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MEGAWIDE CONSTRUCTION CORPORATION

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

**Primary Offer in the Philippines of
15,000,000 Non-Voting Perpetual
Series 5 Preferred Shares
with an Initial Dividend Rate of [•]%
at an Offer Price of ₱100.00 per Series 5 Preferred Shares
to be listed and traded on the
Main Board of The Philippine Stock Exchange, Inc.**

Sole Issue Manager, Lead Underwriter and Bookrunner



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 Preliminary Prospectus is dated January 5, 2023.

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 15,000,000 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 5 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 15,000,000 Series 5 Preferred Shares (the “**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 15,000,000 unissued cumulative, non-voting, non-participating, non-convertible, perpetual Series 5 Preferred Shares.¹

The distribution and sale of the Series 5 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 the Selling Agents named herein who shall sell and distribute the Series 5 Preferred Shares to third party buyers/investors at the Offer Price.

The Series 5 Preferred Shares will be listed on the Main Board of the Philippine Stock Exchange, Inc. (“**PSE**”) on [March 31, 2023], (the “**Listing Date**”) under the trading symbol “**MWP5**” for the Shares.

Following the Offer, the Company will have 2,013,409,717 Common Shares and 386,016,410 Common Shares held in treasury; 26,220,130 Series 2A Preferred Shares, and 17,405,880 Series 2B Preferred Shares, 29,000,000 Series 3 Preferred Shares, 40,000,000 Series 4 Preferred Shares issued and outstanding shares and 15,000,000 Series 5 Preferred Shares².

The holders of the Series 5 Preferred Shares do not have identical rights and privileges with holders of the existing Common Shares and existing Series 2, Series 3 and Series 4 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 5 Preferred Shares shall be at a fixed rate of [•]% 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 5 Preferred Shares will be payable on a quarterly basis in arrears on a Dividend Period (as defined herein).

Unless the Series 5 Preferred Shares have been redeemed by the Company three (3) 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 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

¹ The Company has submitted an application for the increase in the authorized capital stock with the Securities and Exchange Commission (“**SEC**”), and such application is pending approval with the SEC.

² The Company has submitted an application for the increase in the authorized capital stock with the Securities and Exchange Commission (“**SEC**”), and such application is pending approval with the SEC.

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 years from the Listing Date and (ii) 4.00%; or (b) the floor rate of 12.00% (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 three (3) years from the Listing Date of the Series 5 Preferred Shares).

Dividends on the Series 5 Preferred Shares will be cumulative. If for any reason the Issuer’s Board does not declare a dividend on the Series 5 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 5 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 5 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) days nor more than sixty (60) days prior written notice to the Stock Transfer Agent from its intended date of redemption, at a redemption price equal to the relevant Offer Price of the Series 5 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 5 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 5 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) days nor more than sixty (60) days’ notice prior to the intended date of redemption. The redemption due to an Accounting Event or a Tax Event shall be made by the Issuer at the Redemption Price which shall be paid within five (5) Banking Days after the exercise of the right to redeem the Series 5 Preferred Shares.

The Series 5 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 5 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 5 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 5 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 5 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 5 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 5 Preferred Shares or on the liquidating distributions as may be received by a holder of Series 5 Preferred Shares, (c) expanded VAT which may be payable by any holder of the Series 5 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 5 Preferred Shares by any holder of the Series 5 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) days nor less than sixty (60) days' notice 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 5 Preferred Shares are discussed in the section on "*Taxation*").

Documentary stamp tax for the primary issue of the Series 5 Preferred Shares and the documentation, if any, shall be for the Issuer's account.

The Series 5 Preferred Shares will constitute direct and unsecured subordinated obligations of the Issuer ranking at least *pari passu* in all respects and ratably without preference or priority among themselves and with all other preferred shares issued or to be issued by the Issuer.

The Series 5 Preferred Shares will be issued in scripless form. Title to the Series 5 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 5 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 ₱1,500,000,000.00. The net proceeds from the Offer, estimated to be at ₱1,482,694,522.85 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 for the redemption of the outstanding Series 2A perpetual preferred shares of Megawide which will be due for step up on 27 May 2023. (See "*Use of Proceeds*"). No part of the proceeds will be used to reimburse the Company for the filing fees and expenses incurred in connection with the increase in capital stock to create the Series 5 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 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 5 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 Sole Issue Manager, Lead Underwriter and Bookrunner. The distribution of this Prospectus and the offer and sale of the Series 5 Preferred Shares may, in certain jurisdictions, be restricted by law. The Company and Sole Issue Manager, Lead Underwriter and Bookrunner 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 Sole Issue Manager, Lead Underwriter and Bookrunner 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 Sole Issue Manager, Lead Underwriter and Bookrunner confirms 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 Sole Issue Manager, Lead Underwriter and Bookrunner, which has made all reasonable enquiries, confirm that this document contains all information with respect to the Sole Issue Manager, Lead Underwriter and Bookrunner, and the Series 5 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 5 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.

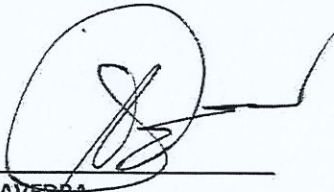
Unless otherwise indicated, all information in this Prospectus is as of date hereof. Neither the delivery of this Prospectus nor any sale made pursuant to this Prospectus shall, under any circumstances, create any implication that the information contained herein is correct as of any date subsequent 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 Sole Issue Manager, Lead Underwriter and Bookrunner makes any representation as to the accuracy of such information. Each person contemplating an investment in the Series 5 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 5 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 5 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 5 Preferred Shares, see the section entitled "*Risk Factors*".

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

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BEEN DECLARED EFFECTIVE. NO OFFER TO BUY THE SECURITIES CAN BE ACCEPTED AND NO PART OF THE PURCHASE PRICE CAN BE ACCEPTED OR RECEIVED UNTIL THE REGISTRATION STATEMENT HAS BECOME EFFECTIVE, AND ANY SUCH OFFER MAY BE WITHDRAWN OR REVOKED, WITHOUT OBLIGATION OF COMMITMENT OF ANY KIND, AT ANY TIME PRIOR TO NOTICE OF ITS ACCEPTANCE GIVEN AFTER THE EFFECTIVE DATE. AN INDICATION OF INTEREST IN RESPONSE HERETO INVOLVES NO OBLIGATION OR COMMITMENT OF ANY KIND. THIS PRELIMINARY PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SERIES 5 PREFERRED SHARES.

MEGAWIDE CONSTRUCTION CORPORATION

By:



EDGAR B. SAAVEDRA

*Chairman of the Board of Directors,
Chief Executive Officer, and President*

SUBSCRIBED AND SWORN to before me this **JAN 05 2023** in **MAKATI CITY**, Philippines, by affiant who is personally known to me and exhibited to me his Philippine Passport with no. P6875140B issued on 27 May 2021 at DFA Manila.

Doc. No. 522 ;
Page No. 106 ;
Book No. I ;
Series of 2023



KATRINA ISABELLE G. PIMENTEL
Appointment No. M-336
Notary Public for Makati City
Until December 31, 2023
Liberty Center-Picazo Law
104 H.V. Dela Costa Street, Makati City
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IBP No. 213748/Makati City/05-21-2022
MCLE Exempted-Admitted to the bar in 2022

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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
Business 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
Citicore	Citicore Holdings Investment, Inc., also referred to in the Prospectus as the Ultimate Parent Company
CMCI	Citicore-Megawide Consortium Inc.
Company, Issuer, Megawide, Parent Company	Megawide Construction Corporation
Construction Order Book	The value of construction contracts awarded to the Company during a specified period
COVID-19	A disease caused by a new strain of coronavirus. Formerly referred to as '2019 novel coronavirus' or '2019-nCoV'.
DENR	Department of Environment and Natural Resources
DepEd	Department of Education
Depository Agent	Philippine Depository and Trust Group
DOH	Department of Health
DOTC	Department of Transportation and Communication
DOTr	Department of Transportation
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
Formwork Systems	Temporary or permanent molds into which concrete or similar materials are poured
GCQ	General Community Quarantine
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 [March 31, 2023].
MCIA	Mactan Cebu International Airport
MCIAA	Mactan-Cebu International Airport Authority
MECQ	Modified Enhanced Community Quarantine
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 15,000,000 Series 5 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 [March 13, 2023] and ending at 12:00 p.m. on [March 21, 2023] within which the Eligible Investors may subscribe to the Offer Shares
Offer Price	₱100.00
Offer Shares or Shares	15,000,000 Series 5 Preferred Shares each with a par value of ₱1.00
₱, P, or Php	Philippine Pesos, the lawful currency of the Republic of the Philippines

PCAB	Philippine Contractors Accreditation Board
PCD	The Philippine Central Depository
PCD Nominee	The PCD Nominee Corporation, a corporation wholly owned by the PDTC
P.D. No. 1746	Presidential Decree No. 1746, entitled "Creating the Construction Industry Authority of the Philippines", as amended by R.A. No. 4566
PDS	The Philippine Dealing System
PDTC	The Philippine Depository and Trust Corporation, the central securities depository of, among others, securities listed and traded on the PSE
PFRS	Philippine Financial Reporting Standards
PIFITA	House Bill No. 4339 and Senate Bill No. 900 or the Passive Income and Financial Intermediary Taxation Act
PITX	Paranaque Integrated Terminal Exchange
Philippine Nationals	Pursuant to the FIA, any of the following:

- (a) a citizen of the Philippines; or
- (b) a domestic partnership or association wholly owned by citizens of the Philippines; or
- (c) a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines; or
- (d) a corporation organized abroad and registered as doing business in the Philippines under the Corporation Code of which 100% of the capital stock outstanding and entitled to vote is wholly owned by Filipinos; or
- (e) a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine national and at least 60% of the fund will accrue to the benefit of the Philippine nationals. Where a corporation and its non-Filipino stockholders own stocks in an SEC-registered enterprise, at least 60% of the capital stock outstanding and entitled to vote of both corporations must be owned and held by citizens of the Philippines and at least 60% of the members of the Board of Directors of both corporations must be citizens of the Philippines, in order that the corporations shall be considered a Philippine national

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

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

PPP	Public-Private Partnership
Pre-Cast Concrete System	A construction product resulting from casting concrete in a reusable mold which is then cured in a controlled environment, transported to the construction site and lifted into place
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: (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
Registrar	Stock Transfer Service Inc.
Receiving Agent	Stock Transfer Service Inc.
Revised Corporation Code	Republic Act 11232 or the Revised Corporation Code of the Philippines
SEC	The Philippine Securities and Exchange Commission
Series 5 Preferred Shares	The Company’s Series 5 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	Stock Transfer Service 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 Sole Issue Manager, Lead Underwriter and Bookrunner, indicating the terms and conditions of the Offer and providing that the Offer shall be fully underwritten by the

Sole Issue Manager, Lead Underwriter and Bookrunner.

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.

Statements in this Prospectus as to the opinions, beliefs and intentions of Megawide accurately reflect in all material respects the opinions, beliefs and intentions of its management as to such matters at the date of this Prospectus, although Megawide can give no assurance that such opinions or beliefs will prove to be correct or that such intentions will not change. This Prospectus discloses, under the section “*Risk Factors*” and elsewhere, important factors that could cause actual results to differ materially from the expectation of the Issuer. All subsequent forward-looking statements attributable to Megawide or persons acting on behalf of Megawide are expressly qualified in their entirety by cautionary statements.

Megawide and the Sole Issue Manager, Lead Underwriter and Bookrunner, 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, appearing elsewhere in this Prospectus. Prospective purchasers of the Series 5 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 was registered with the 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. The Company redeemed its Series 1 Preferred Shares on December 3, 2021.

On November 4, 2022, the Company's Board of Directors approved the increase in the authorized capital stock of the Company from ₱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, to ₱5,116,000,000.00, divided into 4,930,000,000 Common Shares with par value of ₱1.00 per share and 186,000,000 cumulative, non-voting, non-participating, non-convertible, perpetual Preferred Shares with a par value of ₱1.00 per share.³

The foregoing resolution 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 December 20, 2022. 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, is delegated to the Board of Directors.

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 meetings on October 5, 2020, February 26, 2021, and November 4, 2022, approved the creation of the series of Preferred Shares, as follows:

- (a) Series 1 Preferred Shares consisting of 40,000,000 existing, issued and outstanding preferred shares which were redeemed last December 3, 2021;
- (b) Series 2 Preferred Shares consisting of not more than 50,000,000 shares to be allocated between Subseries 2A Preferred Shares and Subseries 2B Preferred Shares;
- (c) Series 3 Preferred Shares consisting of 29,000,000 existing, issued, and outstanding preferred shares;

³ The Company has submitted an application for the increase in the authorized capital stock with the Securities and Exchange Commission ("SEC"), and such application is pending approval with the SEC.

(d) Series 4 Preferred Shares consisting of 40,000,000 existing, issued, and outstanding preferred shares preferred shares; and

(e) Series 5 Preferred Shares consisting of 15,000,000 preferred shares to be listed in the PSE

The Offer Shares will be coming from the Series 5 Preferred Shares.⁴

The authorized capital stock of the Company is ₱5,116,000,000.00 divided into 4,930,000,000 Common Shares with a par value of ₱1.00 per share and 186,000,000 Preferred Shares with a par value of ₱1.00 per share.⁵

As of date, the Company has 2,496,552,137 issued shares composed of: (a) 2,013,409,717 outstanding Common Shares, (b) 386,016,410 Common Shares held in treasury (c) 26,220,130 issued and outstanding Series 2A Preferred Shares; (d) 17,405,880 issued and outstanding Series 2B Preferred Shares, (e) 29,000,000 issued and outstanding Series 3 Preferred Shares and (f) 40,000,000 issued and outstanding Series 4 Preferred Shares.⁶

Following the Offer, the Company will have (a) 2,013,409,717 issued and outstanding Common Shares and 386,016,410 Common Shares held in treasury; (b) 26,220,130 issued and outstanding Series 2A Preferred Shares and 17,405,880 issued and outstanding Series 2B Preferred Shares; (c) 29,000,000 issued and outstanding Series 3 Preferred Shares; (d) 30,000,000 issued and outstanding Series 4 Preferred Shares and (e) 15,000,000 issued and outstanding Series 5 Preferred Shares.

As of date of this Prospectus, Megawide's Board is 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 Atty. Lilia B. de Lima. Meanwhile, Megawide's management team is headed by its President, CEO, and Chairman of the Board, Mr. Edgar B. Saavedra, a licensed civil engineer, who has been practicing for over twenty (20) years.

As of September 30, 2022, the Company's major shareholders are PCD Nominee Corporation (Filipino) with 64.48% of the total issued and outstanding common stock, Citicore Holdings Investment Inc. ("Citicore") with 29.71% and PCD Nominee Corporation (Non-Filipino) with 3.85%. Meanwhile, Megacore Holdings, Inc., whose common shares 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 contracts sealed by the construction segment are the CP-104 Manila Subway, 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

⁴ The Company has submitted an application for the increase in the authorized capital stock with the Securities and Exchange Commission ("SEC"), and such application is pending approval with the SEC.

⁵ The Company has submitted an application for the increase in the authorized capital stock with the Securities and Exchange Commission ("SEC"), and such application is pending approval with the SEC.

⁶ The Company has submitted an application for the increase in the authorized capital stock with the Securities and Exchange Commission ("SEC"), and such application is pending approval with the SEC.

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.

On December 16, 2022, the Company and GMR Airports International, B.V. (GAIBV) closed their transaction with Aboitiz InfraCapital, Inc. (AIC) for AIC’s acquisition of shares in GMCAC, the developer and operator of the award-winning MCIA.

AIC acquired a 33 and 1/3% minus 1 share stake in GMCAC from Megawide and GAIBV while the Company and GAIBV simultaneously issued Exchangeable Notes to AIC amounting to ₱15.5 billion, which will mature on 30 October 2024, and are expected to be exchanged by AIC for the remaining 66 and 2/3% plus 1 share of GMCAC’s outstanding capital stock.

Accordingly, the Company owns 33 and 1/3% plus 1 share of GMCAC as of date of this Prospectus.

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 5 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.
- 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.
- The Company has exposure to government projects.

b. Risks relating to the Airport (MCIA) Segment

- Modernization of existing and opening of new airports in the country.
- Tourism-related travel may not immediately return to pre-pandemic levels given threat of resurgence of COVID-19 pandemic.

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

2. Risks relating to the Company's Series 5 Preferred Shares

- The Series 5 Preferred Shares may not be a suitable investment for all investors.
- The market price of the Series 5 Preferred Shares may be volatile, which could cause the value of investors' investments in the Series 5 Preferred Shares to decline.
- The dividends on the Series 5 Preferred Shares may not be paid in full, or at all.
- The Series 5 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 to the holders of Series 5 Preferred Shares is limited by terms of Megawide's other indebtedness.
- The Series 5 Preferred Shares have no fixed Maturity Date and Megawide has the Sole Right to Redemption.
- There may be a lack of public market for the Series 5 Preferred Shares.
- There may be a limited market for the Series 5 Preferred Shares, so there may be limited liquidity in the market.
- Non-payment of dividends may affect the Trading Price of the Series 5 Preferred Shares

- Holders of Series 5 Preferred Shares may not be able to reinvest at a similar return on investment.
- The Series 5 Preferred Shares have no voting rights.
- There are restrictions on foreign ownership of Megawide's Series 5 Preferred Shares by non-Philippine Nationals.
- The Series 5 Preferred Shares may be affected by the 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.
- 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 financial statements as of and for the period ended September 30, 2022 and September 30, 2021, and the Company's audited financial statements as of and for the years ended December 31, 2021, 2020, and 2019, and should be read in conjunction with the 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, 2021, 2020 and 2019 were audited by Punongbayan & Araullo. The summary of financial information set forth below does not purport to project the results of operations or financial conditions of Megawide for any future period or date.

(Amounts in ₱ thousands)	As of September 30		As of December 31		
	2022	2021	2021	2020	As Restated 2019
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	₱3,975,818	₱6,508,449	₱5,846,088	₱7,226,150	₱6,518,600
Trade and other receivables – net	17,828,104	16,566,747	16,970,555	15,299,050	17,373,477
Financial assets at fair value through profit or loss	-	-	-	-	-
Construction materials	2,700,040	1,779,933	2,045,159	1,719,043	1,287,128
Contract assets	5,334,452	4,519,027	4,777,705	4,231,600	3,975,734
Costs in excess of billings on uncompleted contracts	-	-	-	-	-
Other current assets	11,409,052	9,369,712	10,132,960	7,956,744	6,310,723
Non-current assets held for sale	36,029,906	-	-	-	-
Total Current Assets	77,277,372	38,743,868	39,772,467	36,432,587	35,465,662
NON-CURRENT ASSETS					
Financial assets as fair value through other comprehensive income	3,544	3,544	3,544	3,544	3,544
Available-for-sale financial assets	-	-	-	-	-
Investments in associates	815,468	874,390	861,513	929,196	959,507
Concession assets	-	30,348,924	30,503,823	29,928,728	29,436,586
Property, plant, and equipment -net	6,627,952	6,796,969	7,166,867	7,497,348	7,666,010
Investment properties	4,412,496	4,311,534	4,493,344	4,120,894	4,186,720
Deferred tax assets - net	51,660	533	24,595	9,626	44,299
Other non-current assets	302,813	2,531,188	2,350,476	2,421,846	3,001,998
Total Non-current Assets	12,213,933	44,867,082	45,404,162	44,911,182	45,298,664
TOTAL ASSETS	₱89,491,305	₱83,610,950	₱85,176,629	₱81,343,769	₱80,764,326
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Interest-bearing loans and borrowings	₱15,152,058	₱13,096,888	₱14,780,086	₱13,110,458	₱14,681,061
Trade and other payables	6,568,731	8,137,183	8,616,715	8,291,951	8,167,589
Contract liabilities	4,082,107	5,934,095	3,703,189	2,115,257	2,805,627
Billings in excess of costs on uncompleted contracts	-	-	-	-	-
Other current liabilities	224,501	422,305	265,860	218,177	220,063
Non-current liabilities held for sale	30,190,674	-	-	-	-
Total Current Liabilities	56,218,071	27,590,471	27,365,850	23,735,843	25,874,340

(Amounts in ₱ thousands)	As of September 30		As of December 31		
	2022	2021	2021	2020	2019
NON-CURRENT LIABILITIES					
Interest-bearing loans and borrowings	13,318,003	34,475,349	34,721,410	32,809,908	33,071,851
Contract liabilities	1,405,179	-	2,056,202	2,478,673	2,125,643
Post-employment defined benefit obligation	278,235	348,530	300,125	343,402	340,208
Deferred tax liabilities - net	28,299	904,736	872,561	801,849	612,630
Other non-current liabilities	396,124	656,928	659,573	651,626	741,142
Total Non-current Liabilities	15,425,840	36,385,543	38,609,871	37,085,458	36,891,474
Total Liabilities	71,643,911	63,976,014	65,975,721	60,821,301	62,765,814
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	128,626	88,626	128,626	87,001	40,000
Additional paid-in capital	16,987,856	13,057,712	16,987,856	13,057,712	8,776,359
Revaluation reserves	91,392	(9,228)	94,012	(8,951)	(63,384)
Other reserves	(22,475)	(22,475)	(22,475)	(22,475)	(22,475)
Treasury shares	(8,615,691)	(4,615,691)	(8,615,691)	(4,615,691)	(3,912,618)
Retained earnings	4,729,954	5,944,266	5,555,677	6,404,292	7,083,443
Total equity attributable to shareholders of the Parent Company	15,699,088	16,842,636	16,527,431	17,301,314	14,300,751
Non-controlling interests	2,148,306	2,792,300	2,673,476	3,221,154	3,697,761
Total Equity	17,847,394	19,634,936	19,200,908	20,522,468	17,998,512
TOTAL LIABILITIES AND EQUITY	₱89,491,305	₱83,610,950	₱85,176,629	₱81,343,769	₱80,764,326

(Amounts in ₱ thousands)	For the nine months ended September 30		For the years ended December 31		
	2022	2021	2021	2020	As Restated 2019
CONTINUING OPERATIONS					
REVENUES					
Construction operation revenues	₱10,318,700	₱10,556,039	₱14,329,464	₱10,842,200	₱15,309,069
Landport operations revenues	276,262	513,820	715,039	902,414	555,402
Trading operations revenues	93,129	10,277	23,426	69,945	326,221
	10,688,090	11,080,136	15,067,929	11,814,559	16,190,692
DIRECT COSTS					
Cost of construction operations	8,824,616	8,948,293	12,130,698	9,393,547	13,291,798
Cost of landport operations	255,378	230,258	369,474	355,896	334,155
Cost of trading operations	55,936	7,849	15,969	20,960	88,214
	9,135,930	9,186,400	12,516,141	9,770,403	13,714,167
GROSS PROFIT	1,552,160	1,893,735	2,551,788	2,044,156	2,476,525
OTHER OPERATING EXPENSES	784,547	753,887	1,369,704	1,030,783	1,203,309
OPERATING PROFIT	767,614	1,139,848	1,182,083	1,013,373	1,273,217
OTHER INCOME (CHARGES)					
Finance costs - net	(701,493)	(764,648)	(1,040,510)	(977,924)	(798,796)
Others - net	324,853	344,096	415,170	322,739	245,112
	(376,640)	(420,552)	(625,340)	(655,185)	(553,683)
PROFIT BEFORE TAX	390,974	719,296	556,743	358,188	719,533
TAX EXPENSE	47,031	172,009	92,249	48,803	137,732
NET PROFIT (LOSS) FROM CONTINUING OPERATIONS	₱343,943	₱547,287	₱464,494	₱309,385	₱581,801
DISCONTINUED OPERATIONS					
Income (loss) before tax	(₱1,262,338)	(₱977,078)	(₱1,280,525)	(₱967,998)	₱715,704
Tax expense	52,026	79,836	77,124	215,983	186,470
NET PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	(₱1,314,365)	(₱1,056,913)	(₱1,357,649)	(₱1,183,981)	₱529,234
NET PROFIT (LOSS)	(₱970,422)	(₱509,626)	(₱893,154)	(₱874,596)	₱1,111,035

Net Profit Attributable To:

Shareholders of the Parent Company

Continuing operations	₱343,368	₱553,344	₱471,604	₱312,239	₱541,947
Discontinued operations	(788,619)	(634,148)	(814,589)	(710,389)	317,540
	(445,251)	(80,804)	(342,985)	(398,150)	859,487

Non-controlling interests

Continuing operations	575	(6,057)	(7,110)	(2,854)	39,854
Discontinued operations	(525,746)	(422,765)	(543,059)	(473,592)	211,694
	(525,171)	(428,822)	(550,169)	(476,446)	251,547

	(₱970,422)	(₱509,626)	(₱893,154)	(₱874,596)	₱1,111,035
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Earnings (Loss) per Share:

	(₱0.41)	(₱0.23)	(₱0.42)	(₱0.33)	₱0.28
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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 5 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 5 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 5 Preferred Shares. Accordingly, any decision by a prospective investor to invest in the Series 5 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 15,000,000 preferred shares (the “ Series 5 Preferred Shares ”)
Offer Size	15,000,000 Series 5 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 5 Preferred Shares shall be traded under the symbols “MWP5”.
Sole Issue Manager, Lead Underwriter and Bookrunner	RCBC Capital Corporation (“ RCBC Capital ”)
Use of Proceeds	The net proceeds of the Offer shall be used primarily to redeem the Company's Series 2A Preferred Shares which will be due for step up on May 27, 2023. For further discussion, please refer to the section on “ <i>Use of Proceeds</i> ” of this Prospectus.
Par Value	The Series 5 Preferred Shares have a par value of ₱1.00 per share.
Offer Price	The Series 5 Preferred Shares shall be offered at a price of ₱100.00 per share.
Offer Period	The Offer period shall commence at 9:00 a.m. on [March 13, 2023] and end at 12:00 p.m. on [March 21, 2023]. The Company and the Sole Issue Manager, Lead Underwriter and Bookrunner reserve the right to extend or terminate the Offer Period with the approval of the SEC and the PSE, as applicable.
Listing Date	On [March 31, 2023], or such other date when the Series 5 Preferred Shares are listed in the PSE.
Dividend Rate	The Series 5 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.

	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).
Initial Dividend Rate	The initial dividend rate shall be at the fixed rate of [•]% 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	Cash dividends will be payable on [June 30], [September 30], [December 31], and [March 31] 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. 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. 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. 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.
Conditions on Declaration and Payment of Cash Dividends	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. 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 5 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 5 Preferred Shares ("Comparable Shares"), the Company is required to pay cash dividends on the Series 5 Preferred Shares and any Comparable Shares pro rata to the amount of the cash dividends scheduled to be paid to the Series 5 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 pursuant to applicable laws and regulations, equal to the accumulated, realized profits of the Company less accumulated, realized loss.
Optional Redemption and Purchase	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 5 Preferred Shares on the date that is 3 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 5 Preferred Shares plus all dividends due on such Optional Redemption Date as well as all Dividends in Arrears (" Redemption Price "). The Company shall give not less than thirty (30) nor more than sixty (60) days prior written notice to the

	Stock Transfer Agent from its intended date of redemption which notice shall be irrevocable and binding upon the Company to effect such early redemption of the Series 5 Preferred Shares at the Optional Redemption Date stated in such notice. The Company may also redeem the Series 5 Preferred Shares, in whole but not in part, any or both of the subseries, at any time if an Accounting Event or a Tax Event (each as defined below) has occurred and is continuing, having given not less than thirty (30) nor more than sixty (60) days' written notice prior to the intended date of redemption which must be a Banking Day, which notice shall be irrevocable and binding upon the Company to effect such redemption of the Series 5 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 5 Preferred Shares on the date of redemption set out in the notice. Upon listing on the PSE, the Company may purchase the Series 5 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 5 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.
Dividend Rate Step Up	If the Series 5 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 12.00%. The date of the listing of Series 5 Preferred Shares is referred to as the "Listing Date". The day three (3) years from the Listing Date referred to 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: - 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 - 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 three (3) years from the Listing Date). 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.

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 5 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 5 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 days' nor less than 30 days' notice prior to the intended date of redemption which must be a Banking Day, may redeem any subseries of the Series 5 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 5 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 days' nor less than 30 days' notice prior to the intended date of redemption which must be a Banking Day, may redeem any subseries of the Series 5 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	All payments in respect of the Series 5 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 5 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: (a) the final withholding tax applicable on dividends earned on the Series 5 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 of the Series 5 Preferred Shares or on the liquidating distributions as may be received by a holder of Series 5 Preferred Shares, (c) any expanded VAT which may be payable by any holder of the Series 5 Preferred Shares on any amount to be received from the Company under the terms and conditions of the Series 5 Preferred Shares, (d) any withholding tax on any amount payable to any holder of Series 5 Preferred Shares or any entity which is a non-resident foreign corporation, and (e) applicable taxes to any subsequent sale or transfer of the Series 5 Preferred Shares by any holder of the Series 5 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). All sums payable by the Company to tax-exempt entities 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. Documentary stamp tax and all other costs and expenses for the issuance of the Series 5 Preferred Shares and the documentation, if any, shall be for the account of the Company.
Form, Title and Registration of the Preferred Shares	The Series 5 Preferred Shares will be issued in scripless form through the electronic book-entry system of Stock Transfer Service, Inc. as Registrar for the Offer, and lodged with Philippine Depository and Trust Corporation as Depository Agent on Listing Date through PSE Trading Participants respectively nominated by the applicants. For this purpose, applicants shall indicate in the proper space provided for in the Application Form the name of a PSE Trading Participant under whose name their shares will be registered. After Listing Date, holders of the Series 5 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 5 Preferred Shares registered under their name, or (b) issue stock certificates evidencing their investment in the Series 5 Preferred Shares. Any expense that will be incurred in relation to such registration or issuance shall be for the account of the requesting shareholder. Legal title to the Series 5 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 5 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.
Selling and Transfer Restrictions	Initial placement and subsequent transfers of interests in the Series 5 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 5 Preferred Shares will be issued pursuant to the laws of the Republic of the Philippines.
Features of the Series 5 Preferred Shares	
Status	The Series 5 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. The obligations of the Company in respect of the Series 5 Preferred Shares are subordinated to all indebtedness of the Company. The obligations of the Company under the Series 5 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 5 Preferred Shares. Accordingly, the obligations of the Company under the Series 5 Preferred Shares will not be satisfied unless the Company can satisfy in full all of its other obligations ranking senior to the Series 5 Preferred Shares. 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 5 Preferred Shares.
Cumulative Dividends	Dividends on the Series 5 Preferred Shares will be cumulative. If for any reason the Board of Directors of the Company does not declare a dividend on the Series 5 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 5 Preferred Shares shall receive the dividends due them on such Dividend Payment Date as well as all Dividends in Arrears. Holders of the Series 5 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. The Company covenants that, in the event (for any reason): (a) any cash dividends due with respect to any Series 5 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 5 Preferred Shares, or (c) any other amounts payable in respect of the Series 5 Preferred Shares pursuant to the terms and conditions of the Series 5 Preferred Shares, are not paid in full when due, then the Company will not: (i) declare or pay any dividends or other distributions in respect of shares ranking <i>pari passu</i> with or junior to the Series 5 Preferred Shares (unless such payment in respect of shares ranking <i>pari passu</i> with the Series 5 Preferred Shares shall be in accordance with the "Conditions on Declaration and Payment of Cash Dividends"), or (ii) repurchase or redeem, securities ranking <i>pari passu</i> with, or junior to, the Series 5 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 5 Preferred Shares), until any and all the amounts described in (a), (b) and (c) have been paid in full to the holders of the Series 5 Preferred Shares.
No Voting Rights	Holders of the Series 5 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 5 Preferred Shares shall not be entitled to participate in any other or future dividends beyond the cash dividends specifically payable on the Series 5 Preferred Shares.

Non-Convertible	Holders of the Series 5 Preferred Shares shall have no right to convert the Series 5 Preferred Shares into any other preferred shares or common shares of the Company.
No Pre-emptive Rights	Holders of the Series 5 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 5 Preferred Shares at the time outstanding will be entitled to receive, in Philippine Pesos out of the assets of the Company available for distribution to shareholders, together with the holders of any other shares of the Company ranking, as regards repayment of capital, <i>pari passu</i> with the Series 5 Preferred Shares and before any distribution of assets is made to holders of any class of shares of the Company ranking after the Series 5 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 5 Preferred Shares and any other shares of the Company ranking as to any such distribution <i>pari passu</i> with the Series 5 Preferred Shares are not paid in full, the holders of the Series 5 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 5 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 [March 13, 2023] and end at 12:00 p.m. on [March 21, 2023]. The Company and the Sole Issue Manager, Lead Underwriter and Bookrunner 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 5 Preferred Shares, and thereafter, in multiples of 10 Series 5 Preferred Shares. No Application for multiples of any other number of Series 5 Preferred Shares will be considered.
Eligible Investors	The Series 5 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 5 Preferred Shares applied for subscription or purchase for purposes of complying with any applicable constitutional or statutory nationality requirement. 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 5 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. 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. Law may restrict subscription to the Series 5 Preferred Shares in certain jurisdictions. Foreign investors interested in subscribing for or purchasing the Series 5 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 5 Preferred Shares will not violate the laws of their jurisdiction and that they are allowed to acquire, purchase and hold the Series 5 Preferred Shares.
Procedure for Application	Application to Purchase for the subscription of Series 5 Preferred Shares may be obtained from the Sole Issue Manager, Lead Underwriter and Bookrunner 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 5 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 Sole Issue Manager, Lead Underwriter and Bookrunner or Selling Agents on or prior to the deadline for submission of Applications for Sole Issue Manager, Lead Underwriter and Bookrunner and Selling Agents, respectively. If the applicant is a corporation, partnership, or trust account, the Application must be accompanied by the following documents: - 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); - a certified true copy of the applicant's SEC certificate of registration, duly certified by the corporate secretary (or equivalent officer); - 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 5 Preferred Shares indicated in the Application, and (ii) the designated signatories for the purpose, including their respective specimen signatures - 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 If the applicant is an individual, two (2) specimen signature cards duly authenticated by the Sole Issue Manager, Lead Underwriter and Bookrunner or the Selling Agent which forwarded the Application.
Payment for the Preferred Shares	The Series 5 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. Payment for the Series 5 Preferred Shares being subscribed for shall be made either by: (i) personal or corporate check drawn against an account with a Bangko Sentral ng Pilipinas (“BSP”) authorized bank at any of its branches located in Metro Manila, or (ii) manager’s or cashier’s check drawn against any of such authorized bank at any of its branches located in Metro Manila. The check shall be made to the order of “Megawide Preferred Shares”. The check must be dated on or about (but not later than) the date of the filing of the application and crossed “For Payee’s Account Only”. Checks should be deposited to any RCBC branch. Applications and the related payments shall be received by the Receiving Agent at a designated place during the Offer Period. Applicants may also remit payment for their Series 5 Preferred Shares through the RTGS facility of the BSP to the Receiving Agent to whom such Application was submitted or via direct transfer from their deposit accounts maintained with the Sole Issue Manager, Lead Underwriter and Bookrunner. The RTGS fees shall be for the Applicants’ expense. The soft copies of the applications and the related proof of payments shall be received via email and hard copies shall be submitted to the office of the Stock Transfer Agent within 30 calendar days from Listing Date. Cash payments shall not be accepted. Should the Applicant elect to pay through RTGS, the Application should be accompanied by a proof of payment through RTGS in an amount equal to the total Offer Price of the Shares applied for.
Acceptance/Rejection of Applications	The actual number of Series 5 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 Manager, 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 Sole Issue Manager, Lead Underwriter and Bookrunner. 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. An Application, when accepted, shall constitute an agreement between the applicant and the Company for the subscription to the Series 5 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 5 Preferred Shares will become effective only upon listing of the Series 5 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.																				
Refunds for Rejected Applications	In the event that the number of Series 5 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 5 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. 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. The RTGS fees shall be at the Applicant's expense.																				
Expected Timetable	The timetable of the Offer is expected to be as follows: <table border="1"> <tr> <td>SEC en Banc approval and issuance of Pre-effective letter</td><td>[March 2, 2023]</td></tr> <tr> <td>PSE Board Approval</td><td>[March 8, 2023]</td></tr> <tr> <td>Dividend Rate Setting</td><td>[March 8, 2023]</td></tr> <tr> <td>Dividend Rate Announcement</td><td>[March 8, 2023]</td></tr> <tr> <td>Issuance of Permit to Sell and Order of Registration</td><td>[March 10, 2023]</td></tr> <tr> <td>Offer Period</td><td>[March 13- March 21, 2023]</td></tr> <tr> <td>PSE Trading Participants' Submission of Firm Undertaking</td><td>[March 16, 2023]</td></tr> <tr> <td>PSE Trading Participants' Allocation</td><td>[March 16, 2023]</td></tr> <tr> <td>Trading Participants Settlement Date</td><td>[March 21, 2023]</td></tr> <tr> <td>Listing Date and commencement of trading on the PSE</td><td>[March 31, 2023]</td></tr> </table> Any change in the dates included above may be subject to approval of the SEC and PSE, as applicable and other conditions.	SEC en Banc approval and issuance of Pre-effective letter	[March 2, 2023]	PSE Board Approval	[March 8, 2023]	Dividend Rate Setting	[March 8, 2023]	Dividend Rate Announcement	[March 8, 2023]	Issuance of Permit to Sell and Order of Registration	[March 10, 2023]	Offer Period	[March 13- March 21, 2023]	PSE Trading Participants' Submission of Firm Undertaking	[March 16, 2023]	PSE Trading Participants' Allocation	[March 16, 2023]	Trading Participants Settlement Date	[March 21, 2023]	Listing Date and commencement of trading on the PSE	[March 31, 2023]
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Listing Date and commencement of trading on the PSE	[March 31, 2023]																				
Depository Agent	Philippine Depository and Trust Corporation																				

Registrar, Stock Transfer and Receiving Agent	Stock Transfer Service Inc.
Selling Agents	PSE Trading Participants
Counsel to the Issuer	Picazo Buyco Tan Fider & Santos
Counsel to the Sole Issue Manager, Lead Underwriter and Bookrunner	Angara Abello Concepcion Regala & Cruz

RISK FACTORS

An investment in the Series 5 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 5 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 5 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 5 Preferred Shares and our ability to make dividend distributions to our shareholders. All or part of an investment in the Series 5 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 5 Preferred Shares and the investors may lose all or part of their investment. Prospective investors may request publicly available information on the Series 5 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 5 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 5 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.

Recent Government administrations have been keen in developing the infrastructures in Philippines giving Megawide new avenues to explore and win significant projects with the Government. Such opportunities dilute the possible effects of a weak property market.

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

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

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

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. Operations in its Mactan-Cebu International Airport were limited 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. On February 27 2022, the Government announced that quarantine restrictions in varying areas of the country will be eased to Alert Level 1 or 2 in view of the decline in the number of COVID-19 cases. As of the date of the prospectus, Metro Manila is under Alert Level 1 of the Alert Levels System, with more relaxed restrictions. In September 2022, under the recommendation of IATF, the Government has started easing the use of face masks to help bolster the economy. The Company continues to practice minimum health and safety protocols within its premises to prevent the further spread of the virus and in compliance with IATF guidelines.

The uncertainty of when the pandemic will be fully contained will continuously affect and cause downturns 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 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 with 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 Ultimate 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 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 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 underdevelopment. 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.

The continued pressure on commodity prices arising from the tension in Russia-Ukraine and supply disruptions brought about by the COVID-19 related lockdowns in China, could have an impact on the major raw materials costs, such as oil, and costs for construction, such as steel, which could delay project launches of developers.

Market supply and demand affect 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 90-120 days. 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.

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. Megawide also utilizes a lock-in price of critical raw materials with its suppliers and maintains a 90-day inventory to manage price fluctuations.

The Company has exposure to government projects.

There is a risk that awarding of government projects may get delayed thus delaying inflows from the construction of such projects. Megawide prioritizes projects that are funded by reputable financial institutions or those projects that are funded by Asian Development Bank (ADB) or Japan International Cooperation Agency (JICA).

RISKS RELATING TO THE AIRPORT (MCIA) SEGMENT

On December 16, 2022, the Company and GMR Airports International, B.V. (GAIBV) closed their transaction with Aboitiz InfraCapital, Inc. (AIC) for AIC's acquisition of shares in GMCAC, the developer and operator of the award-winning MCIA.

AIC acquired a 33 and 1/3% minus 1 share stake in GMCAC from Megawide and GAIBV while the Company and GAIBV simultaneously issued Exchangeable Notes to AIC amounting to ₱15.5 billion, which will mature on 30 October 2024, and are expected to be exchanged by AIC for the remaining 66 and 2/3% plus 1 share of GMCAC's outstanding capital stock.

Accordingly, the Company owns 33 and 1/3% plus 1 share of GMCAC as of date of this Prospectus which can be considered exposed to the enumerated risks below.

Modernization of existing and opening of new airports in the country

The Company through GMCAC (now a partnership between MWIDE, GMR and AIC) 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.

Tourism-related travel may not immediately return to pre-pandemic levels given threat of resurgence of 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 previous global travel restrictions arising from the COVID-19 pandemic may still impact tourism-related travel in the near term and result in slower passenger volumes especially international tourism

On the other hand, Cebu and its vicinities remain among the top tourist destinations in the country and around the world.

RISKS RELATING TO THE LANDPORT (PITX) SEGMENT

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

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

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

The office complex on top of the terminal is mainly leased out to the Philippine Online Gaming Operations ("POGO") segment, contributing to 4.0% of Megawide consolidated revenues as of December 2021. 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.

The Company submits bids, together with other players, which are evaluated by the proponent and are not always guaranteed an outright award.

The Company ensures the submission of competitive bids, leveraging on Megawide's key advantages (pre-cast and vertical Integration) and technological expertise (engineering and innovation).

RISKS RELATING TO THE COMPANY'S SERIES 5 PREFERRED SHARES

The Series 5 Preferred Shares may not be a suitable investment for all investors.

Each potential investor in the Series 5 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 5 Preferred Shares, the merits and risks of relating to Series 5 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 5 Preferred Shares;
- understand thoroughly the terms of the Series 5 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 5 Preferred Shares and the impact the Series 5 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 5 Preferred Shares may be volatile, which could cause the value of investors' investments in the Series 5 Preferred Shares to decline.

The market price of our Series 5 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 5 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 5 Preferred Shares may not be paid in full or in part.

Dividends on the Series 5 Preferred Shares may not be paid in full or in part. Under the terms and conditions governing the Series 5 Preferred Shares, the Company may pay no dividends or less than full dividends on a Dividend Payment Date. Holders of the Series 5 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 5 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 5 Preferred Shares and any Comparable Shares *pro rata* to the amount of the cash dividends scheduled to be paid to the Series 5 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 5 Preferred Shares are subordinate to the Issuer's other indebtedness.

Megawide's obligations in respect of the Series 5 Preferred Shares are subordinated to all of the Company's indebtedness, and it will not make any payments under the Series 5 Preferred Shares unless it can satisfy in full all of its other obligations that rank senior to the Series 5 Preferred Shares.

Megawide's obligations under the Series 5 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 5 Preferred Shares. Accordingly, Megawide's obligations under the Series 5 Preferred Shares will not be satisfied unless Megawide can satisfy in full all of its other obligations ranking senior to the Series 5 Preferred Shares.

There are no terms in the Series 5 Preferred Shares that limit Megawide's ability to incur additional indebtedness, including indebtedness that ranks senior to or *pari passu* with the Series 5 Preferred Shares.

There may be insufficient distributions upon liquidation.

In the event of liquidation, the Series 5 Preferred Shares shall rank ahead of the common shares.

Upon any voluntary or involuntary dissolution, liquidation or winding up of Megawide, holders of Series 5 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 5 Preferred Shares, then holders of Series 5 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 5 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 5 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 5 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 5 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 5 Preferred Shares.

The Series 5 Preferred Shares have no fixed maturity date and Megawide has the sole right to redemption.

The Series 5 Preferred Shares have no fixed maturity date, and the Series 5 Preferred Shares are not repayable in cash unless the Issuer, at its sole discretion, redeems them for cash. Furthermore, holders of the Series 5 Preferred Shares have no right to require the Issuer to redeem the Series 5 Preferred Shares. The Series 5 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 5 Preferred Share holder wishes to obtain the cash value of the investment, the holder will have to sell the Series 5 Preferred Shares in the secondary market.

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

The Philippine securities markets are substantially less liquid and more volatile than major securities markets in other jurisdictions and are not as highly regulated or supervised as some of these other markets. The Company cannot guarantee that the market for the Series 5 Preferred Shares will always be active or liquid upon commencement of their trading on the PSE. The nationality restriction on ownership of the Series 5 Preferred Shares may also restrict the trading and liquidity of the Shares.

There may be a limited market for the Series 5 Preferred Shares so there may be limited liquidity in the market.

The Sole Issue Manager, Lead Underwriter and Bookrunner is not obligated to create a trading market for the Series 5 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 5 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 5 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 5 Preferred Shares.

If dividends on the Series 5 Preferred Shares are not paid in full, or at all, the Series 5 Preferred Shares may trade at a lower price than they might otherwise have traded if dividends had been paid. The sale of Series 5 Preferred Shares during such a period by a holder of Series 5 Preferred Shares may result in such holder receiving lower returns on the investment than a holder who continues to hold the Series 5 Preferred Shares until dividend payments resume. In addition, because of the dividend limitations, the market price for the Series 5 Preferred Shares may be more volatile than that of other securities that do not have these limitations.

Holders of Series 5 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 5 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 5 Preferred Shares and, consequently, the holders of the Series 5 Preferred Shares may not be able to reinvest the proceeds at a comparable rate of return or purchase securities otherwise comparable to the Series 5 Preferred Shares.

The Series 5 Preferred Shares have no voting rights.

Holders of Series 5 Preferred Shares will not be entitled to elect the Directors of the Company. Except as provided by Philippine law, holders of Series 5 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.

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 5 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 Twelfth Regular Foreign Investment Negative List promulgated on 27 June 2022, the procurement of infrastructure projects as defined under the implementing rules of Republic Act No. 9184, otherwise known as the Government Procurement Reform Act, and the operation of public utilities shall be undertaken by Filipino individuals, or corporations, partnerships or associations, the capital of which is 60% owned by citizens of the Philippines.

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 5 Preferred Shares may be affected by the PIFITA.

On November 14, 2022, the House of Representatives approved on the third reading House Bill No. 4339 or the 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 currently undergoing committee hearings in the Senate under Senate Bill No. 900.

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 5 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 and the region have 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.

In February 2022, Vladimir Putin authorized the use of military force, and the entry of Russian soldiers into the Ukrainian territory. Places across Ukraine, including Kyiv, the national capital, were struck with missiles. Shortly afterwards, Russian Forces entered Ukraine prompting Ukrainian President Volodymyr Zelensky to enact martial law and general mobilization (the "Russo-Ukrainian War").

While the Company does not expect any material impact from the ongoing Russo-Ukrainian War to its current and future businesses, ongoing tensions may affect oil and commodity prices in the near to medium term. Any political or economic developments of a global scale could impact prices in general and disrupt supply chains, which could in turn increase the Company's costs for the construction of its future projects. The Company continuously monitors such developments abroad and will assess any direct and indirect impact that the Russo-Ukrainian War may have on its current and future businesses.

In addition, the Company ensures proper and adequate insurance coverages (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.

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 ₱1,500,000,000.00 from the Offer.

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

	in ₱
SEC Registration Fees	946,875.00
PSE Processing and Listing Fees	1,680,000.00
Documentary Stamp Tax	125,000.00
Underwriting and Selling Fees	10,311,827.96*
Legal Counsel Fees	2,240,000.00
Receiving and Stock Transfer Agency Fees	1,630,000.00
Other Expenses	250,000.00
Total Estimated Expenses	17,305,477.15

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

**The underwriter shall retain an amount of ₱7,903,225.81, and pay the estimated fees of ₱2,408,602.15 (inclusive of Value Added Tax) to the Underwriter's counsel.*

Megawide expects the net proceeds from the Offer to be ₱1,482,694,522.85 after deducting the above expenses. The net proceeds for this Offer will be used to fully redeem the Series 2A Preferred Shares. In case the Offer does not materialize or the funds raised from the Offer are insufficient to redeem the Series 2A Preferred Shares, the Company will use internally generated cash and other programmed funding to finance the redemption of the Series 2A Preferred Shares. The net proceeds of the Series 2A Preferred Shares were used by the Issuer to finance various PPP projects such as the MCIA, PITX, Public School Infrastructure Project ("PSIP") Phase II, and Clark International Airport.

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 Sole Issue Manager, Lead Underwriter and Bookrunner 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
- f. A comprehensive report on the progress of its business plan on or before the first fifteen (15) days of the following quarter.

DETERMINATION OF THE OFFER PRICE

The Offer Price of ₱100.00 is at a premium to the Series 5 Preferred Shares par value per share of ₱1.00. The Offer Price was arrived at by dividing the desired gross proceeds of up to ₱1,500,000,000.00 by the target Offer Shares.

At the same time, the Issuer in consultation with the Sole Issue Manager, Lead Underwriter and Bookrunner, also took into consideration the offer prices of the Series 2A, and Series 2B Preferred Shares and Series 4 Preferred Shares, which are currently listed in the PSE. These Preferred Shares are listed and traded on the PSE under the stock symbol “MWP2A”, and “MWP2B”, and “MWP4”, respectively.

As of January 4, 2023, the closing prices of the outstanding Preferred Shares are as follows:

Preferred Shares	Closing Price
MWP2A	₱97.00
MWP2B	₱99.60
MWP4	₱97.85

DILUTION

The Company is offering to the public 15,000,000 Series 5 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 5 Preferred Shares to institutional and retail investors through a public offering to be conducted through the Sole Issue Manager, Lead Underwriter and Bookrunner.

THE OFFER

The offer by the Company of the Series 5 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 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 SOLE ISSUE MANAGER, LEAD UNDERWRITER AND BOOKRUNNER AND SELLING AGENTS

In accordance with the Underwriting Agreement to be entered into with Megawide, the Sole Issue Manager, Lead Underwriter and Bookrunner has agreed to underwrite 15,000,000 of Series 5 Preferred Shares at the Offer Price on a firm basis, and to distribute and sell the Series 5 Preferred Shares in the Offer, subject to the satisfaction of certain conditions, in consideration for certain fees and expenses.

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 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 5 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 Sole Issue Manager, Lead Underwriter and Bookrunner is duly licensed by the SEC to engage in underwriting or distribution of the Series 5 Preferred Shares. The Sole Issue Manager, Lead Underwriter and Bookrunner 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 Sole Issue Manager, Lead Underwriter and Bookrunner has 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 Sole Issue Manager, Lead Underwriter and Bookrunner does not have any direct or indirect interest in the Company or in any securities thereof including options, warrants or rights thereto.

The Sole Issue Manager, Lead Underwriter and Bookrunner has no contract or other arrangement with Megawide by which it may return to Megawide any unsold Series 5 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 the Sole Issue Manager, Lead Underwriter and Bookrunner to put

back to Megawide any unsold Series 5 Preferred Shares. This Offering will not have any oversubscription option.

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 48 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.

SALE AND DISTRIBUTION

The distribution and sale of the Series 5 Preferred Shares shall be undertaken by the Sole Issue Manager, Lead Underwriter and Bookrunner who shall sell and distribute the Series 5 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 15,000,000 Series 5 Preferred Shares to be offered, 80% or 12,000,000 shares are being offered through the Sole Issue Manager, Lead Underwriter and Bookrunner for subscription and sale to Qualified Institutional Buyers and the general public. The Company plans to make available 20% or 3,000,000 shares for distribution to the respective clients of the [121] Trading Participants of the PSE, acting as Selling Agents. Each Trading Participant shall be allocated [24,790] shares ("Allocation Per TP") (computed by dividing the Shares allocated to the Trading Participants by [121]). 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 5 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 5 Preferred Shares not taken up by the Trading Participants shall be distributed by the Sole Issue Manager, Lead Underwriter and Bookrunner directly to their clients and the general public.

All Series 5 Preferred Shares not taken up by the Trading Participants, the general public and the Sole Issue Manager, Lead Underwriter and Bookrunner's clients shall be purchased by the Sole Issue Manager, Lead Underwriter and Bookrunner's pursuant to the terms and conditions of the Underwriting Agreement. Nothing herein or in the Underwriting Agreement shall limit the rights of the Sole Issue Manager, Lead Underwriter and Bookrunner from purchasing the Series 5 Preferred Shares for their own respective accounts.

TERM OF APPOINTMENT

The engagement of the Sole Issue Manager, Lead Underwriter and Bookrunner shall subsist so long as the SEC's permit to sell the Series 5 Preferred Shares remains valid, unless otherwise terminated by the Company and any of the Sole Issue Manager, Lead Underwriter and Bookrunner.

The Underwriting Agreement may be terminated by the Sole Issue Manager, Lead Underwriter and Bookrunner prior to the Listing Date of the Offer Shares under certain circumstances such as (a) a cancellation order issued by any court or governmental agency or authority with

jurisdiction on the matter, the SEC or the PSE, (b) a change or an impending change of law that would, in the reasonable opinion of the Sole Issue Manager, Lead Underwriter and Bookrunner, 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 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.
 - 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 Sole Issue Manager, Lead Underwriter and Bookrunner.
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 Sole Issue Manager, Lead Underwriter and Bookrunner and Selling Agents. No shares are designated to be sold to specific persons.

APPLICATION TO PURCHASE

All Applications to Purchase of the Series 5 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 5 Preferred Shares shall be made by manager's check/cashier's check, corporate check or personal check drawn against any BSP

authorized bank or any branch thereof. All checks should be made payable to Megawide Preferred Shares, crossed "Payee's Account Only" and dated on or before the date of the submission of the Application. Checks should be deposited to any RCBC branch. The soft copies of the Applications and the related proof of payments shall be received via email and hard copies shall be submitted to the office of the Stock Transfer Agent within 30 calendar days from Listing Date. Cash payments shall not be accepted.

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

Corporate and institutional purchases must also submit a copy of the SEC Certificate of Registration, Articles of Incorporation and By-laws, General Information Sheet or such other relevant organizational or charter documents duly certified as true and correct by the SEC and the original signed and notarized Secretary's certificate confirming the resolution of the board of directors and/or committees or bodies authorizing the purchase of the Series 5 Preferred Shares and designating the authorized signatory/ies therefore. Individual Applicants must also submit a photocopy of any one of the following identification documents ("ID"): passport/driver's license, company ID, Social Security System/Government Service and Insurance System ID and/or Senior Citizen's ID or such other ID and documents as may be required by or acceptable to the selling bank.

An Applicant who is exempt from or is subject to withholding tax or who claims reduced tax rates under the Philippine National Internal Revenue Code, as amended ("**NIRC**") or tax treaty shall, in addition, be required to submit the following requirements to the Sole Issue Manager, Lead Underwriter and Bookrunner (together with their Applications) who shall then forward the same to the Registrar and Depository Agent, subject to acceptance by the Company as being sufficient in form and substance: (i) in the case of tax exemption, a certified true copy of the original tax exemption certificate, ruling or opinion on tax exemption issued by the BIR addressed to the Applicant as certified by its duly authorized officer; (ii) with respect to reduced tax rates if tax sparing applies, (a) an authenticated certification issued by the foreign tax authority that the dividends received by the non-resident foreign corporation from the domestic corporation were not among the items considered in arriving at the income tax due from the non-resident foreign corporation; (b) the income tax return of the non-resident foreign corporation for the taxable year when the dividends were received; and (c) an authenticated document issued by the foreign tax authority showing that the foreign Government allowed a credit on the tax deemed paid in the Philippines or did not impose any tax on the dividends; or (d) proof of filing of an application for ruling with the BIR; and (iii.) with respect to tax treaty relief, (a) prior to initial dividend payment, three (3) original copies of a duly accomplished 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 5 Preferred Shares applied for. The Application, once accepted, shall constitute the duly executed purchase agreement covering the amount of Series 5 Preferred Shares so accepted and shall be valid and binding on the Company and the Applicant. On the Banking Day following the Listing Date, the Sole Issue Manager, Lead Underwriter and Bookrunner 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 5 Preferred Shares shall be considered for acceptance. Purchases in excess of the minimum shall be in multiples of 10 Series 5 Preferred Shares.

OFFER PERIOD

The Offer Period shall commence at 9:00 a.m. on [March 13, 2023] and end at 12:00 p.m. on [March 21, 2023]. The Company and the Sole Issue Manager, Lead Underwriter and Bookrunner 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 5 Preferred Shares applied for is scaled down, the Sole Issue Manager, Lead Underwriter and Bookrunner, 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 5 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 5 Preferred Shares at any time without any obligation to make pro rata purchases of Series 5 Preferred Shares from all Shareholders.

REGISTRY OF SHAREHOLDERS

The Series5 Preferred Shares will be issued in scripless form through the electronic book-entry system of Stock Transfer Service, Inc. as Registrar for the Offer, and lodged with PDTC as Depository Agent on Listing Date through PSE Trading Participants nominated by the Applicants. Applicants shall indicate in the proper space provided for in the Application to Purchase the name of the PSE Trading Participant under whose name their Series 5 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 5 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 5 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 Sole Issue Manager, Lead Underwriter and Bookrunner 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 5 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 November 4, 2022, the Company's Board of Directors approved the increase in the authorized capital stock of the Company from ₱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 to ₱5,116,000,000.00, divided into 4,930,000,000 Common Shares with par value of ₱1.00 per share and 186,000,000 cumulative, non-voting, non-participating, non-convertible, perpetual Preferred Shares with a par value of ₱1.00 per share; (ii) from ₱150,000,000 consisting of 150,000,000 preferred shares, to ₱186,000,000 consisting of 186,000,000 Preferred Shares with a par value of ₱1.00 per share.

The foregoing resolution 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 December 20, 2022, 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.

Pursuant to such delegated authority of the Board of Directors to issue the preferred shares in series, sub-series or in tranches, the Board of Directors, in its meeting on October 5, 2020, February 26, 2021, and November 4, 2022, approved the creation of the series of preferred shares, as follows:

- (a) Series 1 Preferred Shares consisting of 40,000,000 preferred shares which were redeemed last December 3, 2021;
- (b) Series 2 Preferred Shares consisting of not more than 50,000,000 shares to be allocated between Subseries 2A Preferred Shares and Subseries 2B Preferred Shares;
- (c) Series 3 Preferred Shares consisting of 29,000,000 existing, issued, and outstanding preferred shares
- (d) Series 4 Preferred Shares consisting of 40,000,000 existing, issued, and outstanding preferred shares; and
- (e) Series 5 Preferred Shares consisting of 15,000,000 preferred shares to be listed in the PSE.

The Offer Shares will be coming from the Series 5 Preferred Shares.

On November 4, 2022, the Company's Board of Directors approved the increase in the authorized capital stock of the Company from ₱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 par value of ₱1.00 per share, to ₱5,116,000,000.00, divided into 4,930,000,000 Common Shares with par value of ₱1.00 per

share and 186,000,000 cumulative, non-voting, non-participating, non-convertible, perpetual Preferred Shares with a par value of ₱1.00 per share.⁶

The foregoing resolution 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 December 20, 2022.

The authorized capital stock of the Company is ₱5,116,000,000.00 divided into 4,930,000,000 Common Shares with a par value of ₱1.00 per share and 186,000,000 Preferred Shares with a par value of ₱1.00 per share. As of date, the Company has 2,496,552,137 issued shares of which 2,013,409,717 are issued and outstanding Common Shares and 386,016,410 Common Shares are held in treasury, 26,220,130 are issued and outstanding Series 2A Preferred Shares, 17,405,880 are issued and outstanding Series 2B Preferred Shares, and 29,000,000 are issued and outstanding Series 3 Preferred Shares, which are not listed in the PSE.⁷

Following the Offer, 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) 26,220,130 issued and outstanding Series 2A Preferred Shares and 17,405,880 issued and outstanding Series 2B Preferred Shares; (c) 29,000,000 issued and outstanding Series 3 Preferred Shares; (d) 30,000,000 issued and outstanding Series 4 Preferred Shares; and (e) 15,000,000 issued and outstanding Series 5 Preferred Shares.

The holders of the Series 5 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

⁶ The Company has submitted an application for the increase in the authorized capital stock with the Securities and Exchange Commission ("SEC"), and such application is pending approval with the SEC.

⁷ The Company has submitted an application for the increase in the authorized capital stock with the Securities and Exchange Commission ("SEC"), and such application is pending approval with the SEC.

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 5 Preferred Shares in the Summary of Offer and the discussion below.

Issue Price/Offer Price

The Series 5 Preferred Shares shall be offered at a price of ₱100.00 per share.

Dividend Policy In Respect of the Series 5 Preferred Shares

The Series 5 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 [June 30], [September 30], [December 31] and [March 31] 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 [•]% (**"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 5 Preferred Shares shall not have been redeemed by the Company on the Series 5 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 12.00%.

The date of the listing of Series 5 Preferred Shares is referred to as the **"Listing Date"**. The day three (3) 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 three (3) years from the Listing Date of the Series 5 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 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 5 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 5 Preferred Shares ("**Comparable Shares**"), the Issuer is required to pay cash dividends on the Series 5 Preferred Shares and any Comparable Shares pro rata to the amount of the cash dividends scheduled to be paid to the Series 5 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.

Holders of Series 5 Preferred Shares shall not be entitled to participate in any other or further dividends beyond the dividends specifically payable on the Preferred Shares.

Redemption of the Series 5 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 5 Preferred Shares on the day 3 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 5 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) days nor more than sixty (60) days prior written notice from its intended date of redemption, which notice shall be irrevocable and binding upon the Company to effect such early redemption of the Series 5 Preferred Shares at the Optional Redemption Date stated in such notice.

The Company may also redeem the Series 5 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) days nor more than sixty (60) days' written notice 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 5 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 5 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 5 Preferred Shares so purchased may either be redeemed (pursuant to their terms and conditions as set out in the Prospectus) and cancelled, or kept as treasury shares, as applicable.

Early Redemption Due to Taxation

If a Tax Event occurs, the Issuer may redeem the Series 5 Preferred Shares in whole, but not in part, at any time after giving not less than thirty (30) days nor more than sixty (60) days written notice 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 5 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 5 Preferred Shares in whole, but not in part, at any time after giving neither less than thirty (30) days nor more than sixty (60) days written notice 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 5 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 5 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 5 Preferred Shares may no longer be recorded as “**equity**” pursuant to the Philippine Financial Recording Standards (“**PFRS**”), or such other accounting standards which succeed PFRS, as adopted by the Republic of the Philippines and applied by Megawide for drawing up its consolidated financial statements for the relevant financial year.

In General: No Voting Rights

Holders of the Series 5 Preferred Shares shall have no voting rights except as specifically provided by law. Thus, holders of the Series 5 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 5 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 corporate property;
- 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 in accordance with the Revised Corporate Code; and
- Dissolution of the Company.

Status

The Series 5 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 5 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 5 Preferred Shares will not be satisfied unless the Issuer can satisfy in full all of its other obligations ranking senior to the Series 5 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 5 Preferred Shares.

Liquidation Rights In Respect of the Series 5 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 5 Preferred Shares at the time outstanding will be entitled to receive, in Philippine Pesos out of the assets of the Issuer available for distribution to shareholders, together with the holders of any other shares of the Issuer ranking, as regards repayment of capital, *pari passu* with the Series 5 Preferred Shares and before any distribution of assets is made to holders of any class of shares of the Issuer ranking after the Series 5 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 5 Preferred Shares and any other shares of the Issuer ranking as to any such distribution *pari passu* with the Series 5 Preferred Shares are not paid in full, the holders of the Series 5 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 5 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 5 Preferred Shares

All payments in respect of the Series 5 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 5 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 5 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 5 Preferred Shares or on the liquidating distributions as may be received by a holder of Series 5 Preferred Shares, (c) expanded VAT which may be payable by any holder of the Series 5 Preferred Shares on any amount to be received from the Issuer under the terms and conditions of the Series 5 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 5 Preferred Shares by any holder of the Series 5 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 5 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 5 Preferred Shares will be issued in scripless form.

The legal title to the Series 5 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 5 Preferred Shares and subsequent transfers of interests in the Series 5 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 5 Preferred Shares may request the Registrar and Depository Agent to issue stock certificates evidencing their investment in the Series 5 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 5 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 5 Preferred Shares shall not be convertible into Megawide's Common Shares.

Other Rights and Incidents Relating to the Series 5 Preferred Shares

Following are other rights and incidents relating to the Series 5 Preferred Shares, which may also apply to other classes of Megawide's stock.

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

The Philippine Constitution 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 5 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 5 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 of 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 Atty. Lilia B. de Lima. The third (3rd) Independent Director, Atty. Lilia B. de Lima, has been nominated to the Board. She was elected during the Special Stockholders' Meeting on December 20, 2022.

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 5
		Series 2A	Series 2B			
Cumulative	Yes	Yes	Yes	Yes	Yes	Yes
Voting rights	None	None	None	None	None	None
Participating	Non-participating	Non-participating	Non-participating	Non-participating	Non-participating	Non-participating
Convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
Pre-emptive Rights	None	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	At option of Issuer starting on the 3 rd year from the Listing Date

The Company's Series 1 Preferred Shares were listed in the PSE on December 3, 2014 under the trading symbol "**MWP**", and was redeemed by the Company on December 3, 2021; 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 were listed in the PSE under the trading symbol "**MWP4**" on October 29, 2021. The Series 5 Preferred Shares will be listed in the PSE under the trading symbol "**MWP5**".

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 Añoover 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 Sole Issue Manager, Lead Underwriter and Bookrunner.

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, 2021, December 31, 2020, and December 31, 2019 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, 2021, December 31, 2020, and December 31, 2019 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			
	2022	2021	2020	2019
Audit of Financial Statements	3,885,000.00	3,535,000.00	3,346,250.00	2,875,000.00
Summary of Application of Proceeds on Preferred Shares	600,000.00 (Q1 to Q4)	600,000.00 (Q1 to Q4)	150,000.00 (Q4)	600,000.00 (Q1 to Q4)
Transfer Pricing Documentations and Review of Information Return	-	2,600,000.00	-	-
Agreed Upon Procedures	-	35,000.00	35,000.00	-
Benchmarking of Accounting Policies and Procedures	-	-	-	900,000.00
Financial Statement Quarterly Consolidated Review and Prospectus Circle-Up	2,300,000.00	3,500,000.00	3,500,000.00	-
Quarterly Review of Financial Statements	-	-	-	300,000.00
Total	6,785,000.00	10,270,000.00	7,031,250.00	4,675,000.00

Tax Fees

Nature	Fees paid to P&A For the years ended December 31			
	2022	2021	2020	2019
Tax opinion on development projects	172,500.00	100,000.00	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, 2021, December 31, 2020, and December 31, 2019, are the following (amounts in ₱):

Nature	Fees paid to SGV For the years ended December 31			
	2022	2021	2020	2019
Audit of Financial Statements	1,339,000.00	1,339,000.00	1,339,000.00	1,300,000.00
Review of Financial Statements	206,000.00	206,000.00	206,000.00	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 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 PPP program, with projects such as MCIA, the PITX and the PPP for School Infrastructure Project Phases 1 and 2. GMCAC was incorporated primarily to construct, develop, operate and maintain MCIA while 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, 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 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 over subscription 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.

Subsequently, on February 26, 2021, the Board of Directors (Board) approved a resolution to amend the Company's Articles of Incorporation to increase its authorized capital stock by twenty-six million (26,000,000) preferred shares, raising the Company's authorized capital stock to Five Billion Eighty Million Pesos (₱ 5,080,000,000.00) divided into four billion nine hundred thirty million (4,930,000,000) common shares with a par value of One Peso (₱1.00) per share, and one hundred fifty million (150,000,000) preferred shares. The increase in Company's authorized capital stock was approved by the SEC on September 09, 2021. After which, the SEC 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 forty million (40,000,000) Series 4 Preferred Shares, consisting of one (1) or more sub-series, at an offer price of One Hundred Pesos (₱100.00) per share. The SEC then issued the Order of Registration and the Certificate of Permit to Offer Securities for Sale for thirty million (30,000,000) cumulative, non-voting, non-participating, non-convertible, redeemable (non-reissuable) perpetual Series 4 Preferred Shares, with an over subscription option of up to ten million (10,000,000) cumulative, non-voting, non-participating, non-convertible, redeemable (non-reissuable) perpetual Series 4 Preferred Shares. The offer and sale of the Series 4 Preferred Shares led the Company to raise Four Billion Pesos (₱4,000,000,000.00). The said shares were listed in the PSE on October 29, 2021.

On October 19, 2021, the Board also approved the redemption of the Company's Series 1 Preferred Shares, with stock symbol MWP, on December 03, 2021, which is the seventh (7th) anniversary of its listing date last December 03, 2014. The redemption of the said shares was completed on February 15, 2022. The following are the details of the redemption:

Ex- Date	November 04, 2021
Record Date	November 09, 2021
Redemption Date	December 03, 2021
Redemption Price	₱100.00 per share

On November 4, 2022, the Board approved a resolution to amend the Company's Articles of Incorporation to further increase its authorized capital stock from ₱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, to ₱5,116,000,000.00, divided into 4,930,000,000 Common Shares with par value of ₱1.00 per share and 186,000,000 cumulative, non-voting, non-participating, non-convertible, perpetual Preferred Shares with a par value of ₱1.00 per share. The increase in Company's authorized capital stock was approved by the SEC on [●].

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

2019

Megawide continued on its journey to becoming a construction and transport-oriented infrastructure innovator with the completion of its projects for MCIA and PITx.

GMCAC completed the renovation of MCIA Terminal 1, including the Airport Village, and the refurbished areas became operational on August 28, 2019. Post completion of the renovation, the gross commercial area in Terminal 1 increased from four thousand three hundred sixty-seven (4,367) square meters to nine thousand seven hundred seventy-two (9,772) 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 MCIA received various commendations and awards in 2019 such as Winner of the Completed Buildings: Transport category in the 2019 World Architecture Festival, Breastfeeding Friendly Public Place Award 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.

MWMTI completed the construction of its four (4), five (5)-story commercial/office towers with gross leasable area of nineteen thousand two hundred twenty-five (19,225) square meters for each tower or a total of seventy-six thousand nine hundred three (76,903) square meters. All towers have been one hundred percent (100%) contracted for a period of five (5) years each. As of end of 2019, seventy one percent (71%) of the total terminal retail area was leased out to concessionaires, of which thirty percent (30%) is operational. Foot traffic likewise started to peak, from a daily average of thirty thousand one hundred three (30,103) in January 2019 to sixty-seven thousand nine hundred sixty-three (67,963) in December 2019. In addition, MWMTI bagged the “Maynilad Golden Kubeta Awards for Terminal and Stations Category” in 2019.

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

In 2019, the EPC segment broke ground for the 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 projects. It also topped off the Albany Luxury Residences and Golden Bay Aspire projects.

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

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 MCIA 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).

2021

The construction segment, which is a critical component in pump-priming the economy due to its significant multiplier effect, remains a bright spot in the Company's portfolio amid the ongoing COVID-19 pandemic, as activities were unhampered despite the various quarantine restrictions. From the previous year's order book of ₱68.40 billion, it was able to contract new projects such as The Coral Village project in Cebu and the Westside City Site A which involves the construction of a retail strip and theater mall to complement its hotel and casino complex.

The Company also forged a partnership with German concrete technology developer MultiCON to bring its patented mixing innovation into the country. The system can produce stronger concrete with better performance which could translate to improved margins and decreased emissions, given that it can help reduce raw material cost and minimize carbon dioxide emissions by up to thirty percent (30%) during production.

In 2021, Megawide also signed new contracts with PHirst Park Homes, Inc. for housing projects in Magalang, Pampanga and Batulao, Nasugbu, Batangas. The new contracts pertained to supply and build agreements for one thousand seventy-nine (1,079), in Pampanga, and one thousand nine hundred seventy-four (1,974), in Batangas, housing units using precast materials, resulting in almost twelve thousand (12,000) housing units being serviced through pre-cast supplied and assembled by Megawide's construction solutions unit. It also started the construction of the MCRP Phase 1, a project that is part of the seventeen (17)-kilometer North South Commuter Railway Project implemented by DOTr that will link the New Clark City and the Clark International Airport to Metro Manila and nearby cities.

On January 11, 2021, the Company and the City of Cebu entered into a Joint Venture Agreement (JVA) for the phased redevelopment of the Cebu Carbon Market, which includes the construction, development, and operation of mixed-use assets on the project site. The JVA is for fifty (50) years, extendible for another twenty-five (25) years upon mutual agreement of the parties. The total investment commitment of the Company is ₱5.50 billion while the Cebu City shall contribute the exclusive use and possession of the project site.

On February 24, 2021, the consortium between SUEZ and Megawide together with Manila Water, Inc. (Manila Water), the project proponent, broke ground for the Aglipay STP. The consortium will undertake the design and build of the STP which will treat wastewater in Mandaluyong City, southern Quezon City, and southern San Juan City, which will significantly enhance the health and sanitary conditions of more than six hundred fifty thousand (650,000) residents.

On May 6, 2021, GMCAC, together with its sponsors and its lenders executed the Second Amendment Agreement to the Amended and Restated Omnibus Loan and Security Agreement. The Agreement was for the restructuring of GMCAC's existing Omnibus Loan and

Security Agreement for the construction, development, renovation, expansion, and operation of MCIA.

On October 12, 2021, the SEC issued the Order of Registration and the Certificate of Permit to Offer Securities for Sale for thirty million (30,000,000) cumulative, non-voting, non-participating, non-convertible, redeemable (non-reissuable) perpetual Series 4 Preferred Shares, with an over subscription option of up to ten million (10,000,000) cumulative, non-voting, non-participating, non-convertible, redeemable (non-reissuable) perpetual Series 4 Preferred Shares, at an offer price of One Hundred Pesos (₱ 100.00) per share. The offer and sale of the Series 4 Preferred Shares led the Company to raise ₱4.40 billion. The said shares were listed in the PSE on 29 October 2021. The Series 4 Preferred Shares shall be subject to a dividend step-up rate unless the Company redeems the said shares three and a half years (3 ½) from its listing date. The proceeds from the offer were used to redeem the Company's Series 1 Preferred Shares. Moreover, the offering is part of the Company's financial plan to streamline its balance sheet to support its expansion programs, especially its pivot to infrastructure.

On October 19, 2021, the Board also approved the redemption of the Company's Series 1 Preferred Shares, with stock symbol MWP, on December 03, 2021, which is the seventh (7th) anniversary of its listing date on December 03, 2014, at a redemption price of One Hundred Pesos (₱ 100.00) per share. The redemption of the said shares was completed on February 15, 2022.

The Company received various awards from FinanceAsia, which included Best Managed Listed Company – Industrials (Southeast Asia), Best Managed Listed Company – Philippines, Most Committed to Environmental Stewardship, Most Committed to Social Causes, and Most Committed to the Highest Governance Best Standards. To top off, Mr. Edgar B. Saavedra, Chairman of the Board, CEO, and President, was also awarded as the Best CEO by FinanceAsia. The Company was further named as one (1) of Asia's Most Outstanding Companies in Asiamoney's Outstanding Companies Poll for 2021. The poll is designed to acknowledge listed companies that have excelled in areas such as financial performance, management team excellence, investor relation activities and corporate social responsibility (CSR) initiatives. Megawide was also voted as a Finalist in IR Magazine as Best in Sector: Industrials and won as the Most Innovative Company of the Year in the Asia CEO Awards, while belonging to the Circle of Excellence for the Executive Leadership Team of the Year.

Meanwhile, MCIA and PITx obtained the Best Infrastructure and Best Decorative Concrete award, respectively, from the Philippine Excellence in Concrete Construction Awards (PECCA).

2022

On May 5, 2022, the consortium of Megawide-Tokyu-Tobishima was awarded Contract Package 104 (CP-104) of the Metro Manila Subway Project. The project will solidify Megawide's infrastructure order book and further enhance the Company's competitiveness in the railway development, to include underground technology and complement the ongoing elevated rail system works for Package 1 of Malolos Clark Railway Project.

On December 16, 2022, Megawide and GMR Airports International, B.V. (GAIBV) closed their transaction with Aboitiz InfraCapital, Inc. (AIC) for AIC's acquisition of shares in GMCAC, the developer and operator of the award-winning MCIA.

AIC acquired a 33 and 1/3% minus 1 share stake in GMCAC from Megawide and GAIBV for a total consideration of ₱9.5 billion. In addition, Megawide and GAIBV simultaneously issued Exchangeable Notes to AIC amounting to ₱15.5 billion, which will mature on 30 October 2024, and are expected to be exchanged by AIC for the remaining 66 and 2/3% plus 1 share of GMCAC's outstanding capital stock.

HISTORY

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

2005 to 2010

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

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

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

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

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

2011

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

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

2012

In October 2012, Megawide entered into a joint venture agreement with its parent company, Citicore, and registered Citicore-Megawide Consortium Inc. (“**CMCI**”) with the SEC. Ten percent (10%) of the issued and outstanding stock of CMCI is owned by Megawide while Ninety percent

(90%) is owned by Citicore. The first project booked by CMCI was the Department of Education's PPP for school buildings. The Department of Education awarded to CMCI in 2012 the school buildings in Regions 3 and 4. CMCI commissioned Megawide to construct all the school buildings in both regions.

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

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

2013

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

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

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

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

The International Organization for Standardization ("**ISO**") awarded Megawide with the ISO 9001:2008 and ISO 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 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 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.

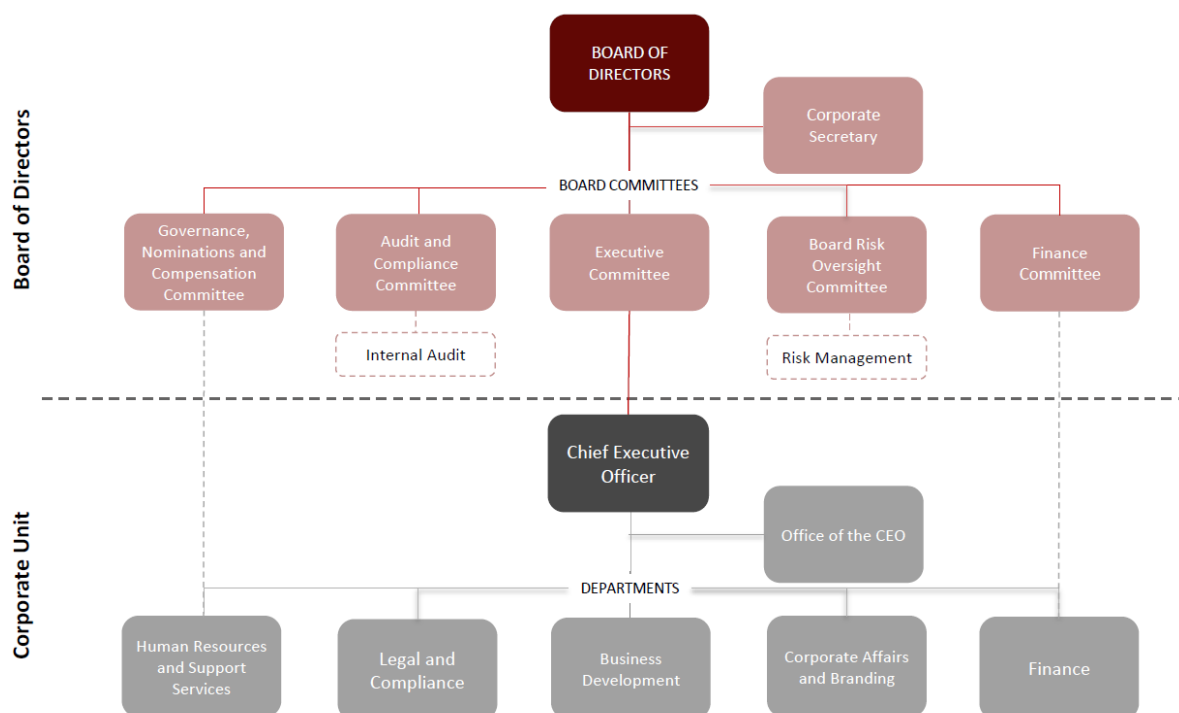
On March 15, 2017, the Company sold 2,000,000 shares or 10% of its interest in GMI to GHOSPL. As of December 31, 2017, GMI is 50% owned by the Company.

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.

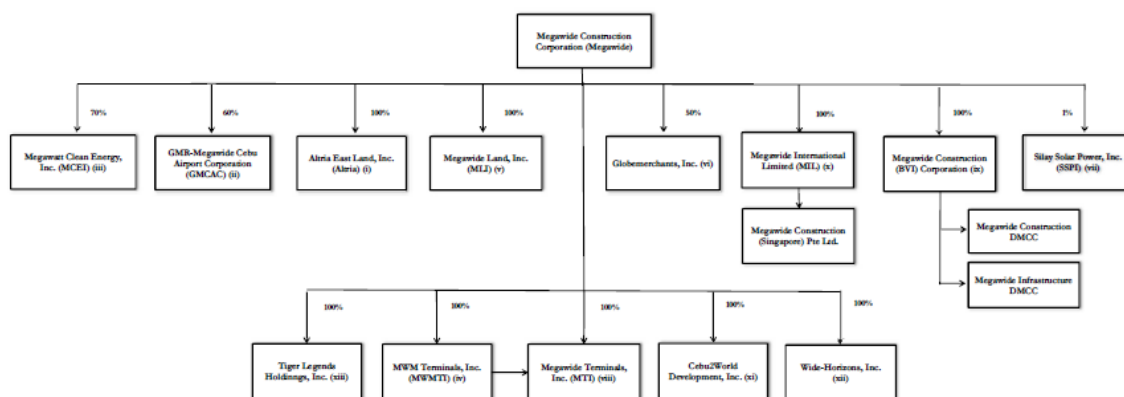
On August 16, 2017, Megacore Holdings, Inc. ("**Megacore**") acquired 313,786,575 shares, representing 14.7% ownership of the Company from Citicore Holdings Investment, Inc. ("**Citicore**"). This resulted to a decrease in Citicore's ownership from 66.7% to 51.0%. Citicore is a company incorporated in 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) CebuWorld, 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
- (xiii) Tiger Legends was incorporated on October 16, 2020 to primarily engage in buying and holding shares of other companies. Tiger Legend's registered address is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, British Virgin Islands

SUBSIDIARIES & AFFILIATES

As of September 30, 2022, effective ownership percentage of Megawide on each Subsidiary/Affiliate is as follows:

Subsidiaries:

GMR Megawide Cebu Airport Corporation (GMCAC)	60%*
Megawatt Power, Inc. (MPI, <i>formerly Megawatt Clean Energy, Inc.</i>)	70%
Globemercants, Inc. (GMI)	50%
MWM Terminals, Inc. (MWM TI)	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%

*As of the date of the Prospectus, the remaining stake in GMCAC is 33 1/3% plus 1 share.

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.

Following acquisition of AIC on December 16, 2022, the remaining stake in GMCAC is 33 1/3% plus 1 share as of date of this prospectus.

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 September 30, 2022, 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 September 30, 2022, 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 (“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 September 30, 2022, 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.

Ultimate 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 Brgy. Armenia, Tarlac City with 138,160 square meters land area. CST1 was successfully commissioned last February 29, 2016. CSTI is currently 100% owned by CREC.

Citicore Solar Tarlac 2, Inc. (“CST2”), formerly nv vogt Philippines Solar Energy Four, Inc. (SE4) 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 through GMCAC; (5) operates the first and only landport in the Philippines; (6) vertical integration and strong infrastructure platform where the Company can participate either as a general contractor, supplier, or developer/operator; (7) strong brand name and proven track record; and (8) organizational capability and flexibility.

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

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

- The Megawide Corporate Building in Quezon City obtained a gold certification from the LEED of the United States Green Building Council. LEED is a third-party certification program for the design, construction and operation of high performance green buildings. It is the predominant green building rating system in the United States and is used around the world.
- Megawide owns and maintains a young, modern and branded fleet of tower cranes and earthmoving equipment to ensure maximum efficiency and minimum down time during construction.

2. AAAA and Large B Contractor's License

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

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

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

4. Largest private sector airport operator through GMCAC

- Megawide and its partners GMR and AIC operate and maintain 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.

5. Operates the first and only landport in the Philippines

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

6. Strong Brand Name and Proven Track Record

- Megawide has a well-established reputation in the construction industry for its excellent project execution and customer service. On top of proving efficient construction methodology and systems, having successfully completed numerous low-rise to high-rise condominiums and industrial buildings, it also has a proven track-record of successfully executing PPP projects, like the Public School Infrastructure Program, 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.

7. Vertical Integration and Strong Infrastructure Platform

- Megawide has a fully-integrated construction and engineering platform, supported by a wide-array of construction solutions - from state of the art batching plant, largest pre-cast capacity, modern formworks and equipment rental. This enables the company to become a significant industry player and engage in various private and public vertical and horizontal projects at competitive packages. With the government's push for infrastructure, Megawide is leveraging on these advantages to participate in the country's infrastructure development program, beginning with the MCRP and soon with the recently awarded Metro Manila Subway project. The company is likewise looking forward to join in the development of the North-South Commuter Rail project.

8. 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 (together with its partners) and the PITX, which were awarded through PPP contracts. In addition, it is completing the construction of the new terminal of the CIA under the government's modified PPP. These projects are on top of the Construction Order Book in its EPC portfolio 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, exploring various public sector-led infrastructure modernization and expansion program, and creating several transport-centric developments (similar to PITX) across the country to develop a hub-and-spoke model with PITX at the center. All these are intended to maximize the Company's value creation platform.

