<u>P 54,676,904,121</u>	<u>P 56,688,294,805</u>

*Under Other Non-current Liabilities

27.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set-off financial instruments in 2021 and 2020 and does not have relevant offsetting arrangements except as disclosed in Notes 20.4 and 26.2(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 20 can be potentially offset to the extent of their corresponding outstanding balances.

27.3 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.

27.4 Financial Instruments Measured at Fair Value

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; 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 March 31, 2021 and December 31, 2020.

	Note	Level 1	Level 2	Level 3	Total
March 31, 2021					
<i>Financial assets:</i>					
<i>Equity securities:</i>					
SSPI	P	-	P -	P 2,500,000	P 2,500,000
Golf club shares		-	1,044,472	-	1,044,472
		<u>P -</u>	<u>P 1,044,472</u>	<u>P 2,500,000</u>	<u>P 3,544,472</u>
<i>Financial liabilities:</i>					
Derivative liability	13	<u>P -</u>	<u>P122,707,676</u>	<u>P -</u>	<u>P 122,707,676</u>
December 31, 2020					
<i>Financial assets:</i>					
<i>Equity securities:</i>					
SSPI	P	-	P -	P 2,500,000	P 2,500,000
Golf club shares		-	1,044,472	-	1,044,472
		<u>P -</u>	<u>P 1,044,472</u>	<u>P 2,500,000</u>	<u>P 3,544,472</u>
<i>Financial liabilities:</i>					
Derivative liability	13	<u>P -</u>	<u>P121,895,954</u>	<u>P -</u>	<u>P 121,895,954</u>

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both periods.

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 March 31, 2021 and December 31, 2020, 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 as at March 31, 2021 and December 31, 2020, 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) *Derivative Liability*

The fair value of the Group's derivative liability are measured under Level 2. As of March 31, 2021 and December 31, 2020, the fair values of the Group's derivative financial instruments classified as financial liabilities at FVTPL, were valued using pricing models whose inputs, such as foreign exchange rates and interest rates, are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including forward contracts and swaps) or are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

27.5 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 26.4).

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
March 31, 2021:				
<i>Financial assets:</i>				
Cash and cash equivalents	P 8,037,169,905	P -	P -	P 8,037,169,905
Trade and other receivables - net	-	-	16,230,081,455	16,230,081,455
Refundable security and bond deposits	-	-	270,948,580	270,948,580
Investment in trust fund	<u>68,850,548</u>	<u>-</u>	<u>-</u>	<u>68,850,548</u>
	<u>P8,106,020,453</u>	<u>P -</u>	<u>P 16,501,030,035</u>	<u>P 24,607,050,488</u>
<i>Financial liabilities:</i>				
Interest-bearing loans and borrowings	P -	P -	P 46,082,179,364	P 46,082,179,364
Trade and other payables	-	-	8,433,895,007	8,433,895,007
Security deposits	<u>-</u>	<u>-</u>	<u>467,379,427</u>	<u>467,379,427</u>
	<u>P -</u>	<u>P -</u>	<u>P 54,983,453,798</u>	<u>P 54,983,453,798</u>
December 31, 2020:				
<i>Financial assets:</i>				
Cash and cash equivalents	P 7,226,149,912	P -	P -	P 7,226,149,912
Trade and other receivables - net	-	-	15,224,568,808	15,224,568,808
Refundable security and bond deposits	-	-	199,529,159	199,529,159
Investment in trust fund	<u>401,525,300</u>	<u>-</u>	<u>-</u>	<u>401,525,300</u>
	<u>P 7,627,675,212</u>	<u>P -</u>	<u>P 15,424,097,967</u>	<u>P 23,051,773,179</u>
<i>Financial liabilities:</i>				
Interest-bearing loans and borrowings	P -	P -	P 45,920,365,307	P 45,920,365,307
Trade and other payables	-	-	8,291,951,223	8,291,951,223
Security deposits	<u>-</u>	<u>-</u>	<u>464,587,591</u>	<u>464,587,591</u>
	<u>P -</u>	<u>P -</u>	<u>P 54,676,904,121</u>	<u>P 54,676,904,121</u>

27.6 Fair Value Measurement for Investment Property Carried at Cost

The table below shows the fair value of the Group's investment property measured at cost but for which fair value is disclosed and determined under the Level 3 fair value hierarchy as of March 31, 2021 and December 31, 2020.

Building for lease	P 3,618,385,194
Land	<u>1,869,480,787</u>
	<u>P 5,487,865,981</u>

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 2021 and 2020.

28. 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.

	Note	March 31, 2021 <u>(Unaudited)</u>	December 31, 2020 <u>(Audited)</u>
Interest-bearing loans and borrowings	14	P 46,082,179,364	P 45,920,365,307
Total equity		<u>20,258,195,502</u>	<u>20,522,467,864</u>
		<u>2.27: 1.00</u>	<u>2.24: 1.00</u>



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

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

T +63 2 8988 2288

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

We have reviewed, in accordance with Philippine Standards on Review Engagements, the interim condensed consolidated financial statements of Megawide Construction Corporation and Subsidiaries (the Group) as of and for the three months ended March 31, 2021, on which we have rendered our report dated May 19, 2021. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. 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 interim condensed 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 review procedures applied in the review of the basic interim condensed consolidated financial statements and, based on our review, nothing has come to our attention that causes us to believe that the accompanying supplementary information is not presented fairly in all material respects in relation to the basic interim condensed consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Mailene Sigue-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 8533222, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 0396-AR-3 (until Oct. 1, 2021)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-020-2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

May 19, 2021

Certified Public Accountants
Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd.

grantthornton.com.ph

Offices in Cavite, Cebu, Davao
BOA/ PRC Cert of Reg. No. 0002
SEC Accreditation No. 0002

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
LIST OF SUPPLEMENTARY INFORMATION
MARCH 31, 2021

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MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES

Schedule A

Financial Assets - Fair Value Through Profit or Loss, Fair Value Through Other Comprehensive Income
and Amortized Cost
March 31, 2021

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 Position 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 8,037,169,905	P 8,037,169,905	P 7,074,515
Trade and other receivables - net	-	16,137,185,237	16,137,185,237	110,250,000
Refundable security and bond deposits	-	270,948,580	270,948,580.00	-
Investment in trust fund	-	68,850,548	68,850,548	4,322,355
TOTAL	-	P 24,514,154,270	P 24,514,154,270	P 121,646,870

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

- 2 -
MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
 Schedule B
**Amounts Receivable from Directors, Officers, Employees,
 Related Parties and Principal Stockholders (Other than Related Parties)**
 March 31, 2021

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 CATACTAN						-	
ADRIAN KUCZYK	141,239				141,239	-	141,239
AIKO B. TALORETE	25,000				25,000	-	25,000
ALBERTO DACUMA	301,238	3,000,000			601,238	-	601,238
ALEJANDRO MANALO	155,000				155,000	-	155,000
ALEXANDER LMALI	4,500				4,500	-	4,500
ALFRED JOSEPH MOLINA	40,725	56,923			97,648	-	97,648
ALFREDO C. CASASIS	12,500				12,500	-	12,500
ALLAN L. VALENZUELA	214,732	257,187	44,373		427,545	-	427,545
ALMA GARCIA	32,000				32,000	-	32,000
ALYN ESCUERRA	100,400				100,400	-	100,400
ALYN SOGILON	3,241				3,241	-	3,241
ALYN TORRES	141,550				141,550	-	141,550
ALYANA GRACE T. ROBLEZA	193,702				193,702	-	193,702
ANA CLARISSA D. HAGAN	1,011,738	96,738			1,918,477	-	1,918,477
ANA LIZA MANLAPAZ						-	
ANA LIZA MANLAPAZ	32,000				32,000	-	32,000
ANDREW ACQUA AH 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	430,000				430,000	-	430,000
ANTHONY TOPALDO	492,266				492,266	-	492,266
APOLINARIO V. ARGUDO	43,200				43,200	-	43,200
ARCEL V. GUNOGOR	1,408				1,408	-	1,408
ARCHIBALD GARCIA	138,664				138,664	-	138,664
ARGIE C. GLENOGO	2,400				2,400	-	2,400
ARLA ROSARIO NOGRALES	220,000				220,000	-	220,000
ARIPS BACAJON	3,185				3,185	-	3,185
ARIS REGALADO	165,255				165,255	-	165,255
ARMANDO A. TRASADO	2,400				2,400	-	2,400
ARMANDO MANAOG						-	
ARMARIE A. BORDEN	20,000				20,000	-	20,000
ARNOLD G. ANAGAYA	2,388				2,388	-	2,388
ARNOLD I. VILLAFUERTE	3,000				3,000	-	3,000
ARNOLD R. BASSISTER	15,447				15,447	-	15,447
ARON B. OGATA	1,400				1,400	-	1,400
ARSENIO P. SENO	100				100	-	100
ARIFAL FERNANDEZ	117,540				117,540	-	117,540
AVIGAEI MANINGO	100,000				100,000	-	100,000
BANAG, AUDREY PRESA	9,738				9,738	-	9,738
BEJIE VILLOIN						-	
BENA KRISTIE S. U'DQUIN	2,528,696				2,528,696	-	2,528,696
BENJAMIN R. DELA CRUZ	100,000				100,000	-	100,000
BENJAMIN S. FABROA JR	15,215				15,215	-	15,215
BENJAMIN VICENTE JR	28,208				28,208	-	28,208
BENJADETTE LAURENTE	55,000				55,000	-	55,000
BOBBY FERNAN						-	
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	215,685	54,963	52,354		216,295	-	216,295
CARLOS LEITAO	386,860	198,465			579,325	-	579,325
CARLOS TRECE	50,000				50,000	-	50,000
CARLOS VILCHEZ	48,402				48,402	-	48,402
CARMEN ANNE LOURISE V. CONTEMPLA	38,240				38,240	-	38,240
CARMINA LEBOSADA	130,000				130,000	-	130,000
CAROLINE JBANEL C. LOPEZ	32,000				32,000	-	32,000
CATHERINE A. PANGANDAYON	41,600				41,600	-	41,600
CATHERINE C. CENA	7,600				7,600	-	7,600
CATHERINE LIM	1,800				1,800	-	1,800
CELSO C. ANGHETA	7,109				7,109	-	7,109
CEZAR V. MAYHAY	1,350				1,350	-	1,350
CHARMAINE DE LEON ESPINO	28,833				28,833	-	28,833
CHARTON BENZI LANO	1,550				1,550	-	1,550
CHERYMAY T. DE TORRES	14,400				14,400	-	14,400
CHESTER NEIL R. CARBONELL	173,350		221,598		125,102	-	125,102
CHYTOBILOG	264,611	217,229	10,000		471,870	-	471,870
<i>Balance Approved</i>	P 11,080,341	P 2,164,856	P 328,327		P 12,916,870		P 12,916,870

Name	Balance at End of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
<i>Balance carried forward</i>	P 11,080,341	P 2,164,856	P 328,327	-	P 12,915,870	-	P 12,916,870
CHRISTIAN ALISANDAO	4,660				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	10,640				10,640	-	10,640
CHRISTOPHER L. RUADO	9,000				9,000	-	9,000
CHRISTOPHER PACA	15,208				15,208	-	15,208
CRUZ, JESSE N.	99,500				99,500	-	99,500
CRYSTALLINE B. MANALANG	156,525	150,225			313,050	-	313,050
CLARISSA CABALDA	29				29	-	29
CLAUDIA SCRIANO	168,933				168,933	-	168,933
CRISANTO BERTOLDO	1,550				1,550	-	1,550
CRISANTO CAJOS	1,550				1,550	-	1,550
CRISANTO LABE JR.	2,625				2,625	-	2,625
CRISMAR MENDIZ	4,000				4,000	-	4,000
CRISTINE A. FORTUNO	30,833				30,833	-	30,833
CYREL A. GAROLACAN	1,650				1,650	-	1,650
DANILO DUMAS	2,800				2,800	-	2,800
DANILO ANTONIO						-	
DANILO N. MAGHAYOY	1,650				1,650	-	1,650
DANILO R. MONICAYA 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 PHEILA LOPEZ	41,600				41,600	-	41,600
DARRYL RANOLA	1,550				1,550	-	1,550
DENMARK P. NUQUE	7,464				7,464	-	7,464
DENNIS BLASON	57,000				57,000	-	57,000
DENTOR P. CABRAL	1,650				1,650	-	1,650
DEWEY S. OLAYA	268,409	96,500	5,000		359,909	-	359,909
DENTER SUAZO	2,625				2,625	-	2,625
DHANNY JEAN AUGUSTO	2,500				2,500	-	2,500
DIANA JOY D. VICTORIA						-	
DIONISIO A. MAMUAD	1,475				1,475	-	1,475
DIONISIO M. DELFIN	40,800				40,800	-	40,800
DIONY D. GANTA	1,475				1,475	-	1,475
DOMINADOR Z. LUMONTOD	1,475				1,475	-	1,475
DOMINGO IBARLIN JR.	80				80	-	80
DONABELLE SISON	250,694	278,694	60,000		469,388	-	469,388
DONNA MAY VILLENA	4,700	133,400			138,100	-	138,100
DYAN KARIAS SFINO	32,000				32,000	-	32,000
EBENEZER G. JAMORA	4,000				4,000	-	4,000
EDDIE GORNELIO	3,200				3,200	-	3,200
EDELITO C. TAPIG	46,523				46,523	-	46,523
EDGAR N. GUIT	975				975	-	975
EDGAR VALERA	1,333,329	289,941			1,623,470	-	1,623,470
EDGAR VALERA						-	
EDGARDO ABAD	7,380				7,380	-	7,380
EDGARDO D. MALFI	23,735				23,735	-	23,735
EDISON A. DOMINGUEZ	1,475				1,475	-	1,475
EDUAR P. FELICIANO	1,650				1,650	-	1,650
EDUARDO ALVARO	50,000				50,000	-	50,000
EDUARDO LANTANA	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. CEJA	452,970				452,970	-	452,970
ELGIN G. BARRERO	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	4,000				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 BOMBAI	6,000				6,000	-	6,000
ELSA AMAT	26,752				26,752	-	26,752
ELVIN GOFIMIM	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				60,000	-	60,000
ERIC N. GABRIEL	271,753				271,753	-	271,753
ERICSON BENTEZ BENTEZ	2,000				2,000	-	2,000
ERNESTO 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 HEBANDJOY	1,650				1,650	-	1,650
ERWIN I. OCHAMQUE	1,650				1,650	-	1,650
ERWIN L. SISON	960				960	-	960
ESTELITO CENSON JR.	66,760				66,760	-	66,760
ESTELITO M. CENSON JR.	78,402				78,402	-	78,402
<i>Balance forward</i>	P 13,07,280	P 3,119,916	P 393,327	-	P 17,833,809	-	P 17,833,809

Name	Balance at End of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amount Collected	Written Off	Current	Non-current	
<i>Balance carried forward</i>	P 15,107,286	P 3,119,916	P 393,327	-	P 17,831,869	-	P 17,831,869
ESTRELLA A. ALVARADO	468,477	313,036			721,533	-	721,533
EUTEMIO R. SARNO	28,800				28,800	-	28,800
EURENO BIETE	226,030	226,030			452,060	-	452,060
EVELYN ALBARAN BEROU	41,600				41,600	-	41,600
FARRA MAE PUZON	10,064				10,064	-	10,064
FELIXO CANAYA	15,950				15,950	-	15,950
FELIPE R. GARCIA JR.	1,550				1,550	-	1,550
FELIYC LIGATUB	85,471	53,471	21,557		117,284	-	117,284
FELLOWES, GRANT LEE	1,078,060	539,000			1,617,060	-	1,617,060
FERDINAND A. PADDAYUMAN	74,863				74,863	-	74,863
FERDINAND B. RODRIGUEZ	15,099				15,099	-	15,099
FERMIN CHAVEZ JR.	248,727	248,027			496,754	-	496,754
FERNANDO L. PAGATPATAN	1,119				1,119	-	1,119
FIDEL P. CUERDO	17,506	54,250	52,408		19,249	-	19,249
FLORANTE C. PACTAO	1,475				1,475	-	1,475
FLORVAR BALDOZA	2,223				2,223	-	2,223
FRANCISCA MICABELA SANTECO	11,273				11,273	-	11,273
FRANCIS LUIS C. DE GUZMAN						-	
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 ROJO A JR.	3,200				3,200	-	3,200
FRANKLIN AUSTRIA	4,200				4,200	-	4,200
FREDERICK B. EBRIO	1,650				1,650	-	1,650
FREDERICK NICOLAS	68,500				68,500	-	68,500
FREDERICK TAN	68,942				68,942	-	68,942
FRIDAY TUERES	97,000				97,000	-	97,000
FRITZ LIM	26,895				26,895	-	26,895
GAURAV AGGARWAL	65,138				65,138	-	65,138
GENEVERGHEE MATHEW - JOHN	13,674				13,674	-	13,674
GENEROSO LLAGONAN JR.	4,000				4,000	-	4,000
GENNA C. MIJARES	26,591				26,591	-	26,591
GEORGE L. BERMUDO	18,209				18,209	-	18,209
GERALD ROXAS	3,000				3,000	-	3,000
GERMAN NESTOR OCTAVIANO	104,988	144,988	40,000		209,976	-	209,976
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
GILBERT TUGADE	127,500	127,500			255,000	-	255,000
GINO TALLBONG	1,000				1,000	-	1,000
GIOVANNI D. RUIZ	61,800				61,800	-	61,800
GLADYS RETUERTO	54,285				54,285	-	54,285
GLINDA L. RATTI M	197,600				197,600	-	197,600
GRACE ABEGAIL CASEM	42,473	76,100	33,527		84,946	-	84,946
GRETCHEEN SALDIVIA GARGO	10,000				10,000	-	10,000
HAYDIE CIRA	57,000				57,000	-	57,000
HAYDIE MAYOR	3,359				3,359	-	3,359
HAZELLE ASILVERIO	17,090	37,090	43,798		10,382	-	10,382
HEHEKSON AGC. ULLI	594,834	122,265	137,263		579,834	-	579,834
HERMIE CORNELIO	1,550				1,550	-	1,550
HERMINIGILLO BALTISTA JR.	1,550				1,550	-	1,550
HESOLIEB RAINY JEMAR	4,000				4,000	-	4,000
HOMER JOY RAGAS	228,967	228,967			457,934	-	457,934
IRENEO NARCISO JR.	3,200				3,200	-	3,200
IRENEO AGUIRAP	740,069	813,400	115,331		1,437,538	-	1,437,538
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
JAMIE BAMBALAN	1,550				1,550	-	1,550
JAMIE M. LOPEZ	56,400				56,400	-	56,400
JAKE S. ESTEVES	3,005				3,005	-	3,005
JAN B. DENAGA	2,729				2,729	-	2,729
JANICE HONORDEZ	1,343,266	913,908			2,257,174	-	2,257,174
JANINE MORAL	28,833				28,833	-	28,833
JASPER NOEL CABRERA	89,927				89,927	-	89,927
JAY ARRIBALON	2,550				2,550	-	2,550
JAY CRISOLONGO	18,549				18,549	-	18,549
JAY GERARD SANTAGO	1,550				1,550	-	1,550
JAYCEL ADINA	11,500				11,500	-	11,500
JAYPEE C. BELENGIO	16,400				16,400	-	16,400
JAYSON APOSTOL	1,550				1,550	-	1,550
JAYSON DELOS SANTOS	43,209				43,209	-	43,209
JAYSON SOMBRERO	1,550				1,550	-	1,550
JEAY O. PORTES	41,000				41,000	-	41,000
JEFE MANUSAY	1,550				1,550	-	1,550
JEFEY MANGABON	1,550				1,550	-	1,550
JEFFERSON R. AREVALO	1,650				1,650	-	1,650
JEFFREY HAJA	52				52	-	52
JEFFREY OCAMPO	420,687				420,687	-	420,687
JEFFREY MIRANDILLA	1,776,577	1,947,995	452,948		3,271,724	-	3,271,724
JEFFRY QUICAY	1,550				1,550	-	1,550
JEFFLYN ALEXIS G. DIZON	42,000				42,000	-	42,000
JELIMAH NIOME DE LOS SANTOS	4,000				4,000	-	4,000
JENILFER G. ALBA	1,412,143	1,090,071	384,900		2,118,214	-	2,118,214
JENILYN S. GURROHA I	28,667				28,667	-	28,667
JENIR B. TOLOSA	1,920				1,920	-	1,920
JENNY D. GLITA	26,412				26,412	-	26,412
JERALBINE NUGUID	83,302				83,302	-	83,302
JERALBINE R. NUGUID	131				131	-	131
JERRY CONCEPCION	109,800	109,800			219,600	-	219,600
JEREMIAH CARL ALGERA	45				45	-	45
JEREMIAH JO	1,419				1,419	-	1,419
JERICHUAN M. IGNACIO	32,000				32,000	-	32,000
JERMYN LEAL	81,357				81,357	-	81,357
JEROME G. CABANES	1,650				1,650	-	1,650
JEROME MALLPAY	9,891				9,891	-	9,891
JERRIN SALINAS	1,550				1,550	-	1,550
<i>Balance forward</i>	P 23,829,848	P 10,165,835	P 1,675,361	-	P 34,326,622	-	P 34,326,622

Name	Balance at End of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
<i>Balance carried forward</i>	P 25,829,848	P 10,163,835	P 1,673,361	-	P 14,320,632	-	P 34,320,632
JERRY B. HERNANDEZ	14,800	-	-	-	14,800	-	14,800
JESSIE CORONEL	4,800	-	-	-	4,800	-	4,800
JESSIE SIGAOAT	1,550	-	-	-	1,550	-	1,550
JESUS ARIMBUULTAN	480,000	167,000	-	-	647,000	-	647,000
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	43,393	28,393	-	-	71,786	-	71,786
JIMSON D. CUEVAS	332,098	328,600	-	-	660,698	-	660,698
JINGO CAOL-OLAN	1,550	-	-	-	1,550	-	1,550
JO R. AQUINO	9,600	-	-	-	9,600	-	9,600
JOAN CRISTINA L. CARICARI	2,339	-	-	-	2,339	-	2,339
JOANA MANGAHAS	312,226	484,178	222,208	-	375,205	-	875,206
JOANNE CLAIRE S. SIMBAJON	99	-	-	-	99	-	99
JOE 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. HLOJO	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	307,590	248,590	174,590	-	381,590	-	381,590
JOHN HAROLD B. MANUEL	149,238	-	-	-	149,238	-	149,238
JOHN HENRY JAY G. MANATT	52,875	-	-	-	52,875	-	52,875
JOHN KALVIN CARBON	485,792	240,000	-	-	726,792	-	726,792
JOHN PAUL CADAY	665,337	353,169	-	-	999,506	-	999,506
JOHN REV DANIEL	3,200	-	-	-	3,200	-	3,200
JOHN RONALD BENDON	3,000	-	-	-	3,000	-	3,000
JOHN VALENTINE S. BINAMIRA	6,000	-	-	-	6,000	-	6,000
JOHNREL VIDAL	1,550	-	-	-	1,550	-	1,550
JOSEL ZACARIAS	1,550	-	-	-	1,550	-	1,550
JOSE R. DARAMAN	2,525	-	-	-	2,525	-	2,525
JOSEPH DONARRE	27,264	-	-	-	27,264	-	27,264
JOSEPH F. SALAZAR	4,850	-	-	-	4,850	-	4,850
JOSEPH HUGOSO	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	903,199	806,670	-	-	1,709,869	-	1,709,869
JOSE M. GORPIDO, JR.	801,961	860,426	-	-	1,662,327	-	1,662,327
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
JOSE M. PARRERO	338,399	338,399	-	-	676,798	-	676,798
JOSE U. G. GA	1,650	-	-	-	1,650	-	1,650
JOYIE V. LEB OLIVER	503,454	-	-	-	503,454	-	503,454
JOYANIE PASCOLADO	1,550	-	-	-	1,550	-	1,550
JH. S. LLANO	1,650	-	-	-	1,650	-	1,650
JUAN TIMO	4,750	-	-	-	4,750	-	4,750
JULIANA ARENAS	493,39	-	-	-	493,39	-	493,39
JULIEN STEINER	7,810	10,500	-	-	18,310	-	18,310
JULIUS BAYAYOLA	10,500	10,500	-	-	21,000	-	21,000
JULIUS C. MANDAWE	672,650	671,000	-	-	1,343,650	-	1,343,650
JUSTINE C. RIVERA	14,800	-	-	-	14,800	-	14,800
KARA MAE MENDIOLA	41,600	-	-	-	41,600	-	41,600
KARL JOSEPH A. DEINLA	131,558	-	-	-	131,558	-	131,558
KARRI LACHA REDDY	1,201,460	1,300,000	-	-	2,601,460	-	2,601,460
KATHERINE DLGTONG	3,148	-	-	-	3,148	-	3,148
KATHERINE P. VIENA	2,600,000	-	-	-	2,600,000	-	2,600,000
KATHLEEN M. TAPIA	32,000	-	-	-	32,000	-	32,000
KATHY ROSE S. BACANI	848,602	249,623	-	-	1,098,225	-	1,098,225
KEESHELY N. DRY YERA	35,311	-	-	-	35,311	-	35,311
KEITH ANTHONY CALMAG	737,771	584,471	721,371	-	600,871	-	1,644,271
KEITH CLARKE	379,464	379,464	-	-	758,928	-	758,928
KEN REQUER B. PEGALAN	120,771	-	-	-	120,771	-	120,771
KENNETTE 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 BISSONNETE	1,550	-	-	-	1,550	-	1,550
KIM DE LOS SANTOS	4,850	-	-	-	4,850	-	4,850
KIMBERLY L. BONGHANON	31,833	-	-	-	31,833	-	31,833
KIRK ALFONSO B. CABREROS	2,400	-	-	-	2,400	-	2,400
KRISTINA JERRYLYN T. SALAZAR	32,000	-	-	-	32,000	-	32,000
KRISTINE MAE REYES	375,429	375,429	-	-	750,857	-	750,857
KRISTOFFER JIAN V. SERIOSA	24,304	-	-	-	24,304	-	24,304
LALAINNE ANN R. ROSALES	6,300	-	-	-	6,300	-	6,300
LARA MAE A. LOPARGA	15,000	-	-	-	15,000	-	15,000
LARRY APSTOL	1,550	-	-	-	1,550	-	1,550
LARRY NOCEJA	57,600	-	-	-	57,600	-	57,600
LAL DENCIO DANGIWI	1,550	-	-	-	1,550	-	1,550
LAURITO CABUAL	134	-	-	-	134	-	134
LAWRENCE F. HARDER	31,561	-	-	-	31,561	-	31,561
LEOBERT RAMOS	171,622	-	28,376	-	143,246	-	143,246
LEOBERT RAMOS	29,312	-	-	-	29,312	-	29,312
LEONARD SANGUENZA	1,550	-	-	-	1,550	-	1,550
LEONIL FERNIN	1,550	-	-	-	1,550	-	1,550
LITIGIA QUIJES	18,500	-	-	-	18,500	-	18,500
LIBERATO MELCICIO JR.	395,824	-	-	-	395,824	-	395,824
LIBERTY BAYON	41,600	-	-	-	41,600	-	41,600
LINWEL F. JUCGO	1,650	-	-	-	1,650	-	1,650
LLOJILN MARIE CRISOSTOMO	40,000	-	-	-	40,000	-	40,000
LLOYD NIÑO A. MASCARINAS	73,628	-	-	-	73,628	-	73,628
LINO VILLANUEVA	355,213	355,213	-	-	710,413	-	710,413
LORNA C. LLIDO	90	-	-	-	90	-	90
LORNA SANTOS	9,600	-	-	-	9,600	-	9,600
LU CENA B. BAUTISTA	20,389	-	-	-	20,389	-	20,389
LUCLA FAMILIAR	1,694	-	-	-	1,694	-	1,694
LUCKY LEBRIELLA	1,550	-	-	-	1,550	-	1,550
LUIGIE LLASO	975	-	-	-	975	-	975
LUTHER S. GERONIMO	975	-	-	-	975	-	975
LYMAR MELGAZO	1,550	-	-	-	1,550	-	1,550
LYNARD G. HARRIDO	1,650	-	-	-	1,650	-	1,650
LYNNIE TEVES	150,000	-	-	-	150,000	-	150,000
<i>Balance forward</i>	P 40,261,640	P 17,865,963	P 2,822,206	-	P 55,305,397	-	P 55,305,397