Capitalize on key strengths and competitive advantages

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

Leverage organizational competence and flexibility

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

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

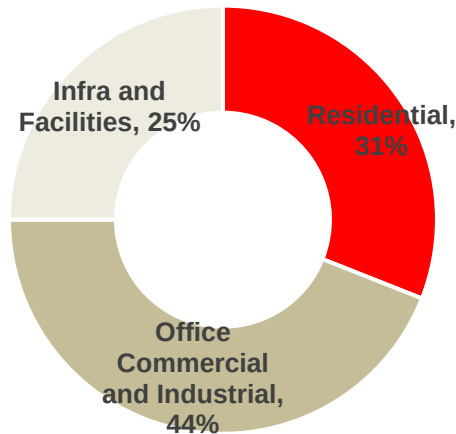
The Company's pursuit for excellence goes beyond its products and services and extends into the value it creates for shareholders. In line with this objective, Megawide will continuously improve its operational efficiencies through value engineering, innovation, and workforce up skilling, for both its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

PROJECTS

Business Development

The Company's current order book as of September 30, 2022 is at ₱56.4 billion. It consists of a balanced in terms of project mix composed of 44% office, commercial and industrial, 31% residential projects, and 25% infrastructure courtesy of the Malolos Clark Railway and Aglipay STP Projects.

ORDER BOOK AS OF SEPTEMBER 30, 2022



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 MCIA Terminal 2 owned by MGCJV with a total gross floor area of 66,544 square meters and a total lot area of 65,865 square meters.

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

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

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

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

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

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

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

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

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

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

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

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

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.

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.

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.

On-Going Projects

The following are the Company's on-going projects as of September 30, 2022:

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

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.

Cebu Carbon Market Redevelopment – A public and commercial redevelopment project in Cebu City which includes the Sto Niño Chapel, Puso Village, interim market and a multi-level parking.

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.

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.

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.

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.

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.

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

My Enso Tower – A mixed-use development that provides a customizable living experience by providing extra space for your needs, be living or storage space, and a smart and modern minimalist design concept, all located at the heart of Quezon City Central Business District.

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 rises, mixed use towers, housing commercial and residential units with 40 storeys high.

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.

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.

Suncity B (Package 1 & 2)/Sun City NSC – A 5-star 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 area of Parañaque City. The project is divided into 4 parts, as follows: Package 1- Substructure, Package 2- Superstructure, Supplementary Agreement, and Nominated Subcontractor (NSC).

National Capital Region Police Office (NCRPO) Medical Center & Administrative Processing Center – A 4-storey Medical Center Project located at Lower Bicutan Taguig City, inside NCRPO. A donation project of the Resorts World Philippines Cultural Heritage Foundation Inc., with total floor area of 9,998 square meters.

Coral Village – Coral Village Residences is a design and build residential project of Johndorf Corporation consists of 300 units with a floor area of 48 sqm. per unit. Located on Marigondon-Suba Basbas Road, Lapu Lapu City.

Landers Aseana – Landers Superstore Aseana is a single storey Commercial Building with 1 basement with a total CFA of 18,710.91 m², 296 parking slots. Lot area of 15,064 m². The total height of meter of 11.40 m. It has a total depth of -2.7m from NGL. Located at J.W. Diokno Blvd. Cor. Bradco Avenue Aseana City Parañaque City and has a development time table of 12 months.

CP-104 Manila Subway – The Metro Manila Subway Project (MMSP) is the first ever subway project in Metro Manila that will connect North Caloocan or Meycauayan, Bulacan and Dasmariñas, Cavite through the National Capital Region. This is a project proposed by the Department of Transportation or DOTr. The Phase 1 of the Contract Package consists of two underground stations (Ortigas North and South) and Tunnels (3.4km).

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.

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.

Order Book

The following table lists the Company's existing projects, with respective percentage completion as of September 30, 2022:

PROJECT NAME	Developer	COMPLETION
Urban Deca Ortigas	8990 Holdings, Inc	35%
8990 CUBAO	8990 Holdings, Inc	18%
Carbon Market (Phase 1- Package 1)	Cebu2World	37%
Double Dragon Meridian Tower	Double Dragon	44%
Ascott – DD Meridian Park	Double Dragon	28%
Plumera	John Dorf Ventures	23%
Aglipay	Manila Water	36%
MCRP	Department of Transportation (“DOTr”)	6%
IFC	Megaworld	73%
Genty Manor	Megaworld	44%
My Enzo	Ph1 World Developers	30%
Taft East Gate	Taft Properties	83%
University Tower 5	Prince Jun Dev’t Corp	37%
The Corner House Project	Emeral Rich Property Inc.	94%
Suncity B (Package 1& 2)	Suntrust Home Developers	70%
Suncity NSCs	Suntrust Home Developers	1%
NCRPO Medical Center & Administrative Processing Center	Travellers International Hotel Group, Inc.	90%
Corral Village	Jandorff	26%
Landers Aseana	Southeast Asia Retail Inc. Landers	0%
CP-104 Manila Subway	DOTr	0%
Hampton Building O & P (Phase 2)	-	0%
Westside City Resorts World Site B NSC	Suncity	0%

*Based on actual engineering estimates, accounting estimates might differ

Recently Awarded Projects

On May 5, 2022, Megawide Construction Corporation (“Megawide” or the “Company”), together with its joint venture partners from Japan, Tokyu Construction and Tobishima Corporation, (“the Joint Venture”) officially signed Contract Package 104 (“CP-104”) of the Metro Manila Subway Project. CP-104 includes the construction of underground stations in Ortigas North and South as well as the tunnels connecting these two locations.

Tokyu Construction Co., Ltd. is one of the established Japanese general contractors engaged in commercial, institutional, and residential buildings as well as civil engineering works for dams, bridges, and transportation systems. It led the redevelopment of the Tokyo Metro Ginza Line Shibuya Station located at the center of Shibuya, a key district in Tokyo.

Likewise, Tobishima Corporation is one of Japan's leading general contractors, involved in large-scale civil engineering works for hydro-electric power plants, dams, and railroads, with onshore and offshore projects located in Brunei Darussalam, Indonesia, Pakistan, and Myanmar, among others.

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 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.

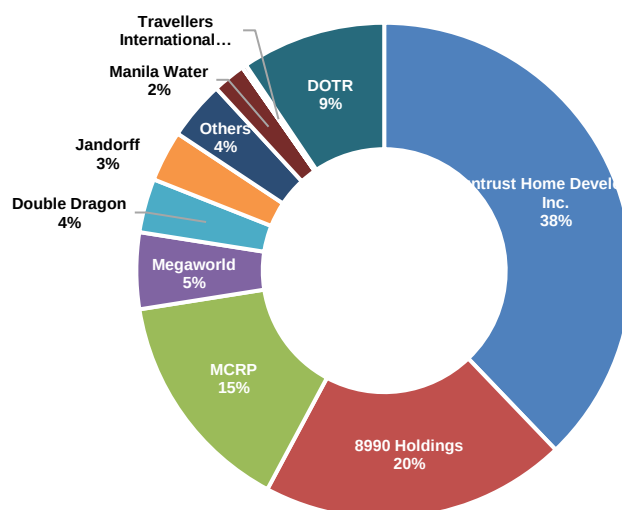
For Bid Submission

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.

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 September 30, 2022.



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	• No swelling and shrinking • Stable flexural rigidity • Free from rippling and warping • Quality in concrete pouring • Fast cycle, simple assembly, early stripping, less manual labor employed • Even surfaces • Zero discoloration • Fast on-site cleaning • Zero waste • Reusable
Coco Lumber, Aluminum and Steel Scaffoldings	• More stable and robust • Longer lifespan • Easy assembly lock and formwork clamp

Pre-Cast

Concrete Hollow Blocks, Pre-Cast Walls	• 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	• 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 September 30, 2022)
EARTHMOVING EQUIPMENT	112
LIGHT EQUIPMENT	41
MOBILE CRANE EQUIPMENT	26
PUMPCRETE EQUIPMENT	30
TRANSPORT EQUIPMENT	78
VERTICAL EQUIPMENT	103
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	Title of Document	Lessee	Lessor	Subject Property	Lease Period	Rental Fee
06 May 2022	Contract of Lease Renewal	Megawide Construction Corporation	Retailscapes, Inc.	Santolan Town Plaza HoldCo Offices 10 th floor: 1,947 sqm. 11 th floor Unit A: 857.74 sqm.	01 May 2022 – 30 April 2025	10 th floor: 01 May 2022 – 30 Apr 2023: ₱580.00/sqm/mo 01 May 2023 – 30 April 2024: ₱609.00/sqm/mo 01 May 2024 – 30 Apr 2025: ₱640.00/sqm/mo 11 th floor: 01 May 2022 – 30 Apr 2024: ₱772.00/sqm/mo 01 May 2024 – 30 Apr 2025: ₱811.00/sqm/mo
08 March 2022	Contract of Lease	Megawide Construction	Primex Domains, Inc.	Head Office Annex	06 Mar 2022 – 05	₱206,416.37 per month

Date of Execution	Title of Document	Lessee	Lessor	Subject Property	Lease Period	Rental Fee
		Corporation		Parking	Mar 2023	
27 February 2022	Contract of Lease	Megawide Construction Corporation	L.V.N. Pictures, Inc.	2,000 sqm located at Brgy. Kaunlaran, Cubao, Quezon City	27 Feb 2022 – 30 Nov 2023	₱ 363,000.00 per month, incl. of VAT, WHT, and other applicable taxes
21 Feb 2022	Addendum to the Contract of Lease	Megawide Construction Corporation	Retailscapes, Inc.	Santolan Town Plaza HoldCo Offices 11 th floor: 857.74 sqm.	11th floor: 01 Dec 2021 – 30 Nov 2024	01 Dec 2021 – 30 Nov 2022: ₱772.00/sqm/mo 01 Dec 2022 – 30 Nov 2023: ₱811.00/sqm/mo 01 Dec 2023 – 30 Nov 2024: ₱852.00/sqm/mo

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

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 September 30, 2022, the Company continued to maintain a diverse set of clientele, with no one client comprising more than 40% of the total order book.

In the airport segment, Megawide and its partners serves both domestic and international passengers, with a current share of 90-10%, 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, 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 EEI's and DMCI's.

PROPERTIES

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

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

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

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

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

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

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

Airport segment

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

Terminal segment

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

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

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

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

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

INSURANCE

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

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

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

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

EMPLOYEES

As of September 30, 2022, the Company's manpower complement is as follows:

Division	Regular	Project Based	Total
Operations	1,251	2,711	3,962
Head Office	462	29	491
Total	1,713	2,740	4,453

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

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

Division	Regular	Project Based	Total
Operations	1,251	2,711	3,962
Head Office	462	29	491
Total	1,713	2,740	4,453

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

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

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

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

INTELLECTUAL PROPERTY

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

- a. for its typeface, a Certificate of Registration dated 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 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					
1.	Business Permit and Licensing Office	Business Permit	02/12/2022	02/12/2023	Renewed
2.	Local Government Unit	Community Tax Certificate	01/31/2022	12/31/2022	Ongoing Renewal
3.	Department of the Building Official	Building Permit 1 st –6 th floor	09/01/2009	N/A	
4.	Department of the Building Official	Building Permit 7 th – 10 th floor	04/02/2014	N/A	
5.	Philippine Contractors Accreditation Board	Contractor's License	07/01/2022	06/30/2023	Renewed
6.	Department of the Building Official	Certificate of Operation of Existing Machinery	09/29/2021	09/29/2022	Ongoing Renewal
7.	Department of the Building Official	Certificate of Operation: Elevator	09/29/2021	09/29/2022	Ongoing Renewal
8.	Department of the Building Official	Certificate of Annual Electrical Inspection	09/29/2021	09/29/2022	Ongoing Renewal
9.	Department of the Building Official	Certificate of Operation: Internal Combustion Engine	09/29/2021	09/29/2022	Ongoing Renewal
10.	Barangay Hall of Valencia	Barangay Clearance	01/31/2022	12/31/2023	Renewed
11.	Philippine Health Insurance Corporation	Certificate of Registration	05/22/2019	N/A	
12.	Pag-Ibig Fund (Home Development Mutual Fund)	Clearance Certificate	07/07/2022	07/07/2023	Renewed
13.	Department of the Building Official -Final Permit Division	Certificate of Final Inspection Certificate of Occupancy	07/22/2014	N/A	
14.	Securities and Exchange Commission	Amended Articles of Incorporation	09/22/2020	N/A	
15.	Securities and Exchange Commission	Amended By-Laws	09/22/2014	N/A	
16.	Securities and Exchange Commission	Certificate of Incorporation	07/28/2004	N/A	
17.	Securities and Exchange Commission	Certificate of Good Standing	04/28/2022	N/A	
18.	Board of Investments	Certificate of Registration	02/22/2019	N/A	
19.	Department of Environment and Natural Resources	Environmental Compliance Certificate	08/20/2009 03/21/2012	N/A	
20.	Securities and Exchange Commission	Certificate of Good Standing	05/02/2022	N/A	

ALTRIA EAST LAND, INC.					
1.	Local Government Unit	Community Tax Certificate	02/02/2022	12/31/2022	Ongoing Renewal
2.	Barangay Hall of San Juan	Barangay Clearance	02/22/2022	12/31/2022	Ongoing Renewal
3.	Municipal Health Office	Sanitary Permit	02/22/2022	12/31/2022	Ongoing Renewal
4.	Business Permit and Licensing Office	Business Permit	02/22/2022	12/31/2022	Ongoing Renewal
5.	Securities and Exchange Commission	Certificate of Incorporation	04/16/2010	N/A	
GLOBEMERCHANTS, INC.					
1.	Bureau of Internal Revenue	Certificate of Registration	05/23/2016	N/A	
2.	Social Security System	Certificate of Registration	04/20/2017	N/A	
3.	Securities and Exchange Commission	Certificate of Incorporation	05//05/2016	N/A	
4.	Barangay Hall of Pusok, Lapu-Lapu	Barangay Clearance	01/22/2022	12/31/2022	Ongoing Renewal
5.	Philippine Insurance Corporation	Certificate of Registration	12/13/2017	N/A	
6.	Pag-Ibig Fund (Home Development Mutual Fund)	Certification	04/20/2017	N/A	
7.	Bureau of Fire Protection	Fire Safety Inspection Certificate	01/20/2022	02/18/2023	Renewed
8.	Business Permit and Licensing Office	Business Permit	01/20/2022	01/20/2023	Renewed
GMR MEGAWIDE CEBU AIRPORT CORPORATION					
1	Securities and Exchange Commission	Amended Articles of Incorporation	12/09/2014	N/A	
2.	Securities and Exchange Commission	Certificate of Incorporation	01/13/2014	N/A	
3.	Bureau of Internal Revenue	Certificate of Registration	01/13/2014	N/A	
4	Office of the Building Official	Certificate of Occupancy (Airport Terminal Building)	01/23/2015	N/A	
5	Office of the Building Official	Certificate of Use	06/08/2015	N/A	
6.	Office of the Building Official	Certificate of Occupancy (Terminal 1 Domestic Departure Entrance Area Modification)	04/10/2015	N/A	
7.	Office of the Building Official	Certificate of Occupancy (Terrace Office Modification)	03/13/2015	N/A	
8.	Business Permit and Licensing Office	Business Permit	05/02/2022	12/31/2022	Ongoing Renewal
9.	Local Government Unit	Community Tax Certificate	01/13/2022	12/31/2022	Ongoing Renewal
10.	Food and Drug Administration	License to Operate an X-ray Facility	04/17/2021	04/16/2026	Renewed
11.	Department of Environment and	Permit to Operate Air Pollution Source and	01/07/2020	11/16/2024	Renewed

	Natural Resources	Control Installations			
12.	Department of Transportation	Certificate of Interconnection	05/07/2018	N/A	
13.	Department of Environment and Natural Resources	Environmental Compliance Certificate	05/02/2015	N/A	
14.	Social Security System	Employer Registration	09/16/2014	N/A	
15.	Pag-Ibig Fund (Home Development Mutual Fund)	Employer's Data Form	10/13/2014	N/A	
16.	Philippine Health Insurance Corporation	Employer Data Record	08/2014	N/A	
17.	Department of Environment and Natural Resources	Hazardous Waste Generator Certificate of Registration	09/11/2019	N/A	
18.	Food and Drug Administration	License to Operate as Food/Wholesaler	06/07/2022	02/05/2027	Renewed
MEGAWATT POWER, INC. (PREVIOUSLY KNOWN AS MEGAWATT CLEAN ENERGY, INC.)					
1.	Business Permit and Licensing Office	Business Permit	11/17/2021	11/17/2022	Ongoing Renewal
2.	Barangay Hall of Valencia	Barangay Business Clearance	02/03/2022	12/31/2022	Ongoing Renewal
3.	Department of Environment and Natural resources	Environmental Compliance Certificate	01/13/2016	N/A	
4.	Securities and Exchange Commission	Amended Articles of Incorporation (change of name)	08/30/2019	N/A	
5.	Securities and Exchange Commission	Certificate of Incorporation	09/04/2014	N/A	
6.	Department of Energy	Certificate of Registration	04/29/2015	N/A	
MEGAWIDE TERMINALS, INC. (PREVIOUSLY KNOWN AS WM PROPERTY MANAGEMENT, INC.)					
1.	Business Permit and Licensing Office	Business Permit	06/30/2022	06/30/2023	Renewed
2.	Local Government Unit	Community Tax Certificate	01/31/2022	01/31/2023	Renewed
3.	Securities and Exchange Commission	Amended Articles of Incorporation (change of name)	01/07/2019	N/A	
4.	Securities and Exchange Commission	Amended Articles of Incorporation	05/08/2015	N/A	
5.	Securities and Exchange Commission	Certificate of Approval of Increase of Capital Stock	05/08/2015	N/A	
6.	Securities and Exchange Commission	Certificate of Incorporation	11/11/2011	N/A	
MEGAWIDE LAND, INC.					
1.	Business Permit and Licensing Office	Business Permit	08/10/2022	08/10/2023	Renewed
2.	Local Government Unit	Community Tax Certificate	01/31/2022	01/31/2023	Renewed
3.	Office of the City Health Office	Temporary Sanitary Permit to Operate	Checking Status	Checking Status	Ongoing renewal application submitted last

					05/15/2022
4.	City Environment and Natural Resources Office	Environmental Permit to Operate	07/27/2022	07/27/2023	Renewed
5.	Barangay City Hall of San Antonio	Barangay Clearance	01/31/2022	01/31/2023	Renewed
6.	Securities and Exchange Commission	Certificate of Incorporation	10/28/2016	N/A	
MWM TERMINALS, INC.					
1.	Business Permit and Licensing Office	Business Permit	02/08/2022	12/31/2022	Ongoing Renewal
2.	Local Government Unit	Community Tax Certificate	02/02/2022	12/31/2022	Ongoing Renewal
3.	Barangay Hall of Tambo	Barangay Clearance on Business	02/02/2021	12/31/2022	Ongoing Renewal
4.	Office of the City Health Office	Sanitary Permit to Operate	02/08/2022	12/31/2022	Ongoing Renewal
5.	Bureau of Fire Protection	Fire Safety Inspection Certificate	08/01/2022	08/01/2023	
6.	Office of the Building Official	Mechanical Permit	10/04/2016	N/A	
7.	Office of the Building Official	Fencing Permit	04/25/2016	N/A	
8.	Office of the Building Official	Electrical Permit	10/04/2016	N/A	
9.	Office of the Building Official	Building Permit	10/04/2016	N/A	
10.	Office of the Building Official	Occupancy Permits	11/13/2018 11/04/2019 12/04/2019	N/A	
11.	Office of the Building Official	Electronic Permits	10/04/2016	N/A	
12.	Department of Environment and National Resources	Environmental Compliance Certificate	04/27/2016	N/A	
13.	City Planning and Development Coordinator's Office	Locational Clearance	09/05/2016	N/A	
14.	Securities and Exchange Commission	Amendment of Articles of Incorporation	12/29/2020	N/A	
15.	Securities and Exchange Commission	Amendment of Articles of Incorporation	04/10/2018	N/A	
16.	Securities and Exchange Commission	Certificate of Approval of Increase of Capital Stock	05/04/2016	N/A	
17.	Securities and Exchange Commission	Certificate of Incorporation	02/03/2015	N/A	
CEBU2WORLD DEVELOPMENT, INC.					
1.	Business Permit and Licensing Office	Business Permit	02/02/2022	02/02/23	Renewed
2.	Bureau of Internal Revenue	Certificate of Registration	11/03/2020	N/A	
3.	Securities and Exchange Commission	Amended Articles of Incorporation	03/04/2022	N/A	
4.	Securities and Exchange Commission	Certificate of Registration	11/03/2020	N/A	
5.	Pag-Ibig Fund (Home	Certificate of	05/26/2022	N/A	

	Development Mutual Fund)	Registration			
6.	Philippine Health Insurance Corporation	Certificate of Registration	02/11/2022	N/A	
7.	Social Security System	Employer Registration	01/28/2022	N/A	
8.	Treasurer's Office	Community Tax Certificate	01/11/2022	12/31/22	Ongoing Renewal
WIDE-HORIZONS, INC.					
1.	Securities and Exchange Commission	Certificate of Incorporation	11/16/2020	N/A	
TUNNEL PREFAB CORPORATION					
1.	Securities and Exchange Commission	Certificate of Incorporation	08.31.2022	N/A	

LEGAL PROCEEDINGS

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

1. Civil

Title	Case Number	Nature
a. Kuehne + Nagel, Inc. vs. Megawide	Civil Case No. 12-0310	Sum of Money

Status:

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 Kuehne + Nagel, Inc. (KNI) against Megawide, demanding payment of Seven Million Four Hundred Sixty Thousand Nine Hundred Sixty-Seven and 22/100 Pesos (PhP 7,460,967.22), representing the balance for the various freight, fees, and charges in transporting the defendant's shipment from Germany to the Philippines. Megawide filed its Answer on December 18, 2012, with Special and Affirmative Defenses and Counterclaims. Megawide's defense is primarily anchored in KNI's failure to secure the Load Port Survey (LPS) Report which resulted in the delay of the release of the shipment from the Bureau of Customs. Consequently, the Bureau of Customs imposed a penalty amounting to Four Million Twenty-Seven Thousand Forty-Three and 22/100 Pesos (PhP 4,027,043.22). Megawide paid the said penalty and the amount of Three Hundred Fifty-Five Thousand Eight Hundred Ninety-Three and 75/100 Pesos (PhP 355,893.75) representing storage fees for more than two (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 an Order dated September 17, 2020. Megawide filed an appeal to the decision on October 23, 2020. To date, the case is still pending before the Court of Appeals.

Title	Case Number	Nature
b. MC Montgear Electromech Corp. (Montgear) vs. Megawide	Civil Case No. R-QZN-19-16735	Sum of Money

Status:

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 Quezon City Branch 77 (RTC) on October 12, 2017 seeking to recover its retention money amounting to Twenty-Two Million Six Two Thousand Twelve and 65/100 Pesos (PhP 22,062,012.65). In response, Megawide filed an Answer with Counterclaim amounting to Seventy-Seven Million Five Hundred Twenty-Two Thousand Three Hundred Thirty and 69/10 Pesos (PhP 77,522,330.69) corresponding to unpaid charges by Montgear.

Based on RTC's Decision dated August 12, 2022, the claims of both Montgear and Megawide were denied. Montgear filed a Motion for Reconsideration, which was also denied.

On December 12, 2022, Megawide received Montgear's Notice of Partial Appeal dated December 6, 2022. The RTC issued an Order dated December 12, 2022, ordering the records of the case to be transmitted to the Court of Appeals. Once the RTC completes the transmittal, Montgear is expected to file its Appellant's Brief.

Title	Case Number	Nature
c. Megawide vs. Maynilad Water Services, Inc. (Maynilad)	Civil Case No. R-QZN-20-06026-CV	Provisional Remedies

Status:

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 [Temporary Restraining Order]) 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 06, 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 05, 2021, the Court granted Megawide's application for Mandatory Injunction as an interim measure of protection in aid of arbitration.

In a Manifestation dated October 13, 2022, Megawide informed the court that it entered into a Settlement Agreement with Maynilad and its consortium partners, Toshiba and Link Energie. In view of the new agreement, Megawide notified the court that the protection order it obtained had been rendered moot and academic. Since the parties have reached a compromise on the proceeds involved in the case, Megawide advised the court that it will no longer renew the injunction bond that is set to expire on November 21, 2022.

Title	Case Number	Nature
d. MHI Engine Systems Philippines, Inc. vs. Megawide	Civil Case No. 21-024	Sum of Money

Status:

MHI filed a case for sum of money claims against Megawide before the Muntinlupa City Regional Trial Court Branch 204 for the release of its retention money in the amount of Nine Million Five Hundred Seventy-Five Thousand Five Hundred Fifty-Four and 74/100 Pesos (PhP 9,575,554.74) as well as legal interest, attorney's fees and damages. The parties settled the dispute before the Philippine Mediation Center – Muntinlupa on June 03, 2022.

2. **Criminal**

Title	Case Number	Nature
a. People of the Philippines vs. Manuel Louie B. Ferrer, et al.	Crim. Case no. R-LLP-21-01781-CR	Violation of Anti-Dummy Law

Status:

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:

Steve Dicdican, General Manager of MCIAA;
 Manuel Louie Ferrer, President of GMCAC;
 Edgar Saavedra, Director of GMCAC;
 Oliver Tan, Director of GMCAC;
 Jez Dela Cruz, Director of GMCAC;

Srinivas Bommidala, Chairman of GMCAC;
P. Sripathy, Director of GMCAC;
Vivek Singhai, Director of GMCAC;
Andrew Acquaaah-Harrison, Chief Executive Advisor of GMCAC;
Ravi Bhatnagar, Chief Finance Advisor of GMCAC;
Ravishankar Saravu, Chief Commercial Adviser of GMCAC;
Michael Lenane, Chief Operations Officer of GMCAC;
Sudarshan MD, Deputy Chief Commercial Adviser of GMCAC;
Kumar Gauray, Manager of GMCAC;
Magesh Nambiar, Deputy Human Resources Head of GMCAC;
Rajesh Madan, Head of Finance of GMCAC; and
other John and/or Jane Does
(Respondents)

This case stemmed from a complaint filed by a certain Larry Iguidez, Jr. (Complainant) with the Anti-Fraud and Action Division of the NBI on September 07, 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.

After several submissions of pleadings, the DOJ, in a resolution dated October 08, 2021, found probable cause for the violation of Section 2-A of the Anti-Dummy Law. Ferrer, Saavedra, Tan, and Dela Cruz (Megawide Respondents) filed a Petition for Review with the Secretary of Justice on November 26, 2021, and is still pending.

On November 23, 2021, the DOJ filed an Information with the Regional Trial Court of Lapu-Lapu Branch 68 (RTC) for the Respondents' alleged violation of the Anti-Dummy Law. On the same day, Megawide Respondents filed an Omnibus Motion to quash the information, to defer the issuance of warrants of arrest and to dismiss the case. The RTC nevertheless issued warrants of arrest against the Respondents on November 25, 2021, and the Megawide Respondents and Respondent Acquaaah-Harrison posted bail the following day, or on November 26, 2021.

The arraignment of the Respondents was conducted last March 28, 2022, wherein Respondents pleaded "not guilty" to the charges against them. Notwithstanding the arraignment, the Megawide Respondents filed on March 24, 2022 a Motion to Quash the Information on the ground that the Information does not allege an offense, given that the signing into law of Republic Act No. 11659, otherwise known as the Amended Public Service Act, has rendered the legal issue at hand moot and academic. In an Omnibus Order dated June 14, 2022, the court granted the Motion to Quash and dismissed the case.

The Public Prosecutor filed an Omnibus Motion (for Inhibition with Motion for Reconsideration to the Order dated June 14, 2022) dated July 04, 2022. Directors, through counsel filed a Vehement Opposition (Re: Omnibus Motion for Inhibition with Motion for Reconsideration to the Order dated June 14, 2022) dated July 21, 2022.

On October 25, 2022, the Court issued a Certificate of Finality, certifying that an Order dated September 27, 2022 was issued by the Court denying the Omnibus Motion dated July 04, 2022 and declaring the case dismissed with finality.

The dispositive portion of the September 27, 2022 Order:

- i. Denies the Motion for Reconsideration filed by the Prosecutor's Office;
- ii. Recalls the Warrant of Arrest dated 25 November 2021 as against Accused Acquaaah-Harrison, Bommidala, Sripathy, Singhal, Lenane, Gaurav, and Madan;
- iii. Orders the release to the bondsman of the cash bonds in the amount of Php90,000.00 each for the Directors Edgar Saavedra, Manuel Ferrer, Oliver Tan, and Jez Dela Cruz, among others;
- iv. Orders the release to the bondsman of the travel bonds in the amount of Php150,000.00 each for the Director Edgar Saavedra and for Nambiar;
- v. Denies the prayer of Atty. Iguidez in his Manifestation with Motion.

3. Administrative

Title	Case Number	Nature
a. Asiatech Development and Builders Corp. (Asiatech) vs. Megawide	PCAB Case No. 0820-002	Violation of Sec. 28 par. (f) of RA 4566

Status:

Asiatech filed a disciplinary action against Megawide with the Philippine Contractors Accreditation Board (PCAB) on August 26, 2020 for Megawide's alleged fraudulent acts arising from its failure to pay Asiatech's receivables.

The PCAB ordered the parties to file their respective Memoranda, which order Megawide complied with by submitting its Memorandum on December 09, 2021. The case is currently pending resolution by PCAB.

4. Special Civil Action

Title	Case Number	Nature
a. Daisy Joy Rojallo Cervantes, et al. vs. H.E. Benigno Simeon Aquino III, Hon. Enrique T. Ona, Hon. Teodoro J. Herbosa et. al.	G.R. No. 210805	Opposition to the Modernization of the Philippine Orthopedic Center Project

Status:

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

On January 31, 2014, the petitioners, composed of civil society groups, health workers, and patients of the Philippine Orthopedic Center (POC) who are opposed to the MPOC project filed a Petition for Certiorari and Prohibition before the Supreme Court against then President Benigno Simeon Aquino III, other government officials, and the consortium of Megawide Construction Corporation and World Citi Medical Center.

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

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

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

Due to this, Respondents asked for the dismissal of the Petition because it has been rendered moot and academic by the termination of the Project.

On November 09, 2020, the Supreme Court issued a Resolution requiring the parties to file their respective Memoranda. Megawide filed its Memorandum on December 09, 2020.

On May 11, 2021, the Supreme Court has rendered a decision dismissing the petition for being moot and academic. On July 15, 2021, the decision became final and executory.

5. Case before the Commission on Audit (“COA”)

Title	Case Number	Nature
a. Megawide Construction Corporation vs. Department of Education	COA CP Case No. 2022	Claims for Unpaid Variation Orders

Status:

This is a Petition under Rule VIII of the 2009 Revised Rules of Procedure of the Commission on Audit (“COA”) under the COA Rules seeking payment of a sum of money from respondent Department of Education (“DepEd”), a government agency in connection with the *Public-Private-Partnership for School Infrastructure Project No. 2012-2 Contract Package “A”* (“Contract”).

Under the Contract, Megawide undertook the design, financing, and construction of 2,440 classrooms, including furniture and fixtures, in various sites in Regions I, II, III and CAR.

In the course of the implementation of the Contract, Megawide performed variation works, which consisted of necessary additional works in order to ensure the delivery of safe and hazard-free school buildings and the safety of the principals, teachers, students and other occupants. The variation works, together with the cost estimates and supporting documents.

In several Memoranda, DepEd’s OIC Chief of Physical Facilities and Schools Engineering Division, Engr. Annabelle Pangan (“Engr. Pangan”) recommended the release of payment of the variation orders in favor of Megawide. However, eventually, after several exchanges of correspondences between the parties, DepEd expressly denied Megawide’s claims for payment of variation orders which were not cleared or approved by the Approving Body, in compliance with the comments and recommendation of the NEDA Secretariat.

Therefore, on September 21, 2022, Megawide filed a Petition seeking payment of the costs of the accomplished additional works in the variation orders. On December 05, 2022, DepEd filed its Consolidated Answer to Megawide’s Petition. Awaiting COA’s decision.

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:

1. 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:
 - a. Executive Committee;
 - b. Finance Committee;
 - c. Audit and Compliance Committee;
 - d. Risk Oversight Committee; and
 - e. Governance, Nomination, and Compensation Committee.

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

2. The Company has two (2) Independent Directors to ensure that the Board will protect, not only the interests of the Company, but its shareholders as well. Meanwhile, a third (3rd) Independent Director, Atty. Lilia B. de Lima, has been nominated to the Board. Her election

is one (1) of the agenda items during the Special Stockholders' Meeting on December 20, 2022.

3. 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.
4. 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 December 01, 2022, with the assistance of the Institute of Corporate Directors, which was attended by the Company's directors and key officers.
5. The Board revised the Company's vision, mission, and values, which it launched in 2019.
6. 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, the Company has submitted to the SEC its Sustainability Report.
7. 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. 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 NINE (9) MONTHS ENDED SEPTEMBER 30, 2022 COMPARED TO NINE (9) MONTHS ENDED SEPTEMBER 30, 2021

Results of Operations

Review of results for the nine (9) months ended September 30, 2022 as compared with the results for the nine (9) months ended September 30, 2021. The net income related to the disposal group is presented separately in the Results from Discontinued Operations.

Results of Continuing Operations

Revenues decreased by 4% or ₱392 million

Consolidated revenues for the period amounted to ₱10.69 billion, 4% or ₱392.05 million lower than the same period last year. The decrease was due to slowdown of construction operations and lower occupancy rate in the landport segment.

Construction revenues amounted to ₱10.32 billion and contributed 96% to the consolidated revenues. The segment experienced slowdown of operations as certain contracts were under re-negotiation due to the impact of rising raw material prices and interest rates. Despite this, the Company maintains a healthy orderbook as it continued to secure new contracts from Suntrust Home Developers' Suncity West Side City project, Landers Aseana, Hampton O&P, and the DOTr's Malolos Clark Railway Phase 1 Project – a joint venture project with Hyundai Engineering & Construction Co., Ltd., and Dong-ah Geological Engineering Company Ltd.

Landport operations meanwhile delivered revenue of ₱276 million from office towers and commercial spaces and contributed 3% to the total consolidated revenues. The clamp down on Philippine Offshore Gaming Operators (POGO) continue to put pressure on office vacancy and lease rates, affecting tenancy at PITX and translated to lower revenues from the same period last year. PITX however continued to serve as a transportation convergence point to serve commuters to and from different places of work.

Direct Costs decreased by 1% or ₱50 million

Direct costs amounted to ₱9.1 billion and were lower by 1% or ₱50 million. The movement was consistent with the revenue performance across all segments, taking into consideration fixed costs and depreciation expenses, despite lower occupancy rate at the landport terminals.

Gross Profit decreased by 18% or ₱342 million

Consolidated gross profit amounted to ₱1.6 billion for the nine months of 2022, translating to a consolidated gross profit margin of 15%. The construction business contributed ₱1.5 billion or 96% of the Group's gross profit. Merchandising segment accounted for ₱37 million or 2% of the total while Terminal operations contributed ₱21 million or 1% to the Group's gross profit.

Other Operating Expenses increased by 4% or ₱31 million

Net Other Operating Expenses for the third quarter of 2022 amounted to ₱784.5 billion, with the ₱31 million increment attributed mainly to due to various professional fees and registration fees incurred for its bond and preferred shares issuances.

Other Income (Charges) decreased by 10% or ₱44 million

Other charges - net, which consists of finance cost, finance income and other income (charges) amounted to ₱376.6 million, 10% lower from year-ago levels. The decrease in other charges – net is due to repayment of various short-term loans which decreased finance cost and increased finance income. Meanwhile, other income of the landport segment also decreased due to decrease in occupancy rate.

Tax Expense decreased by ₱125 million or 73%

Total tax expense decreased due to the lower taxable income for the period. Tax expense in the previous year also includes impact of the adjustment of deferred tax assets to reduce in tax rate from 30% to 25% under the CREATE law.

Results of Discontinued Operations

The airport business remains optimistic of a turnaround as vaccination has contained the virus, encouraging global and local air travel. Revenue during the period amounted to ₱1.1 billion and contributed 9% to the total consolidated revenue. Passenger volume more than doubled from last year's pandemic level, although still fell short of pre-pandemic levels, with domestic passenger volume, which comprised 90% of traffic, rising to 3.3 million from last year's 660 thousand and international passenger volume soaring to 370 thousand from previous year's 10 thousand. Airport merchandising segment, which is ancillary to airport operations, likewise experienced an 806% improvement in sales to ₱93 million from ₱10 million last year.

The direct cost of airport operations increased by 113% to ₱590.8 million. The movement of direct cost was consistent with the revenue performance of the airport segment, taking into consideration fixed costs and depreciation expenses, despite reduced passenger volumes. The airport segments gross profit increased by 498% to ₱529.2 million.

Despite higher revenue and gross profit margin, airport segment generated ₱1.3 billion net loss due to higher interest costs on loans arising from successive policy rate hikes during the year and absence of one-time gain of P208 million recognized in 2021, associated with the loan modification executed at GMCAC.

Consolidated Net Loss increased by 90% or ₱461 million

Consolidated net loss from continuing and discontinued operations amounted to ₱970 million compared with the consolidated net loss of ₱510 million in 2021, due to a higher loss contribution from the airport business as well as landport operations.

Financial Condition

Review of financial conditions as of September 30, 2022 as compared with financial conditions as of December 31, 2021. The Group reclassified the assets and liabilities of discontinued operations to Non-current Assets Held for Sale and Non-current Liabilities Held for Sale accounts in the 2022 interim consolidated statement of financial position.

ASSETS**Current Assets increased by 4% or by ₱1.47 billion**

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

Cash and Cash Equivalents decreased by 32% or ₱1.9 billion

The decrease in cash and cash equivalents was due to payments of interests, dividends on preferred shares, and various cash outlays for the acquisitions of precast and construction equipment to ramp up capacity as well as other requirements for working capital. Balance of cash and cash equivalents of airport segment amounting to ₱644 million was reclassified to non-current asset held for sale.

Trade and Other Receivables increased by 5% or by ₱858 million

The increase in contract receivables is related to milestone payments of contractual agreements 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 receivables are not yet due. Meanwhile, receivables from Terminal operations increased by ₱144 million due to increase in contractual lease revenue compared with the previous quarter. 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. Balance of trade and other receivables of airport segment amounting to ₱615.4 million was reclassified to non-current asset held for sale.

Construction Materials increased by 32% or by ₱655 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 12% or ₱557 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 13% or by ₱1.3 billion

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 structural development. The related input VAT also increased as a result of payments made to subcontractors. This is offset by the decrease in creditable withholding taxes under the construction segment that is directly related to the increase in tax expense and deferred fulfillment cost of newly started contracts, which are being amortized as expense as the projects progress. Balance of other current asset of airport segment amounting to P1.5 billion was reclassified to non-current asset held for sale.

Non-Current Asset Held for Sale increased by 100% or ₱36.0 billion

Total noncurrent assets held for sale pertains to the total assets of airport segment amounting to ₱36.0 billion. The increase is mainly due to deconsolidation in 2022 and reclassification of fair value of GMCAC assets to this account.

Non-Current Assets decreased by 73% or ₱32.7 billion

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

Financial Assets at Fair Value Through Other Comprehensive Income (FVTOC) remains at ₱4 million

FVTOC which represents shares of stocks held to unconsolidated entity and golf shares with no published market value references remains at ₱4 million for both periods.

Investments in Associates and Joint Ventures decreased by 5% or by ₱46 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.

Property, Plant and Equipment decreased by 8% or by ₱539 million

The Group recognized depreciation charges on property, plant and equipment amounting to ₱1.1 billion and procured certain pre-cast equipment to expand capacity of construction support and service units as well as various specialized equipment to support specification requirement of the ongoing projects. Balance of property, plant and equipment of airport segment amounting to ₱200 million was reclassified to non-current asset held for sale.

Investment Properties decreased by 2% or by ₱81 million

The decrease is mainly related to the reclassification of completed works that were previously classified as construction in progress under property, plant, and equipment after considering the depreciation charges for the period amounting to ₱140 million.

Deferred tax assets increased by 110% or ₱27 million

The increase was due to higher deferred tax assets recognized by a foreign subsidiary.

Other Non-Current Assets decreased by 87% or ₱2 billion

Balance of other non-current asset of airport segment amounting to ₱2.2 billion was reclassified to non-current asset held for sale. Whereas the increase of ₱109 million was mainly due to increase in the deferred input VAT balance of the Group as well as higher refundable deposits under MWM.

LIABILITIES AND EQUITY

Current Liabilities decreased by 5% or by ₱1.3 billion

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

Interest-Bearing Loans and Borrowings-Current increased by 3% or ₱372 million

The growth is due to additional borrowings made during the year to support the working capital requirements of the Group.

Trade and Other Payables decreased by 24% or by ₱2 billion

The increase is due to progress billings on work in progress contracts. The balance of trade and other payables of airport segment amounting to ₱3.2 billion was reclassified to non-current liabilities held for sale.

Contract Liabilities-Current increased by 10% or ₱379 million

The increase is mainly related to reclassification from noncurrent portion and reduced by the recoupments from progress billings.

Other Current Liabilities decreased by 16% or by ₱41 million

The balance of other current liabilities of airport segment amounting to ₱62.2 million was reclassified to non-current liabilities held for sale. While increase of ₱21.2 million is due to the increase in tax liabilities of the Group such as withholding taxes and output VAT.

Non-current Liabilities Held for Sale increased by 100% or to ₱30.2 billion

Total noncurrent liabilities held for sale pertains to the total liabilities of airport segment amounting to ₱30.2 billion. The increase is mainly due to deconsolidation in 2022 and reclassification of fair value of GMCAC liabilities to this account.

Non-Current Liabilities decreased by 40% or ₱23.2 billion

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

Interest-Bearing Loans and Borrowings-Non-Current decreased by 61% or ₱21.4 billion

The balance of non-current portion of the interest-bearing loans of borrowings of the airport segment amounting to ₱25.8 billion was reclassified to non-current liabilities held for sale. Non-current portion of finance lease payables and corporate note were reclassified to current loans based on scheduled payments within one-year horizon. Meanwhile, the decrease was offset by the bonds raised in August 2022 amounting to ₱4.0 billion.

Contract Liabilities-Non-Current decreased by 32% or ₱651 million

The decrease is mainly related to reclassification to current portion of customer recoupments based on construction schedule.

Deferred Tax Liabilities decreased by 97% or ₱844 million

The balance of deferred tax liabilities of the airport segment amounting to ₱848.5 million was reclassified to non-current liabilities held for sale. The decrease was reduced by the recognition of deferred tax liability on landport segment relating to PFRS 16 deferred tax impact.

Other Non-Current Liabilities decreased by 40% or ₱263 million

The balance of other non-current liabilities of the airport segment amounting to ₱194.5 million was reclassified to non-current liabilities held for sale. The increase is due to the accretion on security deposits received from landport segment.

Equity Attributable to Parent decreased by 5% or by ₱828 million

The decrease in equity was mainly due to dividend payments of ₱380 million to preferred stock shareholders and net loss for the period attributable to parent company amounting to ₱445 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS AS OF AND FOR THE FULL YEAR ENDED DECEMBER 31, 2021 COMPARED TO FULL YEAR ENDED DECEMBER 31, 2020

Results of Operations

Revenues increased by 21% or ₱2.72 billion

Consolidated revenues for the period amounted to ₱15.64 billion, 21% or ₱2.72 billion higher from the same period last year. The construction segment revenue amounted to ₱14.33 billion, 32% or ₱3.49 billion above from year ago levels and contributed 91% 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 3 which is a joint 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 ₱576 million, 48% or ₱532 million lower than the same period last year and contributed 4% to the total consolidated revenue due to the effect of international and local travel restrictions, beginning March 16, 2020 and persisted until December 31, 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 67% decline in revenue.

Landport operations delivered revenue of ₱715 million from office towers and commercial spaces during the period 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 21% or ₱187 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 08, 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 24% or ₱2.5 billion

Direct costs amounted to ₱12.9 billion and were higher by 24% or ₱2.5 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 increased by 9% or ₱222 million

Consolidated gross profit amounted to ₱2.74 billion in 2021, translating to a consolidated gross profit margin of 18%. The construction business contributed ₱2.2 billion or 80% of the Group's gross profit. Terminal operations contributed ₱327 million or 12% while airport operations and merchandising segment accounted for ₱207 million or 8% to the total gross profit.

Other Operating Expenses increased by 16% or ₱247 million

Net Other Operating Expenses amounted to ₱1.78 billion. The increase of ₱247 million is mainly related to impairment losses recognized on receivables amounting to ₱204 million.

Other Income (Charges) increased by 6% or ₱88 million

Other charges - net, which consists of finance cost, finance income and other income (expenses) amounted to ₱1.68 billion, 6% lower from year-ago levels. The reduction is due mainly to the recognition of gain on loan modification amounting to ₱208 million in 2021 and mark-to-market gain on the airport segment's interest rate swap recognized this year compared to market-to-market loss on IRS booked on the same period last year recorded under other income (expense). However, this is offset by the unrealized foreign exchange loss recognized in 2021 from the USD loans under the airport segment due to the higher peso to dollar exchange rate compared to the unrealized foreign exchange gain recognized on the same period last year.

Tax Expense decreased by ₱95 million or 36%

Total tax expense decreased in 2021 due to the decrease in tax expense in the is directly related to the reduction in tax rate from 30% to 25% under the CREATE law.

Consolidated Net Loss decreased by 2% or ₱19 million

Consolidated net loss amounted to ₱893 million compared to consolidated net loss of ₱875 million in 2020. Marginal improvement is related to improvement in construction operations which posted a profit of ₱401 million compared with last year's loss of ₱497 million, 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**Review of financial conditions as of December 31, 2021 as compared with financial conditions as of December 31, 2020****ASSETS****Current Assets increased by 9% or by ₱3.34 billion**

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

Cash and Cash Equivalents decreased by 19% or ₱1.38 billion

The decrease in cash and cash equivalents was due to payment of ₱2.6 billion finance cost, ₱595 million dividends on preferred shares and various acquisitions of precast and construction equipment to ramp up capacity. This is offset by proceeds from the down payments of clients for newly awarded projects during the period and increase in operating cash flow from construction segment.

Trade and Other Receivables increased by 11% or by ₱1.67 billion

The increase in contract receivables by ₱581 million 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 receivables are not yet due. Interest receivable increased by ₱444 million while retention receivable increased by ₱76 million. Receivable from airport operations increased by ₱129 million due to the increase in revenue during the month of December as economies opened and our country relaxed travel policies. Meanwhile, receivables from Terminal operations increased by ₱319 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.

Inventory of Construction Materials increased by 19% or ₱326 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 ₱546 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 27% or by ₱2.18 billion

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 ₱163 million for MCRP. The related input VAT also increased as a result of payments made to subcontractors. 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 increased by 1% or ₱493 million

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

Investments in Associates and Joint Ventures decreased by 7% or by ₱68 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 2% or by ₱575 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 ₱50 million.

Property, Plant and Equipment decreased by 1% or by ₱73 million

The Group recognized depreciation charges on property, plant and equipment amounting to ₱1.47 billion 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 3% or by ₱115 million

The increase is mainly related to the additions in the landport property amounting to ₱230 million representing additional improvements in the commercial and parking area. This was reduced by depreciation charges for the period amounting to ₱86 million.

Deferred tax assets increased by 156% or ₱15 million

The increase was due to the reversal of deferred tax assets recognized by a foreign subsidiary and the resulting net deferred tax asset from construction segment as compared with the previous years due to deferred taxes on impairment loss recognized during the year and increase in deferred tax on the effect of PFRS 15 on significant financing component.

Other Non-Current Assets decreased by 3% or ₱71 million

The decrease in Other Non-Current Assets was mainly due to decrease of ₱238 million in investment in trust fund, the cash waterfall account for the airport segment loan but was offset increase in the deferred input VAT balance of the Group amounting to P 107 million as well as higher refundable deposits under MWM amounting to ₱51 million.

LIABILITIES AND EQUITY

Current Liabilities increased by 15% or ₱3.61 billion

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

Interest-Bearing Loans and Borrowings-Current increased by ₱1.65 billion or 13%

The increase is mainly related to additional borrowings for the period to support mainly the capital asset requirement of the construction segment and reclassification to current portion of long-term loan based on the scheduled payment for the next year. The increase was offset by

loans of GMCAC were reclassified from current to non-current amounting to ₱824 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 current portion of long-term loan recognized in the previous year were reclassified to non-current.

Trade and Other Payables increased by 4% or by ₱325 million

The increase is mainly due to the additional infusion of the minority shareholder to the airport operations to comply with the restated OLSA amounting to ₱308 million. This was offset by the payment of accrued interest. Under the amended OLSA previously discussed, 20% of the accrued interest related to the period was paid in May 2021, while the balance shall be paid on June 15, 2023 together with the interest accrued. For interest incurred from March 31, 2021 to December 15, 2021, 37% of the accrued interest related to the period shall be paid monthly starting May 15, 2021 until December 15, 2021, the balance shall be paid on December 2023 together with the interest accrued.

Contract liabilities – current increased by 75% or ₱1.59 billion

The increase is mainly related to reclassification from noncurrent portion as accomplishments is expected to be higher in the next year which will result to higher recoupment of downpayments from client.

Other Current Liabilities increased by 22% or by ₱48 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 ₱1.54 billion

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

Interest-Bearing Loans and Borrowings-Non-Current increased by 6% or ₱1.93 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, interest bearing loans for GMCAC were increased by ₱2.1 billion. Meanwhile, current portion of finance lease payables amounting to ₱91 million were reclassified to current loans based on scheduled payments within one-year horizon.

Contract liabilities – noncurrent decreased by 17% or ₱422 million

The increase is mainly related to downpayments received in 2021 for newly awarded contracts such as SunCity and share in MCRP.

Post-employment defined benefit obligation decreased by 13% or by ₱43 million

The post-employment defined benefit obligation decreased due to experience adjustments and changes in demographic assumptions.

Deferred tax liabilities increased by 9% or by ₱71 million

The decrease in deferred tax liabilities was mainly due to construction segment which had a net deferred tax asset position of ₱10 million at the end of the year compared to last year deferred tax liability position amounting to ₱26 million. Other decrease is arising from the adjustment of tax rate from 30% to 25%.

Other non-current liabilities increased by 1% or ₱8 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 4% or by ₱774 million

The decrease in equity was mainly due to dividend payments of ₱506 million to preferred stock shareholders and ₱342 million net loss attributable to Parent for the year.

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

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 ECQ last March 17, 2020, construction activities have been suspended. During the 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 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 million 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***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 1% or ₱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.

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.

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

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

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

Megawide has capital commitment to utilize the proceeds from the issuance of its preferred shares amounting to ₱4,362.6 million for various 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.

KEY PERFORMANCE INDICATORS

The following table summarizes Megawide's Key Performance Indicators ("KPIs") and Ratios as of and for the nine months ended September 30, 2022 and 2021 and as of and for the years ended December 31, 2021, 2020, and 2019:

	September 30		December 31		
	2022	2021	2021	2020	2019
Current Ratio ⁽¹⁾	1.58	1.40	1.45	1.39	1.27
Debt to Equity Ratio ⁽²⁾	1.60	2.42	2.58	2.24	2.65
Asset to Equity Ratio ⁽³⁾	5.01	4.26	4.44	3.96	4.49
Interest Coverage Ratio ⁽⁴⁾	1.24	0.80	0.61	0.73	1.71
Book Value per Share ⁽⁵⁾	3.71	4.26	2.13	4.49	5.02
Earnings per Share ⁽⁶⁾	-0.41	-0.23	-0.42	-0.33	0.28
Return on Assets ⁽⁷⁾	0.00	-0.01	-0.01	-0.01	0.01
Return on Equity ⁽⁸⁾	0.02	-0.03	-0.04	-0.05	0.06
Gross Profit Margin ⁽⁹⁾	15%	17%	18%	19%	23%
Operating Profit Margin ⁽¹⁰⁾	7%	10%	6%	8%	14%

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 Operations".

DIRECTORS, EXECUTIVE OFFICERS, AND KEY PERSONS

DIRECTORS AND SENIOR MANAGEMENT

Megawide's Board is 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., and Mr. Celso P. Vivas and Atty. Lilia B. de Lima. Meanwhile, Megawide's management team is headed by its President, CEO, and Chairman of the Board, Mr. Edgar B. Saavedra, a licensed civil engineer, who has been practicing for over twenty (20) years.

The Directors shall hold office for one (1) year or until their successors are elected and qualified. The first directors are also the incorporators. The annual meeting of the stockholders shall be held every June 30 of each year.

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

The 2016 Code of Corporate Governance for Publicly-Listed Companies requires that at least three directors, or such number as to constitute at least one-third of the members of the Board, whichever is higher, are independent directors. The Amended Articles and Incorporation and By-Laws of Megawide provide that the seven (7) directors shall include such number of independent directors as may be required by law.

The following provides the information on each Member of Megawide's Board of Directors, as of June 30, 2022, including their current directorships and positions in other companies, previous business experience, and educational background:

Below are the qualifications and experience of the current Directors of Megawide, including their educational background, business experience, and directorships in other reporting companies:

1. **MR. EDGAR B. SAAVEDRA**

Age: 48

Citizenship: Filipino

Positions in Megawide: *Chairman of the Board (since 18 September 2017); CEO; President; Chairman of the Executive Committee; and Member of the Board Risk Oversight Committee*

Term of Office: Yearly

Current Directorships and Positions Held in Other Companies

Mr. Saavedra is currently the Chairman and President of Citicore Holdings Investment Inc. He is also the Chairman of MWM Terminals, Inc., Cebu2World Development, Inc., Citicore Power Inc., Citicore Energy REIT Corp., and Citicore Renewable Energy Corporation. He also serves as Director of GMR Megawide Cebu Airport Corporation and GlobemERCHANTS, Inc. In addition, he serves as the Chairman, CEO, and President of PH1 World Developers, Inc. Further, he is a Trustee and Vice President of Megawide Corporate Foundation, Inc.

As mentioned above, Mr. Saavedra is the Chairman of Citicore Energy REIT Corp., which is a publicly-listed company and an indirect subsidiary of Citicore Holdings Investment Inc., the parent company of Megawide.

Previous Business Experience and Educational Background

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.

2. **MR. MANUEL LOUIE B. FERRER**

Age: 47

Citizenship: Filipino

Positions in Megawide: *Vice-Chairman of the Board (first elected as Director on 18 September 2017); Executive Director for Infrastructure Development; Vice Chairman of the Executive Committee; and Member of the Governance, Nominations, and Compensation Committee.*
Term of Office: Yearly

Current Directorships and Positions Held in Other Companies

Mr. Ferrer is the Chairman of the Board of Trustees and President of Megawide Corporate Foundation, Inc. Also, he serves as a Director and the President of GMR Megawide Cebu Airport Corporation and Cebu2World Development, Inc. He is also a Director of Citicore Holdings Investment Inc., MWM Terminals, Inc., GlobemERCHANTS, Inc., and Citicore Energy REIT Corp. He also serves as the Vice Chairman of the Board of PH1 World Developers, Inc. Further, he is a Director and the Treasurer of Citicore Power Inc. and Citicore Renewable Energy Corporation.

As mentioned above, Mr. Ferrer is a director of Citicore Energy REIT Corp., which is a publicly-listed company and an indirect subsidiary of Citicore Holdings Investment Inc., the parent company of Megawide.

Previous Business Experience and Educational Background

Mr. Ferrer obtained his degree in Industrial Design from De La Salle University in 1996. He previously served as President of MWM Terminals, Inc.

3. **MR. OLIVER Y. TAN**

Age: 45

Citizenship: Filipino

Position in Megawide: *Director (since 16 September 2016); Vice Chairman of the Finance Committee; and Member of the Executive Committee and Audit and Compliance Committee.*

Term of Office: Yearly

Current Directorships and Positions Held in Other Companies

Mr. Tan serves as Director and President of Citicore Power Inc., Citicore Energy REIT Corp., and Citicore Renewable Energy Corporation. Further, he is Director and Vice President of Citicore Holdings Investment Inc.

As mentioned above, Mr. Tan is a director of Citicore Energy REIT Corp., which is a publicly-listed company and an indirect subsidiary of Citicore Holdings Investment Inc., the parent company of Megawide.

Previous Business Experience and Educational Background

Mr. Tan previously served as the Chief Finance Officer of Megawide Construction Corporation. He holds a degree in Business Administration from the Philippine School of Business Administration.

4. **MR. RAMON H. DIAZ**

Age: 64

Citizenship: Filipino

Positions in Megawide: *Executive Director (since 30 June 2021); Group Chief Financial Officer; Chairman of the Finance Committee; and Member of Board Risk Oversight Committee and Executive Committee*

Term of Office: Yearly

Current Directorships and Positions Held in Other Companies

Mr. Diaz is a Director of Citicore Holdings Investment Inc., Citicore Power Inc., MWM Terminals, Inc., and Citicore Renewable Energy Corporation. Also, he serves as Director and Treasurer of GMR Megawide Cebu Airport Corporation and Cebu2World Development, Inc.

Previous Business Experience and Educational Background

Mr. Diaz was previously 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., Actron Industries, Inc., and Isla Communications Company Inc. Further, he was Chief Operating Officer of PT

Jababeka Infrastruktur. He obtained his Bachelor of Science degree in Commerce, Major in Accounting, Magna Cum Laude, from the University of San Carlos and his Masters in Business Management from the Asian Institute of Management, as a scholar of the Ford Motor Company. He is a Certified Public Accountant.

5. **RET. CHIEF JUSTICE HILARIO G. DAVIDE, JR.**

Age: 86

Citizenship: Filipino

Positions in Megawide: *Lead Independent Director (since 30 June 2021, but first elected as Independent Director on 18 September 2017); Chairman of the Governance, Nominations, and Compensation Committee; and Member of the Finance Committee, Board Risk Oversight Committee, and Audit and Compliance Committee*

Term of Office: Yearly

Current Directorships and Positions Held in Other Companies

Ret. Chief Justice Davide, Jr. is currently an Independent Director and Vice-Chairman of Manila Bulletin Publishing Corporation. He is also a Director and the Vice-Chairman of KOMPASS Credit and Financing Corporation. Further, he serves as an Independent Director of Philippine Trust Company (Philtrust Bank). He is also the Chairman of the Board of Trustees of Claudio Teehankee Memorial Foundation, Inc. and Heart of Francis Foundation, Inc. He is also a Trustee of University of San Carlos, Cebu City, Knights of Columbus of the Philippines Foundation, Inc., and Knights of Columbus Fr. George J. William, SJ Charities, Inc.

Previous Business Experience and Educational Background

Ret. Chief Justice Davide, Jr. served as Chief Justice of the Supreme Court of the Philippines from November 1998 to December 2005. After his retirement from the Supreme Court, he served as the Permanent Representative of the Republic of the Philippines to the United Nations (UN) in New York from February 2007 to April 2010. He was an educator, legislator, and presidential adviser before his appointment as the country's top diplomat to the UN. Further, he was Commissioner of the 1986 Constitutional Commission which drafted the 1987 Constitution of the Philippines. Recognized for his accomplishments in government service, he was conferred the Ramon Magsaysay Award in 2002. He obtained his Bachelor of Laws from the University of the Philippines.

6. **MR. CELSO P. VIVAS**

Age: 75

Citizenship: Filipino

Position in Megawide: *Independent Director (since 02 July 2018); Chairman of the Audit and Compliance Committee; Vice Chairman of the Board Risk Oversight Committee; and Member of the Governance, Nominations, and Compensation Committee, and Finance Committee*

Term of Office: Yearly

Current Directorships and Positions Held in Other Companies

Mr. Vivas is an Independent Trustee of Megawide Corporate Foundation, Inc. He is currently Lead Independent Director and Chairman of Audit and Risk Management Committee of Keppel Holdings, Inc. Further, he serves as Independent Director and Chairman of Audit and Risk Management Committee, Keppel Philippines Marine, Inc. He is also Independent Director and Member of Audit Committee of Keppel Philippines Properties, Inc. He also serves as Independent Director of Keppel Subic Shipyard, Inc. Also, he serves as Independent Director, Chairman of Governance, Nomination, and Remuneration Committee, and Member of Audit and Risk Management Committee of Republic Glass Holdings, Inc. Further, he is a member of the Board of Trustees and President of Marubeni Foundation, Inc.

Previous Business Experience and Educational Background

He was a Risk Consulting Partner and Assurance Business Advisory Partner of SGV & Co. until his retirement in 2001. He 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. He 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).

7. **ATTY. LILIA B. DE LIMA**

Age: 82

Citizenship: Filipino

Term of Office: Yearly

Current Directorships and Positions Held in Other Companies

Atty. de Lima serves as a Director of Rizal Commercial Banking Corporation. She is also an Independent Director of PHINMA Corporation, FWD Life Insurance Philippines Corporation, Dusit Thani Philippines, Ionics, Inc. Ionics EMC, Inc., Science Park of the Philippines Incorporated, and RFM-Science Park of the Philippines, Incorporated, Regatta Properties, Inc., and Pueblo de Oro Development Corporation. Additionally, she is a Trustee of the Fatima Center for Human Development, an Executive-in-Residence of the Asian Institute of Management, and an Advisory Council Member of the AC Industrial Technology Holdings Inc.

Previous Business Experience and Educational Background

Atty. de Lima was the Director General of the Philippine Economic Zone Authority ("PEZA") from 1995 to 2016. For her twenty-one (21) years of sustainable leadership and building a credible and efficient PEZA, she received The Ramon Magsaysay Award in 2017. She is the first woman to be honored as "Management Man of the Year" by the Management Association of the Philippines in 2010. Furthermore, in 2014, the Philippine-Japan Society recognized her Outstanding Achievement in the Promotion of Philippine-Japan Relation, the first (1st) woman to receive such award in thirty-six (36) years. Also, the Joint Foreign Chambers of Commerce of the Philippines awarded her The Arangkada Lifetime Achievement Award in 2014. She was awarded the Robert Storey International Award for Leadership by The Center for American and International Law in Dallas, Texas in 2013. She was awarded the ASEAN CEO Award in 2011, and in 2010 the Government of Japan bestowed on her the highest award given to a non-Head of State, the Order of the Rising Sun, Gold and Silver Star. She received the Presidential Medal of Merit from the Philippine government twice. Furthermore, she was recognized as Outstanding Women in the Nation's Service Award in the field of law in 1983. She was elected as a Delegate to the 1971 Constitutional Convention representing the 2nd District of Camarines Sur, served as Director of the Bureau of Domestic Trade, Executive Director of the Price Stabilization Council, Department of Trade and Industry, Chief Operating Officer of World Trade Center Manila and Commissioner of the National Amnesty Commission.

She earned her Associate in Arts from the Centro Escolar University and her Bachelor of Laws from the Manuel L. Quezon University and subsequently passed the Philippine Bar. She was conferred a Doctor of Laws Honoris Causa by Manuel L. Quezon University and is a fellow of the Center for American and International Law in Dallas, Texas, USA.

Executive Officers Who Are Not Directors

Below are the qualifications and experience of the current executive officers of Megawide, including their educational background, business experience, and directorships in other reporting companies:

1. **ATTY. RAYMUND JAY S. GOMEZ**

Age: 51

Citizenship: Filipino

Positions in the Company: *Chief Legal Officer, Compliance Officer, and Data Protection Officer*

Term of Office: Yearly

Current Positions Held in Other Companies

Mr. Gomez also serves as Director of MWM Terminals, Inc. and Compliance Officer of Citicore Energy REIT Corp.

Previous Business Experience and Educational Background

Before joining Megawide, Mr. Gomez was the Vice President of the Human Resources, Legal and Regulatory Affairs Department of Beneficial Life Insurance Company, Inc. He also served as Assistant Vice President of the Legal and Corporate Services Department of Aboitiz Equity Ventures, Inc., Director of the Corporate Legal Affairs and Litigation Department at JG Summit Holdings, Inc., Legal Counsel for Cebu Air, Inc. (Cebu Pacific Air), and an Associate Lawyer of

Ledesma, Saludo and Agpalo Law Offices. He obtained his Bachelor of Laws degree from San Beda College.

2. **MS. MARIA BELINDA B. MORALES**

Age: 64

Citizenship: Filipino

Positions in the Company: *Chief Human Resources Officer*

Term of Office: Yearly

Current Positions Held in Other Companies

Ms. Morales also serves as Director of MWM Terminals, Inc. and Cebu2World Development, Inc.

Previous Business Experience and Educational Background

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.

3. **MR. CHRISTOPHER A. NADAYAG**

Age: 38

Citizenship: Filipino

Positions in the Company: *Treasurer*

Term of Office: Yearly

Current Positions Held in Other Companies

Mr. Nadayag is also Director and Treasurer of MWM Terminals, Inc. He also serves as Treasurer of Citicore Holdings Investment Inc. and PH1 World Developers, Inc.

Previous Business Experience and Educational Background

Previously, Mr. Nadayag 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.

4. **MS. ZHEENA E. OCAMPO**

Age: 34

Citizenship: Filipino

Positions in the Company: *Acting Chief Audit Executive*

Term of Office: Yearly

Current Positions Held in Other Companies

Ms. Ocampo does not hold any position in other companies.

Previous Business Experience and Educational Background

Prior to joining Megawide, Ms. Ocampo held the position as Audit Supervisor in Deloitte Philippines. She is a Certified Public Accountant and holds an MBA degree from the Asian Institute of Management.

5. **MR. MARTIN MIGUEL FLORES**

Age: 38

Citizenship: Filipino

Positions in the Company: *Chief Risk Officer*

Term of Office: Yearly

Current Positions Held in Other Companies

Mr. Flores does not hold any position in other companies.

Previous Business Experience and Educational Background

Mr. Flores joined Megawide in 2015 as the Head of Planning. He is currently Megawide's Head of the Project Management Office (PMO), a role he has held since 2019. As Head of PMO, he supervises the integration of the Enterprise Risk Management process in the business operations and strategy in all business units. He is a licensed Civil Engineer and received his Bachelor of Science in Civil Engineering from De La Salle University-Manila.

6. **MS. ABIGAIL JOAN R. COSICO**

Age: 49

Citizenship: Filipino

Positions in the Company: *Chief Investor Relations Officer*

Term of Office: Yearly

Current Positions Held in Other Companies

In a concurrent capacity, Ms. Cosico is also the Investor Relations Head of Citicore Power Inc. She is also Director and Treasurer of Citicore Fund Managers, Inc. and Director and President of Citicore Property Managers, Inc.

Previous Business Experience and Educational Background

Ms. Cosico has been the Company's Investor Relations Head since 2016. Prior to joining the Company, she held senior executive positions and performed various commercial and finance functions in her 15-year stint in one of the largest diversified conglomerates in the Philippines. This included heading Investor Relations for the real estate and property development company under the said conglomerate. Ms. Cosico obtained her Bachelor of Science degree in Management from Ateneo de Manila University. She also holds an MBA in Business Management, Major in Finance from the Asian Institute of Management.

7. **ATTY. CHARLOTTE Y. KING**

Age: 34

Citizenship: Filipino

Positions in the Company: *Corporate Secretary, Assistant Compliance Officer, and Corporate Information Officer*

Term of Office: Yearly

Current Positions Held in Other Companies

Ms. King also serves as Corporate Secretary of Cebu2World Development Inc., Citicore Holdings Investment Inc., MWM Terminals, Inc., Altria East Land Inc., Citicore-Megawide Consortium, Inc., Megawatt Power Inc., Megawide Corporate Foundation, Inc., Megawide Land, Inc., Megawide Terminals, Inc., Megawide OneMobility Corporation, Megawide GMR Construction JV, Inc., and Wide-Horizons, Inc.

Previous Business Experience and Educational Background

Ms. King joined Megawide in 2018 as an Associate Legal Counsel. She was admitted to the Philippine Bar in 2016 and started her legal career as a legal associate in a law firm. She obtained her Bachelor of Laws degree from San Beda University – College of Law.

FAMILY RELATIONSHIPS

None of the directors are related to each other.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

As of the date of this Prospectus and during the past five (5) years, Megawide is not aware of the occurrence of any of the following events that are material to the evaluation of the ability or integrity of any director or executive officer:

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

2. Any director, nominee for election as director, or executive officer being convicted by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
3. Any director, nominee for election as director, or executive officer being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
4. Any director, nominee for election as director, or executive officer being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

Compensation of Directors

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 aggregate annual compensation paid or accrued during the last two (2) fiscal years and to be paid in the ensuing calendar year (2022) to Megawide's CEO and four (4) of the most highly compensated executive officers as a group are as follows:

SIGNIFICANT EMPLOYEE

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

FAMILY RELATIONSHIPS

None of the directors are related to each other.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

As of the date of this Prospectus and during the past five (5) years, Megawide is not aware of the occurrence of any of the following events that are material to the evaluation of the ability or integrity of any director or executive officer:

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

2. Any director, nominee for election as director, or executive officer being convicted by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
3. Any director, nominee for election as director, or executive officer being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
4. Any director, nominee for election as director, or executive officer being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

COMPENSATION OF DIRECTORS AND OFFICERS

The compensation of directors and senior officers is included in the compensation table below (in ₱ millions).

SUMMARY COMPENSATION TABLE
Annual Compensation
(In ₱ Millions)

Name and Position	<i>Fiscal Year</i>	Annual Salary	<i>Bonus</i>	<i>Other Compensation</i>
Edgar B. Saavedra <i>Chairman of the Board, CEO, and President</i>				
Manuel Louie B. Ferrer <i>Vice-Chairman of the Board and Executive Director for Infrastructure Development</i>				
Ramon H. Diaz <i>Executive Director and Group Chief Financial Officer</i>				
Jaime Raphael C. Feliciano <i>Chief Business Development Officer</i>				
Markus Hennig <i>Executive Vice President – Business Units</i>				
CEO & aggregate compensation paid to all other officers and directors as a group unnamed	2022	140.69	30.71	4.68
	2021	177.63	20.49	7.24
	2020	210.47	24.81	4.58
	2019	199.83	6.72	10.28

The aggregate per diem paid to the Independent Directors as of September 30, 2022, including reimbursable expenses, is ₱3,297,777.77. The compensation received by the Executive Directors are included in the table above.

Standard Arrangements and Other Arrangements

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

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

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

Warrants and Options

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

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL SHAREHOLDERS

Top 20 Common Shareholders

There are approximately 30 holders of common equity as of September 30, 2022. 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)	1,547,221,854	64.48%
2	Common	Citicore Holdings Investment Inc.	712,925,501	29.71%
3	Common	PCD Nominee Corporation (Non-Filipino)	92,308,985	03.85%
4	Common	Suyen Corporation	22,900,000	0.95%
5	Common	Aeternum Holdings, Inc.	21,389,904	0.89%
6	Common	Ellie Chan	1,666,901	0.07%
7	Common	Carousel Holdings, Inc.	500,000	0.02%
8	Common	John I. Bautista, Jr.	159,799	0.01%
9	Common	Ayush Singhvi	147,400	00.01%
10	Common	Regina Capital Dev. Corp. 000351	34,754	Nil
11	Common	Jharna Chandnani	23,000	Nil
12	Common	Pacifico Silla &/or Marie Paz Silla &/or Nathaniel Silla	20,000	Nil
13	Common	Juan Miguel B. Salcedo	16,177	Nil
14	Common	Jose Emmanuel B. Salcedo	16,177	Nil
15	Common	NSJS Realty & Development Corporation	16,000	Nil
16	Common	Grace Q. Bay	15,243	Nil
17	Common	Camille Patricia Dominique T. Ang	14,547	Nil
18	Common	Pacifico Silla &/or Marie Paz Silla Sagum &/or Nathaniel Silla	9,456	Nil
19	Common	Pacifico C. Silla &/or Catherine M. Silla &/or Alexander M. Silla	9,456	Nil
20	Common	Myra P. Villanueva	8,900	Nil

As of September 30, 2022, 3.85% of the Company's outstanding capital stock is owned by foreign nationals.

Preferred Shareholders

Series 2A Preferred Shares

As of September 30, 2022, there are approximately three (3) 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)	25,790,240	98.36%
2	Preferred	PCD NOMINEE CORPORATION (Non-Filipino)	419,890	01.60%
3	Preferred	G.D TAN & CO., INC.	10,000	0.04%

Series 2B Preferred Shares

As of September 30, 2022, there are approximately five (5) 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)	16,856,360	96.84%
2	Preferred	PCD NOMINEE CORPORATION (NON-FILIPINO)	499,520	2.87%
3	Preferred	NELSON CHUA LIM	30,000	0.17%
4	Preferred	ANTONIO TAN CHUA	10,000	0.06%
5	Preferred	KAREN ANN C. LAYUG	10,000	0.06%

Series 3 Preferred Shares

As of September 30, 2022, there is one (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%

Series 4 Preferred Shares

As of September 30, 2022, there are four (4) holders of the Company's Series 4 Preferred Shares, to wit:

	Title of Class	Stockholder	Number of Preferred Shares Held	Percentage of Total Shares
1	Preferred	PCD NOMINEE CORPORATION (FILIPINO)	39,548,660	98.87%
2	Preferred	PCD NOMINEE CORPORATION (NON-FILIPINO)	450,740	1.13%
3	Preferred	VILLANUEVA, MILAGROS P.	500	0.00%
4	Preferred	CABREZA, MARIETTA V.	100	0.00%

Beneficial Owners

Owners of record of more than 5% of Megawide's shares of common stock as of September 30, 2022 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	Edgar B. Saavedra Mr. Saavedra is a majority	Filipino	712,925,501	35.41%

	No. 20 N. Domingo Street, Barangay Valencia, Quezon City	stockholder of Citicore.			
Common	Megacore Holdings, Inc.⁸ – 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%

Security Ownership of Directors and Management

As of September 30, 2022, 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	2	Filipino	Nil
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>	0	350,000	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
Common	Christopher A. Nadayag <i>Treasurer and Deputy Chief Financial Officer</i>	0	49	Filipino	Nil
Common	Raymund Jay S. Gomez <i>Chief Legal Officer, Compliance Officer, and Data Protection Officer</i>	0	0	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
Common	Martin Miguel Flores** <i>Chief Risk Officer</i>	0	4,400	Filipino	Nil
Common	Abigail Joan R. Cosico** <i>Chief Investor Relations</i>	0	0	Filipino	Nil

⁸ Megacore Holdings, Inc.'s shares are lodged with the PCD Nominee Corporation (Filipino).

	<i>Officer</i>				
Common	Charlotte Y. King** <i>Corporate Secretary, Assistant Compliance Officer, and Corporate Information Officer</i>	0	0	Filipino	Nil
Common	Christian Jason O. Daludado	0	46,949	Filipino	Nil

Aside from Mr. Edgar B. Saavedra who owns 46.61% 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, the Group provides construction services to its associate, a certain previous shareholder, and other related parties. The related revenue from these transactions amounted to ₱1,072.8 million, ₱438.2 million and ₱242.6 million in 2022, 2021 and 2020, respectively, and is recognized as part of Construction Operation Revenues account in the interim condensed 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.

Megawide leases out its office space to its associates and related parties under common ownership. As a result, the Company recognized rent income amounting to ₱8.2 million, ₱0.1 million, and ₱2.7 million in 2022, 2021 and 2020, respectively, from the lease of its office building to several related parties. This is recognized as part of Other Income (Charges) – net

account in the interim condensed consolidated statements of income. Rent income from the above related parties is based on normal terms similar to terms that would be available to non-related parties. The outstanding balances arising from these transactions are presented as part of other receivables under the Trade and Other Receivables account in the interim condensed consolidated statements of financial position.

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.

In 2022 and 2021, the Company granted advances to related parties under common ownership amounting to ₱1.8 million and ₱8.9 million, respectively. In 2022, the Company collected ₱0.3 million from these related parties while there were no collections in 2021.

In 2022, the Company collected advances to Citicore amounting to ₱0.2 million. There were no additional advances in 2022 and 2021 from Citicore and there were no collections in 2021.

In 2022, movement on advances to associates pertains only to additional advances granted. In 2021, the Company collected advances to associates amounting to ₱0.02 million and no additional advances were given to the associates in 2021.

In 2022 and 2021, the Company collected advances to its joint arrangements amounting to ₱0.6 million and ₱0.7 million, respectively. No additional advances were granted in 2022 and 2021.

The Parent Company's retirement plan is in the form of a bank-trustee managed account. The fair value of the retirement plan totaled ₱4.7 million as of September 30, 2022 and December 31, 2021.

In 2021, the Parent Company provided certain project management and consultancy services to a related party under common ownership amounting to ₱103.3 million. The amount is outstanding as of December 31, 2021 and is presented as part of Other receivables under Trade and Other Receivables account in the 2021 interim condensed consolidated statement of financial position. There was no similar transaction in 2022 and 2020.

The summary of Megawide's transactions with related parties is as follows:

Related Party Category	September 30, 2022		September 30, 2021	
	Amount of Transaction	Outstanding Receivable (Payable)	Amount of Transaction	Outstanding Receivable (Payable)
Ultimate Parent Company:				
Cash granted	(P200,000)	P3,089,095,108	(P50,192,928)	P3,039,102,180
Interest receivable	177,085,838	898,429,228	165,375,000	670,912,823
Rent income	40,179	214,955	-	-
Shareholders:				
Revenue from services	-	-	-	-
Minority Shareholder and their Affiliates:				
Revenue from services	84,094	528,620,152	29,456,649	89,573,266
Cash granted	-	757,142	-	757,143
Associate:				
Revenue from services	-	997,247,698	-	1,114,795,597
Cash granted	(7,999,250)	34,179,796	(12,571,182)	29,634,786
Cash obtained	-	(20,000,000)	-	(20,000,000)
Rent income	40,179	326,786	40,179	286,207
Joint Arrangement:				
Revenue from services	631,587,506	118,126,891	207,158,915	454,657,773
Cash granted	(334,734)	286,621	-	1,356,355
Related Parties Under Common Ownership:				
Rent income	8,079,834	34,182,384	120,536	6,885,860
Revenue from services	441,106,738	810,590,144	201,612,153	386,765,873
Cash granted	1,616,645	3,288,398,891	7,061,515	3,284,136,615
Interest receivable	177,085,838	898,429,228	165,375,000	670,912,823
Retirement fund	-	4,691,732	-	4,634,679
Advances to Officers and Employees	28,240,290	98,799,878	32,711,629	107,192,936
Key Management Personnel				
Compensation	210,024,462	-	195,200,00	-

Related Party Category	December 31, 2021		December 31, 2020	
	Amount of Transaction	Outstanding Receivable (Payable)	Amount of Transaction	Outstanding Receivable (Payable)
Ultimate Parent Company:				
Cash granted	₱-	₱3,089,295,108	₱19,923,383	₱3,089,295,108
Interest receivable	220,500,000	726,037,823	216,562,500	505,537,823
Minority Shareholder and their Affiliates:				
Cash granted	-	-	115,289,394	153,195,975
Associate:				
Revenue from services	-	1,105,839,908	231,199,602	1,093,283,188
Cash granted	(26,922)	42,179,046	36,205,968	42,205,968
Cash obtained	-	(20,000,000)	-	(20,000,000)
Rent income	53,571	286,607	53,571	229,286
Joint Arrangement:				
Revenue from services	356,773,700	80,247,052	272,993,860	364,434,825
Cash granted	(735,000)	621,354	(4,047,912)	1,356,355
Cash obtained	-	-	-	-
Related Parties Under Common Ownership:				
Rent income	3,804,016	18,473,666	5,956,791	332,411
Revenue from services	378,457,534	1,057,734,512	338,869,209	202,211,820
Rent expense	-	-	-	-
Cash granted	8,950,004	3,286,782,246	90,304,593	3,277,075,100
Cash obtained	-	-	-	-
Interest receivable	220,500,000	726,037,823	216,562,500	505,537,823
Management and consultancy	103,280,955	103,280,955	-	-
Retirement fund	57,053	4,691,732	295,978	4,634,679
Advances to Officers and Employees	11,316,768	85,798,075	22,977,518	74,481,307
Key Management Personnel:				
Compensation	286,309,661	-	320,043,868	-

CAPITALIZATION

The following table sets out the unaudited consolidated long-term debt and capitalization of Megawide as of 30 September 2022 and as adjusted to give effect to the issuance of the Series 5 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 ₱1.5 Billion Offer
<u>LIABILITIES AND EQUITY</u>		
Liabilities - net of issuance costs		
Interest-bearing loans and borrowings - current portion	15,152,058	15,152,058
Interest-bearing loans and borrowings - long term debt	13,318,003	13,318,003
Total Interest-bearing loans and borrowings	28,470,061	28,470,061
EQUITY		
Common stock	2,399,426	2,399,426
Preferred shares	128,626	152,625
Additional paid-in capital	16,987,856	18,487,856 ⁹
Revaluation reserves	(91,392)	(91,392)
Other reserves	(22,475)	(22,475)
Treasury shares	(8,615,691)	(8,615,691)
Retained earnings	4,729,954	4,729,954
Non-Controlling Interests	2,148,306	2,148,306
Total Equity	17,664,610	19,188,609
Total Capitalization	46,134,671	47,658,670

⁹ Additional paid-in capital includes ₱40,000,000 Series 1 Preferred Shares, ₱30,000,000 Series 2 Preferred Shares, ₱40,000,000 Series 4 Preferred Shares and ₱15,000,000 Series 5 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 of Series 2 Preferred Shares, 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 issue date of the Series 4 Preferred Shares, it had a fixed dividend of 5.30% per annum, which shall be payable quarterly as and if declared by the Board of Directors, in accordance with the terms and conditions of the Series 4 Preferred Shares.

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	Date of Payment
March 1, 2017	March 1, 2017	₱70,250,000.00	March 3, 2017
April 25, 2017	May 10, 2017	₱70,250,000.00	June 3, 2017
July 24, 2017	August 9, 2017	₱70,250,000.00	September 3, 2017
October 16, 2017	November 8, 2017	₱70,250,000.00	December 3, 2017

January 30, 2018	February 15, 2018	₱70,250,000.00	March 3, 2018
May 3, 2018	May 18, 2018	₱70,250,000.00	June 3, 2018
August 1, 2018	August 16, 2018	₱70,250,000.00	September 3, 2018
October 30, 2018	November 16, 2018	₱70,250,000.00	December 3, 2018
January 8, 2019	February 13, 2019	₱70,250,000.00	March 3, 2019
April 3, 2019	May 16, 2019	₱70,250,000.00	June 3, 2019
July 8, 2019	August 14, 2019	₱70,250,000.00	September 3, 2019
October 10, 2019	November 15, 2019	₱70,250,000.00	December 3, 2019
January 8, 2020	February 6, 2020	₱70,250,000.00	March 3, 2020
May 8, 2020	May 25, 2020	₱70,250,000.00	June 3, 2020
July 27, 2020	August 10, 2020	₱70,250,000.00	September 3, 2020
October 5, 2020	November 6, 2020	₱70,250,000.00	December 3, 2020
January 11, 2021	February 8, 2021	₱70,250,000.00	March 3, 2021
April 8, 2021	May 18, 2021	₱70,250,000.00	June 3, 2021
June 30, 2021	August 9, 2021	₱70,250,000.00	September 3, 2021

SERIES 2 PREFERRED SHARES (MWP2A)			
Date Approved	Record Date	Amount	Date of Payment
January 18, 2021	February 3, 2021	₱31,136,404.00	March 1, 2021
April 8, 2021	May 4, 2021	₱31,136,404.00	May 27, 2021
June 30, 2021	August 5, 2021	₱31,136,404.00	August 27, 2021
October 19, 2022	November 7, 2022	₱31,136,404.00	November 28, 2022

SERIES 2 PREFERRED SHARES (MWP2B)			
Date Approved	Record Date	Amount	Date of Payment
January 18, 2021	February 3, 2021	₱25,020,953.00	March 1, 2021
April 8, 2021	May 4, 2021	₱25,020,953.00	May 27, 2021
June 30, 2021	August 5, 2021	₱25,020,953.00	August 27, 2021
October 19, 2022	November 7, 2022	₱25,020,953.00	November 28, 2022

SERIES 4 PREFERRED SHARES (MWP4)			
Date Approved	Record Date	Amount	Date of Payment
September 23, 2022	October 10, 2022	₱53,000,000.00	October 31, 2022

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

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, the Series 4 Preferred Shares and the Series 5 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 twenty-five (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 thirty-five (35) years.

OPERATING AND FINANCE LEASE

In the conduct of its ordinary course of business, Megawide enters into lease agreements with financing companies for its vehicles and equipment for terms of 36 - 60 months. The carrying amount of the right-of-use assets as at September 30, 2022 amounted to ₱641,139,730 while lease liabilities amounted to ₱422,104,076.

LOAN AGREEMENTS

The Company has existing short term credit lines granted per bank (amounts in ₱ millions) as of September 30, 2022:

Bank	Credit Line	Outstanding Loan	Available Credit Line
BDO Unibank, Inc	6,000	3,861	64%
Landbank of the Philippines	4,000	3,503	88%
Philippine National Bank	3,000	1,380	46%
Metrobank	1,500	-	0%
Bank of the Philippine Island	1,500	1,500	100%
Development Bank of the Philippines	4,000	3,265	82%
Security Bank	1,000	-	0%
RCBC	1,000	306	31%
Unionbank of the Philippines	1,000	985	99%

The Company obtained these various bank loans in 2022 and 2021, representing unsecured short-term loans from other local banks. The loans bear fixed annual interest rates ranging from 4.73% to 5.10% in 2022 and 2021.

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 September 30, 2022.

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	₱ 650,000,000	5	5%
Tranche B	3,250,000,000	7	6%
Tranche C	100,000,000	10	6%
	<u>₱ 4,000,000,000</u>		

The nominal rates refer to the Philippine Dealing System Treasury Fixing (PDST-F) rates with respect to the term of each tranche plus an interest spread of 1.75% for 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 September 30, 2022, 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 in years	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 September 30, 2022, 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 in both periods.

₱11.3 Billion Omnibus Loan and Security Agreement

On December 17, 2014, GMCAC entered into a ₱20,000.0 million (which at GMCAC's option may be increased up to ₱23,300.0 million) OLSA with various local universal banks, as onshore lenders. On January 26, 2015, the parties amended the facility to include another universal bank as offshore lender to contribute US \$75.0 million (or equivalent to ₱3,500.0 million) into the facility. 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:

	<u>First 7 Years</u>	<u>Last 8 Years</u>
₱20,870.0 million onshore loan	Sum of Base Rate 1 (PDST-R2 benchmark yield) and credit spread	Sum of Base Rate 2 (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 September 30, 2022, and December 31, 2020, the carrying amount of the assets pledged, in the form of a trust fund investment, as collateral amounted to ₱68.4 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 September 30, 2022. 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 September 30, 2022 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 September 30, 2022 and December 31, 2020, GMCAC recognized ₱122.7 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.

₱4.0 Billion Bonds Payable

On August 17, 2022, the Parent Company listed fixed-rate bonds in the total amount of ₱4,000,000,000, inclusive of the ₱1,000,000,000 oversubscription option, with the Philippine Dealing & Exchange Corp. The Fixed-Rate Bonds consists of Series A (₱1,600,000,000 billion maturing in three years and six months from issue date at rate of 6.9506%) and Series B (₱2,400,000,000 maturing in five years from issue date a rate of 7.9663%). The net proceeds of the fixed-rate bonds shall be used by the Parent Company primarily to refinance its short-term debts, fund its capital expenditures and other general corporate requirements. The bonds require the Parent Company to maintain a debt-to-equity ratio of not more than 2.33 and a debt service coverage ratio of not less than 1.10. As of September 30, 2022, the Parent Company is in compliance with these covenants. Bond issue cost capitalized as part of the bonds amounted to ₱32.7 million. As of September 30, 2022 amortization amounted to ₱0.8 million while its net carrying value amounted to ₱31.9 million.

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 Globemerchants, 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 Globemerchants, 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 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 Filipino sole-proprietorship or a partnership/corporation with at least 60% Filipino equity) and is renewed annually, on or before June 30 of each year. PCAB has issued Resolution No. 333, Series of 2013 allowing foreign construction firms with more than 40% foreign equity to qualify for a regular AAAA license provided that such firms comply with the following requirements:

- (a) ₱1.0 billion minimum capitalization;
- (b) Compliance with SEC registration and equity requirements;
- (c) Engagement is limited to private domestic construction projects with contract cost of at least ₱1.0 billion;
- (d) Procurement of civil liability insurance;
- (e) Compliance with Philippine laws; and
- (f) Provided there is compliance with the PCAB qualification standards for a Filipino authorized managing officer, such firms may hire a foreign authorized managing officer.

A foreign contractor who is not able to meet the ₱1.0 billion capitalization may be granted a special license to engage in the construction of a specific project or undertaking with a project cost of at least ₱1.0 billion if there is limited local capability in technology as determined by the Philippine Domestic Construction Board.

Furthermore, on 27 March 2017, PCAB issued Resolution No. 079, Series of 2017 which categorizes AAAA license into two types:

- (a) AAAA Platinum – This may be granted to locally-owned contractors with at least ₱1.0 billion minimum capitalization; and
- (b) AAAA Gold – This may be granted to foreign-owned domestic corporations with at least ₱1.0 billion minimum capitalization.

AAAA Gold contractors may undertake private projects under the following contract costs: (1) minimum contract cost of ₱5.0 billion for vertical projects; and (2) minimum contract cost of ₱3.0 billion for horizontal projects.

AAAA Platinum contractors may undertake government and private projects of any contract cost.

On the other hand, a special license is issued to a joint venture, a consortium, a foreign constructor, or a project owner who authorizes the licensee to engage only in the construction of a single, specific project/undertaking and is cancelled by PCAB upon completion of the single specific undertaking/project authorized by the license.

In order to enforce the licensing requirements, all architects and engineers preparing plans and specifications and all public or private agencies or entities conducting biddings and/or letting out contracts for construction work to be contracted and undertaken in the Philippines, shall include in their invitation to bidders and other bidding documents necessary stipulations to convey to every bidder, whether he is a resident of the Philippines or not, the information that it will be necessary for him to have a license before his bid is considered.

Moreover, PCAB is authorized to institute the proper action in court and secure a writ of injunction without bond, restraining any person or firm not licensed, or whose license is under suspension or has expired or been revoked, from engaging or attempting to engage in the business of construction contracting and it shall be the duty of all duly constituted law enforcement officers of the national, provincial, city and municipal government or any

political subdivision thereof, to enforce the provisions of the said law and to report to PCAB any violation of the same.

Classification and Categorization

For the purpose of a more accurate evaluation of a constructor's capability, regular licensees are further classified as those engaged in (a) general engineering construction, (b) general building construction and (c) specialty construction and the classification of a constructor shall be determined by the training and experience of the constructor or of his Sustaining Technical Employee. A constructor may apply for and be issued more than one classification; provided that one of which shall be designated by the applicant as his principal classification. The rest shall be considered as other classification(s). A licensed constructor shall operate within the classification(s) that he is authorized, by his license, to engage in. A regular license constructor shall, however, be allowed to undertake an extra classification work, if it is incidental and/or supplementary to a project under his contract and to be undertaken in conjunction with the implementation of the said project.

In addition to classification, every constructor shall be graded and assigned a category as an adjunct to his licensing. Evaluation of category shall be based on the following criteria quantified by equivalent credit points in scales as determined by the Board:

- a) financial capacity measured in terms of net worth;
- b) equipment capacity in terms of the book value;
- c) experience of the company in terms of aggregate number of years in which the firm has actively engaged in construction contracting and operation and average annual value of work completed during the past three (3) years; and
- d) experience of the technical personnel.

General Engineering and General Building constructors shall be categorized based on a scale of seven grades, namely: AAAA (Platinum)/AAAA (Gold), AAA, AA, A, B, C, and D.

The PCAB issues two (2) kinds of licenses, a regular or a special license. Under the Implementing Rules and Regulations ("**PCAB IRR**") of Republic Act No. 4566, otherwise known as the "Contractors' License Law" ("**PCAB Law**"), a PCAB Regular License may only be issued by the PCAB to construction firms of Filipino sole proprietorship, or partnerships or corporations with at least 60% percent Filipino equity participation and duly organized and existing under Philippine law.

However, the Supreme Court, in the case of *Philippine Contractors Accreditation Board v. Manila Water Co., Inc.* (G.R. No. 217590, March 10, 2020) has recently ruled that foreigners can obtain regular licenses from the PCAB. It ruled that the construction industry is not one which the Constitution has reserved exclusively for Filipinos. There is also no prohibition in the law for foreigners to enter into the same projects as Filipinos in the field of construction. "Private domestic construction contracts" has also been removed from the Foreign Investments Negative List since 1998. Thus, the provision, requiring foreigners to obtain a special license has been declared null and void, along with the provision limiting the regular license to construction firms at least 60% of which is owned by Filipinos. In light of this ruling, foreigners can now obtain regular licenses from the PCAB.

Megawide is principally classified as General Building ("**GB**") 1 for building and industrial plant construction with general engineering construction as its "other classification" and is categorized as AAAA.

Building Permits

Presidential Decree No. 1096 or the National Building Code provides that in order for a person or corporation to erect, construct, alter, repair, move, convert, or demolish any building or structure, a building permit must first be secured from the Building Official assigned at the place where the building work is to be done. A building permit is a written authorization granted by the building official to an applicant allowing him to proceed with the construction of a building after plans, specifications and other pertinent documents required

for the construction of the structure have been found to be in conformity with the Building Code.

Referral to Arbitration

Executive Order No.1008 vests the Construction Industry Arbitration Commission (“**CIAC**”) with original and exclusive jurisdiction over disputes arising from, or connected with, contracts entered into by parties involved in construction in the Philippines, whether the dispute arises before or after the completion of the contract, or after the abandonment or breach thereof. These disputes may involve government or private contracts. The jurisdiction of the CIAC may include, but is not limited, to violation of specifications for materials and workmanship; violation of the terms of agreement; interpretation and/or application of contractual time and delays; maintenance and defects; payment, default of employer or contractor and changes in contract cost.

The CIAC may acquire jurisdiction in two ways, either by providing an arbitration clause in the contract between the parties, or by agreement of the parties to submit the dispute to CIAC. Thus, the fact that the parties incorporated an arbitration clause in their contract is sufficient to vest the CIAC with jurisdiction over any construction controversy, notwithstanding any reference made to another arbitral body. CIAC's jurisdiction over construction disputes is conferred by law; as such, it may not be waived by mere agreement of the parties.

Liability of Engineers, Architects and Contractors

Under the Civil Code, the engineer or architect who drew up the plans and specifications for a building is liable for damages if within fifteen (15) years from the completion of the structure, the same should collapse by reason of a defect in those plans and specifications, or due to the defects in the ground. The contractor is likewise responsible for the damages if the edifice falls, within the same period, on account of defects in the construction or the use of materials of inferior quality furnished by him, or due to any violation of the terms of the contract. If the engineer or architect supervises the construction, he shall be solitarily liable with the contractor. The acceptance of the building, after completion, does not imply waiver of any of the causes of action by reason of any of the foregoing defects. The action arising therefrom must be brought within ten (10) years following the collapse of the building.

NATIONALITY RESTRICTION

The Philippine Constitution and related statutes set forth restrictions on foreign ownership of owning land in the Philippines. Pursuant to Sections 2, 3, and 7 of Article XII of the Philippine Constitution, ownership of private lands in the Philippines is limited to Philippine nationals and corporations at least 60% of whose capital stock is owned by Philippine nationals. This is further underscored by Commonwealth Act No. 141, or the Public Land Act, which provides 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.

Furthermore, Republic Act No. 7042, as amended, or the Foreign Investments Act of 1991 (“**FIA**”) and the Twelfth Regular Foreign Investment Negative List categorize the ownership of private lands as a partly-nationalized activity reserved for Filipinos, such that landholding companies may only have a maximum of 40% foreign equity therein.

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

November 13, 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

Before, the operation of an airport terminal was within the definition of a public utility as the use thereof is held out generally to the public. Thus, it was 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 % of capital of which is owned by Filipino citizens.

However, Republic Act No. 11659, otherwise known as “An Act Amending Commonwealth Act No. 146 otherwise known as the Public Service Act”, was signed by Former President Rodrigo R. Duterte into law on March 21, 2022. Under Republic Act No. 11659, a person engaged in public service is classified as a public utility only if it operates, manages or controls for public use any of the following: (1) distribution of electricity; (2) transmission of electricity; (3) petroleum and petroleum products pipeline transmission systems; (4) water pipeline distribution systems and wastewater pipeline systems, including sewerage pipeline systems; (5) seaports; and (6) public utility vehicles. Unless otherwise subsequently provided by law or unless recommended by the President to Congress upon recommendation by NEDA based on the criteria provided by Republic Act No. 11659, no other person shall be deemed a public utility.

Nonetheless, Republic Act No. 11659 contains safeguards to protect the country against national security concerns. First, the President has the power to suspend or prohibit any investment in a public service that effectively results in the grant of control, whether direct or indirect, to a foreigner or a foreign corporation upon review, evaluation and recommendation of the relevant government agency. Second, foreign state-owned enterprises shall be prohibited from owning capital in any public service classified as public utility or critical infrastructure. Third, persons and companies engaged in the telecommunications business shall obtain and maintain certifications from an accredited certification body attesting to compliance with relevant ISO standards on information security. Fourth, under the reciprocity clause, foreign nationals shall not be allowed to own more than fifty percent (50%) of the capital of entities engaged in the operation and management of critical infrastructure unless the country of such foreign national accords reciprocity to Philippine Nationals as may be provided by foreign law, treaty or international agreement. Lastly, an annual conduct of performance audit by an independent evaluation team shall be conducted to monitor cost, quality of services provided to the public, and ability of the public service provider to immediately and adequately respond to emergency cases.

In limiting the coverage of public utilities, key public services are effectively liberalized and full foreign ownership in key sectors are allowed, including telecommunications, railways, expressways, shipping industries, and airports. Accordingly, the operation of an airport terminal is not subject to the Constitutional restrictions on foreign ownership.

Operation of an Airport

The operation of the MCIA is under the supervision of the 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.

Wastewater 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. As required under Republic Act No. 9275 ("Clean Water Act"), a Wastewater Discharge Permit issued by the DENR/LLDA is required for all owners or operators of Central Wastewater Treatment Facilities ("CWTF") that discharge effluents into a body of water, with fees to be paid by the operator of the CWTF.

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.

Code on Sanitation of the Philippines

Presidential Decree No. 856 provides for sanitary and structural requirements in connection with the operation of certain establishments such as industrial and food establishments. Under the Sanitation Code, which is implemented by the Philippine Department of Health, no person, firm, corporation or entity shall operate a food establishment without first obtaining a sanitary permit. The permit shall be valid for one year and shall be renewed every year.

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.

DOLE Mandated Work-Related Programs

Under Republic Act No. 9165, otherwise known as the "Comprehensive Dangerous Drugs Act", a national drug abuse prevention program implemented by the DOLE must be adopted by private companies with ten (10) or more employees. For this purpose, employers must adopt and establish company policies and programs against drug use in the workplace in close consultation and coordination with the DOLE, labor and employer organizations, human resource development managers and other such private sector organizations. DOLE Department Order No. 053-03 sets out the guidelines for the implementation of Drug-Free Workplace policies and programs for the private sector.

The employer or the head of the work-related, educational, or training environment or institution, also has the duty to prevent or deter the commission of acts of sexual harassment and to provide the procedures for the resolution, settlement or prosecution of such cases. Under the Anti-Sexual Harassment Act, the employer will be solidarity liable for damages arising from the acts of sexual harassment committed in the workplace if the employer is informed of such acts by the offended party and no immediate action is taken. Notwithstanding, the victim of sexual harassment is not precluded from instituting a separate and independent action for damages and other affirmative relief. Any person who violates the provisions of this law shall, upon conviction, be penalized by imprisonment of not less than one month nor more than six months, or a fine of not less than ₱10,000 nor more than ₱20,000, or both such fine and imprisonment, at the discretion of the court. Any action arising from the violation of the provisions of this law shall prescribe in three years.

Moreover, Department Order No. 102-10 requires all private workplaces to have a policy on HIV and AIDS and to implement a workplace program in accordance with the Philippines AIDS Prevention and Control Act. The workplace policies aim to manage sensitive issues, such as confidentiality of medical information and continuation of employment for HIV-positive staff, and to avoid the discrimination of any employee due to HIV/AIDS. Any HIV/AIDS-related information of workers should be kept strictly confidential and kept only on medical files, whereby access to it are strictly limited to medical personnel.

All private workplaces are also required to establish policies and programs on solo parenting, Hepatitis B, and tuberculosis prevention and control.

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. Effective September 16, 2022, and with the expiration of the 2-year moratorium under the Bayanihan to Recover as One Act, parties to a merger, acquisition, or joint venture shall be required to provide notification when the size of the ultimate parent entity of either party exceeds ₱6.1 billion, and either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed merger, acquisition, or joint venture exceeds ₱2.5 billion; or (b) the gross revenues generated in the Philippines by the assets to be combined in the Philippines or contributed into the proposed merger, acquisition, or joint venture exceed ₱2.5 billion. 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 Sole Issue Manager, Lead Underwriter and Bookrunner 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 Sustaining Technical Employees (STE) are COMTCP certified

Allowable Ranges of Contract Costs (ARCC) and Single Largest Project (SLP) Completed / Track Record Requirements			
Size Range	License Category	Single Largest Project (₱)	Allowable Ranges of Contract Costs (₱)
Large B	AAAA and AAA	Above 225 Million	< or above 450 Million
Large A	AA	Above 150 Million up to 225 Million	Up to 450 Million
Medium B	A	Above 75 Million up to 150 Million	Up to 300 Million
Medium A	B	Above 15 Million up to 75 Million	Up to 150 Million
Small B	C & D	≤ 15 Million	Up to 30 Million
Small A	Trade/E	Up to 1 Million	Up to 1 Million
Note: Par. 3 of Sec. 23.11.2 of the IRR of RA 9184 allows Small A and Small B contractors without similar experience to bid only for contracts not more than fifty percent (50%) of the allowable range of contract cost of their respective size range(s).			

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.

In June 2022, PCAB processes are now 100% fully automated and received its ISO Certification. It is the only government agency in the country that has achieved such prestigious recognition in achieving an online end-to-end license processing.

Through this initiative, more contractors are licensed and construction projects are within industry standards. PCAB highly correlates this massive improvement with the USAID-backed automation initiatives through the PCAB Online Licensing Portal, an activity that highly contributes to accelerating the agency's ease-of-doing-business compliance as well as in further stimulating the Philippine construction industry's productivity that aids the country's economic recovery. Since the launch of the online portal in 2020, the total processed applications made through the PCAB Online Portal since its deployment from June 2020 until December 2021 was 45,359 applications.

With the launch of the online platform, PCAB's processed applications from 2016 to 2021 totaled 136,182, compared with 63,285 from 2010-2015. This represents a difference of 72,897 or 115.18% increase.

From 2016 to 2021, there has been a marked increase in the number accredited contractors from 79,156 versus the accumulative total of 39,482 from 2010-2015. This represents a growth of 39,674 new licensed contractors or 100.48% increase.

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.

The number of constructions from approved building permits in the first quarter of 2022 was posted at 37,270. This indicates an annual increase of 1.8 percent, which is slower compared with the previous quarter's annual growth rate of 9.2 percent. In the first quarter of 2021, the number of constructions increased by 4.7 percent annually.

Approved Building Permits For All Types of Construction in number of applicants

Segment	1Q 2021	1Q 2022
Non-Residential Building	5,798	6,145
Residential Building	25,535	26,546
Additions, alterations, repairs	883	1,131
Alteration and Repair	4,405	3,448
Total	36,621	37,270

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 ₱45.01 billion in 1Q 2021. This construction value declined by 10.3% from ₱50.1 billion total construction in 1Q2021. This is followed by non-residential building construction, which includes commercial, industrial, agricultural and institutional buildings, which contributed ₱35.4 billion in 1Q 2022 which translates to a 9% growth from a ₱32.5 billion value in 1Q 2021.

Total Value of Construction In ₱Billions

Segment	1Q 2021	1Q 2022
Non-Residential Building	32.50	35.40
Residential Building	50.18	45.01
Additions, alterations, repairs	4.87	6.35
Total	87.55	86.76

Source: Construction Industry Authority of the Philippines, Philippines Statistics Authority

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 almost half of the value of private building construction in 1Q2022.

PROSPECTS

The Philippine construction industry registered a record-high growth rate of 10.6% in 2021, following an annual decline of 30.3% in 2020.

The industry's growth in 2021 was supported by a favorable base, an improvement in global economic conditions, and investment on infrastructure projects as part of the government's flagship Build, Build, Build (BBB) program. Of the total ₱1 trillion (\$20.7 billion) allocated by the government for the BBB program in 2021, ₱807.5 billion (\$16.4 billion) was spent in the first nine months of last year.

The construction industry is expected to register an annual growth of 21.8% in 2022, before registering an annual average growth rate of 7.5% from 2023 to 2026; however, its output is expected to remain below pre-pandemic levels until 2023. Forecast-period growth in the Philippine construction industry will be supported by progress on the BBB program, which includes an investment of ₱4.7 trillion (\$95.4 billion) on 112 Infrastructure Flagship Projects (IFPs).

Of the total, 77 projects worth over ₱3.5 trillion (\$71.2 billion) were ongoing and 27 projects worth ₱4.7 trillion (\$95.2 billion) were in the pipeline, as of January 3, 2022. In December 2021, the Philippine President Rodrigo Duterte signed into law the ₱5 trillion (\$102 billion) national budget for 2022. It includes an allocation of ₱1.2 trillion (\$24 billion) for the BBB program this year.

The industry's growth over the forecast period will also be supported by investments on transport, electricity, and housing projects. As part of the National Renewable Energy Plan (NREP) 2020-2040, the government aims to increase the share of renewable energy in its total electricity mix by 35% by 2030, and 50% by 2040.

To support this target, the government launched a tender in late January 2022 to allocate 2GW of renewable energy capacity. In another positive development, the government awarded a ₱142 billion (\$2.9 billion) contract in January 2022 to build the first phase of the Philippine National Railways South Long-Haul project.

With construction being prioritized as a pillar of economic recovery, the local government has also allocated 28.1% of its fiscal year 2022 total budget to the Department of Public Works and Highways. The Build, Build, Build program also received a new lease on life, with the new administration vowing to continue the country's ambitious infrastructure program.

Among the major transportation infrastructure projects that will be implemented include the North-South Commuter Railway (costing ₱75.1 billion), Metro Manila Subway Project (₱26.3 billion), and Light Rail Transit (LRT) Line 1 Cavite Extension Project (₱2.7 billion).

Also linked to President Ferdinand Marcos Jr.'s program are more specific infrastructure initiatives such as the Network Development Program (₱140.4 billion), Asset Preservation Program (₱88.5 billion), and Bridge Program (₱38 billion).

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.

Some of the notable Build, Build, Build projects are:

Project	Cost (Billions ₱)
Railways	
Mega Manila Subway	488.0
LRT-1 South (Cavite) Extension	64.9
LRT-2 West Extension	10.12
LRT-6	73.24
MRT-4	58.9
MRT-7	68.2
Subic-Clark Railway	51.0
Mindanao Railway	81.69
PNR North (Tutuban-Malolos Railway)	105.0
PNR North 2 (Malolos-Clark Railway)	211.0
PNR Calamba (Solis-Calamba Railway)	344.6
Unified Common Station	2.8
EDSA Greenways	8.79

Bus Transportation	
Taguig Integrated Terminal Exchange	5.2
Cebu Bus Rapid Transit	16.3
Roads and Bridges	
Panay-Guimaras-Negros Bridge	189.0
Cebu-Mactan Bridge and Coastal Road	76.41
Samal Island-Davao City Connector Bridge	19.32
Panguil Bay Bridge	7.37
NLEX-SLEX Connector Road	23.2
Pasig River and Manggahan Floodway Bridges	27.38
Southeast Metro Manila Expressway	45.29
Central Luzon Link Expressway	11.81
Apayao-Ilocos Norte Road	3.67

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. **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 (CREATE)**, which was passed, reduces corporate income taxes from 30% to 25% 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. **Increasing global costs for construction materials** could also affect the income of construction companies.
2. **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 Sole Issue Manager, Lead Underwriter and Bookrunner 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 SRC. 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 Certificatell 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 MemorandumNo. 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 2022, and shows the number of listed companies, and market capitalization for the same period:

Year	Composite Index at Closing	Number of Listed Companies	Aggregate Market Capitalization (in ₱ billions)
1995	2,594.2	205	1,545.7
1996	3,170.6	216	2,121.1
1997	1,869.2	221	1,251.3
1998	1,928.8	221	1,373.7
1999	2,142.9	222	1,936.5
2000	1,494.5	225	2,576.5
2001	1,168.1	229	2,141.4
2002	1,014.4	231	2,083.2
2003	1,442.4	234	2,973.8
2004	1,822.8	236	4,766.3
2005	2,096.0	237	5,948.4
2006	2,982.5	239	7,173.2
2007	3,621.6	244	7,977.6
2008	1,872.9	246	4,069.2
2009	3,052.7	248	6,029.1
2010	4,201.1	253	8,866.1
2011	4,372.0	245	8,697.0
2012	5,812.7	254	10,952.7
2013	5,889.8	257	11,931.3
2014	7,230.6	263	14,251.7
2015	6,952.1	265	13,465.2
2016	7,796.2	268	14,438.8
2017	8,558.4	267	17,583.1
2018	7,466.0	267	16,146.7
2019	7,815.3	271	16,705.3
2020	7,139.71	274	15,888.92
2021	7,122.63	282	18,081.09
2022	6,566.39	281	[18,250.00]

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.

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 SRC. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in Article III Part A of the Revised Listing Rules.

Further, the PSE apprised all listed companies and market participants on May 21, 2010, through Memorandum No. 2010-0246, that the Amended Rule on Lodgment of Securities under Section 16 of Article III, Part A of the Revised Listing Rules of the Exchange shall apply to all securities that are lodged with the PDTC or any other entity duly authorized by the SEC.

For listing applications, the amended rule on lodgment of securities is applicable to:

- a) The offer shares/securities of the applicant company in the case of an initial public offering;
- b) The shares/securities that are lodged with the PDTC, or any other entity duly authorized by the Commission in the case of a listing by way of introduction;
- c) New securities to be offered and applied for listing by an existing listed company; and
- d) Additional listing of securities of an existing listed company.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof to wit:

- a) For new companies to be listed at the PSE as of July 1, 2009 the usual procedure will be observed but the Transfer Agent on the companies shall no longer issue a certificate to PCD Nominee Corp but shall issue a Registry Confirmation Advice, which shall be the basis for the PDTC to credit the holdings of the Depository Participants on listing date.
- b) For existing listed companies, the PDTC shall wait for the advice of the Transfer Agents that it is ready to accept surrender of PCNC jumbo certificates and upon such advice the PDTC shall surrender all PCNC jumbo certificates to the Transfer Agents for cancellation. The Transfer Agents shall issue a Registry Confirmation Advice to PCNC evidencing the total number of shares registered in the name of PCNC in the Issuer's registry as of confirmation date.

SETTLEMENT

The Securities Clearing Corporation of the Philippines ("SCCP") is a wholly owned subsidiary of the PSE, and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. SCCP received its permanent license to operate on January 17, 2002. It is responsible for:

- Synchronizing the settlement of funds and the transfer of securities through Delivery versus Payment clearing and settlement of transactions of Clearing Members, who are also Trading Participants of the PSE;
- Guaranteeing the settlement of trades in the event of a Trading Participant's default through the implementation of its Fails Management System and administration of the Clearing and trade Guaranty Fund; and
- Performance of Risk Management and Monitoring to ensure final and irrevocable settlement.

SCCP settles PSE trades on a 3-day rolling settlement environment, which means that settlement of trades takes place three (3) BankingDays 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 P500M, 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 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
Third Quarter	7.50	n/a	5.90	n/a
Fourth Quarter	6.85	n/a	4.90	n/a
2022				
First Quarter	5.70	n/a	4.73	n/a
Second Quarter	4.94	n/a	4.28	n/a
Third Quarter	3.92	n/a	3.40	n/a

Fourth Quarter	3.85	n/a	2.99	n/a
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On January 4, 2023, the closing price of the Company's common shares on the PSE was ₱3.06 per share.

The Company's Series 1 Preferred Shares were listed in the PSE on December 3, 2014 under the trading symbol "**MWP**" and were redeemed on December 1, 2023. 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
Third Quarter	101.6	n/a	100.4	n/a
Fourth Quarter	101.9	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
Third Quarter	110	n/a	96.1	n/a
Fourth Quarter	103.4	n/a	95.5	n/a
2022				
First Quarter	99	n/a	93	n/a
Second Quarter	98.75	n/a	95	n/a

Third Quarter	98	n/a	85.25	n/a
Fourth Quarter	99.65	n/a	92.05	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
Third Quarter	110	n/a	96.1	n/a
Fourth Quarter	103.4	n/a	95.5	n/a
2022				
First Quarter	103	n/a	100.2	n/a
Second Quarter	101	n/a	99.50	n/a
Third Quarter	98	n/a	92	n/a
Fourth Quarter	99.8	n/a	89	n/a

The following table sets out, for the periods indicated, the high and low closing prices for the Company's MWP4 shares as reported on the PSE:

MWP4	High	High (adjusted)	Low	Low (adjusted)
2021				
Fourth Quarter	101	n/a	100	n/a
2022				
First Quarter	101	n/a	99.1	n/a
Second Quarter	99	n/a	99	n/a
Third Quarter	99	n/a	97	n/a
Fourth Quarter	98.95	n/a	90	n/a

As of January 4, 2023, the closing prices of the outstanding Preferred Shares are as follows:

Preferred Shares	Closing Price
MWP2A	₱ 97.00
MWP2B	₱ 99.60
MWP4	₱ 97.85

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 or 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.

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).

On June 27, 2022, the Twelfth Regular Foreign Investment Negative List was issued. It is worth noting that the updated list removed the inclusion of the manufacture and distribution of products requiring clearance from the Department of National Defense – such as guns and ammunition. Foreign ownership has also been permitted in private recruitment, up to 25%. Full foreign ownership of retail trade enterprises with a minimum paid up capital of PHP25,000,000.00 is likewise allowed. Lastly, the list now adopts the definition of “public utility” as defined in the latest amendments to Republic Act No. 11659, which has expanded the areas in which full foreign ownership is now allowed (such as telecommunications, domestic shipping, railways, airlines, transport network vehicles services, among others. Before, 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, Republic Act No. 11659, otherwise known as “An Act Amending Commonwealth Act No. 146 otherwise known as the Public Service Act”, was signed by Former President Rodrigo R. Duterte into law on March 21, 2022. Under Republic Act No. 11659, a person engaged in public service is classified as a public utility only if it operates, manages or controls for public use any of the following: (1) distribution of electricity; (2) transmission of electricity; (3) petroleum and petroleum products pipeline transmission systems; (4) water pipeline distribution systems and wastewater pipeline systems, including sewerage pipeline systems; (5) seaports; and (6) public utility vehicles. Unless otherwise subsequently provided by law or unless recommended by the President to Congress upon recommendation by NEDA based on the criteria provided by Republic Act No. 11659, no other person shall be deemed a public utility. In limiting the coverage of public utilities, key public services are effectively liberalized and full foreign ownership in key sectors are allowed, including telecommunications, railways, expressways, shipping industries, and airports. Accordingly, the operation of an airport terminal is no longer subject to the Constitutional restrictions on foreign ownership.

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 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 September 30, 2022). 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 Certificate Authorizing Registration ("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

Pursuant to the TRAIN Law, the net capital gains realized by a citizen, resident alien, whether or not engaged in trade or business within the Philippines, or a domestic corporation (other than a dealer in securities) during each taxable year from the sale, exchange or disposition of shares of stock outside the facilities of the PSE, are subject to capital gains tax at the rate of 15% of the net capital gains realized during the taxable year. For non-resident alien individuals, such sale, exchange, or disposition is also taxable at the rate of 15%, except that this constitutes final withholding tax.

Upon the effectivity of CREATE Law, the net capital gains realized by a resident foreign corporation or a non-resident foreign corporation during each taxable year from the sale, exchange, or disposition of shares of stock in a domestic corporation outside the facilities of the PSE are subject to 15%.

Furthermore, if the fair market value of the shares of stock in a Philippine corporation sold outside the facilities of the local stock exchange is greater than the consideration received by the seller or the selling price, the amount by which the fair market value of the shares exceeds the selling price shall be deemed a gift that is subject to donor's tax under Section 100 of the Tax Code; provided, however, that a sale, exchange or other transfer of such shares outside the facilities of the local stock exchange made in the ordinary course of business (a transaction which is bona fide, 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 donor's tax.

The transfer of shares shall not be recorded in the books of a company, unless the BIR has issued a CAR, certifying that capital gains and documentary stamp taxes relating to the sale or transfer have been paid or, where applicable, tax treaty relief has been confirmed by the International Tax Affairs Division of the BIR in respect of the capital gains tax, or other conditions have been met.

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

VAT 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 for the fiscal year ended 31 December 2021, **Annex A**
2. Amended 17-Q Report for the quarter ended 30 September 2022, **Annex B**

ISSUER

Megawide Construction Corporation
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Valencia, Quezon City

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LEGAL COUNSEL TO THE ISSUER

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Taguig City

INDEPENDENT AUDITOR

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Makati City, Philippines

REGISTRAR, RECEIVING AND STOCK TRANSFER

Stock Transfer Service Inc.
34th Floor, Rufino Pacific Tower
6784 Ayala Avenue,
Makati City



**P&A
Grant Thornton**

FOR SEC FILING

Consolidated Financial Statements and
Independent Auditors' Report

**Megawide Construction Corporation
and Subsidiaries**

December 31, 2021, 2020 and 2019
(With Corresponding Figures as of January 1, 2020)

April 8, 2022

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

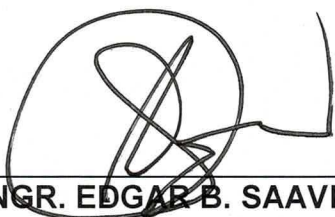
The management of **Megawide Construction Corporation and its subsidiaries** (the Group) is responsible for the preparation and fair presentation of the financial statements, as well as the supplemental schedules, for the year ended December 31, 2021, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of 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 intend 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 & 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, has expressed their opinion on the fairness of presentation upon completion of such audit.



ENGR. EDGAR B. SAAVEDRA

President

195-661-064-000



RAMON H. DIAZ

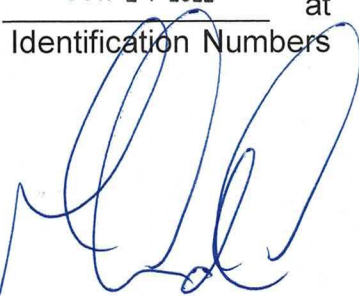
Group Chief Financial Officer

133-692-824-000

SUBSCRIBED AND SWORN TO before me this JUN 24 2022 at
SAN JUAN CITY affiants exhibiting to me their valid Tax Identification Numbers
stated above.

Doc. No. 354;
Page No. 72;
Book No. 4;
Series of 2022.




ATTY. MAE LALAINÉ H. DE LEON
Appointment No. 176 (2021-2022)
Notary Public for and in the Cities of Pasig and San Juan
and in the Municipality of Pateros
Commission Expires on December 31, 2022
11/F Rockwell Santolan Town Plaza
276 Col. Bonny Serrano Avenue, San Juan City
Roll of Attorneys No. 71079
MCLE Compliance No. VI-0018800
IBP O.R. No. 197586 / 01-08-22 / Manila II
PTR No. 1574237 / 01-07-22 / San Juan City
mihdeleon.law@gmail.com

Report of Independent Auditors

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

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, 2021 and 2020, 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, 2021, 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021 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 consolidated financial statements, which describes management's assessment of the continuing impact on the Group's consolidated financial statements of the business disruptions 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 and related cost of construction amounting to P14,329.5 million and P12,130.7 million, respectively, represents 92% of its total revenues and 94% of total direct costs in 2021. 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 in accordance with 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 judgments 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, including the related information technology general and application controls;
- 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;
 - Testing completeness of contract costs by examining, on a sample basis, contract costs incurred during the period and tracing these costs to supporting documents such as bill of materials, billing invoices and receipts recognized 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 reconciling 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 estimates certified by the Group's engineers;
 - 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; and,
 - 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 investigating variances from our expectations.

(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, 2021, the carrying value of the concession assets amounted to P30,503.8 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 Standard (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 36% of the Group's consolidated total assets, and the impact of COVID-19 to the Group's airport operations has been considered by management as an indicator of impairment of these 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, including but not limited to, the foot traffic projections and the future net cash flows to be generated by the Concession Assets and evaluating the appropriateness of processes applied in making these estimates and testing the reasonableness of these accounting estimates;
- Involving the Firm's valuation specialist 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 independence, qualification and competency of the third party consultants engaged by management to determine whether the results of their work can be relied upon; and,
- 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.

(c) *Expected Credit Loss Model and Recoverability of Contract and Retention Receivables and Receivable from Airport Operations, Advances to and Receivables from Related Parties and Contract Assets*

Description of the Matter

As at December 31, 2021, the carrying amount of the Group's contract and retention receivables and receivables from airport operations (collectively as trade receivables), advances to and receivables from related parties (including accrued interest) and contract assets amounted to P5,300.6 million, P10,114.8 million and P4,777.7 million, respectively. These financial assets totaling to P20,193.1 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, 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, 2021, 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, 2021 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. 8852327, January 3, 2022, Makati City
SEC Group A Accreditation
 Partner - No. 90230-SEC (until Dec. 31, 2025)
 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)

April 8, 2022

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020
(With Corresponding Figures as of January 1, 2020)
(Amounts in Philippine Pesos)

		December 31, 2021	December 31 2020 (As Restated - see Note 2)	January 1, 2020 (As Restated - see Note 2)
	Notes			
<u>ASSETS</u>				
CURRENT ASSETS				
Cash and cash equivalents	5	P 5,846,088,030	P 7,226,149,912	P 6,518,599,861
Trade and other receivables - net	6	16,970,554,555	15,299,050,115	17,373,476,547
Construction materials	8	2,045,159,384	1,719,042,863	1,287,127,532
Contract assets	9	4,777,704,858	4,231,600,246	3,975,734,097
Other current assets	12	10,132,960,472	7,956,744,328	6,310,724,077
Total Current Assets		<u>39,772,467,299</u>	<u>36,432,587,464</u>	<u>35,465,662,114</u>
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 ventures	11	861,513,183	929,195,986	959,506,555
Concession assets	13	30,503,822,564	29,928,727,717	29,436,586,470
Property, plant and equipment - net	14	7,166,867,342	7,239,861,595	7,624,032,119
Investment properties	15	4,493,343,814	4,378,381,094	4,228,698,773
Deferred tax assets - net	26	24,595,138	9,626,113	44,298,557
Other non-current assets	12	2,350,475,048	2,421,844,626	3,001,997,171
Total Non-current Assets		<u>45,404,161,561</u>	<u>44,911,181,603</u>	<u>45,298,664,117</u>
TOTAL ASSETS		<u>P 85,176,628,860</u>	<u>P 81,343,769,067</u>	<u>P 80,764,326,231</u>

			December 31 2020 (As Restated - see Note 2)	January 1, 2020 (As Restated - see Note 2)
	Notes	December 31, 2021		
<u>LIABILITIES AND EQUITY</u>				
CURRENT LIABILITIES				
Interest-bearing loans and borrowings	18	P 14,780,086,022	P 13,130,457,751	P 14,701,061,253
Trade and other payables	17	8,616,715,347	8,291,951,223	8,167,589,445
Contract liabilities	19	3,703,189,013	2,115,256,611	2,805,627,172
Other current liabilities	20	265,859,336	218,177,495	220,061,764
Total Current Liabilities		27,365,849,718	23,755,843,080	25,894,339,634
NON-CURRENT LIABILITIES				
Interest-bearing loans and borrowings	18	34,721,410,470	32,789,907,556	33,051,851,424
Contract liabilities	19	2,056,202,307	2,478,673,490	2,125,642,785
Post-employment defined benefit obligation	24	300,125,050	343,402,205	340,207,630
Deferred tax liabilities - net	26	872,560,526	801,849,193	612,629,956
Other non-current liabilities	20	659,573,110	651,625,679	741,142,106
Total Non-current Liabilities		38,609,871,463	37,065,458,123	36,871,473,901
Total Liabilities		65,975,721,181	60,821,301,203	62,765,813,535
EQUITY				
Equity attributable to shareholders of the Parent Company:	27			
Capital stock		2,528,052,137	2,486,427,137	2,439,426,127
Additional paid-in capital		16,987,855,617	13,057,711,509	8,776,358,765
Treasury shares	(	8,615,690,576)	(4,615,690,576)	(3,912,617,536)
Revaluation reserves - net		94,011,896	(8,950,923)	(63,383,647)
Other reserves	(	22,474,837)	(22,474,837)	(22,474,837)
Retained earnings		5,555,676,962	6,404,291,624	7,083,442,710
Total equity attributable to shareholders of the Parent Company		16,527,431,199	17,301,313,934	14,300,751,582
Non-controlling interests		2,673,476,480	3,221,153,930	3,697,761,114
Total Equity		19,200,907,679	20,522,467,864	17,998,512,696
TOTAL LIABILITIES AND EQUITY		P 85,176,628,860	P 81,343,769,067	P 80,764,326,231

See Notes to Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF INCOME
FOR YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

	Notes	2021	2020	2019
REVENUES	21			
Construction operations	P	14,329,463,579	P 10,842,199,945	P 15,309,069,383
Landport operations		715,039,460	902,413,963	555,401,827
Airport operations		576,042,561	1,108,667,715	3,691,112,459
Trading operations		23,425,514	69,944,842	326,221,179
		<u>15,643,971,114</u>	<u>12,923,226,465</u>	<u>19,881,804,848</u>
DIRECT COSTS	22			
Cost of construction operations		12,130,698,076	9,393,546,769	13,291,797,615
Costs of airport operations		388,164,590	634,707,332	1,536,616,861
Costs of landport operations		369,473,673	355,895,519	334,155,026
Costs of trading operations		15,969,198	20,960,367	88,214,264
		<u>12,904,305,537</u>	<u>10,405,109,987</u>	<u>15,250,783,766</u>
GROSS PROFIT		<u>2,739,665,577</u>	<u>2,518,116,478</u>	<u>4,631,021,082</u>
OTHER OPERATING EXPENSES	23			
General and administrative		1,578,015,774	1,508,417,615	1,827,127,389
Impairment losses on receivables		204,979,902	27,289,069	38,591
		<u>1,782,995,676</u>	<u>1,535,706,684</u>	<u>1,827,165,980</u>
OPERATING PROFIT		<u>956,669,901</u>	<u>982,409,794</u>	<u>2,803,855,102</u>
OTHER INCOME (CHARGES)	25			
Finance costs	(	2,809,511,249)	(2,506,745,214)	(2,308,927,779)
Finance income		482,013,897	694,776,972	767,837,912
Others - net		647,045,694	219,749,372	172,472,301
	(	<u>1,680,451,658)</u>	<u>(1,592,218,870)</u>	<u>(1,368,617,566)</u>
PROFIT (LOSS) BEFORE TAX		<u>(723,781,757)</u>	<u>(609,809,076)</u>	<u>1,435,237,536</u>
TAX EXPENSE	26	<u>169,372,662</u>	<u>264,786,815</u>	<u>324,202,722</u>
NET PROFIT (LOSS)		<u>(P 893,154,419)</u>	<u>(P 874,595,891)</u>	<u>P 1,111,034,814</u>
Net Profit (Loss) Attributable To:				
Shareholders of the Parent Company	(P	342,985,234)	(P 398,149,922)	P 859,487,439
Non-controlling interests	(	<u>550,169,185)</u>	<u>(476,445,969)</u>	<u>251,547,375</u>
	(P	<u>893,154,419)</u>	<u>(P 874,595,891)</u>	<u>P 1,111,034,814</u>
Earnings (Loss) per Share - Basic and Diluted	30	<u>(P 0.42)</u>	<u>(P 0.33)</u>	<u>P 0.28</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 YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
NET PROFIT (LOSS)		(P 893,154,419)	(P 874,595,891)	P 1,111,034,814
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will be reclassified subsequently to profit or loss				
Foreign currency translation adjustment	27	23,225,513	(8,756)	74,555
Item that will not be reclassified subsequently to profit or loss				
Remeasurements of post-employment defined benefit plan	24	108,948,597	77,543,235	(114,672,272)
Tax income (expense)	26	(26,719,556)	(23,262,970)	34,401,682
		82,229,041	54,280,265	(80,270,590)
Other Comprehensive Income (Loss) – net of tax		105,454,554	54,271,509	(80,196,035)
TOTAL COMPREHENSIVE INCOME (LOSS)		(P 787,699,865)	(P 820,324,382)	P 1,030,838,779
Total Comprehensive Income (Loss) Attributable To:				
Shareholders of the Parent Company		(P 240,022,415)	(P 343,717,198)	P 780,899,090
Non-controlling interests		(547,677,450)	(476,607,184)	249,939,689
		(P 787,699,865)	(P 820,324,382)	P 1,030,838,779

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, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

Note	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	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 preferred shares (Series 4)	-	40,000,000	-	3,930,144,108	-	-	-	3,970,144,108	-	3,970,144,108
Declaration of cash dividends	-	-	-	-	-	-	(505,629,428)	(505,629,428)	-	(505,629,428)
Subscription of preferred shares (Series 3)	-	1,625,000	-	-	-	-	-	1,625,000	-	1,625,000
Retirement of preferred shares (Series 1)	-	-	(4,000,000,000)	-	-	-	-	(4,000,000,000)	-	(4,000,000,000)
Total comprehensive loss for the year	-	-	-	-	102,962,819	-	(342,985,234)	(240,022,415)	(547,677,450)	(787,699,865)
Balance at December 31, 2021	<u>P 2,399,426,127</u>	<u>P 128,626,010</u>	<u>(P 8,615,690,576)</u>	<u>P 16,987,855,617</u>	<u>P 94,011,896</u>	<u>(P 22,474,837)</u>	<u>P 5,555,676,962</u>	<u>P 16,527,431,199</u>	<u>P 2,673,476,480</u>	<u>P 19,200,907,679</u>
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	-	-	(703,073,040)	-	-	-	-	(703,073,040)	-	(703,073,040)
Declaration of 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)	(476,607,184)	(820,324,382)
Balance at December 31, 2020	<u>P 2,399,426,127</u>	<u>P 87,001,010</u>	<u>(P 4,615,690,576)</u>	<u>P 13,057,711,509</u>	<u>(P 8,950,923)</u>	<u>(P 22,474,837)</u>	<u>P 6,404,291,624</u>	<u>P 17,301,313,934</u>	<u>P 3,221,153,930</u>	<u>P 20,522,467,864</u>
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	-	-	(457,791,074)	-	-	-	-	(457,791,074)	-	(457,791,074)
Declaration of cash dividends	-	-	-	-	-	-	(528,636,059)	(528,636,059)	(50,000,000)	(578,636,059)
Total comprehensive income for the year	-	-	-	-	(78,588,349)	-	859,487,439	780,899,090	249,939,689	1,030,838,779
Balance at December 31, 2019	<u>P 2,399,426,127</u>	<u>P 40,000,000</u>	<u>(P 3,912,617,536)</u>	<u>P 8,776,358,765</u>	<u>(P 63,383,647)</u>	<u>(P 22,474,837)</u>	<u>P 7,083,442,710</u>	<u>P 14,300,751,582</u>	<u>P 3,697,761,114</u>	<u>P 17,998,512,696</u>

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, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

	Notes	2021	2020 (As Restated - see Note 2)	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss) before tax		(P 723,781,757)	(P 609,809,076)	P 1,435,237,536
Adjustments for:				
Finance costs	25	2,809,511,249	2,506,745,214	2,308,927,779
Depreciation and amortization	23	1,470,073,791	1,473,642,618	1,757,625,213
Finance income	25	(482,013,897)	(694,776,972)	(767,837,912)
Gain on loan modification	18	(207,829,510)	-	-
Unrealized mark-to-market loss (gains) in interest rate swap	25	(78,648,688)	43,343,700	104,842,394
Equity in net losses (gains) on associates and joint venture	11	67,682,803	30,310,530	(32,674,443)
Gain on disposals of property, plant and equipment	25	(24,279,017)	(1,874,270)	(9,603,796)
Operating profit before working capital changes		2,830,714,974	2,747,581,744	4,796,516,771
Decrease (increase) in trade and other receivables		(1,219,654,784)	2,650,694,608	(3,727,036,956)
Increase in construction materials		(326,116,521)	(431,915,331)	(422,092,503)
Increase in contract assets		(546,104,612)	(255,866,150)	(914,963,121)
Increase in other current assets		(2,120,473,836)	(1,422,128,570)	(1,568,441,790)
Decrease (increase) in other non-current assets		63,294,203	580,695,993	(49,938,920)
Increase (decrease) in trade and other payables		1,642,452,631	(252,580,078)	2,661,668,360
Increase (decrease) in contract liabilities		1,107,650,558	(559,137,655)	2,440,922
Increase (decrease) in other liabilities		55,629,272	(91,400,696)	359,220,316
Increase in post-employment defined benefit obligation		62,177,399	57,466,084	70,736,626
Cash generated from operations		1,549,569,284	3,023,409,949	1,208,109,705
Cash paid for income taxes		(193,910,390)	(288,222,518)	(98,343,152)
Net Cash From Operating Activities		1,355,658,894	2,735,187,431	1,109,766,553
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property, plant and equipment, and computer software license	12, 14	(1,098,783,120)	(666,114,368)	(3,081,589,274)
Additions to concession assets	13	(625,279,308)	(655,426,311)	(1,885,869,964)
Acquisitions of investment properties	15	(229,228,015)	(255,601,473)	(470,408,696)
Proceeds from sale of property, plant and equipment	14	86,082,882	4,361,282	92,128,142
Interest received	28	38,352,323	57,936,688	308,463,357
Net Cash Used in Investing Activities		(1,828,855,238)	(1,514,844,182)	(5,037,276,435)
Balance carried forward		(P 473,196,344)	P 1,220,343,249	(P 3,927,509,882)

	Notes	2021	2020	2019
Balance brought forward		(P 473,196,344)	P 1,220,343,249	(P 3,927,509,882)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from interest-bearing loans	18	4,291,987,360	9,831,300,000	20,605,650,491
Retirement of preferred shares	27	(4,000,000,000)	-	-
Proceeds from issuance of preferred shares	27	3,971,769,108	4,328,353,754	-
Interest paid	18	(2,350,860,782)	(1,648,176,874)	(2,141,124,155)
Repayment of interest-bearing loans and borrowings	27	(2,294,147,502)	(11,653,333,304)	(9,977,131,537)
Dividends paid	27	(505,629,428)	(520,939,022)	(338,698,201)
Financing granted to related parties		(8,950,004)	(356,449,098)	(3,149,257,701)
Financing collected from related parties		761,922	213,305,922	174,319,915
Acquisition of treasury shares	27	-	(703,073,040)	(457,791,074)
Net Cash From (Used In) Financing Activities		(895,069,326)	(509,011,662)	4,715,967,738
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(11,796,212)	(3,781,536)	(4,578,643)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(1,380,061,882)	707,550,051	783,879,213
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		7,226,149,912	6,518,599,861	5,734,720,648
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 5,846,088,030	P 7,226,149,912	P 6,518,599,861

Supplemental Information on Non-cash Investing and Financing Activities:

- 1) In 2021, 2020 and 2019, the Group recognized right-of-use assets and lease liabilities amounting to P187.3 million, P157.2 million, and P424.5 million, respectively (see Notes 16 and 34).
- 2) In 2021, the Group recognized premium on long-term debt amounting to P1,118.9 million arising from the modification of terms which formed part of the new carrying amount of the long-term debt (see Note 18.2)

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, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Incorporation and Operations

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

On January 28, 2011, the Philippine Stock Exchange (PSE) and the Securities Exchange Commission (SEC) approved the Parent Company's application for the listing of its common stock. The approval covered the initial public offering (IPO) of 292.0 million unissued common shares of the Parent Company at P7.84 offer price per share and the listing of those shares in PSE's main board on February 18, 2012. On December 3, 2014, the Parent Company made a primary offer of 40.0 million preferred shares at an offer price of P100.0 per share. These preferred shares are also listed in the PSE (see Note 27.1). Moreover, the Parent Company also made follow-on offerings in 2020 and 2021 (see Note 27.1)

The Parent Company remains a subsidiary of Citicore Holding Investment, Inc. (Citicore) which owns and controls 35.41% of the issued and outstanding capital stock of the Parent Company as of December 31, 2021 and 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. Moreover, Citicore also appoints majority of the board members and remains as the single largest stockholder controlling the BOD.

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>2021</u>	<u>2020</u>	<u>2019</u>
<i>Subsidiaries:</i>				
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%

Subsidiaries/Associates/Joint Operations/Joint Ventures	Notes	Percentage of Effective Ownership		
		2021	2020	2019
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%	100%	-
MWM Terminals, Inc. (MWM TI)	j	100%	100%	100%
Megawide Terminals, Inc. (MTI) (formerly WM Property Management, Inc.)	i	100%	100%	100%
Megawide International Limited (MIL)	h	100%	100%	100%
Megawide Construction (Singapore) Pte. Ltd. (MC-SG)	h	100%	100%	100%
Cebu2World Development, Inc. (CDI)	o	100%	100%	-
Wide-Horizons, Inc. (WHI)	p	100%	100%	-
Tiger Legend Holdings Limited (TLH)	q	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%
HDEC- Megawide-Dongah JV (HMDJV)	r	35%	-	-
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) or GMR, 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, 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 [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 - oflocated 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 wholly owned subsidiaries, DMCC and MW Infrastructure. DMCC, which was registered on December 10, 2017, is involved in infrastructure works. 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.

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 GISPL with 45% interest and GMR Holdings Overseas (Singapore) PTE Limited owning the remaining 5%. The Parent Company and GISPL 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). MGJCVI began to operate in 2018.

m) MTRGC

MTRGC was incorporated and registered 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 2018.

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 2018.

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, 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 December 31, 2021, WHI has not yet started commercial operations.

q) TLH

Tiger Legends was incorporated on October 16, 2020 to primarily engage in buying and holding shares of other companies. Tiger Legend's registered address is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, British Virgin Islands.

r) HMDJV

HMDJV is an unincorporated joint venture formed on October 27, 2020, by the Parent Company owning 35% and Hyundai Engineering & Construction Co., Ltd. And Dong-Ah Geological Engineering Company Ltd. Owning 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 Continuing Impact of COVID-19 on the Group's Business

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020 and its impact has been continuing until the date of the approval of these consolidated financial statements. The measures taken by the government to contain the virus have affected economic conditions and the Group's business operations.

In 2021 and 2020, the Group has taken the following measures to mitigate the adverse effects of the COVID-19 pandemic to the Group's business:

- implemented effective cost-reduction and cash preservation strategies, including recruitment freeze, deferral of some non-essential and capital expenditures, maximizing credit terms provided by suppliers and creditors and focus to collect outstanding receivables;
- comprehensive and regular monitoring of the Group's liquidity position and cash flow, including issuance of series 4 preferred shares with a lower coupon rate of 5.3% to redeem series 1 preferred shares with a higher coupon rate of 7.025%;
- for construction segment, implementation of physical distancing through work bubbles was the key to full recovery as workers were encouraged to stay in construction site to avoid disruption in business operations. Meanwhile, those with suspected COVID symptoms were isolated, as soon as practicable;
- 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 for back office support;
- regular information updates on health and safety protocols to all its employees;
- 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; and,
- encouraged all employees and its eligible house household members to take any available COVID 19 vaccine, including the booster.

As a result of the actions taken by management, the Group's operations showed the following:

- full year recovery on construction activities in 2021 as the Group was able to adopt to various quarantine measures imposed by the government which resulted in an increase in the construction operation revenues of P3,487.3 million or 32%;
- decrease in occupancy rate in the landport segment due to work-from-home arrangements which affected the real estate industry;

- decrease in airport operations revenues by about 84% from pre-pandemic levels due to decrease in air traffic movement as a result of travel restrictions;
- decrease in airport trading sales by about 93% from pre-pandemic levels due to decrease in air traffic movement in the airport segment; and,
- administrative expenses were incurred to ensure health and safety of its employees, subcontractors and customers, although these are not considered substantial in amount.

Based on the above actions and measures taken by management to mitigate the adverse effect of the pandemic, it projects that the Group would still remain liquid to meet current obligations, as they fall due, and expects the gradual recovery of all of its segments in the subsequent reporting period. 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, 2021 (including the comparative consolidated financial statements as of December 31, 2020 and for the years ended December 31, 2020 and 2019 and the corresponding figures as of January 1, 2020) were authorized for issue by the Parent Company's BOD on April 8, 2022.

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 that follow.

(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 2021, the Group presented a statement of financial position as of January 1, 2020 to reflect the effect of prior period reclassifications 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 Reclassification of Accounts*

The Group made certain prior period reclassifications to reflect the current and non-current classification and presentation of Contract Liabilities and to reflect the proper presentation of construction-in-progress account from Property, Plant and Equipment account to Investment Properties account. The effects of prior period reclassifications on the Group's consolidated statements of financial position as of December 31, 2020 and January 1, 2020 are presented below.

	<u>As Previously Reported</u>	<u>Prior Period Reclassifications</u>	<u>As Restated</u>
<u>December 31, 2020</u>			
<i>Changes in non-current assets :</i>			
Property, Plant and Equipment – net	P 7,497,348,324	(P 257,486,729)	P 7,239,861,595
Investment Property	4,120,894,365	257,486,729	4,378,381,094
<i>Change in current liabilities –</i>			
Contract liabilities	4,593,930,101	(2,478,673,490)	2,115,256,611
Interest bearing loans and borrowings	13,110,457,751	20,000,000	13,130,457,751
<i>Change in non-current liabilities –</i>			
Contract liabilities	-	2,478,673,490	2,478,673,490
Interest bearing loans and borrowings	32,809,907,556	(<u>20,000,000</u>)	32,789,907,556
Impact on net assets		<u>P -</u>	
<u>January 1, 2020</u>			
<i>Changes in non-current assets:</i>			
Property, Plant and Equipment – net	P 7,666,010,436	(P 41,978,317)	P 7,624,032,119
Investment Properties	4,186,720,456	41,978,317	4,228,698,773
<i>Change in current liabilities –</i>			
Contract liabilities	4,931,269,957	(2,125,642,785)	2,805,627,172
Interest bearing loans and borrowings	14,681,061,253	20,000,000	14,701,061,253

	As Previously Reported	Prior Period Reclassifications	As Restated
<i>Change in non-current liabilities –</i>			
Contract liabilities	-	2,125,642,785	2,125,642,785
Interest bearing loans and borrowings	33,071,851,424	(<u>20,000,000</u>)	33,051,851,424
Impact on net assets		<u>P -</u>	

The effects of these prior period reclassifications in the consolidated statements of cash flows for the year ended December 31, 2020 (nil for 2019) are summarized as follows:

	As Previously Reported	Prior Period Adjustments	As Restated
<i>Changes in Cash Flows from Investing Activities :</i>			
Acquisitions of property, plant and equipment and computer software	P 881,622,780	(P 215,508,412)	P 666,114,368
Acquisitions of investment properties	40,093,061	215,508,412	255,601,473

2.2 Adoption of Amended PFRS

(a) Effective in 2021 that are Relevant to the Group

The Group adopted the following amendments to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2021:

PFRS 7, PFRS 9 and

PFRS 16 (Amendments) : Financial Instruments: Disclosures,
Financial Instruments and
Leases – Interest Rate
Benchmark Reform Phase 2

PFRS 16 (Amendments) : Leases – COVID-19-Related
Rent Concessions beyond
June 30, 2021

- (i) PFRS 7 (Amendments), *Financial Instruments: Disclosures*, PFRS 9 Amendments), *Financial Instruments*, and PFRS 16 (Amendments), *Leases - Interest Rate Benchmark Reform Phase 2*. The amendments address issues that may affect financial reporting during the interest rate benchmark reform, including the effect of changes to contractual cash flows or hedging relationships resulting from the replacement of the London Interbank Offered Rate (LIBOR) with alternative benchmark rates.

The Phase 2 amendments are relevant to the Group because it is exposed to the effects of the LIBOR reform on its interest-bearing loan and the designated hedging instruments that use LIBOR as interest benchmark rates [see Notes 7, 18.2(a) and 32.1(b)]. Management assessed that the exposure is minimal as the benchmark rate of the hedging instruments will likely follow the benchmark rate of the interest-bearing loans.

- (ii) The Group opted to early adopt the application of the amendments to PFRS 16, *Leases – COVID-19-Related Rent Concessions beyond June 30, 2021*, (effective from April 1, 2021). The amendment extends for one year the use of practical expedient of not assessing whether rent concessions reducing payments up until June 30, 2022 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 application of these amendments had no significant impact to the Group's consolidated financial statements as the Group did not receive any rent concession from its lessors as of December 31, 2021.

(b) *Effective Subsequent to 2021 but not Adopted Early*

There are amendments to existing standards effective for annual periods subsequent to 2021, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, none of these are expected to have significant impact on the Group's consolidated financial statements:

- (i) PFRS 3 (Amendments), *Business Combination – Reference to the Conceptual Framework* (effective from January 1, 2022)
- (ii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022)
- (iii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective from January 1, 2022)
- (iv) 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:
 - a. PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 percent' Test for Derecognition of Liabilities*
 - b. Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*
- (v) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)
- (vi) PAS 1 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)
- (vii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)
- (viii) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)
- (ix) 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)

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 Arrangements*

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

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

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 Assets

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 become 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, and 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 assets not 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 Group becomes a party to the contractual terms of the instrument. These are recognized initially at their fair values and subsequently measured at amortized cost, using the effective interest method for maturities beyond one year, less settlement payments. All interest-related charges incurred on a financial liability, 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.

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 carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss. Where an existing 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 derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized as gain or loss in profit or loss. If the modification is not considered substantial, the liability is restated to the net present value of revised cash flows discounted at the original effective interest rate, with the adjustment recognized as gain or loss 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, 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 Groups performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- (c) the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

The Group often enters into transactions involving construction services, airport operations, airport merchandising operations, 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 includes revenue from construction activities such as construction works, sale of construction materials, management fee and rental of construction equipment.
 - i. *Contract revenues* – This includes revenue from construction services and 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. *Consultancy and Management fees* – 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 2.18(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 assesses its revenue agreement against the specific criteria in order to determine if it is acting as a principal or an agent [see Note 3.1(o)]. Billing from common area, air conditioning and other dues are presented at gross amounts since the Group acts as a principal. Other revenues from electricity and water dues, in which the Group acts as an agent, are presented in excess of actual charges and consumption.

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.

Costs and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except for capitalized borrowing costs which are included as part of the cost of the related qualifying asset.

2.18 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

For any new contracts entered into, 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 accounts, respectively.

(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. Revenue from rentals also include variable rent income based on an index or rate.

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,
- (iii) 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 of income.

Past service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(b) *Short-term Employee Benefits*

The Group recognizes a liability, net of amounts already paid, and an expense for services rendered for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related services are provided.

(c) *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.

(d) *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.

(e) *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

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 construction 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 construction 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 MCIA, management determines that revenue is recognized at a point in time when the control of the goods has passed to the customer, i.e. generally when the customer acknowledged delivery of goods.

(iv) *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., defined in Note 2 (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, 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 collectibility since the same can be applied to the last period rentals at the option of the Group.

(e) *Evaluation of Business Model Applied in Managing Financial Instruments*

The Group developed business models which reflect how it manages its portfolio of financial instruments. The Group's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Group) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Group evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Group (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Group's investment and trading strategies.

(f) *Testing the Cash Flow Characteristics of Financial Assets and Continuing Evaluation of the Business Model*

In determining the classification of financial assets under PFRS 9, the Group assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria.

In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Group assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Group considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

In addition, PFRS 9 emphasizes that if more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Group considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily 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, as defined in PFRS 3, 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, MIL, MWMTI, MTI, MC-SG, WHI, CDI, and TLH are accounted for as investments 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)].

Also, the Group believes to have significant influence over CMCI, due to the Group's ability to participate over the entity's relevant activities based on the rights and powers of the Parent Company over the management of CMCI 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. 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 a joint control over MGCJV, MGCJVI, MTRGC, SSPPC and HMDJV 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. GMCAC recognizes its interest in MTRGC and SSPPC as joint ventures, while the Parent Company's interests in MGCJV, MGCJVI and HMDJV are recognized as joint operations [see Notes 2.3(c) and 11.4]. On the other hand, the Parent Company 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).

(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, *Service Concession Arrangements*, 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 shall 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 in form of AGP.

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 Note 2.4 and 6).

(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 as the Parent Company has no control over the relevant activities of MWCCI. Management considers that Citicore has control since it 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)].

(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.

(p) *Determining Whether Loan Modifications are Substantial Modifications*

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. Based on management's assessment, GMCAC's loan modification in 2021 does not represent a substantial modification of terms [see Note 18.2(a)].

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 FVOCI, 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 2021, 2020 and 2019.

(e) *Accounting for Business Combinations*

On initial recognition, the assets and liabilities of any 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 2021 and 2020.

The Group believes that the usage-based method based on passenger volume and usage of the airport activities over the concession period 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)]. In 2021 and 2020, passenger volume significantly declined compared with pre-pandemic levels due to travel and quarantine restrictions imposed by the government. Although amortization expense reduced substantially during those years, management assessed that the reduced passenger volume is temporary as the quarantine restrictions started to ease up during the first quarter of 2022 and passenger volume showed improvements from December 2021 levels. The positive changes are estimated to continue until full recovery of pandemic losses by 2024, hence, amortization expense will eventually normalize. In 2021, 2020, and 2019, amortization expense recognized relating to concession assets amounted to P50.2 million, 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 PITX 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 commercial area approximates its fair value as of December 31, 2020 as it was only newly constructed in March 2019. In 2021, the fair value of the commercial area was assessed using the discounted cash flows valuation technique. The Group uses assumptions that are mainly based on market conditions existing at the end of each reporting period, such as: receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and, appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

On the other hand, the Group determines the fair value of the land through appraisals by independent external appraisers.

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, 2021 and 2020 will be fully utilized in the coming years. The carrying value of deferred tax assets as of those dates is disclosed in Note 26.4.

(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 the remaining life of the concession period of 18 and 19 years as of December 31, 2021 and 2020, respectively.

The pre-tax discount rate applied to cash flow projections is 10.0% and 12.3% as of December 31, 2021 and 2020. 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 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 2021 and 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 P9,615.9 million and P9,007.9 million as at December 31, 2021 and 2020, respectively (see Note 13).

Management has assessed that no impairment losses are required to be recognized on the Group's non-financial assets in 2021, 2020 and 2019.

(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. This segment 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, 2021, 2020 and 2019, and for the years ended December 31, 2021, 2020 and 2019 (amounts in thousands).

	Construction			Airport			Landport			Total		
	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019
Results of operations												
Sales to external customers	P 14,329,464	P 10,842,200	P 15,309,069	P 599,468	P 1,178,613	P 4,017,334	P 715,039	P 902,414	P 555,402	P 15,643,971	P 12,923,227	P 19,881,800
Intersegment sales	26,905	363,371	651,419	-	-	-	-	-	-	26,905	363,371	651,419
Segment Revenues	<u>14,356,369</u>	<u>11,205,571</u>	<u>15,960,488</u>	<u>599,468</u>	<u>1,178,613</u>	<u>4,017,334</u>	<u>715,039</u>	<u>902,414</u>	<u>555,402</u>	<u>15,670,876</u>	<u>13,286,598</u>	<u>20,533,222</u>
Cost and other operating expenses:												
Cost of construction, airport and landport operations excluding depreciation and amortization	11,124,688	8,779,449	13,033,918	353,949	492,171	886,235	149,440	145,176	233,979	11,628,077	9,416,796	14,154,130
Depreciation and amortization	1,133,162	1,019,034	837,723	102,510	229,837	803,232	232,110	222,508	111,093	1,467,782	1,471,379	1,752,040
Interest income	(464,851)	(458,515)	(472,442)	(9,515)	(32,543)	(78,022)	(7,614)	(8,208)	(210)	(481,980)	(499,266)	(550,670)
Interest expense	1,364,842	1,220,377	1,215,052	1,294,235	1,050,725	957,954	148,144	214,205	114,758	2,807,221	2,485,307	2,287,760
Material non-cash items	-	(2,192)	12,476	(78,649)	(144,597)	(32,796)	-	-	-	(78,649)	(146,789)	(20,320)
Equity share in profit or loss and joint ventures	10,633	-	-	57,050	40,965	(26,248)	-	-	-	67,683	40,965	(26,248)
Other income (charges)	(171,387)	(59,323)	(138,611)	(210,287)	(23,479)	(13,652)	(133,884)	(194,421)	(131,221)	(515,558)	(230,265)	(283,480)
Tax expense (income)	67,012	(59,584)	127,526	76,865	217,456	219,818	21,124	106,772	(34,361)	165,001	264,644	312,980
Other expenses	939,703	642,350	706,711	385,160	490,807	691,821	228,159	203,700	267,574	1,553,022	1,336,857	1,666,100
	<u>14,003,802</u>	<u>11,081,596</u>	<u>15,322,353</u>	<u>1,971,318</u>	<u>2,368,300</u>	<u>3,408,342</u>	<u>637,479</u>	<u>689,732</u>	<u>561,612</u>	<u>16,612,599</u>	<u>14,139,628</u>	<u>19,292,300</u>
Segment Net Profit (Loss)	<u>P 352,567</u>	<u>P 123,975</u>	<u>P 638,135</u>	<u>(P 1,371,850)</u>	<u>(P 1,189,687)</u>	<u>P 608,992</u>	<u>P 77,560</u>	<u>P 212,682</u>	<u>(P 6,210)</u>	<u>(P 941,723)</u>	<u>(P 853,030)</u>	<u>P 1,240,910</u>
Consolidated Statements of Financial Position												
Total Segment Assets	<u>P 49,988,040</u>	<u>P 44,902,291</u>	<u>P 43,330,597</u>	<u>P 34,980,098</u>	<u>P 35,286,304</u>	<u>P 35,934,459</u>	<u>P 6,727,959</u>	<u>P 7,321,688</u>	<u>P 7,998,133</u>	<u>P 90,696,097</u>	<u>P 87,510,283</u>	<u>P 87,263,180</u>
Total Segment Liabilities	<u>P 32,351,079</u>	<u>P 29,079,082</u>	<u>P 31,030,326</u>	<u>P 28,100,062</u>	<u>P 27,034,748</u>	<u>P 26,491,719</u>	<u>P 4,826,617</u>	<u>P 5,497,864</u>	<u>P 7,451,163</u>	<u>P 65,277,758</u>	<u>P 61,611,694</u>	<u>P 64,973,200</u>
Capital Expenditures	<u>P 631,034</u>	<u>P 467,180</u>	<u>P 2,817,196</u>	<u>P 279,511</u>	<u>P 1,050,949</u>	<u>P 2,206,858</u>	<u>P 80,688</u>	<u>P 216,153</u>	<u>P 838,345</u>	<u>P 991,233</u>	<u>P 1,734,282</u>	<u>P 5,862,390</u>
Investment in associates and joint ventures accounted for by the equity method	<u>P 813,793</u>	<u>P -</u>	<u>P -</u>	<u>P 47,720</u>	<u>P 104,770</u>	<u>P 145,735</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 861,513</u>	<u>P 104,770</u>	<u>P 145,735</u>

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>2021</u>	<u>2020</u>	<u>2019</u>
Revenues			
Segment revenues	P 15,670,876	P 13,286,598	P 20,533,224
Intersegment sales	(<u>26,905</u>)	(<u>363,371</u>)	(<u>651,419</u>)
Revenues as reported in the consolidated statements of income	<u>P 15,643,971</u>	<u>P 12,923,227</u>	<u>P 19,881,805</u>
Profit or loss			
Segment net profit (loss)	(P 941,723)	(P 853,030)	P 1,240,917
Other unallocated income (expense)	<u>48,569</u>	(<u>21,566</u>)	(<u>129,882</u>)
Net profit (loss) as reported in the consolidated statements of income	<u>(P 893,154)</u>	<u>(P 874,596)</u>	<u>P 1,111,035</u>
Assets			
Total segment assets	P 90,696,097	P 87,510,283	P 87,263,189
Elimination of intercompany accounts	(<u>12,629,646</u>)	(<u>7,877,956</u>)	(<u>9,031,920</u>)
Other unallocated assets	<u>7,110,178</u>	<u>1,711,442</u>	<u>2,533,057</u>
Total assets as reported in the consolidated statements of financial position	<u>P 85,176,629</u>	<u>P 81,343,769</u>	<u>P 80,764,326</u>
Liabilities			
Total segment liabilities	P 65,277,758	P 61,611,694	P 64,973,208
Elimination of intercompany accounts	(<u>3,253,619</u>)	(<u>1,823,709</u>)	(<u>4,083,754</u>)
Other unallocated liabilities	<u>3,951,582</u>	<u>1,033,316</u>	<u>1,876,360</u>
Total liabilities as reported in the consolidated statements of financial position	<u>P 65,975,721</u>	<u>P 60,821,301</u>	<u>P 62,765,814</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.

The revenues from three major customers in 2021, 2020 and 2019 accounted for 38%, 46%, and 17%, respectively, of the total construction revenues are as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Customer A	P 2,084,313,919	P2,150,769,324	P 2,861,117,765
Customer B	1,767,782,385	1,227,659,023	1,608,179,056
Customer C	<u>1,586,261,904</u>	<u>1,595,766,503</u>	<u>1,128,109,032</u>
	<u>P 5,438,358,208</u>	<u>P4,974,194,850</u>	<u>P5,597,405,853</u>

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are as follows:

	<u>2021</u>	<u>2020</u>
Cash on hand	P 4,515,280	P 5,400,865
Cash in banks	2,889,408,586	2,165,007,181
Short-term placements	<u>2,952,164,164</u>	<u>5,055,741,866</u>
	<u>P 5,846,088,030</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 1.6% in 2021 and 2020. The interest income earned from these financial assets amounted to P32.6 million, P57.9 million and P110.6 million in 2021, 2020 and 2019, respectively, and are 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>2021</u>	<u>2020</u>
Contract receivables:			
Third parties		P 2,911,018,409	P 2,840,546,754
Related parties	28.1	<u>1,454,980,969</u>	<u>944,337,644</u>
		<u>4,365,999,378</u>	<u>3,784,884,398</u>
Retention receivables:			
Third parties		1,689,943,587	1,534,199,721
Related parties	28.1	<u>788,840,503</u>	<u>868,788,166</u>
		<u>2,478,784,090</u>	<u>2,402,987,887</u>
Advances to:			
Related parties	28.4	6,418,877,754	6,410,689,673
Officers and employees	28.3	<u>85,798,075</u>	<u>74,481,307</u>
		<u>6,504,675,829</u>	<u>6,485,170,980</u>
Receivables from airport operations	18.2 (a), 21.2	<u>699,627,783</u>	<u>570,230,462</u>
Rental receivables:	21.3		
Lease receivable – per contract		703,189,750	385,466,377
Lease receivable – effect of straight-line method		<u>652,564,199</u>	<u>524,235,954</u>
		<u>1,355,753,949</u>	<u>909,702,331</u>
Receivables from sale of goods	21.4	-	766,766
Accrued interest receivables	28.4	1,452,075,646	1,011,075,646
Other receivables	28.2, 28.5	<u>345,402,891</u>	<u>172,164,286</u>
		17,202,319,566	15,336,982,756
Allowance for impairment		<u>(231,765,011)</u>	<u>(37,932,641)</u>
		<u>P16,970,554,555</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 (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, 2021 and 2020, rent receivables arising from the effect of straight-lining method amounted to P652.6 million and P524.2 million, respectively (see Note 21.3).

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)].

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)]. The total impairment losses recognized by the Group are presented in the succeeding paragraphs.

The total allowance for impairment for contract, retention and airport receivables provided by the Group amounted to P231.8 million and P37.9 million as of December 31, 2021 and 2020, respectively.

A reconciliation of the allowance for impairment at the beginning and end of 2021 and 2020 is shown below.

	<u>Note</u>	<u>2021</u>	<u>2020</u>
Balance at beginning of year		P 37,932,641	P 10,956,072
ECL	23	222,772,533	27,289,069
Reversal of impairment loss	23	(17,792,630)	-
Write-off		(11,147,533)	(312,500)
Balance at end of year		<u>P 231,765,011</u>	<u>P 37,932,641</u>

The amount of impairment losses, net of reversal of impairment loss, is presented separately under the Other Operating Expenses section of the statements of income (see Note 23).

7. FINANCIAL ASSETS/LIABILITIES 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 with start date 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% plus margin ranging from 2.50% to 3.08% and receives floating rate and receives floating rate of nine-month US\$ LIBOR rate on Bloomberg Page on the notional amount.

As at December 31, 2021 and 2020, GMCAC recognized P54.9 million and P121.9 million derivative liability shown under Trade and Other Payables (see Note 17). GMCAC recognized in the consolidated statements of income under Other Income (Charges) unrealized gain from change in fair value of the interest rate swap amounting to US\$1.7 million or P78.6 million in 2021, unrealized loss of US\$1.0 million or P43.3 million in 2020, and US\$1.6 million or P104.8 million in 2019 (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 derivative instrument not designated for hedges.

8. CONSTRUCTION MATERIALS

At the end of 2021 and 2020, construction materials were stated at cost which is lower than net realizable value. This account consists of the following:

	<u>2021</u>	<u>2020</u>
Work in progress	P 1,129,136,315	P 963,166,389
Consumables and spare parts	506,652,379	281,222,077
Mechanical electrical plumbing and fireproof materials	182,836,039	219,528,702
Precast	94,980,118	92,773,144
Hardware	59,488,080	60,728,374
Rebars	27,117,251	31,159,478
Others	<u>44,949,202</u>	<u>70,464,699</u>
	<u>P 2,045,159,384</u>	<u>P 1,719,042,863</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>2021</u>	<u>2020</u>
Balance at beginning of year	P 4,231,600,246	P 3,975,734,097
Increase as a result of changes in measurement of progress	10,780,020,228	9,642,837,195
Decrease as a result of reversal to trade receivables	(10,233,915,616)	(9,386,971,046)
Balance at end of year	<u>P 4,777,704,858</u>	<u>P 4,231,600,246</u>

The balance of contract assets as of December 31, 2021 and 2020 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 2021 and 2020 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 2021 and 2020 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>

The Group has equity interest of 1% in SSPI as of December 31, 2021 and 2020.

As of December 31, 2021 and 2020, 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	2021	2020
Investments in:			
Associates	11.1	P 813,793,409	P 824,426,033
Joint ventures	11.3	<u>47,719,774</u>	<u>104,769,953</u>
		<u>P 861,513,183</u>	<u>P 929,195,986</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>2021</u>	<u>2020</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 year		19,963,169	9,308,698
Equity in net profit (loss) for the year	25.3	(<u>10,632,624</u>)	<u>10,654,471</u>
Balance at end of year		<u>9,330,545</u>	<u>19,963,169</u>
		<u>P 813,793,409</u>	<u>P 824,426,033</u>

The equity in net profit (loss) includes catch-up adjustments to reflect the audited balances of the associates, hence, might not be equal to the amount of the Group's share in net profit based on the financial information presented below.

These associates do not have any other comprehensive income or loss 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.

As of December 31, 2021 and 2020, 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, 2021 and 2020, the Parent Company owns 10% interest in CMCI as a joint venture partner.

The table below presents the financial information of MWCCI and CMCI as of and for years ended December 31, 2021, 2020 and 2019 of the associates (amounts in thousands of PHP).

		Current Assets		Non-current Assets		Current Liabilities		Non-current Liabilities		Revenues		Net Income (Loss)
2021:												
MWCCI (Unaudited)	P	338,947	P	847,397	P	87,447	P	-	P	-	P	-
CMCI (Unaudited)		4,215,261		2,017,636		1,885,472		2,080,191		273,670		10,546
2020:												
MWCCI (Unaudited)	P	338,947	P	847,398	P	87,447	P	-	P	-	P	5,999
CMCI (Audited)		3,525,156		2,646,046		1,894,306		2,020,208		344,183	(	13,849)
2019:												
MWCCI (Unaudited)	P	1,186,343	P	-	P	87,447	P	-	P	-	(P	6,000)
CMCI (Audited)		3,975,675		3,090,155		2,194,494		2,600,799		408,764		73,360

A reconciliation of the above summarized financial information to the carrying amount of the investments in associates is shown below (amounts in thousands of PHP).

	Notes	% Interest Held	Net Asset Value	Share in Net Asset	Carrying Value of Investments
2021					
MWCCI	a	51%	P 1,098,896	P 560,437	P 587,070
CMCI	b	10%	2,267,234	<u>226,723</u>	<u>226,723</u>
Total				<u>P 787,160</u>	<u>P 813,793</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>

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, 2021 and 2020, 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

As of December 31, 2021 and 2020, 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 P2.3 million, P0.5 million, P0.5 million in 2021, 2020, and 2019, respectively, to profit or loss to account for the expenses incurred by Altria, net of changes in cash in bank, bond deposits and accrued expenses.

11.3 Interest in Joint Ventures

This account includes the carrying values of the following components:

	<u>Note</u>	<u>2021</u>	<u>2020</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 losses:			
Balance at beginning of year		(11,878,047)	29,086,993
Equity in net loss for the year	25.3	(<u>57,050,179</u>)	(<u>40,965,040</u>)
Balance at end of year		(<u>68,928,226</u>)	(<u>11,878,047</u>)
		<u>P 47,719,774</u>	<u>P 104,769,953</u>

These joint ventures do not have any other comprehensive income or loss both in 2021 and 2020.

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, 2021 and 2020 (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>
<i>2021 (Unaudited):</i>												
MTRGC	P	111,041	P	100,339	P	140,731	P	2,089	P	24,937	(P	32,076)
SSPPC		40,615		336,306		315,883		17,017		15,165	(	6,027)
<i>2020 (Audited):</i>												
MTRGC	P	122,415	P	110,647	P	129,922	P	2,504	P	66,230	(P	38,419)
SSPPC		35,261		391,614		260,970		17,017		180,094	(	62,719)
<i>2019 (Audited):</i>												
MTRGC	P	155,593	P	102,557	P	115,588	P	3,508	P	232,235	P	1,807
SSPPC		120,913		411,847		302,522		18,630		654,764		66,710

Additional financial information for these joint ventures are as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>MTRGC:</i>			
Cash and cash equivalents	P 22,418,886	P 12,235,148	P 17,084,509
Depreciation and amortization	18,935,760	21,797,177	14,513,362
Interest income	6,857	21,948	75,970
Interest expense	4,840,500	5,092,877	1,986,846
Income tax expense	-	14,194,728	1,392,248
<i>SSPC:</i>			
Cash and cash equivalents	P 9,336,123	P 22,863,451	P 107,221,042
Depreciation and amortization	4,531,221	59,934,709	40,391,372
Interest income	507	591,536	351,310
Interest expense	-	1,447,420	1,463,337
Income tax expense (income)	-	(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>
2021				
MTRGC	P	68,560	P 28,562	P 28,562
SSPPC		45,985	<u>19,158</u>	<u>19,158</u>
Total			<u>P 47,720</u>	<u>P 47,720</u>
2020				
MTRGC	P	100,552	P 41,890	P 42,743
SSPPC		148,888	<u>62,027</u>	<u>62,027</u>
Total			<u>P 103,917</u>	<u>P 104,770</u>

Management determined that the difference between the respective share in the net assets of the joint ventures and the carrying amount of the investments is not material to the consolidated financial statements

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, MGCJVI shall undertake the construction works of the Clark Airport, while HMDJV shall undertake the construction works of the Malolos-Clark Railway. Also, as discussed Note 2.3(c)(i), 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.

The capital commitments of the joint operations are disclosed in Note 29.5.2.

As of and for the years ended December 31, 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</u>		<u>Elimination</u>		<u>After</u>
	<u>Elimination</u>		<u>Elimination</u>		<u>Elimination</u>
<i>December 31, 2021</i>					
<i>Assets:</i>					
Cash and cash equivalents	P 721,895,985	P	-	P	721,895,985
Trade and other receivables	683,049,548	(	190,658,362)		492,391,186
Other current assets	306,767,498		-		306,767,498
Property, plant, and equipment – net	<u>120,521,764</u>		<u>-</u>		<u>120,521,764</u>
	<u>P 1,832,234,795</u>	(P	<u>190,658,362</u>	P	<u>1,641,576,433</u>
<i>Liabilities:</i>					
Trade and other payables	P 443,092,629	P	-	P	443,092,629
Due to related parties	1,953,674		-		1,953,674
Other liabilities	<u>15,558,696</u>		<u>-</u>		<u>15,558,696</u>
	<u>P 460,604,999</u>	P	<u>-</u>	P	<u>460,604,999</u>
<i>Revenues and Expenses</i>					
Contract revenues	P 777,240,976		-	P	777,240,976
Contract costs	(432,835,357)		-	(	432,835,357)
Other operating expenses	(254,625,416)		-	(	254,625,416)
Finance income	<u>8,394,678</u>		<u>-</u>		<u>8,394,678</u>
	<u>P 98,174,881</u>	P	<u>-</u>	P	<u>98,174,881</u>

	Before Elimination	Elimination	After Elimination
<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>

12. OTHER ASSETS

This account is composed of the following:

	Notes	2021	2020
<i>Current:</i>			
Advances to contractors and suppliers	12.1	P 7,020,949,969	P 4,857,992,746
Prepaid taxes	12.4	1,045,342,030	812,495,632
Deferred fulfilment costs	12.7	743,947,850	787,283,237
Input VAT	12.2	570,366,701	775,596,442
Deferred input VAT	12.2	426,529,409	455,773,123
Refundable security and bond deposits		189,540,978	155,107,192
Prepaid insurance		75,768,970	37,516,325
Prepaid subscription		12,638,510	17,966,039
Prepaid rent		6,164,110	16,699,653
Miscellaneous		<u>41,711,945</u>	<u>40,313,939</u>
<i>Balance forwarded</i>		<u>P10,132,960,472</u>	<u>P 7,956,744,328</u>

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
<i>Balance brought forward</i>		<u>P10,132,960,472</u>	<u>P 7,956,744,328</u>
Non-current:			
Deferred input VAT	12.2	1,906,045,520	1,798,604,430
Investment in trust fund	12.6	163,541,216	401,525,300
Deposits for condominium units	12.3	115,337,468	121,265,571
Refundable security deposits	2.4	44,692,207	44,421,967
Computer software license – net	12.5	39,783,913	47,859,287
Advances to contractors and suppliers	12.1	7,999,946	7,999,946
Miscellaneous		<u>73,074,778</u>	<u>168,125</u>
		<u>2,350,475,048</u>	<u>2,421,844,626</u>
		<u>P12,483,435,520</u>	<u>P10,378,588,954</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 P1,847.1 million and P1,729.3 million as of December 31, 2021 and 2020, 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>2021</u>	<u>2020</u>	<u>2019</u>
Cost	P 154,805,624	P 147,037,422	P 129,596,424
Accumulated amortization	(115,021,711)	(99,178,135)	(82,280,584)
	<u>P 39,783,913</u>	<u>P 47,859,287</u>	<u>P 47,315,840</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>2021</u>	<u>2020</u>
Balance at beginning of year		P 47,859,287	P 47,315,840
Additions	13	7,768,203	17,440,998
Amortization expense for the year	23	(15,843,577)	(16,897,551)
Balance at end of year		<u>P 39,783,913</u>	<u>P 47,859,287</u>

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, 2021 and 2020, 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 Fulfilment Costs

Deferred fulfilment costs pertain to costs that are directly related to a specific construction contract, generate or enhance resources that will be used to fulfill a performance obligation 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 is discussed in Note 2.17.