Name	Balance at End of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
<i>Balance carried forward</i>	P 11,261,646	P 17,865,963	P 2,822,206	-	P 55,303,577	-	P 55,303,577
MA. ABIGAIL JANI UBRANDO	402,017	256,700	-	-	668,717	-	668,717
MA. CECILIA TRIBALLO	5,245	-	-	-	5,245	-	5,245
MA. CRISTINA STEPHANIE DAGANTA	4,300	-	-	-	4,300	-	4,300
MA. DARREN CORRE	169,311	-	-	-	169,311	-	169,311
MA. ELOISA ORACION	24,167	-	-	-	24,167	-	24,167
MA. JACINTA VICTORIA T. LALHATI	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. LUCRDES 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	49,967	-	-	-	49,967	-	49,967
MAGNUS ALBERTUS CASTRIGAN	2,400	-	-	-	2,400	-	2,400
MAILA COROCOTO	42,900	-	-	-	42,900	-	42,900
MANDY DE VENCIA	4,320	-	-	-	4,320	-	4,320
MANUEL DIAMOS	6,764	-	-	-	6,764	-	6,764
MANUEL LOUIE B. PERRER	830,000	-	-	-	830,000	-	830,000
MANUEL M. ABEJO JR.	894	-	-	-	894	-	894
MANUEL MELHOR BONGULTO	214,644	-	-	-	214,644	-	214,644
MARCELINO LAQUINTADAN 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	-	-	-	-	-	-	-
MARIA APRIL C. MAN-ON	5,532	-	-	-	5,532	-	5,532
MARIA CELINA BERNARDO	90,000	-	-	-	90,000	-	90,000
MARIA CHRISTINA PELPENOSAS	35,202	-	-	-	35,202	-	35,202
MARIA ELENA O. DEMICILLO	10,004	-	-	-	10,004	-	10,004
MARIA LUCRDES M. MOZO	702	-	-	-	702	-	702
MARIA ROWENA MARCELLANO	-	-	-	-	-	-	-
MARIA Sulpicia Polinga	9,566	-	-	-	9,566	-	9,566
MARIA THERESA PASCUAL	144,520	105,000	30,000	-	219,520	-	219,520
MARIBETH J. MONTERO	30,000	-	-	-	30,000	-	30,000
MARICAR V. CRUZ	9,533	-	-	-	9,533	-	9,533
MARICEL CO	97,750	-	-	-	97,750	-	97,750
MARICEL LUNA	111,850	111,850	17,300	-	206,200	-	206,200
MARICEL REYES	12,327	-	-	-	12,327	-	12,327
MARICOR AMATA	156,000	-	-	-	156,000	-	156,000
MARIE ARCHIE ANNE BERCADO	32,000	-	-	-	32,000	-	32,000
MARIE CRISTINA NUQUE	139,668	-	-	-	139,668	-	139,668
MARIE STEPHANIE M. NOLIDO	640,668	630,618	-	-	1,271,286	-	1,271,286
MARILAG LAYORRE	12,208	-	-	-	12,208	-	12,208
MARILYN ORDENIS	200,000	-	-	-	200,000	-	200,000
MARIO LOPEZ PAR	662,115	563,010	-	-	1,225,124	-	1,225,124
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 COPPER	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 DIMAYAGA	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 LOYD A. RAMIREZ	1,550	-	-	-	1,550	-	1,550
MARK NICKSON P. GARCIA	3,790,016	-	257,000	-	3,493,016	-	3,493,016
MARK NIEVERA	978,333	618,967	-	-	1,597,300	-	1,597,300
MARK RUFFORT	143,326	143,326	-	-	286,652	-	286,652
MARK U. VILLAGONZALO	3,273	-	-	-	3,273	-	3,273
MARKL THIENIG	748,057	-	-	-	748,057	-	748,057
MARLA MELDIOS AVILA	33,524	-	-	-	33,524	-	33,524
MARRY CHRIS MARPA	106,569	-	-	-	106,569	-	106,569
MARTIN ABIGUIL FLORES	225,931	10,717	141,327	-	95,321	-	95,321
MARTIN SIMON GIBORDAN	18,411	-	-	-	18,411	-	18,411
MARVIN GLORIA	10,489	-	-	-	10,489	-	10,489
MARVIN M. ENCARNAACION	1,650	-	-	-	1,650	-	1,650
MARY ANN ZACARIAS	77,727	-	-	-	77,727	-	77,727
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 PAMI	86,892	-	-	-	86,892	-	86,892
MARY JOY S. FAMI	95,600	-	-	-	95,600	-	95,600
MARY ROSE HOPE PATRICIO	963	-	-	-	963	-	963
MARYCON SALAZAR	1,905	-	-	-	1,905	-	1,905
MASASHI WATANABE	850,325	-	581,437	-	267,887	-	267,887
MAI ROSAN JOSE	82,071	-	-	-	82,071	-	82,071
MELCHOR V. HERRERA	1,650	-	-	-	1,650	-	1,650
MELISSA P. DAVID	110,000	-	-	-	110,000	-	110,000
MELONA DABLO	1,004,223	-	1,668	-	1,002,555	-	1,002,555
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 G. CADAMPOG	-	-	-	-	-	-	-
MENCHIE DIASEN	33,520	-	-	-	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	27,200	31,800	20,400	-	27,200	-	27,200
MICHELE A. BARROZO	306,589	146,295	-	-	306,589	-	306,589
<i>Balance Forward</i>	P 54,653,063	P 20,496,246	P 3,878,539	-	P 71,076,771	-	P 71,076,771

Name	Balance at End of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
<i>Balance carried forward</i>	P 54,453,063	P 20,496,246	P 3,679,339	-	P 71,078,771	-	P 71,078,771
MICHELLE U. ENRIQUEZ	5,345				5,345		5,343
MICHELLE GATIA	148,293	149,293			296,587		296,589
MUTHU LAL	3,879				3,880		3,869
MYLENE TIBON	335				335		333
NAZARENO C. ABALOS	125,693	125,693			251,386		251,386
NELSON LEGARDE	150,000				150,000		150,000
NELSON M. CASADO	17,640				17,640		17,640
NEVIA M. CORILLA	854,167				854,167		854,167
NESTOR C. ABRIL	8,525				8,525		8,923
NESTOR L. SIERYO JR	20,117				20,117		20,117
NICANOR NICKIE B. ARENAS	13,875				13,875		13,875
NIDA H. GREFALDO	507,532	507,532			1,015,063		1,015,043
NIKKO P. DEL ROSARIO	7,609				7,609		7,609
NINO DELOS REYES	194,504	358,247	287,738		264,813		264,813
NOE G. GERAPUSO	1,027				1,027		1,027
NOBI. CADIENTE	1,550				1,550		1,550
NONILON F. MCDLONG	1,650				1,650		1,650
NORMAN N. ESCOBAR	1,678,235				1,678,235		1,678,235
NORMAN REBURECCION	3,000				3,000		3,000
PANFILO MARTIN, JR.	3,613,308				3,613,308		3,613,308
PEDRO PISGENA	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	996,557	315,519			1,312,076		1,312,076
PHOENIX KATHERINE B. REYES	29,354				29,354		29,354
POC CARPIO VEGA JR	15,000				15,000		15,000
PREMIER C. SEMILLA	55,040	6,720			61,760		61,760
PRINCESS DELOS SANTOS	5,367				5,367		5,367
PRINCESS GUMIRAN	23,000	9,000			32,000		32,000
RACHELLE E. CUYOS	525				525		525
RAFFY FELICIANO	8,000				8,000		8,000
RAIZA JACKIE LOUISE ESPINO	94,293				94,293		94,293
RAULPH LIM	237,496				237,496		237,496
RAMON LOR	118,117	61,833			179,950		179,950
RAMON PACHECO III	22,500	2,600			25,100		25,100
RANDY ADRIANO	45,840	16,970			62,810		62,810
RANDY EGUERRA	3,000				3,000		3,000
RANDY BETES	1,550				1,550		1,550
RANJEL ASUBELO MONTEROLA	6,000	2,000			8,000		8,000
RAQUEL VERZOSA	26,500				26,500		26,500
RAUL R. GULEZ	15,345				15,345		15,345
RAUL SAPLANDANTE	2,400				2,400		2,400
RAVISHANKAR SARAVU	61,169				61,169		61,169
RAY ALEXIS C. VALINO	46,293				46,293		46,293
RAY MENDO LAYSON	475,416	187,788	58,560		604,644		604,644
RAYMUNDO P. PRONDA	246,791				246,791		246,791
REA G. RUBICON	3,845				3,845		3,845
REALINO MONTEFOR	6,463				6,463		6,463
RECLE POSICION							
REDINTO M. OLIVERAS	1,475				1,475		1,475
REGAN A. TACANJONG	6,720				6,720		6,720
REGAN TAGANDONG	825,504				825,504		825,504
REGGIE DASALLA	1,550				1,550		1,550
REGIE DELOS NIÑOS	1,650				1,650		1,650
REGINA CARMELLI TULOSA	20,000				20,000		20,000
REGOR TITO	337,857	85,000	45,000		377,857		377,857
REJAN VALENZUELA	41,600				41,600		41,600
RENATO ALEGADO	3,255				3,255		3,255
RENATO C. ALEGADO	3,260				3,260		3,260
REY C. RAMIREZ	19,010				19,010		19,010
REYMOND DALAYOAN	4,000				4,000		4,000
REYNALDO GANDO	3,200				3,200		3,200
REYNALDO RORON	804,330	115,649			920,279		920,279
REYNOLD JAZARENO	2,600				2,600		2,600
RHEA A. TANE0	3,000				3,000		3,000
RHODA M. GUILATAR	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	169,062	160,196	46,134		265,124		265,124
RICARDO SABANAL	2,525				2,525		2,525
RICHARD ORTEGA	2,400				2,400		2,400
RICHARD PELOTUS		12,000			12,000		12,000
RICHIE BORDE	41,600				41,600		41,600
RICHIE PAGAWTAN							
RICHIE R. MANLAPAZ							
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	21,475	20,000			41,475		41,475
ROBY CHARLIE G. MALLARI	15,631				15,631		15,631
RODERIC CORPORAL	1,650				1,650		1,650
RODNEY ANDRE MORALES	28,654	23,654			52,308		52,308
RODNEY C. GARCIA	3,000				3,000		3,000
RODNEY DELICANO	1,550				1,550		1,550
RODRIGO S. PAMPHOY	1,247,292				1,247,292		1,247,292
ROCHELLO RAMOS JR.	1,228,000				1,228,000		1,228,000
ROGILYN PONES	29,667				29,667		29,667
<i>Balance forward</i>	P 73,682,807	P 22,634,923	P 4,316,171	-	P 89,061,559	-	P 89,061,559

Name	Balance at End of Period		Additions	Deductions		Ending Balance		Balance at End of Period
				Amounts Collected	Written Off	Current	Non-current	
<i>Balance carried forward</i>	P	70,682,807	P	22,634,923	P	4,316,171	P	89,001,559
ROHSAN ARIFI, N. UCES		1,150				1,150		1,150
ROLAND N. RINA		1,950				1,950		1,950
ROLANDO C. SAZO		12,600				12,600		12,600
ROLIN L. ALIMBAWA		1,650				1,650		1,650
ROMAR B. CARIYANAN		57,441	110,096	54,305		113,231		113,231
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 PURIGAY		681,208	45,200			726,408		726,408
ROMMEL ONDONG		150,601				150,601		150,601
ARABELLE VALENCLIA		78,750	218,750	140,000		157,500		157,500
ROMMEL S. OBISPO		988				988		988
ROMNICK T. LLENADO		1,650				1,650		1,650
RONALD ALLAN M. NICOLAS		31,374				31,374		31,374
RONALD ROSSELLER B. MANGAHAS		127,092				127,092		127,092
RONALDO A. NOFI		1,838				1,838		1,838
RONALDO PALIN		2,625				2,625		2,625
RONIEL ROLDAN		-				-		-
RONILO C. PONSICA		1,650				1,650		1,650
RONNIE SAINGAY		1,550				1,550		1,550
ROSE ANN ENRIQUEZ		204,310				204,310		204,310
ROSE CELINE CASTRO		787,670				787,670		787,670
ROWENA B. TRILLANA		21,637				21,637		21,637
ROY GARCHITORENA		4,000				4,000		4,000
ROYCE MILTON CATACTAN		20,159				20,159		20,159
RUBEN PESALOSA		2,625				2,625		2,625
RUBIELZA ALBAY		128,572				128,572		128,572
RUFINO DIZO		20,350				20,350		20,350
RUSKY L. FERRER		30				30		30
RUSTOM ESTROPIA		37,241				37,241		37,241
RYAN BRMAC		40				40		40
RYAN GALINDEZ		1,550				1,550		1,550
RYAN JAVI AI		238				238		238
RYAN P. BERMAC		200,000				200,000		200,000
SALVADOR DE GUZMAN		6,150				6,150		6,150
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		660				660		660
SHEILA MAY V. LUVIDO		855				855		855
SHERRY LEE L. HAYAGUE		3,360				3,360		3,360
SHERWIN ELOPBE		1,550				1,550		1,550
SHERWIN GATBONTON		50,000				50,000		50,000
SHERWIN SEGLI		95,000				95,000		95,000
SHEILA NEMOUCENO		5,734				5,734		5,734
SONNY BOY G. ENRIQUEZ		51,460				51,460		51,460
STEPHANIE GRACE G. MUNAL		10,887				10,887		10,887
STEPHANIE M. LINI		3,340				3,340		3,340
SUDIRSIYAN 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
TARCYSZUSZ FROELICHI		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		33,386				33,386		33,386
TRACELLE ANNE B. NAVARRO		35,360				35,360		35,360
TRISTAN JOHN Y. SANTOS		480				480		480
VALERIE AYRA RAMOS		-				-		-
VERN ROGER GOGUTIANO		1,650				1,650		1,650
VERNER TEJOPE		12,100				12,100		12,100
VENUS V. LOGDAY		32,000				32,000		32,000
VICTOR L. ASPA, JR.		2,625				2,625		2,625
VITARA P. U. MAFAP II		4,320				4,320		4,320
VIRGILIO CARSDO JR.		41,537				41,537		41,537
VIRGILIO U. MALI JR.		50,552				50,552		50,552
WIENNIE 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. JAVINEZ		277,579		83,581		193,998		193,998
YASMIN LAMBATAN		56,000				56,000		56,000
YOLANDA D. SURIQ		52,000				52,000		52,000
YUNICE C. PRADHAN		2,500				2,500		2,500
ZANDY BALIT		48,006				48,006		48,006
TOTAL ADVANCES TO OFFICERS AND EMPLOYEES	P	74,481,307	P	23,008,968	P	4,504,357	P	92,896,214
<i>Advances to related parties under common ownership</i>								
Future State Systems, Inc.		33,574.00	946.81			34,521.00		34,521.00
Mystace Properties Inc.		100,795,633.00		(13,220.33)		100,782,413.00		100,782,413.00
Megawide Suez Consortium		-	56,874.99			56,873.00		56,873.00
Megawide Foundation		39,844.62				39,844.62		39,844.62
ESA Group of Companies Inc.		-				-		-
Alm's Fast Land, Inc.		60,429.00	31,858.55			92,287.00		92,287.00
Cinere Infrastructure Holdings, Inc.		31,716.00				31,714.00		31,716.00
Cinere Power Inc.		3,176,113,003.00		(20,101.93)		3,176,093,801.00		3,176,093,801.00
TOTAL ADVANCES TO RELATED PARTIES UNDER COMMON OWNERSHIP		3,277,775,698.62	89,680.35	(33,322.27)		3,277,131,457.62		3,277,131,457.62
ULTIMATE PARENT COMPANY		3,089,595,108.00	1,170.04			3,089,236,278.00		3,089,236,278.00
<i>Advances to non-overriding interest</i>								
Others		44,219,466.00	22,428,667.32			66,748,133.00		66,748,133.00
TOTAL ADVANCES TO MINORITY INTEREST		44,219,466.00	22,428,667.32			66,748,133.00		66,748,133.00
		6,485,70,980.00	45,828,486.00	4,560,738.80		6,826,072,087.00		6,826,072,087.00

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES

Schedule C

Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
March 31, 2021

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. (MWM/MTI)	P 838,397,116	P -	P 29,488,118	P -	P 808,908,998	P -	P 808,908,998
Megawide Construction (BVI) Corporation (MCBVI)	148,353,434	-	-	-	148,353,434	-	148,353,434
Megawide Terminals, Inc. (MTI)	480,245,448	1,269	-	-	480,246,717	-	480,246,717
Tiger Legend Holdings Limited	-	45,166	-	-	45,166	-	45,166
Megawide Land Inc. (MLI)	18,192,865	910,677,609	-	-	928,870,474	-	928,870,474
Megawide International Limited (MIL)	251,332,194	-	99,275,277	-	152,056,917	-	152,056,917
Cebu2World Development, Inc.	2,084,290	200,000,000	-	-	202,084,290.00	-	202,084,290.00
Wida-Horizons, Inc.	1,250,000	50,000	-	-	1,300,000	-	1,300,000
GMR Megawide Cebu Airport Corporation (GMCAC), Subsidiary	218,158,362	-	-	-	218,158,362	-	218,158,362

Supplementary information -

Megawide has receivables from MWM/MTI and MIL for construction and engineering services provided.

MSPF paid certain expenses related to the development of SJDM Prima Casa Project and audit fee in behalf of MLI.

In November 2019, Globemerehants, 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 (MGCV), has a receivable to GMCAC for the billings of completed works at the end of the year.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES

**Schedule D
Long-Term Debt
March 31, 2021**

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 40,008,983,259	(P 13,112,532,673)	P 26,896,450,586
Note payable (ii)	5,589,791,231		5,589,791,231
Lease liabilities (iii)	483,404,874	(189,479,294)	293,925,580
Total	P 46,082,179,364	(P 13,302,011,967)	P 32,780,167,397

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 three notes facility agreement with a local bank for private placement amounting to P100.0 million in 2013, P2,000.0 million in 2016, and P3,600.0 million in 2020. 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 requirements.

In February 2020, the Parent Company availed P3,600.0 unsecured corporate loans from its third loan facility for repayment of maturing debts, funding of new projects and general corporate requirements.

- (iii) *Lease liabilities have an effective interest rate of 7.0% and 6.0% in 2020 and 2019 with maturity of three to five years from the date of transaction.*

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
Schedule E
Indebtedness to Related Parties
March 31, 2021

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
Advances from Citicore-Megawide Consotium, Inc. (CMCI)	P 20,000,000	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. 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 F
Guarantees of Securities of Other Issuers
March 31, 2021

Name of Related Party	Amount
MWM Terminals, Inc. (MWMTI)	P 3,900,000,000
Citicore Holdings, Inc. (CHI)	P 1,500,000,000
Citicore Megawide Consortium, Inc. (CMCI)	P 656,000,000
Total	P 6,056,000,000

Supplementary information on Guarantees of Securities and Other Issuers

1 MWMTI entered in to an OLSA with a local universal bank in 2015, with the Parent Company as guarantor, for a loan facility amounting to P3,300.0 million to finance the construction of the ITS Project. In 2019, the Company requested the lender to increase the loan facility by P600.0 million making the total principal loan to P3,900.0 million.

2 On December 26, 2019, the Parent Company's Board of Directors approved the issuance of corporate guaranty in the amount of P4,500.0 million 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. Subsequently on March 28, 2021, the BOD of the Parent Company approved the reduction of the amount of corporate guaranty to P1.5 billion.

3 On December 26, 2019, the Parent Company's Board of Directors approved the issuance of corporate guaranty in the banks, whereby the CMCI shall offer an outstanding arising from PPP school infrastructure project within the purchase period on a limited recourse basis such as upon the occurrence of certain repurchase event under the RPA. Pursuant to the continuing obligations of the CMCI under the RPA, CMCI has been in compliance with the RPA during the reporting periods. CMCI has an outstanding loan amounting to P656 million as of December 31, 2020

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
 Schedule G
 Capital Stock
 March 31, 2021

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown Under the Related Statement of Financial Position Caption (f)	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held By		
				Related Parties	Directors, Officers and Employees	Others
Common	4,930,000,000	2,013,409,717	-	1,330,634,698	18,775,289	663,999,730
Preferred	124,000,000	87,001,010.00	-	-	-	87,001,010

(f) On July 20, 2016, the Parent Company's BOD approved the buy-back of 410.8 million common shares held by Sybaris 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 26, 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 P2,121.7 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.

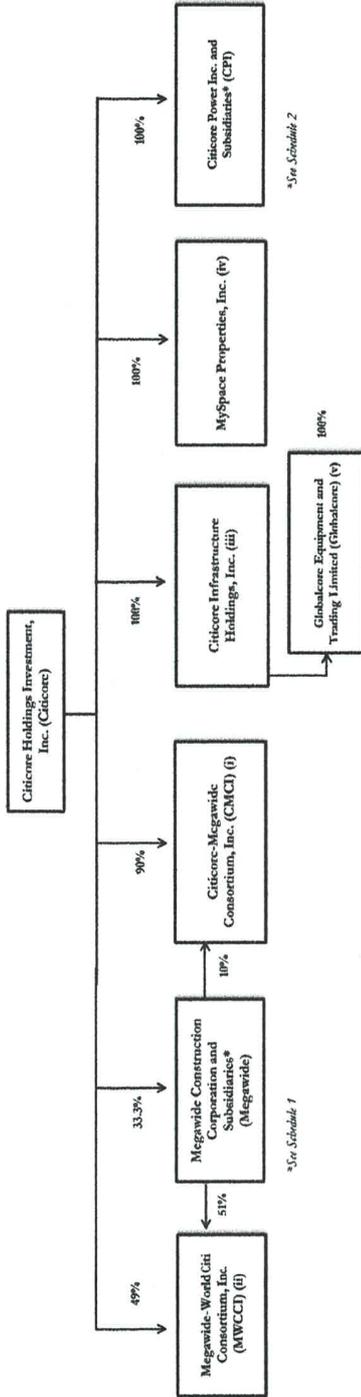
On October 1, 2018, the Parent Company's BOD approved a share buyback program worth up to P20 billion over a period of two years. Total cost to acquire treasury shares in 2018 amounted to P458 million (equivalent to 26 million shares). On March 1, 2020, the BOD approved an additional P3 billion to its 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.

On September 30, 2020, the Parent Company entered into a Subscription Agreement with CH1 whereby CH1 subscribed to 13,500,000 preferred shares of the Parent Company at P1.90 each, and paid 25% of such subscription in cash amounting to P3.38 million. On November 5, 2020, the SYCC has approved the Parent Company's offer and sale of Series 2 preferred shares which are to be issued in two tranches: Series 2A and Series 2B preferred shares, at a subscription price of P100.00. As of December 31, 2020, 25,220,130 and 17,405,880 of Series 2A and 2B preferred shares, respectively, were subscribed and listed in the PSE.

MEGAWIDE CONSTRUCTION CORPORATION
Reconciliation of Retained Earnings Available for Dividend Declaration
For Year Ended March 31, 2021

Unappropriated Retained Earnings of the Parent Company at Beginning of Year	[A]	P	287,422,842
Prior Periods' Outstanding Reconciling Item			
Deferred tax income		(	<u>204,733,735</u>)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted	[D]		82,689,107
Net Profit of the Parent Company Realized During the Period			
Net profit per reviewed financial statements			815,785,049
Non-actual/unrealized income			
Deferred tax income related to deferred tax assets recognized in the profit or loss during the period	[C]	(	<u>31,980,208</u>)
Other Transaction During the Period			
Treasury shares - at cost			-
Cash dividends to preferred and common shareholders		(	<u>126,407,356</u>)
Unappropriated Retained Earnings Available for Dividend Declaration at End of the Period		P	<u>740,086,592</u>

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
 MAP SHOWING THE RELATIONSHIP BETWEEN THE COMPANY AND ITS RELATED ENTITIES
 March 31, 2021



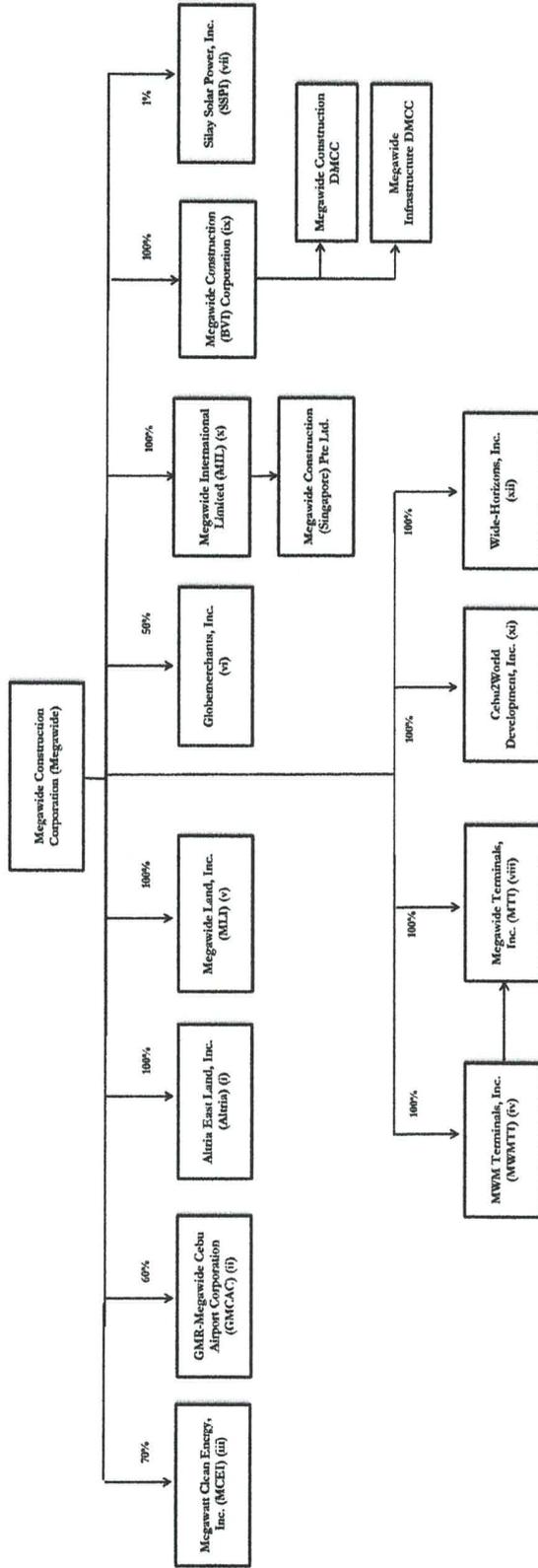
*See Schedule 1

*See Schedule 2

Supplementary information:

- (i) 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.
- (ii) 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.
- (iii) In March 2013, CIH acquired 100% ownership in CIH. CIH was established primarily to engage in buying and selling 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.
- (iv) In January 2012, upon cessation of Deed of assignment between CHI and MySpace's stockholders, the 100% ownership of MySpace was transferred to CIH.
- (v) Globalcore is a foreign registered and domiciled in Hong Kong, which is primarily engaged in buying, selling, importing, and exporting of general equipment.

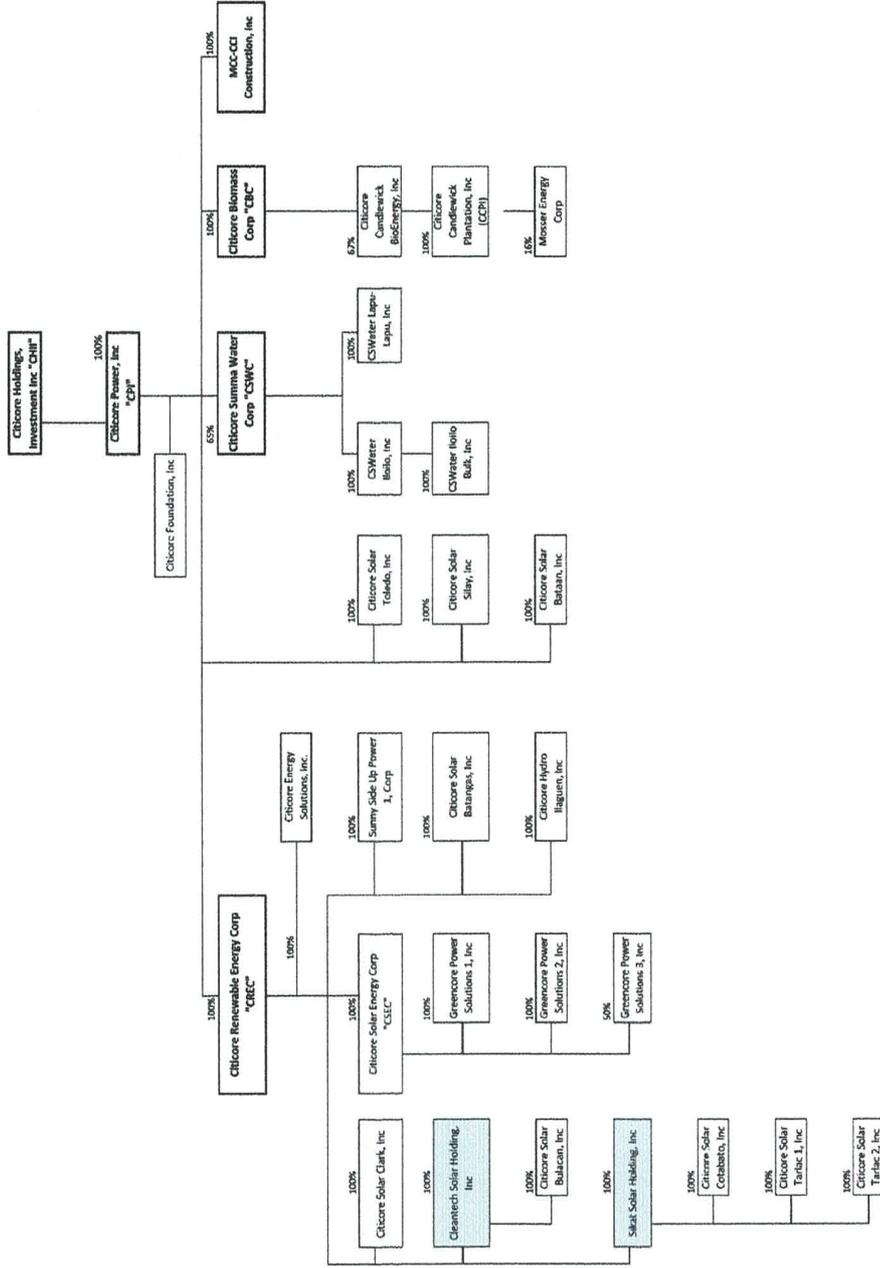
MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
MAP SHOWING THE RELATIONSHIP BETWEEN THE COMPANY AND ITS RELATED ENTITIES
 Schedule 1: Megawide Construction Corporation and Subsidiaries
 March 31, 2021



Supplementary information:

- (i) Megawide's acquisition of Altria is treated as an acquisition of asset and not a business acquisition. Altria is not considered a subsidiary of the Megawide.
- (ii) 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.
- (iii) 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.
- (iv) MWTI was acquired for as a subsidiary due to the acquisition of 100% ownership in MTI, resulting in the increase in effective ownership of Megawide in MWTI from 51% to 100%.
- (v) On October 28, 2016, the Parent Company acquired a 100% ownership interest in MLJ, an entity incorporated in the Philippines. MLJ is incorporated primarily to engage in real estate and related business.
- (vi) On May 5, 2016, the Parent Company acquired a 60% ownership interest in Globemercant, a company incorporated in the Philippines, primarily engaged in exporting, importing, selling, distributing, marketing of a wide range of goods, wares and merchandise of every kind and description. As of December 31, 2020, the Parent Company's ownership interest in Globemercant, Inc. is 50%.
- (vii) In February 2016, SSPI's issued shares of stock were acquired by CHJ resulting in a 75% equity interest over SSPI and retaining Megawide's equity interest over SSPI from 100% to 25%. However, SSPI ultimately became a subsidiary of CHJ. In 2016, the Megawide's equity interest was reduced from 100% to 1% upon acquisition of a third party under common ownership.
- (viii) In August 2018, Megawide acquired the outstanding shares of MTI representing 100% ownership, making it a wholly owned subsidiary of Megawide.
- (s) On June 20, 2017, the Parent Company acquired a 100% ownership interest in MCBVL, an entity incorporated in the territory of British Virgin Islands, a primarily engage in buying and holding shares of other companies.
- (s) MLL, whose registered office is at Mary Building, 2nd Floor, Purokil Estate, P.O. Box 24116, Road Town, British Virgin Islands, was incorporated on July 26, 2019.
- (ci) Cebu2W world, whose registered office is at Unit 1504 -Ayala Life IFCU Center Cebu, Nivadanon Avenue corner Blifran Road, Cebu Business Park, Cebu City, was incorporated on November 3, 2020.
- (sid) Wide Horizons, whose registered office is at 20 N. Domingo Street, Valenzuela, Quezon City, was incorporated on November 16, 2020.

MEGAWATT CONSTRUCTION CORPORATION AND SUBSIDIARIES
 MAP SHOWING THE RELATIONSHIP BETWEEN THE COMPANY AND ITS RELATED ENTITIES
 Schedule 2: Citicore Power Inc. and Subsidiaries
 March 31, 2021



Supplementary information:

- (i) In February 2016, SVP received shares of stock were acquired by CHI resulting in a 75% equity interest over SVP and during August 2016, SVP received 25% equity interest over SVP from 100% to 25%. Hence, SVP indirectly became a subsidiary of CHI. In 2016, the National equity interest and retained from 100% to 75% upon acquisition of a related party under common ownership.
- (ii) In 2016, the following entity incorporated entities: LIBBY, CEVA, BECAN, NCEVA, LGEVA and CEVA. Income wholly owned subsidiaries of the CHI upon subscription of their common shares.
- (iii) In 2015, CHI acquired NGPTC. CHI acquired additional shares of NGPTC through conversion of advances in equity investments.
- (iv) In November 2015, CP entered into a share purchase agreement (SPA) for the acquisition of FTSEEC for \$12.0 million. CP paid the former shareholder of FTSEEC amounting to P40.1 million. The agreement was subsequently amended and reduced the purchase price to \$9.6 million. CP gained control of FTSEEC in May 2016. CP issued common shares of the parent to the CPA. CP then reacquired FTSEEC as its subsidiary.



Report of Independent Auditors on Components of Financial Soundness Indicators

**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

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

T +63 2 8988 2288

We have reviewed, in accordance with Philippine Standards on Review Engagements, the interim condensed consolidated financial statements of Megawide Construction Corporation and Subsidiaries (the Group) as of and for the three months ended March 31, 2021, on which we have rendered our report dated May 19, 2021. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, is 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 supplemental 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 interim condensed consolidated financial statements prepared in accordance with PFRS. Except for the current ratio, acid test ratio, solvency ratio, debt-to-equity ratio, assets-to-equity ratio, return on equity and return on assets for March 31, 2020, the components of these financial soundness indicators have been traced to the Group's interim condensed consolidated financial statements as at March 31, 2021 and 2020 and no material exceptions were noted.

PUNONGBAYAN & ARAULLO

By: Mailene Sigue-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 8533222, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 0396-AR-3 (until Oct. 1, 2021)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-020-2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

May 19, 2021

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
Supplemental Schedule of Financial Soundness Indicators
March 31, 2021 and 2020

Ratio	Formula	Mar 2021	Formula	Mar 2020
Current ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets 38,532,140,638 Divide by: Total Current Liabilities <u>28,778,440,052</u> Current ratio 1.34	1.34	Total Current Assets divided by Total Current Liabilities Total Current Assets 32,768,966,187 Divide by: Total Current Liabilities <u>25,670,388,970</u> Current ratio 1.28	1.28
Acid test ratio	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities Total Current Assets 38,532,140,638 Less: Inventories (1,884,016,161) Contract Assets (4,255,143,686) Other Current Assets <u>(8,125,729,431)</u> Quick Assets 24,267,251,360 Divide by: Total Current Liabilities <u>28,778,440,052</u> Acid test ratio 0.84	0.84	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities Total Current Assets 32,768,966,187 Less: Inventories (1,308,468,423) Contract Assets (4,115,070,960) Other Current Assets <u>(7,461,793,858)</u> Quick Assets 19,883,632,946 Divide by: Total Current Liabilities <u>25,670,388,970</u> Acid test ratio 0.77	0.77
Solvency ratio	Total Assets divided by Total Liabilities Total Assets 83,543,873,128 <u>Divide by: Total Liabilities 63,285,677,627</u> Solvency ratio 1.32	1.32	Total Assets divided by Total Liabilities Total Assets 78,448,947,139 <u>Divide by: Total Liabilities 61,069,583,942</u> Solvency ratio 1.28	1.28
Debt-to-equity ratio	Total Liabilities divided by Total Equity Total Liabilities 63,285,677,627 <u>Divide by: Total Equity 20,258,195,501</u> Debt-to-equity ratio 3.12	3.12	Total Liabilities divided by Total Equity Total Liabilities 61,069,583,942 <u>Divide by: Total Equity 17,379,363,197</u> Debt-to-equity ratio 3.51	3.51
Assets-to-equity ratio	Total Assets divided by Total Equity Total Assets 83,543,873,128 <u>Divide by: Total Equity 20,258,195,501</u> Assets-to-equity ratio 4.12	4.12	Total Assets divided by Total Equity Total Assets 78,448,947,139 <u>Divide by: Total Equity 17,379,363,197</u> Assets-to-equity ratio 3.69	4.51
Interest rate coverage ratio	Earnings before interest and taxes (EBIT) divided by Interest expense EBIT 486,417,836 Divide by: Interest expense <u>639,365,418</u> Interest rate coverage ratio 0.76	0.76	EBIT divided by Interest expense EBIT 874,693,543 Divide by: Interest expense <u>576,424,936</u> Interest rate coverage ratio 1.52	1.52
Return on equity	Net Profit divided by Total Equity Net Profit 137,918,109 <u>Divide by: Average Equity 20,390,331,683</u> Return on equity (0.01)	(0.01)	Net Profit divided by Total Equity Net Profit 174,065,679 <u>Divide by: Average Equity 17,668,937,949</u> Return on equity 0.01	0.01
Return on assets	Net Profit divided by Total Assets Net Profit (137,918,109) <u>Divide by: Average Assets 82,443,821,097</u> Return on assets 0.00	0.00	Net Profit divided by Total Assets Net Profit 174,065,679 <u>Divide by: Average Assets 79,606,636,685</u> Return on assets 0.00	0.00
Net profit margin	Net Profit divided by Total Revenue Net Profit (137,918,109) <u>Divide by: Total Revenue 3,723,164,804</u> Net profit margin (0.04)	(0.04)	Net Profit divided by Total Revenue Net Profit 174,065,679 <u>Divide by: Total Revenue 4,959,803,545</u> Net profit margin 0.04	0.04

MEGAWIDE CONSTRUCTION CORPORATION
AGING OF RECEIVABLES
as of March 31, 2021

Segment	Current	1-30 days	31-60 days	61-90 days	91-120 days	121-150	151-180	Over 180 days	Total
Construction	2,650,128,628	457,622,833	204,088,924	68,178,344	35,842,316	184,904,406	29,433,138	684,716,141	4,314,914,730
Airport	49,478,354	28,452,015	36,163,454	18,847,062	19,001,482	8,860,750	28,392,370	370,976,030	560,171,517
Merchandising	561,038.94	172,061.96	-	434,432.89	191,241.99	-	86,814.27	718,160.24	2,163,750
Terminal	52,203,741	57,798,939	71,294,965	68,057,605	65,848,662	21,830,972	200,815,479	-	537,850,363
TOTAL	2,752,371,762	544,045,848	311,547,343	155,517,444	120,883,701	215,596,128	258,727,802	1,056,410,331	5,415,100,360

COVER SHEET

C S 2 0 0 4 1 1 4 6 1

S.E.C. Registration Number

M E G A W I D E C O N S T R U C T I O N

C O R P O R A T I O N

(Company's Full Name)

2 0 N . D O M I N G O S T R E E T , B A R A N G A Y

V A L E N C I A , Q U E Z O N C I T Y

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

**ANTHONY LEONARD G. TOPACIO
CHARLOTTE Y. KING**

Contact Person

(02) 8655-1111

Company's Telephone Number

31 December

Month Day

30 June

Month Day of Annual Meeting

SEC FORM 17-Q

Secondary License Type, If Applicable

S E C

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

Annex C

Consolidated Reviewed Interim Financial Statements as of June 30, 2021.



P&A
Grant Thornton

FOR SEC FILING

Interim Condensed Consolidated
Financial Statements and
Independent Auditors' Report

**Megawide Construction Corporation and
Subsidiaries**

For the Six Months Ended June 30, 2021 and 2020

August 31, 2021

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

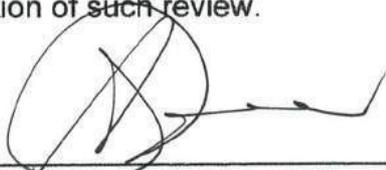
The management of **Megawide Construction Corp. and its subsidiaries** (the Group) is responsible for the preparation and fair presentation of the financial statements as of June 30, 2021 and December 31, 2020 and for the six months ended June 30, 2021, 2020, and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the 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.

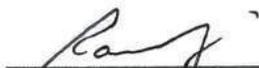
The Board of Directors is responsible for overseeing the Group's financial reporting process.

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 reviewed the financial statements of the Group in accordance with Philippine Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, and in their report to the stockholders, have expressed their conclusion on the fairness of presentation upon completion of such review.



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



RAMON H. DIAZ
Group Chief Financial Officer
133-692-824-000

Report on Review of Interim Condensed Consolidated Financial Statements

Punongbayan & Araullo

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

T +63 2 8988 2288

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Megawide Construction Corporation (the Parent Company) and subsidiaries (collectively referred to herein as “the Group”), which comprise the interim condensed consolidated statement of financial position as of June 30, 2021, and the related interim condensed consolidated statements of income, interim condensed consolidated statements of changes in equity and interim condensed consolidated statements of cash flows for the six months then ended and the selected notes to the interim condensed consolidated financial statements, including a summary of significant accounting policies.

Management’s Responsibility for the Interim Condensed Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of interim condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with Philippine Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Philippine Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements do not present fairly, in all material respects, the interim condensed consolidated financial position of the Group as of June 30, 2021 and 2020, and its interim condensed consolidated financial performance and its interim condensed consolidated cash flows for the six months then ended in accordance PAS 34.

Emphasis of Matter

We draw attention to Note 1 to the interim condensed consolidated financial statements, which describes management's assessment of the continuing impact on the Group's financial statements of the business disruption brought about by the COVID-19 pandemic. Our report is not modified with respect to this matter.

Other Matter

We have previously audited the consolidated financial statements of the Group as of December 31, 2020, including the consolidated statement of financial position, which is presented herein for comparative purposes, on which we have rendered our report thereon dated April 8, 2021.

PUNONGBAYAN & ARAULLO



By: Mailene Sigue-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 8533222, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 0396-AR-3 (until Oct. 1, 2021)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-020-2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

August 31, 2021

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND DECEMBER 31, 2020
(Amounts in Philippine Pesos)

	Notes	(Unaudited) June 30, 2021		(Audited) December 31, 2020
<u>ASSETS</u>				
CURRENT ASSETS				
Cash and cash equivalents	4	P 7,529,650,632	P	7,226,149,912
Trade and other receivables - net	5	16,928,552,488		15,299,050,115
Construction materials		1,741,805,450		1,719,042,863
Contract assets	6	4,772,391,401		4,231,600,246
Other current assets	8	8,590,827,973		7,956,744,328
Total Current Assets		39,563,227,944		36,432,587,464
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income		3,544,472		3,544,472
Investments in associates	7	889,164,458		929,195,986
Concession assets	9	30,215,383,903		29,928,727,717
Property, plant and equipment - net	10, 12	6,944,438,442		7,497,348,324
Investment properties	11	4,327,139,690		4,120,894,365
Deferred tax assets - net		29,824,051		9,626,113
Other non-current assets	8	2,639,554,795		2,421,844,626
Total Non-current Assets		45,049,049,811		44,911,181,603
TOTAL ASSETS		P 84,612,277,755	P	81,343,769,067

	Notes	(Unaudited) June 30, 2021	(Audited) December 31, 2020
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14	P 12,442,138,329	P 13,110,457,751
Trade and other payables	13	8,739,263,143	8,291,951,223
Contract liabilities	15	7,098,298,269	4,593,930,101
Other current liabilities	16	<u>246,963,777</u>	<u>218,177,495</u>
Total Current Liabilities		<u>28,526,663,518</u>	<u>26,214,516,570</u>
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	14	34,190,404,559	32,809,907,556
Post-employment defined benefit obligation		346,820,723	343,402,205
Deferred tax liabilities - net		800,201,906	801,849,193
Other non-current liabilities	16	<u>656,600,344</u>	<u>651,625,679</u>
Total Non-current Liabilities		<u>35,994,027,532</u>	<u>34,606,784,633</u>
Total Liabilities		<u>64,520,691,050</u>	<u>60,821,301,203</u>
EQUITY			
Equity attributable to shareholders of the Parent Company:	19		
Capital stock		2,488,052,137	2,486,427,137
Additional paid-in capital		13,057,711,509	13,057,711,509
Revaluation reserves - net		(9,353,233)	(8,950,923)
Other reserves		(22,474,837)	(22,474,837)
Treasury shares		(4,615,690,576)	(4,615,690,576)
Retained earnings		<u>6,163,179,445</u>	<u>6,404,291,624</u>
Total equity attributable to shareholders of the Parent Company		17,061,424,445	17,301,313,934
Non-controlling interests		<u>3,030,162,260</u>	<u>3,221,153,930</u>
Total Equity		<u>20,091,586,705</u>	<u>20,522,467,864</u>
TOTAL LIABILITIES AND EQUITY		<u>P 84,612,277,755</u>	<u>P 81,343,769,067</u>

See Selected Notes to Interim Condensed Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2021, 2020 AND 2019
(UNAUDITED)

(Amounts in Philippine Pesos)

Notes	2021				2020 (As Restated - see Note 2)			
	Year-to-date	Quarter	Year-to-date	Quarter	Year-to-date	Quarter	Year-to-date	Quarter
17	P	P	P	P	P	P	P	P
	6,984,412,972	3,563,351,001	4,861,282,449	1,061,847,865	6,183,745,213	3,616,017,654	6,183,745,213	3,616,017,654
	235,011,515	121,073,409	882,260,383	73,633,413	1,796,092,703	904,098,142	1,796,092,703	904,098,142
	360,051,466	173,030,961	599,308,802	312,361,642	45,374,568	73,400,744	45,374,568	73,400,744
	4,389,555	3,245,333	69,345,209	4,550,378	158,319,348	25,371,205	158,319,348	25,371,205
	<u>7,583,865,508</u>	<u>3,860,700,704</u>	<u>6,412,196,843</u>	<u>1,452,393,298</u>	<u>8,183,531,832</u>	<u>4,618,887,745</u>	<u>8,183,531,832</u>	<u>4,618,887,745</u>
18								
	5,934,350,295	3,011,815,870	4,444,509,997	1,212,451,730	5,263,603,924	3,091,624,723	5,263,603,924	3,091,624,723
	174,627,633	90,618,561	450,302,685	101,227,655	754,261,643	387,419,896	754,261,643	387,419,896
	161,055,977	77,460,000	166,776,965	55,284,395	37,055,417	17,727,706	37,055,417	17,727,706
	4,203,588	2,189,506	19,730,286	3,210,680	39,759,337	21,095,063	39,759,337	21,095,063
	<u>6,274,237,493</u>	<u>3,182,083,937</u>	<u>5,081,319,933</u>	<u>1,372,174,460</u>	<u>6,094,680,521</u>	<u>3,517,867,388</u>	<u>6,094,680,521</u>	<u>3,517,867,388</u>
	1,309,628,015	678,616,767	1,330,876,910	80,218,838	2,088,851,311	1,101,020,357	2,088,851,311	1,101,020,357
	724,511,012	349,923,725	784,547,182	377,409,768	630,333,641	373,248,393	630,333,641	373,248,393
	585,117,003	328,693,042	546,329,728	297,190,930	1,458,517,670	727,771,964	1,458,517,670	727,771,964
	(1,213,171,048)	(573,805,630)	(1,252,741,463)	(576,748,377)	(814,545,194)	(412,824,745)	(814,545,194)	(412,824,745)
	233,126,775	111,619,987	256,753,730	129,220,542	225,824,430	171,546,889	225,824,430	171,546,889
	476,081,747	367,594,659	(1,072,880)	(4,280,727)	95,514,969	30,111,135	95,514,969	30,111,135
	(503,962,526)	(94,590,984)	(997,060,613)	(451,808,562)	(493,205,795)	(211,166,721)	(493,205,795)	(211,166,721)
	81,154,477	234,102,058	(450,730,885)	(748,999,492)	965,311,875	516,605,243	965,311,875	516,605,243
	134,004,643	149,034,116	(1,387,859)	(125,590,787)	234,369,097	67,319,829	234,369,097	67,319,829
	<u>52,850,166</u>	<u>85,067,942</u>	<u>449,343,026</u>	<u>623,408,705</u>	<u>730,942,778</u>	<u>449,285,414</u>	<u>730,942,778</u>	<u>449,285,414</u>
24	P	P	(P	(P	(P	(P	(P	(P
	138,109,890	135,262,106	289,628,930	490,572,023	585,859,801	346,604,635	585,859,801	346,604,635
	(190,960,056)	(50,194,164)	(159,714,096)	(132,836,682)	(145,082,977)	(102,680,779)	(145,082,977)	(102,680,779)
	<u>52,850,166</u>	<u>85,067,942</u>	<u>449,343,026</u>	<u>623,408,705</u>	<u>730,942,778</u>	<u>449,285,414</u>	<u>730,942,778</u>	<u>449,285,414</u>
	(P	(P	(P	(P	(P	(P	(P	(P
	0.12	0.06	0.21	0.27	0.21	0.13	0.21	0.13

See Selected Notes to Interim Condensed Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2021, 2020 AND 2019
(UNAUDITED)
(Amounts in Philippine Pesos)

	2021		2020 (As Restated - see Note 2)		2019 (As Restated - see Note 2)	
	Year-to-date	Quarter	Year-to-date	Quarter	Year-to-date	Quarter
NET PROFIT (LOSS)	(P 52,850,166)	P 85,067,942	(P 449,343,026)	(P 623,408,705)	P 730,942,778	P 449,285,414
OTHER COMPREHENSIVE INCOME (LOSS) Items that will be reclassified subsequently profit or loss					74,350	-
Realized loss on financial assets at FVOCI	-	-	-	-	-	-
Item that will not be reclassified subsequently to profit or loss						
Foreign currency translation adjustment	(354,888)	328,954	-	-	-	-
Tax income (expense)	(79,036)	158,072	-	-	-	-
	(433,924)	487,026	-	-	-	-
Other Comprehensive Income (Loss) – net of tax	(433,924)	487,026	-	-	74,350	-
TOTAL COMPREHENSIVE INCOME (LOSS)	(P 53,284,090)	P 84,580,916	(P 449,343,026)	(P 623,408,705)	P 731,017,328	P 449,285,414
Total Comprehensive Income (Loss) Attributable To:						
Shareholders of the Parent Company	P 137,707,580	P 122,338,310	(P 289,628,930)	P 490,572,023	P 585,934,351	P 346,604,635
Non-controlling interests	(190,991,670)	(50,257,394)	(159,714,096)	(132,836,682)	145,082,977	102,680,779
	(P 53,284,090)	P 72,080,916	(P 449,343,026)	(P 623,408,705)	P 731,017,328	P 449,285,414

See Selected Notes to Interim Condensed Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2021, 2020 AND 2019
(UNAUDITED)
(Amounts in Philippine Peso)

	Attributable to Shareholders of the Parent Company									
	Common Stock	Preferred Stock	Treasury Shares	Additional Paid-in Capital	Revaluation Reserves	Other Reserves	Retained Earnings	Total	Non-controlling Interests	Total
Balance at January 1, 2021	P 2,399,426,127	P 87,001,010	(P 4,615,690,576)	P 13,057,711,509	(P 8,950,923)	(P 22,474,837)	P 6,404,291,624	P 17,301,313,934	P 3,221,153,930	P 20,522,467,864
Issuance of cash dividends	-	-	-	-	-	-	(379,222,069)	(379,222,069)	-	(379,222,069)
Subscription of preferred shares	-	1,625,000	-	-	-	-	-	1,625,000	-	1,625,000
Total comprehensive loss for the period	-	-	-	-	(402,310)	-	138,109,890	137,707,580	(190,991,670)	(53,284,090)
Balance at June 30, 2021	P 2,399,426,127	P 88,626,010	(P 4,615,690,576)	P 13,057,711,509	(P 9,353,233)	(P 22,474,837)	P 6,163,179,445	P 17,061,424,445	P 3,030,162,260	P 20,091,586,705
Balance at January 1, 2020	P 2,399,426,127	P 40,000,000	(P 3,912,617,536)	P 8,776,358,765	(P 63,383,647)	(P 22,474,837)	P 7,083,442,710	P 14,300,751,582	P 3,697,761,114	P 17,998,512,696
Acquisition of treasury shares	-	-	(702,831,078)	-	-	-	-	(702,831,078)	-	(702,831,078)
Issuance of cash dividends	-	-	-	-	-	-	(140,500,000)	(140,500,000)	-	(140,500,000)
Total comprehensive loss for the period	-	-	-	-	-	-	(289,628,930)	(289,628,930)	(159,714,096)	(449,343,026)
Balance at June 30, 2020	P 2,399,426,127	P 40,000,000	(P 4,615,448,614)	P 8,776,358,765	(P 63,383,647)	(P 22,474,837)	P 6,653,313,780	P 13,167,791,574	P 3,538,047,018	P 16,705,838,592
Balance at January 1, 2019	P 2,399,426,127	P 40,000,000	(P 3,454,826,462)	P 8,776,358,765	P 15,204,702	(P 22,474,837)	P 6,752,591,330	P 14,506,279,625	P 3,497,821,425	P 18,004,101,050
Acquisition of treasury shares	-	-	(99,521,677)	-	-	-	-	(99,521,677)	-	(99,521,677)
Issuance of cash dividends	-	-	-	-	-	-	(140,500,000)	(140,500,000)	(25,000,000)	(165,500,000)
Total comprehensive income for the period	-	-	-	-	-	74,550	585,859,801	585,934,351	145,082,977	731,017,328
Balance at June 30, 2019	P 2,399,426,127	P 40,000,000	(P 3,554,348,139)	P 8,776,358,765	P 15,204,702	(P 22,400,287)	P 7,197,951,131	P 14,852,192,299	P 3,617,904,402	P 18,470,096,701