The movement of deferred fulfilment costs is shown below:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	P 787,283,237	P 579,089,321
Additions	66,734,247	430,684,262
Amortization	(110,069,634)	(222,490,346)
Balance at end of year	<u>P 743,947,850</u>	<u>P 787,283,237</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, 2021			
Cost			
Balance at beginning of year	P 18,659,047,099	P 12,947,875,863	P 31,606,922,962
Additions	<u>352,370,474</u>	<u>272,908,832</u>	<u>625,279,308</u>
Balance at end of year	<u>19,011,417,573</u>	<u>13,220,784,695</u>	<u>32,232,202,270</u>
Accumulated amortization			
Balance at beginning of year	(801,952,990)	(876,242,255)	(1,678,195,245)
Amortization for the year	<u>(37,599,721)</u>	<u>(12,584,740)</u>	<u>(50,184,461)</u>
Balance at end of year	<u>(839,552,711)</u>	<u>(888,826,995)</u>	<u>(1,728,379,706)</u>
Net carrying amount	<u>P 18,171,864,862</u>	<u>P 12,331,957,700</u>	<u>P 30,503,822,564</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>

	<u>Airport Upfront Fees</u>	<u>Infrastructure</u>	<u>Total</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>

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 P604.1 million and P610.5 million as at December 31, 2021 and 2020, respectively, at a capitalization rate of 4.99% to 9.69% in 2021 and 2020, respectively.

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, 2021, and 2020, the concession assets not yet available for use amounted to P9,615.9 million and P9,007.9 million, respectively. The breakdown of concession assets not yet available for use are shown below.

	<u>2021</u>	<u>2020</u>
Capacity augmentation	P 8,412,842,922	P 7,881,311,850
Fuel hydrant	979,794,734,733	903,350,447
Link bridge	<u>223,214,286</u>	<u>223,214,286</u>
	<u>P 9,615,851,941</u>	<u>P 9,007,876,583</u>

Concession assets not yet available for use are not amortized but tested for impairment as at December 31, 2021 and 2020 in accordance with GMCAC's accounting policy. The recoverable amounts of these were determined based on a value in use calculation using cash flow from financial model approved by the management covering the remaining life of the concession of 18 and 19 years in 2021 and 2020, respectively.

The pre-tax discount rate applied to cash flow projections is 10.0% and 12.3% as of December 31, 2021 and 2020. As a result of this analysis, management assessed the no impairment loss is required to be recognized on the Group's concession assets in 2021, 2020 and 2019.

14. PROPERTY, PLANT AND EQUIPMENT

The gross carrying amounts and accumulated depreciation at the beginning and end of December 31, 2021 and 2020 are shown below.

	Land	Building	Precast Factory	Office Furniture, Fixture and Equipment	Transportation Equipment	Precast and Construction Equipment	Construction in Progress [as Restated - see Note 2.1(d)]	Right of Use Assets (See Note 16)	Total
December 31, 2021									
Cost	P 994,081,255	P 507,066,792	P 941,719,545	P 950,957,136	P 938,470,789	P 7,921,789,256	P 749,563,344	P 1,034,765,485	P14,038,413,602
Accumulated depreciation	-	(169,052,251)	(362,704,584)	(797,714,371)	(659,693,534)	(4,482,579,201)	-	(399,802,319)	(6,871,546,260)
Net carrying amount	<u>P 994,081,255</u>	<u>P 338,014,541</u>	<u>P 579,014,961</u>	<u>P 153,242,765</u>	<u>P 278,777,255</u>	<u>P 3,439,210,055</u>	<u>P 749,563,344</u>	<u>P 634,963,166</u>	<u>P 7,166,867,342</u>
December 31, 2020									
- As restated (see Note 2)									
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 396,213,893	P 849,731,333	P12,867,632,579
Accumulated depreciation	-	(127,375,631)	(276,713,333)	(574,332,343)	(582,525,580)	(3,825,473,738)	-	(241,350,359)	(5,627,770,984)
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>P 3,922,979,559</u>	<u>P 396,213,893</u>	<u>P 608,380,974</u>	<u>P 7,239,861,595</u>
January 1, 2020									
- As restated (see Note 2)									
Cost	P 989,509,286	P 481,860,502	P 675,212,912	P 722,955,234	P 813,691,664	P 7,584,937,751	P 122,788,659	P 701,317,660	P 12,092,273,668
Accumulated depreciation	-	(88,688,776)	(221,638,815)	(353,045,181)	(493,990,199)	(3,178,005,199)	-	(132,873,188)	(4,468,241,549)
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 122,788,659</u>	<u>P 568,444,472</u>	<u>P 7,624,032,119</u>

A reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of 2021, 2020, and 2019 is shown below.

	Land	Building	Precast Factory	Office Furniture, Fixture and Equipment	Transportation Equipment	Precast and Construction Equipment	Construction in Progress	Right of Use Asset (See Note 16)	Total
Balance at January 1, 2021, net of accumulated depreciation									
As previously reported	P 994,061,255	P 372,436,118	P 406,846,993	P 240,059,636	P 298,883,167	P 3,922,979,559	P 653,700,622	P 568,444,472	P 7,497,348,324
Restatement (Note 2)	-	-	-	-	-	-	(257,486,729)	-	(257,486,729)
As restated	P 994,061,255	P 372,436,118	P 406,846,993	P 240,059,636	P 298,883,167	P 3,922,979,559	P 396,213,893	P 608,380,974	P 7,239,861,595
Additions	20,000	7,255,043	67,614,416	137,116,782	107,848,715	151,313,091	619,846,870	187,575,152	1,278,590,069
Disposal	-	-	-	(396,854)	(29,045,197)	(18,287,460)	(13,147,930)	(926,423)	(61,803,864)
Reclassification	-	-	190,544,803	-	-	62,804,686	(253,349,489)	-	-
Depreciation charges for the year	-	(41,676,620)	(85,991,251)	(223,536,801)	(98,909,166)	(679,599,819)	-	(160,066,537)	(1,289,780,458)
Balance at December 31, 2021, net of accumulated depreciation	<u>P 994,081,255</u>	<u>P 338,014,541</u>	<u>P 579,014,961</u>	<u>P153,242,765</u>	<u>P 278,777,255</u>	<u>P 3,439,210,055</u>	<u>P 749,563,344</u>	<u>P 634,963,166</u>	<u>P7,166,867,342</u>
Balance at January 1, 2020, net of accumulated depreciation									
As previously reported	P 989,509,286	P393,171,726	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 7,666,010,436
Restatement (Note 2)	-	-	-	-	-	-	(41,978,317)	-	(41,978,317)
As restated	P 989,509,286	P 393,171,726	P 453,574,097	P 369,910,053	P 319,701,465	P 4,406,932,361	P 122,788,659	P 568,444,472	P 7,624,032,119
Additions	4,551,969	17,951,247	15,799,464	90,988,975	71,748,419	190,208,703	257,424,593	157,183,969	805,857,339
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 charges 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>P372,436,118</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 396,213,893</u>	<u>P 608,380,974</u>	<u>P7,239,861,595</u>
Balance at January 1, 2019, net of accumulated depreciation									
As previously reported	P 703,175,409	P204,857,408	P 383,801,073	P299,147,986	P 247,832,325	P 3,204,229,722	P 150,907,111	P -	P5,193,951,034
Restatement (Note 2)	-	-	-	-	-	-	(41,978,317)	-	(41,978,317)
As restated	703,175,409	204,857,408	383,801,073	299,147,986	247,832,325	3,204,229,722	108,928,794	-	5,151,972,717
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 charges 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>P393,171,726</u>	<u>P 453,574,097</u>	<u>P369,910,053</u>	<u>P 319,701,465</u>	<u>P 4,406,932,361</u>	<u>P 122,788,659</u>	<u>P 568,444,472</u>	<u>P7,624,032,119</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 2021, 2020 and 2019, certain property, plant and equipment were sold for P89.5 million, P4.3 million and P92.1 million, respectively. As a result, the Group recognized gains amounting to P24.3 million, P1.9 million, and P9.6 million in 2021, 2020 and 2019, 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, 2021 and 2020, the gross carrying amounts of the Group's fully depreciated property, plant and equipment that are still in use are P1,131.9 million and P708.6 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	2021	2020	2019
Contract costs	22.1	P 1,006,018,603	P 924,021,681	P 773,562,002
Cost of landport operations	22.3	105,768,446	104,800,106	56,627,495
Other operating expenses	23	177,993,409	158,507,064	130,351,293
		<u>P 1,289,780,458</u>	<u>P 1,187,328,851</u>	<u>P 960,540,790</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	Commercial Area	Construction in Progress	Total
December 31, 2021				
Cost	P 530,896,780	P 3,930,968,749	P 145,743,580	P 4,607,609,109
Accumulated depreciation	-	(114,265,295)	-	(114,265,295)
Net carrying amount	<u>P 530,896,780</u>	<u>P 3,816,703,454</u>	<u>P 145,743,580</u>	<u>P 4,493,343,814</u>
December 31, 2020 –				
As Restated (see Note 2)				
Cost	P 502,509,171	P 3,724,304,346	P 257,486,729	P 4,484,300,246
Accumulated depreciation	-	(105,919,152)	-	(105,919,152)
Net carrying amount	<u>P 502,509,171</u>	<u>P 3,618,385,194</u>	<u>P 257,486,729</u>	<u>P 4,378,381,094</u>
December 31, 2019 –				
As Restated (see Note 2)				
Cost	P 462,416,110	P 3,767,853,349	P 41,978,317	P 4,272,247,776
Accumulated depreciation	-	(43,549,003)	-	(43,549,003)
Net carrying amount	<u>P 462,416,110</u>	<u>P 3,724,304,346</u>	<u>P 41,978,317</u>	<u>P 4,228,698,773</u>

A reconciliation of the carrying amounts of investment property at the beginning and end of the reporting periods is shown below.

		<u>Land</u>	<u>Commercial Area</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance as of January 1, 2021, net of accumulated depreciation and amortization					
As previously reported	P	502,509,171	P 3,618,385,194	P -	P 4,120,894,365
Restatement (Note 2)		<u>-</u>	<u>-</u>	<u>257,486,729</u>	<u>257,486,729</u>
As restated		502,509,171	3,618,385,194	257,486,729	4,378,381,094
Additions		28,387,609	55,096,826	145,743,580	229,228,015
Reclassifications		-	257,486,729	(257,486,729)	-
Depreciation and amortization		<u>-</u>	<u>(114,265,295)</u>	<u>-</u>	<u>(114,265,295)</u>
Balance at December 31, 2021	P	<u>530,896,780</u>	<u>3,816,703,454</u>	<u>145,743,580</u>	<u>4,493,343,814</u>
Balance as of January 1, 2020, net of accumulated depreciation and amortization					
As previously reported	P	462,416,110	P 3,724,304,346	P -	P 4,186,720,456
Restatement (Note 2)		<u>-</u>	<u>-</u>	<u>41,978,317</u>	<u>41,978,317</u>
As restated		462,416,110	3,724,304,346	41,978,317	4,228,698,773
Additions		40,093,061	-	215,508,412	255,601,473
Depreciation and amortization		<u>-</u>	<u>(105,919,152)</u>	<u>-</u>	<u>(105,919,152)</u>
Balance at December 31, 2020	P	<u>502,509,171</u>	<u>3,618,385,194</u>	<u>257,486,729</u>	<u>4,378,381,094</u>
Balance as of January 1, 2019, net of accumulated depreciation and amortization					
As previously reported	P	437,755,175	P 3,322,105,588	P -	P 3,759,860,763
Restatement (Note 2)		<u>-</u>	<u>-</u>	<u>41,978,317</u>	<u>41,978,317</u>
As restated		437,755,175	3,322,105,588	41,978,317	3,801,839,080
Additions		24,660,935	445,747,761	-	470,408,696
Depreciation and amortization		<u>-</u>	<u>(43,549,003)</u>	<u>-</u>	<u>(43,549,003)</u>
Balance at December 31, 2019	P	<u>462,416,110</u>	<u>3,724,304,346</u>	<u>41,978,317</u>	<u>4,228,698,773</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 P530.9 million and P502.5 million as of December 31, 2021 and 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. The fair value these assets for 2021 and 2020 amounts to P1,897.9 million and P1,869.5 million, respectively (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 Group determined that the component with respect to commercial area of PITX Project is not within the scope of Philippine Interpretation of IFRIC 12, and therefore shall be accounted for using the applicable accounting standard based on the purpose and current use of the assets; hence, were recognized under PAS 40, as these assets are held to earn rentals.

The allocation of cost as of the end of the reporting periods are as follows:

	<u>2021</u>	<u>2020</u>
Landport area (see Note 9)	P 510,141,518	P 510,141,518
Commercial area	<u>3,769,109,913</u>	<u>3,828,278,382</u>
	<u>P4,279,251,431</u>	<u>P4,338,419,900</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 consolidated statements of financial position.

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.

Rental revenues recognized in 2021, 2020 and 2019 amounted to P715.0 million, P900.8 million and P528.7 million, respectively, and are presented as part of Landport Operations account under the Revenues section of the consolidated statements of comprehensive income (see Note 21.3). Depreciation charges substantially represent the direct costs in leasing these properties. Other operating costs in leasing these properties include Real property taxes amounting to P119.4 million, P128.9 million, and P39.0 million in 2021, 2020, and 2019, respectively, and Repairs and maintenance amounting to P14.7 million, P2.4 million, and P5.2 million in 2021, 2020, and 2019, respectively. Real property taxes is included as part of Taxes and licenses while Repairs and maintenance is presented under Repairs and maintenance account in the consolidated statements of comprehensive income(see Note 23).

As of December 31, 2021 and 2020, the fair value of the Commercial area amounted to P3,816.7 million and P3,618.4 million, respectively.

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 statements of financial position.

	Number of right-of-use assets leased	Range of remaining term	Number of average remaining lease term	Number of leases with extension options	Number of leases with options to purchase	Number of leases with termination options
2021:						
Transportation equipment	186	1 – 5 years	3 years	-	49	-
Precast and construction equipment	168	1 – 5 years	4 years	-	54	-
Parcel of land	1	4 years	4 years	-	-	-
2020						
Transportation equipment	162	1 – 5 years	3 years	-	49	-
Precast and construction equipment	164	2 – 5 years	5 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, 2021, 2020, and 2019 and the movements during the period are shown below.

		Land	Precast and Construction Equipment	Transportation Equipment	Total
Balance as of January 1, 2021	P	-	P 440,424,375	P 167,956,599	P 608,380,974
Additions		67,963,753	118,058,865	1,552,534	187,575,152
Disposals		-	-	(926,423)	(926,423)
Depreciation and amortization		(16,990,938)	(101,629,143)	(41,446,456)	(160,066,537)
Balance at December 31, 2021	P	<u>50,972,815</u>	<u>456,854,097</u>	<u>127,136,254</u>	<u>634,963,166</u>
Balance as of January 1, 2020	P	-	P 376,631,729	P 191,812,743	P 568,444,472
Additions		-	121,647,009	35,536,960	157,183,969
Disposals		-	-	(1,236,705)	(1,236,705)
Reclassifications		-	(6,727,238)	(3,803,589)	(10,530,827)
Depreciation and amortization		-	(51,127,125)	(54,352,810)	(105,479,935)
Balance at December 31, 2020	P	<u>-</u>	<u>440,424,375</u>	<u>167,956,599</u>	<u>608,380,974</u>
Balance as of January 1, 2019	P	-	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		-	(30,859,786)	(37,680,704)	(68,270,490)

In 2021 and 2020, ownership of certain transportation equipment was transferred to an employee of the Company amounting to P1.2 million and P0.9 million, respectively.

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, 2021 and 2020 as follows:

	<u>2021</u>	<u>2020</u>
Current	P 219,483,607	P 195,172,595
Non-current	<u>246,214,092</u>	<u>337,495,382</u>
	<u>P 465,697,699</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 December 31, 2021, and 2020, 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 P57.0 million, P30.1 million and P47.4 million in 2021, 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 P254.5 million, P98.9 million and P142.4 million in 2021, 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 P45.4 million, P36.1 million and P22.1 million in 2021, 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, 2021, 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, 2021</i>						
Lease payments	P 248,374,420	P 169,959,559	P 84,711,884	P 8,765,243	P -	P 511,811,106
Finance charges	(28,890,813)	(13,514,723)	(3,494,320)	(213,551)	-	(46,113,407)
Net present value	<u>P 219,483,607</u>	<u>P 156,444,836</u>	<u>P 81,217,564</u>	<u>P 8,551,692</u>	<u>P -</u>	<u>P 465,697,699</u>
<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 32,776,372</u>	<u>P 474,350,703</u>

17. TRADE AND OTHER PAYABLES

This account consists of the following:

	Notes	2021	2020
Trade payables		P 5,036,078,936	P 4,002,239,479
Retention payable		2,180,081,529	2,195,156,203
Accrued expenses		506,190,339	749,582,769
Security deposits	20	235,216,916	119,723,716
Interest payable	18	195,323,314	920,315,247
Derivative liability	7	54,872,973	121,895,954
Due to related parties	28.4	328,685,322	20,000,000
Others		<u>80,266,018</u>	<u>163,037,855</u>
		<u>P 8,616,715,347</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.

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:

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Current:			
Bank loans	18.2, 29.4	P 14,504,602,415	P 12,915,285,156
Lease liabilities	16.2	219,483,607	195,172,595
Notes payable	18.1, 29.4	<u>56,000,000</u>	<u>20,000,000</u>
		<u>14,780,086,022</u>	<u>13,130,457,751</u>
Non-current:			
Bank loans	18.2, 29.4	28,961,405,146	26,881,620,942
Notes payable	18.1, 29.4	5,513,791,232	5,570,791,232
Lease liabilities	16.2	<u>246,214,092</u>	<u>337,495,382</u>
		<u>34,721,410,470</u>	<u>32,789,907,556</u>
		<u>P 49,501,496,492</u>	<u>P 45,920,365,307</u>

The total unpaid interest from the foregoing interest-bearing loans and borrowings as of December 31, 2021 and 2020 amounted to P195.3 million and P920.3 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) 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 or unless prior consent was obtained from the bank;
- 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 and B has matured already, leaving Tranche C outstanding, with a carrying value of P69.8 million and P70.8 million, respectively, as at December 31, 2021 and 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	5.50%
December 5, 2016	350,000,000	10	6.37%
December 16, 2016	<u>1,000,000,000</u>	10	6.37%

P 2,000,000,000

These 10-year corporate notes bear an interest rate based on the closing per annum rates of a ten (10)-year PDST-R2 rate on the PDS Group website plus a certain spread. The Parent Company has to maintain a debt-to-equity ratio of not more than 2.33 and a debt service coverage ratio of at least 1.1.

The notes, among other things, restrict the Parent Company's ability to:

- 1) Engage in any business or make or permit any material change in the character of its business from that authorized on its amended articles of incorporation and by-laws;
- 2) Amendment of articles of incorporation and by-laws which would cause a material adverse effect or except when prior consent is obtained from the bank;
- 3) Change of ownership and management if as a result the stockholdings of Citicore Investments Holdings Inc. will fall below 51% or enter into profit sharing, partnership or joint venture whereby its profits are shared with any other person that may have a material adverse effect;
- 4) Sale of asset, transfer or dispose of all or substantially all of its properties and assets except in the ordinary course of business;
- 5) Declaration of dividends or retirement of capital if the issuer shall not be in compliance with the financial covenants or would result to an event of default;
- 6) Loans and advances to its directors, officers, and stockholders (other than to its subsidiaries or affiliates, or transactions in the ordinary course of business, or financing or guarantees for the direct or indirect purchase or sale of the assets of the issuer, its subsidiaries or affiliates). Neither shall the issuer make any deposit, credit to, or investment in, any person, except for bank deposit, credit placements, and other transactions in the ordinary course of business;
- 7) Make a capital expenditure not in the ordinary course of business;
- 8) Incur additional debt or act as surety on behalf of third parties or incur monetary obligation which shall cause the issuer to breach the financial covenants;
- 9) Loans and advances to any person (other than to its subsidiaries or affiliates, or transactions in the ordinary course of business, or financing or guarantees for the direct or indirect purchase or sale of the assets of the issuer, its subsidiaries or affiliates). Neither shall the issuer make any deposit, credit to, or investment in, any person, except for bank deposit, credit placements, and other transactions in the ordinary course of business;
- 10) Directly or indirectly incur or suffer to exist any lien upon any assets and revenues, present and future of the issuer or enter into any loan facility agreement secured by or to be secured by a lien upon any assets and revenues, present and future whether registered or unregistered of the issuer;
- 11) Except for permitted investments, invest in or acquire any (i) share in or any security issued by any person, (ii) acquire directly or indirectly the business or going concern or all substantially all the properties and assets or business of any other corporation or entity or invest in a controlling entity therein; and,
- 12) It will not voluntarily suspend or discontinue its entire or a substantial portion of its business operation.

All of the three tranches of the second corporate note remained outstanding, with a carrying value of P1,900.0 million and P1,920.0 million as at December 31, 2021 and 2020, 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 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 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 1.10. 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 or where prior consent is obtained from the bank;
- 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, 2021 and 2020.

As of December 31, 2021 and 2020, the carrying amount of all the corporate notes are P5,569.8 million and P5,590.8 million, respectively.

The total interest on these notes payable amounted to P328.5 million, P338.1 million and P304.8 million in 2021, 2020 and 2019, 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, 2021 and 2020 amounting to P31.3 million is presented as part of Interest payable under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

The Parent Company is in compliance with all other covenants required to be observed under the loan facility agreement as of December 31, 2021 and 2020.

18.2 Bank Loans

(a) Omnibus Loan and Security Agreement – December 17, 2014

On December 17, 2014, GMCAC entered into a P20,000.0 million (which at GMCAC's option may be increased up to P23,300.0 million) OLSA with various local universal banks, as onshore lenders. On January 26, 2015, the parties amended the facility to include another universal bank as offshore lender to contribute US \$75.0 million (or equivalent to P3,500.0 million) into the facility.

The facility has a term of 15 years, the repayment of which starts in 2019 and shall continue every year thereafter until 2030; and, interest requirements that are payable annually based on the following:

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

As security for timely payment of the loan and prompt observance of all provision of the Omnibus Agreement, the following are 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;
- 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.

The carrying value of the Project receivables as of December 31, 2021 and 2020 amounted to P699.6 million and P570.2 million, respectively, net of allowance for ECL amounting to P4.9 million and P6.1 million as of December 31, 2021 and 2020, respectively. These are non-interest bearing and generally on a 30 to 60-day credit terms.

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. As of December 31, 2021 and 2020, the carrying amount of the assets pledged, in the form of a trust fund investment, as collateral amounted to P163.5 million and P401.5 million, respectively (see Note 12.6). These are composed of dollar deposit accounts which earns interest of 0.5% to 1.6% in 2021, 2020 and 2019 and peso deposit accounts which earns interest of .5% to 6.5% in 2021, 2020 and 2019.

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 GMCAC has debt-to-equity ratio of 67:33 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. As there is no event of default yet based on the terms of the loan, the outstanding balance was not yet considered due and demandable [see Note 18.2(d)].

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.

GMCAC has availed of certain reliefs and renegotiated the terms of its existing loan agreements with its lenders. As a result, 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:

<u>Year</u>	<u>Percentage</u>
2020	1.00%
2024	8.00%
2025	9.40%
2026	12.04%
2027	11.00%
2028	11.28%
2029	16.78%
2030	30.00%

The remaining 0.50% 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. As at December 31, 2021 and 2020, GMCAC was able to comply with the required debt to equity ratio;
- Debt service 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 recovery 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

The modifications in the contractual cash flows are not substantial and therefore did not result in the derecognition of the affected financial liabilities. Total modification gain recognized as a result of these modifications amounted to P207.8 million and is presented under Other Income (Charges) - net account in the 2021 consolidated statement of income (see Note 25.3).

As of December 31, 2021, GMCAC has unamortized premium on long-term debt amounting to P1.1 billion arising from the modification of terms. The amount is the result of recognizing the new carrying amount of the long-term debt based on the present value of the modified contractual cash flows discounted at the original effective interest rate. The premium on long-term debt is attributable to the deferred interests payable by GMCAC on June 15, 2023 and December 15, 2023 under the Second Amendment Agreement which formed part of the new carrying amount of the long-term debt under the modified terms.

Debt issuance costs incurred in relation to the amendment of the terms of the OLSA amounting to P22.8 million was recognized and formed part of the new carrying amount of the loans.

The movements of debt issuance costs relating to drawn amounts follows:

	<u>2021</u>	<u>2020</u>
Balance at the beginning of the year	P 240,664,623	P 266,359,488
Additional debt issuance costs	22,795,530	-
Amortization during the year	(35,395,100)	(25,694,865)
Balance at the end of the year	<u>P 228,065,053</u>	<u>P 240,664,623</u>

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, 2021 and 2020, GMCAC recognized P54.9 million and P121.9 million derivative liability arising from this interest rate swap transaction.

Total interest on these loans recognized as expense, including the amortization of debt issue costs, amounted to P1,059.0 million, P1,050.7 million and P946.2 million in 2021, 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 consolidated statements of income (see Note 25.1). Total accrued interest amounting to P97.7 million and P834.1 million as of December 31, 2021 and 2020, respectively, is presented as part of Interest payable under Trade and Other Payables in the consolidated statements of financial position (see Note 17). Capitalized borrowings amounted to P604.1 million and P610.5 million as at December 31, 2021 and 2020, respectively, at a capitalization rate of 4.99% to 9.69% in 2021 and 2020, respectively (see Note 13).

(b) OLSA for PITX project

In 2015, 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, MWMTI requested the lender to increase the

In 2017, 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 bears annual interest of 3.55%, 4.62%, and 6.89% in 2021, 2020, and 2019, 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 36 months from the initial drawdown date of the loan or from 2017, 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 2021 and 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 P138.4 million and P173.5 million in 2021 and 2020, respectively, and is presented as part of Interest expense from bank loans under Finance costs under Other Income (Charges) account in the 2021 and 2020 consolidated statements of income (see Note 25.1). Total accrued interest amounting to P17.3 million and P17.5 million as of December 31, 2021 and 2020, 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, 2021 and 2020 amounting to P117.0 million and P3,724.5 million, and P59.0 million and P3,841.5 million are presented under the current and non-current portion, respectively, of bank loans.

(c) Other Bank Loans

In addition, the Group also obtained various bank loans with total outstanding balance of P14,504.6 million and P12,915.3 million as of December 31, 2021 and 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, and 5.13% to 7.0% in 2019. Total interest on these bank loans amounted to P635.4 million, P624.4 million and P629.9 million in 2021, 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 consolidated statements of income (see Note 25.1). The unpaid portion of these interest amounted to P49.0 million and P37.4 million as of December 31, 2021 and 2020, 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).

(d) *Finance Cost, Events of Default and Covenant Compliance*

Total interest on interest bearing loans and borrowings amounted to P2,161.4 million, P2,186.6 million and P2,000.9 million in 2021, 2020 and 2019, respectively, and is presented as Interest expense from bank loans and notes payable under Finance Costs account in the statements of income (see Note 25.1). Unpaid interest as of December 31, 2021 and 2020 amounting to P31.3 million 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, the Group retained its loan as non-current, due to on-going negotiation with their syndicated loan with the banks as of December 31, 2020. As there is no event of default yet based on the terms of the loan as discussed in the succeeding paragraphs, the outstanding balance was not yet considered due and demandable. Such negotiation was finalized in May 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.

19. CONTRACT LIABILITIES

The significant changes in the contract liability balances during the reporting periods are as follows:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	P 4,593,930,101	P 4,931,269,957
Increase due to billings excluding amount recognized as revenue during the year	3,000,814,182	1,604,069,732
Revenue recognized that was included in contract liability at the beginning of the year	(1,955,644,394)	(2,049,952,403)
Effect of financing component	<u>120,291,431</u>	<u>108,542,815</u>
Balance at end of year	<u>P 5,759,391,320</u>	<u>P 4,593,930,101</u>

These are presented and classified in the consolidated statements of financial position as at December 31 as follows:

	<u>2021</u>	2020 [As Restated – see Note 2.1(d)]
Current	P 3,703,189,013	P 2,115,256,611
Non-current	<u>2,056,202,307</u>	<u>2,478,673,490</u>
	<u>P 5,759,391,320</u>	<u>P 4,593,930,101</u>

20. OTHER LIABILITIES

The details of this account are as follows:

	<u>2021</u>	<u>2020</u>
Current:		
Deferred output VAT	P 139,255,223	P 82,996,745
Withholding taxes	67,137,365	54,023,865
Government liabilities	30,641,077	71,118,450
Deferred revenue	28,212,830	13,284,012
Others	<u>612,841</u>	<u>-</u>
	<u>P 265,859,336</u>	<u>P 221,423,072</u>
Non-current:		
Security deposits	P 471,258,850	P 464,587,591
Unearned rent income	<u>188,314,260</u>	<u>187,038,088</u>
	<u>P 659,573,110</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.

As of December 31, 2021 and 2020, security deposits pertains mainly to the amounts received from lessees in relation to GMCAC's airport operations. In 2019, the Group received additional security deposits upon full operations of MWMTI'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 gain amounting to P0.05 million in 2021 and P79.1 million in 2019 (nil in 2020) 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 P10.1 million, P40.7 million, and P2.2 million in 2021, 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.

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
2021:						
Construction operations	21.1					
Contract revenues		P -	P 13,334,034,527	P -	P13,334,034,527	P 13,334,034,527
Sale of precast		-	616,053,269	616,053,269	-	616,053,269
Sale of ready mix concrete		-	170,512,543	170,512,543	-	170,512,543
Equipment rental		-	208,863,240	208,863,240	-	208,863,240
		-	14,329,463,579	995,429,052	13,334,034,527	14,329,463,579
Airport operations:	21.2					
Aeronautical revenues		-	190,468,401	190,468,401	-	190,468,401
Aero related revenues		-	77,785,429	77,785,429	-	77,785,429
Non-aero related revenues		-	307,788,731	307,788,731	-	307,788,731
		-	576,042,561	576,042,561	-	576,042,561
Landport operations	21.3					
Rental revenue – effect of straight-line method		-	586,711,216	-	586,711,216	586,711,216
Rental revenue – per contract		-	128,328,244	-	128,328,244	128,328,244
		-	715,039,460	-	715,039,460	715,039,460
Trading operations:	21.4					
Food revenues		21,540,063	-	21,540,063	-	21,540,063
Non-food revenues		1,885,451	-	1,885,451	-	1,885,451
		23,425,514	-	23,425,514	-	23,425,514
		P 23,425,514	P 15,620,545,600	P1,594,897,127	P14,049,073,987	P 15,643,971,114
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
		-	10,824,199,945	417,829,706	10,423,370,239	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
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
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
		P 69,944,842	P 12,853,281,623	P 1,596,442,263	P 11,326,784,202	P 12,923,226,465

	Notes	Point in time	Over time	Short-term	Long-term	Total
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
		<u>48,707,959</u>	<u>15,260,361,424</u>	<u>907,177,612</u>	<u>14,401,891,771</u>	<u>15,309,069,383</u>
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
		<u>-</u>	<u>3,691,112,459</u>	<u>3,691,112,459</u>	<u>-</u>	<u>3,691,112,459</u>
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
		<u>-</u>	<u>555,401,827</u>	<u>-</u>	<u>555,401,827</u>	<u>555,401,827</u>
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
		<u>326,221,179</u>	<u>-</u>	<u>326,221,179</u>	<u>-</u>	<u>361,221,179</u>
		<u>P 374,929,138</u>	<u>P19,506,875,710</u>	<u>P4,924,511,250</u>	<u>P14,957,293,598</u>	<u>P 19,881,804,848</u>

21.1 Construction Operation Revenues

The details of this account for the years ended December 31, 2021, 2020 and 2019 are composed of the revenues from:

	2021	2020	2019
Contracts in progress	P 12,413,132,561	P 9,821,566,592	P 15,140,197,972
Completed contracts	<u>1,916,331,018</u>	<u>1,020,633,353</u>	<u>168,871,411</u>
	<u>P 14,329,463,579</u>	<u>P 10,842,199,945</u>	<u>P 15,309,069,383</u>

Approximately 5%, 8%, and 7% of the contract revenues for 2021, 2020 and 2019, 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	2021	2020	2019
Aeronautical	P 190,468,401	P 487,465,797	P2,017,492,164
Concession	102,599,621	175,215,890	606,495,158
Rental	62,709,047	140,209,403	514,492,251
Others	<u>220,265,492</u>	<u>305,776,625</u>	<u>552,632,886</u>
	<u>P 576,042,561</u>	<u>P1,108,667,715</u>	<u>P3,691,112,459</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, 2021 and 2020.

The details of landport operations revenue for the years ended December 31, 2021, 2020 and 2019 are composed of the revenues from:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Rental revenue – per contract	P 586,711,216	P 759,069,445	P 146,237,035
Rental revenue – effect of straight-line method	128,328,244	141,759,518	382,476,437
Construction revenue	<u>-</u>	<u>1,585,000</u>	<u>26,688,355</u>
	<u>P 715,039,460</u>	<u>P 902,413,963</u>	<u>P 555,401,827</u>

21.4 Trading Operations Revenue

The details of this account for the years ended December 31 are as follow:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Sale of food	P 21,540,063	P 40,763,655	P 143,559,337
Sale of non-food items	1,885,451	29,181,187	112,473,557
Consignment	<u>-</u>	<u>-</u>	<u>70,188,285</u>
	<u>P 23,425,514</u>	<u>P 69,944,842</u>	<u>P 326,221,179</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>2021</u>	<u>2020</u>	<u>2019</u>
Materials		P 4,487,949,063	P 3,589,871,892	P 5,522,579,742
Outside services		4,367,458,345	3,183,737,819	4,731,572,291
Salaries and employee benefits	24.1	1,354,772,256	1,243,034,290	1,424,719,436
Depreciation	14	1,006,018,603	924,021,681	773,562,002
Project overhead		<u>914,499,809</u>	<u>452,881,087</u>	<u>839,364,144</u>
	23	<u>P 12,130,698,076</u>	<u>P 9,393,546,769</u>	<u>P 13,291,797,615</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	2021	2020	2019
Utilities	P	97,665,013	P 130,674,364	P 268,586,765
Repairs and maintenance		64,242,458	97,065,819	133,298,432
Amortization of concession asset	13	50,184,461	163,497,064	738,596,573
Salaries and employee benefits	24.1	47,843,471	53,714,354	65,635,177
Insurance		38,415,345	33,841,627	33,414,799
Outside services		31,778,939	74,646,023	147,038,962
Technical service charge		14,007,049	31,219,996	29,567,996
Airport operator's fee		7,462,095	14,264,771	47,585,582
Airline collection charges		7,132,347	20,278,680	44,826,143
Others		<u>29,433,412</u>	<u>15,504,634</u>	<u>28,066,432</u>
		<u>P 388,164,590</u>	<u>P 634,707,332</u>	<u>P 1,536,616,861</u>

22.3 Cost of Landport Operations

The following is the breakdown of cost of landport operations:

	Notes	2021	2020	2019
Depreciation and amortization	14, 15	P 220,033,741	P 210,719,258	P 100,176,498
Terminal costs		123,478,825	132,919,417	176,099,593
Construction cost		-	1,585,000	26,688,354
Others		<u>25,961,107</u>	<u>10,671,844</u>	<u>31,190,581</u>
	23	<u>P 369,473,673</u>	<u>P 355,895,519</u>	<u>P 334,155,026</u>

22.4 Costs of Trading Operations

The following is the breakdown of cost of airport merchandising operations for the years ended December 31:

	Note	2021	2020	2019
Cost of goods sold:				
Food	P	13,266,924	P 12,902,173	P 37,059,400
Non-food		2,702,274	8,442,905	16,474,013
Consignment		-	-	34,367,114
Spoilage and pilferages		-	-	348,442
Purchase discounts		<u>-</u>	<u>(384,711)</u>	<u>(34,705)</u>
	23	<u>P 15,969,198</u>	<u>P 20,960,367</u>	<u>P 88,214,264</u>

23. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature are shown below.

	<u>Notes</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Materials, supplies				
Outside services and facilities		P 4,567,359,241	P 3,374,009,996	P 5,273,914,333
		4,499,430,238	3,599,452,974	5,551,240,778
Salaries and employee benefits	24.1	1,832,333,609	1,854,709,508	1,991,316,155
Depreciation and amortization	12.5, 13, 14, 15	1,470,073,791	1,473,642,618	1,757,625,213
Project overhead		914,499,809	452,881,087	866,052,497
Taxes and licenses	15	360,515,975	366,303,578	276,163,672
Impairment losses on receivables	6	204,979,903	27,289,069	38,591
Utilities		178,027,932	192,945,464	363,250,340
Professional fees		139,906,808	127,678,354	146,976,840
Repairs and maintenance	15	103,885,603	137,452,380	195,120,440
Insurance		76,437,983	46,694,512	46,861,446
Rentals	16.3, 28.2, 29.1	56,957,720	30,137,601	47,439,832
Representation		24,939,878	13,839,364	30,074,308
Travel and transportation		18,204,673	28,713,738	48,771,300
Cost of trading operations	22.4	15,969,198	20,960,367	88,214,264
Security services		10,306,007	4,821,098	3,437,271
Airport operator's fee	22.2, 29.3.1(b)	7,462,095	14,264,771	47,585,582
Airline collection charges	22.2	7,132,347	20,278,680	44,826,143
Selling expense		6,208,188	17,482,839	85,147,602
Advertising		5,572,743	9,114,956	56,363,309
Gas and oil		701,985	1,040,848	859,601
Miscellaneous		186,395,487	127,102,869	156,670,229
		<u>P14,687,301,213</u>	<u>P11,940,816,671</u>	<u>P17,077,949,746</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:

	<u>Note</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cost of construction operations	22.1	P 12,130,698,076	P9,393,546,769	P13,291,797,615
Costs of airport operations	22.2	388,164,590	634,707,332	1,536,616,861
Cost of landport operations	22.3	369,473,673	355,895,519	334,155,026
Impairment loss		204,979,902	27,289,069	38,591
Costs of airport trading operations	22.4	15,969,198	20,960,367	88,214,264
Other operating expenses		<u>1,578,015,774</u>	<u>1,508,417,615</u>	<u>1,827,127,389</u>
		<u>P 14,687,301,213</u>	<u>P11,940,816,671</u>	<u>P17,077,949,746</u>

24. SALARIES

24.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are presented below.

	<u>Notes</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Short-term employee benefits		P 1,780,225,574	P1,789,849,973	P1,954,902,308
Post-employment benefit	24.2	<u>52,108,035</u>	<u>64,859,535</u>	<u>36,413,847</u>
	23	<u>P 1,832,333,609</u>	<u>P1,854,709,508</u>	<u>P1,991,316,155</u>

The expenses are allocated in the consolidated statements of income as follows:

	<u>Notes</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contract costs	22.1	P 1,354,772,256	P1,243,034,290	P1,424,719,436
Costs of airport operations	22.2	47,843,471	53,714,354	65,635,177
Other operating expenses		<u>429,717,882</u>	<u>557,960,864</u>	<u>500,961,542</u>
	23	<u>P 1,832,333,609</u>	<u>P1,854,709,508</u>	<u>P1,991,316,155</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 2021, 2020 and 2019.

The amounts of post-employment DBO in the consolidated statements of financial position are determined as follows:

	<u>2021</u>	<u>2020</u>
Present value of the DBO	P 304,816,782	P 348,036,884
Fair value of plan assets	(4,691,732)	(4,634,679)
	<u>P 300,125,050</u>	<u>P 343,402,205</u>

The movements in the present value of the DBO are as follows:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	P 348,036,884	P 344,592,331
Current service cost	55,923,548	64,859,535
Interest cost	13,746,478	17,891,726
Past service cost	(3,815,513)	-
Benefits paid directly from book reserve	-	(1,785,008)
Remeasurement/actuarial losses (gains) arising from:		
Changes in demographic assumptions	(90,220,999)	(3,297,747)
Experience adjustments	(28,750,969)	(65,494,335)
Changes in financial assumptions	<u>9,897,354</u>	<u>(8,729,618)</u>
Balance at end of year	<u>P 304,816,783</u>	<u>P 348,036,884</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>2021</u>	<u>2020</u>
Balance at beginning of year	P 4,634,679	P 4,384,701
Interest income	183,070	228,443
Gain (loss) on plan assets (excluding amounts included in net interest)	(126,017)	21,535
Balance at end of year	<u>P 4,691,732</u>	<u>P 4,634,679</u>

The plan assets as of December 31, 2021 and 2020 consist mainly of the Unit Investment Trust Fund (UITF) amounting to P4.7 million and P4.6 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 gain or loss on plan assets amounted to P0.1 million loss in 2021 and P0.2 million gain in 2020.

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:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>Recognized in consolidated profit or loss:</i>			
Current and past service cost	P 52,108,035	P 64,859,535	P 36,413,847
Net interest expense	<u>13,563,408</u>	<u>17,663,283</u>	<u>12,476,374</u>
	<u>P 65,671,443</u>	<u>P 82,522,818</u>	<u>P 48,890,221</u>
<i>Recognized in consolidated other comprehensive income (loss):</i>			
Actuarial gains (losses) arising from:			
Changes in demographic assumptions	P 90,220,999	P 3,297,747	P -
Experience adjustments	28,750,969	65,494,335	(10,329,077)
Changes in financial assumptions	(9,897,354)	8,729,618	(104,497,013)
Return on plan assets (excluding amounts included in net interest)	(126,017)	21,535	153,818
	<u>P 108,948,597</u>	<u>P 77,543,235</u>	<u>(P 114,672,272)</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>2021</u>	<u>2020</u>	<u>2019</u>
Discount rate	5.17%	3.95%	5.20%
Expected return on plan assets	3.50%	5.00%	5.00%
Employee turn-over rate	3.00%	3.00%	3.00%
Salary increase rate	6.00%	4.50%	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, 2021 and 2020, 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 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>
2021:			
Discount rate	+/- 1%	(P244,506,021)	P 329,543,645
Salary growth rate	+/- 1%	330,011,003	(243,445,519)
2020:			
Discount rate	+/- 1%	(P 46,651,074)	P 56,964,885
Salary growth rate	+/- 1%	56,040,280	(46,744,083)

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>2021</u>	<u>2020</u>
More than 1 year to 5 years	P 60,165,280	P 44,463,455
More than 5 years to 10 years	<u>100,148,370</u>	<u>109,802,351</u>
	<u>P 160,313,650</u>	<u>P 154,265,806</u>

The weighted average duration of the DBO at the end of the reporting period is 23.1 years.

25. OTHER INCOME (CHARGES)

25.1 Finance Costs

The breakdown of this account in is as follows:

	Notes	2021	2020	2019
Interest expense from:				
Bank loans	18.2	P 1,832,843,352	P 1,848,485,140	P 1,696,106,457
Notes payable	18.1	328,542,199	338,071,478	304,778,086
Lease liabilities	16.2	45,382,314	36,104,890	22,133,682
Accretion of security deposit	20	10,056,267	40,688,625	2,164,623
		<u>2,216,824,132</u>	<u>2,263,350,133</u>	<u>2,025,182,848</u>
Finance cost – PFRS 15		285,376,165	221,797,799	258,346,364
Foreign currency losses – net		242,566,530	-	3,420,967
Bank charges		51,181,014	3,933,999	9,501,226
Interest expense on retirement obligation – net	24.2	13,563,408	17,663,283	12,476,374
		<u>P 2,809,511,249</u>	<u>P 2,506,745,214</u>	<u>P 2,308,927,779</u>

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.

Foreign currency losses - net mainly resulted from the Group's foreign currency-denominated transactions especially its off-shore loan [see Note 18.2(a)].

25.2 Finance Income

The details of finance income are the following:

	Notes	2021	2020	2019
Interest income from:				
Advances to related parties	28.4	P 441,000,000	P 433,125,000	P 441,000,000
Cash in banks	5	23,394,086	39,741,791	105,406,640
Short-term placements	5	9,228,276	18,194,897	5,152,906
Foreign currency gains – net	18.2(a)	777,747	203,569,550	137,098,221
Day one gain	20	516,268	-	79,180,145
Other finance income		<u>7,097,520</u>	<u>145,734</u>	<u>-</u>
		<u>P 482,013,897</u>	<u>P 694,776,972</u>	<u>P 767,837,912</u>

Foreign currency gains – net mainly 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 in 2021 and 2020 pertains to security deposits collected from leases recorded at amortized cost using effective interest method (see Note 20).

25.3 Others – Net

This consists of the following:

	Notes	2021	2020	2019
Gain on loan modification	18.2(a) P	207,829,510 P	-	P -
Common usage service area charges		109,916,695	109,477,445	34,506,436
Management and consultancy fee	28.5	103,280,955	29,603,415	102,906,182
Unrealized gain (loss) on interest rate swap	7	78,648,688 (	43,343,700) (	104,842,394)
Equity in net profit (losses) of associates and joint venture	11.1, 11.3	(67,682,803)(	30,310,530)	32,674,443
Gain on disposals of property and equipment	14	24,279,017	1,874,270	9,603,796
Utility recoveries		23,450,364	81,823,643	4,926,560
Income from scrap sales	8	-	1,682,895	7,294,766
Penalties and charges		-	8,208,087	5,567
Others - net	11.2, 28.2	167,323,268	60,733,847	85,396,945
		P 647,045,694	P 219,749,372	P 172,472,301

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 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.

Income from contract turnover pertain to reimbursements of costs incurred on a contract that has been turn overed to another contractor.

Utility recoveries include aircon repair and maintenance charges which are charged based on leasable area for the month and other such utility recovery billings such as electricity, water, fuel and bioaugmentation.

Management and consultancy fee pertains to fees charged by the Group to its clients for the project management and engineering and design services rendered.

Others – net represent various technical, and management services provided by the Group arising from the execution of its contract with the customers. The amount also includes various other charges arising from settlement agreement with suppliers.

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 Parent 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 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 2020. For the period starting January 1, 2021 to June 30, 2021, the end of ITH period, GMCAC filed with the BOI a formal notice of its intention to waive the ITH incentive for Phase 2 O&M of T2 on April 16, 2021. The formal notice was acknowledged as received by the BOI on the same date. GMCAC subjected all revenues and expenses of Phase 2 to RCIT for the year ended December 31, 2021.

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 CREATE Act

On March 26, 2021, Republic Act (R.A.) No. 11534, Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, as amended, was signed into law and shall be effective beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to and considered by the Group:

- regular corporate income tax (RCIT) rate was reduced from 30% to 25% starting July 1, 2020;
- minimum corporate income tax (MCIT) rate was reduced from 2% to 1% starting July 1, 2020 until June 30, 2023; and,
- the allowable deduction for interest expense is reduced from 33% to 20% of the interest income subjected to final tax.

As a result of the application of the lower RCIT rate of 25% starting July 1, 2020, the current income tax expense and income tax payable would be lower by P6.2 million than the amount presented in the 2020 consolidated financial statements and such amount was charged to 2021 profit or loss. In 2021, the recognized net deferred tax liabilities as of December 31, 2020 was remeasured to 25%. This resulted in a decline in the recognized net deferred tax liabilities in 2020 by P139.7 million and such was recognized in the 2021 profit or loss amounting to P139.0 million and in other comprehensive income or loss amounting to P0.7 million

26.4 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>2021</u>	<u>2020</u>	<u>2019</u>
<i>Reported in consolidated profit or loss</i>			
Current tax expense:			
RCIT at 25% in 2021 and 30% in 2020 and 2019	P 126,817,360	P 35,073,613	P 34,250,758
Other corporate tax of foreign subsidiaries at 42% or 17%	8,329,060	1,760,064	18,719,686
MCIT at 2%	6,756,827	14,295,448	67,906,224
Effect of change in income tax rate	(6,227,434)	-	-
Final tax at 20% and 7.5%	2,901,949	4,909,100	3,872,695
Gross income tax (GIT) at 5%	<u>1,772,148</u>	<u>8,980,018</u>	<u>15,865,847</u>
	<u>140,349,910</u>	<u>65,018,243</u>	<u>140,615,210</u>
Deferred tax expense arising from origination and reversal of temporary differences	168,000,539	199,768,572	183,587,512
Effect of change in income tax rate	(138,977,787)	-	-
	<u>29,022,752</u>	<u>199,768,572</u>	<u>183,587,512</u>
	P 169,372,662	P 264,786,815	P 324,202,722

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>Reported in consolidated other comprehensive income (loss)</i>			
Deferred tax expense (income) relating to origination and reversal of temporary differences	P 27,395,223	P 23,262,970	(P 34,401,682)
Effect of change in income tax rate	(<u>675,667</u>)	-	-
	<u>P 26,719,556</u>	<u>P 23,262,970</u>	<u>(P 34,401,682)</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>2021</u>	<u>2020</u>	<u>2019</u>
Tax on pretax profit (loss) at 25% in 2021 and 30% in 2020 and 2019	(P 180,945,439)	(P 182,942,723)	P 430,571,261
Adjustment for income subjected to lower tax rates	(17,179,787)	(39,474,543)	(31,988,819)
Tax effects of:			
Unrecognized deferred tax asset from NOLCO	582,535,969	487,260,685	32,592,470
Effect of change in income tax rate due to CREATE	(145,205,221)	-	-
Non-taxable income	(69,340,538)	-	(128,453,670)
Non-taxable net profit Under ITH	(31,460,089)	(71,925,786)	(30,766,164)
Non-deductible expenses	27,415,987	60,742,970	52,247,644
MCIT applied	<u>3,551,780</u>	<u>11,126,212</u>	<u>-</u>
	<u>P 169,372,662</u>	<u>P 264,786,815</u>	<u>P 324,202,722</u>

The amount of deferred tax assets and deferred tax liabilities presented in the consolidated statements of financial position as at December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Deferred tax assets	P 24,595,138	P 9,626,113
Deferred tax liabilities	(<u>872,560,526</u>)	(<u>801,849,193</u>)
	(P 847,965,388)	(P 792,223,080)

In 2021, the Parent Company, GMI and BVI have reported net deferred tax assets while GMCAC and MWM have reported net deferred tax liabilities. In 2020, GMI and BVI have reported net deferred tax assets while the Parent Company, GMCAC and MWM have reported net deferred tax liabilities.

The details of net deferred tax assets (liabilities) as of December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Amortization of concession assets	(P 923,983,080)	(P 761,999,676)
Excess of estimated costs over actual costs	(225,033,138)	(227,139,057)
Rent received in advance	(119,250,906)	(105,749,321)
Effect of significant financing component	97,939,225	68,001,650
Impairment losses on trade receivables	97,534,307	52,791,561
Unrealized foreign currency losses (gains) – net	60,448,472	2,706,746
Post-employment defined benefit obligation	75,130,061	103,139,219
Accrued expenses with no withholding taxes	38,076,550	4,656,736
Excess MCIT	35,082,251	35,082,251
Uncollected non-taxable income*	25,207,474	30,248,969
Effect of PFRS 16	(14,343,293)	95,212
Net operating loss carry over	3,540,682	3,716,078
Deferred revenue	1,851,799	2,425,502
Fair value gains on financial assets at FVTPL	(165,792)	(198,950)
	<u>(P 847,965,388)</u>	<u>(P 792,223,080)</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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Amortization of concession assets	P 161,983,404	P 168,636,412	P 241,597,225	P -	P -	P -
Unrealized foreign currency gains (losses) – net	(57,741,727)	57,688,237	(59,955,813)	-	-	-
Impairment losses on trade receivables	(44,742,746)	(8,104,548)	121,672,870	-	-	-
Accruals	(33,419,814)	(4,656,735)	-	-	-	-
Construction revenue – PFRS 15	(29,937,575)	(33,976,495)	(28,530,120)	-	-	-
Leases – PFRS 16	14,438,506	(523,573)	432,271	-	-	-
Rent received in advance	13,501,584	(77,192,549)	114,742,931	-	-	-
Uncollected non-taxable income*	5,041,495	59,825,351	(59,275)	-	-	-
Deferred fulfilment cost	(2,105,918)	-	-	-	-	-
Post-employment defined benefit obligation	1,289,602	(24,512,631)	(14,621,028)	26,719,556	23,262,970	(34,401,682)
Deferred revenue	573,703	2,752,051	(3,134,801)	-	-	-
NOLCO	175,396	65,934,913	(111,051,212)	-	-	-
Fair value gains on FA at FVPTL	(33,158)	-	-	-	-	-
Advance payments from customers	-	(12,487,551)	(38,993,047)	-	-	-
Excess MCIT	-	3,781,413	(38,512,489)	-	-	-
Excess of actual over estimated cost	-	2,604,277	-	-	-	-
Deferred tax expense (income)	<u>P 29,022,752</u>	<u>P 199,768,572</u>	<u>P 183,587,512</u>	<u>P 26,719,556</u>	<u>P 23,262,970</u>	<u>(P 34,401,682)</u>

The Parent Company, GMCAC and MWMTI are subject to the minimum corporate income tax (MCIT), which is computed at 1% of gross income in 2021 and 2% of gross income in 2020 as defined under the tax regulations, or RCIT, whichever is higher. In 2019, only the Parent Company and GMCAC reported MCIT.

In 2021, 2020 and 2019, 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		
	2021	2020	2019	2021	2020	2019
Common shares – P1 par value						
Authorized	<u>4,930,000,000</u>	<u>4,930,000,000</u>	<u>4,930,000,000</u>	<u>P 4,930,000,000</u>	<u>P 4,930,000,000</u>	<u>P 4,930,000,000</u>
Subscribed and paid in:	<u>2,399,426,127</u>	<u>2,399,426,127</u>	<u>2,399,426,127</u>	<u>P 2,399,426,127</u>	<u>P 2,399,426,127</u>	<u>P 2,399,426,127</u>
Less:						
Treasury shares						
Balance at beginning of year	<u>386,016,410</u>	<u>335,792,310</u>	<u>309,660,510</u>	<u>P 4,615,690,576</u>	<u>P 3,912,617,536</u>	<u>P 3,454,826,462</u>
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>2,381,709,313</u>	<u>2,013,409,717</u>	<u>2,063,633,817</u>			
Preferred shares – P1 par value						
Authorized						
Balance at beginning of year	<u>124,000,000</u>	<u>70,000,000</u>	<u>70,000,000</u>	<u>P 124,000,000</u>	<u>P 70,000,000</u>	<u>P 70,000,000</u>
Increase during the year	<u>26,000,000</u>	<u>54,000,000</u>	<u>-</u>	<u>26,000,000</u>	<u>54,000,000</u>	<u>-</u>
Balance at end of year	<u>150,000,000</u>	<u>124,000,000</u>	<u>70,000,000</u>	<u>P 150,000,000</u>	<u>P 124,000,000</u>	<u>P 70,000,000</u>
Subscribed and paid in:						
Balance at beginning of year:						
Series 1	<u>40,000,000</u>	<u>40,000,000</u>	<u>40,000,000</u>	<u>P 40,000,000</u>	<u>P 40,000,000</u>	<u>P 40,000,000</u>
Series 2A	<u>26,220,130</u>	<u>-</u>	<u>-</u>	<u>26,220,130</u>	<u>-</u>	<u>-</u>
Series 2B	<u>17,405,880</u>	<u>-</u>	<u>-</u>	<u>17,405,880</u>	<u>-</u>	<u>-</u>
Series 3	<u>13,500,000</u>	<u>-</u>	<u>-</u>	<u>13,500,000</u>	<u>-</u>	<u>-</u>
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>6,500,000</u>	<u>13,500,000</u>	<u>-</u>	<u>6,500,000</u>	<u>13,500,000</u>	<u>-</u>
Series 4	<u>40,000,000</u>	<u>-</u>	<u>-</u>	<u>40,000,000</u>	<u>-</u>	<u>-</u>
	<u>143,626,010</u>	<u>97,126,010</u>	<u>40,000,000</u>	<u>143,626,010</u>	<u>97,126,010</u>	<u>40,000,000</u>
Less: Subscription receivable:						
Balance at beginning of year	<u>10,125,000</u>	<u>-</u>	<u>-</u>	<u>10,125,000</u>	<u>-</u>	<u>-</u>
Subscription – Series 3	<u>4,875,000</u>	<u>10,125,000</u>	<u>-</u>	<u>4,875,000</u>	<u>10,125,000</u>	<u>-</u>
Balance at end of year	<u>15,000,000</u>	<u>10,125,000</u>	<u>-</u>	<u>15,000,000</u>	<u>10,125,000</u>	<u>-</u>
Balance at end of year	<u>128,626,010</u>	<u>87,001,010</u>	<u>40,000,000</u>	<u>P 128,626,010</u>	<u>P 87,001,010</u>	<u>P 40,000,000</u>
Less: Treasury shares						
Redemption of Series 1 preferred shares	<u>40,000,000</u>	<u>-</u>	<u>-</u>	<u>P 4,000,000,000</u>	<u>P -</u>	<u>P -</u>
Issued and outstanding	<u>88,626,010</u>	<u>87,001,010</u>	<u>40,000,000</u>			

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 P1.00 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, 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:

- a. 4,930,000,000 voting common shares with the P1 par value; and
- b. 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 Citicore whereby Citicore 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, preferred shares of 26,220,130 and 17,405,880 for Series 2A and 2B, respectively, were subscribed and listed in the PSE. As a result, the Parent Company recognized additional paid in capital amounting to P4,281.4 million, 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.

On February 26, 2021, the Parent Company's BOD approved the resolution increasing the Parent Company's authorized capital stock on preferred shares by 26.0 million shares, to a total of 150.0 million cumulative, non-voting, non-participating, non-convertible, perpetual preferred shares at a par value of P1.00 per share, thereby increasing the Parent Company's total authorized capital stock to P5,080.0 million. At the same date, the BOD approved the offer and sale of up to 40.0 million preferred shares from the unissued authorized capital stock of the Company and the issuance of 6.5 million shares to Citicore. On September 9, 2021, the SEC has approved the increase in capital stock of preferred shares.

On July 23, 2021, the Parent Company filed with the SEC a registration statement and preliminary prospectus relating to its offer and sale of up to 40.0 million Series 4 preferred shares with a par value of P1.00 per share, composed of a base offer of 30.0 million shares and an oversubscription option of up to 10.0 million shares, at an offer price of P100.00 per share. On September 30, 2021, the SEC has approved the Parent Company's offer and sale of Series 4 preferred shares. As a result, the Parent Company recognized additional paid-in capital amounting to P3,930.1 million, arising from the excess of subscription price over par value related to the issuance of Series 4 preferred shares. Transaction costs from the issuance amounting to P29.9 million was charged against the additional paid in capital relating to this issuance. The proceeds from such issuance were used for the redemption of the outstanding Series 1 preferred shares as discussed in the succeeding paragraphs.

On September 10, 2021, Citicore subscribed to additional 6.5 million preferred shares at a price of P1.00 per share and paid P1.6 million in cash representing the 25% of such subscription. As of December 31, 2021, Citicore has subscribed to a total of 20.0 million preferred shares at a par value of P1.00 per share, and has paid 25% of such subscription.

On October 19, 2021, the BOD approved the redemption of the Parent Company's Series 1 Preferred Shares on December 3, 2021, at a redemption price of P100.00 per share, increasing the treasury shares by P4,000.0 million. The cost of the redemption was considered temporarily as part of treasury shares until such time that the SEC will approve the decrease in authorized capital stock of the Parent Company to reflect such redemption wherein the redemption price will be charged against the paid-up capital arising from the original issuance. The details of the redemption are as follows:

<i>Ex- date</i>	November 4, 2021
<i>Record date</i>	November 9, 2021
<i>Redemption date</i>	December 3, 2021

On September 22, 2020, the 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. Both common and preferred shares have a par value of P1.00 per share.

On September 30, 2020, the Parent Company entered into a Subscription Agreement with Citicore whereby Citicore subscribed to 13.5 million preferred shares of the 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 per share. As a result, 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, 2021, and 2020, the Company has 33 and 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 P5.18 and P7.94 per share in 2021 and 2020, respectively. The Company has 2,399.4 million common shares traded in the PSE as of December 31, 2021, and 2020.

As of December 31, 2021, and 2020, the Company has the following preferred shares traded in the PSE:

	2021		2020	
	<u>No of Shares</u>	<u>Closing Price</u>	<u>No of Shares</u>	<u>Closing Price</u>
Series 1	-	P -	40,000,000	P 100.5
Series 2A	26,220,130	100.0	26,220,130	100.0
Series 2B	17,405,880	100.4	17,405,880	100.9
Series 4	40,000,000	100.9	-	-

27.2 Retained Earnings

27.2.1 Common Shares Dividends

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. The dividend payable was subsequently paid in January 2020. No dividends were paid to common stockholders in 2021 and 2020.

27.2.2 Preferred Shares Dividends

a) Series 1 Preferred Shares

In 2021, 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, 2021, 2020, and 2019, respectively. In 2021, the BOD approved the redemption of the Parent Company's Series 1 Preferred Shares (see Note 27.1)

The dividends on Series 1 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 7.03% per annum from listing date.

b) Series 2A and Series 2B Preferred Shares

In 2021, the Parent Company's BOD approved the declaration of cash dividends of P1.2 per share and P1.4 per share or equivalent to P31.1 million and P25.0 million (total of P124.5 million and P100.1 million) to holders of Series 2A and Series 2B preferred shares, respectively, which were taken out of the unrestricted earnings of the Parent Company as of December 31, 2020.

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	October 19, 2021
Record dates	February 8, 2021	May 18, 2021	August 9, 2021	November 9, 2021
Payment dates	March 1, 2021	June 3, 2021	September 3, 2021	December 3, 2021
<i>Series 2A Preferred Shares:</i>				
Approval dates	January 18, 2021	April 8, 2021	June 30, 2021	October 19, 2021
Record dates	February 3, 2021	May 4, 2021	August 5, 2021	November 5, 2021
Payment dates	March 3, 2021	May 27, 2021	August 27, 2021	November 29, 2021
<i>Series 2B Preferred Shares:</i>				
Approval dates	January 18, 2021	April 8, 2021	June 30, 2021	October 19, 2021
Record dates	February 3, 2021	May 4, 2021	August 5, 2021	November 5, 2021
Payment dates	March 3, 2021	May 27, 2021	August 27, 2021	November 29, 2021
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
2019:				
<i>Series 1 Preferred Shares:</i>				
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
<i>Common Shares:</i>				
Approval date	-	-	-	December 26, 2019
Record date	-	-	-	January 15, 2020
Payment date	-	-	-	January 21, 2020

The Group's retained earnings are restricted up to the extent of the cost of its treasury shares, except those treasury shares acquired in the redemption of redeemable preferred shares amounting to P4,000.0 million as of December 31, 2021.

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 seven-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. There are no buyback transactions in 2021 and 2020.

On October 19, 2021, the Parent's BOD approved the redemption of the Company's Series 1 Preferred Shares on December 3, 2021, at a redemption price of P100.00 per share, increasing the treasury shares by P4,000 million.

27.4 Non-controlling Interest

Noncontrolling interests pertain to the equity ownership of minority stockholders in GMCAC, GMI, MCLI, and MCEI as follows:

	Proportion of Ownership Interests And Voting Rights Held by NCI			Accumulated Equity of NCI		
	2021	2020	2019	2021	2020	2019
GMCAC	40%	40%	40%	P 2,612,024,719	P3,152,592,405	P3,626,345,966
GMI	50%	50%	50%	59,664,056	66,765,072	69,618,695
MCLI	40%	40%	40%	2,500,000	2,500,000	2,500,000
MCEI	40%	40%	40%	(712,295)	(703,547)	(703,547)
				<u>P 2,673,476,480</u>	<u>P3,221,153,930</u>	<u>P3,697,761,114</u>

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 represents 38.24% ownership of GMR Infrastructure (Singapore) Pte. Ltd. (GISPL) and 1.66% ownership of GIL in GMCAC.

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. 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 and was subsequently distributed fully in 2020 (see Note 17). There was no similar transaction in 2021 and 2020.

Another non-controlling interest representing 30% ownership of Philcarbon, Inc. in MCEI.

The Group's controlling 60% ownership in MCLI resulted in 40% non-controlling interest of the other stockholder. The non-controlling interest represents 50% ownership of GHOSPL in GMI and 40% of other stockholder in MCLI.

As of December 31, 2021, 2020 and 2019, the non-controlling interests amounting to P2,673.5 million, P3,221.2 million, and P3,697.8 million, respectively, as presented in the consolidated statements of financial position.

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>2021</u>	<u>2020</u>	<u>2019</u>
Current assets	P 1,289,783,173	P 1,961,180,023	P 2,484,974,268
Non-current assets	<u>33,568,753,075</u>	<u>33,187,261,618</u>	<u>33,233,226,229</u>
Total assets	<u>P 34,858,536,248</u>	<u>P 35,148,441,641</u>	<u>P 35,718,200,497</u>
Current liabilities	P 1,042,499,202	P 2,984,748,802	P 1,927,502,224
Non-current liabilities	<u>24,433,999,569</u>	<u>24,025,818,279</u>	<u>24,468,439,808</u>
Total liabilities	<u>P 25,476,498,771</u>	<u>P 27,010,567,081</u>	<u>P 26,395,942,032</u>
Equity	<u>P 9,382,037,477</u>	<u>P 8,137,874,560</u>	<u>P 9,322,258,465</u>
Revenues	576,042,561	1,108,667,715	3,691,112,459
Net profit (loss)	(1,357,648,552)	(1,183,980,866)	529,233,776
Total comprehensive income	(1,351,419,215)	(1,184,383,906)	525,214,559
<i>Equity in NCI:</i>			
Beginning balance	P 3,152,592,405	P 3,626,345,966	P 3,416,260,141
Net profit (loss) allocated to NCI	(<u>540,567,686</u>)	(<u>473,753,561</u>)	<u>210,085,825</u>
Ending balance	<u>P 2,612,024,719</u>	<u>P 3,152,592,405</u>	<u>P 3,626,345,966</u>

27.5 Revaluation Reserves

The movements of this account which are attributable to the shareholders of the Parent Company are as follows:

	Retirement Benefit Obligation (See Note 24.2)	Foreign Currency Translation (See Note 2.19)	Total
Balance as of January 1, 2021	(P 9,016,722)	P 65,799	(P 8,950,923)
Remeasurements of post-employment defined benefit plan	108,948,597	-	108,948,597
Foreign currency translation	-	23,225,513	23,225,513
Other comprehensive income before tax	108,948,597	23,225,513	132,174,110
Tax expense	(26,719,556)	-	(26,719,556)
Other comprehensive income after tax	82,229,041	23,225,513	105,454,554
Non-controlling interest	(2,491,735)	-	(2,491,735)
Balance as of December 31, 2021	P 70,720,584	P 23,291,312	P 94,011,896
Balance as of January 1, 2020	(P 63,458,202)	P 74,555	(P 63,383,647)
Remeasurements of post-employment defined benefit plan	77,543,235	-	77,543,235
Foreign currency translation	-	(8,756)	(8,756)
Other comprehensive income before tax	77,543,235	(8,756)	77,534,479
Tax expense	(23,262,970)	-	(23,262,970)
Other comprehensive income after tax	54,280,265	(8,756)	54,271,509
Non-controlling interest	161,215	-	161,215
Balance as of December 31, 2020	(P 9,016,722)	P 65,799	(P 8,950,923)

	Retirement Benefit Obligation (See Note 24.2)	Foreign Currency Translation (See Note 2.19)	Total
Balance as of January 1, 2019	P 15,204,702	P -	P 15,204,702
Remeasurements of post-employment defined benefit plan	(114,672,272)	-	(114,672,272)
Foreign currency translation	-	74,555	74,555
Other comprehensive income before tax	(114,672,272)	74,555	(114,597,717)
Tax expense	34,401,682	-	34,401,682
Other comprehensive income after tax	(80,270,590)	74,555	(80,196,035)
Non-controlling interest	1,607,687	-	1,607,687
Balance as of December 31, 2019	(P 63,458,202)	P 74,555	(P 63,383,647)

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 for December 31, 2021 is as follows:

Related Party Category	Notes	Outstanding Amount of Transaction	Receivable (Payable)	Terms	Conditions
Ultimate Parent Company –					
Cash advance granted	6, 28.4	P -	P 3,089,295,108	Interest-bearing	Unsecured; Unimpaired
Interest receivable	6, 28.4, 25.2	220,500,000	726,037,823	On demand; Noninterest-bearing	Unsecured; Unimpaired
Associate:					
Revenue from services	6, 21.1, 28.1	-	1,105,839,908	Normal credit terms	Unsecured; Unimpaired
Cash advance granted	6, 28.4	(26,922)	42,179,046	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash advance obtained	17, 28.4	-	(20,000,000)	On demand; Noninterest-bearing	Unsecured; Unimpaired
Rent income	6, 28.2	53,571	286,607	Normal credit terms	Unsecured; Unimpaired
Joint Arrangement:					
Revenue from services	6, 21.1, 28.1	356,773,700	80,247,052	Normal credit terms	Unsecured; Unimpaired
Cash advance granted	6, 28.4	(735,000)	621,354	On demand; Noninterest-bearing	Unsecured; Unimpaired

Related Party Category	Notes	Outstanding Amount of Transaction	Receivable (Payable)	Terms	Conditions
Related Parties Under Common Ownership:					
Rent income	6, 28.2	3,804,016	18,473,666	Normal credit terms	Unsecured; Unimpaired
Revenue from services	6, 21.1, 28.1	378,457,534	1,057,734,512	Normal credit terms	Unsecured; Unimpaired
Cash advance granted	6, 28.4	8,950,004	3,286,782,246	On demand; Interest-bearing and noninterest-bearing	Unsecured; Unimpaired
Interest receivable	6, 28.4, 25.2	220,500,000	726,037,823	On demand; Noninterest-bearing	Unsecured; Unimpaired
Management and consultancy	6, 25.3, 28.5	103,280,955	103,280,955	Normal credit terms	Unsecured; Unimpaired
Retirement fund		57,053	4,691,732	Upon retirement of beneficiaries	Partially funded; Unimpaired
Advances to Officers and Employees	6, 28.3	11,316,768	85,798,075	Upon liquidation, Noninterest-bearing	Unsecured; Unimpaired
Key Management Personnel – Compensation	28.6	286,309,661	-	On demand	Unsecured; Unimpaired

The summary of the Group's transactions with related parties for December 31, 2020 is as follows:

Related Party Category	Notes	Amount of Transaction	Outstanding Receivable (Payable)	Terms	Conditions
Ultimate Parent Company:					
Cash advance granted	6, 28.4	P 19,923,383	P 3,089,295,108	Interest-bearing	Unsecured; Unimpaired
Interest receivable	6, 28.4, 25.2	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	On demand; Noninterest-bearing	Unsecured; Unimpaired
Associate:					
Revenue from services	6, 21.1, 28.1	231,199,602	1,093,283,188	Normal credit terms	Unsecured; Unimpaired
Cash advance granted	6, 28.4	36,205,968	42,205,968	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash advance obtained	17, 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 advance 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 advance granted	6, 28.4	91,061,375	3,277,832,242	On demand; Interest-bearing and noninterest-bearing	Unsecured; Unimpaired

Related Party Category	Notes	Amount of Transaction	Outstanding Receivable (Payable)	Terms	Conditions
Interest receivable	6, 25.2, 28.4	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	28.6	320,043,868	-	On demand	Unsecured; Unimpaired

The summary of the Group's transactions with related parties for December 31, 2019 is as follows:

Related Party Category	Notes	Amount of Transaction	Outstanding Receivable (Payable)	Terms	Conditions
Ultimate Parent Company:					
Cash advance granted	28.4	P 2,923,049,503	P 3,069,371,725	Interest-bearing	Unsecured; Unimpaired
Interest receivable	25.2, 28.4	220,500,000	288,975,323	Normal credit terms	Unsecured; Unimpaired
Minority shareholders and their affiliates -					
Cash Granted	28.4	(841,103)	-	On demand; Noninterest-bearing	Unsecured; Unimpaired
Associate:					
Revenue from services	21.1, 28.1	313,577	905,413,727	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash advance granted	28.4	6,000,000	6,000,000	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash advance obtained	28.4	(20,000,000)	(20,000,000)	On demand; Noninterest-bearing	Unsecured; Unimpaired
Rent income	28.2	53,571	57,321	Normal credit terms	Unsecured; Unimpaired
Joint Arrangement:					
Revenue from services	21.1, 28.1	598,911,864	298,184,597	Normal credit terms	Unsecured; Unimpaired
Cash advance granted	28.4	4,329,601	5,404,267	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash advance obtained	17, 28.4	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	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 advance granted	28.4	42,399,786	3,186,770,507	On demand; Interest-bearing and noninterest-bearing	Unsecured; Unimpaired
Cash advance obtained	28.4	44,683,199	-	On demand; Noninterest-bearing	Unsecured; Unimpaired
Interest receivable	25.2, 28.4	220,500,000	288,975,322	On demand; Noninterest-bearing	Unsecured; Unimpaired

Related Party Category	Notes	Amount of Transaction	Outstanding Receivable (Payable)	Terms	Conditions
Retirement fund		295,910	4,384,701	Upon retirement of beneficiaries	Partially funded; Unimpaired
Advances to Officers and Employees		17,232,250	51,503,789	Upon liquidation, Noninterest-bearing	Unsecured; Unimpaired
Key Management Personnel – Compensation		310,903,975	-	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 P735.2 million, P958.3 million and P787.1 million and in 2021, 2020 and 2019, respectively, and is recognized 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 impairment losses was required to be recognized for the years ended December 31, 2021, 2020 and 2019.

28.2 Rental of Land and Building

The Group is a lessee of certain parcels of land and building owned by related parties under common ownership.

In 2019, the Group recognized rent expense amounting P1.8 million 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). The Group has no outstanding payables from the rental transaction with Megapolitan as of December 31, 2021 and 2020.

In 2019, Group also leases an office space where its registered address is located from Philwide Construction and Development Corporation (Philwide).

Megapolitan and Philwide are entities owned by the Group's stockholders and their close family members.

The Parent Company also leases out its office space to its associates and related parties under common ownership. As a result, the Group recognized rent income amounting to P3.8 million, P6.1 million, and P3.7 million in 2021, 2020 and 2019, respectively, from the lease of its office building to several related parties. This is recognized as part of Others under 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 2021, 2020 and 2019 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 P441.0 million, P433.1 million and P441.1 million in 2021, 2020 and 2019, respectively, are presented under finance income (see Note 25.2). Outstanding interest receivable relating to advances to related parties amounting to P1,452.1 million and P1,011.1 million in 2021 and 2020, are presented under trade and other receivables (see Note 6). In 2021 and 2020, the Parent Company also provided bridge financing to its parent and associates for the Group's business expansion and diversification program.

In 2021 and 2020, the Group granted advances to related parties under common ownership amounting to P8.9 million and P91.0 million, respectively. There were no collections in 2021 and 2020 from these related parties.

In 2020, the Group also granted advances to Citicore amounting to P19.9 million. There were no collections in 2021 and 2020 from Citicore and no additional advances were given in 2021.

In 2021, the Group collected advances to associates amounting to P0.02 million. No additional advances were given to the associates in 2021. In 2020, additional advances granted to associates amounted to P36.2 million while there were no collections in 2020.

In 2021 and 2020, the Group collected advances to its joint arrangements amounting to P0.7 million and P4.0 million, respectively. No additional advances were granted in 2021 and 2020.

The breakdown of these accounts are as follows

	<u>2021</u>	<u>2020</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 3,286,782,246	P 3,277,832,242
Ultimate parent company	3,089,295,108	3,089,295,108
Associates	42,179,046	42,205,968
Joint arrangement	<u>621,354</u>	<u>1,356,355</u>
	<u>P 6,418,877,754</u>	<u>P 6,410,689,673</u>

Further, upon assessment of recoverability based on the capacity to pay and expected collectability of these advances, no impairment losses were recognized in 2021, 2020 and 2019.

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 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 P4.7 million and P4.6 million as of December 31, 2021 and 2020, respectively. The details of the retirement plan are presented in Note 24.2.

In 2021, the Parent Company provided certain project management and consultancy services to a related party under common ownership amounting to P103.3 million (see Note 25.3). The amount is outstanding as of December 31, 2021 and is presented as part of Other Receivables (see Note 6). There were no similar transactions in 2020 and 2019.

28.6 Key Management Compensation

The compensation of key management personnel is broken down as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Short-term employee			
benefits	P 276,313,110	P 308,711,552	P 293,002,231
Post-employment benefits	<u>9,996,551</u>	<u>11,332,316</u>	<u>17,901,744</u>
	<u>P 286,309,661</u>	<u>P 320,043,868</u>	<u>P 310,903,975</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 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 P715.0 million, P900.8 million and P528.7 million in 2021, 2020 and 2019, respectively, which is recognized under Landport Operations Revenues in the consolidated statements of income.

The future minimum lease receivables under the non-cancellable operating leases as of the end of 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Within one year	P 805,287,019	P 896,772,705
After one year but not more than two years	759,041,887	895,774,372
After two years but not more than three years	725,026,482	905,056,337
After three years but not more than four years	30,328,800	945,869,663
After four years but not more than five years	17,852,040	10,210,671
More than five years	<u>2,160,000</u>	<u>5,672,295</u>
	<u>P 2,339,696,228</u>	<u>P 3,659,356,043</u>

Variable rent, which pertains to a certain percentage share in the lessees' sales, is included as part of total rent income amounting to P32.5 million and P36.7 million in 2021 and 2020, respectively.

The Group is subject to risks associated with the rights it retains in the properties it leases, such as alterations made by the lessee that may impair the value of the leased properties. To manage the exposure on such risks, the Group exercises strict control over the fit-out process through Construction and Fitout Guidelines and closure of construction punchlists prior to opening. No alterations are allowed to be made without prior approval of the Group. Approvals are accorded based on submission of Architectural, Mechanical, Electrical, Plumbing and Fire Protection Plans and as per guidelines of the regulatory authorities. Moreover, the Group retains its right to inspect the leased properties over the lease term and cite violations on the Houserules of the Complex. In case of expiration of lease term or early termination due to the default of the lessee, the Group is entitled to the improvements installed on the leased properties without any obligation to reimburse the lessee for the costs of improvements.

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 to handle the PPP school infrastructure project. In 2016, the construction of the school buildings has been maintained.

As of December 31, 2021 and 2020, 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 2021, 2020 and 2019 amounted to P7.5 million, P14.3 million and P47.6 million, respectively.

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 P43,770.0 million and \$75.0 million (P3,767.6 million) in 2021 and P45,885.7 million and \$75.0 million (P3,547.7 million) in 2020.

In 2021 and 2020, the Group has availed additional bank loans amounting P4,291.9 and P9,831.3 million, respectively (see Notes 18.2 and 34). Unused credit lines as of December 31, 2021 amounted to P2,923.1 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 Citicore. 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 and Joint Operations

29.5.1 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, 2021 and 2020, the balance of the unutilized proceeds amounted to P2,644.7 million and P4,109.6 million, respectively.

29.5.2 Joint Operations

As of December 31, 2021, HMDJV has capital commitments to purchase equipment amounting P217.5 million for the construction works of the Malolos- Clark Railway Project which is expected to be fully utilized upon the completion of the project. There are no commitments pertaining to MGCJV and MGCJVI as the related projects are already completed.

29.6 Legal Claims

In a Resolution dated October 8, 2021, the Department of Justice (DOJ) found probable cause against the general manager of the MCIA Authority, including four (4) Filipino directors and officers (Filipino Respondents) and eleven (11) foreign advisors (Foreign Respondents) of GMCAC for allegedly allowing non-Filipino officers and employees to manage, operate, and control the MCIA in violation of the Section 2-A of Commonwealth Act No. 108, as amended by Presidential Decree No. 715, otherwise known as the "Anti-Dummy Law".

To assail and refute such finding of probable cause, the Filipino Respondents filed a Petition for Review with the Secretary of Justice on October 29, 2021, while the Foreign Respondents filed a Motion for Reconsideration with the DOJ on November 26, 2021, which are both pending resolution.

Pending the resolution of the foregoing, the GMCAC's directors, officers, and advisors continue to perform their duties and responsibilities, in accordance with their respective mandates under the Concession Agreement and applicable laws. Management believes that such will not have a significant impact on the Group's consolidated financial statements as there are no cases filed yet against the Group and that in the event that there should be any cases filed against GMCAC, management believes that it has reasonable basis to defend GMCAC's legality.

There are other 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>2021</u>	<u>2020</u>	<u>2019</u>
Net profit (loss) attributable to shareholders of the Parent Company	(P 342,985,234)	(P 398,149,922)	P 859,487,439
Dividends on cumulative preferred shares	(<u>505,629,428</u>)	(<u>281,000,000</u>)	(<u>281,000,000</u>)
Net profit (loss) available to common shareholders of the Parent Company	(848,614,662)	(679,149,922)	578,487,439
Divided by weighted average number of outstanding common shares	<u>2,013,409,717</u>	<u>2,036,285,370</u>	<u>2,081,168,982</u>
Basic and diluted earnings (loss) per share	(P <u>0.42</u>)	(P <u>0.33</u>)	P <u>0.28</u>

The Group does not have dilutive potential common shares outstanding as of December 31, 2021, 2020 and 2019; hence, diluted earnings (loss) per share is equal to the basic earnings (loss) per share.

31. EVENTS AFTER THE END OF THE REPORTING PERIOD

On January 18, 2022, the Parent Company's BOD approved the declaration of cash dividends of P1.19 per share and P1.44 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 4, 2022. The dividends which is payable on February 28, 2022, shall be taken out of the unrestricted earnings of the Parent Company as of December 31, 2021.

32. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to its financial instruments. The Group's financial assets and financial liabilities by category are summarized in Note 33. The main types of risk are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated with the Group's Parent Company, in close cooperation with the BOD, and focuses on actively securing the Group's short-to-medium term cash flows by minimizing the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes, nor does it write options. The relevant financial risks to which the Group is exposed to are described below and in the succeeding pages.

32.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from its operating, investing, and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from intercompany advances to and from foreign related parties, which are denominated in US dollars. The Group also holds US dollar-denominated cash.

Significant US dollar-denominated financial assets (liabilities), translated into Philippine pesos at the closing rates, are as follows:

	<u>2021</u>	<u>2020</u>
Cash in banks	P 1,764,251,914	P 394,519,021
Investment in trust fund	163,541,216	401,525,300
Trade and other payables	(263,595,131)	(235,394,706)
Long-term debt	(<u>3,767,551,000</u>)	(<u>3,436,885,000</u>)
	(<u>P2,103,353,001</u>)	(<u>P 2,876,235,385</u>)

If the Philippine peso had strengthened by 11.30% and 9.51% in 2021 and 2020, respectively, against the US dollar, with all other variables held constant, loss before tax in 2021 and 2020 would have decreased by P237.7 million and P273.5 million, respectively. If the Philippine peso had weakened by the same percentages against the US dollar, then loss before tax in 2021 and 2020 would have increased 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, 2021 and 2020, 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, 2021 and 2020 the Group recognized P54.9 million and P121.9 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 gain from change in fair value of the interest rate swap amounting to US\$1.7 million or P78.6 million in 2021, unrealized loss from change in fair value of the interest rate swap US\$1.0 million or P43.3 million in 2020, and unrealized loss of US\$1.6 million or P104.8 million in 2019, 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):

December 31, 2021	<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>
Cash and cash equivalents	P 279,777	P -	P -	P 279,777	P -	P 279,777
Investment in trust fund	-	163,541	-	163,541	-	163,541
	<u>P 279,777</u>	<u>P 163,541</u>	<u>P -</u>	<u>P 443,318</u>	<u>P -</u>	<u>P 443,318</u>
Derivative liability	<u>P 54,873</u>	<u>P -</u>	<u>P -</u>	<u>P 54,873</u>	<u>P -</u>	<u>P 54,873</u>
Long-term debt:						
PHP (P20 billion loan facility)	P -	P -	P 20,556,350	P 20,556,350	(P 934,942)	P 19,621,408
USD (\$75 million loan facility)	-	-	3,767,551	3,767,551	(44,067)	3,723,484
	<u>P -</u>	<u>P -</u>	<u>P 24,323,901</u>	<u>P 24,323,901</u>	<u>(P 979,009)</u>	<u>P 23,344,892</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>

As at December 31, 2021 and 2020, 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 +/-156.0, +/-248.0 and +/-248.0 basis points in 2021, 2020 and 2019, 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 156.0 basis points, 248.0 basis points and 248.0 basis points in 2021, 2020 and 2019, respectively, loss before tax in 2021 and 2020 would have increased by P20.9 million and P174.0 million, respectively, and profit before tax in 2019 would have decreased by P194.4 million. Conversely, if the interest rates decreased by the same basis points, loss before tax in 2021 and 2020 would have been lower and profit before tax in 2019 would have been higher 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	2021	2020
Cash and cash equivalents	5	P 5,846,088,030	P 7,226,149,912
Trade and other receivables – net	6	16,884,756,480	15,224,568,808
Refundable security and bond deposits	12	234,233,185	199,529,159
Investment in trust fund	12	163,541,216	401,525,300
Contract assets	9	4,777,704,858	4,231,600,246
		<u>P 27,906,323,769</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, 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

(b) *Trade and Other Receivables and Contract Assets*

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, 2021 or 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 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 December 31, 2021 and 2020 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, 2021:					
<i>Expected credit loss rate</i>	-	-	-	22.2%	
Contract receivables	P 4,948,836	P 16,995,126	P 662,124,693	P 604,278,175	P1,288,346,830
Receivables from airport operations	23,790,888	23,338,160	115,454,532	375,303,869	537,887,449
Lease receivables	61,616,024	48,956,559	379,349,077	65,734,997	555,656,657
	<u>P 90,355,748</u>	<u>P 89,289,845</u>	<u>P 1,156,928,302</u>	<u>P 1,045,317,041</u>	<u>P2,381,890,936</u>
Loss Allowance	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 231,765,011</u>	<u>P 231,765,011</u>
December 31, 2020:					
<i>Expected credit loss rate</i>	-	-	-	13.9%	
Contract receivables	P 46,986,891	P 77,268,346	P 244,848,922	P 154,784,121	P 523,888,280
Receivables from airport operations	39,522,219	18,873,677	299,744,561	94,095,611	452,236,068
Lease receivables	63,944,110	50,981,057	115,257,688	24,377,629	254,560,484
	<u>P 150,453,220</u>	<u>P 147,123,080</u>	<u>P 659,851,171</u>	<u>P 273,257,361</u>	<u>P1,230,684,832</u>
Loss Allowance	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 37,932,641</u>	<u>P 37,932,641</u>

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.

ECL for advances to and receivable from related parties are measured and recognized using the liquidity approach. Management determines possible impairment based on the counterparties' ability to repay the receivables upon demand at the reporting date taking into consideration the historical defaults from the counterparties. The Group does not consider any significant risks in the advances to and receivable from related parties since the related parties have enough capacity to pay the advances and receivables upon demand.