See Selected Notes to Interim Condensed Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2021, 2020 AND 2019
(UNAUDITED)
(Amounts in Philippine Pesos)

	Notes	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss) before tax		P 81,154,477	(P 450,730,885)	P 965,311,875
Adjustments for:				
Finance costs		1,213,171,048	1,173,256,330	823,885,245
Depreciation and amortization	8, 9, 10, 11	812,334,222	772,570,670	722,004,421
Finance income		(233,126,775)	(258,641,350)	(225,824,430)
Gain on loan modification	14	(207,829,510)	-	-
Equity in net losses (gains) on associates and joint venture	7	40,031,528	(444,913)	(17,667,988)
Unrealized mark-to-market loss (gain) in interest rate swap		36,615,302	-	-
Gain on disposals of property, plant and equipment		(4,726,485)	(2,935,367)	-
Operating profit before working capital changes		1,737,623,807	1,233,074,485	2,267,709,123
Decrease (increase) in trade and other receivables	5	(1,407,545,873)	2,780,034,065	(254,762,324)
Increase in construction materials		(22,762,587)	(183,160,776)	(115,765,065)
Increase in contract assets	6	(540,791,155)	(143,940,348)	(516,817,000)
Increase in other current assets	8	(655,928,870)	(1,110,826,610)	(1,838,423,170)
Increase (decrease) in other non-current assets	8	(194,799,912)	33,972,307	66,471,449
Increase (decrease) in trade and other payables	13	1,253,558,594	(328,088,400)	601,108,909
Increase in advances from customers		-	-	389,494,017
Increase in contract liabilities	15	2,446,557,507	141,476,286	399,128,559
Increase in other liabilities	16	33,760,947	214,960,787	129,368,512
Increase in post-employment defined benefit obligation		2,984,594	3,358,055	2,548,192
Cash generated from operations		2,652,657,052	2,640,859,851	1,130,061,202
Cash paid for income taxes		(134,004,643)	(20,589,881)	(47,001,887)
Net Cash From Operating Activities		2,518,652,409	2,620,269,970	1,083,059,315
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property, plant and equipment, and computer software license	10	(446,363,937)	(285,899,258)	(833,731,347)
Additions to concession assets	9	(303,727,281)	(387,762,048)	(638,751,829)
Proceeds from sale of property, plant and equipment	10	23,962,100	-	-
Decrease (increase) in investment in trust fund	8	(20,904,125)	(528,349,110)	(708,614,389)
Acquisitions of investment properties	11	(12,271,023)	(29,527,252)	(694,024,016)
Interest received		11,170,275	38,141,351	45,824,430
Proceeds from sale of financial assets at fair value through profit or loss		-	-	26,290,139
Net Cash Used in Investing Activities		(748,133,991)	(1,193,396,317)	(2,803,007,012)
Balance carried forward		P 1,770,518,418	P 1,426,873,653	(P 1,719,947,697)

	Note	2021	2020	2019
Balance brought forward		P 1,770,518,418	P 1,426,873,653	(P 1,719,947,697)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from interest-bearing loans	27	683,805,164	8,558,500,000	9,705,481,212
Repayment of interest-bearing loans and borrowings	27	(648,878,046)	(10,312,317,194)	(7,242,037,139)
Dividends paid	19	(379,222,069)	(388,136,058)	(140,500,000)
Interest paid		(1,118,717,475)	(267,225,784)	(856,565,516)
Proceeds from issuance of preferred shares		1,625,000	-	-
Acquisition of treasury shares		-	(702,831,078)	(99,521,677)
Dividends paid to minority interest		-	-	(25,000,000)
Net Cash From (Used In) Financing Activities		(1,461,387,426)	(3,112,010,114)	1,341,856,880
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS				
		(5,630,272)	(483,484)	(3,021,442)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
		303,500,720	(1,685,619,945)	(381,112,259)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD				
		7,226,149,912	6,518,599,861	5,734,720,648
CASH AND CASH EQUIVALENTS AT END OF PERIOD				
		P 7,529,650,632	P 4,832,979,916	P 5,353,608,389

See Selected Notes to Interim Condensed Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
SELECTED NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
JUNE 30, 2021, 2020 AND 2019 AND DECEMBER 31, 2020
(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 19.1).

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. 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 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.

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

On September 22, 2020, SEC has approved the Parent Company's increase in its authorized capital stock to 5,054.0 million, divided into the 4,930.0 million common shares and 124.0 million cumulative, non-voting, non-participating, non-convertible, perpetual preferred shares. Both common and preferred shares have a par value of P1.0 per share.

The Parent Company remains a subsidiary of Citicore which owns and controls 35.41% of the issued and outstanding capital stock of the Parent Company as of June 30, 2021 and December 31, 2020 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.

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

1.2 Subsidiaries, Associates and Joint Arrangements

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

<u>Subsidiaries/Associates/Joint Operations/Joint Ventures</u>	<u>Notes</u>	<u>Percentage of Ownership</u>
Subsidiaries:		
GMR Megawide Cebu Airport Corporation (GMCAC)	a	60%
Megawatt Clean Energy, Inc. (MCEI)	b	70%
Globemercants, Inc. (GMI)	c	50%
Megawide Land, Inc. (MLI)	d	100%
Megawide Cold Logistics, Inc. (MCLI)	d	60%
Megawide Construction (BVI) Corporation (MCBVI)	e	100%
Megawide Construction DMCC (DMCC)	e	100%
Megawide Infrastructure DMCC (MW Infrastructure)	e	100%
MWM Terminals, Inc. (MWMTI)	j	100%
Megawide Terminals, Inc. (MTI) <i>(formerly WM Property Management, Inc.)</i>	i	100%
Megawide International Limited (MIL)	h	100%
Megawide Construction (Singapore) Pte. Ltd. (MC-SG)	h	100%
Cebu2World Development, Inc. (CDI)	o	100%
Wide-Horizons, Inc. (WHI)	p	100%
Tiger Legend Holdings Limited (TLH)	q	100%
<i>Accounted for as asset acquisition –</i>		
Altria East Land, Inc. (Altria)	f	100%
Associates:		
Megawide World Citi Consortium, Inc. (MWCCI)	g	51%
Citicore Megawide Consortium, Inc. (CMCI)	g	10%
Joint Operations:		
Megawide GISPL Construction Joint Venture (MGCJV)	k	50%
Megawide GMR Construction Joint Venture, Inc. (MGCJVI)	l	50%
HDEC- Megawide-Dongah JV (HMDJV)	r	35%
Joint Ventures:		
Mactan Travel Retail Group Corp. (MTRGC)	m	25%
Select Service Partners Philippines Corp. (SSPPC)	n	25%

a) GMCAC

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

GMCAC was established for the purpose of implementing the provisions of the Concession Agreement (see Note 9) 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 June 30, 2021, 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.

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 June 30, 2021.

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 subsidiaries, DMCC and MW Infrastructure. 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.

MW Infrastructure was registered on September 30, 2020 as a turnkey project contracting and project development consultant. Its registered office is located at Unit 4501-009 Mazaya Business Avenue BB2 Plot No JLTE-PH2-BB2 Jumeirah 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.

g) MWCCI and CMCI

The Group's investments in MWCCI and CMCI are accounted for as investments in associates despite the percentage of the Parent Company's ownership interest over these entities.

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 controls 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. In November 2018, MWMTI commenced commercial operations.

With the Parent Company's acquisition of 100% ownership interest in MTI in 2018, 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.

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 works for the renovation and expansion of the MCIA Project and other airport related construction projects of the Group.

l) MGCJVI

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

m) MTRGC

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

n) SSPPC

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

o) CDI

CDI, whose registered office is at Unit 1504 Ayala Life FGU Center Cebu, Mindanao Avenue corner Biliran Road, Cebu Business Park, Cebu City, was incorporated on November 3, 2020 to deal, engage, or otherwise acquire an interest in land or real estate business, without engaging in real estate investment trust. As of June 30, 2021, CDI has not yet started commercial operations.

p) WHI

WHI, whose registered office is at 20 N. Domingo Street, Brgy. Valencia, Quezon City, was incorporated on November 16, 2020 to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real and personal property of every kind and description. As of June 30, 2021, WHI has not yet started commercial operations.

q) TLH

On October 16, 2020, TLH was incorporated in the territory of British Virgin Islands to primarily engage in buying and holding shares of other companies. TLH's registered address is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, British Virgin Islands. As of June 30, 2021, TLH has not yet started commercial operations.

r) HMDJV

HMDJV is an unincorporated joint venture formed on October 27, 2020 by the Parent Company, Hyundai Engineering & Construction Co., Ltd. and Dong-Ah Geological Engineering Company Ltd., each owning 35%, 57.5%, and 7.5% interest, respectively, and exercising joint control. HMDJV was established to provide construction works for the civil structures, viaducts, bridges and stations of Malolos- Clark Railway Project (MCRP). HMDJV began to operate in 2021.

1.3 Impact of COVID-19 on the Group's Business

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020. The measures taken by the government to contain the virus have affected economic conditions and the Group's business operations. In 2020, landport and construction segments slowly went back to its normal operations while airport segment continues to be affected. The following are the impact of the COVID-19 pandemic to the Group's business:

- decrease in aeronautical revenues e.g., passenger service charge, tacking, parking and lightning fees for the period ended June 30, 2021 as compared to period ended June 30, 2020 by 84% or P365.6 million, commercial revenues e.g., rental, advertising and revenue share by 67% or P213.5 million;
- decrease in airport trading sales by 94% or P65.0 million due to decrease in air traffic movement in the airport segment for the period ended June 30, 2021 as compared to period ended June 30, 2020;

- in accordance with the mandate of Department of Trade and Industry, the airport segment waived the minimum monthly guarantee for landport concessionaires, tenants or airport service providers who pay monthly fees for using or accessing the airport facilities to retail their goods and offer their services to the general public and air traveling community quarantine; and,
- administrative expenses were incurred to ensure health and safety of its employees, subcontractors and customers, although these are not considered substantial in amount.

In response to this matter, the Group has taken the following actions:

- implemented effective cost-reduction and cash preservation strategies, including flexible working arrangement, recruitment freeze, deferral of some non-essential and capital expenditures, maximizing credit terms provided by suppliers and creditors and focus to collect outstanding receivables;
- utilization of government program – Republic Act (RA) No. 11469, *Bayanihan to Heal as One Act*, and RA No. 11494, *Bayanihan to Recover as One Act*, related to the deferral of principal and interest payments of loans;
- comprehensive and regular monitoring of the Group’s liquidity position and cash flow;
- for airport segment, negotiation with lenders to amend certain provisions of the Omnibus Loan Agreement which include, among others, changes in the timing of principal payments and changes in the debt covenant requirements for debt to equity ratio and debt service coverage ratio (see Note 14);
- review of insurance coverage to protect against potential risk;
- automation and digitization to improve processes, enhance operational efficiencies, and support remote work arrangements;
- regular information updates on health and safety protocols to all its employees; and,
- implemented flexible working arrangements like hybrid or full remote work setup, where applicable, to ensure employee safety but at the same time minimize operational disruptions.

Based on the above actions and measures taken by management to mitigate the adverse effect of the pandemic, it projects that the Group would continue to report positive results of operations and would remain liquid to meet current obligation as it falls due.

Accordingly, management has not determined any material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern.

1.4 Approval of the Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements of the Group as of and for the three month ended June 30, 2021 (including the interim consolidated financial statements as of December 31, 2020 and for the periods ended June 31, 2020 and 2019) were authorized for issue by the Parent Company’s Board of Directors (BOD) on August 31, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial statements have been prepared in accordance with the accounting policies adopted by the Group in its recent annual consolidated financial statements for the year ended December 31, 2020.

These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 *Basis of Preparation of Interim Condensed Consolidated Financial Statements*

(a) *Statement of Compliance with Philippine Financial Reporting Standards*

The interim condensed consolidated financial statements of the Group have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. They do not include all of the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended December 31, 2020.

The preparation of interim condensed consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. There were no changes in estimates of amounts reported in prior financial years that have material effect in the current interim period.

(b) *Presentation of Interim Condensed Consolidated Financial Statements*

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

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

(c) *Functional and Presentation Currency*

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

(d) *Prior Period Adjustment and Reclassification of Accounts*

The Group made certain prior period adjustments to reflect the appropriate classification and presentation of certain accounts. The Company grossed-up fixed aircon charges and common usage service area (CUSA) charges to reflect the income and expense arising from these transactions as management determined that the Group is acting as a principal on these transactions. The effects of prior period adjustments on the Group's interim condensed consolidated statements of comprehensive income for the periods June 30, 2020 and June 30, 2019 are presented below.

	<u>As Previously Reported</u>	<u>Prior Period Reclassifications</u>	<u>As Restated</u>
<u>June 30, 2020</u>			
Direct Costs –			
Cost of landport operations	P 84,399,358	P 82,377,607	P 166,776,965
Other Operating Expenses	784,682,952	(135,770)	784,547,182
Other Income (Charges) –			
Others – net	(83,314,717)	<u>82,241,837</u>	(1,072,880)
		<u>P -</u>	
<u>June 30, 2019</u>			
Direct Costs –			
Cost of landport operations	P 37,022,084	P 33,333	P 37,055,417
Other Operating Expenses	630,366,974	(<u>33,333</u>)	630,333,641
		<u>P -</u>	

No third statement of financial position is presented as the above reclassifications does not affect the statement of financial position accounts as of January 1, 2020.

2.2 Adoption of New and Amended PFRS

(a) *Effective in 2021 that are Relevant to the Group*

The Group adopted PFRS 16 (Amendments), *Leases – COVID-19-Related Rent Concessions* which is effective from June 30, 2020. The amendments permit lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The adoption of this standard did not have impact in the Group's interim condensed consolidated financial statements.

(b) *Effective Subsequent to June 2021 but not Adopted Early*

There are amendments to existing standards effective for annual periods subsequent to June 30, 2021, which are adopted by the FRSC. Management will adopt the 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 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022). The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- (ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective January 1, 2022). The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
- (iii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Group but have no significant impact to the Group’s consolidated financial statements:
- PFRS 9 (Amendments), *Financial Instruments – Fees in the ‘10 per cent’ Test for Derecognition of Liabilities*. The improvements clarify the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
 - Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*. The improvement merely removes from the example, the illustrations of the reimbursement of leasehold improvements by lessor in order to resolve any potential confusion regarding the treatment of lease incentives.
- (iv) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective January 1, 2023). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.
- (v) PFRS 3 (Amendments), *Business Combination – Reference to the Conceptual Framework* (effective from January 1, 2022). The amendments update an outdated reference to the Conceptual Framework in PFRS 3 without significantly changing the requirements in the standard.

- (vi) 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 between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

3. SEGMENT REPORTING

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

3.1 Business Segments

- (a) *Construction 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 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.

3.2 Segment Assets and Liabilities

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of allowances and provisions. Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all operating liabilities and consist principally of accounts, wages, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred taxes.

3.4 Reconciliation

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

	2021 <u>(Unaudited)</u>	2020 <u>(Unaudited)</u>	2019 <u>(Unaudited)</u>
Profit or loss			
Segment net profit (loss)	(P 39,393)	(P 458,156)	P 816,720
Other unallocated income (expense)	<u>(13,457)</u>	<u>8,813</u>	<u>(85,777)</u>
Net profit (loss) as reported in the interim condensed consolidated statements of income	<u>(P 52,850)</u>	<u>(P 449,343)</u>	<u>P 730,943</u>
	June 30, 2021 <u>(Unaudited)</u>	December 31, 2020 <u>(Audited)</u>	December 31, 2019 <u>(Audited)</u>
Assets			
Total segment assets	P 90,555,325	P 87,510,283	P 87,263,188
Elimination of intercompany accounts	<u>(10,377,985)</u>	<u>(7,877,956)</u>	<u>(9,031,919)</u>
Other unallocated assets	<u>4,434,937</u>	<u>1,711,442</u>	<u>2,533,057</u>
Total assets as reported in the Interim condensed consolidated statements of financial position	<u>P 84,612,278</u>	<u>P 81,343,769</u>	<u>P 80,764,326</u>
Liabilities			
Total segment liabilities	P 64,393,978	P 61,611,694	P 64,973,208
Elimination of intercompany accounts	<u>(3,281,687)</u>	<u>(1,823,709)</u>	<u>(4,083,754)</u>
Other unallocated liabilities	<u>3,408,400</u>	<u>1,033,316</u>	<u>1,876,360</u>
Total liabilities as reported in the Interim condensed consolidated statements of financial position	<u>P 64,520,691</u>	<u>P 60,821,301</u>	<u>P 62,765,814</u>

3.5 Other Segment Information

The Group has not identified any segment based on geographical location since the Group's operation is concentrated in one country of location.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are as follows:

	June 30, 2021 <u>(Unaudited)</u>	December 31, 2020 <u>(Audited)</u>
Cash on hand	P 114,456,623	P 5,400,865
Cash in banks	4,246,772,590	2,165,007,181
Short-term placements	<u>3,168,421,419</u>	<u>5,055,741,866</u>
	<u>P 7,529,650,632</u>	<u>P7,226,149,912</u>

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 0.7% to 6.0% in 2021, 2020 and 2019.

5. TRADE AND OTHER RECEIVABLES

This account consists of the following:

	June 30, 2021 <u>(Unaudited)</u>	December 31, 2020 <u>(Audited)</u>
Contract receivables:		
Third parties	P 4,033,600,571	P 2,840,546,754
Related parties	<u>1,150,217,629</u>	<u>944,337,644</u>
	<u>5,183,818,200</u>	<u>3,784,884,398</u>
Retention receivables:		
Third parties	1,425,871,604	1,534,199,721
Related parties	<u>873,196,076</u>	<u>868,788,166</u>
	<u>2,299,067,680</u>	<u>2,402,987,887</u>
Advances to:		
Related parties	6,134,449,962	6,410,689,673
Officers and employees	<u>97,246,491</u>	<u>74,481,307</u>
	<u>6,231,696,453</u>	<u>6,485,170,980</u>
Receivables from airport operations	<u>573,341,487</u>	<u>570,230,462</u>
Lease receivable	573,430,927	524,235,954
Lease receivable – PFRS 16	<u>566,375,582</u>	<u>385,466,377</u>
Receivables from lease	<u>1,139,806,509</u>	<u>909,702,331</u>
<i>Balance carried forward</i>	<u>P15,427,730,329</u>	<u>P14,152,976,058</u>

	June 30, 2021 <u>(Unaudited)</u>	December 31, 2020 <u>(Audited)</u>
<i>Balance brought forward</i>	<u>P 15,427,730,329</u>	<u>P 14,152,976,058</u>
Receivables from sale of goods	<u>5,504,565</u>	<u>766,766</u>
Accrued interest receivables	<u>1,231,721,344</u>	<u>1,009,764,844</u>
Other receivables	<u>300,353,244</u>	<u>173,475,088</u>
	16,965,309,482	15,336,982,756
Allowance for impairment	<u>(36,756,994)</u>	<u>(37,932,641)</u>
	<u>P 16,928,552,488</u>	<u>P 15,299,050,115</u>

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.

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.

Certain advances to related parties are earmarked for potential investment opportunities being pursued by the said related party in line with the Parent Company's expansion and diversification plans.

Trade and other receivables except advances to related parties do not bear any interest.

All receivables, except Advances to officers and employees are subject to credit risk exposure. These receivables are evaluated by the Group for impairment and assessed that no ECL should be provided for the periods presented. The total provision for allowance for impairment has decreased by 1.2 million. This is due to the improvements in economic indicators as per statistics released by the Philippine Statistics Authority (PSA) resulting to a lower loss rate computation on the receivables from airport operations.

6. CONTRACT ASSETS

The balance of contract assets presented in the interim condensed consolidated statements of financial position as of June 30, 2021 and December 31, 2020 is P4.8 billion and P4.2 billion, respectively, which is net of allowance for impairment amounting to P288.2 million.

The significant changes in the contract assets balances during the reporting periods are as follows:

	June 30, 2021 <u>(Unaudited)</u>	December 31, 2020 <u>(Audited)</u>
Balance at beginning of the period	P 4,231,600,246	P 3,975,734,097
Increase as a result of changes in measurement of progress	5,243,591,535	9,642,837,195
Decrease as a result of reversal to trade receivables	(4,702,800,380)	(9,386,971,046)
Balance at end of the period	<u>P 4,772,391,401</u>	<u>P 4,231,600,246</u>

Contract assets pertain to the gross amount due from customers for contract works of all contracts in progress which are not yet billed. Contract assets also include the cost of the terminal area of the PITX Project amounting to P510.1 million, which is to be recovered through the Grantor payments.

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.

7. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE

The carrying values of Investments in Associates and Joint Venture account are shown below:

	<u>Notes</u>	June 30, 2021 <u>(Unaudited)</u>	December 31, 2020 <u>(Audited)</u>
Investments in:			
Associates	7.1	P 816,249,590	P 824,426,033
Joint ventures	7.3	<u>72,914,868</u>	<u>104,769,953</u>
		<u>P 889,164,458</u>	<u>P 929,195,986</u>

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.

7.1 Equity Advances and Investments in Associates

The components of the carrying values of this account are as follows:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Acquisition cost:		
MWCCI	P 580,890,000	P 580,890,000
CMCI	<u>200,000,000</u>	<u>200,000,000</u>
	<u>780,890,000</u>	<u>780,890,000</u>
Equity advances in MWCCI	<u>23,572,864</u>	<u>23,572,864</u>
Equity share in net profit (losses):		
Balance at beginning of period	19,963,169	9,308,698
Equity in net profit (loss) for the period	(<u>8,176,443</u>)	<u>10,654,471</u>
Balance at end of period	<u>11,786,726</u>	<u>19,963,169</u>
	<u>P 816,249,590</u>	<u>P 824,426,033</u>

These associates do not have any other comprehensive income or loss both in 2021 and 2020.

(a) MWCCI

MWCCI was incorporated in the Philippines on January 16, 2014 and is primarily established to undertake and implement the construction of a 700-bed capacity super-specialty tertiary orthopedic hospital (New Hospital Facility), under the MPOC Project. MWCCI's registered office, which is also its principal place of business, is at 20 N. Domingo Street, 1112 Valencia, Quezon City. The Parent Company has 51% ownership interest in MWCCI.

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. CMCI was incorporated in the Philippines on October 15, 2012 and is primarily engaged in general construction business. CMCI's registered address, which is also its principal place of business, is located at 20 N. Domingo Street, Brgy. Valencia, Quezon City.

The Parent Company owns 10% interest in CMCI as a joint venture partner. The rights and powers of the Parent Company over the management and control of CMCI are exercised through a seat in the BOD of CMCI. Taking this into consideration, the Group concluded that it has significant influence over the investee; accordingly, the investment is accounted for as an investment in an associate.

Management determined that the difference between the respective share in the net assets of the associates and the carrying amount of the investment is not material to the consolidated financial statements.

The Parent Company did not receive any dividends from its associates in both reporting periods.

7.2 Acquisition of Assets of Altria

On December 26, 2012, pursuant to a memorandum of agreement dated December 17, 2012, the Parent Company acquired 100% ownership interest in Altria. Altria is a company incorporated in the Philippines and holds an investment property in the form of land. The registered office of Altria, which is also its principal place of business, is located at Coastal Road Bangiad, San Juan, Taytay, Rizal.

As of the reporting periods, Altria has no operations and its assets mainly pertain to the land where the Parent Company's precast and batching facilities are constructed. In accordance with Group's policy, the transaction is treated by the Group as an asset acquisition since the transaction does not constitute a business combination.

The purchase price upon acquisition was allocated among the following accounts based on their relative fair values:

Cash in bank	P 486,426
Bond deposits	1,500,958
Land	303,468,569
Accrued expenses	(<u>100,000</u>)
	<u>P 305,355,953</u>

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.

7.3 Interest in Joint Ventures

This account includes the carrying values of the following components:

	June 30, 2021	December 31, 2020
	<u>(Unaudited)</u>	<u>(Audited)</u>
Acquisition costs:		
MTRGC	P 58,324,000	P 58,324,000
SSPPC	<u>58,324,000</u>	<u>58,324,000</u>
	<u>116,648,000</u>	<u>116,648,000</u>
Equity share in net profit (losses):		
Balance at beginning of period	(11,878,047)	29,086,993
Equity in net profit (losses) for the period	<u>(31,855,085)</u>	<u>(40,965,040)</u>
Balance at end of period	<u>(43,733,132)</u>	<u>(11,878,047)</u>
	<u>P 72,914,868</u>	<u>P 104,769,953</u>

GMCAC has 41.66% interest in Mactan Travel Retail Group Corp. (MTRGC) and Select Service Partners Philippines Corporation (SSPPC), which are primarily engaged in the set-up, operation and management of duty paid retail, food and beverage outlets and provision of related services thereto in the airport terminals (T1 and T2). Equity in net profit of these joint ventures as recorded as part of Others – net account under Other Income (Charges) section in the interim condensed consolidated statements of income.

7.4 Interest in Joint Operations

As discussed in Note 1.2, MGCJV shall undertake the construction works for the renovation and expansion of the MCIA Project in Cebu, MGCJVI shall undertake the construction works of the Clark Airport, while HMDJV shall undertake the construction works of the Malolos-Clark Railway. The Parent Company's interests in MGCJV, MGCJVI and HMDJV 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, MGCJVI and HMDJV.