(c) *Investment in Trust Fund*

In 2021 and 2020, 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, 2021:			
Interest-bearing loans and borrowings	P 15,750,563,082	P1,615,263,105	P 43,295,463,244
Trade and other payables	8,616,715,347	-	-
Security deposits			
(gross of unearned income)	-	-	471,258,850
	<u>P 24,367,278,429</u>	<u>P1,615,263,105</u>	<u>P 43,766,722,094</u>
December 31, 2020:			
Interest-bearing loans and borrowings	P 12,689,450,003	P1,070,381,301	P 34,171,924,687
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>P1,070,381,301</u>	<u>P 34,656,512,278</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.

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.

		2021		2020	
	Notes	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets					
At amortized cost:					
Cash and cash equivalents	5	P 5,846,088,030	P 5,846,088,030	P 7,226,149,912	P 7,226,149,912
Trade and other receivables – net	6	16,884,756,480	16,884,756,480	15,224,568,808	15,224,568,808
Refundable security and bond deposits	12	234,233,185	234,233,185	199,529,159	199,529,159
Investment in trust fund	12	163,541,216	163,541,216	401,525,300	401,525,300
		23,128,618,911	23,128,618,911	23,051,773,179	23,051,773,179
Financial assets at FVOCI	10				
Club shares		1,044,472	1,044,472	1,044,472	1,044,472
Investment in SSPI		2,500,000	2,500,000	2,500,000	2,500,000
		3,544,472	3,544,472	3,544,472	3,544,472
		P 23,132,163,383	P 23,132,163,383	P 23,055,317,651	P 23,055,317,651
Financial Liabilities					
At amortized cost:					
Interest-bearing loans and borrowings	18	P 49,501,496,492	P 52,120,777,047	P 45,920,365,307	P 47,931,755,991
Trade and other payables	17	8,616,715,347	8,616,715,347	8,291,951,223	8,291,951,223
Derivative liability	17	54,872,973	54,872,973	121,895,954	121,895,954
Security deposits*	20	471,258,850	471,258,850	464,587,591	464,587,591
		P 58,644,343,662	P 61,263,624,217	P 54,798,000,075	P 56,810,190,759

*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 2021 and 2020. 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) can be offset against the Group's outstanding interest-bearing loans and borrowings [see Note 18.2(a)] 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

- 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 P3.5 million as of December 31, 2021 and 2020, 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, 2021 and 2020.

	<u>Notes</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2021</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 54,872,973</u>	<u>P -</u>	<u>P 54,872,973</u>

	<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 121,895,964</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 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, 2021, and 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 December 31, 2021 and 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.

The Group has equity interest of 1% in SSPI as of December 31, 2021 and 2020. 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, 2021 and 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.

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>
2021:				
<i>Financial assets:</i>				
Cash and cash equivalents	P 5,846,088,030	P -	P -	P 5,846,088,030
Trade and other receivables - net	-	-	16,884,756,480	16,884,756,480
Refundable security and bond deposits	-	-	234,233,185	234,233,185
Investment in trust fund	<u>163,541,216</u>	<u>-</u>	<u>-</u>	<u>163,541,216</u>
	<u>P 6,009,629,246</u>	<u>P -</u>	<u>P 17,118,989,665</u>	<u>P 23,128,618,911</u>
<i>Financial liabilities:</i>				
Interest-bearing loans and borrowings	P -	P -	P 52,120,777,047	P 52,120,777,047
Trade and other payables	-	-	8,616,715,347	8,616,715,347
Security deposits	<u>-</u>	<u>-</u>	<u>471,258,850</u>	<u>471,258,850</u>
	<u>P -</u>	<u>P -</u>	<u>P 61,208,751,244</u>	<u>P 61,208,751,244</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 47,931,755,991	P 47,931,755,991
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 56,688,294,805</u>	<u>P 56,688,294,805</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>2021</u>	<u>2020</u>
Building for lease	15	P 3,962,447,034	P 3,875,971,923
Land	15	<u>1,897,868,396</u>	<u>1,869,480,787</u>
		<u>P 5,860,315,430</u>	<u>P 5,745,452,710</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 Group'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. In 2020, the Group determined the fair value of the building approximates its fair value as of December 31, 2020 as it was only newly constructed in March 2019. In 2021, the Level 3 fair value of commercial area under investment properties was determined using the income approach which utilized discounted cash flow method to convert future cash flows to be generated by the non-financial assets in reference to the value of expected income, net of cost of services, other operating expenses and income taxes. The significant unobservable inputs used in the valuation of the property were future annual free cash flows ranging from P520.0 million to P2,400.0 million for average period of 29 years. The discount rates applied in determining the present value of future annual free cash flows is 12%. The management has determined that a reasonably possible change in the unobservable inputs to a different amounts or rates would not cause the fair values of the non-financial assets to be increase or decrease significantly.

There has been no other 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 2021 and 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)	(Note 18)	Liabilities	Total
	(Note 18)	(Note 18)	(Note 16)	
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	4,291,987,360	-	-	4,291,987,360
Repayment of borrowings	(2,018,602,072)	(21,000,000)	(254,545,430)	(2,294,147,502)
Non-cash financing activities				
Effect of modification	1,118,939,962	-	-	1,118,939,962
Unrealized forex on dollar valuation	241,381,112	-	-	241,381,112
Amortization of debt issuance costs	35,395,100	-	-	35,395,100
Additional lease liabilities	-	-	187,575,152	187,575,152
Balance at December 31, 2021	<u>P 43,466,007,560</u>	<u>P 5,569,791,232</u>	<u>P 465,697,699</u>	<u>P 49,501,496,491</u>

	Bank Loans (Note 18)	Notes Payable (Note 18)	Lease Liabilities (Note 16)	Total
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	(4,692,327,851)	(6,862,138,758)	(98,866,695)	(11,653,333,304)
Non-cash financing activities				
Unrealized forex on dollar valuation	(193,392,900)	-	-	(193,392,900)
Amortization of debt issuance costs	25,694,865	-	-	25,694,865
Additional lease liabilities	-	-	157,183,969	157,183,969
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	17,549,361,732	3,056,288,759	-	20,605,650,491
Repayment of borrowings	(9,784,888,587)	(49,861,241)	(142,381,709)	(9,977,131,537)
Non-cash financing activities				
Unrealized forex on dollar valuation	(145,427,315)	-	-	(145,427,315)
Amortization of debt issuance costs	30,747,898	-	-	30,747,898
Additional lease liabilities	-	-	424,531,514	424,531,514
Effect of adoption of PFRS 16	-	-	34,277,641	34,277,641
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>

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 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>	<u>2021</u>	<u>2020</u>
Interest-bearing loans and Borrowings (excluding lease liabilities)	18	P 49,035,798,793	P 45,387,697,330
Total equity		<u>19,200,907,679</u>	<u>20,522,467,864</u>
		<u>2.55: 1.00</u>	<u>2.21: 1.00</u>

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

Punongbayan & Araullo

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The Enterprise Center
6766 Ayala Avenue
1200 Makati City
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**The Board of Directors and Stockholders
Megawide Construction Corporation and Subsidiaries
(A Subsidiary of Citicore Holdings Investment, Inc.)**
20 N. Domingo Street
Brgy, Valencia
Quezon City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Megawide Construction Corporation and Subsidiaries (the Group) for the year ended December 31, 2021, on which we have rendered our report dated April 8, 2022. 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. 8852327, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 90230-SEC (until Dec. 31, 2025)
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)

April 8, 2022

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
LIST OF SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021

Schedule	Content	Page No.
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MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)

Schedule A

Financial Assets - Fair Value Through Profit or Loss, Fair Value Through Other Comprehensive Income
and Amortized Cost
December 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 5,846,088,030	P 5,846,088,030	P 32,622,362
Trade and other receivables - net		15,963,291,167	15,963,291,167	441,000,000
Refundable security and bond deposits		233,967,445	233,967,445	-
Investment in trust fund		163,541,216	163,541,216	2,447,617
TOTAL	-	P 22,206,887,858	P 22,206,887,858	P 476,069,979

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
(A Subsidiary of Citicore Holdings Investment, Inc.)
Schedule B
Amounts Receivable from Directors, Officers, Employees,
Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2021

Name	Balance at Beginning of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
AILEEN DEL ROSARIO	-	242,400	-	-	242,400	-	242,400
AISA MARIA TRICCIA E. ESTACIO	17,999	2,969,221	(2,418,752)	-	568,467	-	568,467
AIZA M. TEPATT	7,300	-	-	-	14,600	-	14,600
ALBERT ALINABON	-	73,042	-	-	73,042	-	73,042
ALBERT OROSCO	790	-	(790)	-	-	-	-
ALBERT SAAVEDRA	8,000	141,500	-	-	149,500	-	149,500
ALLAN LUCEL R. BARIT	172,812	-	-	-	172,812	-	172,812
ALYANA GRACE T. ROBLEZA	534	-	(534)	-	-	-	-
ANA JOY S. UPAO	20,000	18,600	(38,600)	-	-	-	-
ANALYN DELOS SANTOS	147,600	98,750	(246,350)	-	-	-	-
ANGELA CLAIRE D. GELLA	-	4,800	(4,800)	-	-	-	-
ANGELA CLAIRE GELLA	10,000	65,000	(75,000)	-	(0)	(0)	-
ANNA KARENINA SALGADO	37,176	732,500	(400,000)	-	369,676	-	369,676
ANNA SHARMAINE CAOILE	47,000	-	-	-	47,000	-	47,000
ANNABELLE J. OBLIANDA	-	22,400	(22,400)	-	-	-	-
ANNIE MAE BERGAS	6,294	-	(6,294)	-	-	-	-
ANTONIO G. PAREDES	-	10,000	-	-	10,000	-	10,000
ARA C. AMORES	-	48,500	-	-	48,500	-	48,500
ARABELLE VALENCIA	78,750	761,800	(688,727)	-	151,823	-	151,823
ARDINE GEROLD ANACIETO	-	20,500	(20,500)	-	-	-	-
ARLEN NAZARIA	20,000	-	(20,000)	-	-	-	-
ARLENE JOYCE OBLEPIAS	-	247,500	(165,488)	-	82,012	-	82,012
ARNEL S. ARTES	1,200	26,400	(27,600)	-	-	-	-
ARNEL SOLOMON	491	-	(491)	-	-	-	-
ARNOLD FAMILARAN	-	1,326,822	-	-	1,326,822	-	1,326,822
ARVIN REY G. ARANDIA	-	12,500	-	-	12,500	-	12,500
ASTRID REGINE A. COLLADO	-	1,400	-	-	1,400	-	1,400
BAMBANG MEDICAL & HOSPITAL EQUIPMENT SUPPLY	31,680	-	-	-	31,680	-	31,680
BART V. CAINDOC	551	-	(551)	-	-	-	-
BENJAMIN S. FABROA JR.	108,436	-	-	-	108,436	-	108,436
BEVERLY R. MOLO	-	29,400	(23,400)	-	6,000	-	6,000
BORGIE DEAN B. SANTOS	-	71,700	(71,700)	-	-	-	-
BREZILDO T. SILDO	20,200	-	-	-	20,200	-	20,200
BRIGIDO BARBADILLO JR.	-	723,450	(502,295)	-	221,155	-	221,155
BRYAN MALINAO	29,847	173,932	(188,779)	-	15,000	-	15,000
BUSINESSWORKS INCORPORATED	-	294,118	-	-	294,118	-	294,118
CAMILLE JOY C. PEREDO	-	95,807	(77,060)	-	18,747	-	18,747
CANYON COVE HOTEL AND SPA INC.	228,967	-	-	-	228,967	-	228,967
CARMELA MARIEL L. CINCO	-	140,000	(98,000)	-	42,000	-	42,000
CATHELLE LOUISE L. CARREON	-	3,000	(3,000)	-	-	-	-
CECILE ALBAO	44,897	-	(44,897)	-	-	-	-
CHARLES PERRI HARI	22,800	500,000	(522,800)	-	-	-	-
CHARMAINE ZACARIAS	11,250	-	(11,250)	-	-	-	-
CHERRY ANN V. ARCENAL	97,500	-	-	-	97,500	-	97,500
CHESTER NEIL R. CARBONELL	173,350	-	(34,259)	-	139,091	-	139,091
CHITO BILOG	-	81,500	-	-	81,500	-	81,500
CHRISelda E. CRISOLOGO	20,160	-	-	-	20,160	-	20,160
CHRISTOPHER A. GANOTICE	-	26,106	(26,106)	-	-	-	-
CHRISTOPHER NADAYAG	16,100	-	-	-	16,100	-	16,100
CHRISTOPHER REGINIO	7,400	-	-	-	7,400	-	7,400
CIB-BDO SA/CA PHP (001150324641/001158035633)	-	18,000	-	-	18,000	-	18,000
CICERO ILAGAN	560,293	-	-	-	560,293	-	560,293
CITY TREASURER MANDAUE CITY	198,465	-	-	-	198,465	-	198,465
CRISTELLE MAE AMORIN	21,300	46,500	-	-	67,800	-	67,800
CRYSTALLINE B. MANALANG	156,525	-	-	-	156,525	-	156,525
DALF LESAN B. GALELA	-	47,740	(47,740)	-	-	-	-
DANDIE C. ESPANOL	-	23,974	-	-	23,974	-	23,974
DANTE SUMIGCAY	-	8,000	(4,000)	-	4,000	-	4,000
DANTE V. CABELLO	1,925	-	-	-	1,925	-	1,925
DARYL JOHN LOPEZ	63,847	47,700	-	-	111,547	-	111,547
DARYL LUMBERIO	71,500	-	(71,500)	-	-	-	-
DEBBIE MAY PURIFICACION	-	328,124	-	-	328,124	-	328,124
DEWEY S. OLAYA	61,500	368,260	-	-	429,760	-	429,760
DIANA MARIE GASPAR	511	52,560	(53,072)	-	(0)	(0)	-
DOMINGO L. LAGMAN ENGINEERING CONSULTANTS	-	8,929	-	-	8,929	-	8,929
DON VINCENT SAHAGUN	-	15,000	-	-	15,000	-	15,000
DONABEL R. PASTORAL	-	108,490	(30,750)	-	77,740	-	77,740
DONABELLE SISON	22,900	50,750	-	-	73,650	-	73,650
DONNA ANGELA DE JESUS	-	20,000	(20,000)	-	-	-	-
EDGAR REUNATA	-	24,000	(15,000)	-	9,000	-	9,000
EDGAR VALERA	222,458	-	-	-	222,458	-	222,458
EDWARD YBANEZ	-	82,500	-	-	82,500	-	82,500

Balance forwarded

P 2,770,308 P 10,220,473 (P 5,982,484) - P 7,008,297 - P 7,008,297

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 2,770,308	P 10,220,473	(P 5,982,484)	-	P 7,008,297	-	P 7,008,297
ELIZALDE A. MORALES	7,950	-	-	-	7,950	-	7,950
EMILIA CORAZON DE HITTA	-	37,500	-	-	37,500	-	37,500
ENRIQUE VALENZUELA JR.	-	9,200	-	-	9,200	-	9,200
ERIC DULAY	19,800	26,400	(46,200)	-	-	-	-
ERIC GREGOR TAN	-	314,000	(314,000)	-	-	-	-
ERICANDO GALANG	-	76,300	-	-	76,300	-	76,300
ERICKA SHARA MAE A. PLACIDO	-	81,877	(81,877)	-	-	-	-
ESTELITO CENSON JR.	41,750	1,248,048	(857,225)	-	432,574	-	432,574
ESTRELLA ALVARADO	247,376	-	-	-	247,376	-	247,376
EURENO BIETE	226,030	-	-	-	226,030	-	226,030
EXEQUIEL A ISMAEL	-	5,000	-	-	5,000	-	5,000
FAST AUTOWORLD PHILIPPINES CORP.	-	42,847	-	-	42,847	-	42,847
FEBELYN JOY MANAHAN	-	250,100	-	-	250,100	-	250,100
FEDERICO MARTINEZ	-	113,500	(63,500)	-	50,000	-	50,000
FERDINAND N. PORLUCAS	-	32,192	-	-	32,192	-	32,192
FIDEL P. CUERDO	1,842	-	(1,843)	-	(1)	-	(1)
FIONA ROSE R. NICOLAS	-	608,100	-	-	608,100	-	608,100
FRANCESCA MICAELA SANTECO	-	110,000	-	-	110,000	-	110,000
FRANCISCO TURANO JR.	-	17,702	(5,830)	-	11,872	-	11,872
GENISE M. REYES	-	88,220	(50,470)	-	37,750	-	37,750
GENNICA H. MIRANDA	-	27,000	-	-	27,000	-	27,000
GILBERT TUGADE	127,500	16,500	-	-	144,000	-	144,000
GLEN DIAZ	18,150	124,800	(142,950)	-	-	-	-
GLIZETTE DYAN BERNARDO	-	85,200	-	-	85,200	-	85,200
GLOBE HOME INTERIOR	8,143	-	-	-	8,143	-	8,143
GRACE ABEGAIL CASEM	42,473	89,510	(131,983)	-	0	-	0
GRANT LEE FELLOWES	1,318	-	-	-	1,318	-	1,318
GRAZIELLE ANN Q. ALMAZAN	-	14,288	(10,000)	-	4,288	-	4,288
GREENHILLS COURT CONDOMINIUM CORPORATION	12,000	-	-	-	12,000	-	12,000
HAROLD DE LEON	-	4,050	(4,050)	-	-	-	-
HAZELLE ASILVERIO	17,090	-	-	-	17,090	-	17,090
HAZELLE SILVERIO	-	31,950	-	-	31,950	-	31,950
HEDRO IAN PACETE	45,000	-	(45,000)	-	-	-	-
HELEN B. PEDUCHE	-	10,000	(10,000)	-	-	-	-
HERBERT ANDALUZ	-	26,400	(26,400)	-	-	-	-
JAMES CAMPBELL	-	82,266	-	-	82,266	-	82,266
JANE MARIE VELADO	11,491	11,491	-	-	11,491	-	11,491
JANELLE C. MONJARDIN	29,900	106,808	-	-	136,708	-	136,708
JANICE HONORIDEZ	168,287	-	-	-	168,287	-	168,287
JASON DE LUNA	-	8,500	(3,500)	-	5,000	-	5,000
JAY ONG	-	30,000	-	-	30,000	-	30,000
JAYBEE L. LA ROSA	-	78,240	-	-	78,240	-	78,240
JAYSON B. NARVAEZ	-	113,600	-	-	113,600	-	113,600
JEAN VIRAY	19,430	-	-	-	19,430	-	19,430
JEFFREY MIRANDILLA	435,000	-	-	-	435,000	-	435,000
JEFFREY OYAS	16,800	-	(16,800)	-	-	-	-
JENNIFER ARAGON	26,541	33,500	(60,041)	-	-	-	-
JEPHUNEI BERNARDO	-	-	(43,000)	-	(43,000)	-	(43,000)
JERALBINE NUGUID	20,000	-	-	-	20,000	-	20,000
JERBY CONCEPCION	109,800	478,600	(588,400)	-	-	-	-
JERICHA JAN PRIETO	-	16,109	-	-	16,109	-	16,109
JERMYN LEAL	-	237,750	-	-	237,750	-	237,750
JESSICA D. VINAS	-	43,570	(20,000)	-	23,570	-	23,570
JESUS ARIMBUYUTAN	-	288,810	-	-	288,810	-	288,810
JIEZL FLORALDE	-	34,125	-	-	34,125	-	34,125
JIM CARLO A. CORTES	3,000	-	-	-	3,000	-	3,000
JOANA MANGAHAS	71,680	34,224	-	-	105,904	-	105,904
JOANNE MARIE S. BENDERO	-	51,000	(51,000)	-	-	-	-
JOHN KALVIN CARREON	80,000	898,694	(538,194)	-	440,500	-	440,500
JOHN PAUL CADAY	-	19,250	-	-	19,250	-	19,250
JOMAR G. GABITO	-	71,640	(71,640)	-	-	-	-
JONALD BULLECEER	7,980	7,800	(15,780)	-	-	-	-
JOSE CARLO CHAVEZ	-	306,800	-	-	306,800	-	306,800
JOSE LAMBERT A. LIM	-	111,524	-	-	111,524	-	111,524
JOSE RAMIREZ	1,000	25,000	(26,000)	-	-	-	-
JOSELITO O. INAMARGA	800,426	2,296,729	-	-	3,097,155	-	3,097,155
JOSELLER ORBINO	-	30,000	-	-	30,000	-	30,000
JOSEPH NAVARRO	-	37,500	(37,500)	-	-	-	-
JOSIE A. ABUCAY	1,500	-	-	-	1,500	-	1,500
JOSIE M. PARREÑO	87,709	-	-	-	87,709	-	87,709
JOUIE LEE OLIVER	-	329,590	(329,590)	-	-	-	-
JOWELYN ROSARIO	-	93,250	-	-	93,250	-	93,250
JOYSIAN NEPOMUCENO	-	3,000	-	-	3,000	-	3,000
JUANITO GARCIA	9,000	-	-	-	9,000	-	9,000
JULIE ANNE L. NUYLAN	-	7,000	(7,000)	-	-	-	-
JULIUS ARINAZA	-	14,823	-	-	14,823	-	14,823
JUNE PILLAS	-	25,000	(25,000)	-	-	-	-
JUNNY ANN S. INOT	-	11,238	(4,238)	-	7,000	-	7,000
KARA MAE MENDIOLA	10,000	34,100	(34,100)	-	10,000	-	10,000
KARENE XYZA DEMETRIO	-	6,000	-	-	6,000	-	6,000
KEITH ANTHONY CALIMAG	-	100,000	-	-	100,000	-	100,000
KHAREN ALFUENTE	-	55,000	-	-	55,000	-	55,000
KIM ALEXIE VALLESTERO	-	20,250	(20,250)	-	-	-	-
<i>Balance forwarded</i>	P 5,484,783	P 19,863,937	(P 9,665,844)	-	P 15,682,877	-	P 15,682,877

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 5,484,783	P 19,863,937	(P 9,665,844)	-	P 15,682,877	-	P 15,682,877
KIM RITA MARIE SOLOMON	10,500	287,280	(15,818)	-	15,818	-	15,818
LAILANIE ANTONIO	1,800	-	-	-	1,800	-	1,800
LAMBERTO BANSIL III	-	247,800	-	-	247,800	-	247,800
LAPU-LAPU CITY TREASURER	9,720	-	-	-	9,720	-	9,720
LEI ANNE T. ORBISTA	-	8,800	-	-	8,800	-	8,800
LEO ROLLAN	-	20,000	(20,000)	-	-	-	-
LEUMAS DAVID R. LABISTE	24,000	-	(24,000)	-	-	-	-
LIAN MACHADO	6,087	61,200	(67,287)	-	-	-	-
LINO VILLANUEVA	355,215	-	-	-	355,215	-	355,215
LIZNIL JANE GEIDT	-	102,500	-	-	102,500	-	102,500
LLOYD PELAYO	-	57,750	(57,750)	-	-	-	-
LUIGIE LLANO	-	20,000	(20,000)	-	-	-	-
LUIS RAYMOND ILAGAN	93,600	184,932	-	-	278,532	-	278,532
MA. ABIGAEI JANE LIBRANDO	-	101,500	-	-	101,500	-	101,500
MA. GLORIA JENNIFER ONTE	-	250,850	-	-	250,850	-	250,850
MA. TERESA M. MORABE	-	46,300	(46,300)	-	-	-	-
MAEDEN B. ORDANZA	-	20,000	-	-	20,000	-	20,000
MANUEL CRUZ	-	112,900	-	-	112,900	-	112,900
MANUEL ONGJUCO	-	207,250	-	-	207,250	-	207,250
MARC BENI SANSAT	8,000	-	-	-	8,000	-	8,000
MARDEL CIARA MARASIGAN	-	33,240	-	-	33,240	-	33,240
MARIA THERESA PASCUAL	80,000	-	-	-	80,000	-	80,000
MARICEL LUNA	76,850	-	-	-	76,850	-	76,850
MARIECRIS S. YADAO	6,527	34,520	(36,047)	-	5,000	-	5,000
MARIELLE M. OLEA	-	12,000	(4,504)	-	7,496	-	7,496
MARILOU M. GIANAN	-	245,000	-	-	245,000	-	245,000
MARIO LOPE PAR	185,466	282,693	-	-	468,159	-	468,159
MARJULAIN DERENE D. ACAY	7,000	-	(7,000)	-	-	-	-
MARK NICKSON GARCIA	99,277	-	-	-	99,277	-	99,277
MARK NICKSON P. GARCIA	175,385	-	-	-	175,385	-	175,385
MARK ROCAFORT	143,326	1,858,732	(1,669,426)	-	332,632	-	332,632
MARLON ALVARICO	26,174	-	-	-	26,174	-	26,174
MARNELLIE SANIDAD	40,000	71,000	(101,000)	-	10,000	-	10,000
MARTIN MIGUEL FLORES	10,717	-	-	-	10,717	-	10,717
MARY ANN ZACARIAS	14,851	88,254	(103,104)	-	-	-	-
MATEST LABORATORY SERVICES INC.	-	49,043	-	-	49,043	-	49,043
MELISSA SALILICAN	-	96,153	(21,490)	-	74,663	-	74,663
MICHAEL JOSEPH PEREYRA	31,800	-	-	-	31,800	-	31,800
MICHAEL SIMUNDAC	-	173,805	(164,468)	-	9,337	-	9,337
MICHELLE GATAL	111,295	-	-	-	111,295	-	111,295
MILESTILL YOUNG	45,000	20,000	(45,000)	-	20,000	-	20,000
NATIONAL INSTITUTE OF ACCOUNTING TECHNICI	9,025	-	-	-	9,025	-	9,025
NAZARENO C. ABALOS	6,351	-	-	-	6,351	-	6,351
NEIL CATABAY	-	43,600	(33,600)	-	10,000	-	10,000
NELSON LEGARDE	-	68,536	(8,536)	-	60,000	-	60,000
NELSON M. CASADO	-	90,000	-	-	90,000	-	90,000
NELSON TUIZA JR.	2,200	-	-	-	2,200	-	2,200
NESTOR F. DIZON JR.	-	98,840	-	-	98,840	-	98,840
NEW EZKLEEN PORTALET CORP.	8,839	-	-	-	8,839	-	8,839
NICOLE SYMON C. DILIG	-	20,000	(20,000)	-	-	-	-
NIDA H. GREFALDO	507,522	222,750	-	-	730,272	-	730,272
NIKKO KAYE VILLETE	-	31,680	(31,680)	-	-	-	-
NILO MELITON	30,600	26,400	(57,000)	-	-	-	-
NINO DELOS REYES	70,309	196,315	(266,624)	-	-	-	-
NINO JOVIT C. JIMENEZ	42,065	373,401	(68,300)	-	347,165	-	347,165
NOEL CANSINO	-	10,000	(10,000)	-	-	-	-
NOEL M. BERANA	14,464	46,750	-	-	61,214	-	61,214
NORLITO P. BUENA	1,476	26,851	(16,211)	-	12,116	-	12,116
NORMAN N. ESCOBAR	11,960	-	-	-	11,960	-	11,960
OLIVER BERMEJO	-	56,000	-	-	56,000	-	56,000
OUR LADY OF MT. CARMEL MEDICAL CENTER-CLAR	47,000	-	-	-	47,000	-	47,000
OWEN NIPA	79,650	3,600	(83,250)	-	-	-	-
PAMELA PEREZ	9,856	-	-	-	9,856	-	9,856
PAULINE JEENE AGUINALDO	-	15,000	(15,000)	-	-	-	-
PIELCHE IMSON	8,600	92,000	-	-	100,600	-	100,600
PINOY PROPERTIES INVESTMENT CORPORATION	-	22,755	(11,335)	-	11,419	-	11,419
PRIME CARE ALPHA	379,464	-	-	-	379,464	-	379,464
PRINCESS INCISO	-	60,000	-	-	60,000	-	60,000
PRINCESS MAUREEN DE LEON	2,381	224,000	(226,381)	-	(0)	-	(0)
QUAERITO QUALITAS INC.	130,000	-	-	-	130,000	-	130,000
RACQUEL H. VERZOSA	93,610	55,000	-	-	148,610	-	148,610
RAIZA JACKIE LOUISE ESPINO	74,319	547,440	(621,759)	-	-	-	-
RAYMUND JAY S. GOMEZ	-	7,834	-	-	7,834	-	7,834
RAYMUNDO LAYSON	6,140	-	(6,140)	-	-	-	-
REBECCA AYCOCHO	-	3,500	(3,500)	-	-	-	-
RED A. GOLPEO	-	39,500	(39,500)	-	-	-	-
RENATO ALEGADO	-	42,245	(42,245)	-	-	-	-
REXFORD ILAGAN	-	866,489	(866,489)	-	-	-	-
REZA MARIE C. DE GUZMAN	-	280,000	-	-	280,000	-	280,000
RHEA LAMOSTE	9,822	-	(9,822)	-	-	-	-
RHEONEIL M. RAFAEL	-	285,510	-	-	285,510	-	285,510
RICARDO MANUEL	94,062	-	-	-	94,062	-	94,062
RICHARD PEÑAMAYOR	-	58,200	(28,200)	-	30,000	-	30,000
ROBERT JASON TORRES	454,000	486,000	(454,000)	-	486,000	-	486,000
ROBERTO TAPIA	9,000	-	-	-	9,000	-	9,000
RODOLFO J. CERVERA	-	95,016	(95,016)	-	-	-	-
ROEL COLEGADO	42,915	175,000	(212,714)	-	5,201	-	5,201
ROLAND RAYCO	-	120,450	(80,600)	-	39,850	-	39,850
ROMAR COBILLA	55,791	-	-	-	55,791	-	55,791
ROMEO DIAZ	66,404	-	(66,404)	-	-	-	-
ROMEO FAUSTINO JR.	-	91,258	(72,805)	-	18,453	-	18,453
ROMEO P. FURIGAY	-	23,800	-	-	23,800	-	23,800
ROMEO SAKAY	-	30,000	(30,000)	-	-	-	-
ROMMEL SUNGA	-	210,000	(210,000)	-	-	-	-
RONA C. BAUTISTA	1,437	-	(1,437)	-	-	-	-
ROSE ANN PIQUERO	-	10,000	(10,000)	-	-	-	-
ROSE CELINE CASTRO	11,000	38,000	(38,000)	-	11,000	-	11,000
ROSE CLARY APOLINARIO	15,895	-	-	-	15,895	-	15,895
<i>Balance forwarded</i>	P 9,343,528	P 29,751,157	(P 16,071,730)	-	P 23,022,955	-	P 23,022,955

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 9,343,528	P 29,751,157	(P 16,071,730)	-	P 23,022,955	-	P 23,022,955
ROSEBHEL HIBAYA	-	177,160	(161,580)	-	15,580	-	15,580
ROSETTE PASCUAL	60,000	650,000	(504,000)	-	206,000	-	206,000
RUDY'S MOTOR SHOP	22,946	-	-	-	22,946	-	22,946
RUEL ALMA JR.	-	350,000	-	-	350,000	-	350,000
RUFINO DIZO	20,350	-	-	-	20,350	-	20,350
SANDRA MAE UNDALOK	-	91,950	-	-	91,950	-	91,950
SHARE TREATS INNOVATION CORPORATION	51,138	118,510	-	-	169,648	-	169,648
SHAW AUTOMOTIVE RESOURCES INC	-	8,616	-	-	8,616	-	8,616
SHEILA MARIE B. CO	-	4,200	(4,200)	-	-	-	-
SHELLA MAY C. NARCEDA	41,897	68,000	(41,897)	-	68,000	-	68,000
SHERYL A. PAZ	-	22,770	(22,770)	-	-	-	-
SICCION MARKETING, INC.	17,054	-	-	-	17,054	-	17,054
THE TENT CITY RENTALS & SALES SERVICES CORP	23,112	-	-	-	23,112	-	23,112
TONI MAE B. REYES	-	38,500	-	-	38,500	-	38,500
TOYOTA MABOLO CEBU INC	-	11,330	-	-	11,330	-	11,330
TRANSWORLD TIRE AND AUTO SUPPLY	9,585	-	-	-	9,585	-	9,585
TRISHA MAY S. MANALO	15,872	30,000	-	-	45,872	-	45,872
VALERIE AYRA RAMOS	-	4,000	-	-	4,000	-	4,000
VANNESA ANN P. GERILLA	3,193	518,963	(452,196)	-	69,960	-	69,960
VENERABLE DALUSUNG	-	38,000	(38,000)	-	-	-	-
VICTOR RIVERA	-	107,000	(77,000)	-	30,000	-	30,000
VINCENT PAOLO DE GUZMAN	-	20,000	-	-	20,000	-	20,000
WESLEY ARPILLEDADA	-	5,000	-	-	5,000	-	5,000
WINSHER CRIS G. STEWART	-	50,048	(24,548)	-	25,500	-	25,500
WINSTON V. JIMENEZ	62,012	-	-	-	62,012	-	62,012
YSRAEL ANGELES	-	66,360	(66,360)	-	-	-	-
ZHEENA OCAMPO	-	120,000	(70,000)	-	50,000	-	50,000
ZYRA FACTURAN	8,975	-	-	-	8,975	-	8,975
<i>Balance forwarded</i>	P 9,679,662	P 32,251,564	(P 17,534,281)	-	P 24,396,946	-	P 24,396,946

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 9,679,662	P 32,251,564	(P 17,534,281)	-	P 24,396,946	-	P 24,396,946
KIM RITA MARIE SOLOMON	10,500	287,280	(281,962)	-	15,818	-	15,818
LAILANIE ANTONIO	1,800	-	-	-	1,800	-	1,800
LAMBERTO BANSIL III	-	247,800	-	-	247,800	-	247,800
LAPU-LAPU CITY TREASURER	9,720	-	-	-	9,720	-	9,720
LEI ANNE T. ORBISTA	-	8,800	-	-	8,800	-	8,800
LEO ROLLAN	-	20,000	(20,000)	-	-	-	-
LEUMAS DAVID R. LABISTE	24,000	-	(24,000)	-	-	-	-
LIAN MACHADO	6,087	61,200	(67,287)	-	-	-	-
LINO VILLANUEVA	355,215	-	-	-	355,215	-	355,215
LIZNIL JANE GEIDT	-	102,500	-	-	102,500	-	102,500
LLOYD PELAYO	-	57,750	(57,750)	-	-	-	-
LUIGIE LLANO	-	20,000	(20,000)	-	-	-	-
LUIS RAYMOND ILAGAN	93,600	184,932	-	-	278,532	-	278,532
MA. ABIGAIL JANE LIBRANDO	-	101,500	-	-	101,500	-	101,500
MA. GLORIA JENNIFER ONTE	-	250,850	-	-	250,850	-	250,850
MA. TERESA M. MORABE	-	46,300	(46,300)	-	-	-	-
MAEDEN B. ORDANZA	-	20,000	-	-	20,000	-	20,000
MANUEL CRUZ	-	112,900	-	-	112,900	-	112,900
MANUEL ONGJUCO	-	207,250	-	-	207,250	-	207,250
MARC BENI SANSAIT	8,000	-	-	-	8,000	-	8,000
MARDEL CIARA MARASIGAN	-	33,240	-	-	33,240	-	33,240
MARIA THERESA PASCUAL	80,000	-	-	-	80,000	-	80,000
MARICEL LUNA	76,850	-	-	-	76,850	-	76,850
MARIECRIS S. YADAO	6,527	34,520	(36,047)	-	5,000	-	5,000
MARIELLE M. OLEA	-	12,000	(4,504)	-	7,496	-	7,496
MARILOU M. GIANAN	-	245,000	-	-	245,000	-	245,000
MARIO LOPE PAR	185,466	282,693	-	-	468,159	-	468,159
MARJULAIN DERENE D. ACAY	7,000	-	(7,000)	-	-	-	-
MARK NICKSON GARCIA	99,277	-	-	-	99,277	-	99,277
MARK NICKSON P. GARCIA	175,385	-	-	-	175,385	-	175,385
MARK ROCAFORT	143,326	1,858,732	(1,669,426)	-	332,632	-	332,632
MARLON ALVARICO	26,174	-	-	-	26,174	-	26,174
MARNELLIE SANIDAD	40,000	71,000	(101,000)	-	10,000	-	10,000
MARTIN MIGUEL FLORES	10,717	-	-	-	10,717	-	10,717
MARY ANN ZACARIAS	14,851	88,254	(103,104)	-	-	-	-
MATEST LABORATORY SERVICES INC.	-	49,043	-	-	49,043	-	49,043
MELISSA SALILICAN	-	96,153	(21,490)	-	74,663	-	74,663
MICHAEL JOSEPH PEREYRA	31,800	-	-	-	31,800	-	31,800
MICHAEL SIMUNDAC	-	173,805	(164,468)	-	9,337	-	9,337
MICHELLE GATAL	111,295	-	-	-	111,295	-	111,295
MILESTILL YOUNG	45,000	20,000	(45,000)	-	20,000	-	20,000
NATIONAL INSTITUTE OF ACCOUNTING TECHNICIANS	9,025	-	-	-	9,025	-	9,025
NAZARENO C. ABALOS	6,351	-	-	-	6,351	-	6,351
NEIL CATABAY	62,009,676	(6,197,978)	(109,642)	-	55,702,056	-	55,702,056
NEIL CATABAY	-	43,600	(33,600)	-	10,000	-	10,000
NELSON LEGARDE	-	68,536	(8,536)	-	60,000	-	60,000
NELSON M. CASADO	-	90,000	-	-	90,000	-	90,000
NELSON TUIZA JR.	2,200	-	-	-	2,200	-	2,200
NESTOR F. DIZON JR.	-	98,840	-	-	98,840	-	98,840
NEW EZKLEEN PORTALET CORP.	8,839	-	-	-	8,839	-	8,839
NICOLE SYMON C. DILIG	-	20,000	(20,000)	-	-	-	-
NIDA H. GREFALDO	507,522	222,750	-	-	730,272	-	730,272
NIKKO KAYE VILLETE	-	31,680	(31,680)	-	-	-	-
NILO MELITON	30,600	26,400	(57,000)	-	-	-	-
NINO DELOS REYES	70,309	196,315	(266,624)	-	-	-	-
NINO JOVIT C. JIMENEZ	42,065	373,401	(68,300)	-	347,165	-	347,165
NOEL CANSINO	-	10,000	(10,000)	-	-	-	-
NOEL M. BERANA	14,464	46,750	-	-	61,214	-	61,214
NORLITO P. BUENA	1,476	26,851	(16,211)	-	12,116	-	12,116
NORMAN N. ESCOBAR	11,960	-	-	-	11,960	-	11,960
OLIVER BERMEJO	-	56,000	-	-	56,000	-	56,000
OUR LADY OF MT. CARMEL MEDICAL CENTER-CLARK	47,000	-	-	-	47,000	-	47,000
OWEN NIPA	79,650	3,600	(83,250)	-	-	-	-
PAMELA PEREZ	9,856	-	-	-	9,856	-	9,856
PAULINE JEENE AGUINALDO	-	15,000	(15,000)	-	-	-	-
PIELCHE IMSON	8,600	92,000	-	-	100,600	-	100,600
PINOY PROPERTIES INVESTMENT CORPORATION	-	22,755	(11,335)	-	11,419	-	11,419
PRIME CARE ALPHA	379,464	-	-	-	379,464	-	379,464
PRINCESS INCISO	-	60,000	-	-	60,000	-	60,000

TOTAL ADVANCES TO OFFICERS AND EMPLOYEES	P 74,481,307	P 32,251,564	(P 20,934,796)	-	P 85,798,075	-	P 85,798,075
<i>Advances to related parties under common ownership</i>							
Future State Myspace, Inc.	33,574.00	1,840	-	-	35,414.00	-	35,414.00
MySpace Properties Inc.	100,795,633.00	6,100,682	-	-	106,896,315.00	-	106,896,315.00
Megawide Foundation	39,845.00	47,631	-	-	87,476.00	-	87,476.00
ESA Group of Companies Inc.	-	757,143	-	-	757,143.00	-	757,143.00
Altria East Land, Inc.	60,428.00	-	(60,428)	-	-	-	-
Citicore Infrastructure Holdings, Inc.	31,716.00	1,548,624	-	-	1,580,340.00	-	1,580,340.00
Citicore Power Inc.	3,176,113,903.00	1,311,655	-	-	3,177,425,558.00	-	3,177,425,558.00
TOTAL ADVANCES TO RELATED PARTIES UNDER COMMON OWNERSHIP	3,277,075,099.00	9,767,575.00	(60,428.00)	-	3,286,782,246.00	-	3,286,782,246.00
ULTIMATE PARENT COMPANY	3,089,295,108.00	-	-	-	3,089,295,108.00	-	3,089,295,108.00
ASSOCIATES AND JOINT ARRANGEMENTS	44,319,466.00	-	(1,519,066)	-	42,800,400.00	-	42,800,400.00
	6,485,170,980.00	42,019,139.00	(22,514,290.00)	-	6,504,675,829.00	-	6,504,675,829.00

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)

Schedule C

Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
December 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	
Megawide Construction (BVI) Corporation (MCBVI)	P 148,353,434	-	P 12,582,294	-	P 135,771,140	-	P 135,771,140
Megawide Terminals, Inc. (MTI)	480,245,448	38,989	-	-	480,284,437	-	480,284,437
Altria East Land, Inc. (Altria)	123,790,792	834,841					124,625,633
Tiger Legend Holdings Limited	-	472,264,936	-	-	472,264,936	-	472,264,936
Megawide Land Inc. (MLI)	12,275,848	4,274,131	-	-	16,549,979	-	16,549,979
Cebu2World Development, Inc.	2,084,290		2,084,290	-	-	-	-
Wide-Horizons, Inc.	1,250,000	90,911	-	-	1,340,911	-	1,340,911
Globemerchants Inc.		2,000,000			2,000,000		2,000,000

Supplementary information –

Megawide has receivables from MIL for construction and engineering services provided.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES

(A Subsidiary of Citicore Holdings Investment, Inc.)

Schedule D

Long-Term Debt

December 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 43,466,007,561	P 14,504,602,415	P 28,961,405,146
Note payable (ii)	5,569,791,232	P 56,000,000	5,513,791,232
Lease liabilities (iii)	465,697,699	219,483,607	246,214,092
Total	P 49,501,496,492	P 14,780,086,022	P 34,721,410,470

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

(A Subsidiary of Citicore Holdings Investment, Inc.)

Schedule E

Indebtedness to Related Parties

December 31, 2021

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
Citicore-Megawide Consotium, Inc. (CMCI)	20,000,000	20,000,000
MWM Terminals, Inc. (MWMTI)	1,115,843,082	38,328,360
Cebu2World Development, Inc.	-	921,465,312
Total	P 1,135,843,082	P 979,793,672

Supplementary information on Indebtedness to Related Parties

¹ The Group obtained unsecured, noninterest-bearing cash advances from its associate, CMCI, for working capital requirements, which are payable on demand. its working capital requirements, which are payable on demand. Citicore paid for the Parent Company's agreed subscription of MWCCI in 2014 and CMCI in 2012. These advances are noninterest-bearing and payable on demand.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES

(A Subsidiary of Citicore Holdings Investment, Inc.)

Schedule F

Guarantees of Securities of Other Issuers

December 31, 2021

Name of Related Party	Amount
MWM Terminals, Inc. (MWMTI)	P 3,841,500,000
Citicore Holdings Investments, Inc. (CHI)	1,500,000,000
Citicore Megawide Consortium, Inc. (CMCI)	656,000,000
Total	P 5,997,500,000

Supplementary information on Guarantees of Securities and Other Issuers

¹ 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.

² 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. MWMTI has an outstanding loan amounting to P3,841.5 million as of December 31, 2021.

³ On March 23, 2015, CMCI, with the Parent Company as guarantor, executed a RPA with certain local commercial banks, whereby 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. The Parent Company, as guarantor, shall pay on the demand up to the aggregate amount of P656 million in case of default of CMCI. Pursuant to the continuing obligations of CMCI under the RPA, CMCI has been in compliance with the RPA during the reporting periods.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
 Schedule G
 Capital Stock
 December 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 (i)	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights / Treasury Shares	Number of Shares Held By		
				Related Parties	Directors, Officers and Employees	Others
Common	4,930,000,000	2,381,709,313	P 386,016,410	1,330,634,698	19,171,308	681,320,525
Preferred	178,000,000	88,626,010.00	-	5,000,000	-	83,626,010

" 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.

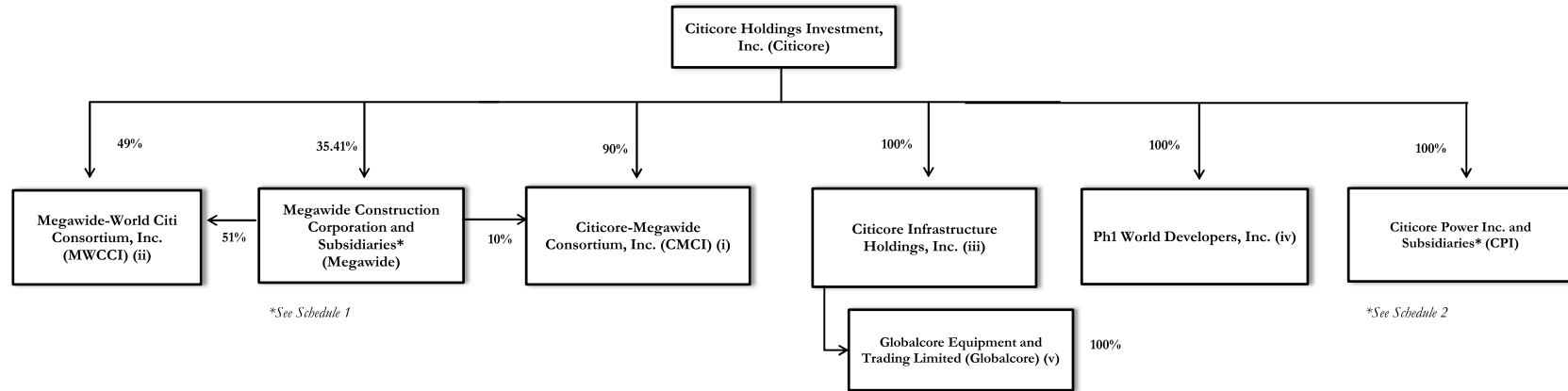
On March 3, 2020, the Parent's BOD approved an additional P3.0 billion to its share buyback program, making it a total of P5.0 billion and removal of the period within which to execute the program, making it open-ended. Total cost of acquired treasury shares in 2020 amounted to P703.1 million, which is equivalent to 50.2 million shares. "

MEGAWIDE CONSTRUCTION CORPORATION
Reconciliation of Retained Earnings Available for Dividend Declaration
For Year Ended December 31, 2021

Unappropriated Retained Earnings of the Parent Company at Beginning of Year	P	4,903,113,418
Prior Periods' Outstanding Reconciling Item		
Treasury shares - at cost	(	4,615,690,576) ¹
Deferred tax income	(	201,153,958)
Effect of prior period restatement		12,718,499
Effect of change in income tax rate		<u>33,525,660</u>
Unappropriated Retained Earnings Available for		
Dividend Declaration at Beginning of Year, as Adjusted		132,513,043
Net Profit of the Parent Company Realized During the Period		
Net profit per audited financial statements		1,285,145,170
Non-actual/unrealized income		
Deferred tax income related to deferred tax assets recognized in the profit or loss during the year	(	141,920,106)
Other Transaction During the Period		
Cash dividends to preferred and common shareholders	(	<u>505,629,428)</u>
Unappropriated Retained Earnings Available for		
Dividend Declaration at End of Year	P	<u>770,108,679</u>

¹ The Group's retained earnings are restricted up to the extent of the cost of its treasury shares, except those treasury shares acquired in the redemption of redeemable preferred shares amounting to P4,000.0 million as of December 31, 2021.

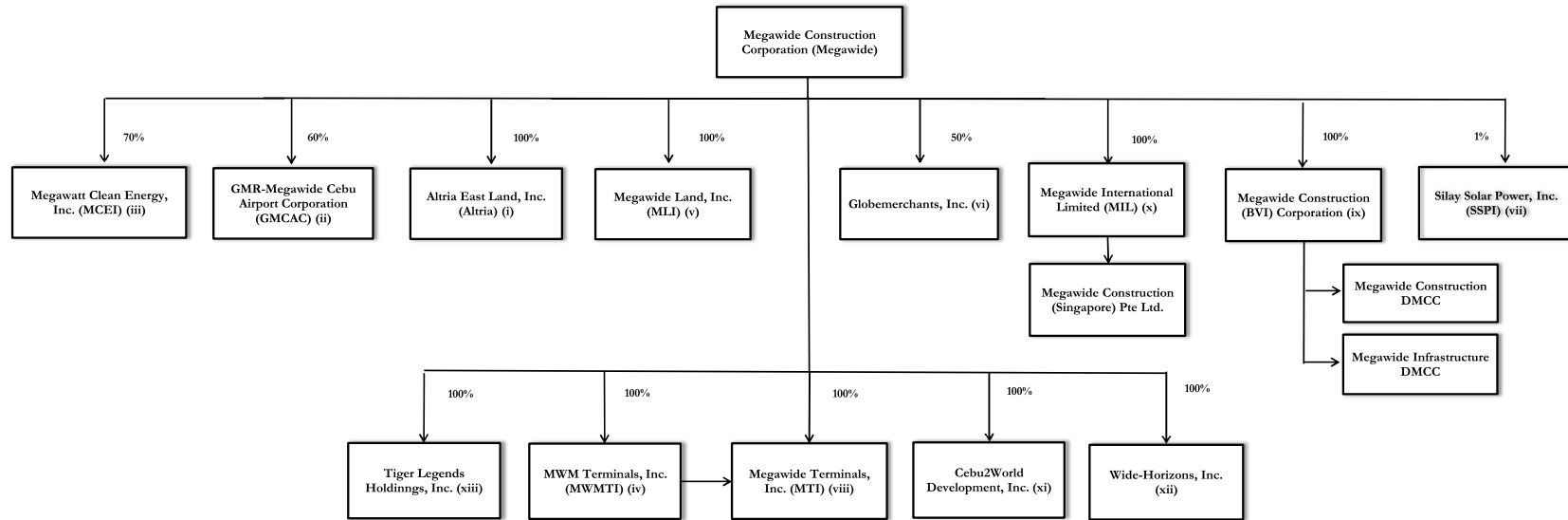
MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
MAP SHOWING THE RELATIONSHIP BETWEEN THE COMPANY AND ITS RELATED ENTITIES
 December 31, 2021



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 CIHI. CIHI was established primarily to engage in buying and holding shares of other companies, either by subscribing to unissued shares of capital stock in public or private offering or by purchasing the shares of other stockholders by way of assignment in private sale.
- (iv) In January 2012, upon execution of Deed of assignment between CHI and Ph1's stockholders, the 100% ownership of Ph1 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.

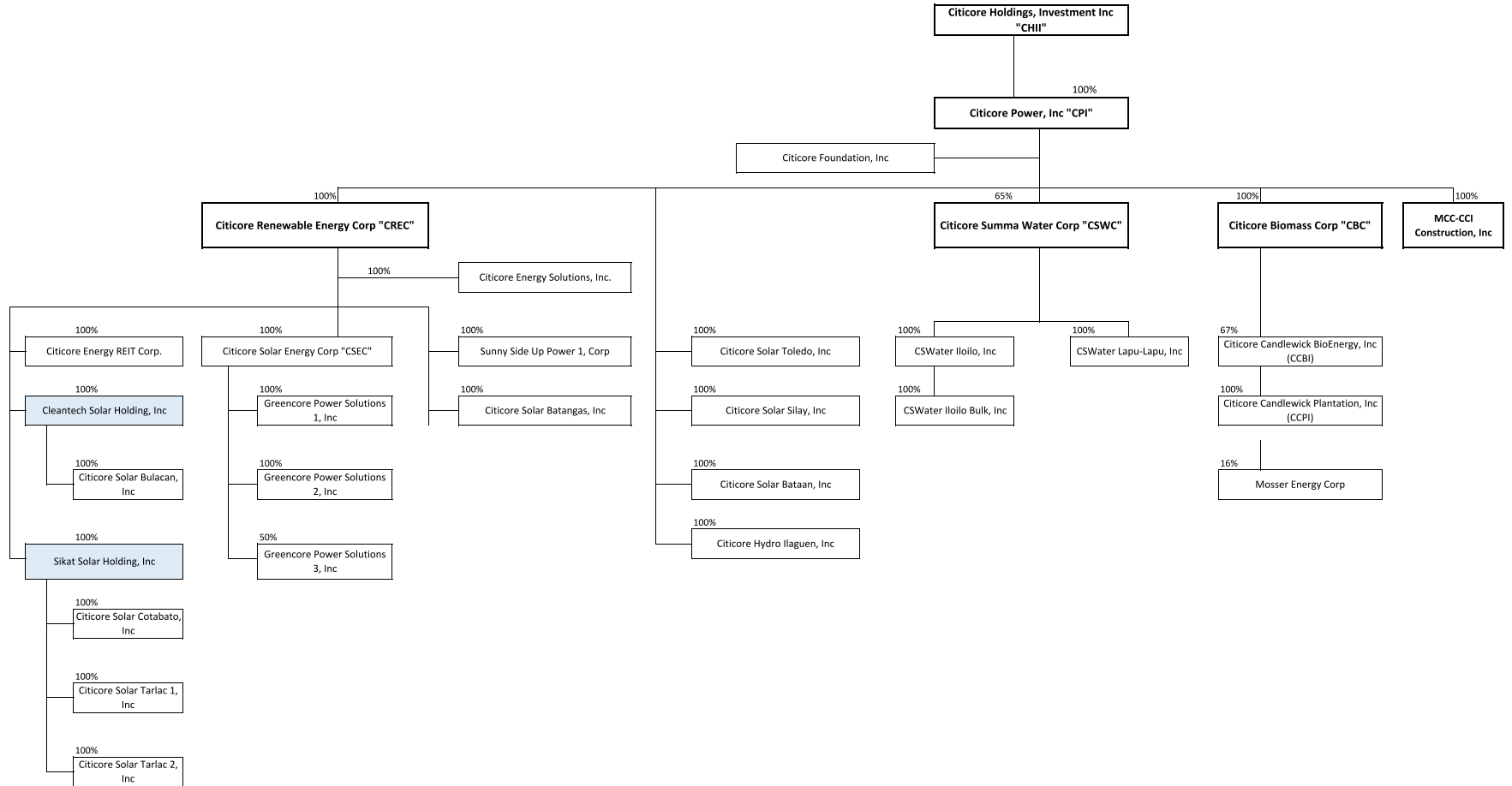
MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
MAP SHOWING THE RELATIONSHIP BETWEEN THE COMPANY AND ITS RELATED ENTITIES
Schedule I: Megawide Construction Corporation and Subsidiaries
December 31, 2021



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) MWTMTI 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 MWTMTI 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 Globemercants, 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 Globemercants, 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 Marty Building, 2nd Floor, Parrell 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 Ljfe 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.
- (xiii) Tiger Legends was incorporated on October 16, 2020 to primarily engage in buying and holding shares of other companies. Tiger Legend's registered address is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, British Virgin Islands.

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, 2021



Supplementary information:

(i) 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.

(ii) In 2016, the following newly incorporated entities: HBPI, CESI, BGESSI, NGESSI, LGESSI and CGESSI, become wholly owned subsidiaries of the CPI upon subscription on their common shares.

In 2015, CPI acquired NGPTC. CPI acquired additional shares of NGPTC through conversion of advances to equity investments.

In November 2015, CPI entered into a share purchase agreement (SPA) for the acquisition of 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 purchased price to \$9.6 million. CPI gained control on FTSEEC in May 2016 upon significant compliance of the parties to the SPA. CPI then recognized FTSEEC as its subsidiary.

COVER SHEET

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(Company's Full Name)

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

CHARLOTTE Y. KING
MA. CRISSELLE R. ZAPATA-HERERA

Contact Person

(02) 8655-1111

Company's Telephone Number

31 December

Month Day of Fiscal Year

30 June

Month Day of Annual Meeting

SEC FORM 17-A

Secondary License Type, If Applicable

S	E	C
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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

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File Number

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Document I.D.

LCU

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

MEGAWIDE CONSTRUCTION CORPORATION

Company's Full Name

No. 20 N. Domingo Street

Barangay Valencia

Quezon City

Company's Address

(02) 8655-1111

Telephone Number

December 31

Fiscal Year Ending

(Month & Day)

SEC FORM 17-A

Form Type

December 31, 2021

Period Ended Date

—

(Secondary License Type and File Number)

cc: The Philippine Stock Exchange, Inc.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the Fiscal Year Ended **December 31, 2021**
2. SEC Identification Number **CS200411461**
3. BIR Tax Identification No. **232-715-069-000**
4. Exact Name of Issuer as Specified in its Charter **Megawide Construction Corporation**
5. Province, Country or other Jurisdiction of Incorporation or Organization **Philippines**
6. Industry Classification Code (SEC use only)
7. Address of Principal Office **No. 20 N. Domingo Street,
Barangay Valencia, Quezon City
Postal Code 1112**
8. Issuer's Telephone Number, including Area Code **(02) 8655-1111**
9. Former Name, Former Address and Fiscal Year, if Changed since Last Report **Not Applicable**
10. Securities registered pursuant to Section 8 and 12 of the SRC, or Section 4 and 8 of the RSA:

Title of Each Class	Number of Shares Issued and Outstanding	Amount of Debt Outstanding (Php)
MWIDE (Common)	2,013,409,717	0.00
MWP2A (Preferred)	26,220,130	0.00
MWP2B (Preferred)	17,405,880	0.00
MWP3 (Preferred)	20,000,000	0.00
MWP4 (Preferred)	40,000,000	0.00

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

Yes ☒ No ☐

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

The Philippine Stock Exchange, Inc. - Common Shares (MWIDE)
- Preferred Shares (MWP2A, MWP2B, and MWP4)

12. Check whether the issuer:

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

Yes ☒ No ☐

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

Yes ☒ No ☐

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

Number of non-affiliate shares as of December 31, 2021	663,603,711
Closing price per share as of December 31, 2021	PhP 5.18
Market value as of December 31, 2021	PhP 3,437,467,222.98

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PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

Description of Business

Megawide Construction Corporation (Megawide or the Company) is the country's premier infrastructure innovator, with a portfolio in engineering, procurement and construction (EPC), airport operations and landport infrastructure. The Company's revolutionary construction and engineering solutions continue to shape the industry by integrating its comprehensive EPC capabilities with innovative construction solution technologies such as precast, formworks, concrete batching, and specialized logistics systems.

The Company was incorporated in the Philippines on July 28, 2004 as a general construction company and has then expanded its business by creating a strong partnership with the Philippine government through its participation in Public Private Partnership (PPP) programs, which began with Phases 1 and 2 of the School Infrastructure Project.

On January 28, 2011, the Philippine Stock Exchange, Inc. (PSE) and the Securities and Exchange Commission (SEC) approved the Company's application for the listing of its common stock. The approval covered the initial public offering (IPO) of two hundred ninety-two million (292,000,000) unissued common shares of the Company at an offer price of Seven and 84/100 Pesos (PhP 7.84) per share and the listing of those shares in PSE's main board on February 18, 2012. On December 03, 2014, the Company made a primary offer of forty million (40,000,000) preferred shares at an offer price of One Hundred Pesos (PhP 100.0) per share. These preferred shares are also listed in the PSE.

On September 22, 2014, the SEC approved the amendment of the Company's Articles of Incorporation, which included (a) the Company's power to extend corporate guarantees to its subsidiaries and affiliates, and (b) the increase in its authorized capital stock to Five Billion Pesos (PhP 5,000,000,000.00), divided into four billion nine hundred thirty million (4,930,000,000) common shares and seventy million (70,000,000) cumulative, non-voting, non-participating, non-convertible to common shares, and redeemable at the option of the Company, perpetual preferred shares (Series 1). Both common and preferred shares have a par value of One Peso (PhP 1.00) per share.

To further its involvement in PPP, the Company, together with its strategic partners, GMR Infrastructure (Singapore) Pte. Limited (GISPL) and GMR Infrastructure Limited (GIL), incorporated GMR Megawide Cebu Airport Corporation (GMCAC) for the purpose of constructing, developing, operating, and maintaining the Mactan Cebu International Airport (MCIA), in accordance with the Concession Agreement (CA) executed between GMCAC and the Department of Transportation (DOTr) on April 21, 2014.

Additionally, MWM Terminal, Inc. (MWMTI), the joint venture of Megawide and the then WM Property Management, Inc. (WMPMI) (which is now Megawide Terminals, Inc. [MTI]), was incorporated to develop and operationalize the Parañaque Integrated Terminal Exchange (PITx) project, pursuant to the CA signed with DOTr on April 24, 2015. PITx is designed to be the first (1st) intermodal terminal in the Philippines.

Meanwhile, 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 (PhP 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 (PhP 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 over subscription 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 (PhP 4,360,000,000.00). The said shares were listed in the PSE on November 27, 2020.

Subsequently, on February 26, 2021, the Board of Directors (Board) approved a resolution to amend the Company's Articles of Incorporation to increase its authorized capital stock by twenty-six million (26,000,000) preferred shares, raising the Company's authorized capital stock to Five Billion Eighty Million Pesos (PhP 5,080,000,000.00) divided into four billion nine hundred thirty million (4,930,000,000) common shares with a par value of One Peso (PhP 1.00) per share, and one hundred fifty million (150,000,000) preferred shares. The increase in Company's authorized capital stock was approved by the SEC on September 09, 2021. After which, the SEC 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 forty million (40,000,000) Series 4 Preferred Shares, consisting of one (1) or more sub-series, at an offer price of One Hundred Pesos (PhP 100.00) per share. The SEC then issued the Order of Registration and the Certificate of Permit to Offer Securities for Sale for thirty million (30,000,000) cumulative, non-voting, non-participating, non-convertible, redeemable (non-reissuable) perpetual Series 4 Preferred Shares, with an over subscription option of up to ten million (10,000,000) cumulative, non-voting, non-participating, non-convertible, redeemable (non-reissuable) perpetual Series 4 Preferred Shares. The offer and sale of the Series 4 Preferred Shares led the Company to raise Four Billion Pesos (PhP 4,000,000,000.00). The said shares were listed in the PSE on October 29, 2021.

On October 19, 2021, the Board also approved the redemption of the Company's Series 1 Preferred Shares, with stock symbol MWP, on December 03, 2021, which is the seventh (7th) anniversary of its listing date last December 03, 2014. The redemption of the said shares was completed on February 15, 2022. The following are the details of the redemption:

Ex- Date	November 04, 2021
Record Date	November 09, 2021
Redemption Date	December 03, 2021
Redemption Price	PhP 100.00 per share

Below are the other significant business developments of Megawide for the past three (3) fiscal years:

2019

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

GMCAC completed the renovation of MCIA Terminal 1, including the Airport Village, and the refurbished areas became operational on August 28, 2019. Post completion of the renovation, the gross commercial area in Terminal 1 increased from four thousand three hundred sixty-seven (4,367) square meters to nine thousand seven hundred seventy-two (9,772) square meters.

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

Meanwhile, six (6) new domestic destinations were added in 2019 – Royal Air Philippines' Manila, Davao, Puerto Princesa, Cagayan and Boracay, and Cebu Pacific's Busuanga. Further, MCIA received various commendations and awards in 2019, such as "Winner of the Completed Buildings: Transport Category" in the 2019 World Architecture Festival, "Breastfeeding Friendly Public Place Award" from Philippine Pediatric Society, and "2019 International Architecture Awards, Airports and Transportation Centers Category" for Terminal 2 from Chicago Athenaeum: Museum of Architecture and Design, among others.

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

The EPC segment ramped up its construction activities for the Clark International Airport, 8990's Housing Development's Ortigas and Tondo, Araneta's Gateway Mall, Megaworld's Worldwide Plaza, Albany Luxury Residences, One Fintech, 8 Sunset Boulevard, International Finance Center, and Double Dragon projects. Its order book remained to be at an all-time high level of Fifty-Two Billion Four Hundred Million Pesos (PhP 52,400,000,000.00), with new contracts at Nineteen Billion Four Hundred Twenty Million Pesos (PhP 19,420,000,000.00) at the end of December 2019, which will provide sufficient revenue stream for EPC in the next three (3) years. EPC continues to enter into partnerships with foreign entities in bidding for infrastructure related projects, such as Maynilad and Manila Water's sewage treatment plant (STP) and National Grid Corporation of the Philippines' (NGCP) transmission lines project, which are mostly under way in 2019. Meanwhile, the Malolos Clark Railway Project (MCRP), which is expected to boost the Company's technical capability and expertise in the horizontal infrastructure space, is awaiting official awarding.

In 2019, the EPC segment broke ground for the 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 projects. It also topped off the Albany Luxury Residences and Golden Bay Aspire projects.

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

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 by the government of quarantine restrictions. However, due to domestic and international travel bans, the airport segment continued to struggle.

Despite limited mobility, Megawide was able to inaugurate the renovated MCIA 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 orderbook of Sixty-Eight Billion Four Hundred Million Pesos (PhP 68,400,000,000.00), 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 MCRP Phase 1 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 its 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.

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 Scorecard (ACGS), 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, 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).

2021

The construction segment, which is a critical component in pump-priming the economy due to its significant multiplier effect, remains a bright spot in the Company's portfolio amid the ongoing COVID-19 pandemic, as activities were unhampered despite the various quarantine restrictions. From the previous year's order book of Sixty-Eight Billion Four Hundred Million Pesos (PhP 68,400,000,000.00), it was able to contract new projects such as The Coral Village project in Cebu and the Westside City Site A which involves the construction of a retail strip and theater mall to complement its hotel and casino complex.

The Company also forged its partnership with German concrete technology developer MultiCON to bring its patented mixing innovation into the country. The system can produce stronger concrete with better performance which could translate to improved margins and decreased emissions, given that it can help reduce raw material cost and minimize carbon dioxide emissions by up to thirty percent (30%) during production.

In 2021, Megawide also signed new contracts with PHirst Park Homes, Inc. for housing projects in Magalang, Pampanga and Batulao, Nasugbu, Batangas. The new contracts pertain to supply and build agreements for one thousand seventy-nine (1,079), in Pampanga, and one thousand nine hundred seventy-four (1,974), in Batangas, housing units using precast materials, resulting in almost twelve thousand (12,000) housing units being serviced through pre-cast supplied and assembled by Megawide's construction solutions unit. It also started the construction of the MCRP Phase 1, a project that is part of the seventeen (17)-kilometer North South Commuter Railway Project implemented by DOTr that will link the New Clark City and the Clark International Airport to Metro Manila and nearby cities.

On January 11, 2021, the Company and the City of Cebu entered into a Joint Venture Agreement (JVA) for the phased redevelopment of the Cebu Carbon Market, which includes the construction, development, and operation of mixed-use assets on the project site. The JVA is for fifty (50) years, extendible for another twenty-five (25) years upon mutual agreement of the parties. The total investment of the Company is Five Billion Five Hundred Million Pesos (Php 5,500,000,000.00) while the Cebu City shall contribute the exclusive use and possession of the project site.

On February 24, 2021, the consortium between SUEZ and Megawide together with Manila Water, Inc. (Manila Water), the project proponent, broke ground for the Aglipay STP. The consortium will undertake the design and build of the STP which will treat wastewater in Mandaluyong City, southern Quezon City, and southern San Juan City, which will significantly enhance the health and sanitary conditions of more than six hundred fifty thousand (650,000) residents.

On May 6, 2021, GMCAC, together with its sponsors and its lenders executed the Second Amendment Agreement to the Amended and Restated Omnibus Loan and Security Agreement. The Agreement is for the purpose of restructuring GMCAC's existing Omnibus Loan and Security Agreement for the construction, development, renovation, expansion, and operation of MCIA.

On October 12, 2021, the SEC then issued the Order of Registration and the Certificate of Permit to Offer Securities for Sale for thirty million (30,000,000) cumulative, non-voting, non-participating, non-convertible, redeemable (non-reissuable) perpetual Series 4 Preferred Shares, with an over subscription option of up to ten million (10,000,000) cumulative, non-voting, non-participating, non-convertible, redeemable (non-reissuable) perpetual Series 4 Preferred Shares, at an offer price of One Hundred Pesos (Php 100.00) per share. The offer and sale of the Series 4 Preferred Shares led the Company to raise Four Billion Pesos (Php 4,000,000,000.00). The said shares were listed in the PSE on 29 October 2021. The Series 4 Preferred Shares shall be subject to a dividend step-up rate unless the Company redeems the said shares three and a half years (3 ½) from its listing date. The proceeds from the offer was used to redeem the Company's Series 1 Preferred Shares. Moreover, the offering is part of the Company's financial plan to streamline its balance sheet to support its expansion programs, especially its pivot to infrastructure.

On October 19, 2021, the Board also approved the redemption of the Company's Series 1 Preferred Shares, with stock symbol MWP, on December 03, 2021, which is the seventh (7th) anniversary of its listing date on December 03, 2014, at a redemption price of One Hundred Pesos (Php 100.00) per share. The redemption of the said shares was completed on February 15, 2022.

The Company received various awards from FinanceAsia, which included Best Managed Listed Company – Industrials (Southeast Asia), Best Managed Listed Company – Philippines, Most Committed to Environmental Stewardship, Most Committed to Social Causes, and Most Committed to the Highest Governance Best Standards. To top off, Mr. Edgar B. Saavedra, *Chairman of the Board, CEO, and President*, was also awarded as the Best CEO by FinanceAsia. The Company was further named as one (1) of Asia's Most Outstanding Companies in Asiamoney's Outstanding Companies Poll for 2021. The poll is designed to acknowledge listed companies that have excelled in areas such as financial performance, management team excellence, investor relation activities and corporate social responsibility (CSR) initiatives. Megawide was also voted as a Finalist in IR Magazine as Best in Sector: Industrials and won as the Most Innovative Company of the Year in the Asia CEO Awards, while belonging to the Circle of Excellence for the Executive Leadership Team of the Year.

Meanwhile, MCIA and PITx obtained the Best Infrastructure and Best Decorative Concrete award, respectively, from the Philippine Excellence in Concrete Construction Awards (PECCA).

Subsidiaries and Affiliates

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

Percentage of effective ownership on each affiliate is as follows:			
	2021	2020	2019
Subsidiaries:			
GMR Megawide Cebu Airport Corporation (GMCAC)	60%	60%	60%
Megawatt Clean Energy, Inc. (MCEI)	70%	70%	70%
Globemerchants, Inc. (GMI)	50%	50%	50%
Megawide Land, Inc. (MLI)	100%	100%	100%
Megawide Construction (BVI) Corporation (MCBVI)	100%	100%	100%
MWM Terminals, Inc. (MWMTI)	100%	100%	100%
Megawide Terminals, Inc. (MTI, formerly WM Properties Management, Inc.)	100%	100%	100%
Megawide International Limited (MIL)	100%	100%	100%
Megawide Cold Logistics, Inc. (MCLI)	60%	60%	60%
Megawide Construction DMCC (DMCC)	100%	100%	100%
Megawide Construction (Singapore) Pte. Ltd. (MC-SG)	100%	100%	100%
Megawide Infrastructure DMCC	100%	100%	-
Cebu2World Development, Inc. (Cebu2World)	100%	100%	-
Wide-Horizons Inc. (Wide-Horizons)	100%	100%	-
Tiger Legend Holdings Limited (Tiger Legend)	100%	-	-
<i>Accounted for as Asset Acquisition –</i>			
Altria East Land, Inc. (Altria)	100%	100%	100%
Affiliates:			
Megawide World Citi Consortium, Inc. (MWCCI)	51%	51%	51%
Citicore-Megawide Consortium, Inc. (CMCI)	10%	10%	10%
Joint Operations:			
Megawide GISPL Construction Joint Venture (MGCJV)	50%	50%	50%
Megawide GMR Construction Joint Venture, Inc. (MGCJVI)	50%	50%	50%
HDEC- Megawide-Dongah JV (HMDJV)	35%	-	-

	2021	2020	2019
Joint Ventures:			
Mactan Travel Retail Group Corp. (MTRGC)	25%	25%	25%
Select Service Partners Philippines Corp. (SSPPC)	25%	25%	25%

GMR Megawide Cebu Airport Corporation (GMCAC)

GMCAC was incorporated on January 13, 2014 and is authorized to engage in the business of building, rehabilitating, renovating, constructing, developing, operating, and maintaining MCIA, including its commercial assets and all allied businesses for the operation and maintenance of said airport facility, pursuant to the concession granted to GMCAC and in accordance with Republic Act (R.A.) No. 7718 and other applicable laws, rules, and regulation.

GlobemERCHANTS, Inc. (GMI)

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

Megawatt Clean Energy, Inc. (MCEI)

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

Megawide Land, Inc. (MLI)

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

MLI has sixty percent (60%) ownership interest in MCLI, a company incorporated in the Philippines on December 15, 2016, to engage in cold and dry storage business, to acquire, construct, own, lease, charter, establish, maintain, and operate factories, plants, cold storage, refrigerators, refrigerated vehicles, warehouses, and other machineries and equipment.

Megawide Construction (BVI) Corporation (MCBVI)

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

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

MWM Terminals, Inc. (MWMTI)

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

Megawide Terminals, Inc. (MTI)

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

Megawide International Limited (MIL)

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

Cebu2World Development, Inc. (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 (Tiger Legends)

Tiger Legends was incorporated on October 16, 2020 to primarily engage in buying and holding shares of other companies. Tiger Legend's registered address is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, British Virgin Islands.

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 engaged in the construction works related to the concession for MCIA. It is jointly owned and managed by the Company and GISPL.

Megawide GMR Construction JV, Inc. (MGCJVI)

MGCJVI is a joint venture arrangement incorporated on January 31, 2018 by the Company, GISPL, and GHOSPL, each holding fifty percent (50%), forty-five percent (45%), and five percent (5%) ownership, respectively, in the joint venture. MGCJVI was established to engage in the general construction business, including the construction, improvement, and repair of the Clark International Airport project.

HDEC- Megawide-Dongah JV (HMDJV)

HMDJV is an unincorporated joint venture formed on October 27, 2020 by the Company, Hyundai Engineering & Construction Co., Ltd. and Dong-Ah Geological Engineering Company Ltd., each holding thirty-five percent (35%), fifty-seven and 5/10 percent (57.5%), and seven and 5/10 percent (7.5%) ownership, respectively, in the joint venture and exercising joint control. HMDJV was established to provide construction works for the civil structures, viaducts, bridges and stations of MCRP. HMDJV began its operations in 2021.

Parent Company and Other Affiliates

Citicore Holdings Investment Inc. (Citicore)

Citicore was incorporated on December 03, 2011 and operates primarily as a holding company, with ownership interests in Megawide at thirty-five and 41/100 percent (35.41%), MWCCI at thirty nine percent (39%), PH1 World Developers, Inc. at one hundred percent (100%), and CMCI at ninety percent (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 twenty-nine and 93/100 percent (29.93%) ownership interest in Megawide.

PH1 World Developers, Inc. (PH1) (formerly, My Space Properties, Inc. [MySpace])

MySpace was incorporated on February 06, 2009, and is presently engaged in real estate development. Its current projects are The Hive, located at San Isidro Street, Ortigas Avenue Extension, Taytay, Rizal, and My Ensô Lofts, located at Timog Avenue, Quezon City. On November 18, 2020, the SEC approved MySpace's change of name to PH1. 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 thirty-six percent (36%) owned by Mr. Edgar B. Saavedra, and has one hundred percent (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 thirty-two (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.

Megawide OneMobility Corporation (OneMobility) (formerly, 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. On November 17, 2021, the SEC approved CIHI's change of name to OneMobility.

Business Segments

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

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

2. **Airport Operations** – mainly relates to the business of building, rehabilitating, renovating, constructing, developing, operating, and maintaining MCIA, including its commercial assets and all allied businesses for the operation and maintenance of said airport facility.
3. **Airport Merchandising** – mainly includes sale of food and non-food items in the premises of MCIA.
4. **Landport Operations** – mainly relate to cost related to operation and maintenance of PITx as offset by the income stream from the lease of its concessionaire and commercial/office towers.

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

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

Additional significant information relating to each business segment are discussed below:

Construction Segment

Customer and Project Selection

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

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

1. 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
2. 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:

1. size of the over-all development blueprint of the project and its implementation timetable on phases;
2. complexities and limitations of the structural design of the high-rise building project;
3. project location, accessibility of heavy construction equipment, and proximity to clusters of on-going project sites;
4. logistics difficulties and limitations;
5. procurement of necessary permits; and
6. 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 upon receipt of the following:

1. issuance of the Notice to Proceed;
2. execution of the Construction Agreement/Contract;
3. release of the building permit;
4. completion of the construction drawings; or
5. full release of the downpayment.

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

1. **Project Overview** – contains general project information, such as the project name, location, scope of works, contract amount, and project duration. It also identifies third-party consultants that will be collaborating on each scope of works, if any. Moreover, it presents the number of towers that will be built, the level of each tower and the construction floor area.
2. **Table of Organization** – identifies the human resources needs of the project such as the assistant vice president in-charge, the project manager/s, area manager/s, site manager, the safety officer, structural and finishing employees, mechanical, electrical, plumbing and fire (MEPF) engineers, and others necessary personnel. It also provides the required headcount for the project from rank and file to executive level.
3. **Safety** – contains the plans on Health, Safety and Environment (HSE), specifically, Construction Safety and Health Programs (CSHP), usage of personal protective equipment, site ingress and egress during construction, evacuation plan, location of fire exits and fire extinguishers, waste management, fall protection plan, and procedures on emergency response, among others.
4. **Quality** – contains the project's quality policies, roles and responsibilities of each employee, work inspection process flow, material inspection process flow, punchlist and hand-over process, sequence and inspection of works, structural inspection test plan, among others.
5. **Schedule** – includes the milestone dates, project schedules, s-curve, deliverables per quarter, technical and revenue schedule, cycle per floor, and manpower and equipment loading. Further, it identifies the specific dates for the following: project commencement, topping off, structural works, push pile works, site development, handover and project completion.
6. **Methodology** – contains technical information on how the development plan will be carried out, including the use of technologies, tools, and equipment.
7. **Procurement** – contains the work package, or the list of all materials, tools, equipment, subcontracted works, and their procurement schedule.
8. **Engineering Designs and Drawings** – contains all the required architectural works and when are they required to be secured.
9. **Risk Assessments** – identifies the perceived risks on operation, as well as commercial, environmental, and social risks, and the proper responses to mitigate, resolve or eradicate such risks.

10. **Communication Plan** – contains dates of regular meetings (for construction coordination, operations, technical support, safety and quality, and monitoring of subcontractors) and other communication strategies.

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

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

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

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

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

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

Terms Granted to Customers

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

1. a downpayment of fifteen percent (15%) to twenty percent (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;
2. monthly progress billing (or interim billings). Progress billings are subject to pro-rata recoupment of downpayments, and retention monies equivalent to ten percent (10%) of the billed amount, to be reduced to five percent (5%) upon fifty percent (50%) completion of the project; and
3. release of the ten percent (10%) retention money upon certification of the approval of the punch list of items. Customers usually require that Megawide obtain a guarantee bond to guarantee the quality of the materials provided, the equipment installed, and its workmanship.

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

Completed Projects

The notable projects that the Company has completed are:

1. **SM Jazz Residences (Phases 1 and 2)** – SM Jazz Residences is composed of 4, 40-storey, towers on top of a 5-level shopping mall and parking basement. It is located along Jupiter Street, Bel-Air Makati City. The project has a total floor area of 300,000 square meters in a lot area of 2-hectares.
2. **The Linear** – The Linear is an office and commercial building located in San Antonio, Makati City. Its total floor area is 7,400 square meters.
3. **IHUB 9 Building** – IHUB 9 is a business process outsourcing (BPO) building located in Northgate Cyberzone, FCC, Alabang, Muntinlupa City. Its total floor area is 28,898.04 square meters.
4. **IHUB 10 Building** – IHUB 10 is also a BPO building located in Northgate Cyberzone, FCC, Alabang, Muntinlupa City. Its total floor area is 28,898.04 square meters.
5. **BPO Complex Cebu** – BPO Complex Cebu is located in Phase 1 Lahug, Cebu City, which is a 14-storey commercial building for BPOs with lot area of 45,428.07 square meters.
6. **Dexterton** – A 15-storey commercial building with a floor area of 12,769.43 square meters, located in Fort Bonifacio, Taguig City.

7. **New Frontier Theater** – With a total floor area of approximately 10,813.23 square meters, over a lot of approximately 5,817.31 square meters, New Frontier Theater is a 2-storey commercial building owned by Araneta Center, Inc. and located at General Aguinaldo Avenue, Araneta Center, Cubao, Quezon City.
8. **B Hotel Quezon City** – A 10-storey hotel building located at Lot 5 and 6, Block S-31, No. 14 Scout Rallos Street, Barangay Laging Handa, Quezon City owned by Northbelle Properties, Inc. with a total lot area of 1,380 square meters and has a total floor area of 11,348 square meters.
9. **Camarin Project** – This is composed of 10, 5-storey, medium rise buildings with land development located in Camarin, Colloacan City. This is a low-cost housing project of the National Housing Authority. Its total lot area is 3,823.98 square meters.
10. **Cyber Part Tower 1** – A 29-storey BPO building with 3 basement parking floors located in Araneta Center, Cubao, Quezon City, and owned by the Araneta Group. It has a total lot area of 4,072.65 square meters.
11. **One World Place** – A 34-storey commercial building with a floor area of 46,130.39 square meters, located in Fort Bonifacio, Taguig City.
12. **World Hotel & Residences** – A 38-storey hotel and condominium with total floor area of 44,011 square meters, located in Makati City.
13. **Rockwell Business Center** – A 15-storey building owned by Rockwell-Meralco BPO Venture, a joint venture between Rockwell Land Corporation and Manila Electric Company. The project is located in Meralco Compound, Ortigas Extension. This has a total leasable floor area of 30,287.91 square meters.
14. **SM Grass Residences Tower 4** – A 40-storey residential building owned by SM Development Corporation with a gross floor area of 135,000 square meters and a total lot area of 13,888.458 square meters, located at Nueva Viscaya corner Misamis and Nueva Ecija Streets, Sto. Cristo, Quezon City.
15. **Arthaland Tower Substructure** – A 6-level substructure owned by Arthaland Corporation with a total floor area of 12,000 square meters.
16. **Mactan Newtown STP** – A STP contract with Megaworld Corporation with a total lot area of 1,189.50 square meters and a gross floor area of 4,022.99 square meters.
17. **Landers Warehouse Balintawak** – A warehouse owned by Southeast Asia Retail, Inc. located at Balintawak, Caloocan City. It has a total floor area of 8,360 square meters.
18. **Landers Warehouse Otis** – A mixed-use complex warehouse developed by Southeast Asia Retail, Inc. located at Otis, Sampaloc, Manila City, with a total floor area of 16,783.50 square meters.
19. **Bataan Solar Project** – This is for the construction and operation of an 8.986 MWdc and an expanded 9.018 MWdc ground-mounted photovoltaic power generation facility in Barangay Alas-Asin, Freeport Area of Bataan, Mariveles, Bataan, for a total generation capacity of 18 MWdc. The Bataan Solar Project is owned by Next Gen.

20. **Toledo Solar Project** – This involves the construction and operation of a 60 MWp ground-mounted photovoltaic power generation facility located in Toledo, Cebu Province. The project is owned by First Toledo.
21. **Silay Solar Project** – The construction and operation of an 18.3 MWdc and an expanded 6.7 MWdc ground-mounted photovoltaic power generation facility in Barangay Rizal, Silay City, Negros Occidental, for a total generation capacity of 25.0 MWdc, owned by SSPI.
22. **Le Grand Avenue ABC** – Composed of 2, 5-storey, office and commercial buildings developed by Megaworld Corporation. This is located at Lots 1-4, Mckinley West, Fort Bonifacio, Taguig City, with a gross floor area of 46,290.85 square meters and a total floor area of 13,500 square meters.
23. **Le Grand Avenue DEF** – Composed of 2, 5-storey, office and commercial buildings developed by Megaworld Corporation. With a total floor area of 46,324.18 square meters and a total lot area of 13,500 square meters, located at Lots 1-4, Mckinley West, Fort Bonifacio, Taguig City.
24. **Hampton M and N** – A 9-storey residential building owned by Dynamic Realty Resources Corporation with a total lot area of 1,600 square meters and a gross floor area of 8,971 square meters, located at C. Raymundo, Maybunga, Pasig City.
25. **Proscenium Substructure** – This composed of a 3-level basement for Phase 1A and a 2-level basement for Phase 1B owned by Rockwell Land Corporation, located in Estrella Corner J.P. Rizal St., Guadalupe Viejo, Makati City, with a total lot area of 35,995 square meters and gross floor area of 101,792.23 square meters.
26. **Plaza Magellan** – A 13-storey commercial building located in Mactan, Cebu City owned by Megaworld Corporation with a total lot area of 2,284.04 and a floor area of 28,890 square meters.
27. **Philam Life Center Cebu** – A 12-storey office building developed by The Philippine American Life and General Insurance Co. with a total floor area of 35,000 square meters and a total lot area of 3,427.11 square meters. The project is located at Cardinal Rosales Street, corner Samar Loop, Cebu Business Park, Cebu City.
28. **27 Annapolis** – A 44-storey residential building with 3 basements owned by Bayswater Realty and Development Corporation located at No. 27 Annapolis Street, Greenhills, San Juan City. 27 Annapolis has a total lot and floor areas of 1,129.60 square meters and 41,584.05 square meters, respectively.
29. **Southwoods Mall and Office Tower** – Developed by Southwoods Mall, Inc., with a gross floor area of 61,762.42 square meters and a total lot area of 18,984.71 square meters. A 52-storey mall and office with 1 basement located at Southwoods Eco-Centrum, Biñan, Laguna.
30. **One Town Square** – Owned by La Fuerza, Inc., One Town Square is 12-storey office building located at Alabang City with a gross floor area of 29,608.80 square meters and a total lot area of 3,729 square meters.
31. **Urban Deca Tower EDSA** – A 44-storey residential building located at Sierra Madre and EDSA, Barangay Highways Hills, Mandaluyong City, owned by Foghorn, Inc. with a total lot area of 866.25 square meters and a total gross area of 27,527.50 square meters.