As of June 30, 2021 and December 31, 2020 and for the periods ended June 30, 2021 and 2020, the relevant financial information of the Group's interest in MGCJV, MGCJVI, and HMDJV which are included in the appropriate accounts in the Group's interim condensed consolidated statements of financial position and interim condensed consolidated statements of income are as follows:

	<u>Before Elimination</u>	<u>Elimination</u>	<u>After Elimination</u>
June 30, 2021 (Unaudited)			
<i>Assets:</i>			
Cash and cash equivalents	P 1,568,783,569	P -	P 1,568,783,569
Trade and other receivables	441,413,132	(198,158,362)	243,254,770
Other current assets	289,694,980	-	289,694,980
Property, plant, and equipment – net	<u>31,161,500</u>	<u>-</u>	<u>31,161,500</u>
	<u>P 2,331,053,181</u>	<u>(P 198,158,362)</u>	<u>P 2,132,894,819</u>

	<u>Before</u> <u>Elimination</u>	<u>Elimination</u>	<u>After</u> <u>Elimination</u>
<i>Liabilities:</i>			
Trade and other payables	P 488,260,852	P -	P 488,260,852
Due to related parties	1,421,470	-	1,421,470
Other liabilities	<u>7,267,637</u>	<u>-</u>	<u>7,267,637</u>
	<u>P 496,949,959</u>	<u>P -</u>	<u>P 496,949,959</u>
<i>Revenues and Expenses:</i>			
Contract revenues	P 170,541,955	P -	P 170,541,955
Contract costs	(96,030,904)	-	(96,030,904)
Other operating expenses	(49,631,415)	-	(49,631,415)
Finance income	<u>6,868,835</u>	<u>-</u>	<u>6,868,835</u>
	<u>P 31,748,471</u>	<u>P -</u>	<u>P 31,748,471</u>
<i>December 31, 2020 (Audited)</i>			
<i>Assets:</i>			
Cash and cash equivalents	P 1,009,152,103	P -	P 1,009,152,103
Trade and other receivables	238,784,962	(221,052,328)	17,732,634
Other current assets	26,892,943	-	26,892,943
Property, plant, and equipment – net	<u>4,941,729</u>	<u>-</u>	<u>4,941,729</u>
	<u>P 1,279,771,737</u>	<u>(P 221,052,328)</u>	<u>P 1,058,719,409</u>
<i>Liabilities:</i>			
Trade and other payables	P 647,181,181	P -	P 647,181,181
Due to related parties	<u>3,088,767</u>	<u>-</u>	<u>3,088,767</u>
	<u>P 650,269,948</u>	<u>P -</u>	<u>P 650,269,948</u>
<i>Revenues and Expenses:</i>			
Construction operation revenues	P 663,545,013	(P 76,837,471)	P 586,707,542
Cost of construction operations	(582,505,612)	69,052,372	(513,453,240)
Other operating expenses	(32,956,209)	-	(32,956,209)
Finance cost	<u>9,465,224</u>	<u>-</u>	<u>9,465,224</u>
	<u>P 57,548,416</u>	<u>(P 7,785,099)</u>	<u>P 49,763,317</u>

8. OTHER ASSETS

This account is composed of the following:

	Notes	June 30, 2021 <u>(Unaudited)</u>	December 31, 2020 <u>(Audited)</u>
Current:			
Advances to contractors and suppliers	8.1	P 5,761,460,729	P 4,857,992,746
Deferred fulfilment costs	8.6	807,243,196	787,283,237
Input VAT	8.2	650,324,694	775,596,442
Prepaid taxes	8.4	563,627,807	812,495,632
Deferred input VAT	8.2	467,098,258	455,773,123
Refundable security and bond deposits		164,185,980	155,107,192
Prepaid insurance		97,801,407	37,516,325
Prepaid subscription		33,177,859	17,966,039
Prepaid rent		10,656,281	16,699,653
Miscellaneous		<u>35,251,762</u>	<u>40,313,939</u>
		<u>8,590,827,973</u>	<u>7,956,744,328</u>
Non-current:			
Deferred input VAT	8.2	1,933,462,065	1,798,604,430
Investment in trust fund	8.5	422,429,425	401,525,300
Deposits for condominium units	8.3	121,265,572	121,265,571
Refundable security deposits		103,991,147	44,421,967
Computer software license – net	8.7	42,593,588	47,859,287
Advances to contractors and suppliers	8.1	7,999,946	7,999,946
Deferred transaction cost		7,643,148	-
Miscellaneous		<u>169,904</u>	<u>168,125</u>
		<u>2,639,554,795</u>	<u>2,421,844,626</u>
		<u>P11,230,382,768</u>	<u>P10,378,588,954</u>

8.1 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.

Impairment of current portion of advances to contractors and suppliers was assessed through determining the position of the contractors and suppliers on their capacity to comply according to their performance obligation. Despite the impact of COVID-19, the Group deemed the advances to be recouped by qualifying contractors and suppliers through their work progress as well as using outstanding liability of the Group to the contractors and suppliers as leverage.

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.

8.2 Input VAT

Input VAT under other current assets pertains to the payment of VAT on purchases of services and goods that is recoverable within 12 months. Deferred input VAT pertains to the unamortized input VAT on purchases of capital goods exceeding P1.0 million and bid premium. Deferred input VAT arising from purchase of capital goods exceeding P1.0 million is to be amortized and credited against output tax evenly over five years or the life of the asset, whichever is shorter.

Non-current portion of input VAT represents GMCAC's input VAT, pertaining mainly to VAT from the payment of bid premium in 2014, which will be recovered in future years. The balance is to be transferred to input VAT under Other Current Assets systematically on the basis of the Group's projected output VAT payments over the term of the Concession Agreement.

8.3 Deposits for Condominium Units

Deposits for condominium units represent initial down payments made for the purchase of condominium units. These will be reclassified to investment property upon execution of contract to sell and deed of sale.

8.4 Prepaid Taxes

Prepaid taxes pertain to the excess of quarterly income tax payments over the current tax due during the period and creditable withholding taxes.

8.5 Investment in Trust Fund

On November 28, 2014, GMCAC's BOD authorized GMCAC to establish, maintain and operate trust and investment accounts with a local universal bank (Security Trustee). The investment in trust fund constitutes (i) Revenue Accounts; (ii) Future Major Maintenance Fund Account; (iii) Debt Service Reserve Accounts; (iv) Debt Service Payment Account; and, (v) Distribution Accounts, collectively referred to as "Cash Flow Waterfall Accounts" and Loan Disbursement Accounts under a certain Omnibus Loan and Security Agreement (OLSA) to ensure the prompt payment of the required amortization, interest and principal of the long-term loan.

The OLSA provided that the Security Trustee shall invest and reinvest the monies in the collateral accounts.

The increase amounting to P20.9 million in 2021, and decrease amounting to P461.2 million in 2020 in the investment in trust fund account are results of debt service and working capital requirements of GMCAC based on OLSA. In 2021, the shareholders deposited P640.0 million in the debt service reserve account as provided for under the renegotiated OLSA.

8.6 Deferred Fulfilment Cost

Deferred fulfilment cost pertains to costs that are directly related to a specific construction 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.

The movement of deferred fulfilment costs is shown below:

	<u>2021</u>	<u>2020</u>
Balance at beginning of period	P 787,283,237	P 579,089,321
Additions	42,353,522	430,684,262
Amortization	(22,393,563)	(222,490,346)
Balance at end of period	<u>P 807,243,196</u>	<u>P 787,283,237</u>

8.7 Computer Software License

Computer Software License pertains to licenses on computer programs and softwares used by the Group. In 2021 and 2020, and 2019, the Group recognized total additions amounting to P3.3 million, P17.4 million, and P27.5 million respectively.

The Group recognized amortization amounting to P8.5 million for the period ended June 30, 2021, P16.9 million and P14.9 million for the year ended December 31, 2020 and 2019, respectively. The related amortization charges were recorded as part of Depreciation and amortization under Other Operating Expense account in the consolidated statements of income.

9. 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 RA 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.

The Group recognized addition to the capitalized concession assets amounting to P303.7 million, and P655.4 million for the period ended June 30, 2021 and December 31, 2020 respectively.

In 2021 and 2020, the Group recognized amortization amounting to P17.1 million, and P163.5 million respectively.

The balance of concession assets as of June 30, 2021 and December 31, 2020 amounted to P30,215.4 million and P29,928.7 million, respectively.

10. PROPERTY, PLANT AND EQUIPMENT

As of June 30, 2021, and December 31, 2020, the Property, Plant and Equipment is composed of building, construction equipment, improvements, and right-of-use assets totalling P6,944.4 million and P7,497.3 million, respectively.

In 2021 and 2020, and 2019, the Group recognized total additions amounting to P443.0 million, P1,021.4 million, and P3,478.6 million respectively and sold certain property, plant, and equipment for P24.0 million, P4.3 million, and P92.1 million respectively. As a result of sale, the Group recognized gains amounting to P4.7 million, P1.9 million, and P9.6 million in 2020, 2019 and 2018, respectively, and are presented as part of Others-net under Other Income (Charges) account in the consolidated statements of income.

There are no restrictions on title, and property, plant and equipment pledged as security liabilities.

There is also no contractual commitment to acquire any property, plant and equipment.

There were no items of property, plant and equipment that were impaired, lost or given up as of June 30, 2021, and December 31, 2020.

11. INVESTMENT PROPERTIES

MWMTI was granted an exclusive right and obligation under the Concession Agreement. Relative to the arrangement, MWMTI incurred cost necessary to construct the facility. The separately identifiable accumulated costs incurred in the development of the PITX Project are allocated based on development and implementation plan for the terminal and commercial areas.

Investment properties account includes parcels of land that are not used by the Group for administrative and supply of goods or services of the business and only held for capital appreciation amounting to P514.8 million and P502.5 million as of June 30, 2021 and December 31, 2020, respectively. Based on management's assessment, the carrying amounts of these assets are fully recoverable, hence, no impairment loss is required in both years.

There are no restrictions on the realizability of investment property or the remittance of income and proceeds of disposal.

No contractual obligations to purchase, construct, or develop investment property, or for repairs and maintenance or enhancements has been agreed with.

In 2021 and 2020, the Group recognized total additions amounting to P12.3 million and P40.1 million, respectively. In 2021, the Group also recognized reclassification from property, plant and equipment, specifically under construction in progress, to investment property amounting P250.9 million after its completion during the period.

The Group recognized depreciation and amortization relating to investment properties amounting to P56.9 million, P105.9 million, and P43.6 million in 2021, 2020 and 2019 respectively.

As of June 30, 2021, and December 31, 2020, the Investment Properties has a fair value amounting to P5,694.1 million, and P5,487.9 million respectively which were recognized under the Level 3 fair value hierarchy (see Note 26.6).

12. 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 consolidated statements 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 ensure 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 interim condensed consolidated statement of financial position.

	<u>Number of right-of-use assets leased</u>	<u>Range of remaining term</u>	<u>Number of average remaining lease term</u>	<u>Number of leases with extension options</u>	<u>Number of leases with options to purchase</u>	<u>Number of leases with termination options</u>
June 30, 2021						
Transportation equipment	169	1 – 5 years	3 years	-	52	-
Precast and construction equipment	164	2 – 10 years	6 years	-	54	-
December 31, 2020						
Transportation equipment	162	1 – 5 years	3 years	-	52	-
Precast and construction equipment	164	2 – 10 years	6 years	-	54	-

The lease contracts of the Group (as a lessee) do not have any variable payment arrangement in all periods presented. More so, the Group has no finance lease arrangement on any of its lease contracts as a lessor.

Certain Investment Property, Construction Equipment and Concession Assets of the Group are being leased out to customers. In managing risk, the Group ensures that assets are well maintained, preventive maintenance schedule are on track and appropriate insurance cover are in place.

12.1 Right-of-use Assets

Right-of use assets are presented in the interim condensed consolidated statements of financial position as part of Property, plant, and equipment – net. The carrying amounts of the Group’s right-of-use assets as at June 30, 2021 and December 31, 2020 and the movements during the period are shown below.

	<u>Precast and Construction Equipment</u>	<u>Transportation Equipment</u>	<u>Total</u>
Balance as of			
January 1, 2021 (audited)	P 440,424,371	P 167,956,603	P 608,380,974
Additions	-	3,933,526	3,933,526
Reclassification	-	(913,000)	(913,000)
Depreciation and amortization	(<u>32,387,664</u>)	(<u>24,023,352</u>)	(<u>56,411,016</u>)
Balance at June 30, 2021 (unaudited)	<u>P 408,036,707</u>	<u>P 146,953,777</u>	<u>P 554,990,484</u>
Balance as of			
January 1, 2020 (audited)	P 376,631,729	P 191,812,743	P 568,444,472
Additions	121,647,007	35,536,960	157,183,967
Disposals	-	(1,236,701)	(1,236,701)
Reclassification	(6,727,240)	(3,803,589)	(10,530,829)
Depreciation and amortization	(<u>51,127,125</u>)	(<u>56,352,810</u>)	(<u>107,479,935</u>)
Balance at December 31, 2020 (audited)	<u>P 440,424,371</u>	<u>P 165,956,603</u>	<u>P 606,380,974</u>

12.2 Lease Liabilities

Lease liabilities are presented in the interim condensed consolidated statements of financial position as part of Interest-bearing Loans and Borrowings are as follows:

	<u>June 30, 2021 (Unaudited)</u>	<u>December 31, 2020 (Audited)</u>
Current	P 183,042,878	P 195,172,595
Non-current	<u>251,061,889</u>	<u>337,495,382</u>
	<u>P 434,104,767</u>	<u>P 532,667,977</u>

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 June 30, 2021 and December 31, 2020, the Group has not committed to any leases which had not commenced.

12.3 Lease Payments Not Recognized as Liabilities

The Group has elected not to recognize a lease liability for short-term leases. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments, if any, are not permitted to be recognized as lease liabilities and are expensed as incurred.

The expenses relating short-term leases amounted to P22.1 million, P21.1 million and P36.6 million in 2021, 2020 and 2019, respectively, and is presented as part of Other Operating Expenses in the interim condensed consolidated statements of income. There are no low-value assets that were not recognized as lease liabilities for the periods presented.

12.4 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases amounted to P98.6 million, P72.3 million and P102.1 million in 2021, 2020 and 2019, respectively. Interest expense in relation to lease liabilities amounted to P21.1 million, P19.1 million and P6.3 million in 2021, 2020 and 2019, respectively, and is presented as part of Finance costs under Other Income (Charges) in the interim condensed consolidated statements of income.

The lease liabilities are secured by the related underlying assets. The maturity analysis of lease liabilities are as follows:

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Total
June 30, 2021 <i>(unaudited)</i>						
Lease payments	P 213,002,184	P 154,904,807	P 88,748,811	P 23,834,516	P 6,065,612	P 486,555,930
Finance charges	(29,959,306)	(15,565,447)	(5,860,367)	(955,484)	(110,559)	(52,451,163)
Net present value	<u>P 183,042,878</u>	<u>P 139,339,360</u>	<u>P 82,888,444</u>	<u>P 22,879,032</u>	<u>P 5,955,053</u>	<u>P 434,104,767</u>
December 31, 2020 <i>(audited)</i>						
Lease payments	P 232,933,013	P 192,140,869	P 115,203,419	P 57,409,144	P 8,266,159	P 605,952,604
Finance charges	(37,760,418)	(22,308,392)	(10,165,774)	(2,843,661)	(206,382)	(73,284,627)
Net present value	<u>P 195,172,595</u>	<u>P 169,832,477</u>	<u>P 105,037,645</u>	<u>P 54,565,483</u>	<u>P 8,059,777</u>	<u>P 532,667,977</u>

13. TRADE AND OTHER PAYABLES

This account consists of the following:

	Note	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Trade payables		P 5,006,593,219	P 4,002,239,479
Retention payable		2,240,593,796	2,195,156,203
Accrued expenses		849,754,385	749,582,769
Security deposits		115,239,254	119,723,716
Interest payable	14.2 (c)	114,068,573	920,315,247
Derivative liability		85,280,653	121,895,954
Due to related parties		20,000,000	20,000,000
Others		<u>307,233,263</u>	<u>163,037,855</u>
		<u>P 8,739,263,143</u>	<u>P 8,291,951,223</u>

Retention payable pertains to amounts withheld from payments made to subcontractors to ensure compliance and completion of contracted projects ranging from 5% to 10% of every billing made by the contractor. Upon completion of the subcontracted projects, the amounts are returned to the subcontractors.

Accrued expenses include mainly unpaid utilities, while others accrued and other non-trade payables.

14. INTEREST-BEARING LOANS AND BORROWINGS

The details of short-term and long-term interest-bearing loans and borrowings are as follows:

	<u>Notes</u>	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Current:			
Bank loans	14.2	P12,259,095,451	P 12,915,285,156
Lease liability	12.2	<u>183,042,878</u>	<u>195,172,595</u>
		<u>12,442,138,329</u>	<u>13,110,457,751</u>
Non-current:			
Bank loans	14.2	28,349,551,439	26,881,620,942
Notes payable	14.1	5,589,791,231	5,590,791,232
Lease liability	12.2	<u>251,061,889</u>	<u>337,495,382</u>
		<u>34,190,404,559</u>	<u>32,809,907,556</u>
		<u>P46,632,542,888</u>	<u>P 45,920,365,307</u>

14.1 Notes Payable

(a) 2013 Notes Facility

On February 19, 2013, the Parent Company executed a notes facility agreement with a local universal bank. In this agreement, the Parent Company desired to offer and issue fixed-rate corporate notes in the aggregate principal amount of P4,000.0 million. The net proceeds of the notes after deducting direct issue costs, such as underwriting fees and commissions, documentary stamp tax and other expenses associated with the issuance, amounted to P3,957.3 million.

The notes constitute direct, unconditional, unsubordinated, general and unsecured obligation ranking at least pari passu with all other present and future direct, unconditional, unsubordinated and unsecured obligations of the Parent Company.

The notes are issued in three tranches with the following details:

	<u>Principal</u>	<u>Term in Years</u>	<u>Interest Rate</u>
Tranche A	P 650,000,000	5	5%
Tranche B	3,250,000,000	7	6%
Tranche C	<u>100,000,000</u>	10	6%
	<u>P 4,000,000,000</u>		

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:

- (a) incur any indebtedness to be secured by or to benefit from any lien, in favor of any creditor on, or in respect of any present or future assets or revenues or the right to receive income;
- (b) make any material change in the nature of its business from that being carried on as of the signing date;
- (c) enter into any merger or consolidation except if the issuer retains control of the surviving corporation, such merger or consolidation is required by law, and such merger does not result in material adverse effect;
- (d) amend its articles of incorporation and/or by-laws except as required by law;
- (e) declare or pay any cash dividend to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the notes are current and updated and provided that any such payment is made out of retained earnings and the debt to equity ratio of 2:1 are maintained;
- (f) sell, assign, lease, transfer, and/or dispose all or substantially all of its properties;
- (g) assign, transfer or otherwise convey any right to receive any of its income or revenues;
- (h) voluntarily suspend its business operations in a manner that will result in a material adverse effect;
- (i) extend any loan, advance or subsidy to any person (other than to its subsidiaries or affiliates, or transactions in the ordinary course of business, or financing or guarantees for the direct or indirect purchase or sale of the assets of the issuer, its subsidiaries or affiliates). Neither shall the issuer make any deposit, credit to, or investment in, any person, except for bank deposit, credit placements, and other transactions in the ordinary course of business;
- (j) permit its financial debt to equity ratio to exceed 2:1; and,
- (k) voluntarily prepay any indebtedness.

The Parent Company has complied with all the debt covenants set forth in the notes facility agreement.

In February 2018 and February 2020, Tranche A and B, respectively, have matured already, leaving tranche C outstanding with a carrying value of P69.8 million and P70.8 million as at June 30, 2021 and December 31, 2020, respectively.

(b) 2016 Various Notes Facility

In 2016, the Parent Company entered into various notes facility arrangement with a local bank to refinance the corporate note issued in 2011 and to finance its capital expenditure and general corporate requirements.

The notes are issued with the following details:

<u>Date Issued</u>	<u>Principal</u>	<u>Term in years</u>	<u>Interest Rate</u>
September 16, 2016	P 650,000,000	10	5.5%
December 5, 2016	350,000,000	10	6.37%
December 16, 2016	<u>1,000,000,000</u>	10	6.37%
	<u>P 2,000,000,000</u>		

These 10-year corporate notes bear an interest rate based on the closing per annum rates of a ten (10)-year PDST-R2 rate on the PDS Group website plus a certain spread. The Parent Company has to maintain a debt-to-equity ratio of not more than 2.33 and a debt service coverage ratio of at least 1.1.

The notes, among other things, restrict the Parent Company's ability to:

- (a) Engage in any business or make or permit any material change in the character of its business from that authorized on its amended articles of incorporation and by-laws;
- (b) Amendment of articles of incorporation and by-laws which would cause a material adverse effect or be inconsistent with the provisions of the finance document;
- (c) Change of ownership and management if as a result the stockholdings of Citicore Investments Holdings Inc. will fall below 51% or enter into profit sharing, partnership or joint venture whereby its profits are shared with any other person that may have a material adverse effect;
- (d) Sale of asset, transfer or dispose of all or substantially all of its properties and assets except in the ordinary course of business;
- (e) Declaration of dividends or retirement of capital if the issuer shall not be in compliance with the financial covenants or would result to an event of default;
- (f) Loans and advances to its directors, officers and stockholders (other than to its subsidiaries or affiliates, or transactions in the ordinary course of business, or financing or guarantees for the direct or indirect purchase or sale of the assets of the issuer, its subsidiaries or affiliates). Neither shall the issuer make any deposit, credit to, or investment in, any person, except for bank deposit, credit placements, and other transactions in the ordinary course of business;
- (g) Make a capital expenditure not in the ordinary course of business;
- (h) Incur additional debt or act as surety on behalf of third parties or incur monetary obligation which shall cause the issuer to breach the financial covenants;
- (i) Loans and advances to any person (other than to its subsidiaries or affiliates, or transactions in the ordinary course of business, or financing or guarantees for the direct or indirect purchase or sale of the assets of the issuer, its subsidiaries or affiliates). Neither shall the issuer make any deposit, credit to, or investment in, any person, except for bank deposit, credit placements, and other transactions in the ordinary course of business;
- (j) Directly or indirectly incur or suffer to exist any lien upon any assets and revenues, present and future of the issuer or enter into any loan facility agreement secured by or to be secured by a lien upon any assets and revenues, present and future whether registered or unregistered of the issuer;
- (k) Except for permitted investments, invest in or acquire any (i) share in or any security issued by any person, (ii) acquire directly or indirectly the business or going concern or all substantially all the properties and assets or business of any other corporation or entity or invest in a controlling entity therein; and,
- (l) It will not voluntarily suspend or discontinue its entire or a substantial portion of its business operation.

All of the three tranches of the second corporate note remained outstanding, with a carrying value of P1,920.0 million as at June 30, 2021 and December 31, 2020, respectively. The whole carrying amount is presented under non-current portion of notes payable.

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 June 30, 2021 and December 31, 2020.

(c) 2020 Various Notes Facility

On February 19, 2020, the Parent Company signed a P5,000.0 million corporate note facility, the proceeds of which will be used by the Parent Company to (a) retire maturing debt obligations, (b) to fund growth projects, and (c) for general corporate purposes. The notes constitute direct, unconditional, unsubordinated, general and unsecured obligation ranking at least pari passu with all other present and future direct, unconditional, unsubordinated and unsecured obligations of the Company.

The notes will be issued in five tranches as follows:

	<u>Principal</u>
Tranche A	P 3,600,000,000
Tranche B	350,000,000
Tranche C	350,000,000
Tranche D	350,000,000
Tranche E	<u>350,000,000</u>
	<u>P 5,000,000,000</u>

These 4.5-year corporate notes bear an interest rate based on the closing per annum rates of a 4.5-year PHP BVAL reference rate on the PDS Group website plus a certain spread, subject to a floor rate of 5%. The Company has to maintain a debt-to-equity ratio of not more than 2.33 and a debt service coverage ratio of at least 1.10. Debt pertains to all interest-bearing loans and borrowing.

The notes, among other things, restrict the Parent Company's ability to:

- (a)* incur any indebtedness to be secured by or to benefit from any lien, in favor of any creditor on, or in respect of any present or future assets or revenues or the right to receive income;
- (b)* make any material change in the nature of its business from that being carried on as of the signing date;
- (c)* enter into any merger or consolidation except if the issuer retains control of the surviving corporation, such merger or consolidation is required by law, and such merger does not result in material adverse effect;
- (d)* amend its articles of incorporation and/or by-laws except as required by law;
- (e)* declare or pay any cash dividend to its stockholders (other than dividends payable solely in shares of its capital stock and cash dividends due on its outstanding preferred shares) or retain, retire, purchase or otherwise acquire any class of its capital stock, or make any other capital or other asset distribution to its stockholders, unless all payments due under the Notes are current and updated and provided that any such payment is made out of retained earnings and the debt to equity ratio of 70:30 is maintained. Debt pertains to all interest-bearing loans and borrowing.;
- (f)* sell, assign, lease, transfer, and/or dispose all or substantially all of its properties;
- (g)* assign, transfer or otherwise convey any right to receive any of its income or revenues;
- (h)* purchase or repurchase the indebtedness, or assume, guarantee, endorse, or otherwise become directly contingently liable for or in connection with any person (other than to its subsidiaries or affiliates, or financing or guarantees for the direct or indirect purchase or sale of the assets of Company, its subsidiaries or affiliates);

- (i) voluntarily suspend its business operations in a manner that will result in a material adverse effect; and,
- (j) 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 Company, 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; permit its financial debt to equity ratio to exceed 70:30 nor permit its debt service coverage ratio to fall below 1.10x. Debt pertains to all interest-bearing loans and borrowing.; and, voluntarily prepay any indebtedness.

In 2020, the Parent Company made its first drawdown on its third unsecured corporate note amounting to P3,600.0 million and remained outstanding as at June 30, 2021 and December 31, 2020.

As of June 30, 2021, and December 31, 2020, the carrying amount of all the corporate notes are P5,589.8 million and P5,590.8 million, respectively.

The Parent Company is in compliance with all other covenants required to be observed under the loan facility agreement as of June 30, 2021 and December 31, 2020.

14.2 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:

	<u>First 7 Years</u>	<u>Last 8 Years</u>
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 pledged 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 June 30, 2021 and December 31, 2020, the carrying amount of the assets pledged, in the form of a trust fund investment, as collateral amounted to P422.4 million and P401.5 million, respectively (see Note 8.5).

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 at December 31, 2020, the Company has debt-to-equity ratio of 68:32 and DSCR of 0.09, hence unable to comply with the financial covenants. GMCAC, therefore, made negotiations with the lenders as more fully discussed below and in the succeeding paragraphs.

GMCAC has availed of the following reliefs and renegotiated the terms of its existing loan agreements with its lenders as follows:

- Second amendment agreement to the amended and restated OLSA

On May 4, 2021, GMCAC and the lenders executed the second amendment to the amended and restated OLSA. The second amendment agreement include among others the following significant provisions:

- Changes in the principal repayment schedule as follows:

2020	1.00%
2024	8.00%
2025	9.40%
2026	12.04%
2027	11.00%
2028	11.28%
2029	16.78%
2030	<u>30.00%</u>
	99.50%

The remaining 0.5% pertains to principal repayment made on December 15, 2019 amounting to P104.4 million and US\$0.4 million on the onshore and offshore loan facility, respectively.

Principal repayment date will start June 15, 2024 and every six months thereafter;

- Deferral of interest payment incurred from September 15, 2020 to March 31, 2021. 19.97% of the accrued interest related to the period shall be paid in May 2021, the balance or 80.03% shall be paid on June 15, 2023 together with the interest accrued;
- For interest incurred from March 31, 2021 to December 15, 2021, 37.12% of the accrued interest related to the period shall be paid monthly starting May 15, 2021 until December 15, 2021, the balance or 62.88% shall be paid on December 2023 together with the interest accrued;
- Shareholders' loan extension (subordinated debt) totaling P640.0 million which shall be deposited in the Debt Service Reserve account on or before June 15, 2021;

- Changes in certain financial covenants. For debt to equity ratio, maintain a maximum debt to equity ratio of 75:25 for the period commencing on January 1, 2021 and ending on December 31, 2023, and 70:30 for the period commencing on January 1, 2024 and ending on the date on which all indebtedness under the finance documents has been irrevocably paid in full. For debt service coverage ratio, maintain a debt service coverage ratio at all times of at least 1.1x until the maturity date from the project completion date (other than during the period commencing on January 1, 2021 and ending on the date that the recovery conditions stated in sponsor's support section have been satisfied);
- Additional coverage ratio of at least 1.1x at all times during the period commencing on December 31, 2024 and ending on the date that the recover conditions stated in the sponsor's support section have been satisfied; and,
- Changes in the composition of retained earnings during the relief period of January 1, 2021 to December 31, 2023 taking into consideration the impact of deferred interest.

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.

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 uncanceled 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 June 30, 2021 and December 31, 2020, GMCAC recognized P85.3 million and P121.9 million derivative liability arising from this interest rate swap transaction.

Judgment is exercised by management to determine whether changes in the terms of the financial liabilities constitute a substantial modification (extinguishment of debt) or not of the related financial liabilities. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or if the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of the new liability, and the difference in the respective carrying amounts is recognized as gain or loss in profit or loss. For non-substantial modifications, the existing liability is remeasured to the present value of future cash flows and any resulting gain or loss is recognized in profit or loss.

GMCAC negotiated certain terms of its agreement, however, such modifications are assessed to be non-substantial. As such, the Company accounted for the modification as an adjustment to the liability and remeasured its interest-bearing loans to the net present value of the revised cash flows discounted at the original interest rate. The resulting gain on loan modification amounting to P207.8 million is presented as part of Other Income – net under Other Income(Charges) in the 2021 statement of comprehensive income.

Finance cost on long-term debt recognized in the interim consolidated financial statements of comprehensive income amounted to P460.8 million, P260.6 million and P518.2 million for the quarters ended June 30, 2021, 2020 and 2019, respectively. Total capitalized borrowing cost for the six months ended June 30, 2021 and for the year ended December 31, 2020 amounted to P272.3 million and P610.5 million, respectively at a capitalization rate of 4.99% in 2021 and 2020.

(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 was paid in January 16, 2021. The interest-bearing loan is secured by the Joint Venturers and bear annual interest of 4.62%, 6.89%, and 6.89% in 2020, 2019, and 2018, respectively.

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. MWMTI has complied with affirmative and negative covenants.

(c) Other Bank Loans

In addition, the Group also obtained various bank loans with total outstanding balance of P12,171.3 million and P12,032.9 million as of June 30, 2021 and December 31, 2020, respectively, representing unsecured short-term loans from other local banks. The loans bear fixed annual interest rates ranging from 5.10% to 7.5% in 2021 and 2020. Total interest on these bank loans is presented as part of Interest expense from bank loans under Finance costs under Other Income (Charges) account in the consolidated statements of income. The unpaid portion of these interest is presented as part of Interest payable under Trade and Other Payables account in the consolidated statements of financial position.

(d) Events of Default and Covenant Compliance

The Group is in compliance with all other covenants required to be observed under the loan facility agreements, except for GMCAC which breached the loan covenant during 2020, however retains its loan to non-current, due to on-going negotiation with their syndicated loan with the banks at that time. After the approved re-negotiated loan, GMCAC has complied with its loan covenants as of June 30, 2021.

In the event of a default, the loan and all interest accrued and unpaid shall be due and payable as instructed by the facility agent and all declared commitments terminated, then the Security Trustee and the Lenders may foreclose upon any of the Security pursuant to the terms of the Agreement and the proceeds of any sale, disposition or other realization or foreclosure shall be paid to the loan distributed in the manner stated in the Agreement.

Events of default constitutes default on loan payment due and payable, except due to technical or administrative error, material misrepresentation, non-remediable violation of the covenants in the Loan Document, revocation of the project documents, cross default, failure to observe material obligations in the Project Documents or it becomes unlawful resulting to a material adverse effect, suspension, insolvency, payment of decree or writ of garnishment, the assigned assets are substantially impaired or seized and any event resulting in a material adverse effect.

15. CONTRACT LIABILITIES

The significant changes in the contract liability balances during the reporting periods are as follows:

	June 30, 2021 <u>(Unaudited)</u>	December 31, 2020 <u>(Audited)</u>
Balance at beginning of period	P 4,593,930,101	P 4,931,269,957
Increase due to billings excluding amount recognized as revenue during the period	2,221,403,844	1,604,069,732
Advances received from customers	2,308,482,954	51,025,148
Revenue recognized that was included in contract liability at the beginning of the period	(2,071,283,605)	(2,100,977,551)
Effect of financing component	<u>45,764,975</u>	<u>108,542,815</u>
Balance at end of period	<u>P 7,098,298,269</u>	<u>P 4,593,930,101</u>

16. OTHER LIABILITIES

The details of this account are as follows:

	June 30, 2021 <u>(Unaudited)</u>	December 31, 2020 <u>(Audited)</u>
Current:		
Deferred output VAT	P 121,551,298	P 82,996,745
Withholding taxes	51,903,417	54,023,865
Deferred revenue	13,200,953	13,284,012
Others	<u>60,308,109</u>	<u>67,872,873</u>
	<u>246,963,777</u>	<u>218,177,495</u>
Non-current:		
Security deposits	474,792,767	464,587,591
Unearned rent income	<u>181,807,577</u>	<u>187,038,088</u>
	<u>656,600,344</u>	<u>651,625,679</u>
	<u>P 903,564,121</u>	<u>P 869,803,174</u>

Deferred revenue represents advance payments from customers and concessionaires that are subject to refund or future billing applications within 12 months from the end of the reporting period.

Unearned rent income pertains to the difference between the fair value and principal amount of security deposits received at the inception of the lease with concessionaires, which shall be amortized over the corresponding lease term.

Others under current liabilities significantly include government-related payables for employee benefits.

17. 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.

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
June 30, 2021:						
Construction operations	17.1					
Contract revenues		P -	P 6,655,090,225	P -	P 6,655,090,225	P 6,655,090,225
Sale of precast		-	277,354,942	277,354,942	-	277,354,942
Sale of ready mix concrete		14,481,623	-	14,481,623	-	14,481,623
Equipment rental		-	37,486,182	37,486,182	-	37,486,182
Airport operations:	17.2					
Aeronautical revenues		-	69,223,080	69,223,080	-	69,223,080
Aero related revenues		-	30,172,053	30,172,053	-	30,172,053
Non-aero related revenues		-	135,616,382	135,616,382	-	135,616,382
Landport operations	17.3					
Rental revenue – per contract		-	317,911,839	-	317,911,839	317,911,839
Rental revenue – effect of straight-line method		-	42,139,627	-	42,139,627	42,139,627
Trading operations:	17.4					
Food revenues		3,617,296	-	3,617,296	-	3,617,296
Non-food revenues		772,259	-	772,259	-	772,259
						<u>P 7,583,865,508</u>
June 30, 2020:						
Construction revenues	17.1					
Contract revenues		P -	P 4,684,112,996	P -	P 4,684,112,996	P4,684,112,996
Sale of precast		-	149,470,074	149,470,074	-	149,470,074
Sale of ready mix concrete		3,593,762	-	3,593,762	-	3,593,762
Equipment rental		-	24,105,617	24,105,617	-	24,105,617
Airport operations:	17.2					
Aeronautical revenues		-	434,799,537	434,799,537	-	434,799,537
Aero related revenues		-	103,673,026	103,673,026	-	103,673,026
Non-aero related revenues		-	343,787,820	343,787,820	-	343,787,820
Landport operations	17.3					
Rental revenue – effect of straight-line method		-	255,543,475	-	255,543,475	255,543,475
Rental revenue – per contract		-	343,765,327	-	343,765,327	343,765,327
Trading operations:	17.4					
Food revenues		40,277,447	-	40,277,447	-	40,277,447
Non-food revenues		29,067,762	-	29,067,762	-	29,067,762
						<u>P 6,412,196,843</u>
June 30, 2019:						
Construction revenues	17.1					
Contract revenues		P -	P 5,823,242,457	P -	P 5,823,242,457	P 5,823,242,457
Sale of precast		-	332,632,733	332,632,733	-	332,632,733
Sale of ready mix concrete		27,870,023	-	27,870,023	-	27,870,023
Airport operations:	17.2					
Aeronautical revenues		-	989,946,701	989,946,701	-	989,946,701
Aero related revenues		-	215,101,731	215,101,731	-	215,101,731
Non-aero related revenues		-	591,044,271	591,044,271	-	591,044,271
Landport operations	17.3					
		-	45,374,568	-	45,374,568	45,374,568
Trading operations:	17.4					
Food revenues		88,248,969	-	-	88,248,969	88,248,969
Non-food revenues		70,070,379	-	-	70,070,379	70,070,379
						<u>P 8,183,531,832</u>

There are no variable considerations arising from the Group's contracts with customers in all periods presented.

17.1 Construction Operation Revenues

The details of this account are composed of the revenues from:

	2021 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
Contracts in progress	P 6,456,123,618	P 4,542,448,954	P 6,131,469,303
Completed contracts	<u>528,289,354</u>	<u>318,833,495</u>	<u>52,275,910</u>
	<u>P 6,984,412,972</u>	<u>P 4,861,282,449</u>	<u>P 6,183,745,213</u>

About 5%, 5%, and 3% of the contract revenues for 2021, 2020 and 2019, respectively, were earned from contracts with an associate and certain related parties under common ownership.

17.2 Airport Operations Revenues

The details of this account are composed of the revenues from:

	2021 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
Aeronautical	P 69,223,080	P 434,799,537	P 989,946,701
Concession	40,940,301	139,553,966	291,990,344
Rental	17,229,503	125,184,828	250,898,055
Others	<u>107,618,631</u>	<u>182,722,052</u>	<u>263,257,603</u>
	<u>P 235,011,515</u>	<u>P 882,260,383</u>	<u>P 1,796,092,703</u>

17.3 Landport Operations Revenue

The details of this account for the six-months period ended June 30 are composed of the revenues from:

	2021 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
Rental revenue – per contract	P 317,911,839	P 255,543,475	P -
Rental revenue – effect of straight-line method	42,139,627	343,765,327	-
Construction revenue	<u>-</u>	<u>-</u>	<u>45,374,568</u>
	<u>P 360,051,466</u>	<u>P 599,308,802</u>	<u>P 45,374,568</u>

17.4 Trading Operation Revenues

The details of this account are composed of the revenues from:

	2021 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
Food revenues	P 3,617,296	P 40,277,447	P 88,248,969
Non-food revenues	<u>772,259</u>	<u>29,067,762</u>	<u>70,070,379</u>
	<u>P 4,389,555</u>	<u>P 69,345,209</u>	<u>P 158,319,348</u>

18. DIRECT COSTS

18.1 Cost of Construction Operations

The following is the breakdown of contract costs for the period ended June 30:

	2021 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
Materials	P 2,200,959,027	P 1,353,656,487	P 1,855,628,399
Outside services	2,133,539,633	1,646,513,553	2,288,342,476
Salaries and employee benefits	770,298,935	647,051,773	494,106,348
Depreciation and amortization	592,537,643	444,167,267	320,175,756
Project overhead	<u>237,015,057</u>	<u>353,120,917</u>	<u>305,350,945</u>
	<u>P 5,934,350,295</u>	<u>P 4,444,509,997</u>	<u>P 5,263,603,924</u>

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.

18.2 Costs of Airport Operations

The following is the breakdown of cost of services:

	2021 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
Utilities	P 46,122,646	P 80,117,401	P 139,941,927
Salaries and other benefits	26,745,963	28,130,499	35,965,044
Repairs and maintenance	25,318,729	60,770,212	66,144,067
Insurance	20,131,656	17,979,729	18,645,838
Amortization of concession asset	17,071,095	151,124,830	347,887,686
Outside service	15,060,873	55,249,523	75,656,305
Technical service charges	9,873,552	13,415,456	15,237,397
Airport operator's fee	3,242,770	11,437,802	25,409,029
Airline collection charges	2,554,016	17,848,338	17,588,504
Others	<u>8,516,333</u>	<u>14,228,895</u>	<u>11,785,846</u>
	<u>P 174,627,633</u>	<u>P 450,302,685</u>	<u>P 754,261,643</u>

18.3 Cost of Landport Operations

The details of this account for the six-months period ended June 30 are composed of the revenues from:

	2021 (Unaudited)	2020 (Unaudited; As restated – see Note 2.1d)	2019 (Unaudited; As restated – see Note 2.1d)
Cost of terminal operations	P 41,385,009	P 50,940,587	P 37,022,084
Depreciation	109,359,022	105,355,224	-
Miscellaneous	<u>10,311,946</u>	<u>10,481,154</u>	<u>33,333</u>
	<u>P 161,055,977</u>	<u>P 166,776,965</u>	<u>P 37,055,417</u>

18.4 Costs of Trading Operations

The following is the breakdown of cost of trading:

	2021 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
Cost of food	P 2,619,812	P 12,268,905	P 22,366,573
Cost of non-food	1,199,262	6,972,157	17,392,964
Freight	384,514	489,224	-
	<u>P 4,203,588</u>	<u>P 19,730,286</u>	<u>P 39,759,537</u>

19. EQUITY

19.1 Capital Stock

Capital stock as of June 30, 2021, and December 31, 2020 and 2019 consists of:

	<u>Shares</u>			<u>Amount</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Common shares – P1 par value						
Authorized	4,930,000,000	4,930,000,000	4,930,000,000	P 4,930,000,000	P 4,930,000,000	P 4,930,000,000
Subscribed and paid in:	2,399,426,127	2,399,426,127	2,399,426,127	P 2,399,426,127	P 2,399,426,127	P 2,399,426,127
Less:						
Treasury shares						
Balance at beginning of year	386,016,410	335,792,310	309,660,510	P 4,615,690,576	P 3,912,617,536	P 3,454,826,462
Reacquisition	-	50,224,100	26,131,800	-	703,073,040	457,791,074
Balance at end of year	386,016,410	386,016,410	335,792,310	P 4,615,690,576	P 4,615,690,576	P 3,912,617,536
Issued and outstanding	<u>2,013,409,717</u>	<u>2,013,409,717</u>	<u>2,063,633,817</u>			
Preferred shares – P1 par value						
Authorized	124,000,000	124,000,000	70,000,000	P 124,000,000	P 124,000,000	P 70,000,000
Issued and outstanding:						
Balance at beginning of year:						
Series 1	40,000,000	40,000,000	40,000,000	P 40,000,000	P 40,000,000	P 40,000,000
Series 2A	26,220,130	-	-	26,220,130	-	-
Series 2B	17,405,880	-	-	17,405,880	-	-
Series 3	3,375,000	-	-	3,375,000	-	-
Issuance during the year:						
Series 2A	-	26,220,130	-	-	26,220,130	-
Series 2B	-	17,405,880	-	-	17,405,880	-
Series 3	1,625,000	3,375,000	-	1,625,000	3,375,000	-
Balance at end of year	<u>88,626,010</u>	<u>87,001,010</u>	<u>40,000,000</u>	<u>P 88,626,010</u>	<u>P 87,001,010</u>	<u>P 40,000,000</u>

On February 26, 2021, the Parent Company's BOD approved the resolution increasing the Corporation's authorized capital stock of preferred shares by 26.0 million shares, to a total of 150.0 million cumulative, non-voting, non-participating, non-convertible, perpetual preferred shares; thereby increasing the Corporation's total authorized capital stock to P5,080.0 billion. The SEC has not yet approved the increase in capital stock of preferred shares as of the report date.

19.2 Dividends

In 2021 and 2020, 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 January 31, 2021 and December 31, 2020, respectively.

In 2021, pursuant to the Parent Company's BOD resolution approving the terms of the offer of up to 50,000,000 Series 2A and 2B Preferred Shares, the BOD approved the declaration of cash dividends of P1.19 per share and P1.4 per share or equivalent to P31.1 million and P25.0 million, respectively, to holders of Series 2A and Series 2B preferred shares, which were taken out of the unrestricted earnings of the Parent Company as of January 30, 2021.

The series of record dates and payments are as follows:

	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>
2021:				
<i>Series 1 Preferred Shares:</i>				
Approval dates	January 11, 2021	April 8, 2021	June 30, 2021	n/a
Record dates	February 8, 2021	May 18, 2021	August 9, 2021	n/a
Payment dates	March 1, 2021	June 3, 2021	September 3, 2021	n/a
<i>Series 2A Preferred Shares:</i>				
Approval dates	January 18, 2021	April 8, 2021	June 30, 2021	n/a
Record dates	February 3, 2021	May 4, 2021	August 5, 2021	n/a
Payment dates	March 3, 2021	May 27, 2021	August 27, 2021	n/a
<i>Series 2B Preferred Shares:</i>				
Approval dates	January 18, 2021	April 8, 2021	June 30, 2021	n/a
Record dates	February 3, 2021	May 4, 2021	August 5, 2021	n/a
Payment dates	March 3, 2021	May 27, 2021	August 27, 2021	n/a
2020:				
<i>Series 1 Preferred Shares:</i>				
Approval dates	January 8, 2020	May 8, 2020	July 7, 2020	October 5, 2020
Record dates	February 6, 2020	May 25, 2020	August 8, 2020	November 6, 2020
Payment dates	March 3, 2020	June 3, 2020	September 3, 2020	December 3, 2020

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.

19.3 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 2018 amounted to P827.1 million which is equivalent to 48.8 million shares.

On March 3, 2020, the BOD approved an additional P3 billion to its Share buyback program (the “Program”), making it a total of P5 billion and removal of the period within which to execute the Program, making it open-ended.

19.4 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.

20. 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 for the six months ended June 30, 2021 is as follows:

<u>Related Party Category</u>	<u>Notes</u>	<u>Amount of Transaction</u>	<u>Receivable (Payable)</u>	<u>Terms</u>	<u>Conditions</u>
Ultimate Parent Company –					
Cash granted	5, 20.4	P 142,429	P 3,089,437,538	Interest-bearing	Unsecured; Unimpaired
Interest receivable	5, 20.4	110,250,000	615,787,823	On demand; Noninterest-bearing	Unsecured; Unimpaired
Shareholder:					
Revenue from services	5, 17.1, 20.1	147,310,692	122,083,380	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 20.4	-	757,143	On demand; Noninterest-bearing	Unsecured; Unimpaired
Associate:					
Revenue from services	5, 17.1, 20.1	100,588,110	1,016,283,022	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 20.4	22,428,668	64,634,636	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash obtained	14, 20.4	-	(20,000,000)	On demand; Noninterest-bearing	Unsecured; Unimpaired
Rent income	5, 20.2	26,786	272,277	Normal credit terms	Unsecured; Unimpaired
Joint Arrangement:					
Revenue from services	5, 17.1, 20.1	1,942,671	545,580,400	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 20.4	-	1,356,355	On demand; Noninterest-bearing	Unsecured; Unimpaired

Related Party Category	Notes	Amount of Transaction	Receivable (Payable)	Terms	Conditions
Related Parties Under Common Ownership:					
Rent income	5, 20.2	80,357	6,842,869	Normal credit terms	Unsecured; Unimpaired
Revenue from services	5, 17.1, 20.1	123,077,347	339,466,904	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 20.4	(298,810,809)	2,978,264,291	On demand; Interest-bearing and noninterest-bearing	Unsecured; Unimpaired
Interest receivable	5, 20.4	110,250,000	615,787,823	On demand; Noninterest-bearing	Unsecured; Unimpaired
Retirement fund	20.6	-	4,634,679	Upon retirement of beneficiaries	Partially funded; Unimpaired
Advances to Officers and Employees	5, 20.3	22,765,184	97,246,491	Upon liquidation, Noninterest-bearing	Unsecured; Unimpaired

The summary of the Group's transactions with related parties as for the six months ended June 30, 2020 is as follows:

Related Party Category	Notes	Amount of Transaction	Outstanding Receivable (Payable)	Terms	Conditions
Ultimate Parent Company:					
Cash granted	5, 20.4	P 16,546,044	P 3,085,917,769	Interest-bearing	Unsecured; Unimpaired
Interest receivable	5, 20.4	110,250,000	399,225,323	On demand; Noninterest-bearing	Unsecured; Unimpaired
Shareholder:					
Revenue from services	5, 17.1, 20.1	36,687,390	64,461,145	Normal credit terms Noninterest-bearing	Unsecured; Unimpaired
Associate:					
Revenue from services	5, 17.1, 20.1	-	905,413,727	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 20.4	36,178,642	42,178,642	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash obtained	14, 20.4	2,250,786 (	17,749,214)	On demand; Noninterest-bearing	Unsecured; Unimpaired
Rent income	20.2	26,786	-	Normal credit terms	Unsecured; Unimpaired
Joint Arrangement:					
Revenue from services	5, 17.1, 20.1	154,532,083	136,924,502	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 20.4	(5,331,872)	72,395	On demand; Noninterest-bearing	Unsecured; Unimpaired
Related Parties Under Common Ownership:					
Rent income	20.2	2,659,363	-	Normal credit terms	Unsecured; Unimpaired
Revenue from services	5, 17.1, 20.1	51,374,999	291,918,615	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 20.4	11,762,981	3,190,798,547	On demand; Interest-bearing and noninterest-bearing	Unsecured; Unimpaired
Interest receivable	5, 20.4	110,250,000	399,225,323	On demand; Noninterest-bearing	Unsecured; Unimpaired

<u>Related Party Category</u>	<u>Notes</u>	<u>Amount of Transaction</u>	<u>Outstanding Receivable (Payable)</u>	<u>Terms</u>	<u>Conditions</u>
Retirement fund	20.6	-	4,384,701	Upon retirement of beneficiaries	Partially funded; Unimpaired
Advances to Officers and Employees	5, 20.3	51,992,131	103,495,920	Upon liquidation, Noninterest-bearing	Unsecured; Unimpaired

The summary of the Group's transactions with related parties as of December 31, 2020 is as follows:

<u>Related Party Category</u>	<u>Notes</u>	<u>Amount of Transaction</u>	<u>Receivable (Payable)</u>	<u>Terms</u>	<u>Conditions</u>
Ultimate Parent Company:					
Cash granted	5, 20.4	P 19,923,383	P 3,089,295,108	Interest-bearing	Unsecured; Unimpaired
Interest receivable	5, 20.4	216,562,500	505,537,823	On demand; Noninterest-bearing	Unsecured; Unimpaired
Minority shareholders and their affiliates:					
Revenue from services	5, 17.1, 20.1	115,289,394	153,195,975	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 20.4	757,143	757,143	On demand; Noninterest-bearing	Unsecured; Unimpaired
Associate:					
Revenue from services	5, 17.1, 20.1	231,199,602	1,093,283,188	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 20.4	36,205,968	42,205,968	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash obtained	5, 20.4	-	(20,000,000)	On demand; Noninterest-bearing	Unsecured; Unimpaired
Rent income	5, 20.2	53,571	229,286	Normal credit terms	Unsecured; Unimpaired
Joint Arrangement:					
Revenue from services	5, 17.1, 20.1	272,993,860	364,434,825	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 20.4	(4,047,911)	1,356,355	On demand; Noninterest-bearing	Unsecured; Unimpaired
Related Parties Under Common Ownership:					
Rent income	5, 20.2	5,956,791	332,411	Normal credit terms	Unsecured; Unimpaired
Revenue from services	5, 17.1, 20.1	338,869,209	202,211,820	Normal credit terms	Unsecured; Unimpaired
Cash granted	5, 20.4	90,304,593	3,277,832,242	On demand; Interest-bearing and noninterest-bearing	Unsecured; Unimpaired
Interest receivable	5, 20.4	216,562,500	505,537,823	On demand; Noninterest-bearing	Unsecured; Unimpaired
Retirement fund	20.6	295,978	4,634,679	Upon retirement of beneficiaries	Partially funded; Unimpaired
Advances to Officers and Employees	5, 20.3	22,977,518	74,481,307	Upon liquidation, Noninterest-bearing	Unsecured; Unimpaired

20.1 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 P370.8 million, to P242.6 million and P209.1 million in 2021, 2020 and 2019, respectively, and is recorded as part of Construction Operation Revenues account in the consolidated statements of income. Services rendered to the above related parties are based on normal terms similar to terms that would be available to non-related parties.

The outstanding contract receivables from these transactions, which are generally unsecured and settled through cash within three to six months, and the related retention receivables, which can only be collected after a certain period of time upon acceptance by project owners of the certificate of completion, are presented as part of Contract and Retention receivables under Trade and Other Receivables account in the consolidated statements of financial position.

20.2 Rental of Building

The Parent Company leases out its office space to its associates and related parties under common ownership. As a result, the Group recognized rent income amounting to P0.1 million, P2.7 million, and P0.1 million in 2021, 2020 and 2019, respectively, 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. 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 5).

20.3 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.

20.4 Advances to and from Related Parties

The Group obtained unsecured, noninterest-bearing cash advances from certain related parties to finance portion of its working capital requirement payable upon demand. The outstanding balance from these transactions is shown under Trade and Other Payables account in the consolidated statements of financial position.

The Group has provided unsecured, interest-bearing cash advances to its associates and certain related parties under common ownership for their working capital requirements. The outstanding balance from these transactions is shown under Trade and Other Receivables account in the consolidated statements of financial position.

Further, upon assessment of recoverability based on the capacity to pay and expected collectability of these advances, no impairment losses were recognized in both periods.

The Group's outstanding receivables from and payables to the same related parties as presented can be potentially offset to the extent of their corresponding outstanding balances.

20.5 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.

20.6 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 P4.6 million as of June 30, 2021 and December 31, 2020.

20.7 Key Management Compensation

The compensation of key management personnel for the periods ended June 30, 2021, 2020 and 2019 pertains only to short-term employee benefits amounting to P118.9 million, P143.0 million and P96.4 million, respectively.

21. COMMITMENTS AND CONTINGENCIES

There are commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying interim condensed consolidated financial information. Management is of the opinion, that losses, if any, from these items will not have any material effect on its interim condensed consolidated financial information.

22. SEASONAL OR CYCLICALITY OF OPERATIONS

Due to the seasonal nature of the airport operation business, higher revenues and operating profits are usually expected in the months of January, April, May, July and December. Higher revenues from these months are mainly attributed to the increased traffic during the peak holiday season in the Philippines and other neighbouring countries.

23. CHANGES IN ACCOUNTING ESTIMATES

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

24. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share were computed as follows:

	<u>2021</u> <u>(Unaudited)</u>	<u>2020</u> <u>(Unaudited)</u>	<u>2019</u> <u>(Unaudited)</u>
Net profit (loss) attributable to shareholders of the Parent Company	P 138,109,890	(P 289,628,930)	P 585,859,801
Dividends on cumulative preferred shares	<u>(379,222,069)</u>	<u>(140,500,000)</u>	<u>(140,500,000)</u>
Net profit (loss) available to common shareholders of the Parent Company	(241,112,179)	(430,128,930)	445,359,801
Divided by weighted average number of outstanding common shares	<u>2,013,409,717</u>	<u>2,051,139,961</u>	<u>2,087,461,215</u>
Basic and diluted earnings (loss) per share	<u>(P 0.12)</u>	<u>(P 0.21)</u>	<u>P 0.21</u>

The Group does not have dilutive potential common shares outstanding as of June 30, 2021, 2020 and 2019; hence, diluted EPS is equal to the basic EPS.

25. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to its financial instruments. The Group's financial assets and financial liabilities by category are summarized below. The main types of risk are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated with the Group's Parent Company, in close cooperation with the BOD, and focuses on actively securing the Group's short-to-medium term cash flows by minimizing the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The relevant financial risks to which the Group is exposed to are described below and in the succeeding pages.

25.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from its US dollar-denominated cash and cash equivalents and loans payable which have been used to fund the Cebu Mactan Airport project. The principal and interest of the loans payable will be funded by the US dollar-denominated sales generated by the airport operation.