32. **University Tower 4** – Located at P. Noval, Sampaloc, Manila City, a 46-storey condominium, with a roof deck and an estimated area of 43,320.21 square meters. This is another project of Prince Jun Development Corp.
33. **World Plaza** – A 27-storey office building owned by Real Property Innovative Solutions, Inc., located at 5th Avenue, Bonifacio Global City, Taguig, Metro Manila. World Plaza has a total lot area of 2,731 square meters and an approximate total floor area of 61,500 square meters.
34. **The Curve** – A 32-storey office building located at Lot 1, Block 7, Fort Bonifacio Global City, Taguig owned by IRMO. The Curve has a total floor area of 45,393.66 square meters and a total lot area of 1,585.20 square meters.
35. **Mareic Building** – Owned by Greenway Properties Realty Corporation, Mareic Building is a 40-storey office building, with 3 basement areas, located at 121 Tordesillas Street, Salcedo Village, Makati City and a total lot area of 911.26 square meters and a gross floor area of 29,422.74 square meters.
36. **Arthaland Tower Superstructure** – A 31-storey office building owned by Arthaland Corporation. The project is located at the 7th Street, Bonifacio Global City, Taguig with a total floor area of 56,652 square meters and a total combined lot area of 2,231.94 square meters.
37. **Landers Warehouse Arcovia** – A mixed-use complex warehouse with a basement developed by Southeast Asia Retail, Inc., located in Pasig City. It has a total floor area of 17,000 square meters and lot area of 14,000 square meters.
38. **Landers Warehouse Alabang** – A 2-storey building for mixed-use purposes owned by Southeast Asia Retail, Inc., located at Daang Hari Road, Almanza Dos Las Piñas City, with total floor area of 8,800 square meters and lot area of 20,926 square meters.
39. **Project Delta Phase 1** – A plant expansion project for Zenith Foods Corporation. This includes earthworks, substructure, superstructure, and roofing for the Red Ribbon Plant Expansion project located at Productivity Avenue, Camelray Industrial Park 1, Barangay Canlubang, Calamba City, Laguna with gross lot area of 5.0 hectares.
40. **The Hive Buildings** – A 4-block, 12-level, residential tower owned by PH1 located at San Isidro Street, Ortigas Avenue Extension, Taytay, Rizal. Buildings A and B have a combined total floor area of 24,101.55 square meters and a total lot area of 27,306.11 square meters.
41. **Mactan-Cebu Airport Structural Works** – This project pertains to the site development, earthworks, and structural works of MCIA Terminal 2, with a total gross floor area of 66,544 square meters and a total lot area of 65,865 square meters.
42. **Proscenium Superstructure (Lincoln and Lorraine)** – Developed by Rockwell Land Corporation, Proscenium Superstructure, Lincoln and Lorraine, are 42 and 44-storey residential buildings, respectively, with 4 parking floors located at Estrella corner JP Rizal Streets, Guadalupe Viejo, Makati City. The project has an estimated total lot area of 36,000 square meters and a combined gross floor area of 88,337.16 square meters.

43. **PITx** – The country’s 1st landport which is a 4.5-hectare development with transportation bays, commercial spaces, and office buildings. PITx has a capacity of 100,000 passengers daily and offers seamless connections to other modes of transportation from provincial to in-city buses, taxis, jeepneys, and UV express shuttles. It is located along Diosdado Macapagal Boulevard, and will be linked to the planned Light Rail Transit Line 1 (LRT1) Cavite extension.
44. **Double Dragon Plaza** – A 4-tower, 12-storey, office building with a mall and basement parking owned by DD-Meridian Park Development Corp. It has 230,130.58 square meters and 23,728.69 square meters gross floor area and total lot area, respectively, located at EDSA Extension corner Macapagal Avenue, Pasay City.
45. **Cyber Park Tower 2** – A 33-storey BPO building with 3 basements and a roof deck located in Araneta Center, Cubao, Quezon City and owned by the Araneta Group. It has a total gross floor area of 74,722.21 square meters and a total lot area of 3,678.63 square meters.
46. **Zenith Foods Plant Expansion 3** – A mixed-use complex owned by Zenith Foods Corporation composed of a bun line, warehouse, and 4 other buildings – cold storage, process line, and administrative offices, with an aggregate floor area of 45,387.27 square meters. It is located in a 4-hectare land at Integrity Avenue, Carmelray Industrial Park 1, Barangay Canlubang, Calamba City, Laguna.
47. **Project Delta Phase 2** – This pertains to the architectural and site development of Red Ribbon Plant Expansion project of Zenith Foods Corporation. It includes a 2-storey industrial building located in a 5-hectare lot inside the Zenith Foods Complex at Productivity Avenue, Carmelray Industrial Park 1, Barangay Canlubang, Calamba City, Laguna.
48. **Southeast Asian Campus** – A 12-storey office owned by Megaworld Corporation with a gross floor area of 84,410.85 square meters and a total lot area of 8,387.47 square meters, located at Campus Avenue, McKinley Hills, Taguig City.
49. **St. Moritz Private Estate Residences Clusters 1 and 2** – A 2-cluster, 9-storey, residential buildings with lower grounds located at McKinley Hill, Fort Bonifacio, Taguig City. St. Moritz Private Estate Residences, is owned by Megaworld Corporation, with a total gross floor area of 35,384 square meters and lot area of 5,695 square meters.
50. **BGC 5th Avenue Apartments** – A 17-storey residential building of Fort Bonifacio Development Corp., located in a 2,235 square meter lot at 5th Ave. Cor. 34th Street, Bonifacio Global City, Taguig City, with total floor area of 16,441.94 square meters.
51. **Edades Suites** – A high-end residential development of Rockwell Land Corporation composed of an 18-storey residential area, 3-storey podium, and a 3-level basement parking. It is located in a 3,158 square meters lot at Rockwell Center, Makati City, with a total floor area of 25,769 square meters.
52. **10 West Campus** – An 18-storey office building developed by Megaworld Corporation located at Block 16, Lot 4 McKinley West, Fort Bonifacio, Taguig City. 10 West Campus has a total gross floor area and lot area of 34,200 square meters and 3,466 square meters, respectively.
53. **One Manchester Place** – An 18-storey residential construction owned by Megaworld Corporation with a total gross floor area of 55,580.02 square meters and a lot area of 6,880.20 square meters located at Mactan, Newtown, Cebu City.

54. **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.
55. **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.
56. **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.
57. **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.
58. **Worldwide Plaza** – An addition to the Uptown Bonifacio complex is this commercial and office building developed by Megaworld Corporation. This 24-storey building with a 3-level basement parking which will stand at a 7,800 square meter lot with total floor area of 114,310 square meters.
59. **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.

On-Going Projects

The following are the on-going projects of Megawide as of December 31, 2021:

1. **Urban Deca Tondo** – A mass housing contract with Fog Horn, Inc. which initially focused on Buildings 9,10,12, and 13. In 2016, Buildings 1 and 2 were added. These 6 buildings have a total combined lot area of 162,067.37 square meters. Ultimately, there will be 14 clusters of 13-storey buildings in the residential complex located in Tondo, Manila City. The project also includes a 2-storey commercial building located in the residential complex with floor area of 20,132.76 square meters.
2. **Urban Deca Ortigas** – A residential complex composed of 24 clusters of 13-storey buildings located at Ortigas Extension, Pasig City.
3. **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.
4. **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.
5. **University Tower 5** – Owned by Prince Jun Development Corp., University Tower 5 is a 52-storey residential building located in Sampaloc, Manila City, with a total floor area of 56,871.14 square meters.

6. **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.
7. **Mandani Bay Quay** – A premiere waterfront development in Mandaue City, Cebu, owned by HTLand, Inc., which is a joint venture company of Hongkong Land and Taft Properties. It has a total gross construction floor area of 328,581 square meters and consists of 3, 40-storey, residential towers and 1, 30-storey, office building.
8. **Taft East Gate** – A 4-tower mixed-use community, located in a 1.5-hectare property along Pope John Paul Avenue corner Cardinal Rosales Avenue in Mabolo, Cebu City. The development, which is owned by Taft Properties, consists of 2 high rise, mixed-use towers, housing commercial and residential units.
9. **Plumera Mactan** – The newest affordable project by Johndorf Ventures, strategically located at Basak, Lapu-lapu City. The project's size is 5 hectares and is composed of 20 buildings with around 4 to 10 floors each, for a total floor area of 98,338 square meters.
10. **Albany Luxury Suites** – A residential project of Megaworld Corporation, located at Mckinley West, Fort Bonifacio, Taguig City, with total floor area of 41,847.48 square meters for 2 buildings, which are 15-storeys each.
11. **Gentry Manor** – A residential project of Megaworld Corporation, located in South Beach District, Westside City, Parañaque City, whose 4 towers have a total floor area of 119,326.42 square meters.
12. **The Corner house Project** – A residential project of Emerald Rich Properties located at P. Guevarra Street, San Juan City, with total floor area of 16,020.79 square meters. The construction includes a 3-level basement, a 3-storey commercial area, and a roof deck.
13. **8990 Cubao** – A residential project of 8890 Holdings located in Cubao, Quezon City, with total floor area of 115,000 square meters. The construction includes a 2 level basement, a 45-storey residential area, and a roof deck
14. **Newport Link** – A commercial project of Megaworld Corporation located in Newport, Pasay City, which is a 7-storey building, with a total floor area of 50,174.27 square meters.
15. **Aglipay STP** – a STP 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. The construction of the STP is expected to be completed by 2024 and the sewer network by 2025.
16. **Suncity** – A 5-star 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 area of Parañaque City. The project is divided into 4 parts, as follows: Package 1- Substructure, Package 2- Superstructure, Supplementary Agreement, and Nominated Subcontractor (NSC).
17. **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.

18. **Cebu Carbon Market Redevelopment** – A public and commercial redevelopment project in Cebu City which includes the Sto Niño Chapel, Puso Village, interim market, and a multi-level parking which is set to be completed on March 28, 2022.
19. **Coral Village** – A project with 1,200 residential units, with a floor area of 192 square meters per unit, or total CFA of 230,400 square meters in Coral Village, Lapu-Lapu City, Cebu by Johndorf Venture Corp. The project is expected to be completed in 5 years.
20. **Suncity Westside** – Westside City Resorts World is a multi-billion project located at Bay Boulevard, Bagong Nayon Pilipino, Parañaque City, with a total building footprint of 113,628.15 square meters. Its facilities shall include 3 grand theaters, a shopping mall, and parking spaces.
21. **Clark Global City Phase 1 Project** – A modern, state-of-the-art, master planned mixed-use commercial and business center of excellence project by Global Gateway Corporation located at the Freeport Zone, Mabalacat, Pampanga. It covers an area of 177 hectares. Its future development includes mixed-use buildings, a hospital, a hotel, and a casino.
22. **National Capital Region Police Office (NCRPO) Medical Center & Administrative Processing Center** – A 4-storey Medical Center Project located at Lower Bicutan Taguig City, inside NCRPO. A donation project of the Resorts World Philippines Cultural Heritage Foundation Inc., with total floor area of 9,998 square meters.
23. **My Enso Tower (Timog) - Phase 1** – A mixed-use development that provides a customizable living experience by providing extra space for your needs, be living or storage space, and a smart and modern minimalist design concept, all located at the heart of Quezon City Central Business District.

Major Customers

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

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

8990 Holdings, Inc. (8990)

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

Double Dragon Properties Corp. (DD)

DD has undertaken several vertical and horizontal developments since it started its commercial operations in April 2010. DD's vision is to accumulate one million (1,000,000) square meters of leasable space by 2020 primarily through the rollout of one hundred (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 two (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, which owns and manages prime offices and luxury retail properties in key Asian cities, principally in Hongkong and Singapore. Taft Properties, on the other hand, is one of the leading property developers in the country, a sister company of Metro Gaisano Retail. Mandani Bay is HTLand's first project in Cebu, a world-class twenty (20)-hectare water development with a stunning view of the coast and encompassing cityscape.

Competitors in the Industry

EEL Corporation (EEL) and D.M. Consunji, Inc. (DMCI) are the publicly-listed companies among Megaworld's major competitors. Both have on-going residential condominium projects in Metro Manila. DMCI dominates domestic infrastructure, while EEL 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 Megaworld's business, 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 EEI's and DMCI's.

Competitive Strengths

Megawide believes that its principal strengths are the following:

1. Value Engineering Through Modern and Advanced Building Technologies

- Megawide was the first to extensively utilize advanced, modern, and comprehensive European building systems that reduce construction time and allow for quicker project turn-over.
- Megawide employs Formworks in its on-going projects, purchased from German company, MEVA Schalungs-Systeme GmbH. Formworks are the temporary or permanent moulds, into which concrete or similar materials are poured into, to form the structural elements of a building. The traditional construction process utilizes timber or plywood formworks. Megawide's Formwork are one hundred percent (100%) wood-free, all plastic facing. These are nailable like plywood but are able to maintain structural rigidity. These are also re-usable, putting an end to plywood wastage, and do not swell or shrink like plywood. Megawide utilizes the following Formworks in its existing projects:
 - Slab Formworks
 - Wall Formworks
 - Column Formworks
 - Circular Formworks
 - Climbing Formworks
- Megawide also uses a Pre-Cast Concrete System purchased from Finnish company, Elematic. The European Pre-Cast Concrete System which Megawide employs in its current projects, has the inherent advantages of:
 - reducing cost;
 - shortening the construction period;
 - improving quality;
 - increasing project volume; and
 - being environmentally friendly.

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

	Traditional Construction	Megawide	Advantages
Formworks	Plywood	Plastic Face Formworks	• No swelling and shrinking • Stable flexural rigidity • Free from rippling and warping • Quality in concrete pouring • Fast cycle, simple assembly, early stripping, less manual labor employed • Even surfaces • Zero discoloration • Fast on-site cleaning • Zero waste • Reusable
	Coco Lumber	Aluminum and Steel Scaffoldings	• More stable and robust • Longer lifespan • Easy assembly lock and formwork clamp
Pre-Cast Concrete	Concrete Hollow Blocks	Pre-Cast Walls	• Precise, smooth and even curing, high quality, energy saving and ecological
	Traditional Concrete Beams, Columns, Slabs	Pre-cast Beams, Columns, Slabs, Toilets, Parapets, Wheel Guards	• Savings in steel and partition wall materials, extra-long spans for design flexibility, accurate dimensions and strand locations for less work-on site

- Megawide's sixteen (16)-hectare industrial complex in Taytay houses its eight (8)-hectare automated pre-cast concrete manufacturing plant, which is the largest and most advanced in the country, and is among the top in Southeast Asia in terms of size and technology employed. The use of pre-cast concrete is environmentally friendly and allows Megawide to reduce construction costs, shorten the construction period, improve the overall quality of the work, and increase project volume.
- The Megawide corporate building in Quezon City obtained a gold certification from the Leadership in Energy and Environmental Design (LEED) of the United States Green Building Council. LEED is a third-party certification program for the design, construction and operation of high-performance green buildings. It is the predominant green building rating system in the United States and is used around the world.

2. Business Synergies from Vertical Integrations

Megawide's unique business model puts it in a league of its own, clearly differentiating it from among its peers. It is positioned as a construction company that has a manufacturing component through the use of a state-of-the-art pre-cast production facility and wide downstream integration such as a modern concrete batching plant, advanced formworks, and has its own fleet of vertical, earth-moving and construction equipment. Moreover, to ensure a sustainable business growth and to mitigate economic down cycles, Megawide has expanded and diversified into infrastructure development, an upstream integration that surely adds and creates greater value to Megawide in the short, medium, and long-term horizon. Not only will these infrastructure development projects provide construction revenues to its downstream business units, it will likewise become the source of future stable recurring income upon completion. The synergies in these vertical integrations will result to seamless operating efficiencies, optimal use of resources, and financial strength.

3. Strong Brand Name and Proven Track Record

Megawide has a well-established reputation in the construction industry for its excellent project execution and customer service. It has a proven track record of efficient operations, having successfully completed numerous low-rise to high-rise condominiums and industrial buildings.

4. Organizational Capability and Flexibility

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

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

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

6. AAAA and Large B Contractor's License

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

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

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

Suppliers

Megawide sources its raw materials, primarily steel, cement and aggregates from external suppliers who are reliable and known in the construction industry. In selecting its suppliers, it considers quality, pricing, and efficient delivery of raw materials. It also does not depend on a limited number of suppliers for raw materials and none of its major suppliers are its affiliates. Suppliers usually give Megawide a thirty (30) to one hundred (120) days payment period.

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

Quality Control and Assurance

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

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

Intellectual Property

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

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

MEGAWIDE

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



3. for its logo with typeface – dated October 13, 2019 and expiring on October 13, 2029; and

 **MEGAWIDE**

4. for its tagline “**Engineering A First-World Philippines**” – 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.

Research and Development

Megawide has an excellent Engineering Department that continuously adapts and responds to new inventions, standards, and quality assurance in construction. It is also constantly working with international consultants for value engineering to achieve more cost-efficient building structures and maximum space utilization.

Government Approvals and Permits

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

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

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

Employees

As of December 31, 2021, Megawide's manpower complement is as follows:

Division	Regular	Project Based*	Expatriates	Total
Operations	1,547	2,970	7	4,524
Head Office	184	8	4	196
Total	1,731	2,978	11	4,720

**Includes fixed-term employees*

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

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

Mr. Edgar B. Saavedra, *Chairman of the Board, CEO, and President*, and the other executives are the key decision makers of the Company. In relation to this, Megawide is continuously hiring experts to further strengthen and professionalize its organizational and management structure. Megawide continues to bolster its management positions in order to spread out responsibilities. It also provides various training programs for its employees to maintain competitiveness and efficiency.

Airport Operation Segment

MCIA, the gateway to the Visayas and Southern Philippines, is the second (2nd) largest airport facility in the country with a consistently growing number of passengers annually. Under the CA with DOTr, GMCAC has delivered its second (2nd) terminal and rehabilitated the existing terminal to reduce congestion as well as meet the growing passenger traffic into Cebu. GMCAC has taken this capital extensive project to provide a world-class terminal airport with a welcoming ambiance and warm hospitality that is distinctly Filipino.

MCIA is no longer just a secondary airport. It is a viable choice that connects Cebu to the rest of the Philippines and to the world.

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

Terminal 1

Upon turnover of MCIA's operations and management to GMCAC on November 01, 2014, which then has a combined rated capacity of four million five hundred thousand (4,500,000) passengers annually for both the domestic and international segments, the airport team has fast-tracked in-terminal developments to reduce congestion, improve ambiance, and enhance customer service.

To reduce congestion, GMCAC embarked on the installation of a passenger reconciliation system to immediately scan boarding passes, a first in any Philippines airport; installed self-service check-in kiosks; expandable check-in counters; new baggage handling system; installed four (4) x-ray machines at the final security check; new immigration counters; and swing gates or alternate gates for international or domestic boarding areas. These initiatives enabled Terminal 1 to accommodate as much as ten million (10,000,000) passengers annually prior to the construction of Terminal 2.

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

To enhance customer service, there is now a premium lounge at the international departures; about one hundred (100) new flight information display monitors; more automated teller machines (ATMs); mobile charging stations; a water refilling station inside the boarding gates; fun and exciting in-terminal activities (like Sinulog, Valentine's Day, Summer Festival, Halloween, and Christmas); and the Cebu Connect Transfer Facility Desk, a transfer and early check-in facility that allows passengers with connecting flights to easily drop their baggage for check-in and have their boarding passes printed out. The said desk can process connecting passengers even as early as twelve (12) hours prior their onward connecting flight. Upon securing their boarding passes, they can leave the terminal and enjoy a short visit to nearby sites or taste the famous Cebu lechon.

The Company completed the renovation of Terminal 1 and the operations of the refurbished areas commenced on August 28, 2019, with the official inauguration held on January 2020. The gross retail area in Terminal 1 increased from four thousand three hundred sixty-seven (4,367) square meters to nine thousand seven hundred seventy-two (9,772) square meters.

Terminal 2

The new world-class Passenger Terminal Building or MCIA Terminal 2, specifically for the International Segment, opened in 2018, designed to accommodate higher passenger traffic, and drive a more robust tourism and business environment for the region. Terminal 2 will increase MCIA's combined annual rated passenger capacity to twelve million seven hundred thousand (12,700,000). The new terminal, spanning sixty-five thousand five hundred (65,500) square meters, will not only lessen congestion but will also offer an exciting and wide-ranging retail environment.

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

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

A two (2)-level forecourt segregates both the arrivals and departures area that is fully integrated with the landside development. There are currently forty-eight (48) check-in counters expandable to seventy-two (72) as the need arises. It has provisions for seven (7) passenger boarding bridges, which can be expanded to twelve (12), serving both wide and narrow body aircrafts. It is also equipped with twelve (12) escalators and fifteen (15) elevators to facilitate smooth movement of passengers, especially for persons with disabilities.

A car parking facility will be constructed that can accommodate five hundred fifty (550) cars and expandable to seven hundred fifty (750) cars as necessary. There will also be an array of food and retail choices, including a future hotel, MICE, and strip mall development.

Route Development

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

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

In 2019, MCIA has twenty-four (24) international routes and thirty-three (33) domestic routes via PAL, Air Asia, Cebu Pacific and Air Juan. GMCAC has increased MCIA's partner airline operators from eleven (11) at the time of GMCAC's take over in November 2014, to twenty-six (26) operators in 2019. Passenger volume reached twelve million seven hundred thousand (12,700,000) in 2019 comprising of eight million four hundred thousand (8,400,000) domestic passengers and four million three hundred thousand (4,300,000) international passengers. However, in 2020, due to travel restrictions, active flight routes and their weekly frequency have been limited. By the end of 2021, routes were lived to twelve (12). The passenger volume fell to a fraction of 2019 levels as the COVID-19 pandemic dampened travel and tourism. As of the end of 2021, MCIA has eight (8) international routes through Cathay Pacific, Emirates, Jeju Air, Jin Air, Tiger Airways and Qatar Airways, and nineteen (19) domestic routes via PAL, PAL Express, Air Asia, Cebu Pacific, CebGo and AirSwift. The following are the international and domestic routes available at MCIA:

International Route Map		
Routes		Weekly Frequency
DXB	Dubai	4
DOH	Doha	11
HKG	Hong Kong	4
ICN	Incheon	1
LAX	Los Angeles (inbound only)	2
NRT	Narita	1
SFO	San Francisco (inbound only)	1
SIN	Singapore	4

Domestic Route Map						
Routes		Weekly Frequency		Routes		Weekly Frequency
BCD	Bacolod	1		ENI	El Nido	2
BXU	Butuan	7		GES	General Santos	2
USU	Busuanga	4		ILO	Iloilo	1
CGY	Cagayan De Oro	7		MNL	Manila	70
CGM	Camiguin	2		OZC	Ozamis	5
MPH	Caticlan	5		PAG	Pagadian	6
CEB	Cebu	8		IAO	Siargao	7
CRK	Clark	3		TAC	Tacloban	7
DPL	Dipolog	3		ZAM	Zamboanga	1
DVO	Davao	6				

The airport segment remains positive that pre-pandemic levels will be restored as soon as travel restrictions are lifted.

Revenues, Services, and Rates

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

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

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

Customers

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

1. **Cebu Pacific Air**

Cebu Pacific Air entered the aviation industry in March 1996 and pioneered the “low fare, great value” strategy. They have since then flown over one hundred fifty million (150,000,000) passengers and counting. It is the largest carrier in the Philippine air transport industry, offering low cost-services to more destinations and routes with higher flight frequency in the Philippines than any other airlines. It currently offers flights to thirty-seven (37) local and twenty-six (26) international destinations, spanning Asia, Australia, the Middle East, and USA.

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

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

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

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

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

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

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

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

6. **SSP-Mactan Cebu Corporation**

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

SSP was named as master concessionaire at MCIA in 2018, with the group unveiling plans to launch twenty-seven (27) food and beverage units at the airport. The first (1st) phase of its plans began last July, which saw the opening of seven (7) outlets – The Coffee Bean & Tea Leaf, Ritazza, Burger King, Bon Chon, Cabin Bar, Camden Food Co., and Nippon Ramen.

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

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

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

Suppliers

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

A purchase with a total value of Twenty Thousand Pesos (PhP 20,000.00) or more shall require a minimum of three (3) comparative quotes (not older than six [6] months). The 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 thirty (30) days. In unavoidable cases where vendors would require a downpayment, a maximum forty percent (40%) downpayment is allowed. A security bond is required for downpayments above ten percent (10%).

Employees

As of December 31, 2021, GMCAC's manpower complement is as follows:

Division	Regular	Expats	Total
Administrative	123	0	123
Managerial	21	4	25
Technical	37	0	37
Total	181	4	185

**Includes fixed-term employees*

Terminal Operations Segment

Dubbed as the Philippines' "first landport", PITx is a four and 5/10 (4.5) hectare development, which houses the transport terminal, commercial spaces, and office buildings under a single roof. With a rated capacity of one hundred thousand (100,000) passengers daily, PITx offers seamless connections to and from the Southwest portion of Metro Manila, via multiple modes of transportation, from provincial to in-city buses, taxis, jeepneys and UV Express shuttles.

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

1. State-of-the-Art Facilities

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

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

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

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

It is through continuous partnerships with various entities (government and non-government) that MWMTI is able to provide in PITx more services to the public, including satellite offices of a government agencies.

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

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

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

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

5. **Retail and Commercial Areas**

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

Customers

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

1. **Contracts of Lease for Office Spaces** – MWMTI has existing contracts with companies which are primarily engaged in Philippine Offshore Gaming Operations (POGO). The contracts are for a period of five (5) years with an annual escalation rate of five percent (5%) on the monthly rent. The contracts require the payment of four (4) to six (6) months security deposit and three (3) months advance rent.

2. **Contracts of Lease for Retail/Commercial Spaces** – MWMTI has existing contracts with various tenants/concessionaires for a period of one (1) to eight (8) years. The monthly rent of some contracts are based on the monthly income of their business while others pay a fixed rate. All contracts have a provision on the payment of security deposit and advance rent. Examples of MWMTI's tenants are: Alfamart, Miniso, Bench, Jollibee, Chowking, McDonalds, Mang Inasal, Yellow Cab, and Wendy's.

Credit terms granted to customers are for a period of thirty (30) days from receipt of the billing. MWMTI also required post-dated checks to manage its credit risk exposures.

Competitors

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

Employees

As of December 31, 2021, the manpower complement of MWMTI is as follows:

Division	Headcount
Administrative	25
Managerial	5
Technical	28
Total	58

Suppliers

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

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

Business Risks

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

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

Megawide's business is highly dependent on the ability of real estate developers to market, sell, and dispose of condominium units to potential customers. In the event of a weak property market, developers may hold and/or cancel construction contracts and orders. Megawide seeks to minimize the possible effects of a weak property market by gradually diversifying into mid-rise affordable housing and socialized housing and infrastructure projects.

Moreover, to ensure sustainable business growth and mitigate economic down cycles, Megawide has expanded and diversified into infrastructure development, an upstream integration that surely adds and creates greater value to Megawide in the short, medium, and long-term horizons. Not only will these infrastructure development projects provide construction revenues to its downstream business units, it will likewise become the source of future stable recurring income upon completion.

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

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

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

3. Megawide currently contracts with a limited number of developers and mostly located in Metro Manila, subjecting it to concentration risk.

Megawide has increased its pool of customers over the years because of its excellent reputation in the construction industry, achieved by providing quality service to its clients and being able to offer competitive pricing because of its High Technology Building System. Megawide manages its participation to client bids based on overall capacity and capability of the Company. As a matter of policy, management looks into its order book and ensures that no single customer contributes more than twenty five percent (25%) of the total revenue for a given year or of the order book. In addition, Megawide is also expanding to growth areas outside Metro Manila, like Cebu, Cavite and Clark in Pampanga, to diversify its portfolio geographically.

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

Megawide employs a hedging program and facilities with a number of its suppliers to help mitigate the risk of price volatility. It enters into fixed purchase contracts with its suppliers, immediately upon award of contracts, which fix the unit cost of the materials. These contracts typically range from six (6) months to one (1) year. No price escalation is charged until the estimated quantities have been delivered within the agreed period.

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

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

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

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

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

The principal raw materials utilized by Megawide in its projects are cement and steel, which are both readily available in the market from a number of sources, including Steel Asia Manufacturing Corporation, Peaksun Enterprises, and Pag-Asa Steel Corporation. Megawide also diversifies its sources of these raw materials so that it is not dependent on a limited number of suppliers.

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

Megawide does not have an exclusive contract with any of its technology and equipment suppliers. As such, competitors may opt to, and will be able to, purchase the same technology and equipment from Megawide's suppliers. However, although its competitors may purchase similar technologies, Megawide has an advantage since it already has at least 10 years of experience in utilizing said High Technology Building Systems. New users of the High Technology Building Systems will need time to learn and adapt to the changes in the construction process. New users should also have significant project volumes in order to realize a return on its investment and to bring down construction cost. To ensure that Megawide maintains its technological advantage, Megawide has established a Research and Development Team to continuously adapt and respond to new inventions and standards in construction.

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

Megawide adopts the European Standard on Safety Scaffoldings. Under this standard, safety scaffoldings are built in accordance with the British Standard (BS 5973), which sets out performance requirements for working scaffolds and permissible stress design method. The working scaffold provides a safe workplace with access suitable for the work being done. Megawide utilizes German Scaffoldings such as MEVA Automatic Climbing Scaffold, Shoring Tower and other Folding Scaffoldings, which were built in accordance with BS 5973. It also strictly implements wearing of proper full body protection gear in accordance with the Zero Accident Safety Program. The program is adopted in all job sites to prevent worker injury under a Zero Injury or Accident Program, which means that accidents or serious injuries to workers can be successfully prevented. Moreover, as part of the safety program, a Safety Engineer is assigned to each construction site to ensure employee awareness.

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

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

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

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

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

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

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

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

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

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

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

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

Megawide has maintained a harmonious relationship between management and staff. It provides employee benefits and strictly complies with labor standards and applicable labor laws. Megawide is also highly mechanized and is therefore not entirely dependent on manual labor for its production and structural works.

16. Risk on the separation of key employees

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

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

This risk is beyond the control of Megawide.

18. Foreign Exchange Policy

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

19. Occurrence of Natural Catastrophes or Blackouts

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

20. Other Fortuitous Events and Government Restrictions

As the Philippines experienced one of the longest and strictest lockdowns in 2020, similar measures were imposed throughout the year 2021 leaving some operations, including construction, airports, and land terminals to be affected. However, due to the essential nature of Megawide’s businesses and its resiliency, it still managed to amass its second (2nd) largest orderbook by the end of the year.

Additionally, just before the year ended, the Philippines was severely hit by typhoon Odette, leaving the country devastated specifically in Visayas and Mindanao region. Cebu was also not spared from the destruction, with days without electricity, shortage of water and food, but GMCAC managed to stand tall despite the cancellation of flights and some operations. It even served as a temporary shelter for the passengers affected as it is the only establishment that can generate power at the time. In this critical time, Megawide conducted relief efforts to help affected Cebuanos, through its Operation Tindog.

Item 2. Properties

Purchased Properties

Megawide owns a ten thousand two hundred ninety-four (10,294)-square meter 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 Twenty-One Million Pesos (PhP 21,000,000.00). 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 twenty-one thousand eighty-two (21,082) square meters for One Hundred Four Million Pesos (PhP 104,000,000.00). 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 eight thousand five hundred five (8,505) square meters for Fifty Million Pesos (PhP 50,000,000.00). Additionally, a four thousand twenty-two (4,022) square meter lot adjacent to the stockyard of Megawide in Taytay was purchased for Nine Million Pesos (PhP 9,000,000.00). In the same year, Megawide bought a one hundred seventy-eight (178) square meter property located in the same municipality for a total amount of One Million One Hundred Fifty-Seven Thousand Pesos (PhP 1,157,000.00). Megawide owns these properties free of any mortgages, liens, or encumbrances.

In 2013, Megawide made additional land acquisitions totaling Sixty-Seven Million Pesos (PhP 67,000,000.00) in Taytay, Rizal, in relation to its pre-cast plant expansion. The property is free of any mortgages, liens, or encumbrances.

In 2015, Megawide also acquired an additional lot adjacent to the pre-cast plant in 2014 with an area of twenty-three thousand six hundred eighty-six (23,686) square meters for One Hundred Forty-Eight Million Pesos (PhP 148,000,000.00), and another lot with an area of sixteen thousand seventeen (16,017) square meters near the pre-cast plant for Seventeen Million Pesos (PhP 17,000,000.00) in 2015. Megawide also purchased parcels of land adjacent to its Taytay complex amounting to Eighty-Two Million Pesos (PhP 82,000,000.00) and One Hundred Fifty-Six Million Pesos (PhP 156,000,000.00) in 2017 and 2016, respectively. The Taytay complex is currently expanding to house the formworks rehabilitation factory and all the construction equipment of Megawide. The parcels of land provide a bigger stockyard for the precast plant since its annual production is consistently increasing. Thereafter, in 2019, the Company purchased the land and building where its head office is located in Quezon City, with an area of one thousand four hundred ninety-three (1,493) square meters.

To cater to its growing order book Megawide continues to invest on new construction equipment, which includes tower cranes, earth moving equipment, formworks, and pre-cast equipment and Transportation equipment, which includes service vehicles, truck mixers, light and medium duty trucks, and tractor trucks over the years.

Also, the Group purchased the following properties and equipment in relation to its airport and terminal segments:

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 sq. m.
T1 Airport infrastructure	MCIA	2019	9,772 sq. m.

Terminal segment

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

Leased Properties

Megawide also leases the properties needed for its operations, such as those covered by the following lease agreements, as of December 31, 2021:

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 sq.m.	Taguig City	Jan 01, 2018 – Dec 31, 2022	2 months deposit of PhP 372,148.58 Rate: PhP 165,044.54 per month with 6% yearly escalation, inc. of VAT
November 2018	Retailscapes, Inc.	10 th floor: 1974 sq.m. 11th floor: 1,337.82sq.m.	Santolan Town Plaza, Quezon City	10th floor: Nov 01, 2018 – Apr 30, 2022 11th floor: Mar 01, 2019 – Apr 30, 2022	PhP 1,395,100 per month
April 15, 2019	Aguacate Marketing Corporation	1,450 sq.m.	Tipas, Taguig City	Nov 01, 2018 – Oct 31, 2022	2 months deposit of PhP 638,000.00 and 1 month rental of PhP 319,000.00. Rate: PhP 220.00 per sq.m per month, inc. of VAT
December 27, 2019	L.V.N. Pictures, Inc.	2,000 sq.m.	Brgy. Kaunlaran, Cubao, Quezon City	Jan 27, 2020 – Jan 26, 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

December 27, 2019	L.V.N. Pictures, Inc.	2,000 sq.m	Brgy. Kaunlaran, Cubao, Quezon City	Jan 27, 2020 – Jan 26, 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
September 22, 2021	L.V.N. Pictures, Inc. - Addendum to the Contract of Lease dated 27 December 2019	1,000 sq.m	Brgy. Kaunlaran, Cubao, Quezon City	15 September 2021- 14 March 2022	200,000 per month, inclusive of the 5% withholding tax
February 05, 2020	L.V.N. Pictures, Inc.	2,000 sq.m	Brgy. Kaunlaran, Cubao, Quezon City	Feb 16, 2020 – Feb 15, 2022	1st year: PhP 300,000 per month, net of 5% withholding tax 2nd year: PhP 330,000 per month, net of 5% withholding tax 10% escalation per renewal
June 25, 2020	Capital Storage Facilities Corporation	850 sq.m.	Km 25, Ortigas Avenue Extension, Brgy. San Isidro, Taytay, Rizal	Oct 16, 2020 – Apr 15, 2022	1st-6th month: PhP 100,045.00 per month, inc. of VAT 7th-18th month: PhP 104,592.50 per month, inc. of VAT
February 22, 2021	Primex Domains, Inc.	Head Office Annex Parking	Aurora Blvd. cor. Broadway Ave., Quezon City	March 6, 2022 – March 5, 2023	PhP 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 vehicles for periods of three (3) to five (5) years.

Item 3. Legal Proceedings

The following are the material cases Megawide is involved in as of December 31, 2021:

1. Kuehne + Nagel, Inc. vs. Megawide

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 Kuehne + Nagel, Inc. (KNI) against Megawide, demanding payment of Seven Million Four Hundred Sixty Thousand Nine Hundred Sixty-Seven and 22/100 Pesos (PhP 7,460,967.22), representing the balance for the various freight, fees, and charges in transporting the defendant's shipment from Germany to the Philippines. Megawide filed its Answer on December 18, 2012, with Special and Affirmative Defenses and Counterclaims. Megawide's defense is primarily anchored in KNI's failure to secure the Load Port Survey (LPS) Report which resulted in the delay of the release of the shipment from the Bureau of Customs. Consequently, the Bureau of Customs imposed a penalty amounting to Four Million Twenty-Seven Thousand Forty-Three and 22/100 Pesos (PhP 4,027,043.22).

Megawide paid the said penalty and the amount of Three Hundred Fifty-Five Thousand Eight Hundred Ninety-Three and 75/100 Pesos (PhP 355,893.75) representing storage fees for more than two (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 an Order dated September 17, 2020. Megawide filed its notice of appeal to the decision on October 23, 2020.

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

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

On January 31, 2014, the petitioners, composed of civil society groups, health workers, and patients of the Philippine Orthopedic Center (POC) who are opposed to the MPOC project filed a Petition for Certiorari and Prohibition before the Supreme Court against then President Benigno Simeon Aquino III, other government officials, and the consortium of Megawide Construction Corporation and World Citi Medical Center.

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

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

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

Due to this, Respondents asked for the dismissal of the Petition because it has been rendered moot and academic by the termination of the Project.

On 9 November 2020, the Supreme Court issued a Resolution requiring the parties to file their respective Memoranda. Megawide filed its Memorandum on 9 December 2020.

3. **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 Twenty-Two Million Six Two Thousand Twelve and 65/100 Pesos (PhP 22,062,012.65). In response, Megawide filed an Answer with Counterclaim amounting to Seventy-Seven Million Five Hundred Twenty-Two Thousand Three Hundred Thirty and 69/100 Pesos (PhP 77,522,330.69) corresponding to unpaid charges by Montgear. On February 04, 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 trial is ongoing, and the next scheduled hearing for the presentation of Megawide's witnesses is on 20 April 2022.

4. **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 [Temporary Restraining Order]) 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 06, 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 05, 2021, the Court granted Megawide's application for Mandatory Injunction as an interim measure of protection in aid of arbitration.

5. **Asiatech Development and Builders Corp. (Asiatech) vs. Megawide**

Asiatech filed a disciplinary action against Megawide with the Philippine Contractors Accreditation Board (PCAB) on August 26, 2020 for Megawide's alleged fraudulent acts arising from its failure to pay Asiatech's receivables.

The PCAB ordered the parties to file their respective Memoranda, which order Megawide complied with by submitting its Memorandum on 9 December 2021.

6. **MHI Engine Systems Philippines, Inc. vs. Megawide**

MHI filed a case for sum of money claims against Megawide before the Muntinlupa City Regional Trial Court Branch 204 for the release of its retention money in the amount of Nine Million Five Hundred Seventy-Five Thousand Five Hundred Fifty-Four and 74/100 Pesos (PhP 9,575,554.74) as well as legal interest, attorney's fees and damages.

After the parties submitted their respective pleadings, the case was set for mediation before the Philippine Mediation Center – Muntinlupa on 5 April 2022. The pre-trial conference is also scheduled for 10 May 2022.

7. People of the Philippines vs. 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:

- a. Steve Dicdican, General Manager of Mactan-Cebu International Airport Authority (MCIAA);
- b. Manuel Louie Ferrer, President of GMR Megawide Cebu Airport Corporation (GMCAC);
- c. Edgar Saavedra, Director of GMCAC;
- d. Oliver Tan, Director of GMCAC;
- e. Jez Dela Cruz, Director of GMCAC;
- f. Srinivas Bommidala, Chairman of GMCAC;
- g. P. Sripathy, Director of GMCAC;
- h. Vivek Singhai, Director of GMCAC;
- i. Andrew Acquaaah-Harrison, Chief Executive Advisor of GMCAC;
- j. Ravi Bhatnagar, Chief Finance Advisor of GMCAC;
- k. Ravishankar Saravu, Chief Commercial Adviser of GMCAC;
- l. Michael Lenane, Chief Operations Officer of GMCAC;
- m. Sudarshan MD, Deputy Chief Commercial Adviser of GMCAC;
- n. Kumar Gauray, Manager of GMCAC;
- o. Magesh Nambiar, Deputy Human Resources Head of GMCAC;
- p. Rajesh Madan, Head of Finance of GMCAC; and
- q. other John and/or Jane Does

(Respondents).

This case stemmed from a complaint filed by a certain Larry Iguidez, Jr. (Complainant) with the Anti-Fraud and Action Division of the NBI on September 07, 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.

After several submissions of pleadings, the DOJ, in a resolution dated October 08, 2021, found probable cause for the violation of Section 2-A of the Anti-Dummy Law. Ferrer, Saavedra, Tan, and Dela Cruz (Megawide Respondents) filed a Petition for Review with the Secretary of Justice on November 26, 2021, and is still pending.

On November 23, 2021, the DOJ filed an Information with the Regional Trial Court of Lapu-Lapu Branch 68 (RTC) for the Respondents' alleged violation of the Anti-Dummy Law. On the same day, Megawide Respondents filed an Omnibus Motion to quash the information, to defer the issuance of warrants of arrest and to dismiss the case. The RTC nevertheless issued warrants of arrest against the Respondents on November 25, 2021, and the Megawide Respondents and Respondent Acquaaah-Harrison posted bail the following day, or on November 26, 2021.

The arraignment of the Respondents was conducted last March 28, 2022, wherein Respondents pleaded “not guilty” to the charges against them. Notwithstanding the arraignment, the Megawide Respondents filed on March 24, 2022 a Motion to Quash the Information on the ground that the Information does not allege an offense, given that the signing into law of Republic Act No. 11659, otherwise known as the Amended Public Service Act, has rendered the legal issue at hand moot and academic. The hearing for the Motion to Quash is set on April 25, 2022.

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

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

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

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

Market Information

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

2019	High	Low
First Quarter (January – March)	21.50	17.06
Second Quarter (April – June)	23.00	18.78
Third Quarter (July – September)	19.52	17.60
Fourth Quarter (October – December)	19.00	16.32
2020		
First Quarter (January – March)	16.80	5.35
Second Quarter (April – June)	8.36	4.54
Third Quarter (July – September)	8.10	6.05
Fourth Quarter (October – December)	10.90	6.69
2021		
First Quarter (January – March)	8.90	5.91
Second Quarter (April – June)	7.32	5.90
Third Quarter (July – September)	7.50	5.95
Fourth Quarter (October – December)	6.85	4.98

The closing price per share of Megawide’s common shares as of December 31, 2021 was Five Pesos and 18/100 (Php 5.18).

As of December 31, 2021, there are **two billion thirteen million four hundred nine thousand seven hundred seventeen (2,013,409,717)** outstanding common shares registered in the names of the following:

	Stockholder	Number of Common Shares Held	Percentage of Total Shares
1.	PCD Nominee Corporation (Filipino)	1,164,870,236	57.86%
2.	Citicore Holdings Investment Inc.	712,925,501	35.41%
3.	PCD Nominee Corporation (Non-Filipino)	88,797,521	4.41%
4.	Suyen Corporation	22,900,000	1.14%
5.	Aeternum Holdings, Inc.	21,389,904	1.06%
6.	Ellie Chan	1,666,901	0.08%
7.	Carousel Holdings, Inc.	500,000	0.02%
8.	John I. Bautista, Jr.	159,799	0.01%
9.	Regina Capital Dev. Corp. 000351	34,754	Nil
10.	Jharna Chandnani	23,000	Nil
11.	Pacifico Silla &/or Marie Paz Silla &/or Nathaniel Silla	20,000	Nil
12.	Juan Miguel B. Salcedo	16,177	Nil
13.	Jose Emmanuel B. Salcedo	16,177	Nil
14.	NSJS Realty & Development Corporation	16,000	
15.	Grace Q. Bay	15,243	Nil
16.	Camille Patricia Dominique T. Ang	14,547	Nil
17.	Pacifico Silla &/or Marie Paz Silla Sagum &/or Nathaniel Silla	9,456	Nil
18.	Pacifico C. Silla &/or Catherine M. Silla &/or Alexander M. Silla	9,456	Nil
19.	Myra P. Villanueva	8,900	Nil
20.	Joyce M. Briones	7,868	Nil
21.	Frederick E. Ferraris &/or Ester E. Ferraris	5,674	Nil
22.	Jennifer T. Ramos	1,000	
23.	Demetrio D. Mateo	500	Nil
24.	Julius Victor Emmanuel D. Sanvictores	379	Nil
25.	Guillermo F. Gili, Jr.	246	Nil
26.	Florentino A. Tuason, Jr.	246	Nil
27.	Hector A. Sanvictores	190	Nil
28.	Owen Nathaniel S. AU ITF: Li Marcus Au	38	Nil
29.	Edgar B. Saavedra	1	Nil
30.	Hilario Gelbolingo Davide, Jr.	1	Nil
31.	Joselito T. Bautista	1	Nil
32.	Michael C. Cosiquien	1	Nil
	Total	2,013,409,717	100.00%
	Shares Owned By Foreigners	88,820,521	4.41%

The beneficial owners of the shares registered in the name of the PCD Nominee Corporation (PCD) are the participants of PCD who hold the shares on behalf of their clients, including the top 20 shareholders. The list of the PCD Participants as of December 31, 2021 is attached herein as **Exhibit “1”**.

Dividends

On June 26, 2013, the Board adopted a dividend policy of declaring annual cash dividends equivalent to twenty percent (20%) of the prior year’s income, subject to the Company’s contractual obligations.

Thereafter, on April 03, 2019, the Board adopted a revised dividend policy increasing the maximum allowable annual dividend declaration from twenty percent (20%) to not exceeding thirty percent (30%) of the prior year's net income, subject to the approval of the Board and the Company's contractual obligations.

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

Under the Revised Corporation Code, Megawide's Board is authorized to declare cash, property, stock dividends, or a combination thereof. Cash and property dividend declarations require only the approval of the Board. Meanwhile, stock dividend declarations require the approval of the Board and the shareholders representing at least two-third (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:

Date Approved	Record Date	Type	Amount	Date of Payment
January 08, 2019	February 13, 2019	Series 1 Preferred Shares	PhP 70,250,000.00	March 03, 2019
April 03, 2019	May 16, 2019	Series 1 Preferred Shares	PhP 70,250,000.00	June 03, 2019
July 08, 2019	August 14, 2019	Series 1 Preferred Shares	PhP 70,250,000.00	September 03, 2019
October 10, 2019	November 15, 2019	Series 1 Preferred Shares	PhP 70,250,000.00	December 03, 2019
December 26, 2019	January 15, 2020	Common Shares	PhP 247,636,058.04	January 31, 2020
January 08, 2020	February 06, 2020	Series 1 Preferred Shares	PhP 70,250,000.00	March 03, 2020
May 08, 2020	May 25, 2020	Series 1 Preferred Shares	PhP 70,250,000.00	June 03, 2020
July 27, 2020	August 10, 2020	Series 1 Preferred Shares	PhP 70,250,000.00	September 03, 2020
October 05, 2020	November 06, 2020	Series 1 Preferred Shares	PhP 70,250,000.00	December 03, 2020
January 11, 2021	February 08, 2021	Series 1 Preferred Shares	PhP 70,250,000.00	March 03, 2021
January 18, 2021	February 03, 2021	Series 2A Preferred Shares	PhP 31,136,404.00	March 01, 2021
January 18, 2021	February 03, 2021	Series 2B Preferred Shares	PhP 25,020,953.00	March 01, 2021
April 08, 2021	May 18, 2021	Series 1 Preferred Shares	PhP 70,250,000.00	June 03, 2021
April 08, 2021	May 04, 2021	Series 2A Preferred Shares	PhP 31,136,404.00	May 27, 2021
April 08, 2021	May 04, 2021	Series 2B Preferred Shares	PhP 25,020,953.00	May 27, 2021
June 30, 2021	August 09, 2021	Series 1 Preferred Shares	PhP 70,250,000.00	September 03, 2021
June 30, 2021	August 05, 2021	Series 2A Preferred Shares	PhP 31,136,404.00	August 27, 2021
June 30, 2021	August 05, 2021	Series 2B Preferred Shares	PhP 25,020,953.00	August 27, 2021

October 19, 2021	November 09, 2021	Series 1 Preferred Shares	PhP 70,250,000.00	December 03, 2021
October 19, 2021	November 05, 2021	Series 2A Preferred Shares	PhP 31,136,404.00	November 29, 2021
October 19, 2021	November 05, 2021	Series 2B Preferred Shares	PhP 25,020,953.00	November 29, 2021
December 23, 2021	January 10, 2022	Series 4 Preferred Shares	PhP 53,000,000.00	January 31, 2022

Recent Sales of Unregistered or Exempt Securities

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

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

FY2021 vs FY2020

Results of Operations

Review of results for the year ended December 31, 2021 as compared with the results for the year ended December 31, 2020.

Revenues increased by 21% or PhP 2.72 billion

Consolidated revenues for the period amounted to PhP 15.64 billion, 21% or PhP 2.72 billion higher from the same period last year. The construction segment revenue amounted to PhP 14.33 billion, 32% or PhP 3.49 billion above from year ago levels and contributed 91% 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 3 which is a joint 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 PhP 576 million, 48% or PhP 532 million lower than the same period last year and contributed 4% to the total consolidated revenue due to the effect of international and local travel restrictions, beginning March 16, 2020 and persisted until December 31, 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 67% decline in revenue.

Landport operations delivered revenue of PhP 715 million from office towers and commercial spaces during the period 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 21% or PhP 187 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 08, 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 24% or PhP 2.5 billion

Direct costs amounted to PhP 12.9 billion and were higher by 24% or PhP 2.5 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 increased by 9% or PhP 222 million

Consolidated gross profit amounted to PhP 2.74 billion in 2021, translating to a consolidated gross profit margin of 18%. The construction business contributed PhP 2.2 billion or 80% of the Group's gross profit. Terminal operations contributed PhP 327 million or 12% while airport operations and merchandising segment accounted for PhP 207 million or 8% to the total gross profit.

Other Operating Expenses increased by 16% or PhP 247 million

Net Other Operating Expenses amounted to PhP 1.78 billion. The increase of PhP 247 million is mainly related to impairment losses recognized on receivables amounting to P204 million.

Other Income (Charges) increased by 6% or PhP 88 million

Other charges - net, which consists of finance cost, finance income and other income (expenses) amounted to PhP 1.68 billion, 6% lower from year-ago levels. The reduction is due mainly to the recognition of gain on loan modification amounting to PhP 208 million in 2021 and mark-to-market gain on the airport segment's interest rate swap recognized this year compared to market-to-market loss on IRS booked on the same period last year recorded under other income (expense). However, this is offset by the unrealized foreign exchange loss recognized in 2021 from the USD loans under the airport segment due to the higher peso to dollar exchange rate compared to the unrealized foreign exchange gain recognized on the same period last year.

Tax Expense decreased by PhP 95 million or 36%

Total tax expense decreased in 2021 due to the decrease in tax expense in the is directly related to the reduction in tax rate from 30% to 25% under the CREATE law.

Consolidated Net Loss decreased by 2% or PhP 19 million

Consolidated net loss amounted to PhP 893 million compared to consolidated net loss of PhP 875 million in 2020. Marginal improvement is related to improvement in construction operations which posted a profit of P401 million compared with last year's loss of P497 million, 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

Review of financial conditions as of December 31, 2021 as compared with financial conditions as of December 31, 2020

ASSETS***Current Assets increased by 9% or by PhP3.34 billion***

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

Cash and Cash Equivalents decreased by 19% or PhP 1.38 billion

The decrease in cash and cash equivalents was due to payment of PhP 2.6 billion finance cost, PhP 595 million dividends on preferred shares and various acquisitions of precast and construction equipment to ramp up capacity. This is offset by proceeds from the down payments of clients for newly awarded projects during the period and increase in operating cash flow from construction segment.

Trade and Other Receivables increased by 11% or by PhP 1.67 billion

The increase in contract receivables by PhP 581 million 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 receivables are not yet due. Interest receivable increased by P444 million while retention receivable increased by P76 million. Receivable from airport operations increased by P129 million due to the increase in revenue during the month of December as economies opened and our country relaxed travel policies. Meanwhile, receivables from Terminal operations increased by PhP 319 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.

Inventory of Construction Materials increased by 19% or PhP 326 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 PhP 546 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 27% or by PhP 2.18 billion

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 PhP 163 million for MCRP. The related input VAT also increased as a result of payments made to subcontractors. 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 increased by 1% or PhP 493 million

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

Investments in Associates and Joint Ventures decreased by 7% or by PhP 68 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 2% or by PhP 575 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 PhP 50 million.

Property, Plant and Equipment decreased by 1% or by PhP 73 million

The Group recognized depreciation charges on property, plant and equipment amounting to PhP 1.47 billion 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 3% or by PhP 115 million

The increase is mainly related to the additions in the landport property amounting to P230 million representing additional improvements in the commercial and parking area. This was reduced by depreciation charges for the period amounting to PhP 86 million.

Deferred tax assets increased by 156% or PhP 15 million

The increase was due to the reversal of deferred tax assets recognized by a foreign subsidiary and the resulting net deferred tax asset from construction segment as compared with the previous years due to deferred taxes on impairment loss recognized during the year and increase in deferred tax on the effect of PFRS 15 on significant financing component.

Other Non-Current Assets decreased by 3% or PhP 71 million

The decrease in Other Non-Current Assets was mainly due to decrease of P 238 million in investment in trust fund, the cash waterfall account for the airport segment loan but was offset increase in the deferred input VAT balance of the Group amounting to P 107 million as well as higher refundable deposits under MWM amounting to P 51 million.

LIABILITIES AND EQUITY

Current Liabilities increased by 15% or PhP 3.61 billion

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

Interest-Bearing Loans and Borrowings-Current increased by PhP 1.65 billion or 13%

The increase is mainly related to additional borrowings for the period to support mainly the capital asset requirement of the construction segment and reclassification to current portion of long term loan based on the scheduled payment for the next year. The increase was offset by loans of GMCAC were reclassified from current to non-current amounting to PhP 824 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 current portion of long-term loan recognized in the previous year were reclassified to non-current.

Trade and Other Payables increased by 4% or by PhP 325million

The increase is mainly due to the additional infusion of the minority shareholder to the airport operations to comply with the restated OLSA amounting to P308 million. This was offset by the payment of accrued interest. Under the amended OLSA previously discussed, 20% of the accrued interest related to the period was paid in May 2021, while the balance shall be paid on June 15, 2023 together with the interest accrued. For interest incurred from March 31, 2021 to December 15, 2021, 37% of the accrued interest related to the period shall be paid monthly starting May 15, 2021 until December 15, 2021, the balance shall be paid on December 2023 together with the interest accrued.

Contract liabilities – current increased by 75% or PhP 1.59 billion

The increase is mainly related to reclassification from noncurrent portion as accomplishments is expected to be higher in the next year which will result to higher recoupment of downpayments from client.

Other Current Liabilities increased by 22% or by PhP 48 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 PhP 1.54 billion

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

Interest-Bearing Loans and Borrowings-Non-Current increased by 6% or PhP 1.93 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, interest bearing loans for GMCAC were increased by P2.1 billion. Meanwhile, current portion of finance lease payables amounting to P 91 million were reclassified to current loans based on scheduled payments within one year horizon.

Contract liabilities –non current decreased by 17% or PhP 422 million

The increase is mainly related to downpayments received in 2021 for newly awarded contracts such as SunCity and share in MCRP.

Post employment defined benefit obligation decreased by 13% or by PhP 43 million

The post employment defined benefit obligation decrease due to experience adjustments and changes in demographic assumptions.

Deferred tax liabilities increased by 9% or by PhP 71 million

The decrease in deferred tax liabilities was mainly due to construction segment which had a net deferred tax asset position of P10 million at the end of the year compared to last year deferred tax liability position amounting to P26 million. Other decrease is arising from the adjustment of tax rate from 30% to 25%.

Other non-current liabilities increased by 1% or PhP 8 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 4% or by PhP 774 million

The decrease in equity was mainly due to dividend payments of PhP 506 million to preferred stock shareholders and P342 million net loss attributable to Parent for the year.

Y2020 vs FY2019

Results of Operations

Review of results for the year ended December 31, 2020 as compared with the results for the year ended December 31, 2019

Revenues at PhP 12.92 billion or 35% lower than FY2019

Consolidated revenues for the period amounted to PhP 12.92 billion, 35% or PhP 6.96 billion lower from 2019 levels. The construction segment revenue amounted to PhP 10.84 billion, PhP 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 PhP 1.11 billion in revenue in 2020, 70% or PhP 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 PhP 70 million.

Landport operations, which started full operations in latter half of 2019, delivered revenue of PhP 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 PhP 4.85 billion

Direct costs amounted to PhP 10.41 billion, lower by 32% or PhP 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 PhP 2.52 billion

Consolidated gross profit amounted to PhP 2.52 billion, translating to a consolidated gross profit margin of 19%. Construction operations contributed the bulk at PhP 1.45 million or 58% to the consolidated gross profit. The landport and airport operations contributed PhP 547 million and PhP 474 million, respectively, comprising 22% and 19% shares, respectively. The balance came from the airport merchandising segment.

Other Operating Expenses lower by 16% or PhP 291 million

Net Other Operating Expenses for 2020 amounted to PhP 1.54 billion, PhP 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 PhP 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 PhP 59 million or 18%

Tax expense for the year amounting to PhP 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 PhP 875 million

The consolidated net loss of PhP 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

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 PhP 967 million

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

Cash and Cash Equivalents increased by 11% or PhP 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 PhP 2.07 billion

The decrease in contract receivables was largely due to the PhP 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 PhP 142 million in accordance with PFRS 16 and uncollected billings from tenants of PhP 385 million due to deferral of payments granted to tenants.

Inventory of Construction Materials increased by 34% or PhP 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 PhP 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 PhP 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 PhP 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 PhP 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 PhP 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 PhP 163 million.

Investment Properties decreased by 2% or PhP 66 million

The decrease was related to the amortization for the year amounting to PhP 106 million and additions to Land amounting to PhP 40 million.

Property, Plant and Equipment decreased by 2% or PhP 169 million

The decrease in the account resulted from the Group's recognition of depreciation charges on property, plant and equipment amounting to PhP 1.02 billion and procurement of certain construction equipment to support specific requirements of the ongoing projects.

Deferred tax assets decreased by PhP 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 PhP 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 PhP 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 PhP 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 PhP 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 PhP 337 million

The decrease in contract liabilities was related to recoupment for ongoing projects.

Other Current Liabilities decreased by 1% or by PhP 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 PhP 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 PhP 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 PhP 3 million

The increase was mainly related to the recognition of current service cost of GMCAC.

Deferred tax liabilities increased by 31% or PhP 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 PhP 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 PhP 3 billion

The increase in equity was mainly the function of the proceeds received from the issuance of preferred shares amounting to PhP 4.3 billion, partially offset by the share buyback program of the Parent amounting to PhP 703 million, dividend payments to preferred stock shareholders, and net loss for the period.

FY2019 vs FY2018

Results of Operations

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

Megawide generated consolidated revenues of PhP 19.88 billion for the year 2019, 23% higher than PhP 16.15 billion posted in 2018. Megawide also recorded consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) of PhP 4.81 billion, 9% more than the previous year. This was driven by airport operations, which recorded a 10% growth to PhP 2.33 billion and contributed 48% to total, and construction, which grew to PhP 2.25 billion from PhP 2.18 billion last year and comprised 47% of the total. The remaining 5% came from the combined terminal and merchandising operations. The Company's net profit came in at PhP 1.11 billion, of which 55% or PhP 609 million was delivered by airport operations and merchandising segments, while the remaining 45% was from the construction and terminal businesses. Overall, the 2019 results were fueled by the recovery in construction, sustained momentum from airport operations, and initial contribution from landport operations.

Revenues increased by 24% or by PhP 3.89 billion

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

Construction

The construction segment contributed 77% of the Group's total revenue, amounting to PhP 15.31 billion against PhP 12.69 billion in the previous year. Revenues for the year increased by PhP 2.62 billion or 21% as a result of ramp up in construction activities in 2019. Major projects undertaken during the year includes Clark International Airport, 8990's Housing Development's Ortigas and Tondo,

Araneta's Gateway Mall, Megaworld's Worldwide Plaza, Albany Luxury Residences, One Fintech, 8 Sunset Boulevard, International Finance Center and Double Dragon projects.

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

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

Airport Operations

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

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

Airport Merchandising

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

Terminal Operations

The terminal operations posted a revenue PhP 555 million from an almost insignificant amount of PhP 18 million in 2018. Revenue mainly came from leases received from concessioners in the terminal area and office tower tenants. As of end of 2019, 71% of the terminal space were leased out to concessionaires, of which 30% had already commenced operations. In 2019, PITx completed the construction of 4-tower, 5-storey office complex, each with a gross leasable area of 19,225 square meters, for a total of 76,903 square meters. All towers have been contracted for a period of five years. Since its opening last November 2018, passenger foot traffic in the terminal grew to an average of 67,968 passengers daily by the end of 2019 from less than 5,000 at the start of operations. In addition, the number of trips originating from the terminal increased from less than 500 daily in November 2018, which were limited only to buses, to almost 5,200 trips daily, now comprised of city, provincial and long-haul buses, modern and traditional jeepneys, and domestic shuttle services.

Direct Costs increased by 29% or by PhP 3.44 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 MClA's Terminal 2 and additional costs to operate it.

Gross Profit increased by 7% or by PhP 296 million

Consolidated gross profit amounted to PhP 4.63 billion in 2019 and translated to a consolidated gross profit margin of 23%. Construction gross profit increased by PhP 113 million, or 6%, to PhP 2.02 billion. Airport operations grew by PhP 100 million, or 5%, to PhP 2.15 billion while airport merchandising grew by PhP 18 million, or 8%, to PhP 238 million. Terminal operations gross profit accelerated to PhP 244 million as revenue stream from concessionaires and office towers commenced last year.

Other Operating Expenses increased by 41% or PhP 531 million

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

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

Other income (charges), which consists of finance cost, finance income, and other income (expenses), increased due to higher finance costs related to loan availments of the airport segment, which can no longer be capitalized after completion of Terminal 2 in 2018, and rehabilitation of Terminal 1 in 2019. In 2019, PITx and Clark Airport Project likewise made additional drawdowns totaling to PhP 6 billion. Also, the Company availed loans to finance its working capital and capital expenditure program.

Tax Expense decreased by PhP 169 million or 34%

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

Financial Condition

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

ASSETS***Current Assets increased by 43% or by PhP 10.68 billion***

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

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

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

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

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

long-term growth programs and objectives, with related fees charged on and accrued to the outstanding advances.

Construction Materials increased by 49% or by PhP 422 million

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

Contract assets increased by 30% or PhP 915 million

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

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

The increase is mainly due to downpayments made to suppliers during the year for newly started projects and the increase in prepaid taxes of the Company due to application of PhP 406 million write-off of receivables against its taxable income. Deferred fulfillment costs decreased as contracts have been executed or partially fulfilled in 2019.

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

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

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

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

Concession Assets increased by 4% or PhP 1.15 billion

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

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

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

Investment Properties increased by 12% or by PhP 427 million

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

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

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

LIABILITIES AND EQUITY

Current Liabilities increased by 69% or by PhP 11.43 billion

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

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

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

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

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

Contract liabilities increased by 6% or PhP 261 million

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

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

The decrease mainly relates to the decrease in withholding taxes.

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

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

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

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

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

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

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

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

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

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

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

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

Material Events and Uncertainties

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

Other than the impact of COVID-19 on the business which is disclosed in Note 1.3 of the consolidated audited financial statements or **Exhibit "2"**, 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 a capital commitment to utilize the proceeds from the issuance of its preferred shares amounting to Two Billion Six Hundred Forty-Four Million Six Hundred Sixty-Six Thousand Four Hundred Sixty-Two Pesos (PhP 2,644,666,462.00) 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 material events subsequent to December 31, 2021 that have not been reflected in the consolidated audited financial statements or **Exhibit "2"** of the Company.

Liquidity and Capital Resources

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

There is no material commitment for capital expenditures other than those performed in the ordinary course of trade or business. Additionally, there is no significant element of income not arising from continuing operations.

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

Cash Flows

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

(Amounts in PhP Millions)	For the years ended December 31		
Cash Flow	2021	2020	2019
Net cash provided by operating activities	1,356	2,735	1,110
Net cash used in investing activities	(1,829)	(1,515)	(5,037)
Net cash provided by financing activities	(895)	(509)	4,715

Key Performance Indicators (KPIs)

Megawide's KPIs are as follows:

Amounts in PhP Billion, except Ratios and Earnings per Share	2021	2020	2019
Construction Order Backlog	PhP 60.01	PhP 68.44	PhP 52.40
Current Ratio ¹	1.45	1.53	1.27
Net Debt to Equity Ratio ²	2.27	1.89	2.29
Book Value Per Share ³	2.13	4.49	5.02
Earnings per Share ⁴	-0.42	-0.33	0.28
Return on Assets ⁵	-0.01	-0.01	0.02
Return on Equity ⁶	-0.04	-0.05	0.06
Gross Profit Margin ⁷	0.18	0.19	0.23

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

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

Risk Management Objectives and Policies

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

¹ Current Assets/Current Liabilities

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

³ Total Equity/Issued and Outstanding Shares

⁴ Net Profit/Issued and Outstanding Shares

⁵ Net Profit/Average Shares

⁶ Net Profit/Average Equity

⁷ Gross Profit/Revenue

Megawide does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which it is exposed to are market risk, credit risk and liquidity risk. The detailed discussion of the impact of these risks are discussed in Note 32 of the consolidated audited financial statements or **Exhibit “2”**.

Item 7. Financial Statements

Megawide’s audited financial statements and the supplementary schedules to the same, which were submitted to the Bureau of Internal Revenue are attached hereto as **Exhibit “2”**.

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

External Audit Fees and Services

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

Particulars	Nature	Audit Fees (amounts in PhP) For the years ended December 31		
		2021	2020	2019
Punongbayan & Araullo	Audit of Financial Statements	3,535,000.00	3,346,250.00	2,875,000.00
Punongbayan & Araullo	Summary of Application of Proceeds on Preferred Shares (Q1 to Q4)	600,000.00	150,000.00 (Q4)	600,000.00 (Q1 to Q4)
Punongbayan & Araullo	Transfer Pricing Documentations and Review of Information Return	2,600,000.00	-	-
Punongbayan & Araullo	Agreed Upon Procedures (PCAB Renewal)	35,000.00	35,000.00	-
Punongbayan & Araullo	Benchmarking of Accounting Policies and Procedures	-	-	900,000.00
Punongbayan & Araullo	Q1 and Q2 Consolidated Financial Statements Review and Prospectus Circle-Up (for Preferred Shares Offering)	3,500,000.00	3,500,000.00	-
Punongbayan & Araullo	Quarterly Review of Financial Statements	-	-	300,000.00
Punongbayan & Araullo	Tax Opinion on Development Projects	100,000.00	250,000.00	580,000.00
SyCip Gorres Velayo & Co. (SGV)	Audit of Financial Statements of GMCAC	1,339,000.00	1,339,000.00	1,300,000.00

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

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

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

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

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

Auditor	Year	Handling Partner
Punongbayan & Araullo	2021 and 2020	2017 to 2021 – <i>Mailene Sigue-Bisnar</i>

Megawide did not have any disagreements with its internal auditors or independent accountants on any matter of accounting principles or practices, financial statements, disclosures, or auditing scope or procedures.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of Megawide

Directors and Executive Officers

As of December 31, 2021, Megawide is governed by a Board of seven (7) directors, composed of the following:

1. Mr. Edgar B. Saavedra, *Chairman of the Board, CEO, and President*;
2. Mr. Manuel Louie B. Ferrer, *Vice-Chairman of the Board, Executive Director of Infrastructure Development, and Chief Corporate Affairs and Branding Officer*;
3. Mr. Oliver Y. Tan, *Director*;
4. Mr. Ramon H. Diaz, *Executive Director and Group Chief Financial Officer*;
5. Former Chief Justice Hilario G. Davide, Jr., *Independent Director*;
6. Mr. Celso P. Vivas, *Independent Director*; and
7. Mr. Alfredo E. Pascual, *Independent Director*.

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

The 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 1 voting share of Megawide.

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

Meanwhile, the Amended Articles of 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.

Board of Directors

The following provides the information on each Member of Megawide's Board of Directors, as of December 31, 2021, including their current directorships and positions in other companies, previous business experience, and educational background:

1. **MR. EDGAR B. SAAVEDRA**

Age: 47

Citizenship: Filipino

Positions in Megawide: *Chairman of the Board, CEO, and President*

Term of Office: Yearly

Current Directorships and Positions Held in Other Companies

Mr. Saavedra is currently the Chairman and President of Citicore Holdings Investment Inc. He is also the Chairman of MWM Terminals, Inc., Cebu2World Development, Inc., Citicore Power Inc., Citicore Energy REIT Corp., and Citicore Renewable Energy Corporation. He also serves as Director of GMR Megawide Cebu Airport Corporation and GlobemERCHANTS Inc. In addition, he serves as the Chairman, Chief Executive Officer, and President of PH1 World Developers, Inc. Further, he is a Trustee and Vice President of Megawide Corporate Foundation, Inc.

Previous Business Experience and Educational Background

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.

2. **MR. MANUEL LOUIE B. FERRER**

Age: 47

Citizenship: Filipino

Positions in Megawide: *Vice-Chairman of the Board,*

Executive Director of Infrastructure Development, and Chief Corporate Affairs and Branding Officer

Term of Office: Yearly

Current Directorships and Positions Held in Other Companies

Mr. Ferrer is the Chairman of the Board of Trustees and President of Megawide Corporate Foundation, Inc. Also, he serves as a Director and the President of GMR Megawide Cebu Airport Corporation and Cebu2World Development, Inc. He is also a Director of Citicore Holdings Investment Inc., MWM Terminals, Inc., GlobemERCHANTS, Inc., and Citicore Energy REIT Corp. He also serves as the Vice Chairman of the Board of PH1 World Developers, Inc. Further, he is a Director and the Treasurer of Citicore Power Inc. and Citicore Renewable Energy Corporation.

Previous Business Experience and Educational Background

Mr. Ferrer obtained his degree in Industrial Design from De La Salle University in 1996. He previously served as President of MWM Terminals, Inc.

3. **MR. OLIVER Y. TAN**

Age: 44

Citizenship: Filipino

Position in Megawide: *Director*

Term of Office: Yearly

Current Directorships and Positions Held in Other Companies

Mr. Tan serves as Director and President of Citicore Power Inc., Citicore Energy REIT Corp., and Citicore Renewable Energy Corporation. Further, he is Director and Vice President of Citicore Holdings Investment Inc.

Previous Business Experience and Educational Background

Mr. Tan previously served as the Chief Finance Officer of Megawide Construction Corporation. He holds a degree in Business Administration from the Philippine School of Business Administration.

4. **MR. RAMON H. DIAZ**

Age: 63

Citizenship: Filipino

Positions in Megawide: *Executive Director and Group Chief Financial Officer*

Term of Office: Yearly

Current Directorships and Positions Held in Other Companies

Mr. Diaz is a Director of Citicore Holdings Investment Inc., Citicore Power Inc., MWM Terminals, Inc., and Citicore Renewable Energy Corporation. Also, he serves as Director and Treasurer of GMR Megawide Cebu Airport Corporation and Cebu2World Development, Inc.

Previous Business Experience and Educational Background

Mr. Diaz was previously 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., Actron Industries, Inc., and Isla Communications Company Inc. Further, he was Chief Operating Officer of PT Jababeka Infrastruktur. He obtained his Bachelor of Science degree in Commerce, Major in Accounting, Magna Cum Laude, from the University of San Carlos and his Masters in Business Management from the Asian Institute of Management, as a scholar of the Ford Motor Company. He is a Certified Public Accountant.

5. **RET. CHIEF JUSTICE HILARIO G. DAVIDE, JR.**

Age: 86

Citizenship: Filipino

Positions in Megawide: *Independent Director*

Term of Office: Yearly

Current Directorships and Positions Held in Other Companies

Ret. Chief Justice Davide, Jr. is currently an Independent Director and Vice-Chairman of Manila Bulletin Publishing Corporation. He is also a Director and the Vice-Chairman of KOMPASS Credit and Financing Corporation. Further, he serves as an Independent Director of Philippine Trust

Company (Philtrust Bank). He is also the Chairman of the Board of Trustees of Claudio Teehankee Memorial Foundation, Inc. and Heart of Francis Foundation, Inc. He is also a Trustee of University of San Carlos, Cebu City, Knights of Columbus of the Philippines Foundation, Inc., and Knights of Columbus Fr. George J. William, SJ Charities, Inc.

Previous Business Experience and Educational Background

Ret. Chief Justice Davide, Jr. served as Chief Justice of the Supreme Court of the Philippines from November 1998 to December 2005. After his retirement from the Supreme Court, he served as the Permanent Representative of the Republic of the Philippines to the United Nations (UN) in New York from February 2007 to April 2010. He was an educator, legislator, and presidential adviser before his appointment as the country's top diplomat to the UN. Further, he was Commissioner of the 1986 Constitutional Commission which drafted the 1987 Constitution of the Philippines. Recognized for his accomplishments in government service, he was conferred the Ramon Magsaysay Award in 2002. He obtained his Bachelor of Laws from the University of the Philippines.

6. **MR. CELSO P. VIVAS**

Age: 75

Citizenship: Filipino

Position in Megawide: *Independent Director*

Term of Office: Yearly

Current Directorships and Positions Held in Other Companies

Mr. Vivas is an Independent Trustee of Megawide Corporate Foundation, Inc. He is currently Lead Independent Director and Chairman of Audit and Risk Management Committee of Keppel Holdings, Inc. Further, he serves as Independent Director and Chairman of Audit and Risk Management Committee, Keppel Philippines Marine, Inc. He is also Independent Director and Member of Audit Committee of Keppel Philippines Properties, Inc. He also serves as Independent Director of Keppel Subic Shipyard, Inc. Also, he serves as Independent Director, Chairman of Governance, Nomination, and Remuneration Committee, and Member of Audit and Risk Management Committee of Republic Glass Holdings, Inc. Further, he is a member of the Board of Trustees and President of Marubeni Foundation, Inc.

Previous Business Experience and Educational Background

He was a Risk Consulting Partner and Assurance Business Advisory Partner of SGV & Co. until his retirement in 2001. He 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. He 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).

7. **MR. ALFREDO E. PASCUAL**

Age: 73

Citizenship: Filipino

Positions in Megawide: *Independent Director*

Term of Office: Yearly

Current Directorships and Positions Held in Other Companies

Mr. Pascual is currently the Lead Independent Director of SM Investments Corporation and an Independent Director of Concepcion Industrial Corporation and Asiabest Group International Inc. He also serves on the board of nonprofits, such as the Institute of Corporate Directors, Institute for Solidarity in Asia, University of the Philippines Foundation, Inc., FINEX Academy, Philippine Council for Foreign Relations, and US-Philippines Society. Further, he is the President of the Management Association of the Philippines and Association of Former Employees of the Asian Development Bank.

Previous Business Experience and Educational Background

In 2018 and 2019, Mr. Pascual was President and Chief Executive Officer of the Institute of Corporate Directors. 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 several positions, including Director for Private Sector Operations, Director for Infrastructure Finance, and Advisor for Public-Private Partnership (Infrastructure Development). At ADB, he had postings in the Philippines, India, and Indonesia, and represented ADB on the board of its investee companies in China, India, and Philippines. Earlier on, Mr. Pascual held executive positions in investment houses, such as First Metro Investment Corporation, and was a finance professor at the Asian Institute of Management. He finished Master of Business Administration and Bachelor of Science Major in Chemistry (cum laude) at the University of the Philippines.

Executive Officers Who Are Not Directors

The following provides the information on the officers of Megawide, as of December 31, 2021, including their current positions in other companies, previous business experience, and educational background:

1. **MR. RAYMUND JAY S. GOMEZ**

Age: 50

Citizenship: Filipino

Positions in the Company: *Chief Legal Officer, Compliance Officer, and Data Protection Officer*

Term of Office: Yearly

Current Positions Held in Other Companies

Mr. Gomez also serves as Director of MWM Terminals, Inc. and Compliance Officer of Citicore Energy REIT Corp.

Previous Business Experience and Educational Background

Before joining Megawide, Mr. Gomez was the Vice President of the Human Resources, Legal and Regulatory Affairs Department of Beneficial Life Insurance Company, Inc. He also served as Assistant Vice President of the Legal and Corporate Services Department of Aboitiz Equity Ventures, Inc., Director of the Corporate Legal Affairs and Litigation Department at JG Summit Holdings, Inc., Legal Counsel for Cebu Air, Inc. (Cebu Pacific Air), and an Associate Lawyer of Ledesma, Saludo and Agpalo Law Offices. He obtained his Bachelor of Laws degree from San Beda College.

2. **MS. MARIA BELINDA B. MORALES**

Age: 63

Citizenship: Filipino

Positions in the Company: *Chief Human Resources Officer*

Term of Office: Yearly

Current Positions Held in Other Companies

Ms. Morales also serves as Director of MWM Terminals, Inc. and Cebu2World Development, Inc.

Previous Business Experience and Educational Background

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.

3. **MR. CHRISTOPHER A. NADAYAG**

Age: 38

Citizenship: Filipino

Positions in the Company: *Treasurer and Deputy Chief Financial Officer*

Term of Office: Yearly

Current Positions Held in Other Companies

Mr. Nadayag is also Director and Treasurer of MWM Terminals, Inc. He also serves as Treasurer of Citicore Holdings Investment Inc. and PH1 World Developers, Inc.

Previous Business Experience and Educational Background

Previously, Mr. Nadayag 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.

4. **MS. ZHEENA A. OCAMPO**

Age: 29

Citizenship: Filipino

Positions in the Company: *Acting Chief Audit Executive*

Term of Office: Yearly

Current Positions Held in Other Companies

Ms. Ocampo does not hold any position in other companies.

Previous Business Experience and Educational Background

Prior to joining Megawide, Ms. Ocampo held the position as Audit Supervisor in Deloitte Philippines. She is a Certified Public Accountant and holds an MBA degree from the Asian Institute of Management.

5. **MR. KAMA NESON GANESON***

Age: 56

Citizenship: Malaysian

Positions in the Company: *Acting Chief Risk Officer and Head of Total Quality Management*

Term of Office: Yearly

Current Positions Held in Other Companies

Mr. Ganeson resigned from Megawide on April 08, 2022.

Previous Business Experience and Educational Background

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.

6. **MR. MARTIN MIGUEL FLORES****

Age: 38

Citizenship: Filipino

Positions in the Company: *Chief Risk Officer*

Term of Office: Yearly

Current Positions Held in Other Companies

Mr. Flores does not hold any position in other companies.

Previous Business Experience and Educational Background

Mr. Flores joined Megawide in 2015 as the Head of Planning. He is currently Megawide's Head of the Project Management Office (PMO), a role he has held since 2019. As Head of PMO, he supervises the integration of the Enterprise Risk Management process in the business operations and strategy in all business units. He is a licensed Civil Engineer and received his Bachelor of Science in Civil Engineering from De La Salle University-Manila.

7. **MS. ABIGAIL JOAN R. COSICO****

Age: 49

Citizenship: Filipino

Positions in the Company: *Chief Investor Relations Officer*

Term of Office: Yearly

Current Positions Held in Other Companies

In a concurrent capacity, Ms. Cosico is also the Investor Relations Head of Citicore Power Inc. She is also Director and Treasurer of Citicore Fund Managers, Inc. and Director and President of Citicore Property Managers, Inc.

Previous Business Experience and Educational Background

Ms. Cosico has been the Company's Investor Relations Head since 2016. Prior to joining the Company, she held senior executive positions and performed various commercial and finance functions in her 15-year stint in one of the largest diversified conglomerates in the Philippines. This included heading Investor Relations for the real estate and property development company under the said conglomerate. Ms. Cosico obtained her Bachelor of Science degree in Management from Ateneo de Manila University. She also holds an MBA in Business Management, Major in Finance from the Asian Institute of Management.

8. **MR. ANTHONY LEONARD G. TOPACIO***

Age: 40

Citizenship: Filipino

Positions in the Company: *Corporate Secretary*

Term of Office: Yearly

Current Positions Held in Other Companies

Mr. Topacio resigned as Corporate Secretary on April 08, 2022 due to his reassignment within Megawide Group.

Previous Business Experience and Educational Background

Prior to joining the Company, Mr. Topacio 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.

9. **ATTY. CHARLOTTE Y. KING****

Age: 34

Citizenship: Filipino

Positions in the Company: *Assistant Corporate Secretary*

Term of Office: Yearly

Current Positions Held in Other Companies

Ms. King also serves as Corporate Secretary of Cebu2World Development Inc. and Assistant Corporate Secretary of Citicore Holdings Investment Inc. and MWM Terminals, Inc.

Previous Business Experience and Educational Background

Ms. King joined Megawide in 2018 as an Associate Legal Counsel. She was admitted to the Philippine Bar in 2016 and started her legal career as a legal associate in a law firm. She obtained her Bachelor of Laws degree from San Beda College.

10. **ATTY. JASMINE M. JIMENEZ**

Age: 38

Citizenship: Filipino

Positions in the Company: *Assistant Corporate Secretary*

Term of Office: Yearly

Current Positions Held in Other Companies

Ms. Jimenez 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.

Previous Business Experience and Educational Background

Ms. Jimenez obtained her Bachelor of Laws degree from Ateneo de Manila University.

11. **ATTY. MA. CRISSELLE R. ZAPATA-HERRERA****

Age: 29

Citizenship: Filipino

Positions in the Company: *Assistant Corporate Secretary*

Term of Office: Yearly

Current Positions Held in Other Companies

Ms. Zapata-Herrera also serves as Corporate Secretary of Citicore Holdings Investment Inc. and MWM Terminals, Inc. She is also the Assistant Corporate Secretary of Cebu2World Development Inc. and Megawide Corporate Foundation, Inc.

Previous Business Experience and Educational Background

Ms. Zapata-Herrera joined Megawide in 2019 as an Associate Legal Counsel. She was admitted to the Philippine Bar in 2017 and started her career as a legal associate in a law firm. Prior to her appointment in the Company, she previously served as Assistant Corporate Secretary in various corporations within Megawide Group. She obtained her Bachelor of Laws degree from the University of Santo Tomas.

**Resigned on April 08, 2022 effective April 08, 2022*

***Appointed on April 08, 2022 effective April 08, 2022*

Attendance of Directors to Board and Committee Meetings

The tables below set forth the attendance of Megawide's Directors to Board and Board Committee meetings held from January 01, 2021 to December 31, 2021:

Board Meetings

The Board held five (5) regular meetings and (1) special meeting, with the following attendance record:

Name	Position	No. of Meetings	No. of Meetings Attended
Edgar B. Saavedra	<i>Chairman of the Board, CEO, and President</i>	6	6
Manuel Louie B. Ferrer	<i>Vice-Chairman of the Board and Executive, Director, Infrastructure Development</i>	6	6
Oliver Y. Tan	<i>Director</i>	6	6
Ramon H. Diaz*	<i>Executive Director and Group Chief Financial Officer</i>	2	2
Leonilo G. Coronel**	<i>Independent Director</i>	4	4
Hilario G. Davide, Jr.	<i>Independent Director</i>	6	6
Celso P. Vivas	<i>Independent Director</i>	6	6
Alfredo E. Pascual	<i>Independent Director</i>	6	6

**Elected on June 30, 2021*

***Tenure ended on June 30, 2021*

Finance Committee Meetings

The Finance Committee held six (6) regular meetings and (1) special meeting, with the following attendance record:

Name	Position	No. of Meetings	No. of Meetings Attended
Leonilo G. Coronel	<i>Chairman until 30 June 2021</i>	4	4
Ramon H. Diaz	<i>Chairman from 01 July 2021</i>	3	3
Oliver Y. Tan	<i>Vice-Chairman</i>	7	4
Hilario G. Davide, Jr.	<i>Member</i>	7	6

Celso P. Vivas	<i>Member</i>	7	7
Alfredo E. Pascual	<i>Member</i>	7	7

Audit and Compliance Committee Meetings

The Audit and Compliance Committee held six (6) regular meetings and two (2) special meetings, with the following attendance record:

Name	Position	No. of Meetings	No. of Meetings Attended
Celso P. Vivas	<i>Chairman</i>	8	7
Leonilo G. Coronel	<i>Vice-Chairman until 30 June 2021</i>	4	4
Hilario G. Davide, Jr.	<i>Vice-Chairman from 01 July 2021</i>	8	8
Alfredo E. Pascual	<i>Member</i>	8	8
Oliver Y. Tan	<i>Member</i>	8	4

Board Risk Oversight Committee Meetings

The Board Risk Oversight Committee held four (4) regular meetings, with the following attendance record:

Name	Position	No. of Meetings	No. of Meetings Attended
Alfredo E. Pascual	<i>Chairman</i>	4	4
Celso P. Vivas	<i>Vice-Chairman</i>	4	4
Leonilo G. Coronel	<i>Member until 30 June 2021</i>	2	2
Hilario G. Davide, Jr.	<i>Member</i>	4	4
Edgar B. Saavedra	<i>Member</i>	4	4
Ramon H. Diaz	<i>Member from 01 July 2021</i>	2	2

Governance, Nominations, and Compensation Committee Meetings

The Governance, Nominations and Compensation Committee held four (4) regular meetings, with the following attendance record:

Name	Position	No. of Meetings	No. of Meetings Attended
Hilario G. Davide, Jr.	<i>Chairman</i>	4	4
Alfredo E. Pascual	<i>Vice-Chairman</i>	4	4
Leonilo G. Coronel	<i>Member until 30 June 2021</i>	2	2
Celso P. Vivas	<i>Member</i>	4	4
Manuel Louie B. Ferrer	<i>Member</i>	4	4

Significant Employees

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

Family Relationships

None of the directors are related to each other.