Exposures to foreign exchange rates vary during the period depending on the volume of foreign currency transactions.

(b) *Interest Rate Risk*

The Group's policy is to minimize interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually made at fixed rates.

The Group is exposed to changes in market rates through its cash in banks and short-term placements which are subject to monthly repricing intervals and some short-term working capital loans which are subject to variable interest rate. Any increase in finance costs due to changes in interest rates will be mitigated by the finance income on cash and cash equivalents and short-term placements.

25.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, such as the granting of loans and receivables to customers and related parties and placing deposits with local banks and investment in bonds and UITF.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

The maximum credit risk exposure of financial assets and contract assets is the carrying amount of the related assets as shown in the consolidated statements of financial position or in the detailed analysis provided in the notes to the consolidated financial statements, as summarized below.

	<u>Notes</u>	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Cash and cash equivalents	4	P 7,529,650,632	P 7,226,149,912
Trade and other receivables – net (<i>excluding advances to officers and employees</i>)	5	16,831,305,997	15,224,568,808
Investment in trust fund	8	422,429,425	401,525,300
Refundable security and bond deposits	8	268,177,127	199,529,159
Contract assets	7	<u>4,772,391,401</u>	<u>4,231,600,246</u>
		<u>P 29,823,954,582</u>	<u>P 27,283,373,425</u>

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents and trade and other receivables as described below.

(a) *Cash and Cash Equivalents*

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) *Trade and Other Receivables and Contract Asset*

The Group applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables and other receivables and contract assets.

To measure the ECL, trade and other receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due (age buckets). The Group also concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other receivables as it shares the same credit risk characteristics.

The expected loss rates are based on the payment and aging profiles over a period of 36 months before June 30, 2021 or December 31, 2020, 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 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 been able to settle the receivables when due, depending on the terms with customers or after completion and acceptance of the stage of completion as represented by the billings. In making the assessment, the Group considers the net position of the customer after advances and deposits received from the customer, reason for non-payment (i.e. dispute related to quality of work completed has been raised by the customer) and the credit standing of the customer. 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. When customer is unlikely to pay a past due account in the next year due to financial difficulty, an ECL is recognized in the books. The Group has determined that the credit standing and liquidity of the significant portion of its receivables and customers from the construction segment are not affected severely by COVID-19 as these customers have reputable cash management strategies.

On that basis, the loss allowance as at June 30, 2021 and December 31, 2020 was determined based on months past due.

For contract assets, the Group has recognized an allowance for ECL amounting to P288.2 million representing unbilled costs incurred by the Group and assessed to be not recoverable. No additional impairment losses on contract assets have been recognized in 2021 and 2020.

(c) *Investment in Trust Fund*

The Group is exposed to credit risk on its investments in UITF, short-term commercial papers and trust fund. However, the Group has assessed that such risk is minimal since the counterparties are reputable listed leasing company and financial institutions with high quality external credit ratings.

(d) *Refundable Security and Bond Deposits*

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.

25.3 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.

	<u>Current</u>		<u>Non-current</u>
	<u>Within</u>	<u>6 to 12</u>	<u>1 to 10</u>
	<u>6 Months</u>	<u>Months</u>	<u>Years</u>
June 30, 2021 (Unaudited):			
Interest-bearing loans and borrowings	P 12,688,157,571	P 746,041,105	P 36,221,832,411
Trade and other payables	8,739,263,143	-	-
Security deposits (gross of unearned income)	-	-	474,792,767
	<u>P 21,427,420,714</u>	<u>P 746,041,105</u>	<u>P36,696,625,178</u>
December 31, 2020 (Audited):			
Interest-bearing loans and borrowings	P 12,669,450,003	P1,050,381,301	P 34,211,924,687
Trade and other payables	8,291,951,223	-	-
Security deposits (gross of unearned income)	-	-	464,587,591
	<u>P 20,961,401,226</u>	<u>P1,050,381,301</u>	<u>P 34,676,512,278</u>

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.

26. CATEGORIES, OFFSETTING AND FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

26.1 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.

	June 30, 2021 (Unaudited)		December 31, 2020 (Audited)	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets				
At amortized cost:				
Cash and cash equivalents	P 7,529,650,632	P 7,529,650,632	P 7,226,149,912	P 7,226,149,912
Trade and other receivables – net	16,831,305,997	16,831,305,997	15,224,568,808	15,224,568,808
Refundable security and bond deposits	268,177,127	268,177,127	199,529,159	199,529,159
Investment in trust fund	422,429,425	422,429,425	401,525,300	401,525,300
	<u>25,051,563,181</u>	<u>25,051,563,181</u>	<u>23,051,773,179</u>	<u>23,051,773,179</u>
Financial assets at FVOCI				
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
	<u>3,544,472</u>	<u>3,544,472</u>	<u>3,544,472</u>	<u>3,544,472</u>
	<u>P 25,055,107,653</u>	<u>P 25,055,107,653</u>	<u>P 23,055,317,651</u>	<u>P 23,055,317,651</u>
Financial Liabilities				
At amortized cost:				
Interest-bearing loans and borrowings	P 46,632,542,888	P 49,656,031,088	P 45,920,365,307	P 47,931,755,991
Trade and other payables	8,739,263,143	8,739,263,143	8,291,951,223	8,291,951,223
Security deposits*	474,792,767	474,792,767	464,587,591	464,587,591
	<u>P 55,846,598,798</u>	<u>P 58,870,086,998</u>	<u>P 54,676,904,121</u>	<u>P 56,688,294,805</u>

*Under Other Non-current Liabilities

26.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set-off financial instruments in 2021 and 2020 and does not have relevant offsetting arrangements except as disclosed in Notes 20.4 and 25.2(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 20 can be potentially offset to the extent of their corresponding outstanding balances.

26.3 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.

26.4 Financial Instruments Measured at Fair Value

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; 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 June 30, 2021 and December 31, 2020.

	<u>Note</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>June 30, 2021</u>					
<i>Financial assets:</i>					
Equity securities:					
SSPI	P	-	P -	P 2,500,000	P 2,500,000
Golf club shares		-	<u>1,044,472</u>	-	<u>1,044,472</u>
		<u>P -</u>	<u>P 1,044,472</u>	<u>P 2,500,000</u>	<u>P 3,544,472</u>
<i>Financial liabilities:</i>					
Derivative liability	13	<u>P -</u>	<u>P 85,317,375</u>	<u>P -</u>	<u>P 85,317,375</u>
<u>December 31, 2020</u>					
<i>Financial assets:</i>					
Equity securities:					
SSPI	P	-	P -	P 2,500,000	P 2,500,000
Golf club shares		-	<u>1,044,472</u>	-	<u>1,044,472</u>
		<u>P -</u>	<u>P 1,044,472</u>	<u>P 2,500,000</u>	<u>P 3,544,472</u>
<i>Financial liabilities:</i>					
Derivative liability	13	<u>P -</u>	<u>P 121,895,954</u>	<u>P -</u>	<u>P 121,895,954</u>

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both periods.

Described 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 June 30, 2021 and December 31, 2020, 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 as at of June 30, 2021 and December 31, 2020, 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) *Derivative Liability*

The fair value of the Group's derivative liability are measured under Level 2. As of of June 30, 2021 and December 31, 2020, the fair values of the Group's derivative financial instruments classified as financial liabilities at FVTPL, were valued using pricing models whose inputs, such as foreign exchange rates and interest rates, are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including forward contracts and swaps) or are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

26.5 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 26.3).

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
June 30, 2021:				
<i>Financial assets:</i>				
Cash and cash equivalents	P 7,529,650,632	P -	P -	P 7,529,650,632
Trade and other receivables - net	-	-	16,831,305,997	16,839,141,076
Refundable security and bond deposits	-	-	268,177,127	268,177,127
Investment in trust fund	<u>422,429,425</u>	<u>-</u>	<u>-</u>	<u>422,429,425</u>
	<u>P7,952,080,057</u>	<u>P -</u>	<u>P 17,099,483,124</u>	<u>P 25,051,563,181</u>
<i>Financial liabilities:</i>				
Interest-bearing loans and borrowings	P -	P -	P 49,656,031,088	P49,656,031,088
Trade and other payables	-	-	8,739,263,143	8,739,263,143
Security deposits	<u>-</u>	<u>-</u>	<u>474,792,767</u>	<u>474,792,767</u>
	<u>P -</u>	<u>P -</u>	<u>P 58,870,086,998</u>	<u>P58,870,086,998</u>
December 31, 2020:				
<i>Financial assets:</i>				
Cash and cash equivalents	P 7,226,149,912	P -	P -	P 7,226,149,912
Trade and other receivables - net	-	-	15,224,568,808	15,224,568,808
Refundable security and bond deposits	-	-	199,529,159	199,529,159
Investment in trust fund	<u>401,525,300</u>	<u>-</u>	<u>-</u>	<u>401,525,300</u>
	<u>P 7,627,675,212</u>	<u>P -</u>	<u>P 15,424,097,967</u>	<u>P 23,051,773,179</u>
<i>Financial liabilities:</i>				
Interest-bearing loans and borrowings	P -	P -	P 45,920,365,307	P45,920,365,307
Trade and other payables	-	-	8,291,951,223	8,291,951,223
Security deposits	<u>-</u>	<u>-</u>	<u>464,587,591</u>	<u>464,587,591</u>
	<u>P -</u>	<u>P -</u>	<u>P 54,676,904,121</u>	<u>P 54,676,904,121</u>

26.6 Fair Value Measurement for Investment Property Carried at Cost

The table below shows the fair value of the Group's investment property measured at cost but for which fair value is disclosed and determined under the Level 3 fair value hierarchy as of June 30, 2021 and December 31, 2020.

	June 30, 2021 <u>(Unaudited)</u>	December 31, 2020 <u>(Audited)</u>
Building for lease	P 3,812,359,495	P 3,618,385,194
Land	<u>1,881,751,812</u>	<u>1,869,480,787</u>
	<u>P 5,694,111,307</u>	<u>P 5,487,865,981</u>

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 2021 and 2020.

27. 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.

	<u>Bank Loans</u>	<u>Notes Payable</u>	<u>Lease Liabilities</u>	<u>Total</u>
Balance as of January 1, 2021	P 39,796,906,098	P 5,590,791,232	P 532,667,977	P 45,920,365,307
Cash flows from financing activities:				
Additional borrowings	683,805,164	-	-	683,805,164
Repayment of borrowings	(545,381,309)	(1,00,001)	(102,496,736)	(648,878,046)
Non-cash financing activities				
Unrealized loss on interest rate swap	36,615,302	-	-	36,615,302
Amortization of debt issuance cost	7,271,831			7,271,831
Loan modification	629,429,804			629,429,804
Additional lease liabilities	-	-	3,933,526	3,933,526
Balance at June 30, 201	<u>P 40,608,646,890</u>	<u>P 5,589,791,231</u>	<u>P 434,104,767</u>	<u>P 46,632,542,888</u>

	<u>Bank Loans</u>	<u>Notes Payable</u>	<u>Lease Liabilities</u>	<u>Total</u>
Balance as of January 1, 2020	P 38,425,631,984	P 8,852,929,990	P 474,350,703	P 47,752,912,677
Cash flows from financing activities:				
Additional borrowings	6,231,300,000	3,600,000,000	-	9,831,300,000
Repayment of borrowings	(4,903,369,586)	(6,862,138,758)	(98,866,694)	(11,864,375,038)
Non-cash financing activities				
Unrealized loss on interest rate swap	43,343,700	-	-	43,343,700
Additional lease liabilities	-	-	157,183,968	157,183,968
Balance at December 31, 2020	<u>P 39,796,906,098</u>	<u>P 5,590,791,232</u>	<u>P 532,667,977</u>	<u>P 45,920,365,307</u>

28. 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.

	<u>Note</u>	June 30 2021 (Unaudited)	December 31, 2020 (Audited)
Interest-bearing loans and borrowings	14	P 46,632,542,888	P 45,920,365,307
Total equity		<u>20,091,586,705</u>	<u>20,522,467,864</u>
		<u>2.32: 1.00</u>	<u>2.24: 1.00</u>

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

Punongbayan & Araullo

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

T +63 2 8988 2288

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

We have reviewed, in accordance with Philippine Standards on Review Engagements, the interim condensed consolidated financial statements of Megawide Construction Corporation and Subsidiaries (the Group) as of and for the six months ended June 30, 2021, on which we have rendered our report dated August 31, 2021. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. 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 interim condensed 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 review procedures applied in the review of the basic interim condensed consolidated financial statements and, based on our review, nothing has come to our attention that causes us to believe that the accompanying supplementary information is not presented fairly in all material respects in relation to the basic interim condensed consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO



By: Mailene Sigue-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 8533222, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 0396-AR-3 (until Oct. 1, 2021)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-020-2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

August 31, 2021

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
LIST OF SUPPLEMENTARY INFORMATION
JUNE 30, 2021

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MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES

Schedule A

Financial Assets - Fair Value Through Profit or Loss, Fair Value Through Other Comprehensive Income
and Amortized Cost
June 30, 2021

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 Position as of Reporting Period	Valued Based on Market Quotation at End of Reporting Period	Income Received and Accrued (iii)
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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 7,529,650,632	P 7,529,650,632	P 12,863,861
Trade and other receivables - net		16,831,305,997	16,831,305,997	220,500,000
Refundable security and bond deposits		268,177,127	268,177,127	-
Investment in trust fund		422,429,425	422,429,425	5,304,985
TOTAL	-	P 25,051,563,181	P 25,051,563,181	P 238,668,846

Supplementary information on 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)
 June 30, 2021

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
ADRIAN KUCZMIK	141,259				141,259	-	141,259
AIKO B. TALORITE	25,000				25,000	-	25,000
ALBERTO DACUMA	601,238	300,000			601,238	-	601,238
ALEJANDRO MANALO	155,000				155,000	-	155,000
ALEXANDER UMALI	4,500				4,500	-	4,500
ALFRED JOSEPH MOLINA	40,725	56,923			97,648	-	97,648
ALFREDO C. CASASIS	12,500				12,500	-	12,500
ALLAN L. VALENZUELA	214,732	257,187	44,375		427,545	-	427,545
ALMA GARCIA	32,000				32,000	-	32,000
ALVIN ESGUERRA	100,400				100,400	-	100,400
ALVIN SOGUILON	3,241				3,241	-	3,241
ALVIN TORRES	141,550				141,550	-	141,550
ALYANA GRACE T. ROBLEZA	193,702				193,702	-	193,702
ANA CLARISSA D. ILAGAN	1,011,738	906,738	249,727		1,668,750	-	1,668,750
ANA LIZA MANLAPAZ	32,000				32,000	-	32,000
ANDREW ACQUA AH 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	430,000				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
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
AVIGAIL MANINGO	100,000				100,000	-	100,000
BANAG, AUDREY PRESA	9,738				9,738	-	9,738
BENA KRISTIE S. UDQUIN	2,528,696				2,528,696	-	2,528,696
BENJAMIN R. DELA CRUZ	100,000				100,000	-	100,000
BENJAMIN S. FABROA JR.	15,315				15,315	-	15,315
BENJAMIN VICENTE JR.	28,208				28,208	-	28,208
BERNADETTE LAURENTE	55,000				55,000	-	55,000
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	216,295	54,963	52,354		216,295	-	216,295
CARLOS LEITAO	380,860	198,465			579,325	-	579,325
CARLOS TRECE	50,000				50,000	-	50,000
CARLOS VILCHEZ	48,402				48,402	-	48,402
CARMEN ANNE LOUISE V. CONTEMPLA	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. ANGHETA	7,109				7,109	-	7,109
CEZAR V. MANTAY	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	173,350	173,350	221,598		125,102	-	125,102
CHITO BILOG	264,641	217,229	10,000		471,870	-	471,870
<i>Balance forwarded</i>	P 11,080,341	P 2,164,856	P 578,054	-	P 12,667,143	-	P 12,667,143

Name	Balance at End of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
<i>Balance carried forward</i>	P 11,080,341	P 2,164,856	P 578,054	-	P 12,667,143	-	P 12,667,143
CHRISTIAN ALEXANDAO	4,000				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	10,640				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
CRYSTALLINE B. MANALANG	156,525	156,525			313,050	-	313,050
CLAIRISSA CABALDA	29				29	-	29
CLAUDIA SORIANO	168,935				168,935	-	168,935
CRISANTO BERTOLDO	1,550				1,550	-	1,550
CRISANTO CALLOS	1,550				1,550	-	1,550
CRISANTO LABE JR.	2,625				2,625	-	2,625
CRISMAR MENDEZ	4,000				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 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 MADAMBIA	50,000				50,000	-	50,000
DARLYN PHELA LOPEZ	41,600				41,600	-	41,600
DARRYL RAÑOLA	1,550				1,550	-	1,550
DENMARK P. NUQUE	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	268,409	96,500	5,000		359,909	-	359,909
DEXTER SUAZO	2,625				2,625	-	2,625
DHANNY JEAN AUGUSTO	2,500				2,500	-	2,500
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	250,604	278,694	60,000		469,388	-	469,388
DONNA MAY VILLENIA	4,700	133,400			138,100	-	138,100
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	1,333,529	289,941			1,623,470	-	1,623,470
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
EDUARDO 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	4,000				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	26,752				26,752	-	26,752
ELVIN GOLMILIM	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				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 HERANDROY	1,650				1,650	-	1,650
ERWIN L. OCHAQUE	1,650				1,650	-	1,650
ERWIN L. SISON	960				960	-	960
ESTELITO CENSON JR.	66,760				66,760	-	66,760
ESTELITO M. CENSON JR.	78,402				78,402	-	78,402
<i>Balance forwarded</i>	P 15,107,280	P 3,119,916	P 643,054	-	P 17,584,142	-	P 17,584,142

Name	Balance at End of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
<i>Balance carried forward</i>	P 15,107,280	P 3,119,916	P 643,054	-	P 17,584,142	-	P 17,584,142
ESTRELLA A. ALVARADO	408,477	313,056			721,533	-	721,533
EUTEMIO R. SARNO	28,800				28,800	-	28,800
EURENO BIETE	226,030	226,030			452,060	-	452,060
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	85,471	53,471	21,657		117,284	-	117,284
FELLOWES GRANT LEE	1,078,000	539,000			1,617,000	-	1,617,000
FERDINAND A. PADDAYUMAN	74,963				74,963	-	74,963
FERDINAND B. RODRIGUEZ	15,099				15,099	-	15,099
FERMIN CHAVEZ JR.	248,727	248,027			496,754	-	496,754
FERNANDO L. PAGATPATAN	1,119				1,119	-	1,119
FIDEL P. CUERDO	17,506	54,250	52,408		19,349	-	19,349
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
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	97,000				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.	4,000				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
GERMAN NESTOR OCTAVIANO	104,988	344,988	40,000		409,976	-	409,976
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 NIPOMUCINO	1,550				1,550	-	1,550
GILBERT TUGADE	127,500	127,500			255,000	-	255,000
GINO TALBONG	4,000				4,000	-	4,000
GIOVANNI D. RUIZ	61,800				61,800	-	61,800
GLADYS REUTHERO	54,285				54,285	-	54,285
GLENN L. RATUM	197,600				197,600	-	197,600
GRACE ABEGAIL CASEM	42,473	176,100	33,627		184,946	-	184,946
GRETCHEEN 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 ASILVERIO	17,090	37,090	43,998		10,183	-	10,183
HEHERSON AGCAOLI	594,824	322,265	137,265		779,824	-	779,824
HERMIE CORNELIO	1,550				1,550	-	1,550
HERMINIGILDO BAUTISTA JR.	1,550				1,550	-	1,550
HESOLER RANDY JEMAR	4,000				4,000	-	4,000
HONIE JOY RAAGAS	228,967	428,967			657,934	-	657,934
IRENEO NARCISO JR.	3,200				3,200	-	3,200
IRINEO AGUIHAP	740,069	813,400	115,931		1,437,538	-	1,437,538
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	1,343,266	913,908			2,257,174	-	2,257,174
JANNIE 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	11,500				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
JEFEE 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	1,776,577	1,947,995	452,848		3,271,724	-	3,271,724
JEFFRY QUICAY	1,550				1,550	-	1,550
JEFILYN ALEXIS C. DIZON	42,000				42,000	-	42,000
JEMIMAH NAOMI DE LOS SANTOS	4,000				4,000	-	4,000
JENIFER G. ALBA	1,412,143	1,090,071	384,000		2,118,214	-	2,118,214
JENELYN S. GURROBAT	28,667				28,667	-	28,667
JENER B. TOLOSA	1,920				1,920	-	1,920
JENNY D. GUTIA	26,412				26,412	-	26,412
JERALBINE NUGUID	83,302				83,302	-	83,302
JERALBINE R. NUGUID	131				131	-	131
JERRY CONCEPCION	109,800	309,800			419,600	-	419,600
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	81,357				81,357	-	81,357
JEROME C. CABANES	1,650				1,650	-	1,650
JEROME MALUPAY	9,891				9,891	-	9,891
JERRUIN SALINAS	1,550				1,550	-	1,550
<i>Balance forwarded</i>	P 25,829,848	P 11,065,835	P 1,924,788	-	P 34,970,895	-	P 34,970,895

Name	Balance at End of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
<i>Balance carried forward</i>	P 25,829,848	P 11,065,835	P 1,924,788	-	P 34,970,895	-	P 34,970,895
JERRY R. HERNANDEZ	14,400				14,400	-	14,400
JESSIE CORONEL	4,800				4,800	-	4,800
JESSIE SIGGAOAT	1,550				1,550	-	1,550
JESUS ARIMBUYATAN	480,000	367,000			847,000	-	847,000
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
JOEL H. GALANG	6,500				6,500	-	6,500
JOEL P. MORA JR.	3,300				3,300	-	3,300
JOEL ROCA	2,800				2,800	-	2,800
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	307,500	248,500	174,500		381,500	-	381,500
JOHN HAROLD B. MANUEL	149,238				149,238	-	149,238
JOHN HENRY JAY G. MANATT	52,875				52,875	-	52,875
JOHN KALVIN CARREON	486,792	240,000			726,792	-	726,792
JOHN PAUL CADAY	666,537	353,169			999,506	-	999,506
JOHN REY DANIEL	3,200				3,200	-	3,200
JOHN RONALD BENDON	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	903,199	805,670			1,708,869	-	1,708,869
JOSE M. GORPIDO, JR.	801,901	800,426			1,602,327	-	1,602,327
JOSE RENE D. ESCOMEN	1,027				1,027	-	1,027
JOSEPH CAROL	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
JOSIE M. PARREÑO	338,399	338,399			676,798	-	676,798
JOSUE G. GA	1,650				1,650	-	1,650
JOUIE V. LEE OLIVER	503,454				503,454	-	503,454
JOVANIE PASCUALADO	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	10,500	10,500			21,000	-	21,000
JULUS C. MANDAWA	672,650	671,000			1,343,650	-	1,343,650
JUSTINE C. RIVERA	14,400				14,400	-	14,400
KARA MAE MENDIOLA	41,600				41,600	-	41,600
KARI JOSEPH A. DEINLA	131,558				131,558	-	131,558
KARRI, LACHA REDDY	1,301,460	1,300,000			2,601,460	-	2,601,460
KATHERINE DUGTONG	3,148				3,148	-	3,148
KATHERINE P. VIENA	2,600,000				2,600,000	-	2,600,000
KATHLEEN M. TAPIA	32,000				32,000	-	32,000
KATHY ROSE S. BACANI	598,976	549,625			1,148,602	-	1,148,602
KEESHLEY M. DE VERA	35,331				35,331	-	35,331
KEITH ANTHONY CALIMAG	737,771	584,471	721,971		600,271	-	600,271
KEITH CLARKE	379,464	379,464			758,929	-	758,929
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. CARREROS	2,400				2,400	-	2,400
KRISTINA JERRYLYN T. SALAZAR	32,000				32,000	-	32,000
KRISTINE MAE REYES	375,429	375,429			750,857	-	750,857
KRISTOFFER JAN V. SERIOSA	24,304				24,304	-	24,304
LALAIN 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	171,622		28,376		143,246	-	143,246
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 QUILLES	18,500				18,500	-	18,500
LIBERATO MELCJO JR.	395,824				395,824	-	395,824
LIBERTY BAYON	41,600				41,600	-	41,600
LIMWEL P. JUGO	1,650				1,650	-	1,650
LILORHEN MARIE CRISOSTOMO	40,000				40,000	-	40,000
LLOYD NINO A. MASCARINAS	73,828				73,828	-	73,828
LINO VILLANUEVA	355,215	355,215			710,430	-	710,430
LORNA C. LLIDO	90				90	-	90
LORNA SANTOS	9,600				9,600	-	9,600
LUCENA B. BAUTISTA	20,389				20,389	-	20,389
LUCILA FAMILAR	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
<i>Balance forwarded</i>	P 40,261,640	P 19,565,963	P 3,071,933	-	P 56,755,670	-	P 56,755,670

Name	Balance at End of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
<i>Balance carried forward</i>	P 40,261,640	P 19,565,963	P 3,071,933	-	P 56,755,670	-	P 56,755,670
MA. ABIGAIL JANE LIBRANDO	402,017	366,700			768,717	-	768,717
MA. CECILIA TRABALLO	5,245				5,245	-	5,245
MA. CRISTINA STEPHANIE DAGANTA	4,300				4,300	-	4,300
MA. DARREN CORRE	169,311				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. TERESA 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	42,900				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				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	-				-	-	-
MARIA APRIL C. MAN-ON	5,552				5,552	-	5,552
MARIA CELINA BERNARDO	90,000				90,000	-	90,000
MARIA CHRISTINA PELIPEÑOSAS	35,202				35,202	-	35,202
MARIA ELENA O. DEMECHILLO	10,004				10,004	-	10,004
MARIA LOURDES M. MOZO	702				702	-	702
MARIA ROWENA MARCELLANO	-				-	-	-
MARIA Sulpicia Polinga	9,566				9,566	-	9,566
MARIA TERESA PASCUAL	144,520	305,000	30,000		419,520	-	419,520
MARIBETH J. MONTERO	30,000				30,000	-	30,000
MARICAR V. CRUZ	9,533				9,533	-	9,533
MARICEL CO	97,750				97,750	-	97,750
MARICEL LUNA	111,850	311,850	17,500		406,200	-	406,200
MARICEL REYES	12,527				12,527	-	12,527
MARICOR AMATA	156,000				156,000	-	156,000
MARIE ARGIE ANNE SERCADO	32,000				32,000	-	32,000
MARIE CRISTINA NUQUE	139,668				139,668	-	139,668
MARIE STEPHANIE M. NOLIDO	640,868	630,618			1,271,486	-	1,271,486
MARILAG LATORRE	12,208				12,208	-	12,208
MARILYN ORDENIS	200,000				200,000	-	200,000
MARIO LOPE PAR	662,115	563,010			1,225,124	-	1,225,124
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 COFER	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	3,750,046		257,000		3,493,046	-	3,493,046
MARK NIEVERA	978,333	618,967			1,597,300	-	1,597,300
MARK ROCAFORT	143,326	343,326			486,652	-	486,652
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	225,931	10,717	141,327		95,321	-	95,321
MARTIN SIMON GORDAN	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	77,727				77,727	-	77,727
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	95,600				95,600	-	95,600
MARY ROSE HOPE PATRICIO	963				963	-	963
MARYCON SALAZAR	1,905				1,905	-	1,905
MASASHI WATANABE	850,325		582,437		267,887	-	267,887
MAURO SAN JOSE	82,071				82,071	-	82,071
MELCHOR V. HERRERA	1,650				1,650	-	1,650
MELISSA P. DAVID	110,000				110,000	-	110,000
MELONA DABLO	1,004,223		1,668		1,002,555	-	1,002,555
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	-				-	-	-
MENCHIE DIASEN	33,520				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	21,800	31,800	26,400		27,200	-	27,200
MICHELE A. BARROZO	158,295	348,295			506,589	-	506,589
<i>Balance forwarded</i>	P 54,453,063	P 23,096,246	P 4,128,266	-	P 73,421,044	-	P 73,421,044

Name	Balance at End of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
<i>Balance carried forward</i>	P 54,453,063	P 23,096,246	P 4,128,266	-	P 73,421,044	-	P 73,421,044
MISCHIEL U. ENRIQUEZ	5,345				5,345	-	5,345
MICHELLE GATAL	148,295	348,295			496,589	-	496,589
MOTHI LAL	3,800				3,800	-	3,800
MYLENE TIBON	335				335	-	335
NAZARENO C. ABALOS	125,693	325,693			451,386	-	451,386
NEILSON LEGARDE	150,000				150,000	-	150,000
NEILSON M. CASADO	17,640				17,640	-	17,640
NEMIA M. CORRIJA	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
NIDA H. GREFALDO	507,522	707,522			1,215,043	-	1,215,043
NIKKO F. DEL ROSARIO	7,609				7,609	-	7,609
NIÑO DELOS REYES	194,504	558,247	287,938		464,813	-	464,813
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	1,678,225				1,678,225	-	1,678,225
NORMAN RESURECCION	3,000				3,000	-	3,000
PANFILO MARTIN, JR.	3,613,308				3,613,308	-	3,613,308
PEDRO PISUENA	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	996,557	515,519			1,512,076	-	1,512,076
PHOEBE KATHERINE B. REYES	29,554				29,554	-	29,554
POLICARPIO VEGA JR.	15,000				15,000	-	15,000
PREMIER C. SEMILLA	55,040	6,720			61,760	-	61,760
PRINCESS DELOS SANTOS	5,367				5,367	-	5,367
PRINCESS GUMIRAN	32,000	9,000			41,000	-	41,000
RACHELLE E. CUYOS	525				525	-	525
RAFFY FELICIANO	8,000				8,000	-	8,000
RAIZA JACKIE LOUISE ESPINO	94,293				94,293	-	94,293
RALPH LIM	237,496				237,496	-	237,496
RAMON LOR	118,117	61,833			179,950	-	179,950
RAMON PACHEGO III	22,500	2,600			25,100	-	25,100
RANDY ADRIANO	45,840	16,970			62,810	-	62,810
RANDY ESGUERRA	3,000				3,000	-	3,000
RANDY RETES	1,550				1,550	-	1,550
RANIEL ASUELO MONTEROLA	6,000	2,000			8,000	-	8,000
RAQUEL VERZOSA	26,500				26,500	-	26,500
RAUL B. GOLLEZ	15,345				15,345	-	15,345
RAUL SAPINDANTE	2,400				2,400	-	2,400
RAVISHANKAR SARAVU	61,169				61,169	-	61,169
RAY ALEXIS C. VALINO	46,295				46,295	-	46,295
RAYMUNDO LAYSON	475,416	387,788	58,560		804,644	-	804,644
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
REDINTO M. OLIVERAS	1,475				1,475	-	1,475
REGAN A. TACANDONG	6,720				6,720	-	6,720
REGAN TACANDONG	825,504				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	577,857	85,000	45,000		577,857	-	577,857
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	4,000				4,000	-	4,000
REYNALDO CANDO	3,200				3,200	-	3,200
REYNALDO RODRIN	804,630	315,640			1,120,270	-	1,120,270
REYNOLD JAZARENO	2,600				2,600	-	2,600
RHEA A. TANEO	3,000				3,000	-	3,000
RHODA M. GUILLETAR	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	169,062	340,196	46,134		463,124	-	463,124
RICARDO SABANAL	2,525				2,525	-	2,525
RICHARD ORTEGA	2,400				2,400	-	2,400
RICHARD PELOTOS	-	12,000			12,000	-	12,000
RICHEL BORDE	41,600				41,600	-	41,600
RICHE PAGAWITAN	-				-	-	-
RICHE R. MANLAPAZ	-				-	-	-
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	21,475	20,000			41,475	-	41,475
ROBY CHARLIE G. MALLARI	15,631				15,631	-	15,631
RODERIC CORPORAL	1,650				1,650	-	1,650
RODNEY ANDRE MORALES	28,654	23,654			52,308	-	52,308
RODNEY C. GARCIA	3,000				3,000	-	3,000
RODNEY DELICANO	1,550				1,550	-	1,550
RODRIGO S. PAMAHOY	1,247,292				1,247,292	-	1,247,292
ROGELIO RAMOS JR.	1,225,000				1,225,000	-	1,225,000
ROGILYN PONES	29,667				29,667	-	29,667
<i>Balance forwarded</i>	P 70,682,807	P 26,834,923	P 4,565,898	-	P 92,951,832	-	P 92,951,832

Name	Balance at End of Period		Additions		Deductions		Ending Balance		Balance at End of Period			
					Amounts Collected	Written Off	Current	Non-current				
<i>Balance carried forward</i>	P	70,682,807	P	26,834,923	P	4,565,898	-	P	92,951,832	P	92,951,832	
ROHSAN ARIEL N. LUCES		1,150							1,150		1,150	
ROLAND N. RINA		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		57,441		310,096		34,305			313,231		313,231	
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		681,208		245,200					926,408		926,408	
ROMMEL ONDONG		150,801							150,801		150,801	
ARABELLE VALENCIA		78,750		218,750		140,000			157,500		157,500	
ROMMEL S. OBISPO		988							988		988	
ROMNICK T. LLENADO		1,650							1,650		1,650	
RONALD ALLAN M. NICOLAS		31,374							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		-							-		-	
RONILO C. PONSICA		1,650							1,650		1,650	
RONNIE SALINGAY		1,550							1,550		1,550	
ROSE ANN ENRIQUEZ		204,310							204,310		204,310	
ROSE CELINE CASTRO		757,670							757,670		757,670	
ROWENA B. TRIJLANA		21,637							21,637		21,637	
ROY GARCHITORENA		4,000							4,000		4,000	
ROYCE MILTON CAYACUTAN		20,159							20,159		20,159	
RUBEN PENALOSA		2,525							2,525		2,525	
RUBIELZA ALBAY		128,572							128,572		128,572	
RUFINO DIZO		20,350							20,350		20,350	
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	
SAMEL A. ELI		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		660							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	
SHEILA NEPOMUCENO		5,734							5,734		5,734	
SONSNY BOY G. ENRIQUEZ		31,460							31,460		31,460	
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 PROEHLICH		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		33,560							33,560		33,560	
TRISTAN JOHN Y. SANTOS		480							480		480	
VALERIE AYRA RAMOS		-							-		-	
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.		50,552							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		277,579				83,581			193,998		193,998	
YASMIN LAMBATAN		56,000							56,000		56,000	
YOLANDA D. SURIO		52,000							52,000		52,000	
YUNICE C. PRADHAN		2,500							2,500		2,500	
ZANDY BAUIT		48,906							48,906		48,906	
TOTAL ADVANCES TO OFFICERS AND EMPLOYEES	P	74,481,307	P	27,608,968	P	4,843,784	P	-	P	97,246,491	P	97,246,491
<i>Advances to related parties under common ownership</i>												
Future State Myspace, Inc.		33,574.00		1,839.65					35,414.00		35,414.00	
MySpace Properties Inc.		100,795,633.00		95,725.45		(13,220.34)			100,878,138.00		100,878,138.00	
Megawide Foundation		39,844.62		446.42					40,291.04		40,291.04	
Altria East Land, Inc.		60,428.00		79,119.39					139,547.00		139,547.00	
Citicore Infrastructure Holdings, Inc.		31,716.00		1,045,383.44					1,077,099.00		1,077,099.00	
Citicore Power Inc.		3,176,113,903.00		-		(300,020,101.93)			2,876,093,801.00		2,876,093,801.00	
TOTAL ADVANCES TO RELATED PARTIES UNDER COMMON OWNERSHIP		3,277,075,098.62		1,222,514.35		(300,033,322.27)			2,978,264,290.04		2,978,264,290.04	
ULTIMATE PARENT COMPANY		3,089,295,108.00		142,429.57		-			3,089,437,538.00		3,089,437,538.00	
<i>Advances to non-controlling interest</i>												
Others		44,319,466.00		22,428,667.32		-			66,748,133.00		66,748,133.00	
TOTAL ADVANCES TO MINORITY INTEREST		44,319,466.00		22,428,667.32		-			66,748,133.00		66,748,133.00	
	P	6,485,170,980	P	51,402,579	P	295,189,538	P	-	P	6,231,696,452	P	6,231,696,452

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES

Schedule C

Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
June 30, 2021

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	
MWNI Terminals, Inc. (MWNTTI)	P 838,397,116	P -	P 33,490,006	P -	P 804,907,110	P -	P 804,907,110
Megawide Construction (BVI) Corporation (MCBVI)	148,353,434	-	-	-	148,353,434	-	148,353,434
Megawide Terminals, Inc. (MTTI)	480,245,448	1,269	-	-	480,246,717	-	480,246,717
Tiger Legend Holdings Limited	-	484,899,880	-	-	484,899,880	-	484,899,880
Megawide Land Inc. (MLI)	18,192,865	911,334,468	-	-	929,527,333	-	929,527,333
Megawide International Limited (MIL)	251,332,194	-	82,041,431	-	169,290,763	-	169,290,763
CebuWorld Development, Inc.	2,084,290	-	828,573,474	-	(826,489,184)	-	(826,489,184)
Wide-Horizons, Inc.	1,250,000	76,816	-	-	1,326,816	-	1,326,816
GMR Megawide Cebu Airport Corporation (GMCAC), Subsidiary	218,158,362	-	20,000,000	-	198,158,362	-	198,158,362

Supplementary information –

Megawide has receivables from MWNTTI and MIL for construction and engineering services provided.

MSPPL paid certain expenses related to the development of S[TD]M Prima Casa Project and audit fee in behalf of MIL.

In November 2019, Globeinvestments, 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 GSPPL 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
Long-Term Debt
June 30, 2021

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 40,608,646,890	P 12,259,095,451	P 28,349,551,439
Note payable (ii)	5,589,791,231		5,589,791,231
Lease liabilities (iii)	434,104,767	183,042,878	251,061,889
Total	P 46,632,542,888	P 12,442,138,329	P 34,190,404,559

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 three notes facility agreement with a local bank for private placement amounting to P100.0 million in 2013, P2,000.0 million in 2016, and P3,600.0 million in 2020. 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 requirements.

In February 2020, the Parent Company availed P3,600.0 unsecured corporate loans from its third loan facility for repayment of maturing debts, funding of new projects and general corporate requirements.

(iii) *Lease liabilities have an effective interest rate of 7.0% and 6.0% in 2020 and 2019 with maturity of three to five years from the date of transaction.*

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
Schedule E
Indebtedness to Related Parties
June 30, 2021

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
Advances from Citicore-Megawide Consotium, Inc. (CMCI)	P 20,000,000	P 20,000,000
Total	P 20,000,000	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. 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 F
Guarantees of Securities of Other Issuers
June 30, 2021

Name of Related Party	Amount
MWM Terminals, Inc. (MWMTI)	P 3,900,000,000
Citicore Holdings, Inc. (CHI)	1,500,000,000
Citicore Megawide Consortium, Inc. (CMCI)	656,000,000
Total	P 6,056,000,000

Supplementary information on Guarantees of Securities and Other Issuers

1 MWMTI entered in to an OLSA with a local universal bank in 2015, with the Parent Company as guarantor, for a for a loan facility amounting to P3,300.0 million to finance the construction of the ITS Project. In 2019, the Company requested the lender to increase the loan facility by P600.0 million making the total principal loan to P3,900.0 million.

2 On December 26, 2019, the Parent Company's Board of Directors approved the issuance of corporate guaranty in the amount of P4,500.0 million 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. Subsequently on March 28, 2021, the BOD of the Parent Company approved the reduction of the amount of corporate guaranty to P1.5 billion.

3 On December 26, 2019, the Parent Company's Board of Directors approved the issuance of corporate guaranty in the banks, whereby the CMCI shall offer an outstanding arising from PPP school infrastructure project within the purchase period on a limited recourse basis such as upon the occurrence of certain repurchase event under the RPA. Pursuant to the continuing obligations of the CMCI under the RPA, CMCI has been in compliance with the RPA during the reporting periods. CMCI has an outstanding loan amounting to P656 million as of December 31, 2020

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
 Schedule G
 Capital Stock
 June 30, 2021

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown Under the Related Statement of Financial Position Caption (f)	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held By		
				Related Parties	Directors, Officers and Employees	Others
Common	4,930,000,000	2,013,409,717	-	1,330,634,698	18,775,289	663,999,730
Preferred	124,000,000	88,626,010.00	-	-	-	88,626,010

(f) On July 20, 2016, the Parent Company's BOD approved the buy-back of 410.8 million common shares held by Sybas 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.

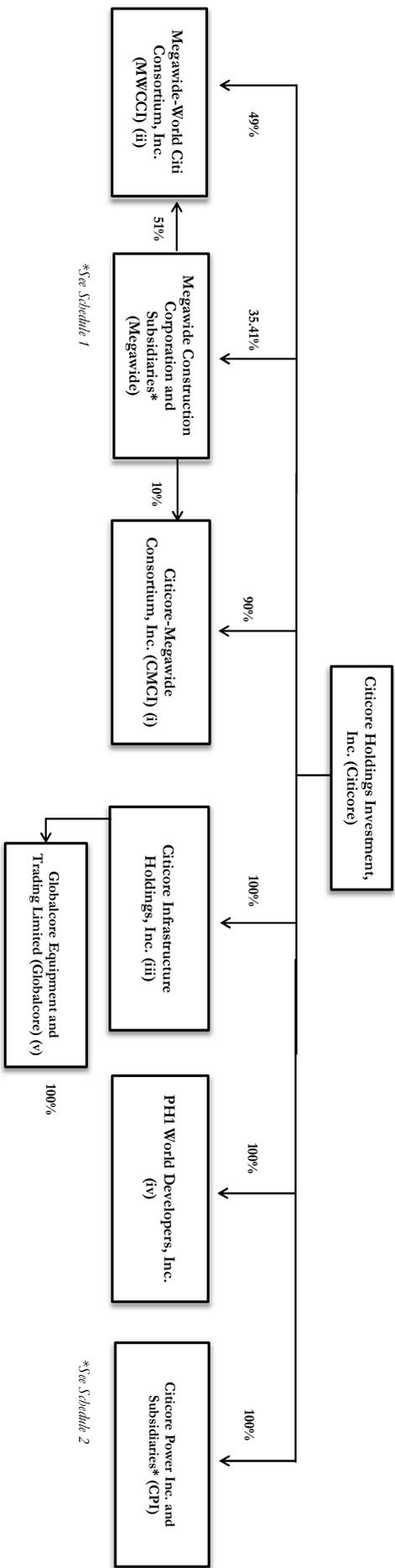
On October 1, 2018, the Parent Company's BOD approved a share buyback program worth up to P2.0 billion over a period of two years. Total cost to acquire treasury shares in 2018 amounted to P824.77 million which is equivalent to 48,811 shares. In 2019, pursuant to the share buyback program, the Company 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.

On September 30, 2020, the Parent Company entered into a Subscription Agreement with CHI whereby CHI subscribed to 13,500,000 preferred shares of the Parent Company at P1.00 each, and paid 25% of such subscription in cash amounting to P3.38 million. On November 5, 2020, the SEC has approved the Parent Company's offer and sale of Series 2 preferred shares which are to be issued in two subseries: Series 2A and Series 2B preferred shares, at a subscription price of P100.00. As of December 31, 2020, 26,220,130 and 17,405,880 of Series 2A and 2B preferred shares, respectively, were subscribed and listed in the PSE.

MEGAWIDE CONSTRUCTION CORPORATION
Reconciliation of Retained Earnings Available for Dividend Declaration
June 30, 2021

Unappropriated Retained Earnings of the Parent Company at Beginning of Year	[A]	P	287,422,842
Prior Periods' Outstanding Reconciling Item			
Deferred tax income		(	<u>204,733,735</u>)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted	[D]		82,689,107
Net Profit of the Parent Company Realized During the Period			
Net profit per reviewed financial statements			1,052,317,856
Non-actual/unrealized income			
Deferred tax income related to deferred tax assets recognized in the profit or loss during the period	[C]	(	29,961,145)
Other Transaction During the Period			
Treasury shares - at cost			-
Cash dividends to preferred and common shareholders		(	<u>379,222,069</u>)
Unappropriated Retained Earnings Available for Dividend Declaration at End of the Period		P	<u>725,823,749</u>

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
MAP SHOWING THE RELATIONSHIP BETWEEN THE COMPANY AND ITS RELATED ENTITIES
 June 30, 2021



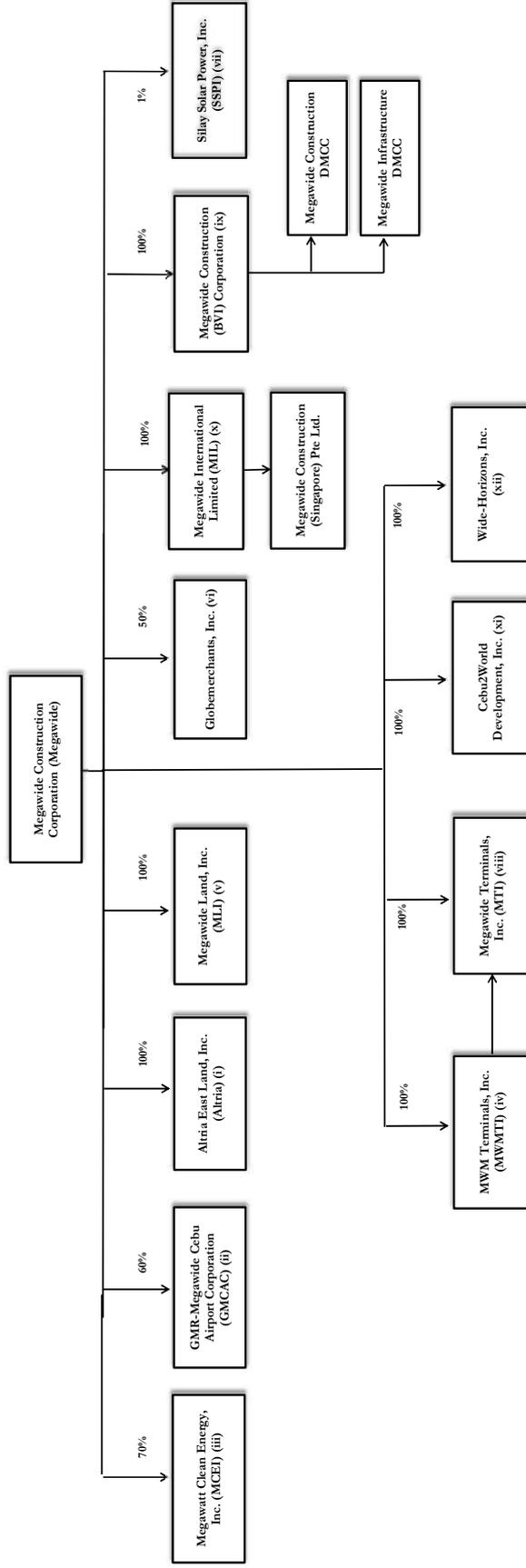
*See Schedule 1

*See Schedule 2

Supplementary information:

- (i) 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.
- (ii) Megawide acquired 51% ownership interest in MWCC, but accounted for the investment as an associate since it does not have control over MWCC's relevant activities. Citicore acquired 68% effective ownership interest over MWCC, hence, obtained the control over MWCC.
- (iii) In March 2015, CHH acquired 100% ownership to CHH. CHH 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.
- (iv) In January 2012, upon execution of Deed of assignment between CHH and PH1 World Developers' (formerly, MySpace Properties, Inc.) stockholders, the 100% ownership of PH1 World Developers was transferred to CHH.
- (v) Globalcore is a foreign registered and domiciled in Hong Kong, which is primarily engaged in buying, selling, importing and exporting of general equipment.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
MAP SHOWING THE RELATIONSHIP BETWEEN THE COMPANY AND ITS RELATED ENTITIES
 Schedule I: Megawide Construction Corporation and Subsidiaries
 June 30, 2021



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) 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.
- (iii) 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.
- (iv) MWTI was accounted for as a subsidiary due to the acquisition of 100% ownership in MTI, resulting in the increase in effective ownership of Megawide in MWTI from 51% to 100%.
- (v) 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.
- (vi) On May 5, 2016, the Parent Company acquired a 60% ownership interest in Globemercant, 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. As of December 31, 2020, the Parent Company's ownership interest in Globemercant, Inc. is 50%.
- (vii) 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 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.
- (viii) In August 2018, Megawide acquired the outstanding shares of MTI representing 100% ownership, making it a wholly owned subsidiary of Megawide.
- (ix) On June 20, 2017, the Parent Company acquired a 100% ownership interest in MCBV1, an entity incorporated in the territory of British Virgin Islands, a primarily engage in buying and holding shares of other companies.
- (x) MLI, whose registered office is at Mary Building, 2nd Floor, Parrot Estates, P.O. Box 2416, Road Town Tortola, British Virgin Islands, was incorporated on July 26, 2019.
- (xi) CebuWorld, whose registered office is at Unit 1504 - Ayala Life YGU Center Cebu, Mindanao Avenue corner Bilibin Road, Cebu Business Park, Cebu City, was incorporated on November 3, 2020.
- (xii) Wide-Horizons, whose registered office is at 20 N. Downing Street, Bagg, Valenzuela, Quezon City, was incorporated on November 16, 2020.

Report of Independent Auditors on Components of Financial Soundness Indicators

Punongbayan & Araullo

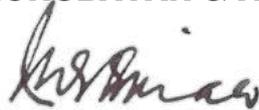
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

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

We have reviewed, in accordance with Philippine Standards on Review Engagements, the interim condensed consolidated financial statements of Megawide Construction Corporation and Subsidiaries (the Group) as of and for the six months ended June 30, 2021, on which we have rendered our report dated August 31, 2021. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, is 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 supplemental 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 interim condensed consolidated financial statements prepared in accordance with PFRS. Except for the current ratio, acid test ratio, solvency ratio, debt-to-equity ratio, assets-to-equity ratio, return on equity and return on assets for June 30, 2020, the components of these financial soundness indicators have been traced to the Group's interim condensed consolidated financial statements as at June 30, 2021 and 2020 and no material exceptions were noted.

PUNONGBAYAN & ARAULLO



By: Mailene Sigue-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 8533222, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 0396-AR-3 (until Oct. 1, 2021)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-020-2020 (until Dec. 21, 2023)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

August 31, 2021

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
Supplemental Schedule of Financial Soundness Indicators
June 30, 2021 and 2020

Ratio	Formula	2021	Formula	2020
Current ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets 39,563,227,944 Divide by: Total Current Liabilities 28,526,663,518 Current ratio 1.39	1.39	Total Current Assets divided by Total Current Liabilities Total Current Assets 32,652,942,256 Divide by: Total Current Liabilities 26,427,557,775 Current ratio 1.23	1.23
Acid test ratio	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities Total Current Assets 39,563,227,944 Less: Inventories (1,741,805,450) Contract Assets (4,772,391,401) Other Current Assets (8,590,827,973) Quick Assets 24,458,203,120 Divide by: Total Current Liabilities 28,526,663,518 Acid test ratio 0.86	0.86	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities Total Current Assets 32,652,942,256 Less: Inventories (1,470,288,309) Contract Assets (4,119,674,445) Other Current Assets (7,416,057,104) Quick Assets 19,646,922,398 Divide by: Total Current Liabilities 26,427,557,775 Acid test ratio 0.74	0.74
Solvency ratio	Total Assets divided by Total Liabilities Total Assets 84,612,277,755 Divide by: Total Liabilities 64,520,691,050 Solvency ratio 1.31	1.31	Total Assets divided by Total Liabilities Total Assets 78,342,210,878 Divide by: Total Liabilities 61,636,372,286 Solvency ratio 1.27	1.27
Debt-to-equity ratio	Total Liabilities divided by Total Equity Total Liabilities 64,520,691,050 Divide by: Total Equity 20,091,586,705 Debt-to-equity ratio 3.21	3.21	Total Liabilities divided by Total Equity Total Liabilities 61,636,372,286 Divide by: Total Equity 16,705,838,592 Debt-to-equity ratio 3.69	3.69
Assets-to-equity ratio	Total Assets divided by Total Equity Total Assets 84,612,277,755 Divide by: Total Equity 20,091,586,705 Assets-to-equity ratio 4.21	4.21	Total Assets divided by Total Equity Total Assets 78,342,210,878 Divide by: Total Equity 16,705,838,592 Assets-to-equity ratio 4.69	4.69
Interest rate coverage ratio	Earnings before interest and taxes (EBIT) divided by Interest expense EBIT 1,281,825,525 Divide by: Interest expense 1,213,171,048 Interest rate coverage ratio 1.06	1.06	Earnings before interest and taxes (EBIT) divided by Interest expense EBIT 722,525,445 Divide by: Interest expense 1,173,256,330 Interest rate coverage ratio 0.62	0.62
Return on equity	Net Loss divided by Total Equity Net Loss (52,850,166) Divide by: Average Equity 20,307,027,285 Return on equity (0.00)	(0.00)	Net Loss divided by Total Equity Net Loss (449,343,026) Divide by: Average Equity 17,352,175,644 Return on equity (0.03)	(0.03)
Return on assets	Net Loss divided by Total Assets Net Loss (52,850,166) Divide by: Average Assets 82,978,023,411 Return on assets (0.00)	(0.00)	Net Loss divided by Total Assets Net Loss (449,343,026) Divide by: Average Assets 79,553,268,555 Return on assets (0.01)	(0.01)
Net profit margin	Net Loss divided by Total Revenue Net Loss (52,850,166) Divide by: Total Revenue 7,583,865,508 Net profit margin (0.01)	(0.01)	Net Loss divided by Total Revenue Net Loss (449,343,026) Divide by: Total Revenue 6,412,196,843 Net profit margin (0.07)	(0.07)

MEGAWIDE CONSTRUCTION CORPORATION
AGING OF RECEIVABLES
as of June 30, 2021

Segment	Current	1-30 days	31-60 days	61-90 days	91-120 days	121-150	151-180	Over 180 days	Total
Construction	3,459,715,435	302,470,097	155,307,671	23,595,548	420,465,803	245,332,111	16,624,120	560,307,414	5,183,818,200
Airport	48,311,999	37,095,495	23,393,308	19,094,378	13,776,836	22,928,752	7,452,042	401,288,677	573,341,487
Merchandising	1,349,195,86	1,514,964.07	753,662.10	561,038.84	-	434,432.89	-	891,271.60	5,504,565
Terminal	59,564,735	84,490,726	68,022,576	68,347,091	68,271,525	29,980,564	63,251,661	131,502,048	573,430,927
TOTAL	3,568,941,366	425,571,281	247,477,218	111,598,057	502,514,164	298,675,861	87,327,823	1,093,989,410	6,336,095,179

56%

7%

4%

2%

8%

5%

1%

17%