Involvement in Certain Legal Proceedings

During the past 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.

Item 10. Executive Compensation

All Directors and Officers as a Group

SUMMARY COMPENSATION TABLE

Annual Compensation

(In Php Millions)

Name and Position	Fiscal Year	Annual Salary	Bonus	Other Compensation
Edgar B. Saavedra Chairman, CEO, and President				
Manuel Louie B. Ferrer Chief Corporate Affairs and Branding Officer				
Markus Hennig EVP – Business Units				
Sean Farrel				

VP – Construction Operations Maria Belinda Morales Chief Human Resources Officer				
CEO & Aggregate compensation paid to all other officers and directors as a group unnamed	2021	177.63	20.49	7.24
	2020	210.47	24.81	4.58
	2019	199.83	6.72	10.28

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 ten percent (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 Twenty Thousand Pesos (Php 20,000.00) Director's per diem, per Board meeting, and a Thirty Thousand Pesos (Php 30,000.00) monthly allowance in the form of reimbursable expenses for each regular director.

Subsequently, on October 10, 2018, the Board resolved to increase the director's per diem, per Board meeting, to Forty-Four Thousand Pesos (Php 44,000.00) for Executive Directors, Sixty-Two Thousand Pesos (Php 62,000.00) for Non-Executive Directors, and Fifty-Eight Thousand Pesos (Php 58,000.00) for Independent Directors. The total per diem paid to Directors for the year ending December 31, 2021 was Four Million Four Hundred Ten Thousand Pesos (Php 4,410,000.00).

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 one (1) year after the termination of the contract, from engaging, directly or indirectly, for himself or on behalf of or in conjunction with any person, corporation, partnership or other business entity that is connected with the business of Megawide.

Warrants and Options

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

Item 11. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Certain Owners of Record and Beneficial Owners

Owners of record of more than five percent (5%) of Megawide's shares of stock as of December 31, 2021 are as follows:

Title of Class	Name & Address of Record Owner & Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizen ship	Number of Shares Held	Percent (%)
Common	Citicore Holdings Investment Inc. – Stockholder No. 20 N. Domingo Street, Barangay Valencia, Quezon City	Edgar B. Saavedra Mr. Saavedra is the majority stockholder of Citicore.	Filipino	712,925,501	35.41%
Common	Megacore Holdings, Inc.⁸ – 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	1,164,870,236	57.86%
Common	PCD Nominee Corporation (Non-Filipino) – Stockholder 37/F Tower I, The Enterprise Center, 6766 Ayala Avenue, corner Paseo de Roxas	Publicly-Held Shares	Non- Filipino	88,797,521	4.41%

The following table sets forth the participants under the PCD account who owns more than five percent (5%) of the voting securities of Megawide as of December 31, 2021:

Name	Number of Shares Held	Percent (%)
BDO Securities Corporation	648,467,517	32.21%

⁸ Megacore Holdings, Inc.'s shares are lodged with the PCD Nominee Corporation (Filipino).

CLSA Philippines, Inc.	382,920,604	19.02%
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Security Ownership of Management

The following table sets forth the security ownership of Megawide's Directors and officers as of December 31, 2021:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Owner	Citizenship	Percentage
Common	Edgar B. Saavedra <i>Chairman of the Board, CEO, and President</i>	1 (Direct) 2 (Indirect)	Filipino	Nil
Common	Manuel Louie B. Ferrer <i>Vice-Chairman of the Board, Executive Director for Infrastructure Development, and Chief Corporate Affairs and Branding Officer</i>	1 (Indirect)	Filipino	Nil
Common	Oliver Y. Tan <i>Director</i>	18,767,852 (Indirect)	Filipino	0.93%
Common	Ramon H. Diaz <i>Executive Director and Group Chief Financial Officer</i>	350,000 (Indirect)	Filipino	0.02%
Common	Hilario G. Davide, Jr. <i>Independent Director</i>	1 (Direct)	Filipino	Nil
Common	Celso P. Vivas <i>Independent Director</i>	1 (Indirect)	Filipino	Nil
Common	Alfredo E. Pascual <i>Independent Director</i>	1 (Direct) 10,900 (Indirect)	Filipino	Nil
Common	Christopher A. Nadayag <i>Treasurer and Deputy Chief Financial Officer</i>	49 (Indirect)	Filipino	Nil
Common	Raymund Jay S. Gomez <i>Chief Legal Officer, Compliance Officer, and Data Protection Officer</i>	0	Filipino	Nil
Common	Maria Belinda Morales <i>Chief Human Resources Officer</i>	35,000 (Indirect)	Filipino	Nil
Common	Zheena E. Ocampo <i>Acting Chief Audit Executive</i>	7,500 (Indirect)	Filipino	Nil
Common	Kama Neson Ganeson* <i>Acting Chief Risk Officer</i>	0	Malaysian	Nil
Common	Martin Miguel Flores** <i>Chief Risk Officer</i>	4,400 (Indirect)	Filipino	Nil
Common	Abigail Joan R. Cosico** <i>Chief Investor Relations Officer</i>	0	Filipino	Nil

Common	Anthony Leonard G. Topacio* <i>Corporate Secretary</i>	0	Filipino	Nil
Common	Charlotte Y. King** <i>Corporate Secretary</i>	0	Filipino	Nil
Common	Jasmine M. Jimenez <i>Assistant Corporate Secretary</i>	0	Filipino	Nil
Common	Ma. Criselle R. Zapata-Herrera** <i>Assistant Corporate Secretary</i>	25,200	Filipino	Nil
Aggregate Shareholdings of Directors and Officers as a Group		19,200,908		0.95%

**Resigned April 08, 2022 effective April 08, 2022*

***Appointed April 08, 2022 effective April 08, 2022*

Voting Trust Holders of Five Percent (5%) or More

There is no voting trust arrangement executed among the holders of five percent (5%) or more of the issued and outstanding shares of common stock of Megawide.

Change in Control

There are no arrangements entered into by Megawide or any of its stockholders which may result in a change of control of Megawide.

Item 12. Certain Relationship and Related Transactions

Related Party Category	Amount of Transaction	Receivable (Payable)	Terms	Conditions
Ultimate Parent:				
Cash granted	-	3,089,295,108	Interest-bearing	Unsecured, Unimpaired
Interest receivable	220,500,000	726,037,823	On demand; non-interest bearing	Unsecured, Unimpaired
Associate:				
Revenue from services	-	1,105,839,908	Normal credit terms	Unsecured, Unimpaired
Cash granted	(26,922)	42,179,046	On demand; non-interest bearing	Unsecured, Unimpaired
Cash obtained	-	(20,000,000)	On demand; non-interest bearing	Unsecured, Unimpaired
Rent income	53,571	228,607	Normal credit terms	Unsecured, Unimpaired
Joint Arrangement:				
Revenue from services	356,773,700	80,247,052	Normal credit terms	Unsecured, Unimpaired
Cash granted	(735,000)	621,355	On demand; non-interest bearing	Unsecured, Unimpaired
Common Ownership:				

Rent income	3,804,016	18,473,666	Normal credit terms	Unsecured, Unimpaired
Revenue from services	378,457,534	1,057,734,512	Normal credit terms	Unsecured, Unimpaired
Cash granted	8,950,004	3,286,782,246	On demand; Interest-bearing and non-interest bearing	Unsecured, Unimpaired
Interest receivable	220,500,000	726,037,823	On demand; non-interest bearing	Unsecured, Unimpaired
Management and consultancy	103,280,955	103,280,955	Normal credit terms	Unsecured, Unimpaired
Retirement fund	57,063	4,691,732	Upon retirement of beneficiaries	Partially funded
Advances to Officers and Employees	11,316,768	85,798,075	Upon liquidation, noninterest-bearing	Unsecured, Unimpaired
Key Management Compensation	286,309,661	-	On demand; non-interest bearing	Unsecured, Unimpaired

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

It is the firm belief of Megawide that an organization that faithfully practices and implements the core principles of good corporate governance such as honesty, integrity, fairness, accountability, and transparency will, more often than not, outperform and outshine its competitors. Thus, Megawide is in full compliance with the rules and regulations of the SEC, the 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:

1. 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 Manual.

2. The Company has elected four (4) Independent Directors to ensure that the Board will protect, not only the interests of the Company, but its shareholders as well.
3. 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.

4. 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.
5. The Board revised the Company's vision, mission, and values, which it launched in 2019.
6. To reinforce the Megawide's adherence to good corporate governance, and in compliance with its Manual and SEC M.C. No. 04, Series of 2019, attached is the Company's Sustainability Report as **Exhibit "3"**.
7. The Company received the 2019 ASEAN Asset Class PLCs (Philippines) award in relation to its 2019 ASEAN Corporate Governance Scorecard (ACGS), 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.
8. Meanwhile, for the 2020 ACGS, Megawide received a score of one hundred two and 22/100 (102.22), which represents an increase of three and 75/100 (3.75) points from 2019.
9. Additionally, for 2020, Megawide amended its governance structure and created several management committees, including their charters and procedures, for the proper management and control of the Company. Similarly, Megawide established the governance structures of its subsidiaries, such as MWMTI, Cebu2World, and Wide-Horizons. Moreover, the Company implemented an Enterprise Risk Management Framework and a Risk-Based Internal Audit approach.
10. On November 17, 2020, the Company conducted a seminar on the Data Privacy Act and its implementing rules and regulations, to remind its employees of their obligations and responsibilities therein.
11. Pursuant to its annual compliance procedures, the Company, in 2020, required its employees to complete the Conflict of Interest Disclosure Form to ensure that all conflicts of interest are disclosed.
12. The results of the annual Board self-evaluation for 2020 was discussed and deliberated during the Governance, Nominations, and Compensation Committee held last March 04, 2021. The said results shall remain confidential. Thereafter, the Board was informed that the annual self-evaluation forms for 2021 will be transmitted to them.
13. The Company conducted its Annual Corporate Governance Training for its Directors and key officers, with the Institute of Corporate Directors, last April 22, 2021. The topics discussed were: (a) Building Resilience in the Business Strategy; (b) Business Integrity and Corporate Culture; (c) Environmental, Social, and Governance; and (d) Digital Transformation. Moreover, the Company held an internal seminar on Corporate Governance on July 16, 2021, wherein its *Chief Legal Officer, Compliance Officer, and Data Protection Officer*, Atty Raymund Jay S. Gomez, was the instructor.

14. Megawide is committed to complying with Republic Act No. 10173 or the Data Privacy Act, its Implementing Rules and Regulations, and other related government issuances (the “Data Protection Laws”). As such, Megawide continues to regard data privacy seriously by conducting orientation for new hires on the Data Protection Laws to guarantee employee awareness. During the said orientation, the Legal Department informs the new employees of their rights and obligations under the Data Protection Laws, including the data privacy measures being implemented by Megawide.
15. The Company also adheres with the regulatory requirements on corporate governance through the timely submission of its Integrated Annual Corporate Governance Report with the SEC and the regular updating of its corporate website (www.megawide.com.ph).

A full discussion on the corporate governance practices of Megawide are also provided and explained in its Integrated Annual Corporate Governance Report (I-ACGR).

PART V – EXHIBITS AND SCHEDULES

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

Exhibits

Exhibit “1”	List of PCD Participants as of December 31, 2021
Exhibit “2”	Consolidated Audited Financial Statements and Schedules
Exhibit “3”	Sustainability Report

Material Contracts

Megawide’s principal contracts generally consist of construction contracts for its projects, PPP contracts, operating and finance lease commitments, contract of the lease of its office spaces, motor pool and equipment yard, surety arrangement and guarantees, and joint venture agreements. Megawide also has existing loan agreements. Other than these, Megawide is not a party to any contract of any material importance and outside the usual course of business, and the directors do not know of any such contract involving Megawide.

Construction Contracts

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

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

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

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

PPP Contracts

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

1. 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 Five Billion Two Hundred Twenty-Nine Million Eight Hundred Ninety-Nine Thousand One Hundred Thirty-Six Pesos (PhP 5,229,899,136.00) for the construction of school buildings in Region III; and
- b. Build Lease Transfer Agreement (for Package C) dated October 8, 2012 with a contract price of Seven Billion Two Hundred Twenty-Nine Million Eight Hundred Ninety-Nine Thousand One Hundred Thirty-Six Pesos (PhP 7,229,899,136.00) for the construction of school buildings in Region IV-A.

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

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

On October 17, 2013, Megawide executed a Build Transfer Agreement with the DEPED for the construction of school buildings in Regions I, II, III and CAR with contract price of Two Billion Two Hundred Fifty-Five Million Nine Hundred Twenty-Three Thousand Ninety-Six and 49/100 Pesos (PhP 2,255,923,096.49).

3. Concession Agreement executed by GMCAC with DOTr and MCIAA

The Concession Agreement, dated April 21, 2014, refers to the agreement entered into by GMCAC with DOTr and MCIA by virtue of Revised Implementing Rules and Regulations of R.A. No. 6957, "An Act Authorizing the Financing, Construction, Operation and Maintenance of Infrastructure Projects by the Private Sector and for Other Purposes", as Amended by R.A. No. 7718 (BOT Law). Under the said agreement, GMCAC was granted by DOTr and MCIA an exclusive right to design, develop, and undertake the MCIA Project; and enjoy complete and uninterrupted possession of all movable and immovable assets for purposes of implementing the Project, whether tangible or intangible pertaining to concessionaire Operations and Maintenance (O&M) Facilities such as the existing assets, project land, assets produced, installed, built and created pursuant to the Concession Agreement, commercial assets, among

others, (collectively referred as Project Assets). The Concession Agreement is for a period of twenty-five (25) years commencing on O&M start date unless further extended pursuant to the Concession Agreement.

The MCIA Project is comprised of the following undertakings:

- 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.

4. Concession Agreement executed between MWMTI and DOTr

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

5. Joint Venture Agreement executed between Megawide and the City of Cebu

On January 11, 2021, Megawide entered into a JVA with the City of Cebu to undertake the redevelopment of the Cebu Carbon Market District. Under the JVA, Megawide shall develop the Cebu Carbon Market district and operate the commercial spaces, other than the public market, for a concession period of fifty (50) years from the execution of the JVA and renewable for another twenty-five (25) years. Upon completion of the concession period, Megawide shall transfer the assets to the City of Cebu.

Reports on SEC Form 17-C**

On March 17, 2020, the SEC issued a Notice for “Filing of Structured Reports, Current Reports and Communications with the Securities and Exchange Commission” dispensing the requirement of filing a separate SEC Form 17-C during the implementation of the community quarantine over the Philippines. Thus, all reports filed with the PSE during the community quarantine are considered as having been filed with the SEC.

All reports may be found on the PSE’s EDGE:

https://edge.pse.com.ph/companyDisclosures/form.do?cmpy_id=627

- Signature Page Follows -

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereto duly authorized, in SAN JUAN CITY on APR 18 2022.

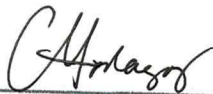
By:



EDGAR B. SAAVEDRA
*Chairman of the Board of Directors,
Chief Executive Officer, and President*



RAMON H. DIAZ
*Executive Director and
Group Chief Financial Officer*



CHRISTOPHER NADAYAG
Treasurer and Deputy Chief Financial Officer



CHARLOTTE Y. KING
Corporate Secretary

SUBSCRIBED AND SWORN TO before me in SAN JUAN CITY on APR 18 2022 affiants exhibiting to me their respective valid I.D.s, as follows:

Name	Competent Evidence of Identity	Date Issued/Date of Expiration	Place Issued
Edgar B. Saavedra	Philippine Passport No. P6875140B	Expiring on: May 26, 2031	DFA Manila
Ramon H. Diaz	Philippine Passport No. P5852124B	Expiring on: November 24, 2030	DFA NCR West
Christopher Nadayag	Driver's License No. N01-13- 028121	Expiring on: December 25, 2023	Manila
Charlotte Y. King	UMID I.D. No. CRN-0111- 5685965-4	-	Manila

Doc. No. 1127;
Page No. 27;
Book No. 11;
Series of 2022.



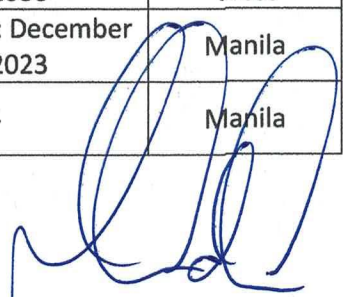

ATTY. MAE LALAIN H. DE LEON
Appointment No. 176 (2021-2022)
Notary Public for and in the Cities of Pasig and San Juan
and in the Municipality of Pateros
Commission Expires on December 31, 2022
11/F Rockwell Santolan Town Plaza
276 Col. Bonny Serrano Avenue, San Juan City
Roll of Attorneys No. 71079
MCLE Compliance No. VI-0018800
IBP No. 141380 / 01-05-21 / Manila II
PTR No. 1476131 / 01-05-21 / San Juan City

Exhibit "1"

OUTSTANDING BALANCES FOR A SPECIFIC COMPANY

Company Code - MWIDE0000000

Business Date: December 31, 2021

BPNAME	HOLDINGS
UPCC SECURITIES CORP.	15,650,520
A & A SECURITIES, INC.	778,351
ABACUS SECURITIES CORPORATION	13,426,384
PHILSTOCKS FINANCIAL INC	4,447,385
A. T. DE CASTRO SECURITIES CORP.	191,655
ALPHA SECURITIES CORP.	145,482
BA SECURITIES, INC.	183,437
AP SECURITIES INCORPORATED	969,550
ANSALDO, GODINEZ & CO., INC.	693,289
AB CAPITAL SECURITIES, INC.	2,690,109
SB EQUITIES, INC.	2,164,538
ASIA PACIFIC CAPITAL EQUITIES & SECURITIES CORP.	17,000
ASIASEC EQUITIES, INC.	347,300
ASTRA SECURITIES CORPORATION	76,822
CHINA BANK SECURITIES CORPORATION	1,928,300
BELSON SECURITIES, INC.	562,942
B. H. CHUA SECURITIES CORPORATION	1,002,000
JAKA SECURITIES CORP.	3,025
BPI SECURITIES CORPORATION	24,601,398
CAMPOS, LANUZA & COMPANY, INC.	59,152
SINCERE SECURITIES CORPORATION	7,800
CENTURY SECURITIES CORPORATION	223,151
CTS GLOBAL EQUITY GROUP, INC.	20,088
TRITON SECURITIES CORP.	43,265
IGC SECURITIES INC.	543,048
CUALOPING SECURITIES CORPORATION	17,965
DAVID GO SECURITIES CORP.	48,000
DIVERSIFIED SECURITIES, INC.	50,137
E. CHUA CHIACO SECURITIES, INC.	668,671
EAST WEST CAPITAL CORPORATION	1,100,000
EASTERN SECURITIES DEVELOPMENT CORPORATION	486,659
EQUITIWORLD SECURITIES, INC.	71,400
EVERGREEN STOCK BROKERAGE & SEC., INC.	3,748,231
FIRST ORIENT SECURITIES, INC.	424,000
FIRST INTEGRATED CAPITAL SECURITIES, INC.	111,797
F. YAP SECURITIES, INC.	654,683
AURORA SECURITIES, INC.	609,348
GLOBALINKS SECURITIES & STOCKS, INC.	118,411
JSG SECURITIES, INC.	10,110
GOLDSTAR SECURITIES, INC.	259,251
GUILD SECURITIES, INC.	10,000
HDI SECURITIES, INC.	2,795,022
H. E. BENNETT SECURITIES, INC.	233,701
I. ACKERMAN & CO., INC.	8,169
I. B. GIMENEZ SECURITIES, INC.	175,491
INVESTORS SECURITIES, INC.	103,914
IMPERIAL, DE GUZMAN, ABALOS & CO., INC.	131,791
INTRA-INVEST SECURITIES, INC.	154,137

BPNAME	HOLDINGS
J.M. BARCELON & CO., INC.	8,200
VALUE QUEST SECURITIES CORPORATION	415,000
STRATEGIC EQUITIES CORP.	160,781
LITONJUA SECURITIES, INC.	26,668
LUCKY SECURITIES, INC.	426,920
LUYS SECURITIES COMPANY, INC.	452,029
MANDARIN SECURITIES CORPORATION	412,502
COL Financial Group, Inc.	63,197,071
DA MARKET SECURITIES, INC.	2,759,264
MERCANTILE SECURITIES CORP.	342,961
MERIDIAN SECURITIES, INC.	529,395
MDR SECURITIES, INC.	48,000
REGIS PARTNERS, INC.	676
MOUNT PEAK SECURITIES, INC.	8,846
NEW WORLD SECURITIES CO., INC.	384,681
OPTIMUM SECURITIES CORPORATION	251,516
RCBC SECURITIES, INC.	6,737,817
PAN ASIA SECURITIES CORP.	778,900
PAPA SECURITIES CORPORATION	1,321,769
MAYBANK ATR KIM ENG SECURITIES, INC.	4,286,048
PNB SECURITIES, INC.	4,040,831
PREMIUM SECURITIES, INC.	20,020
SALISBURY BKT SECURITIES CORPORATION	52,123
QUALITY INVESTMENTS & SECURITIES CORPORATION	1,351,646
R & L INVESTMENTS, INC.	4,791
ALAKOR SECURITIES CORPORATION	8,800
R. COYIUTO SECURITIES, INC.	307,412
REGINA CAPITAL DEVELOPMENT CORPORATION	1,791,317
R. NUBLA SECURITIES, INC.	2,122,914
AAA SOUTHEAST EQUITIES, INCORPORATED	1,367,575
R. S. LIM & CO., INC.	766,062
RTG & COMPANY, INC.	281,612
S.J. ROXAS & CO., INC.	139,841
FIDELITY SECURITIES, INC.	50,000
SUMMIT SECURITIES, INC.	954,664
STANDARD SECURITIES CORPORATION	412,553
TANSENGCO & CO., INC.	807,186
THE FIRST RESOURCES MANAGEMENT & SECURITIES CORP.	332,400
TOWER SECURITIES, INC.	6,102,839
APEX PHILIPPINES EQUITIES CORPORATION	12,000
UCPB SECURITIES, INC.	3,574,337
VENTURE SECURITIES, INC.	194,106
FIRST METRO SECURITIES BROKERAGE CORP.	46,036,142
WEALTH SECURITIES, INC.	30,401,872
WESTLINK GLOBAL EQUITIES, INC.	87,480
BERNAD SECURITIES, INC.	180,000
WONG SECURITIES CORPORATION	115,000
YAO & ZIALCITA, INC.	580,911
YU & COMPANY, INC.	1,118,869
BDO SECURITIES CORPORATION	648,467,517
EAGLE EQUITIES, INC.	254,196
GOLDEN TOWER SECURITIES & HOLDINGS, INC.	693,713
SOLAR SECURITIES, INC.	1,099,610
G.D. TAN & COMPANY, INC.	306,153
CLSA PHILIPPINES, INC.	382,920,604

BPNAME	HOLDINGS
PHILIPPINE EQUITY PARTNERS, INC.	4,320,884
UNICAPITAL SECURITIES INC.	3,606,375
SunSecurities, Inc.	313,401
TIMSON SECURITIES, INC.	154,300
STAR ALLIANCE SECURITIES CORP.	20,000
CHINA BANKING CORPORATION - TRUST GROUP	285,000
CITIBANK N.A.	82,112,731
DEUTSCHE BANK MANILA-CLIENTS A/C	61,566,282
UNITED COCONUT PLANTERS BANK-TRUST BANKING	24,900
BANCO DE ORO - TRUST BANKING GROUP	26,880
BANK OF COMMERCE - TRUST SERVICES GROUP	1,417,300
RCBC TRUST & INVESTMENT DIVISION - VARIOUS TAXABLE ACCTS	81,000
DEUTSCHE BANK MANILA-CLIENTS A/C	257,702
STANDARD CHARTERED BANK	7,716,823
THE HONGKONG AND SHANGHAI BANKING CORP. LTD. -CLIENTS' ACCT.	4,228,800
UNITED COCONUT PLANTERS LIFE ASSURANCE CORPORATION	90,000
MBTC - TRUST BANKING GROUP	637,570
SOCIAL SECURITY SYSTEM	90,176,500
GOVERNMENT SERVICE INSURANCE SYSTEM	79,769,945
DEUTSCHE BANK MANILA-CLIENTS A/C	5
THE HONGKONG & SHANGHAI BANKING CORP. LTD. -OWN ACCOUNT	1
UCPB GENERAL INSURANCE CO., INC.	211,500
UNITED FUND, INC.	387,200
MEGAWIDE CONSTRUCTION CORPORATION	121
Total	1,639,678,239

If no written notice of any error or correction is received by PDTC within five (5) calendar days from receipt hereof, you shall be deemed to have accepted the accuracy and completeness of the details indicated in this report.

OUTSTANDING BALANCES FOR A SPECIFIC COMPANY

Company Code - MWP2A0000000

Business Date: December 31, 2021

BPNAME	HOLDINGS
A & A SECURITIES, INC.	46,770
ABACUS SECURITIES CORPORATION	89,150
PHILSTOCKS FINANCIAL INC	1,000
A. T. DE CASTRO SECURITIES CORP.	800
ALPHA SECURITIES CORP.	5,000
AB CAPITAL SECURITIES, INC.	25,000
SB EQUITIES, INC.	91,870
ASTRA SECURITIES CORPORATION	15,000
CHINA BANK SECURITIES CORPORATION	41,770
BPI SECURITIES CORPORATION	108,640
CAMPOS, LANUZA & COMPANY, INC.	21,870
TRITON SECURITIES CORP.	1,000
F. YAP SECURITIES, INC.	1,000
JSG SECURITIES, INC.	631,000
GOLDSTAR SECURITIES, INC.	16,000
IMPERIAL, DE GUZMAN, ABALOS & CO., INC.	40
J.M. BARCELON & CO., INC.	500
LARRGO SECURITIES CO., INC.	10,000
LOPEZ, LOCSIN, LEDESMA & CO., INC.	15,000
COL Financial Group, Inc.	86,710
MERIDIAN SECURITIES, INC.	7,190
MDR SECURITIES, INC.	25,000
RCBC SECURITIES, INC.	78,500
MAYBANK ATR KIM ENG SECURITIES, INC.	1,045,000
PNB SECURITIES, INC.	7,004,900
PREMIUM SECURITIES, INC.	20,000
QUALITY INVESTMENTS & SECURITIES CORPORATION	70,600
ALAKOR SECURITIES CORPORATION	25,000
R. NUBLA SECURITIES, INC.	330
RTG & COMPANY, INC.	3,000
FIDELITY SECURITIES, INC.	2,000
UCPB SECURITIES, INC.	40,080
FIRST METRO SECURITIES BROKERAGE CORP.	56,230
BDO SECURITIES CORPORATION	6,460,400
SOLAR SECURITIES, INC.	25,300
G.D. TAN & COMPANY, INC.	20,000
PHILIPPINE EQUITY PARTNERS, INC.	500
UNICAPITAL SECURITIES INC.	20,000
TIMSON SECURITIES, INC.	1,000
CHINA BANKING CORPORATION - TRUST GROUP	788,370
CITIBANK N.A.	1,263,450
UNITED COCONUT PLANTERS BANK-TRUST BANKING	61,400
BANK OF COMMERCE - TRUST SERVICES GROUP	2,029,500
PNB TRUST BANKING GROUP	1,879,300
RCBC TRUST & INVESTMENT DIVISION	470,000
RCBC TRUST & INVESTMENT DIVISION - VARIOUS TAXABLE ACCTS	3,054,000
STERLING BANK OF ASIA TRUST GROUP	52,500
MBTC - TRUST BANKING GROUP	448,460

BPNAME		HOLDINGS
EASTWEST BANKING CORPORATION - TRUST DIVISION		50,000
Total		26,210,130

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OUTSTANDING BALANCES FOR A SPECIFIC COMPANY

Company Code - MWP2B0000000

Business Date: December 31, 2021

BPNAME	HOLDINGS
UPCC SECURITIES CORP.	25,000
A & A SECURITIES, INC.	10,000
ABACUS SECURITIES CORPORATION	15,000
PHILSTOCKS FINANCIAL INC	45,010
ALPHA SECURITIES CORP.	6,500
AP SECURITIES INCORPORATED	40,480
AB CAPITAL SECURITIES, INC.	76,090
SB EQUITIES, INC.	63,100
ASTRA SECURITIES CORPORATION	106,140
CHINA BANK SECURITIES CORPORATION	216,220
BPI SECURITIES CORPORATION	285,710
CAMPOS, LANUZA & COMPANY, INC.	25,000
TRITON SECURITIES CORP.	17,740
DAVID GO SECURITIES CORP.	40,000
E. CHUA CHIACO SECURITIES, INC.	23,000
EASTERN SECURITIES DEVELOPMENT CORPORATION	38,050
EQUITIWORLD SECURITIES, INC.	4,180
F. YAP SECURITIES, INC.	66,100
AURORA SECURITIES, INC.	10,000
GLOBALINKS SECURITIES & STOCKS, INC.	6,000
JSG SECURITIES, INC.	20,000
GOLDSTAR SECURITIES, INC.	10,100
HDI SECURITIES, INC.	20,000
H. E. BENNETT SECURITIES, INC.	4,000
INVESTORS SECURITIES, INC.	5,000
IMPERIAL, DE GUZMAN, ABALOS & CO., INC.	74,480
J.M. BARCELON & CO., INC.	21,000
LOPEZ, LOCSIN, LEDESMA & CO., INC.	31,870
MANDARIN SECURITIES CORPORATION	348,000
COL Financial Group, Inc.	305,940
MERIDIAN SECURITIES, INC.	17,810
OPTIMUM SECURITIES CORPORATION	4,000
RCBC SECURITIES, INC.	927,060
MAYBANK ATR KIM ENG SECURITIES, INC.	458,000
PNB SECURITIES, INC.	2,681,600
QUALITY INVESTMENTS & SECURITIES CORPORATION	184,500
ALAKOR SECURITIES CORPORATION	11,000
R. COYUTO SECURITIES, INC.	46,870
R. NUBLA SECURITIES, INC.	28,170
R. S. LIM & CO., INC.	46,870
RTG & COMPANY, INC.	20,000
SUMMIT SECURITIES, INC.	11,000
TANSENGCO & CO., INC.	46,870
THE FIRST RESOURCES MANAGEMENT & SECURITIES CORP.	22,000
UCPB SECURITIES, INC.	1,600
FIRST METRO SECURITIES BROKERAGE CORP.	221,870
WEALTH SECURITIES, INC.	12,000
WESTLINK GLOBAL EQUITIES, INC.	5,000

BPNAME	HOLDINGS
BERNAD SECURITIES, INC.	2,000
WONG SECURITIES CORPORATION	44,000
YAO & ZIALCITA, INC.	56,800
BDO SECURITIES CORPORATION	3,257,350
GOLDEN TOWER SECURITIES & HOLDINGS, INC.	6,190
SOLAR SECURITIES, INC.	70,800
G.D. TAN & COMPANY, INC.	15,000
UNICAPITAL SECURITIES INC.	15,730
COHERCO SECURITIES, INC.	141,440
CHINA BANKING CORPORATION - TRUST GROUP	1,361,710
CITIBANK N.A.	640,000
UNITED COCONUT PLANTERS BANK-TRUST BANKING	70,000
BANK OF COMMERCE - TRUST SERVICES GROUP	140,100
PNB TRUST BANKING GROUP	2,098,130
RCBC TRUST & INVESTMENT DIVISION	41,000
RCBC TRUST & INVESTMENT DIVISION - VARIOUS TAXABLE ACCTS	2,453,800
STERLING BANK OF ASIA TRUST GROUP	13,900
AB CAPITAL & INVESTMENT CORP. - TRUST & INVESTMENT DIV.	102,000
EASTWEST BANKING CORPORATION - TRUST DIVISION	120,000
Total	17,355,880

If no written notice of any error or correction is received by PDTC within five (5) calendar days from receipt hereof, you shall be deemed to have accepted the accuracy and completeness of the details indicated in this report.

OUTSTANDING BALANCES FOR A SPECIFIC COMPANY

Company Code - MWP400000000

Business Date: December 31, 2021

BPNAME	HOLDINGS
UPCC SECURITIES CORP.	48,000
A & A SECURITIES, INC.	6,000
ABACUS SECURITIES CORPORATION	143,390
PHILSTOCKS FINANCIAL INC	84,650
A. T. DE CASTRO SECURITIES CORP.	3,700
ALPHA SECURITIES CORP.	12,000
AP SECURITIES INCORPORATED	49,000
ANSALDO, GODINEZ & CO., INC.	25,000
AB CAPITAL SECURITIES, INC.	56,800
SARANGANI SECURITIES, INC.	5,000
SB EQUITIES, INC.	142,250
ASIASEC EQUITIES, INC.	13,000
ASTRA SECURITIES CORPORATION	224,500
CHINA BANK SECURITIES CORPORATION	2,022,030
BPI SECURITIES CORPORATION	379,290
CAMPOS, LANUZA & COMPANY, INC.	48,000
SINCERE SECURITIES CORPORATION	48,000
IGC SECURITIES INC.	10,000
DIVERSIFIED SECURITIES, INC.	48,000
E. CHUA CHIACO SECURITIES, INC.	53,000
EAST WEST CAPITAL CORPORATION	3,000
EASTERN SECURITIES DEVELOPMENT CORPORATION	48,000
FIRST ORIENT SECURITIES, INC.	57,000
F. YAP SECURITIES, INC.	38,900
AURORA SECURITIES, INC.	46,930
GLOBALINKS SECURITIES & STOCKS, INC.	270
JSG SECURITIES, INC.	3,000
GOLDSTAR SECURITIES, INC.	11,000
HDI SECURITIES, INC.	1,450
H. E. BENNETT SECURITIES, INC.	68,000
IMPERIAL, DE GUZMAN, ABALOS & CO., INC.	62,000
INTRA-INVEST SECURITIES, INC.	48,000
J.M. BARCELON & CO., INC.	8,000
VALUE QUEST SECURITIES CORPORATION	20,000
STRATEGIC EQUITIES CORP.	84,000
LOPEZ, LOCSIN, LEDESMA & CO., INC.	48,000
COL Financial Group, Inc.	418,540
DA MARKET SECURITIES, INC.	48,000
MERIDIAN SECURITIES, INC.	15,000
MDR SECURITIES, INC.	1,000
OPTIMUM SECURITIES CORPORATION	10,000
RCBC SECURITIES, INC.	767,810
PAN ASIA SECURITIES CORP.	48,000
PAPA SECURITIES CORPORATION	785,000
MAYBANK ATR KIM ENG SECURITIES, INC.	125,000
PLATINUM SECURITIES, INC.	2,000
PNB SECURITIES, INC.	2,874,560
SALISBURY BKT SECURITIES CORPORATION	110,000
QUALITY INVESTMENTS & SECURITIES CORPORATION	232,500
ALAKOR SECURITIES CORPORATION	42,250
R. COYIUTO SECURITIES, INC.	20,060
R. NUBLA SECURITIES, INC.	36,500
R. S. LIM & CO., INC.	60,000

BPNAME	HOLDINGS
RTG & COMPANY, INC.	48,000
S.J. ROXAS & CO., INC.	5,690
SECURITIES SPECIALISTS, INC.	48,000
SUMMIT SECURITIES, INC.	60
SUPREME STOCKBROKERS, INC	10,000
TANSENGCO & CO., INC.	9,000
THE FIRST RESOURCES MANAGEMENT & SECURITIES CORP.	49,950
TOWER SECURITIES, INC.	43,000
APEX PHILIPPINES EQUITIES CORPORATION	3,000
UCPB SECURITIES, INC.	158,000
FIRST METRO SECURITIES BROKERAGE CORP.	311,240
WEALTH SECURITIES, INC.	30,000
BERNAD SECURITIES, INC.	20,000
WONG SECURITIES CORPORATION	48,000
YAO & ZIALCITA, INC.	8,000
BDO SECURITIES CORPORATION	9,907,700
SOLAR SECURITIES, INC.	57,600
G.D. TAN & COMPANY, INC.	103,000
PHILIPPINE EQUITY PARTNERS, INC.	48,000
UNICAPITAL SECURITIES INC.	39,730
SunSecurities, Inc.	32,000
COHERCO SECURITIES, INC.	150,000
TIMSON SECURITIES, INC.	31,000
VC SECURITIES CORPORATION	3,000
CHINA BANKING CORPORATION - TRUST GROUP	2,165,000
CITIBANK N.A.	684,000
BANK OF COMMERCE - TRUST SERVICES GROUP	471,500
PNB TRUST BANKING GROUP	6,971,050
RCBC TRUST & INVESTMENT DIVISION	1,162,000
RCBC TRUST & INVESTMENT DIVISION - VARIOUS TAXABLE ACCTS	7,409,500
STERLING BANK OF ASIA TRUST GROUP	107,000
EASTWEST BANKING CORPORATION - TRUST DIVISION	300,000
TOTAL	39,999,400

If no written notice of any error or correction is received by PDTC within five (5) calendar days from receipt hereof, you shall be deemed to have accepted the accuracy and completeness of the details indicated in this report.



P&A
Grant Thornton

FOR SEC FILING

Consolidated Financial Statements and
Independent Auditors' Report

**Megawide Construction Corporation
and Subsidiaries**

December 31, 2021, 2020 and 2019
(With Corresponding Figures as of January 1, 2020)

April 8, 2022

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

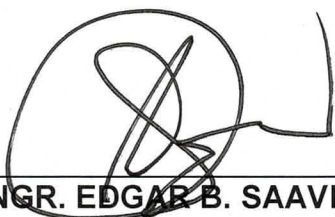
The management of **Megawide Construction Corporation and its subsidiaries** (the Group) is responsible for the preparation and fair presentation of the financial statements, as well as the supplemental schedules, for the year ended December 31, 2021, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of 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 intend 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 & 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, has expressed their opinion on the fairness of presentation upon completion of such audit.



ENGR. EDGAR B. SAAVEDRA

President

195-661-064-000



RAMON H. DIAZ

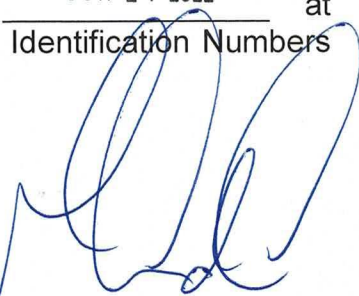
Group Chief Financial Officer

133-692-824-000

SUBSCRIBED AND SWORN TO before me this JUN 24 2022 at
SAN JUAN CITY affiants exhibiting to me their valid Tax Identification Numbers
stated above.

Doc. No. 354;
Page No. 72;
Book No. 4;
Series of 2022.




ATTY. MAE LALAINÉ H. DE LEON
Appointment No. 176 (2021-2022)
Notary Public for and in the Cities of Pasig and San Juan
and in the Municipality of Pateros
Commission Expires on December 31, 2022
11/F Rockwell Santolan Town Plaza
276 Col. Bonny Serrano Avenue, San Juan City
Roll of Attorneys No. 71079
MCLE Compliance No. VI-0018800
IBP O.R. No. 197586 / 01-08-22 / Manila II
PTR No. 1574237 / 01-07-22 / San Juan City
mihdeleon.law@gmail.com

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, 2021 and 2020, 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, 2021, 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021 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 consolidated financial statements, which describes management's assessment of the continuing impact on the Group's consolidated financial statements of the business disruptions 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 and related cost of construction amounting to P14,329.5 million and P12,130.7 million, respectively, represents 92% of its total revenues and 94% of total direct costs in 2021. 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 in accordance with 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 judgments 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, including the related information technology general and application controls;
- 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;
 - Testing completeness of contract costs by examining, on a sample basis, contract costs incurred during the period and tracing these costs to supporting documents such as bill of materials, billing invoices and receipts recognized 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 reconciling 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 estimates certified by the Group's engineers;
 - 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; and,
 - 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 investigating variances from our expectations.

(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, 2021, the carrying value of the concession assets amounted to P30,503.8 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 Standard (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 36% of the Group's consolidated total assets, and the impact of COVID-19 to the Group's airport operations has been considered by management as an indicator of impairment of these 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, including but not limited to, the foot traffic projections and the future net cash flows to be generated by the Concession Assets and evaluating the appropriateness of processes applied in making these estimates and testing the reasonableness of these accounting estimates;
- Involving the Firm's valuation specialist 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 independence, qualification and competency of the third party consultants engaged by management to determine whether the results of their work can be relied upon; and,
- 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.

(c) *Expected Credit Loss Model and Recoverability of Contract and Retention Receivables and Receivable from Airport Operations, Advances to and Receivables from Related Parties and Contract Assets*

Description of the Matter

As at December 31, 2021, the carrying amount of the Group's contract and retention receivables and receivables from airport operations (collectively as trade receivables), advances to and receivables from related parties (including accrued interest) and contract assets amounted to P5,300.6 million, P10,114.8 million and P4,777.7 million, respectively. These financial assets totaling to P20,193.1 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, 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, 2021, 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, 2021 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. 8852327, January 3, 2022, Makati City
SEC Group A Accreditation
 Partner - No. 90230-SEC (until Dec. 31, 2025)
 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)

April 8, 2022

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020
(With Corresponding Figures as of January 1, 2020)
(Amounts in Philippine Pesos)

		December 31, 2021	December 31 2020 (As Restated - see Note 2)	January 1, 2020 (As Restated - see Note 2)
	Notes			
<u>ASSETS</u>				
CURRENT ASSETS				
Cash and cash equivalents	5	P 5,846,088,030	P 7,226,149,912	P 6,518,599,861
Trade and other receivables - net	6	16,970,554,555	15,299,050,115	17,373,476,547
Construction materials	8	2,045,159,384	1,719,042,863	1,287,127,532
Contract assets	9	4,777,704,858	4,231,600,246	3,975,734,097
Other current assets	12	10,132,960,472	7,956,744,328	6,310,724,077
Total Current Assets		<u>39,772,467,299</u>	<u>36,432,587,464</u>	<u>35,465,662,114</u>
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 ventures	11	861,513,183	929,195,986	959,506,555
Concession assets	13	30,503,822,564	29,928,727,717	29,436,586,470
Property, plant and equipment - net	14	7,166,867,342	7,239,861,595	7,624,032,119
Investment properties	15	4,493,343,814	4,378,381,094	4,228,698,773
Deferred tax assets - net	26	24,595,138	9,626,113	44,298,557
Other non-current assets	12	2,350,475,048	2,421,844,626	3,001,997,171
Total Non-current Assets		<u>45,404,161,561</u>	<u>44,911,181,603</u>	<u>45,298,664,117</u>
TOTAL ASSETS		<u>P 85,176,628,860</u>	<u>P 81,343,769,067</u>	<u>P 80,764,326,231</u>

			December 31 2020 (As Restated - see Note 2)	January 1, 2020 (As Restated - see Note 2)
	Notes	December 31, 2021		
<u>LIABILITIES AND EQUITY</u>				
CURRENT LIABILITIES				
Interest-bearing loans and borrowings	18	P 14,780,086,022	P 13,130,457,751	P 14,701,061,253
Trade and other payables	17	8,616,715,347	8,291,951,223	8,167,589,445
Contract liabilities	19	3,703,189,013	2,115,256,611	2,805,627,172
Other current liabilities	20	265,859,336	218,177,495	220,061,764
Total Current Liabilities		27,365,849,718	23,755,843,080	25,894,339,634
NON-CURRENT LIABILITIES				
Interest-bearing loans and borrowings	18	34,721,410,470	32,789,907,556	33,051,851,424
Contract liabilities	19	2,056,202,307	2,478,673,490	2,125,642,785
Post-employment defined benefit obligation	24	300,125,050	343,402,205	340,207,630
Deferred tax liabilities - net	26	872,560,526	801,849,193	612,629,956
Other non-current liabilities	20	659,573,110	651,625,679	741,142,106
Total Non-current Liabilities		38,609,871,463	37,065,458,123	36,871,473,901
Total Liabilities		65,975,721,181	60,821,301,203	62,765,813,535
EQUITY				
Equity attributable to shareholders of the Parent Company:	27			
Capital stock		2,528,052,137	2,486,427,137	2,439,426,127
Additional paid-in capital		16,987,855,617	13,057,711,509	8,776,358,765
Treasury shares	(	8,615,690,576)	(4,615,690,576)	(3,912,617,536)
Revaluation reserves - net		94,011,896	(8,950,923)	(63,383,647)
Other reserves	(	22,474,837)	(22,474,837)	(22,474,837)
Retained earnings		5,555,676,962	6,404,291,624	7,083,442,710
Total equity attributable to shareholders of the Parent Company		16,527,431,199	17,301,313,934	14,300,751,582
Non-controlling interests		2,673,476,480	3,221,153,930	3,697,761,114
Total Equity		19,200,907,679	20,522,467,864	17,998,512,696
TOTAL LIABILITIES AND EQUITY		P 85,176,628,860	P 81,343,769,067	P 80,764,326,231

See Notes to Consolidated Financial Statements.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
CONSOLIDATED STATEMENTS OF INCOME
FOR YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

	Notes	2021	2020	2019
REVENUES	21			
Construction operations	P	14,329,463,579	P 10,842,199,945	P 15,309,069,383
Landport operations		715,039,460	902,413,963	555,401,827
Airport operations		576,042,561	1,108,667,715	3,691,112,459
Trading operations		23,425,514	69,944,842	326,221,179
		<u>15,643,971,114</u>	<u>12,923,226,465</u>	<u>19,881,804,848</u>
DIRECT COSTS	22			
Cost of construction operations		12,130,698,076	9,393,546,769	13,291,797,615
Costs of airport operations		388,164,590	634,707,332	1,536,616,861
Costs of landport operations		369,473,673	355,895,519	334,155,026
Costs of trading operations		15,969,198	20,960,367	88,214,264
		<u>12,904,305,537</u>	<u>10,405,109,987</u>	<u>15,250,783,766</u>
GROSS PROFIT		<u>2,739,665,577</u>	<u>2,518,116,478</u>	<u>4,631,021,082</u>
OTHER OPERATING EXPENSES	23			
General and administrative		1,578,015,774	1,508,417,615	1,827,127,389
Impairment losses on receivables		204,979,902	27,289,069	38,591
		<u>1,782,995,676</u>	<u>1,535,706,684</u>	<u>1,827,165,980</u>
OPERATING PROFIT		<u>956,669,901</u>	<u>982,409,794</u>	<u>2,803,855,102</u>
OTHER INCOME (CHARGES)	25			
Finance costs	(	2,809,511,249)	(2,506,745,214)	(2,308,927,779)
Finance income		482,013,897	694,776,972	767,837,912
Others - net		647,045,694	219,749,372	172,472,301
	(	<u>1,680,451,658)</u>	<u>(1,592,218,870)</u>	<u>(1,368,617,566)</u>
PROFIT (LOSS) BEFORE TAX		<u>(723,781,757)</u>	<u>(609,809,076)</u>	<u>1,435,237,536</u>
TAX EXPENSE	26	<u>169,372,662</u>	<u>264,786,815</u>	<u>324,202,722</u>
NET PROFIT (LOSS)		<u>(P 893,154,419)</u>	<u>(P 874,595,891)</u>	<u>P 1,111,034,814</u>
Net Profit (Loss) Attributable To:				
Shareholders of the Parent Company	(P	342,985,234)	(P 398,149,922)	P 859,487,439
Non-controlling interests	(	<u>550,169,185)</u>	<u>(476,445,969)</u>	<u>251,547,375</u>
	(P	<u>893,154,419)</u>	<u>(P 874,595,891)</u>	<u>P 1,111,034,814</u>
Earnings (Loss) per Share - Basic and Diluted	30	<u>(P 0.42)</u>	<u>(P 0.33)</u>	<u>P 0.28</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 YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
NET PROFIT (LOSS)		(P 893,154,419)	(P 874,595,891)	P 1,111,034,814
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will be reclassified subsequently to profit or loss				
Foreign currency translation adjustment	27	23,225,513	(8,756)	74,555
Item that will not be reclassified subsequently to profit or loss				
Remeasurements of post-employment defined benefit plan	24	108,948,597	77,543,235	(114,672,272)
Tax income (expense)	26	(26,719,556)	(23,262,970)	34,401,682
		82,229,041	54,280,265	(80,270,590)
Other Comprehensive Income (Loss) – net of tax		105,454,554	54,271,509	(80,196,035)
TOTAL COMPREHENSIVE INCOME (LOSS)		(P 787,699,865)	(P 820,324,382)	P 1,030,838,779
Total Comprehensive Income (Loss) Attributable To:				
Shareholders of the Parent Company		(P 240,022,415)	(P 343,717,198)	P 780,899,090
Non-controlling interests		(547,677,450)	(476,607,184)	249,939,689
		(P 787,699,865)	(P 820,324,382)	P 1,030,838,779

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, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

Note	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	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 preferred shares (Series 4)	-	40,000,000	-	3,930,144,108	-	-	-	3,970,144,108	-	3,970,144,108
Declaration of cash dividends	-	-	-	-	-	-	(505,629,428)	(505,629,428)	-	(505,629,428)
Subscription of preferred shares (Series 3)	-	1,625,000	-	-	-	-	-	1,625,000	-	1,625,000
Retirement of preferred shares (Series 1)	-	-	(4,000,000,000)	-	-	-	-	(4,000,000,000)	-	(4,000,000,000)
Total comprehensive loss for the year	-	-	-	-	102,962,819	-	(342,985,234)	(240,022,415)	(547,677,450)	(787,699,865)
Balance at December 31, 2021	<u>P 2,399,426,127</u>	<u>P 128,626,010</u>	<u>(P 8,615,690,576)</u>	<u>P 16,987,855,617</u>	<u>P 94,011,896</u>	<u>(P 22,474,837)</u>	<u>P 5,555,676,962</u>	<u>P 16,527,431,199</u>	<u>P 2,673,476,480</u>	<u>P 19,200,907,679</u>
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	-	-	(703,073,040)	-	-	-	-	(703,073,040)	-	(703,073,040)
Declaration of 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)	(476,607,184)	(820,324,382)
Balance at December 31, 2020	<u>P 2,399,426,127</u>	<u>P 87,001,010</u>	<u>(P 4,615,690,576)</u>	<u>P 13,057,711,509</u>	<u>(P 8,950,923)</u>	<u>(P 22,474,837)</u>	<u>P 6,404,291,624</u>	<u>P 17,301,313,934</u>	<u>P 3,221,153,930</u>	<u>P 20,522,467,864</u>
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	-	-	(457,791,074)	-	-	-	-	(457,791,074)	-	(457,791,074)
Declaration of cash dividends	-	-	-	-	-	-	(528,636,059)	(528,636,059)	(50,000,000)	(578,636,059)
Total comprehensive income for the year	-	-	-	-	(78,588,349)	-	859,487,439	780,899,090	249,939,689	1,030,838,779
Balance at December 31, 2019	<u>P 2,399,426,127</u>	<u>P 40,000,000</u>	<u>(P 3,912,617,536)</u>	<u>P 8,776,358,765</u>	<u>(P 63,383,647)</u>	<u>(P 22,474,837)</u>	<u>P 7,083,442,710</u>	<u>P 14,300,751,582</u>	<u>P 3,697,761,114</u>	<u>P 17,998,512,696</u>

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, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

	Notes	2021	2020 (As Restated - see Note 2)	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss) before tax		(P 723,781,757)	(P 609,809,076)	P 1,435,237,536
Adjustments for:				
Finance costs	25	2,809,511,249	2,506,745,214	2,308,927,779
Depreciation and amortization	23	1,470,073,791	1,473,642,618	1,757,625,213
Finance income	25	(482,013,897)	(694,776,972)	(767,837,912)
Gain on loan modification	18	(207,829,510)	-	-
Unrealized mark-to-market loss (gains) in interest rate swap	25	(78,648,688)	43,343,700	104,842,394
Equity in net losses (gains) on associates and joint venture	11	67,682,803	30,310,530	(32,674,443)
Gain on disposals of property, plant and equipment	25	(24,279,017)	(1,874,270)	(9,603,796)
Operating profit before working capital changes		2,830,714,974	2,747,581,744	4,796,516,771
Decrease (increase) in trade and other receivables		(1,219,654,784)	2,650,694,608	(3,727,036,956)
Increase in construction materials		(326,116,521)	(431,915,331)	(422,092,503)
Increase in contract assets		(546,104,612)	(255,866,150)	(914,963,121)
Increase in other current assets		(2,120,473,836)	(1,422,128,570)	(1,568,441,790)
Decrease (increase) in other non-current assets		63,294,203	580,695,993	(49,938,920)
Increase (decrease) in trade and other payables		1,642,452,631	(252,580,078)	2,661,668,360
Increase (decrease) in contract liabilities		1,107,650,558	(559,137,655)	2,440,922
Increase (decrease) in other liabilities		55,629,272	(91,400,696)	359,220,316
Increase in post-employment defined benefit obligation		62,177,399	57,466,084	70,736,626
Cash generated from operations		1,549,569,284	3,023,409,949	1,208,109,705
Cash paid for income taxes		(193,910,390)	(288,222,518)	(98,343,152)
Net Cash From Operating Activities		1,355,658,894	2,735,187,431	1,109,766,553
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property, plant and equipment, and computer software license	12, 14	(1,098,783,120)	(666,114,368)	(3,081,589,274)
Additions to concession assets	13	(625,279,308)	(655,426,311)	(1,885,869,964)
Acquisitions of investment properties	15	(229,228,015)	(255,601,473)	(470,408,696)
Proceeds from sale of property, plant and equipment	14	86,082,882	4,361,282	92,128,142
Interest received	28	38,352,323	57,936,688	308,463,357
Net Cash Used in Investing Activities		(1,828,855,238)	(1,514,844,182)	(5,037,276,435)
Balance carried forward		(P 473,196,344)	P 1,220,343,249	(P 3,927,509,882)

	Notes	2021	2020	2019
Balance brought forward		(P 473,196,344)	P 1,220,343,249	(P 3,927,509,882)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from interest-bearing loans	18	4,291,987,360	9,831,300,000	20,605,650,491
Retirement of preferred shares	27	(4,000,000,000)	-	-
Proceeds from issuance of preferred shares	27	3,971,769,108	4,328,353,754	-
Interest paid	18	(2,350,860,782)	(1,648,176,874)	(2,141,124,155)
Repayment of interest-bearing loans and borrowings	27	(2,294,147,502)	(11,653,333,304)	(9,977,131,537)
Dividends paid	27	(505,629,428)	(520,939,022)	(338,698,201)
Financing granted to related parties		(8,950,004)	(356,449,098)	(3,149,257,701)
Financing collected from related parties		761,922	213,305,922	174,319,915
Acquisition of treasury shares	27	-	(703,073,040)	(457,791,074)
Net Cash From (Used In) Financing Activities		(895,069,326)	(509,011,662)	4,715,967,738
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(11,796,212)	(3,781,536)	(4,578,643)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(1,380,061,882)	707,550,051	783,879,213
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		7,226,149,912	6,518,599,861	5,734,720,648
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 5,846,088,030	P 7,226,149,912	P 6,518,599,861

Supplemental Information on Non-cash Investing and Financing Activities:

- 1) In 2021, 2020 and 2019, the Group recognized right-of-use assets and lease liabilities amounting to P187.3 million, P157.2 million, and P424.5 million, respectively (see Notes 16 and 34).
- 2) In 2021, the Group recognized premium on long-term debt amounting to P1,118.9 million arising from the modification of terms which formed part of the new carrying amount of the long-term debt (see Note 18.2)

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, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Incorporation and Operations

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

On January 28, 2011, the Philippine Stock Exchange (PSE) and the Securities Exchange Commission (SEC) approved the Parent Company's application for the listing of its common stock. The approval covered the initial public offering (IPO) of 292.0 million unissued common shares of the Parent Company at P7.84 offer price per share and the listing of those shares in PSE's main board on February 18, 2012. On December 3, 2014, the Parent Company made a primary offer of 40.0 million preferred shares at an offer price of P100.0 per share. These preferred shares are also listed in the PSE (see Note 27.1). Moreover, the Parent Company also made follow-on offerings in 2020 and 2021 (see Note 27.1)

The Parent Company remains a subsidiary of Citicore Holding Investment, Inc. (Citicore) which owns and controls 35.41% of the issued and outstanding capital stock of the Parent Company as of December 31, 2021 and 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. Moreover, Citicore also appoints majority of the board members and remains as the single largest stockholder controlling the BOD.

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>2021</u>	<u>2020</u>	<u>2019</u>
<i>Subsidiaries:</i>				
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%

Subsidiaries/Associates/Joint Operations/Joint Ventures	Notes	Percentage of Effective Ownership		
		2021	2020	2019
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%	100%	-
MWM Terminals, Inc. (MWM TI)	j	100%	100%	100%
Megawide Terminals, Inc. (MTI)				
(formerly WM Property Management, Inc.)	i	100%	100%	100%
Megawide International Limited (MIL)	h	100%	100%	100%
Megawide Construction (Singapore) Pte. Ltd. (MC-SG)	h	100%	100%	100%
Cebu2World Development, Inc. (CDI)	o	100%	100%	-
Wide-Horizons, Inc. (WHI)	p	100%	100%	-
Tiger Legend Holdings Limited (TLH)	q	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%
HDEC- Megawide-Dongah JV (HMDJV)	r	35%	-	-
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) or GMR, 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, 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 [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 - oflocated 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 wholly owned subsidiaries, DMCC and MW Infrastructure. DMCC, which was registered on December 10, 2017, is involved in infrastructure works. 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.

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 GISPL with 45% interest and GMR Holdings Overseas (Singapore) PTE Limited owning the remaining 5%. The Parent Company and GISPL 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). MGJCVI began to operate in 2018.

m) MTRGC

MTRGC was incorporated and registered 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 2018.

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 2018.

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, 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 December 31, 2021, WHI has not yet started commercial operations.

q) TLH

Tiger Legends was incorporated on October 16, 2020 to primarily engage in buying and holding shares of other companies. Tiger Legend's registered address is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, British Virgin Islands.

r) HMDJV

HMDJV is an unincorporated joint venture formed on October 27, 2020, by the Parent Company owning 35% and Hyundai Engineering & Construction Co., Ltd. And Dong-Ah Geological Engineering Company Ltd. Owning 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 Continuing Impact of COVID-19 on the Group's Business

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020 and its impact has been continuing until the date of the approval of these consolidated financial statements. The measures taken by the government to contain the virus have affected economic conditions and the Group's business operations.

In 2021 and 2020, the Group has taken the following measures to mitigate the adverse effects of the COVID-19 pandemic to the Group's business:

- implemented effective cost-reduction and cash preservation strategies, including recruitment freeze, deferral of some non-essential and capital expenditures, maximizing credit terms provided by suppliers and creditors and focus to collect outstanding receivables;
- comprehensive and regular monitoring of the Group's liquidity position and cash flow, including issuance of series 4 preferred shares with a lower coupon rate of 5.3% to redeem series 1 preferred shares with a higher coupon rate of 7.025%;
- for construction segment, implementation of physical distancing through work bubbles was the key to full recovery as workers were encouraged to stay in construction site to avoid disruption in business operations. Meanwhile, those with suspected COVID symptoms were isolated, as soon as practicable;
- 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 for back office support;
- regular information updates on health and safety protocols to all its employees;
- 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; and,
- encouraged all employees and its eligible house household members to take any available COVID 19 vaccine, including the booster.

As a result of the actions taken by management, the Group's operations showed the following:

- full year recovery on construction activities in 2021 as the Group was able to adopt to various quarantine measures imposed by the government which resulted in an increase in the construction operation revenues of P3,487.3 million or 32%;
- decrease in occupancy rate in the landport segment due to work-from-home arrangements which affected the real estate industry;

- decrease in airport operations revenues by about 84% from pre-pandemic levels due to decrease in air traffic movement as a result of travel restrictions;
- decrease in airport trading sales by about 93% from pre-pandemic levels due to decrease in air traffic movement in the airport segment; and,
- administrative expenses were incurred to ensure health and safety of its employees, subcontractors and customers, although these are not considered substantial in amount.

Based on the above actions and measures taken by management to mitigate the adverse effect of the pandemic, it projects that the Group would still remain liquid to meet current obligations, as they fall due, and expects the gradual recovery of all of its segments in the subsequent reporting period. 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, 2021 (including the comparative consolidated financial statements as of December 31, 2020 and for the years ended December 31, 2020 and 2019 and the corresponding figures as of January 1, 2020) were authorized for issue by the Parent Company's BOD on April 8, 2022.

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 that follow.

(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 2021, the Group presented a statement of financial position as of January 1, 2020 to reflect the effect of prior period reclassifications 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 Reclassification of Accounts*

The Group made certain prior period reclassifications to reflect the current and non-current classification and presentation of Contract Liabilities and to reflect the proper presentation of construction-in-progress account from Property, Plant and Equipment account to Investment Properties account. The effects of prior period reclassifications on the Group's consolidated statements of financial position as of December 31, 2020 and January 1, 2020 are presented below.

	<u>As Previously Reported</u>	<u>Prior Period Reclassifications</u>	<u>As Restated</u>
<u>December 31, 2020</u>			
<i>Changes in non-current assets :</i>			
Property, Plant and Equipment – net	P 7,497,348,324	(P 257,486,729)	P 7,239,861,595
Investment Property	4,120,894,365	257,486,729	4,378,381,094
<i>Change in current liabilities –</i>			
Contract liabilities	4,593,930,101	(2,478,673,490)	2,115,256,611
Interest bearing loans and borrowings	13,110,457,751	20,000,000	13,130,457,751
<i>Change in non-current liabilities –</i>			
Contract liabilities	-	2,478,673,490	2,478,673,490
Interest bearing loans and borrowings	32,809,907,556	(<u>20,000,000</u>)	32,789,907,556
Impact on net assets		<u>P -</u>	
<u>January 1, 2020</u>			
<i>Changes in non-current assets:</i>			
Property, Plant and Equipment – net	P 7,666,010,436	(P 41,978,317)	P 7,624,032,119
Investment Properties	4,186,720,456	41,978,317	4,228,698,773
<i>Change in current liabilities –</i>			
Contract liabilities	4,931,269,957	(2,125,642,785)	2,805,627,172
Interest bearing loans and borrowings	14,681,061,253	20,000,000	14,701,061,253

	As Previously Reported	Prior Period Reclassifications	As Restated
<i>Change in non-current liabilities –</i>			
Contract liabilities	-	2,125,642,785	2,125,642,785
Interest bearing loans and borrowings	33,071,851,424	(<u>20,000,000</u>)	33,051,851,424
Impact on net assets		<u>P -</u>	

The effects of these prior period reclassifications in the consolidated statements of cash flows for the year ended December 31, 2020 (nil for 2019) are summarized as follows:

	As Previously Reported	Prior Period Adjustments	As Restated
<i>Changes in Cash Flows from Investing Activities :</i>			
Acquisitions of property, plant and equipment and computer software	P 881,622,780	(P 215,508,412)	P 666,114,368
Acquisitions of investment properties	40,093,061	215,508,412	255,601,473

2.2 Adoption of Amended PFRS

(a) Effective in 2021 that are Relevant to the Group

The Group adopted the following amendments to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2021:

PFRS 7, PFRS 9 and

PFRS 16 (Amendments) : Financial Instruments: Disclosures,
Financial Instruments and
Leases – Interest Rate
Benchmark Reform Phase 2

PFRS 16 (Amendments) : Leases – COVID-19-Related
Rent Concessions beyond
June 30, 2021

- (i) PFRS 7 (Amendments), *Financial Instruments: Disclosures*, PFRS 9 Amendments), *Financial Instruments*, and PFRS 16 (Amendments), *Leases - Interest Rate Benchmark Reform Phase 2*. The amendments address issues that may affect financial reporting during the interest rate benchmark reform, including the effect of changes to contractual cash flows or hedging relationships resulting from the replacement of the London Interbank Offered Rate (LIBOR) with alternative benchmark rates.

The Phase 2 amendments are relevant to the Group because it is exposed to the effects of the LIBOR reform on its interest-bearing loan and the designated hedging instruments that use LIBOR as interest benchmark rates [see Notes 7, 18.2(a) and 32.1(b)]. Management assessed that the exposure is minimal as the benchmark rate of the hedging instruments will likely follow the benchmark rate of the interest-bearing loans.

- (ii) The Group opted to early adopt the application of the amendments to PFRS 16, *Leases – COVID-19-Related Rent Concessions beyond June 30, 2021*, (effective from April 1, 2021). The amendment extends for one year the use of practical expedient of not assessing whether rent concessions reducing payments up until June 30, 2022 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 application of these amendments had no significant impact to the Group's consolidated financial statements as the Group did not receive any rent concession from its lessors as of December 31, 2021.

(b) *Effective Subsequent to 2021 but not Adopted Early*

There are amendments to existing standards effective for annual periods subsequent to 2021, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, none of these are expected to have significant impact on the Group's consolidated financial statements:

- (i) PFRS 3 (Amendments), *Business Combination – Reference to the Conceptual Framework* (effective from January 1, 2022)
- (ii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022)
- (iii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective from January 1, 2022)
- (iv) 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:
 - a. PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 percent' Test for Derecognition of Liabilities*
 - b. Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*
- (v) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)
- (vi) PAS 1 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)
- (vii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)
- (viii) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)
- (ix) 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)

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 Arrangements*

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

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

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 Assets

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 become 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, and 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 assets not 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 Group becomes a party to the contractual terms of the instrument. These are recognized initially at their fair values and subsequently measured at amortized cost, using the effective interest method for maturities beyond one year, less settlement payments. All interest-related charges incurred on a financial liability, 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.

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 carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss. Where an existing 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 derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized as gain or loss in profit or loss. If the modification is not considered substantial, the liability is restated to the net present value of revised cash flows discounted at the original effective interest rate, with the adjustment recognized as gain or loss 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, 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 Groups performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- (c) the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

The Group often enters into transactions involving construction services, airport operations, airport merchandising operations, 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 includes revenue from construction activities such as construction works, sale of construction materials, management fee and rental of construction equipment.
 - i. *Contract revenues* – This includes revenue from construction services and 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. *Consultancy and Management fees* – 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 2.18(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 assesses its revenue agreement against the specific criteria in order to determine if it is acting as a principal or an agent [see Note 3.1(o)]. Billing from common area, air conditioning and other dues are presented at gross amounts since the Group acts as a principal. Other revenues from electricity and water dues, in which the Group acts as an agent, are presented in excess of actual charges and consumption.

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.

Costs and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except for capitalized borrowing costs which are included as part of the cost of the related qualifying asset.

2.18 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

For any new contracts entered into, 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 accounts, respectively.

(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. Revenue from rentals also include variable rent income based on an index or rate.

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,
- (iii) 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 of income.

Past service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(b) *Short-term Employee Benefits*

The Group recognizes a liability, net of amounts already paid, and an expense for services rendered for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related services are provided.

(c) *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.

(d) *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.

(e) *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

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 construction 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 construction 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 MCIA, management determines that revenue is recognized at a point in time when the control of the goods has passed to the customer, i.e. generally when the customer acknowledged delivery of goods.

(iv) *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., defined in Note 2 (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, 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 collectibility since the same can be applied to the last period rentals at the option of the Group.

(e) *Evaluation of Business Model Applied in Managing Financial Instruments*

The Group developed business models which reflect how it manages its portfolio of financial instruments. The Group's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Group) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Group evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Group (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Group's investment and trading strategies.

(f) *Testing the Cash Flow Characteristics of Financial Assets and Continuing Evaluation of the Business Model*

In determining the classification of financial assets under PFRS 9, the Group assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria.

In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Group assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Group considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

In addition, PFRS 9 emphasizes that if more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Group considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily 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, as defined in PFRS 3, 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, MIL, MWMTI, MTI, MC-SG, WHI, CDI, and TLH are accounted for as investments 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)].

Also, the Group believes to have significant influence over CMCI, due to the Group's ability to participate over the entity's relevant activities based on the rights and powers of the Parent Company over the management of CMCI 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. 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 a joint control over MGCJV, MGCJVI, MTRGC, SSPPC and HMDJV 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. GMCAC recognizes its interest in MTRGC and SSPPC as joint ventures, while the Parent Company's interests in MGCJV, MGCJVI and HMDJV are recognized as joint operations [see Notes 2.3(c) and 11.4]. On the other hand, the Parent Company 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).

(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, *Service Concession Arrangements*, 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 shall 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 in form of AGP.

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 Note 2.4 and 6).

(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 as the Parent Company has no control over the relevant activities of MWCCI. Management considers that Citicore has control since it 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)].

(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.

(p) *Determining Whether Loan Modifications are Substantial Modifications*

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. Based on management's assessment, GMCAC's loan modification in 2021 does not represent a substantial modification of terms [see Note 18.2(a)].

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 FVOCI, 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 2021, 2020 and 2019.

(e) *Accounting for Business Combinations*

On initial recognition, the assets and liabilities of any 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 2021 and 2020.

The Group believes that the usage-based method based on passenger volume and usage of the airport activities over the concession period 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)]. In 2021 and 2020, passenger volume significantly declined compared with pre-pandemic levels due to travel and quarantine restrictions imposed by the government. Although amortization expense reduced substantially during those years, management assessed that the reduced passenger volume is temporary as the quarantine restrictions started to ease up during the first quarter of 2022 and passenger volume showed improvements from December 2021 levels. The positive changes are estimated to continue until full recovery of pandemic losses by 2024, hence, amortization expense will eventually normalize. In 2021, 2020, and 2019, amortization expense recognized relating to concession assets amounted to P50.2 million, 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 PITX 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 commercial area approximates its fair value as of December 31, 2020 as it was only newly constructed in March 2019. In 2021, the fair value of the commercial area was assessed using the discounted cash flows valuation technique. The Group uses assumptions that are mainly based on market conditions existing at the end of each reporting period, such as: receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and, appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

On the other hand, the Group determines the fair value of the land through appraisals by independent external appraisers.

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, 2021 and 2020 will be fully utilized in the coming years. The carrying value of deferred tax assets as of those dates is disclosed in Note 26.4.

(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 the remaining life of the concession period of 18 and 19 years as of December 31, 2021 and 2020, respectively.

The pre-tax discount rate applied to cash flow projections is 10.0% and 12.3% as of December 31, 2021 and 2020. 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 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 2021 and 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 P9,615.9 million and P9,007.9 million as at December 31, 2021 and 2020, respectively (see Note 13).

Management has assessed that no impairment losses are required to be recognized on the Group's non-financial assets in 2021, 2020 and 2019.

(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. This segment 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, 2021, 2020 and 2019, and for the years ended December 31, 2021, 2020 and 2019 (amounts in thousands).

	Construction			Airport			Landport			Total		
	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019
Results of operations												
Sales to external customers	P 14,329,464	P 10,842,200	P 15,309,069	P 599,468	P 1,178,613	P 4,017,334	P 715,039	P 902,414	P 555,402	P 15,643,971	P 12,923,227	P 19,881,800
Intersegment sales	26,905	363,371	651,419	-	-	-	-	-	-	26,905	363,371	651,419
Segment Revenues	<u>14,356,369</u>	<u>11,205,571</u>	<u>15,960,488</u>	<u>599,468</u>	<u>1,178,613</u>	<u>4,017,334</u>	<u>715,039</u>	<u>902,414</u>	<u>555,402</u>	<u>15,670,876</u>	<u>13,286,598</u>	<u>20,533,222</u>
Cost and other operating expenses:												
Cost of construction, airport and landport operations excluding depreciation and amortization	11,124,688	8,779,449	13,033,918	353,949	492,171	886,235	149,440	145,176	233,979	11,628,077	9,416,796	14,154,130
Depreciation and amortization	1,133,162	1,019,034	837,723	102,510	229,837	803,232	232,110	222,508	111,093	1,467,782	1,471,379	1,752,040
Interest income	(464,851)	(458,515)	(472,442)	(9,515)	(32,543)	(78,022)	(7,614)	(8,208)	(210)	(481,980)	(499,266)	(550,670)
Interest expense	1,364,842	1,220,377	1,215,052	1,294,235	1,050,725	957,954	148,144	214,205	114,758	2,807,221	2,485,307	2,287,760
Material non-cash items	-	(2,192)	12,476	(78,649)	(144,597)	(32,796)	-	-	-	(78,649)	(146,789)	(20,320)
Equity share in profit or loss and joint ventures	10,633	-	-	57,050	40,965	(26,248)	-	-	-	67,683	40,965	(26,248)
Other income (charges)	(171,387)	(59,323)	(138,611)	(210,287)	(23,479)	(13,652)	(133,884)	(194,421)	(131,221)	(515,558)	(230,265)	(283,480)
Tax expense (income)	67,012	(59,584)	127,526	76,865	217,456	219,818	21,124	106,772	(34,361)	165,001	264,644	312,980
Other expenses	939,703	642,350	706,711	385,160	490,807	691,821	228,159	203,700	267,574	1,553,022	1,336,857	1,666,100
	<u>14,003,802</u>	<u>11,081,596</u>	<u>15,322,353</u>	<u>1,971,318</u>	<u>2,368,300</u>	<u>3,408,342</u>	<u>637,479</u>	<u>689,732</u>	<u>561,612</u>	<u>16,612,599</u>	<u>14,139,628</u>	<u>19,292,300</u>
Segment Net Profit (Loss)	<u>P 352,567</u>	<u>P 123,975</u>	<u>P 638,135</u>	<u>(P 1,371,850)</u>	<u>(P 1,189,687)</u>	<u>P 608,992</u>	<u>P 77,560</u>	<u>P 212,682</u>	<u>(P 6,210)</u>	<u>(P 941,723)</u>	<u>(P 853,030)</u>	<u>P 1,240,910</u>
Consolidated Statements of Financial Position												
Total Segment Assets	<u>P 49,988,040</u>	<u>P 44,902,291</u>	<u>P 43,330,597</u>	<u>P 34,980,098</u>	<u>P 35,286,304</u>	<u>P 35,934,459</u>	<u>P 6,727,959</u>	<u>P 7,321,688</u>	<u>P 7,998,133</u>	<u>P 90,696,097</u>	<u>P 87,510,283</u>	<u>P 87,263,180</u>
Total Segment Liabilities	<u>P 32,351,079</u>	<u>P 29,079,082</u>	<u>P 31,030,326</u>	<u>P 28,100,062</u>	<u>P 27,034,748</u>	<u>P 26,491,719</u>	<u>P 4,826,617</u>	<u>P 5,497,864</u>	<u>P 7,451,163</u>	<u>P 65,277,758</u>	<u>P 61,611,694</u>	<u>P 64,973,200</u>
Capital Expenditures	<u>P 631,034</u>	<u>P 467,180</u>	<u>P 2,817,196</u>	<u>P 279,511</u>	<u>P 1,050,949</u>	<u>P 2,206,858</u>	<u>P 80,688</u>	<u>P 216,153</u>	<u>P 838,345</u>	<u>P 991,233</u>	<u>P 1,734,282</u>	<u>P 5,862,390</u>
Investment in associates and joint ventures accounted for by the equity method	<u>P 813,793</u>	<u>P -</u>	<u>P -</u>	<u>P 47,720</u>	<u>P 104,770</u>	<u>P 145,735</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 861,513</u>	<u>P 104,770</u>	<u>P 145,735</u>

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>2021</u>	<u>2020</u>	<u>2019</u>
Revenues			
Segment revenues	P 15,670,876	P 13,286,598	P 20,533,224
Intersegment sales	(<u>26,905</u>)	(<u>363,371</u>)	(<u>651,419</u>)
Revenues as reported in the consolidated statements of income	<u>P 15,643,971</u>	<u>P 12,923,227</u>	<u>P 19,881,805</u>
Profit or loss			
Segment net profit (loss)	(P 941,723)	(P 853,030)	P 1,240,917
Other unallocated income (expense)	<u>48,569</u>	(<u>21,566</u>)	(<u>129,882</u>)
Net profit (loss) as reported in the consolidated statements of income	<u>(P 893,154)</u>	<u>(P 874,596)</u>	<u>P 1,111,035</u>
Assets			
Total segment assets	P 90,696,097	P 87,510,283	P 87,263,189
Elimination of intercompany accounts	(<u>12,629,646</u>)	(<u>7,877,956</u>)	(<u>9,031,920</u>)
Other unallocated assets	<u>7,110,178</u>	<u>1,711,442</u>	<u>2,533,057</u>
Total assets as reported in the consolidated statements of financial position	<u>P 85,176,629</u>	<u>P 81,343,769</u>	<u>P 80,764,326</u>
Liabilities			
Total segment liabilities	P 65,277,758	P 61,611,694	P 64,973,208
Elimination of intercompany accounts	(<u>3,253,619</u>)	(<u>1,823,709</u>)	(<u>4,083,754</u>)
Other unallocated liabilities	<u>3,951,582</u>	<u>1,033,316</u>	<u>1,876,360</u>
Total liabilities as reported in the consolidated statements of financial position	<u>P 65,975,721</u>	<u>P 60,821,301</u>	<u>P 62,765,814</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.

The revenues from three major customers in 2021, 2020 and 2019 accounted for 38%, 46%, and 17%, respectively, of the total construction revenues are as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Customer A	P 2,084,313,919	P2,150,769,324	P 2,861,117,765
Customer B	1,767,782,385	1,227,659,023	1,608,179,056
Customer C	<u>1,586,261,904</u>	<u>1,595,766,503</u>	<u>1,128,109,032</u>
	<u>P 5,438,358,208</u>	<u>P4,974,194,850</u>	<u>P5,597,405,853</u>

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are as follows:

	<u>2021</u>	<u>2020</u>
Cash on hand	P 4,515,280	P 5,400,865
Cash in banks	2,889,408,586	2,165,007,181
Short-term placements	<u>2,952,164,164</u>	<u>5,055,741,866</u>
	<u>P 5,846,088,030</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 1.6% in 2021 and 2020. The interest income earned from these financial assets amounted to P32.6 million, P57.9 million and P110.6 million in 2021, 2020 and 2019, respectively, and are 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>2021</u>	<u>2020</u>
Contract receivables:			
Third parties		P 2,911,018,409	P 2,840,546,754
Related parties	28.1	<u>1,454,980,969</u>	<u>944,337,644</u>
		<u>4,365,999,378</u>	<u>3,784,884,398</u>
Retention receivables:			
Third parties		1,689,943,587	1,534,199,721
Related parties	28.1	<u>788,840,503</u>	<u>868,788,166</u>
		<u>2,478,784,090</u>	<u>2,402,987,887</u>
Advances to:			
Related parties	28.4	6,418,877,754	6,410,689,673
Officers and employees	28.3	<u>85,798,075</u>	<u>74,481,307</u>
		<u>6,504,675,829</u>	<u>6,485,170,980</u>
Receivables from airport operations	18.2 (a), 21.2	<u>699,627,783</u>	<u>570,230,462</u>
Rental receivables:	21.3		
Lease receivable – per contract		703,189,750	385,466,377
Lease receivable – effect of straight-line method		<u>652,564,199</u>	<u>524,235,954</u>
		<u>1,355,753,949</u>	<u>909,702,331</u>
Receivables from sale of goods	21.4	-	766,766
Accrued interest receivables	28.4	1,452,075,646	1,011,075,646
Other receivables	28.2, 28.5	<u>345,402,891</u>	<u>172,164,286</u>
		17,202,319,566	15,336,982,756
Allowance for impairment		<u>(231,765,011)</u>	<u>(37,932,641)</u>
		<u>P16,970,554,555</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 (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, 2021 and 2020, rent receivables arising from the effect of straight-lining method amounted to P652.6 million and P524.2 million, respectively (see Note 21.3).

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)].

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)]. The total impairment losses recognized by the Group are presented in the succeeding paragraphs.

The total allowance for impairment for contract, retention and airport receivables provided by the Group amounted to P231.8 million and P37.9 million as of December 31, 2021 and 2020, respectively.

A reconciliation of the allowance for impairment at the beginning and end of 2021 and 2020 is shown below.

	<u>Note</u>	<u>2021</u>	<u>2020</u>
Balance at beginning of year		P 37,932,641	P 10,956,072
ECL	23	222,772,533	27,289,069
Reversal of impairment loss	23	(17,792,630)	-
Write-off		(11,147,533)	(312,500)
Balance at end of year		<u>P 231,765,011</u>	<u>P 37,932,641</u>

The amount of impairment losses, net of reversal of impairment loss, is presented separately under the Other Operating Expenses section of the statements of income (see Note 23).

7. FINANCIAL ASSETS/LIABILITIES 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 with start date 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% plus margin ranging from 2.50% to 3.08% and receives floating rate and receives floating rate of nine-month US\$ LIBOR rate on Bloomberg Page on the notional amount.

As at December 31, 2021 and 2020, GMCAC recognized P54.9 million and P121.9 million derivative liability shown under Trade and Other Payables (see Note 17). GMCAC recognized in the consolidated statements of income under Other Income (Charges) unrealized gain from change in fair value of the interest rate swap amounting to US\$1.7 million or P78.6 million in 2021, unrealized loss of US\$1.0 million or P43.3 million in 2020, and US\$1.6 million or P104.8 million in 2019 (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 derivative instrument not designated for hedges.

8. CONSTRUCTION MATERIALS

At the end of 2021 and 2020, construction materials were stated at cost which is lower than net realizable value. This account consists of the following:

	<u>2021</u>	<u>2020</u>
Work in progress	P 1,129,136,315	P 963,166,389
Consumables and spare parts	506,652,379	281,222,077
Mechanical electrical plumbing and fireproof materials	182,836,039	219,528,702
Precast	94,980,118	92,773,144
Hardware	59,488,080	60,728,374
Rebars	27,117,251	31,159,478
Others	<u>44,949,202</u>	<u>70,464,699</u>
	<u>P 2,045,159,384</u>	<u>P 1,719,042,863</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>2021</u>	<u>2020</u>
Balance at beginning of year	P 4,231,600,246	P 3,975,734,097
Increase as a result of changes in measurement of progress	10,780,020,228	9,642,837,195
Decrease as a result of reversal to trade receivables	(10,233,915,616)	(9,386,971,046)
Balance at end of year	<u>P 4,777,704,858</u>	<u>P 4,231,600,246</u>

The balance of contract assets as of December 31, 2021 and 2020 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 2021 and 2020 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 2021 and 2020 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>

The Group has equity interest of 1% in SSPI as of December 31, 2021 and 2020.

As of December 31, 2021 and 2020, 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	2021	2020
Investments in:			
Associates	11.1	P 813,793,409	P 824,426,033
Joint ventures	11.3	<u>47,719,774</u>	<u>104,769,953</u>
		<u>P 861,513,183</u>	<u>P 929,195,986</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>2021</u>	<u>2020</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 year		19,963,169	9,308,698
Equity in net profit (loss) for the year	25.3	(<u>10,632,624</u>)	<u>10,654,471</u>
Balance at end of year		<u>9,330,545</u>	<u>19,963,169</u>
		<u>P 813,793,409</u>	<u>P 824,426,033</u>

The equity in net profit (loss) includes catch-up adjustments to reflect the audited balances of the associates, hence, might not be equal to the amount of the Group's share in net profit based on the financial information presented below.

These associates do not have any other comprehensive income or loss 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.

As of December 31, 2021 and 2020, 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, 2021 and 2020, the Parent Company owns 10% interest in CMCI as a joint venture partner.

The table below presents the financial information of MWCCI and CMCI as of and for years ended December 31, 2021, 2020 and 2019 of the associates (amounts in thousands of PHP).

		Current Assets		Non-current Assets		Current Liabilities		Non-current Liabilities		Revenues		Net Income (Loss)
2021:												
MWCCI (Unaudited)	P	338,947	P	847,397	P	87,447	P	-	P	-	P	-
CMCI (Unaudited)		4,215,261		2,017,636		1,885,472		2,080,191		273,670		10,546
2020:												
MWCCI (Unaudited)	P	338,947	P	847,398	P	87,447	P	-	P	-	P	5,999
CMCI (Audited)		3,525,156		2,646,046		1,894,306		2,020,208		344,183	(	13,849)
2019:												
MWCCI (Unaudited)	P	1,186,343	P	-	P	87,447	P	-	P	-	(P	6,000)
CMCI (Audited)		3,975,675		3,090,155		2,194,494		2,600,799		408,764		73,360

A reconciliation of the above summarized financial information to the carrying amount of the investments in associates is shown below (amounts in thousands of PHP).

	Notes	% Interest Held	Net Asset Value	Share in Net Asset	Carrying Value of Investments
2021					
MWCCI	a	51%	P 1,098,896	P 560,437	P 587,070
CMCI	b	10%	2,267,234	<u>226,723</u>	<u>226,723</u>
Total				<u>P 787,160</u>	<u>P 813,793</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>

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, 2021 and 2020, 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

As of December 31, 2021 and 2020, 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 P2.3 million, P0.5 million, P0.5 million in 2021, 2020, and 2019, respectively, to profit or loss to account for the expenses incurred by Altria, net of changes in cash in bank, bond deposits and accrued expenses.

11.3 Interest in Joint Ventures

This account includes the carrying values of the following components:

	<u>Note</u>	<u>2021</u>	<u>2020</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 losses:			
Balance at beginning of year		(11,878,047)	29,086,993
Equity in net loss for the year	25.3	(<u>57,050,179</u>)	(<u>40,965,040</u>)
Balance at end of year		(<u>68,928,226</u>)	(<u>11,878,047</u>)
		<u>P 47,719,774</u>	<u>P 104,769,953</u>

These joint ventures do not have any other comprehensive income or loss both in 2021 and 2020.

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, 2021 and 2020 (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>
<i>2021 (Unaudited):</i>												
MTRGC	P	111,041	P	100,339	P	140,731	P	2,089	P	24,937	(P	32,076)
SSPPC		40,615		336,306		315,883		17,017		15,165	(	6,027)
<i>2020 (Audited):</i>												
MTRGC	P	122,415	P	110,647	P	129,922	P	2,504	P	66,230	(P	38,419)
SSPPC		35,261		391,614		260,970		17,017		180,094	(	62,719)
<i>2019 (Audited):</i>												
MTRGC	P	155,593	P	102,557	P	115,588	P	3,508	P	232,235	P	1,807
SSPPC		120,913		411,847		302,522		18,630		654,764		66,710

Additional financial information for these joint ventures are as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>MTRGC:</i>			
Cash and cash equivalents	P 22,418,886	P 12,235,148	P 17,084,509
Depreciation and amortization	18,935,760	21,797,177	14,513,362
Interest income	6,857	21,948	75,970
Interest expense	4,840,500	5,092,877	1,986,846
Income tax expense	-	14,194,728	1,392,248
<i>SSPC:</i>			
Cash and cash equivalents	P 9,336,123	P 22,863,451	P 107,221,042
Depreciation and amortization	4,531,221	59,934,709	40,391,372
Interest income	507	591,536	351,310
Interest expense	-	1,447,420	1,463,337
Income tax expense (income)	-	(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>
2021				
MTRGC	P	68,560	P 28,562	P 28,562
SSPPC		45,985	<u>19,158</u>	<u>19,158</u>
Total			<u>P 47,720</u>	<u>P 47,720</u>
2020				
MTRGC	P	100,552	P 41,890	P 42,743
SSPPC		148,888	<u>62,027</u>	<u>62,027</u>
Total			<u>P 103,917</u>	<u>P 104,770</u>

Management determined that the difference between the respective share in the net assets of the joint ventures and the carrying amount of the investments is not material to the consolidated financial statements

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, MGCJVI shall undertake the construction works of the Clark Airport, while HMDJV shall undertake the construction works of the Malolos-Clark Railway. Also, as discussed Note 2.3(c)(i), 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.

The capital commitments of the joint operations are disclosed in Note 29.5.2.

As of and for the years ended December 31, 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</u>		<u>Elimination</u>		<u>After</u>
	<u>Elimination</u>		<u>Elimination</u>		<u>Elimination</u>
<i>December 31, 2021</i>					
<i>Assets:</i>					
Cash and cash equivalents	P 721,895,985	P	-	P	721,895,985
Trade and other receivables	683,049,548	(	190,658,362)		492,391,186
Other current assets	306,767,498		-		306,767,498
Property, plant, and equipment – net	<u>120,521,764</u>		<u>-</u>		<u>120,521,764</u>
	<u>P 1,832,234,795</u>	(P	<u>190,658,362</u>	P	<u>1,641,576,433</u>
<i>Liabilities:</i>					
Trade and other payables	P 443,092,629	P	-	P	443,092,629
Due to related parties	1,953,674		-		1,953,674
Other liabilities	<u>15,558,696</u>		<u>-</u>		<u>15,558,696</u>
	<u>P 460,604,999</u>	P	<u>-</u>	P	<u>460,604,999</u>
<i>Revenues and Expenses</i>					
Contract revenues	P 777,240,976		-	P	777,240,976
Contract costs	(432,835,357)		-	(	432,835,357)
Other operating expenses	(254,625,416)		-	(	254,625,416)
Finance income	<u>8,394,678</u>		<u>-</u>		<u>8,394,678</u>
	<u>P 98,174,881</u>	P	<u>-</u>	P	<u>98,174,881</u>

	Before <u>Elimination</u>	<u>Elimination</u>	After <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>

12. OTHER ASSETS

This account is composed of the following:

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
<i>Current:</i>			
Advances to contractors and suppliers	12.1	P 7,020,949,969	P 4,857,992,746
Prepaid taxes	12.4	1,045,342,030	812,495,632
Deferred fulfilment costs	12.7	743,947,850	787,283,237
Input VAT	12.2	570,366,701	775,596,442
Deferred input VAT	12.2	426,529,409	455,773,123
Refundable security and bond deposits		189,540,978	155,107,192
Prepaid insurance		75,768,970	37,516,325
Prepaid subscription		12,638,510	17,966,039
Prepaid rent		6,164,110	16,699,653
Miscellaneous		<u>41,711,945</u>	<u>40,313,939</u>
<i>Balance forwarded</i>		<u>P10,132,960,472</u>	<u>P 7,956,744,328</u>

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
<i>Balance brought forward</i>		<u>P10,132,960,472</u>	<u>P 7,956,744,328</u>
Non-current:			
Deferred input VAT	12.2	1,906,045,520	1,798,604,430
Investment in trust fund	12.6	163,541,216	401,525,300
Deposits for condominium units	12.3	115,337,468	121,265,571
Refundable security deposits	2.4	44,692,207	44,421,967
Computer software license – net	12.5	39,783,913	47,859,287
Advances to contractors and suppliers	12.1	7,999,946	7,999,946
Miscellaneous		<u>73,074,778</u>	<u>168,125</u>
		<u>2,350,475,048</u>	<u>2,421,844,626</u>
		<u>P12,483,435,520</u>	<u>P10,378,588,954</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 P1,847.1 million and P1,729.3 million as of December 31, 2021 and 2020, 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>2021</u>	<u>2020</u>	<u>2019</u>
Cost	P 154,805,624	P 147,037,422	P 129,596,424
Accumulated amortization	(115,021,711)	(99,178,135)	(82,280,584)
	<u>P 39,783,913</u>	<u>P 47,859,287</u>	<u>P 47,315,840</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>2021</u>	<u>2020</u>
Balance at beginning of year		P 47,859,287	P 47,315,840
Additions	13	7,768,203	17,440,998
Amortization expense for the year	23	(15,843,577)	(16,897,551)
Balance at end of year		<u>P 39,783,913</u>	<u>P 47,859,287</u>

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, 2021 and 2020, 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 Fulfilment Costs

Deferred fulfilment costs pertain to costs that are directly related to a specific construction contract, generate or enhance resources that will be used to fulfill a performance obligation 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 is discussed in Note 2.17.

The movement of deferred fulfilment costs is shown below:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	P 787,283,237	P 579,089,321
Additions	66,734,247	430,684,262
Amortization	(110,069,634)	(222,490,346)
Balance at end of year	<u>P 743,947,850</u>	<u>P 787,283,237</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, 2021			
Cost			
Balance at beginning of year	P 18,659,047,099	P 12,947,875,863	P 31,606,922,962
Additions	<u>352,370,474</u>	<u>272,908,832</u>	<u>625,279,308</u>
Balance at end of year	<u>19,011,417,573</u>	<u>13,220,784,695</u>	<u>32,232,202,270</u>
Accumulated amortization			
Balance at beginning of year	(801,952,990)	(876,242,255)	(1,678,195,245)
Amortization for the year	<u>(37,599,721)</u>	<u>(12,584,740)</u>	<u>(50,184,461)</u>
Balance at end of year	<u>(839,552,711)</u>	<u>(888,826,995)</u>	<u>(1,728,379,706)</u>
Net carrying amount	<u>P 18,171,864,862</u>	<u>P 12,331,957,700</u>	<u>P 30,503,822,564</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>

	<u>Airport Upfront Fees</u>	<u>Infrastructure</u>	<u>Total</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>

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 P604.1 million and P610.5 million as at December 31, 2021 and 2020, respectively, at a capitalization rate of 4.99% to 9.69% in 2021 and 2020, respectively.

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, 2021, and 2020, the concession assets not yet available for use amounted to P9,615.9 million and P9,007.9 million, respectively. The breakdown of concession assets not yet available for use are shown below.

	<u>2021</u>	<u>2020</u>
Capacity augmentation	P 8,412,842,922	P 7,881,311,850
Fuel hydrant	979,794,734,733	903,350,447
Link bridge	<u>223,214,286</u>	<u>223,214,286</u>
	<u>P 9,615,851,941</u>	<u>P 9,007,876,583</u>

Concession assets not yet available for use are not amortized but tested for impairment as at December 31, 2021 and 2020 in accordance with GMCAC's accounting policy. The recoverable amounts of these were determined based on a value in use calculation using cash flow from financial model approved by the management covering the remaining life of the concession of 18 and 19 years in 2021 and 2020, respectively.

The pre-tax discount rate applied to cash flow projections is 10.0% and 12.3% as of December 31, 2021 and 2020. As a result of this analysis, management assessed the no impairment loss is required to be recognized on the Group's concession assets in 2021, 2020 and 2019.

14. PROPERTY, PLANT AND EQUIPMENT

The gross carrying amounts and accumulated depreciation at the beginning and end of December 31, 2021 and 2020 are shown below.

	Land	Building	Precast Factory	Office Furniture, Fixture and Equipment	Transportation Equipment	Precast and Construction Equipment	Construction in Progress [as Restated - see Note 2.1(d)]	Right of Use Assets (See Note 16)	Total
December 31, 2021									
Cost	P 994,081,255	P 507,066,792	P 941,719,545	P 950,957,136	P 938,470,789	P 7,921,789,256	P 749,563,344	P 1,034,765,485	P14,038,413,602
Accumulated depreciation	-	(169,052,251)	(362,704,584)	(797,714,371)	(659,693,534)	(4,482,579,201)	-	(399,802,319)	(6,871,546,260)
Net carrying amount	<u>P 994,081,255</u>	<u>P 338,014,541</u>	<u>P 579,014,961</u>	<u>P 153,242,765</u>	<u>P 278,777,255</u>	<u>P 3,439,210,055</u>	<u>P 749,563,344</u>	<u>P 634,963,166</u>	<u>P 7,166,867,342</u>
December 31, 2020									
- As restated (see Note 2)									
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 396,213,893	P 849,731,333	P12,867,632,579
Accumulated depreciation	-	(127,375,631)	(276,713,333)	(574,332,343)	(582,525,580)	(3,825,473,738)	-	(241,350,359)	(5,627,770,984)
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>P 3,922,979,559</u>	<u>P 396,213,893</u>	<u>P 608,380,974</u>	<u>P 7,239,861,595</u>
January 1, 2020									
- As restated (see Note 2)									
Cost	P 989,509,286	P 481,860,502	P 675,212,912	P 722,955,234	P 813,691,664	P 7,584,937,751	P 122,788,659	P 701,317,660	P 12,092,273,668
Accumulated depreciation	-	(88,688,776)	(221,638,815)	(353,045,181)	(493,990,199)	(3,178,005,199)	-	(132,873,188)	(4,468,241,549)
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 122,788,659</u>	<u>P 568,444,472</u>	<u>P 7,624,032,119</u>

A reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of 2021, 2020, and 2019 is shown below.

	Land	Building	Precast Factory	Office Furniture, Fixture and Equipment	Transportation Equipment	Precast and Construction Equipment	Construction in Progress	Right of Use Asset (See Note 16)	Total
Balance at January 1, 2021, net of accumulated depreciation									
As previously reported	P 994,061,255	P 372,436,118	P 406,846,993	P 240,059,636	P 298,883,167	P 3,922,979,559	P 653,700,622	P 568,444,472	P 7,497,348,324
Restatement (Note 2)	-	-	-	-	-	-	(257,486,729)	-	(257,486,729)
As restated	P 994,061,255	P 372,436,118	P 406,846,993	P 240,059,636	P 298,883,167	P 3,922,979,559	P 396,213,893	P 608,380,974	P 7,239,861,595
Additions	20,000	7,255,043	67,614,416	137,116,782	107,848,715	151,313,091	619,846,870	187,575,152	1,278,590,069
Disposal	-	-	-	(396,854)	(29,045,197)	(18,287,460)	(13,147,930)	(926,423)	(61,803,864)
Reclassification	-	-	190,544,803	-	-	62,804,686	(253,349,489)	-	-
Depreciation charges for the year	-	(41,676,620)	(85,991,251)	(223,536,801)	(98,909,166)	(679,599,819)	-	(160,066,537)	(1,289,780,458)
Balance at December 31, 2021, net of accumulated depreciation	<u>P 994,081,255</u>	<u>P 338,014,541</u>	<u>P 579,014,961</u>	<u>P153,242,765</u>	<u>P 278,777,255</u>	<u>P 3,439,210,055</u>	<u>P 749,563,344</u>	<u>P 634,963,166</u>	<u>P7,166,867,342</u>
Balance at January 1, 2020, net of accumulated depreciation									
As previously reported	P 989,509,286	P393,171,726	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 7,666,010,436
Restatement (Note 2)	-	-	-	-	-	-	(41,978,317)	-	(41,978,317)
As restated	P 989,509,286	P 393,171,726	P 453,574,097	P 369,910,053	P 319,701,465	P 4,406,932,361	P 122,788,659	P 568,444,472	P 7,624,032,119
Additions	4,551,969	17,951,247	15,799,464	90,988,975	71,748,419	190,208,703	257,424,593	157,183,969	805,857,339
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 charges 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>P372,436,118</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 396,213,893</u>	<u>P 608,380,974</u>	<u>P7,239,861,595</u>
Balance at January 1, 2019, net of accumulated depreciation									
As previously reported	P 703,175,409	P204,857,408	P 383,801,073	P299,147,986	P 247,832,325	P 3,204,229,722	P 150,907,111	P -	P5,193,951,034
Restatement (Note 2)	-	-	-	-	-	-	(41,978,317)	-	(41,978,317)
As restated	703,175,409	204,857,408	383,801,073	299,147,986	247,832,325	3,204,229,722	108,928,794	-	5,151,972,717
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 charges 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>P393,171,726</u>	<u>P 453,574,097</u>	<u>P369,910,053</u>	<u>P 319,701,465</u>	<u>P 4,406,932,361</u>	<u>P 122,788,659</u>	<u>P 568,444,472</u>	<u>P7,624,032,119</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 2021, 2020 and 2019, certain property, plant and equipment were sold for P89.5 million, P4.3 million and P92.1 million, respectively. As a result, the Group recognized gains amounting to P24.3 million, P1.9 million, and P9.6 million in 2021, 2020 and 2019, 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, 2021 and 2020, the gross carrying amounts of the Group's fully depreciated property, plant and equipment that are still in use are P1,131.9 million and P708.6 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	2021	2020	2019
Contract costs	22.1	P 1,006,018,603	P 924,021,681	P 773,562,002
Cost of landport operations	22.3	105,768,446	104,800,106	56,627,495
Other operating expenses	23	177,993,409	158,507,064	130,351,293
		<u>P 1,289,780,458</u>	<u>P 1,187,328,851</u>	<u>P 960,540,790</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	Commercial Area	Construction in Progress	Total
December 31, 2021				
Cost	P 530,896,780	P 3,930,968,749	P 145,743,580	P 4,607,609,109
Accumulated depreciation	-	(114,265,295)	-	(114,265,295)
Net carrying amount	<u>P 530,896,780</u>	<u>P 3,816,703,454</u>	<u>P 145,743,580</u>	<u>P 4,493,343,814</u>
December 31, 2020 –				
As Restated (see Note 2)				
Cost	P 502,509,171	P 3,724,304,346	P 257,486,729	P 4,484,300,246
Accumulated depreciation	-	(105,919,152)	-	(105,919,152)
Net carrying amount	<u>P 502,509,171</u>	<u>P 3,618,385,194</u>	<u>P 257,486,729</u>	<u>P 4,378,381,094</u>
December 31, 2019 –				
As Restated (see Note 2)				
Cost	P 462,416,110	P 3,767,853,349	P 41,978,317	P 4,272,247,776
Accumulated depreciation	-	(43,549,003)	-	(43,549,003)
Net carrying amount	<u>P 462,416,110</u>	<u>P 3,724,304,346</u>	<u>P 41,978,317</u>	<u>P 4,228,698,773</u>

A reconciliation of the carrying amounts of investment property at the beginning and end of the reporting periods is shown below.

		<u>Land</u>	<u>Commercial Area</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance as of January 1, 2021, net of accumulated depreciation and amortization					
As previously reported	P	502,509,171	P 3,618,385,194	P -	P 4,120,894,365
Restatement (Note 2)		<u>-</u>	<u>-</u>	<u>257,486,729</u>	<u>257,486,729</u>
As restated		502,509,171	3,618,385,194	257,486,729	4,378,381,094
Additions		28,387,609	55,096,826	145,743,580	229,228,015
Reclassifications		-	257,486,729	(257,486,729)	-
Depreciation and amortization		<u>-</u>	<u>(114,265,295)</u>	<u>-</u>	<u>(114,265,295)</u>
Balance at December 31, 2021	P	<u>530,896,780</u>	<u>3,816,703,454</u>	<u>145,743,580</u>	<u>4,493,343,814</u>
Balance as of January 1, 2020, net of accumulated depreciation and amortization					
As previously reported	P	462,416,110	P 3,724,304,346	P -	P 4,186,720,456
Restatement (Note 2)		<u>-</u>	<u>-</u>	<u>41,978,317</u>	<u>41,978,317</u>
As restated		462,416,110	3,724,304,346	41,978,317	4,228,698,773
Additions		40,093,061	-	215,508,412	255,601,473
Depreciation and amortization		<u>-</u>	<u>(105,919,152)</u>	<u>-</u>	<u>(105,919,152)</u>
Balance at December 31, 2020	P	<u>502,509,171</u>	<u>3,618,385,194</u>	<u>257,486,729</u>	<u>4,378,381,094</u>
Balance as of January 1, 2019, net of accumulated depreciation and amortization					
As previously reported	P	437,755,175	P 3,322,105,588	P -	P 3,759,860,763
Restatement (Note 2)		<u>-</u>	<u>-</u>	<u>41,978,317</u>	<u>41,978,317</u>
As restated		437,755,175	3,322,105,588	41,978,317	3,801,839,080
Additions		24,660,935	445,747,761	-	470,408,696
Depreciation and amortization		<u>-</u>	<u>(43,549,003)</u>	<u>-</u>	<u>(43,549,003)</u>
Balance at December 31, 2019	P	<u>462,416,110</u>	<u>3,724,304,346</u>	<u>41,978,317</u>	<u>4,228,698,773</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 P530.9 million and P502.5 million as of December 31, 2021 and 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. The fair value these assets for 2021 and 2020 amounts to P1,897.9 million and P1,869.5 million, respectively (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 Group determined that the component with respect to commercial area of PITX Project is not within the scope of Philippine Interpretation of IFRIC 12, and therefore shall be accounted for using the applicable accounting standard based on the purpose and current use of the assets; hence, were recognized under PAS 40, as these assets are held to earn rentals.

The allocation of cost as of the end of the reporting periods are as follows:

	<u>2021</u>	<u>2020</u>
Landport area (see Note 9)	P 510,141,518	P 510,141,518
Commercial area	<u>3,769,109,913</u>	<u>3,828,278,382</u>
	<u>P4,279,251,431</u>	<u>P4,338,419,900</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 consolidated statements of financial position.

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.

Rental revenues recognized in 2021, 2020 and 2019 amounted to P715.0 million, P900.8 million and P528.7 million, respectively, and are presented as part of Landport Operations account under the Revenues section of the consolidated statements of comprehensive income (see Note 21.3). Depreciation charges substantially represent the direct costs in leasing these properties. Other operating costs in leasing these properties include Real property taxes amounting to P119.4 million, P128.9 million, and P39.0 million in 2021, 2020, and 2019, respectively, and Repairs and maintenance amounting to P14.7 million, P2.4 million, and P5.2 million in 2021, 2020, and 2019, respectively. Real property taxes is included as part of Taxes and licenses while Repairs and maintenance is presented under Repairs and maintenance account in the consolidated statements of comprehensive income(see Note 23).

As of December 31, 2021 and 2020, the fair value of the Commercial area amounted to P3,816.7 million and P3,618.4 million, respectively.

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 statements of financial position.

	Number of right-of-use assets leased	Range of remaining term	Number of average remaining lease term	Number of leases with extension options	Number of leases with options to purchase	Number of leases with termination options
2021:						
Transportation equipment	186	1 – 5 years	3 years	-	49	-
Precast and construction equipment	168	1 – 5 years	4 years	-	54	-
Parcel of land	1	4 years	4 years	-	-	-
2020						
Transportation equipment	162	1 – 5 years	3 years	-	49	-
Precast and construction equipment	164	2 – 5 years	5 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, 2021, 2020, and 2019 and the movements during the period are shown below.

		Land	Precast and Construction Equipment	Transportation Equipment	Total
Balance as of January 1, 2021	P	-	P 440,424,375	P 167,956,599	P 608,380,974
Additions		67,963,753	118,058,865	1,552,534	187,575,152
Disposals		-	-	(926,423)	(926,423)
Depreciation and amortization		(16,990,938)	(101,629,143)	(41,446,456)	(160,066,537)
Balance at December 31, 2021	P	<u>50,972,815</u>	<u>456,854,097</u>	<u>127,136,254</u>	<u>634,963,166</u>
Balance as of January 1, 2020	P	-	P 376,631,729	P 191,812,743	P 568,444,472
Additions		-	121,647,009	35,536,960	157,183,969
Disposals		-	-	(1,236,705)	(1,236,705)
Reclassifications		-	(6,727,238)	(3,803,589)	(10,530,827)
Depreciation and amortization		-	(51,127,125)	(54,352,810)	(105,479,935)
Balance at December 31, 2020	P	<u>-</u>	<u>440,424,375</u>	<u>167,956,599</u>	<u>608,380,974</u>
Balance as of January 1, 2019	P	-	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		-	(30,859,786)	(37,680,704)	(68,270,490)

In 2021 and 2020, ownership of certain transportation equipment was transferred to an employee of the Company amounting to P1.2 million and P0.9 million, respectively.

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, 2021 and 2020 as follows:

	<u>2021</u>	<u>2020</u>
Current	P 219,483,607	P 195,172,595
Non-current	<u>246,214,092</u>	<u>337,495,382</u>
	<u>P 465,697,699</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 December 31, 2021, and 2020, 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 P57.0 million, P30.1 million and P47.4 million in 2021, 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 P254.5 million, P98.9 million and P142.4 million in 2021, 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 P45.4 million, P36.1 million and P22.1 million in 2021, 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, 2021, 2020 and 2019 is as follows:

	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>	<u>3 to 4 years</u>	<u>4 to 5 years</u>	<u>Total</u>
<i>December 31, 2021</i>						
Lease payments	P 248,374,420	P 169,959,559	P 84,711,884	P 8,765,243	P -	P 511,811,106
Finance charges	(28,890,813)	(13,514,723)	(3,494,320)	(213,551)	-	(46,113,407)
Net present value	<u>P 219,483,607</u>	<u>P 156,444,836</u>	<u>P 81,217,564</u>	<u>P 8,551,692</u>	<u>P -</u>	<u>P 465,697,699</u>
<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 32,776,372</u>	<u>P 474,350,703</u>

17. TRADE AND OTHER PAYABLES

This account consists of the following:

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Trade payables		P 5,036,078,936	P 4,002,239,479
Retention payable		2,180,081,529	2,195,156,203
Accrued expenses		506,190,339	749,582,769
Security deposits	20	235,216,916	119,723,716
Interest payable	18	195,323,314	920,315,247
Derivative liability	7	54,872,973	121,895,954
Due to related parties	28.4	328,685,322	20,000,000
Others		<u>80,266,018</u>	<u>163,037,855</u>
		<u>P 8,616,715,347</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.

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:

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Current:			
Bank loans	18.2, 29.4	P 14,504,602,415	P 12,915,285,156
Lease liabilities	16.2	219,483,607	195,172,595
Notes payable	18.1, 29.4	56,000,000	20,000,000
		<u>14,780,086,022</u>	<u>13,130,457,751</u>
Non-current:			
Bank loans	18.2, 29.4	28,961,405,146	26,881,620,942
Notes payable	18.1, 29.4	5,513,791,232	5,570,791,232
Lease liabilities	16.2	246,214,092	337,495,382
		<u>34,721,410,470</u>	<u>32,789,907,556</u>
		<u>P 49,501,496,492</u>	<u>P 45,920,365,307</u>

The total unpaid interest from the foregoing interest-bearing loans and borrowings as of December 31, 2021 and 2020 amounted to P195.3 million and P920.3 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) 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 or unless prior consent was obtained from the bank;
- 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 and B has matured already, leaving Tranche C outstanding, with a carrying value of P69.8 million and P70.8 million, respectively, as at December 31, 2021 and 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	5.50%
December 5, 2016	350,000,000	10	6.37%
December 16, 2016	<u>1,000,000,000</u>	10	6.37%

P 2,000,000,000

These 10-year corporate notes bear an interest rate based on the closing per annum rates of a ten (10)-year PDST-R2 rate on the PDS Group website plus a certain spread. The Parent Company has to maintain a debt-to-equity ratio of not more than 2.33 and a debt service coverage ratio of at least 1.1.

The notes, among other things, restrict the Parent Company's ability to:

- 1) Engage in any business or make or permit any material change in the character of its business from that authorized on its amended articles of incorporation and by-laws;
- 2) Amendment of articles of incorporation and by-laws which would cause a material adverse effect or except when prior consent is obtained from the bank;
- 3) Change of ownership and management if as a result the stockholdings of Citicore Investments Holdings Inc. will fall below 51% or enter into profit sharing, partnership or joint venture whereby its profits are shared with any other person that may have a material adverse effect;
- 4) Sale of asset, transfer or dispose of all or substantially all of its properties and assets except in the ordinary course of business;
- 5) Declaration of dividends or retirement of capital if the issuer shall not be in compliance with the financial covenants or would result to an event of default;
- 6) Loans and advances to its directors, officers, and stockholders (other than to its subsidiaries or affiliates, or transactions in the ordinary course of business, or financing or guarantees for the direct or indirect purchase or sale of the assets of the issuer, its subsidiaries or affiliates). Neither shall the issuer make any deposit, credit to, or investment in, any person, except for bank deposit, credit placements, and other transactions in the ordinary course of business;
- 7) Make a capital expenditure not in the ordinary course of business;
- 8) Incur additional debt or act as surety on behalf of third parties or incur monetary obligation which shall cause the issuer to breach the financial covenants;
- 9) Loans and advances to any person (other than to its subsidiaries or affiliates, or transactions in the ordinary course of business, or financing or guarantees for the direct or indirect purchase or sale of the assets of the issuer, its subsidiaries or affiliates). Neither shall the issuer make any deposit, credit to, or investment in, any person, except for bank deposit, credit placements, and other transactions in the ordinary course of business;
- 10) Directly or indirectly incur or suffer to exist any lien upon any assets and revenues, present and future of the issuer or enter into any loan facility agreement secured by or to be secured by a lien upon any assets and revenues, present and future whether registered or unregistered of the issuer;
- 11) Except for permitted investments, invest in or acquire any (i) share in or any security issued by any person, (ii) acquire directly or indirectly the business or going concern or all substantially all the properties and assets or business of any other corporation or entity or invest in a controlling entity therein; and,
- 12) It will not voluntarily suspend or discontinue its entire or a substantial portion of its business operation.

All of the three tranches of the second corporate note remained outstanding, with a carrying value of P1,900.0 million and P1,920.0 million as at December 31, 2021 and 2020, 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 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 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 1.10. 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 or where prior consent is obtained from the bank;
- 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, 2021 and 2020.

As of December 31, 2021 and 2020, the carrying amount of all the corporate notes are P5,569.8 million and P5,590.8 million, respectively.

The total interest on these notes payable amounted to P328.5 million, P338.1 million and P304.8 million in 2021, 2020 and 2019, 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, 2021 and 2020 amounting to P31.3 million is presented as part of Interest payable under Trade and Other Payables account in the consolidated statements of financial position (see Note 17).

The Parent Company is in compliance with all other covenants required to be observed under the loan facility agreement as of December 31, 2021 and 2020.

18.2 Bank Loans

(a) Omnibus Loan and Security Agreement – December 17, 2014

On December 17, 2014, GMCAC entered into a P20,000.0 million (which at GMCAC's option may be increased up to P23,300.0 million) OLSA with various local universal banks, as onshore lenders. On January 26, 2015, the parties amended the facility to include another universal bank as offshore lender to contribute US \$75.0 million (or equivalent to P3,500.0 million) into the facility.

The facility has a term of 15 years, the repayment of which starts in 2019 and shall continue every year thereafter until 2030; and, interest requirements that are payable annually based on the following:

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

As security for timely payment of the loan and prompt observance of all provision of the Omnibus Agreement, the following are 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;
- 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.

The carrying value of the Project receivables as of December 31, 2021 and 2020 amounted to P699.6 million and P570.2 million, respectively, net of allowance for ECL amounting to P4.9 million and P6.1 million as of December 31, 2021 and 2020, respectively. These are non-interest bearing and generally on a 30 to 60-day credit terms.

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. As of December 31, 2021 and 2020, the carrying amount of the assets pledged, in the form of a trust fund investment, as collateral amounted to P163.5 million and P401.5 million, respectively (see Note 12.6). These are composed of dollar deposit accounts which earns interest of 0.5% to 1.6% in 2021, 2020 and 2019 and peso deposit accounts which earns interest of .5% to 6.5% in 2021, 2020 and 2019.

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 GMCAC has debt-to-equity ratio of 67:33 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. As there is no event of default yet based on the terms of the loan, the outstanding balance was not yet considered due and demandable [see Note 18.2(d)].

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.

GMCAC has availed of certain reliefs and renegotiated the terms of its existing loan agreements with its lenders. As a result, 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:

<u>Year</u>	<u>Percentage</u>
2020	1.00%
2024	8.00%
2025	9.40%
2026	12.04%
2027	11.00%
2028	11.28%
2029	16.78%
2030	30.00%

The remaining 0.50% 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. As at December 31, 2021 and 2020, GMCAC was able to comply with the required debt to equity ratio;
- Debt service 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 recovery 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

The modifications in the contractual cash flows are not substantial and therefore did not result in the derecognition of the affected financial liabilities. Total modification gain recognized as a result of these modifications amounted to P207.8 million and is presented under Other Income (Charges) - net account in the 2021 consolidated statement of income (see Note 25.3).

As of December 31, 2021, GMCAC has unamortized premium on long-term debt amounting to P1.1 billion arising from the modification of terms. The amount is the result of recognizing the new carrying amount of the long-term debt based on the present value of the modified contractual cash flows discounted at the original effective interest rate. The premium on long-term debt is attributable to the deferred interests payable by GMCAC on June 15, 2023 and December 15, 2023 under the Second Amendment Agreement which formed part of the new carrying amount of the long-term debt under the modified terms.

Debt issuance costs incurred in relation to the amendment of the terms of the OLSA amounting to P22.8 million was recognized and formed part of the new carrying amount of the loans.

The movements of debt issuance costs relating to drawn amounts follows:

	<u>2021</u>	<u>2020</u>
Balance at the beginning of the year	P 240,664,623	P 266,359,488
Additional debt issuance costs	22,795,530	-
Amortization during the year	(35,395,100)	(25,694,865)
Balance at the end of the year	<u>P 228,065,053</u>	<u>P 240,664,623</u>

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, 2021 and 2020, GMCAC recognized P54.9 million and P121.9 million derivative liability arising from this interest rate swap transaction.

Total interest on these loans recognized as expense, including the amortization of debt issue costs, amounted to P1,059.0 million, P1,050.7 million and P946.2 million in 2021, 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 consolidated statements of income (see Note 25.1). Total accrued interest amounting to P97.7 million and P834.1 million as of December 31, 2021 and 2020, respectively, is presented as part of Interest payable under Trade and Other Payables in the consolidated statements of financial position (see Note 17). Capitalized borrowings amounted to P604.1 million and P610.5 million as at December 31, 2021 and 2020, respectively, at a capitalization rate of 4.99% to 9.69% in 2021 and 2020, respectively (see Note 13).

(b) OLSA for PITX project

In 2015, 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, MWMTI requested the lender to increase the

In 2017, 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 bears annual interest of 3.55%, 4.62%, and 6.89% in 2021, 2020, and 2019, 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 36 months from the initial drawdown date of the loan or from 2017, 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 2021 and 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 P138.4 million and P173.5 million in 2021 and 2020, respectively, and is presented as part of Interest expense from bank loans under Finance costs under Other Income (Charges) account in the 2021 and 2020 consolidated statements of income (see Note 25.1). Total accrued interest amounting to P17.3 million and P17.5 million as of December 31, 2021 and 2020, 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, 2021 and 2020 amounting to P117.0 million and P3,724.5 million, and P59.0 million and P3,841.5 million are presented under the current and non-current portion, respectively, of bank loans.

(c) Other Bank Loans

In addition, the Group also obtained various bank loans with total outstanding balance of P14,504.6 million and P12,915.3 million as of December 31, 2021 and 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, and 5.13% to 7.0% in 2019. Total interest on these bank loans amounted to P635.4 million, P624.4 million and P629.9 million in 2021, 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 consolidated statements of income (see Note 25.1). The unpaid portion of these interest amounted to P49.0 million and P37.4 million as of December 31, 2021 and 2020, 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).

(d) *Finance Cost, Events of Default and Covenant Compliance*

Total interest on interest bearing loans and borrowings amounted to P2,161.4 million, P2,186.6 million and P2,000.9 million in 2021, 2020 and 2019, respectively, and is presented as Interest expense from bank loans and notes payable under Finance Costs account in the statements of income (see Note 25.1). Unpaid interest as of December 31, 2021 and 2020 amounting to P31.3 million 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, the Group retained its loan as non-current, due to on-going negotiation with their syndicated loan with the banks as of December 31, 2020. As there is no event of default yet based on the terms of the loan as discussed in the succeeding paragraphs, the outstanding balance was not yet considered due and demandable. Such negotiation was finalized in May 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.

19. CONTRACT LIABILITIES

The significant changes in the contract liability balances during the reporting periods are as follows:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	P 4,593,930,101	P 4,931,269,957
Increase due to billings excluding amount recognized as revenue during the year	3,000,814,182	1,604,069,732
Revenue recognized that was included in contract liability at the beginning of the year	(1,955,644,394)	(2,049,952,403)
Effect of financing component	<u>120,291,431</u>	<u>108,542,815</u>
Balance at end of year	<u>P 5,759,391,320</u>	<u>P 4,593,930,101</u>

These are presented and classified in the consolidated statements of financial position as at December 31 as follows:

	<u>2021</u>	2020 [As Restated – see Note 2.1(d)]
Current	P 3,703,189,013	P 2,115,256,611
Non-current	<u>2,056,202,307</u>	<u>2,478,673,490</u>
	<u>P 5,759,391,320</u>	<u>P 4,593,930,101</u>

20. OTHER LIABILITIES

The details of this account are as follows:

	<u>2021</u>	<u>2020</u>
Current:		
Deferred output VAT	P 139,255,223	P 82,996,745
Withholding taxes	67,137,365	54,023,865
Government liabilities	30,641,077	71,118,450
Deferred revenue	28,212,830	13,284,012
Others	<u>612,841</u>	<u>-</u>
	<u>P 265,859,336</u>	<u>P 221,423,072</u>
Non-current:		
Security deposits	P 471,258,850	P 464,587,591
Unearned rent income	<u>188,314,260</u>	<u>187,038,088</u>
	<u>P 659,573,110</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.

As of December 31, 2021 and 2020, security deposits pertains mainly to the amounts received from lessees in relation to GMCAC's airport operations. In 2019, the Group received additional security deposits upon full operations of MWMTI'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 gain amounting to P0.05 million in 2021 and P79.1 million in 2019 (nil in 2020) 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 P10.1 million, P40.7 million, and P2.2 million in 2021, 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.

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
2021:						
Construction operations	21.1					
Contract revenues		P -	P 13,334,034,527	P -	P13,334,034,527	P 13,334,034,527
Sale of precast		-	616,053,269	616,053,269	-	616,053,269
Sale of ready mix concrete		-	170,512,543	170,512,543	-	170,512,543
Equipment rental		-	208,863,240	208,863,240	-	208,863,240
		-	14,329,463,579	995,429,052	13,334,034,527	14,329,463,579
Airport operations:	21.2					
Aeronautical revenues		-	190,468,401	190,468,401	-	190,468,401
Aero related revenues		-	77,785,429	77,785,429	-	77,785,429
Non-aero related revenues		-	307,788,731	307,788,731	-	307,788,731
		-	576,042,561	576,042,561	-	576,042,561
Landport operations	21.3					
Rental revenue – effect of straight-line method		-	586,711,216	-	586,711,216	586,711,216
Rental revenue – per contract		-	128,328,244	-	128,328,244	128,328,244
		-	715,039,460	-	715,039,460	715,039,460
Trading operations:	21.4					
Food revenues		21,540,063	-	21,540,063	-	21,540,063
Non-food revenues		1,885,451	-	1,885,451	-	1,885,451
		23,425,514	-	23,425,514	-	23,425,514
		P 23,425,514	P 15,620,545,600	P1,594,897,127	P14,049,073,987	P 15,643,971,114
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
		-	10,824,199,945	417,829,706	10,423,370,239	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
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
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
		P 69,944,842	P 12,853,281,623	P 1,596,442,263	P 11,326,784,202	P 12,923,226,465

	Notes	Point in time	Over time	Short-term	Long-term	Total
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
		<u>48,707,959</u>	<u>15,260,361,424</u>	<u>907,177,612</u>	<u>14,401,891,771</u>	<u>15,309,069,383</u>
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
		<u>-</u>	<u>3,691,112,459</u>	<u>3,691,112,459</u>	<u>-</u>	<u>3,691,112,459</u>
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
		<u>-</u>	<u>555,401,827</u>	<u>-</u>	<u>555,401,827</u>	<u>555,401,827</u>
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
		<u>326,221,179</u>	<u>-</u>	<u>326,221,179</u>	<u>-</u>	<u>361,221,179</u>
		<u>P 374,929,138</u>	<u>P19,506,875,710</u>	<u>P4,924,511,250</u>	<u>P14,957,293,598</u>	<u>P 19,881,804,848</u>

21.1 Construction Operation Revenues

The details of this account for the years ended December 31, 2021, 2020 and 2019 are composed of the revenues from:

	2021	2020	2019
Contracts in progress	P 12,413,132,561	P 9,821,566,592	P 15,140,197,972
Completed contracts	<u>1,916,331,018</u>	<u>1,020,633,353</u>	<u>168,871,411</u>
	<u>P 14,329,463,579</u>	<u>P 10,842,199,945</u>	<u>P 15,309,069,383</u>

Approximately 5%, 8%, and 7% of the contract revenues for 2021, 2020 and 2019, 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	2021	2020	2019
Aeronautical	P 190,468,401	P 487,465,797	P2,017,492,164
Concession	102,599,621	175,215,890	606,495,158
Rental	62,709,047	140,209,403	514,492,251
Others	<u>220,265,492</u>	<u>305,776,625</u>	<u>552,632,886</u>
	<u>P 576,042,561</u>	<u>P1,108,667,715</u>	<u>P3,691,112,459</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, 2021 and 2020.

The details of landport operations revenue for the years ended December 31, 2021, 2020 and 2019 are composed of the revenues from:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Rental revenue – per contract	P 586,711,216	P 759,069,445	P 146,237,035
Rental revenue – effect of straight-line method	128,328,244	141,759,518	382,476,437
Construction revenue	<u>-</u>	<u>1,585,000</u>	<u>26,688,355</u>
	<u>P 715,039,460</u>	<u>P 902,413,963</u>	<u>P 555,401,827</u>

21.4 Trading Operations Revenue

The details of this account for the years ended December 31 are as follow:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Sale of food	P 21,540,063	P 40,763,655	P 143,559,337
Sale of non-food items	1,885,451	29,181,187	112,473,557
Consignment	<u>-</u>	<u>-</u>	<u>70,188,285</u>
	<u>P 23,425,514</u>	<u>P 69,944,842</u>	<u>P 326,221,179</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>2021</u>	<u>2020</u>	<u>2019</u>
Materials		P 4,487,949,063	P 3,589,871,892	P 5,522,579,742
Outside services		4,367,458,345	3,183,737,819	4,731,572,291
Salaries and employee benefits	24.1	1,354,772,256	1,243,034,290	1,424,719,436
Depreciation	14	1,006,018,603	924,021,681	773,562,002
Project overhead		<u>914,499,809</u>	<u>452,881,087</u>	<u>839,364,144</u>
	23	<u>P 12,130,698,076</u>	<u>P 9,393,546,769</u>	<u>P 13,291,797,615</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	2021	2020	2019
Utilities	P	97,665,013	P 130,674,364	P 268,586,765
Repairs and maintenance		64,242,458	97,065,819	133,298,432
Amortization of concession asset	13	50,184,461	163,497,064	738,596,573
Salaries and employee benefits	24.1	47,843,471	53,714,354	65,635,177
Insurance		38,415,345	33,841,627	33,414,799
Outside services		31,778,939	74,646,023	147,038,962
Technical service charge		14,007,049	31,219,996	29,567,996
Airport operator's fee		7,462,095	14,264,771	47,585,582
Airline collection charges		7,132,347	20,278,680	44,826,143
Others		<u>29,433,412</u>	<u>15,504,634</u>	<u>28,066,432</u>
		<u>P 388,164,590</u>	<u>P 634,707,332</u>	<u>P 1,536,616,861</u>

22.3 Cost of Landport Operations

The following is the breakdown of cost of landport operations:

	Notes	2021	2020	2019
Depreciation and amortization	14, 15	P 220,033,741	P 210,719,258	P 100,176,498
Terminal costs		123,478,825	132,919,417	176,099,593
Construction cost		-	1,585,000	26,688,354
Others		<u>25,961,107</u>	<u>10,671,844</u>	<u>31,190,581</u>
	23	<u>P 369,473,673</u>	<u>P 355,895,519</u>	<u>P 334,155,026</u>

22.4 Costs of Trading Operations

The following is the breakdown of cost of airport merchandising operations for the years ended December 31:

	Note	2021	2020	2019
Cost of goods sold:				
Food	P	13,266,924	P 12,902,173	P 37,059,400
Non-food		2,702,274	8,442,905	16,474,013
Consignment		-	-	34,367,114
Spoilage and pilferages		-	-	348,442
Purchase discounts		<u>-</u>	<u>(384,711)</u>	<u>(34,705)</u>
	23	<u>P 15,969,198</u>	<u>P 20,960,367</u>	<u>P 88,214,264</u>

23. OPERATING EXPENSES BY NATURE

The details of operating expenses by nature are shown below.

	<u>Notes</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Materials, supplies				
Outside services and facilities		P 4,567,359,241	P 3,374,009,996	P 5,273,914,333
		4,499,430,238	3,599,452,974	5,551,240,778
Salaries and employee benefits	24.1	1,832,333,609	1,854,709,508	1,991,316,155
Depreciation and amortization	12.5, 13, 14, 15	1,470,073,791	1,473,642,618	1,757,625,213
Project overhead		914,499,809	452,881,087	866,052,497
Taxes and licenses	15	360,515,975	366,303,578	276,163,672
Impairment losses on receivables	6	204,979,903	27,289,069	38,591
Utilities		178,027,932	192,945,464	363,250,340
Professional fees		139,906,808	127,678,354	146,976,840
Repairs and maintenance	15	103,885,603	137,452,380	195,120,440
Insurance		76,437,983	46,694,512	46,861,446
Rentals	16.3, 28.2, 29.1	56,957,720	30,137,601	47,439,832
Representation		24,939,878	13,839,364	30,074,308
Travel and transportation		18,204,673	28,713,738	48,771,300
Cost of trading operations	22.4	15,969,198	20,960,367	88,214,264
Security services		10,306,007	4,821,098	3,437,271
Airport operator's fee	22.2, 29.3.1(b)	7,462,095	14,264,771	47,585,582
Airline collection charges	22.2	7,132,347	20,278,680	44,826,143
Selling expense		6,208,188	17,482,839	85,147,602
Advertising		5,572,743	9,114,956	56,363,309
Gas and oil		701,985	1,040,848	859,601
Miscellaneous		186,395,487	127,102,869	156,670,229
		<u>P14,687,301,213</u>	<u>P11,940,816,671</u>	<u>P17,077,949,746</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:

	<u>Note</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cost of construction operations	22.1	P 12,130,698,076	P9,393,546,769	P13,291,797,615
Costs of airport operations	22.2	388,164,590	634,707,332	1,536,616,861
Cost of landport operations	22.3	369,473,673	355,895,519	334,155,026
Impairment loss		204,979,902	27,289,069	38,591
Costs of airport trading operations	22.4	15,969,198	20,960,367	88,214,264
Other operating expenses		<u>1,578,015,774</u>	<u>1,508,417,615</u>	<u>1,827,127,389</u>
		<u>P 14,687,301,213</u>	<u>P11,940,816,671</u>	<u>P17,077,949,746</u>

24. SALARIES

24.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are presented below.

	<u>Notes</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Short-term employee benefits		P 1,780,225,574	P1,789,849,973	P1,954,902,308
Post-employment benefit	24.2	<u>52,108,035</u>	<u>64,859,535</u>	<u>36,413,847</u>
	23	<u>P 1,832,333,609</u>	<u>P1,854,709,508</u>	<u>P1,991,316,155</u>

The expenses are allocated in the consolidated statements of income as follows:

	<u>Notes</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contract costs	22.1	P 1,354,772,256	P1,243,034,290	P1,424,719,436
Costs of airport operations	22.2	47,843,471	53,714,354	65,635,177
Other operating expenses		<u>429,717,882</u>	<u>557,960,864</u>	<u>500,961,542</u>
	23	<u>P 1,832,333,609</u>	<u>P1,854,709,508</u>	<u>P1,991,316,155</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 2021, 2020 and 2019.

The amounts of post-employment DBO in the consolidated statements of financial position are determined as follows:

	<u>2021</u>	<u>2020</u>
Present value of the DBO	P 304,816,782	P 348,036,884
Fair value of plan assets	(4,691,732)	(4,634,679)
	<u>P 300,125,050</u>	<u>P 343,402,205</u>

The movements in the present value of the DBO are as follows:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	P 348,036,884	P 344,592,331
Current service cost	55,923,548	64,859,535
Interest cost	13,746,478	17,891,726
Past service cost	(3,815,513)	-
Benefits paid directly from book reserve	-	(1,785,008)
Remeasurement/actuarial losses (gains) arising from:		
Changes in demographic assumptions	(90,220,999)	(3,297,747)
Experience adjustments	(28,750,969)	(65,494,335)
Changes in financial assumptions	<u>9,897,354</u>	<u>(8,729,618)</u>
Balance at end of year	<u>P 304,816,783</u>	<u>P 348,036,884</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>2021</u>	<u>2020</u>
Balance at beginning of year	P 4,634,679	P 4,384,701
Interest income	183,070	228,443
Gain (loss) on plan assets (excluding amounts included in net interest)	(126,017)	21,535
Balance at end of year	<u>P 4,691,732</u>	<u>P 4,634,679</u>

The plan assets as of December 31, 2021 and 2020 consist mainly of the Unit Investment Trust Fund (UITF) amounting to P4.7 million and P4.6 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 gain or loss on plan assets amounted to P0.1 million loss in 2021 and P0.2 million gain in 2020.

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:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>Recognized in consolidated profit or loss:</i>			
Current and past service cost	P 52,108,035	P 64,859,535	P 36,413,847
Net interest expense	<u>13,563,408</u>	<u>17,663,283</u>	<u>12,476,374</u>
	<u>P 65,671,443</u>	<u>P 82,522,818</u>	<u>P 48,890,221</u>
<i>Recognized in consolidated other comprehensive income (loss):</i>			
Actuarial gains (losses) arising from:			
Changes in demographic assumptions	P 90,220,999	P 3,297,747	P -
Experience adjustments	28,750,969	65,494,335	(10,329,077)
Changes in financial assumptions	(9,897,354)	8,729,618	(104,497,013)
Return on plan assets (excluding amounts included in net interest)	(126,017)	21,535	153,818
	<u>P 108,948,597</u>	<u>P 77,543,235</u>	<u>(P 114,672,272)</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>2021</u>	<u>2020</u>	<u>2019</u>
Discount rate	5.17%	3.95%	5.20%
Expected return on plan assets	3.50%	5.00%	5.00%
Employee turn-over rate	3.00%	3.00%	3.00%
Salary increase rate	6.00%	4.50%	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, 2021 and 2020, 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 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>
2021:			
Discount rate	+/- 1%	(P244,506,021)	P 329,543,645
Salary growth rate	+/- 1%	330,011,003	(243,445,519)
2020:			
Discount rate	+/- 1%	(P 46,651,074)	P 56,964,885
Salary growth rate	+/- 1%	56,040,280	(46,744,083)

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>2021</u>	<u>2020</u>
More than 1 year to 5 years	P 60,165,280	P 44,463,455
More than 5 years to 10 years	<u>100,148,370</u>	<u>109,802,351</u>
	<u>P 160,313,650</u>	<u>P 154,265,806</u>

The weighted average duration of the DBO at the end of the reporting period is 23.1 years.

25. OTHER INCOME (CHARGES)

25.1 Finance Costs

The breakdown of this account in is as follows:

	Notes	2021	2020	2019
Interest expense from:				
Bank loans	18.2	P 1,832,843,352	P 1,848,485,140	P 1,696,106,457
Notes payable	18.1	328,542,199	338,071,478	304,778,086
Lease liabilities	16.2	45,382,314	36,104,890	22,133,682
Accretion of security deposit	20	10,056,267	40,688,625	2,164,623
		<u>2,216,824,132</u>	<u>2,263,350,133</u>	<u>2,025,182,848</u>
Finance cost – PFRS 15		285,376,165	221,797,799	258,346,364
Foreign currency losses – net		242,566,530	-	3,420,967
Bank charges		51,181,014	3,933,999	9,501,226
Interest expense on retirement obligation – net	24.2	13,563,408	17,663,283	12,476,374
		<u>P 2,809,511,249</u>	<u>P 2,506,745,214</u>	<u>P 2,308,927,779</u>

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.

Foreign currency losses - net mainly resulted from the Group's foreign currency-denominated transactions especially its off-shore loan [see Note 18.2(a)].

25.2 Finance Income

The details of finance income are the following:

	Notes	2021	2020	2019
Interest income from:				
Advances to related parties	28.4	P 441,000,000	P 433,125,000	P 441,000,000
Cash in banks	5	23,394,086	39,741,791	105,406,640
Short-term placements	5	9,228,276	18,194,897	5,152,906
Foreign currency gains – net	18.2(a)	777,747	203,569,550	137,098,221
Day one gain	20	516,268	-	79,180,145
Other finance income		<u>7,097,520</u>	<u>145,734</u>	<u>-</u>
		<u>P 482,013,897</u>	<u>P 694,776,972</u>	<u>P 767,837,912</u>

Foreign currency gains – net mainly 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 in 2021 and 2020 pertains to security deposits collected from leases recorded at amortized cost using effective interest method (see Note 20).

25.3 Others – Net

This consists of the following:

	Notes	2021	2020	2019
Gain on loan modification	18.2(a) P	207,829,510 P	-	P -
Common usage service area charges		109,916,695	109,477,445	34,506,436
Management and consultancy fee	28.5	103,280,955	29,603,415	102,906,182
Unrealized gain (loss) on interest rate swap	7	78,648,688 (	43,343,700) (	104,842,394)
Equity in net profit (losses) of associates and joint venture	11.1, 11.3	(67,682,803)(	30,310,530)	32,674,443
Gain on disposals of property and equipment	14	24,279,017	1,874,270	9,603,796
Utility recoveries		23,450,364	81,823,643	4,926,560
Income from scrap sales	8	-	1,682,895	7,294,766
Penalties and charges		-	8,208,087	5,567
Others - net	11.2, 28.2	167,323,268	60,733,847	85,396,945
		P 647,045,694	P 219,749,372	P 172,472,301

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 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.

Income from contract turnover pertain to reimbursements of costs incurred on a contract that has been turn overed to another contractor.

Utility recoveries include aircon repair and maintenance charges which are charged based on leasable area for the month and other such utility recovery billings such as electricity, water, fuel and bioaugmentation.

Management and consultancy fee pertains to fees charged by the Group to its clients for the project management and engineering and design services rendered.

Others – net represent various technical, and management services provided by the Group arising from the execution of its contract with the customers. The amount also includes various other charges arising from settlement agreement with suppliers.

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 Parent 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 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 2020. For the period starting January 1, 2021 to June 30, 2021, the end of ITH period, GMCAC filed with the BOI a formal notice of its intention to waive the ITH incentive for Phase 2 O&M of T2 on April 16, 2021. The formal notice was acknowledged as received by the BOI on the same date. GMCAC subjected all revenues and expenses of Phase 2 to RCIT for the year ended December 31, 2021.

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 CREATE Act

On March 26, 2021, Republic Act (R.A.) No. 11534, Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, as amended, was signed into law and shall be effective beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to and considered by the Group:

- regular corporate income tax (RCIT) rate was reduced from 30% to 25% starting July 1, 2020;
- minimum corporate income tax (MCIT) rate was reduced from 2% to 1% starting July 1, 2020 until June 30, 2023; and,
- the allowable deduction for interest expense is reduced from 33% to 20% of the interest income subjected to final tax.

As a result of the application of the lower RCIT rate of 25% starting July 1, 2020, the current income tax expense and income tax payable would be lower by P6.2 million than the amount presented in the 2020 consolidated financial statements and such amount was charged to 2021 profit or loss. In 2021, the recognized net deferred tax liabilities as of December 31, 2020 was remeasured to 25%. This resulted in a decline in the recognized net deferred tax liabilities in 2020 by P139.7 million and such was recognized in the 2021 profit or loss amounting to P139.0 million and in other comprehensive income or loss amounting to P0.7 million

26.4 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>2021</u>	<u>2020</u>	<u>2019</u>
<i>Reported in consolidated profit or loss</i>			
Current tax expense:			
RCIT at 25% in 2021 and 30% in 2020 and 2019	P 126,817,360	P 35,073,613	P 34,250,758
Other corporate tax of foreign subsidiaries at 42% or 17%	8,329,060	1,760,064	18,719,686
MCIT at 2%	6,756,827	14,295,448	67,906,224
Effect of change in income tax rate	(6,227,434)	-	-
Final tax at 20% and 7.5%	2,901,949	4,909,100	3,872,695
Gross income tax (GIT) at 5%	1,772,148	8,980,018	15,865,847
	<u>140,349,910</u>	<u>65,018,243</u>	<u>140,615,210</u>
Deferred tax expense arising from origination and reversal of temporary differences	168,000,539	199,768,572	183,587,512
Effect of change in income tax rate	(138,977,787)	-	-
	<u>29,022,752</u>	<u>199,768,572</u>	<u>183,587,512</u>
	P 169,372,662	P 264,786,815	P 324,202,722

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>Reported in consolidated other comprehensive income (loss)</i>			
Deferred tax expense (income) relating to origination and reversal of temporary differences	P 27,395,223	P 23,262,970	(P 34,401,682)
Effect of change in income tax rate	(<u>675,667</u>)	-	-
	<u>P 26,719,556</u>	<u>P 23,262,970</u>	<u>(P 34,401,682)</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>2021</u>	<u>2020</u>	<u>2019</u>
Tax on pretax profit (loss) at 25% in 2021 and 30% in 2020 and 2019	(P 180,945,439)	(P 182,942,723)	P 430,571,261
Adjustment for income subjected to lower tax rates	(17,179,787)	(39,474,543)	(31,988,819)
Tax effects of:			
Unrecognized deferred tax asset from NOLCO	582,535,969	487,260,685	32,592,470
Effect of change in income tax rate due to CREATE	(145,205,221)	-	-
Non-taxable income	(69,340,538)	-	(128,453,670)
Non-taxable net profit Under ITH	(31,460,089)	(71,925,786)	(30,766,164)
Non-deductible expenses	27,415,987	60,742,970	52,247,644
MCIT applied	<u>3,551,780</u>	<u>11,126,212</u>	<u>-</u>
	<u>P 169,372,662</u>	<u>P 264,786,815</u>	<u>P 324,202,722</u>

The amount of deferred tax assets and deferred tax liabilities presented in the consolidated statements of financial position as at December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Deferred tax assets	P 24,595,138	P 9,626,113
Deferred tax liabilities	(<u>872,560,526</u>)	(<u>801,849,193</u>)
	(P 847,965,388)	(P 792,223,080)

In 2021, the Parent Company, GMI and BVI have reported net deferred tax assets while GMCAC and MWM have reported net deferred tax liabilities. In 2020, GMI and BVI have reported net deferred tax assets while the Parent Company, GMCAC and MWM have reported net deferred tax liabilities.

The details of net deferred tax assets (liabilities) as of December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Amortization of concession assets	(P 923,983,080)	(P 761,999,676)
Excess of estimated costs over actual costs	(225,033,138)	(227,139,057)
Rent received in advance	(119,250,906)	(105,749,321)
Effect of significant financing component	97,939,225	68,001,650
Impairment losses on trade receivables	97,534,307	52,791,561
Unrealized foreign currency losses (gains) – net	60,448,472	2,706,746
Post-employment defined benefit obligation	75,130,061	103,139,219
Accrued expenses with no withholding taxes	38,076,550	4,656,736
Excess MCIT	35,082,251	35,082,251
Uncollected non-taxable income*	25,207,474	30,248,969
Effect of PFRS 16	(14,343,293)	95,212
Net operating loss carry over	3,540,682	3,716,078
Deferred revenue	1,851,799	2,425,502
Fair value gains on financial assets at FVTPL	(165,792)	(198,950)
	<u>(P 847,965,388)</u>	<u>(P 792,223,080)</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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Amortization of concession assets	P 161,983,404	P 168,636,412	P 241,597,225	P -	P -	P -
Unrealized foreign currency gains (losses) – net	(57,741,727)	57,688,237	(59,955,813)	-	-	-
Impairment losses on trade receivables	(44,742,746)	(8,104,548)	121,672,870	-	-	-
Accruals	(33,419,814)	(4,656,735)	-	-	-	-
Construction revenue – PFRS 15	(29,937,575)	(33,976,495)	(28,530,120)	-	-	-
Leases – PFRS 16	14,438,506	(523,573)	432,271	-	-	-
Rent received in advance	13,501,584	(77,192,549)	114,742,931	-	-	-
Uncollected non-taxable income*	5,041,495	59,825,351	(59,275)	-	-	-
Deferred fulfilment cost	(2,105,918)	-	-	-	-	-
Post-employment defined benefit obligation	1,289,602	(24,512,631)	(14,621,028)	26,719,556	23,262,970	(34,401,682)
Deferred revenue	573,703	2,752,051	(3,134,801)	-	-	-
NOLCO	175,396	65,934,913	(111,051,212)	-	-	-
Fair value gains on FA at FVPTL	(33,158)	-	-	-	-	-
Advance payments from customers	-	(12,487,551)	(38,993,047)	-	-	-
Excess MCIT	-	3,781,413	(38,512,489)	-	-	-
Excess of actual over estimated cost	-	2,604,277	-	-	-	-
Deferred tax expense (income)	<u>P 29,022,752</u>	<u>P 199,768,572</u>	<u>P 183,587,512</u>	<u>P 26,719,556</u>	<u>P 23,262,970</u>	<u>(P 34,401,682)</u>

The Parent Company, GMCAC and MWMTI are subject to the minimum corporate income tax (MCIT), which is computed at 1% of gross income in 2021 and 2% of gross income in 2020 as defined under the tax regulations, or RCIT, whichever is higher. In 2019, only the Parent Company and GMCAC reported MCIT.

In 2021, 2020 and 2019, 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		
	2021	2020	2019	2021	2020	2019
Common shares – P1 par value						
Authorized	<u>4,930,000,000</u>	<u>4,930,000,000</u>	<u>4,930,000,000</u>	<u>P 4,930,000,000</u>	<u>P 4,930,000,000</u>	<u>P 4,930,000,000</u>
Subscribed and paid in:	<u>2,399,426,127</u>	<u>2,399,426,127</u>	<u>2,399,426,127</u>	<u>P 2,399,426,127</u>	<u>P 2,399,426,127</u>	<u>P 2,399,426,127</u>
Less:						
Treasury shares						
Balance at beginning of year	<u>386,016,410</u>	<u>335,792,310</u>	<u>309,660,510</u>	<u>P 4,615,690,576</u>	<u>P 3,912,617,536</u>	<u>P 3,454,826,462</u>
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>2,381,709,313</u>	<u>2,013,409,717</u>	<u>2,063,633,817</u>			
Preferred shares – P1 par value						
Authorized						
Balance at beginning of year	<u>124,000,000</u>	<u>70,000,000</u>	<u>70,000,000</u>	<u>P 124,000,000</u>	<u>P 70,000,000</u>	<u>P 70,000,000</u>
Increase during the year	<u>26,000,000</u>	<u>54,000,000</u>	<u>-</u>	<u>26,000,000</u>	<u>54,000,000</u>	<u>-</u>
Balance at end of year	<u>150,000,000</u>	<u>124,000,000</u>	<u>70,000,000</u>	<u>P 150,000,000</u>	<u>P 124,000,000</u>	<u>P 70,000,000</u>
Subscribed and paid in:						
Balance at beginning of year:						
Series 1	<u>40,000,000</u>	<u>40,000,000</u>	<u>40,000,000</u>	<u>P 40,000,000</u>	<u>P 40,000,000</u>	<u>P 40,000,000</u>
Series 2A	<u>26,220,130</u>	<u>-</u>	<u>-</u>	<u>26,220,130</u>	<u>-</u>	<u>-</u>
Series 2B	<u>17,405,880</u>	<u>-</u>	<u>-</u>	<u>17,405,880</u>	<u>-</u>	<u>-</u>
Series 3	<u>13,500,000</u>	<u>-</u>	<u>-</u>	<u>13,500,000</u>	<u>-</u>	<u>-</u>
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>6,500,000</u>	<u>13,500,000</u>	<u>-</u>	<u>6,500,000</u>	<u>13,500,000</u>	<u>-</u>
Series 4	<u>40,000,000</u>	<u>-</u>	<u>-</u>	<u>40,000,000</u>	<u>-</u>	<u>-</u>
	<u>143,626,010</u>	<u>97,126,010</u>	<u>40,000,000</u>	<u>143,626,010</u>	<u>97,126,010</u>	<u>40,000,000</u>
Less: Subscription receivable:						
Balance at beginning of year	<u>10,125,000</u>	<u>-</u>	<u>-</u>	<u>10,125,000</u>	<u>-</u>	<u>-</u>
Subscription – Series 3	<u>4,875,000</u>	<u>10,125,000</u>	<u>-</u>	<u>4,875,000</u>	<u>10,125,000</u>	<u>-</u>
Balance at end of year	<u>15,000,000</u>	<u>10,125,000</u>	<u>-</u>	<u>15,000,000</u>	<u>10,125,000</u>	<u>-</u>
Balance at end of year	<u>128,626,010</u>	<u>87,001,010</u>	<u>40,000,000</u>	<u>P 128,626,010</u>	<u>P 87,001,010</u>	<u>P 40,000,000</u>
Less: Treasury shares						
Redemption of Series 1 preferred shares	<u>40,000,000</u>	<u>-</u>	<u>-</u>	<u>P 4,000,000,000</u>	<u>P -</u>	<u>P -</u>
Issued and outstanding	<u>88,626,010</u>	<u>87,001,010</u>	<u>40,000,000</u>			

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 P1.00 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, 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:

- a. 4,930,000,000 voting common shares with the P1 par value; and
- b. 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 Citicore whereby Citicore 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, preferred shares of 26,220,130 and 17,405,880 for Series 2A and 2B, respectively, were subscribed and listed in the PSE. As a result, the Parent Company recognized additional paid in capital amounting to P4,281.4 million, 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.

On February 26, 2021, the Parent Company's BOD approved the resolution increasing the Parent Company's authorized capital stock on preferred shares by 26.0 million shares, to a total of 150.0 million cumulative, non-voting, non-participating, non-convertible, perpetual preferred shares at a par value of P1.00 per share, thereby increasing the Parent Company's total authorized capital stock to P5,080.0 million. At the same date, the BOD approved the offer and sale of up to 40.0 million preferred shares from the unissued authorized capital stock of the Company and the issuance of 6.5 million shares to Citicore. On September 9, 2021, the SEC has approved the increase in capital stock of preferred shares.

On July 23, 2021, the Parent Company filed with the SEC a registration statement and preliminary prospectus relating to its offer and sale of up to 40.0 million Series 4 preferred shares with a par value of P1.00 per share, composed of a base offer of 30.0 million shares and an oversubscription option of up to 10.0 million shares, at an offer price of P100.00 per share. On September 30, 2021, the SEC has approved the Parent Company's offer and sale of Series 4 preferred shares. As a result, the Parent Company recognized additional paid-in capital amounting to P3,930.1 million, arising from the excess of subscription price over par value related to the issuance of Series 4 preferred shares. Transaction costs from the issuance amounting to P29.9 million was charged against the additional paid in capital relating to this issuance. The proceeds from such issuance were used for the redemption of the outstanding Series 1 preferred shares as discussed in the succeeding paragraphs.

On September 10, 2021, Citicore subscribed to additional 6.5 million preferred shares at a price of P1.00 per share and paid P1.6 million in cash representing the 25% of such subscription. As of December 31, 2021, Citicore has subscribed to a total of 20.0 million preferred shares at a par value of P1.00 per share, and has paid 25% of such subscription.

On October 19, 2021, the BOD approved the redemption of the Parent Company's Series 1 Preferred Shares on December 3, 2021, at a redemption price of P100.00 per share, increasing the treasury shares by P4,000.0 million. The cost of the redemption was considered temporarily as part of treasury shares until such time that the SEC will approve the decrease in authorized capital stock of the Parent Company to reflect such redemption wherein the redemption price will be charged against the paid-up capital arising from the original issuance. The details of the redemption are as follows:

<i>Ex- date</i>	November 4, 2021
<i>Record date</i>	November 9, 2021
<i>Redemption date</i>	December 3, 2021

On September 22, 2020, the 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. Both common and preferred shares have a par value of P1.00 per share.

On September 30, 2020, the Parent Company entered into a Subscription Agreement with Citicore whereby Citicore subscribed to 13.5 million preferred shares of the 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 per share. As a result, 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, 2021, and 2020, the Company has 33 and 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 P5.18 and P7.94 per share in 2021 and 2020, respectively. The Company has 2,399.4 million common shares traded in the PSE as of December 31, 2021, and 2020.

As of December 31, 2021, and 2020, the Company has the following preferred shares traded in the PSE:

	2021		2020	
	<u>No of Shares</u>	<u>Closing Price</u>	<u>No of Shares</u>	<u>Closing Price</u>
Series 1	-	P -	40,000,000	P 100.5
Series 2A	26,220,130	100.0	26,220,130	100.0
Series 2B	17,405,880	100.4	17,405,880	100.9
Series 4	40,000,000	100.9	-	-

27.2 Retained Earnings

27.2.1 Common Shares Dividends

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. The dividend payable was subsequently paid in January 2020. No dividends were paid to common stockholders in 2021 and 2020.

27.2.2 Preferred Shares Dividends

a) Series 1 Preferred Shares

In 2021, 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, 2021, 2020, and 2019, respectively. In 2021, the BOD approved the redemption of the Parent Company's Series 1 Preferred Shares (see Note 27.1)

The dividends on Series 1 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 7.03% per annum from listing date.

b) Series 2A and Series 2B Preferred Shares

In 2021, the Parent Company's BOD approved the declaration of cash dividends of P1.2 per share and P1.4 per share or equivalent to P31.1 million and P25.0 million (total of P124.5 million and P100.1 million) to holders of Series 2A and Series 2B preferred shares, respectively, which were taken out of the unrestricted earnings of the Parent Company as of December 31, 2020.

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	October 19, 2021
Record dates	February 8, 2021	May 18, 2021	August 9, 2021	November 9, 2021
Payment dates	March 1, 2021	June 3, 2021	September 3, 2021	December 3, 2021
<i>Series 2A Preferred Shares:</i>				
Approval dates	January 18, 2021	April 8, 2021	June 30, 2021	October 19, 2021
Record dates	February 3, 2021	May 4, 2021	August 5, 2021	November 5, 2021
Payment dates	March 3, 2021	May 27, 2021	August 27, 2021	November 29, 2021
<i>Series 2B Preferred Shares:</i>				
Approval dates	January 18, 2021	April 8, 2021	June 30, 2021	October 19, 2021
Record dates	February 3, 2021	May 4, 2021	August 5, 2021	November 5, 2021
Payment dates	March 3, 2021	May 27, 2021	August 27, 2021	November 29, 2021
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
2019:				
<i>Series 1 Preferred Shares:</i>				
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
<i>Common Shares:</i>				
Approval date	-	-	-	December 26, 2019
Record date	-	-	-	January 15, 2020
Payment date	-	-	-	January 21, 2020

The Group's retained earnings are restricted up to the extent of the cost of its treasury shares, except those treasury shares acquired in the redemption of redeemable preferred shares amounting to P4,000.0 million as of December 31, 2021.

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 seven-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. There are no buyback transactions in 2021 and 2020.

On October 19, 2021, the Parent's BOD approved the redemption of the Company's Series 1 Preferred Shares on December 3, 2021, at a redemption price of P100.00 per share, increasing the treasury shares by P4,000 million.

27.4 Non-controlling Interest

Noncontrolling interests pertain to the equity ownership of minority stockholders in GMCAC, GMI, MCLI, and MCEI as follows:

	Proportion of Ownership Interests And Voting Rights Held by NCI			Accumulated Equity of NCI		
	2021	2020	2019	2021	2020	2019
GMCAC	40%	40%	40%	P 2,612,024,719	P3,152,592,405	P3,626,345,966
GMI	50%	50%	50%	59,664,056	66,765,072	69,618,695
MCLI	40%	40%	40%	2,500,000	2,500,000	2,500,000
MCEI	40%	40%	40%	(712,295)	(703,547)	(703,547)
				<u>P 2,673,476,480</u>	<u>P3,221,153,930</u>	<u>P3,697,761,114</u>

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 represents 38.24% ownership of GMR Infrastructure (Singapore) Pte. Ltd. (GISPL) and 1.66% ownership of GIL in GMCAC.

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. 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 and was subsequently distributed fully in 2020 (see Note 17). There was no similar transaction in 2021 and 2020.

Another non-controlling interest representing 30% ownership of Philcarbon, Inc. in MCEI.

The Group's controlling 60% ownership in MCLI resulted in 40% non-controlling interest of the other stockholder. The non-controlling interest represents 50% ownership of GHOSPL in GMI and 40% of other stockholder in MCLI.

As of December 31, 2021, 2020 and 2019, the non-controlling interests amounting to P2,673.5 million, P3,221.2 million, and P3,697.8 million, respectively, as presented in the consolidated statements of financial position.

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>2021</u>	<u>2020</u>	<u>2019</u>
Current assets	P 1,289,783,173	P 1,961,180,023	P 2,484,974,268
Non-current assets	<u>33,568,753,075</u>	<u>33,187,261,618</u>	<u>33,233,226,229</u>
Total assets	<u>P 34,858,536,248</u>	<u>P 35,148,441,641</u>	<u>P 35,718,200,497</u>
Current liabilities	P 1,042,499,202	P 2,984,748,802	P 1,927,502,224
Non-current liabilities	<u>24,433,999,569</u>	<u>24,025,818,279</u>	<u>24,468,439,808</u>
Total liabilities	<u>P 25,476,498,771</u>	<u>P 27,010,567,081</u>	<u>P 26,395,942,032</u>
Equity	<u>P 9,382,037,477</u>	<u>P 8,137,874,560</u>	<u>P 9,322,258,465</u>
Revenues	576,042,561	1,108,667,715	3,691,112,459
Net profit (loss)	(1,357,648,552)	(1,183,980,866)	529,233,776
Total comprehensive income	(1,351,419,215)	(1,184,383,906)	525,214,559
<i>Equity in NCI:</i>			
Beginning balance	P 3,152,592,405	P 3,626,345,966	P 3,416,260,141
Net profit (loss) allocated to NCI	(<u>540,567,686</u>)	(<u>473,753,561</u>)	<u>210,085,825</u>
Ending balance	<u>P 2,612,024,719</u>	<u>P 3,152,592,405</u>	<u>P 3,626,345,966</u>

27.5 Revaluation Reserves

The movements of this account which are attributable to the shareholders of the Parent Company are as follows:

	Retirement Benefit Obligation (See Note 24.2)	Foreign Currency Translation (See Note 2.19)	Total
Balance as of January 1, 2021	(P 9,016,722)	P 65,799	(P 8,950,923)
Remeasurements of post-employment defined benefit plan	108,948,597	-	108,948,597
Foreign currency translation	-	23,225,513	23,225,513
Other comprehensive income before tax	108,948,597	23,225,513	132,174,110
Tax expense	(26,719,556)	-	(26,719,556)
Other comprehensive income after tax	82,229,041	23,225,513	105,454,554
Non-controlling interest	(2,491,735)	-	(2,491,735)
Balance as of December 31, 2021	P 70,720,584	P 23,291,312	P 94,011,896
Balance as of January 1, 2020	(P 63,458,202)	P 74,555	(P 63,383,647)
Remeasurements of post-employment defined benefit plan	77,543,235	-	77,543,235
Foreign currency translation	-	(8,756)	(8,756)
Other comprehensive income before tax	77,543,235	(8,756)	77,534,479
Tax expense	(23,262,970)	-	(23,262,970)
Other comprehensive income after tax	54,280,265	(8,756)	54,271,509
Non-controlling interest	161,215	-	161,215
Balance as of December 31, 2020	(P 9,016,722)	P 65,799	(P 8,950,923)

	Retirement Benefit Obligation (See Note 24.2)	Foreign Currency Translation (See Note 2.19)	Total
Balance as of January 1, 2019	P 15,204,702	P -	P 15,204,702
Remeasurements of post-employment defined benefit plan	(114,672,272)	-	(114,672,272)
Foreign currency translation	-	74,555	74,555
Other comprehensive income before tax	(114,672,272)	74,555	(114,597,717)
Tax expense	34,401,682	-	34,401,682
Other comprehensive income after tax	(80,270,590)	74,555	(80,196,035)
Non-controlling interest	1,607,687	-	1,607,687
Balance as of December 31, 2019	(P 63,458,202)	P 74,555	(P 63,383,647)

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 for December 31, 2021 is as follows:

Related Party Category	Notes	Outstanding Amount of Transaction	Receivable (Payable)	Terms	Conditions
Ultimate Parent Company –					
Cash advance granted	6, 28.4	P -	P 3,089,295,108	Interest-bearing	Unsecured; Unimpaired
Interest receivable	6, 28.4, 25.2	220,500,000	726,037,823	On demand; Noninterest-bearing	Unsecured; Unimpaired
Associate:					
Revenue from services	6, 21.1, 28.1	-	1,105,839,908	Normal credit terms	Unsecured; Unimpaired
Cash advance granted	6, 28.4	(26,922)	42,179,046	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash advance obtained	17, 28.4	-	(20,000,000)	On demand; Noninterest-bearing	Unsecured; Unimpaired
Rent income	6, 28.2	53,571	286,607	Normal credit terms	Unsecured; Unimpaired
Joint Arrangement:					
Revenue from services	6, 21.1, 28.1	356,773,700	80,247,052	Normal credit terms	Unsecured; Unimpaired
Cash advance granted	6, 28.4	(735,000)	621,354	On demand; Noninterest-bearing	Unsecured; Unimpaired

Related Party Category	Notes	Outstanding Amount of Transaction	Receivable (Payable)	Terms	Conditions
Related Parties Under Common Ownership:					
Rent income	6, 28.2	3,804,016	18,473,666	Normal credit terms	Unsecured; Unimpaired
Revenue from services	6, 21.1, 28.1	378,457,534	1,057,734,512	Normal credit terms	Unsecured; Unimpaired
Cash advance granted	6, 28.4	8,950,004	3,286,782,246	On demand; Interest-bearing and noninterest-bearing	Unsecured; Unimpaired
Interest receivable	6, 28.4, 25.2	220,500,000	726,037,823	On demand; Noninterest-bearing	Unsecured; Unimpaired
Management and consultancy	6, 25.3, 28.5	103,280,955	103,280,955	Normal credit terms	Unsecured; Unimpaired
Retirement fund		57,053	4,691,732	Upon retirement of beneficiaries	Partially funded; Unimpaired
Advances to Officers and Employees		11,316,768	85,798,075	Upon liquidation, Noninterest-bearing	Unsecured; Unimpaired
Key Management Personnel – Compensation		28.6	286,309,661	-	On demand; Unsecured; Unimpaired

The summary of the Group's transactions with related parties for December 31, 2020 is as follows:

Related Party Category	Notes	Amount of Transaction	Outstanding Receivable (Payable)	Terms	Conditions
Ultimate Parent Company:					
Cash advance granted	6, 28.4	P 19,923,383	P 3,089,295,108	Interest-bearing	Unsecured; Unimpaired
Interest receivable	6, 28.4, 25.2	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	On demand; Noninterest-bearing	Unsecured; Unimpaired
Associate:					
Revenue from services	6, 21.1, 28.1	231,199,602	1,093,283,188	Normal credit terms	Unsecured; Unimpaired
Cash advance granted	6, 28.4	36,205,968	42,205,968	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash advance obtained	17, 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 advance 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 advance granted	6, 28.4	91,061,375	3,277,832,242	On demand; Interest-bearing and noninterest-bearing	Unsecured; Unimpaired

Related Party Category	Notes	Amount of Transaction	Outstanding Receivable (Payable)	Terms	Conditions
Interest receivable	6, 25.2, 28.4	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	28.6	320,043,868	-	On demand	Unsecured; Unimpaired

The summary of the Group's transactions with related parties for December 31, 2019 is as follows:

Related Party Category	Notes	Amount of Transaction	Outstanding Receivable (Payable)	Terms	Conditions
Ultimate Parent Company:					
Cash advance granted	28.4	P 2,923,049,503	P 3,069,371,725	Interest-bearing	Unsecured; Unimpaired
Interest receivable	25.2, 28.4	220,500,000	288,975,323	Normal credit terms	Unsecured; Unimpaired
Minority shareholders and their affiliates -					
Cash Granted	28.4	(841,103)	-	On demand; Noninterest-bearing	Unsecured; Unimpaired
Associate:					
Revenue from services	21.1, 28.1	313,577	905,413,727	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash advance granted	28.4	6,000,000	6,000,000	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash advance obtained	28.4	(20,000,000)	(20,000,000)	On demand; Noninterest-bearing	Unsecured; Unimpaired
Rent income	28.2	53,571	57,321	Normal credit terms	Unsecured; Unimpaired
Joint Arrangement:					
Revenue from services	21.1, 28.1	598,911,864	298,184,597	Normal credit terms	Unsecured; Unimpaired
Cash advance granted	28.4	4,329,601	5,404,267	On demand; Noninterest-bearing	Unsecured; Unimpaired
Cash advance obtained	17, 28.4	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	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 advance granted	28.4	42,399,786	3,186,770,507	On demand; Interest-bearing and noninterest-bearing	Unsecured; Unimpaired
Cash advance obtained	28.4	44,683,199	-	On demand; Noninterest-bearing	Unsecured; Unimpaired
Interest receivable	25.2, 28.4	220,500,000	288,975,322	On demand; Noninterest-bearing	Unsecured; Unimpaired

Related Party Category	Notes	Amount of Transaction	Outstanding Receivable (Payable)	Terms	Conditions
Retirement fund		295,910	4,384,701	Upon retirement of beneficiaries	Partially funded; Unimpaired
Advances to Officers and Employees		17,232,250	51,503,789	Upon liquidation, Noninterest-bearing	Unsecured; Unimpaired
Key Management Personnel – Compensation		310,903,975	-	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 P735.2 million, P958.3 million and P787.1 million and in 2021, 2020 and 2019, respectively, and is recognized 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 impairment losses was required to be recognized for the years ended December 31, 2021, 2020 and 2019.

28.2 Rental of Land and Building

The Group is a lessee of certain parcels of land and building owned by related parties under common ownership.

In 2019, the Group recognized rent expense amounting P1.8 million 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). The Group has no outstanding payables from the rental transaction with Megapolitan as of December 31, 2021 and 2020.

In 2019, Group also leases an office space where its registered address is located from Philwide Construction and Development Corporation (Philwide).

Megapolitan and Philwide are entities owned by the Group's stockholders and their close family members.

The Parent Company also leases out its office space to its associates and related parties under common ownership. As a result, the Group recognized rent income amounting to P3.8 million, P6.1 million, and P3.7 million in 2021, 2020 and 2019, respectively, from the lease of its office building to several related parties. This is recognized as part of Others under 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 2021, 2020 and 2019 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 P441.0 million, P433.1 million and P441.1 million in 2021, 2020 and 2019, respectively, are presented under finance income (see Note 25.2). Outstanding interest receivable relating to advances to related parties amounting to P1,452.1 million and P1,011.1 million in 2021 and 2020, are presented under trade and other receivables (see Note 6). In 2021 and 2020, the Parent Company also provided bridge financing to its parent and associates for the Group's business expansion and diversification program.

In 2021 and 2020, the Group granted advances to related parties under common ownership amounting to P8.9 million and P91.0 million, respectively. There were no collections in 2021 and 2020 from these related parties.

In 2020, the Group also granted advances to Citicore amounting to P19.9 million. There were no collections in 2021 and 2020 from Citicore and no additional advances were given in 2021.

In 2021, the Group collected advances to associates amounting to P0.02 million. No additional advances were given to the associates in 2021. In 2020, additional advances granted to associates amounted to P36.2 million while there were no collections in 2020.

In 2021 and 2020, the Group collected advances to its joint arrangements amounting to P0.7 million and P4.0 million, respectively. No additional advances were granted in 2021 and 2020.

The breakdown of these accounts are as follows

	<u>2021</u>	<u>2020</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 3,286,782,246	P 3,277,832,242
Ultimate parent company	3,089,295,108	3,089,295,108
Associates	42,179,046	42,205,968
Joint arrangement	<u>621,354</u>	<u>1,356,355</u>
	<u>P 6,418,877,754</u>	<u>P 6,410,689,673</u>

Further, upon assessment of recoverability based on the capacity to pay and expected collectability of these advances, no impairment losses were recognized in 2021, 2020 and 2019.

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 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 P4.7 million and P4.6 million as of December 31, 2021 and 2020, respectively. The details of the retirement plan are presented in Note 24.2.

In 2021, the Parent Company provided certain project management and consultancy services to a related party under common ownership amounting to P103.3 million (see Note 25.3). The amount is outstanding as of December 31, 2021 and is presented as part of Other Receivables (see Note 6). There were no similar transactions in 2020 and 2019.

28.6 Key Management Compensation

The compensation of key management personnel is broken down as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Short-term employee			
benefits	P 276,313,110	P 308,711,552	P 293,002,231
Post-employment benefits	<u>9,996,551</u>	<u>11,332,316</u>	<u>17,901,744</u>
	<u>P 286,309,661</u>	<u>P 320,043,868</u>	<u>P 310,903,975</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 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 P715.0 million, P900.8 million and P528.7 million in 2021, 2020 and 2019, respectively, which is recognized under Landport Operations Revenues in the consolidated statements of income.

The future minimum lease receivables under the non-cancellable operating leases as of the end of 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Within one year	P 805,287,019	P 896,772,705
After one year but not more than two years	759,041,887	895,774,372
After two years but not more than three years	725,026,482	905,056,337
After three years but not more than four years	30,328,800	945,869,663
After four years but not more than five years	17,852,040	10,210,671
More than five years	<u>2,160,000</u>	<u>5,672,295</u>
	<u>P 2,339,696,228</u>	<u>P 3,659,356,043</u>

Variable rent, which pertains to a certain percentage share in the lessees' sales, is included as part of total rent income amounting to P32.5 million and P36.7 million in 2021 and 2020, respectively.

The Group is subject to risks associated with the rights it retains in the properties it leases, such as alterations made by the lessee that may impair the value of the leased properties. To manage the exposure on such risks, the Group exercises strict control over the fit-out process through Construction and Fitout Guidelines and closure of construction punchlists prior to opening. No alterations are allowed to be made without prior approval of the Group. Approvals are accorded based on submission of Architectural, Mechanical, Electrical, Plumbing and Fire Protection Plans and as per guidelines of the regulatory authorities. Moreover, the Group retains its right to inspect the leased properties over the lease term and cite violations on the House rules of the Complex. In case of expiration of lease term or early termination due to the default of the lessee, the Group is entitled to the improvements installed on the leased properties without any obligation to reimburse the lessee for the costs of improvements.

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 to handle the PPP school infrastructure project. In 2016, the construction of the school buildings has been maintained.

As of December 31, 2021 and 2020, 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 2021, 2020 and 2019 amounted to P7.5 million, P14.3 million and P47.6 million, respectively.

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 P43,770.0 million and \$75.0 million (P3,767.6 million) in 2021 and P45,885.7 million and \$75.0 million (P3,547.7 million) in 2020.

In 2021 and 2020, the Group has availed additional bank loans amounting P4,291.9 and P9,831.3 million, respectively (see Notes 18.2 and 34). Unused credit lines as of December 31, 2021 amounted to P2,923.1 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 Citicore. 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 and Joint Operations

29.5.1 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, 2021 and 2020, the balance of the unutilized proceeds amounted to P2,644.7 million and P4,109.6 million, respectively.

29.5.2 Joint Operations

As of December 31, 2021, HMDJV has capital commitments to purchase equipment amounting P217.5 million for the construction works of the Malolos- Clark Railway Project which is expected to be fully utilized upon the completion of the project. There are no commitments pertaining to MGCJV and MGCJVI as the related projects are already completed.

29.6 Legal Claims

In a Resolution dated October 8, 2021, the Department of Justice (DOJ) found probable cause against the general manager of the MCIA Authority, including four (4) Filipino directors and officers (Filipino Respondents) and eleven (11) foreign advisors (Foreign Respondents) of GMCAC for allegedly allowing non-Filipino officers and employees to manage, operate, and control the MCIA in violation of the Section 2-A of Commonwealth Act No. 108, as amended by Presidential Decree No. 715, otherwise known as the "Anti-Dummy Law".

To assail and refute such finding of probable cause, the Filipino Respondents filed a Petition for Review with the Secretary of Justice on October 29, 2021, while the Foreign Respondents filed a Motion for Reconsideration with the DOJ on November 26, 2021, which are both pending resolution.

Pending the resolution of the foregoing, the GMCAC's directors, officers, and advisors continue to perform their duties and responsibilities, in accordance with their respective mandates under the Concession Agreement and applicable laws. Management believes that such will not have a significant impact on the Group's consolidated financial statements as there are no cases filed yet against the Group and that in the event that there should be any cases filed against GMCAC, management believes that it has reasonable basis to defend GMCAC's legality.

There are other 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>2021</u>	<u>2020</u>	<u>2019</u>
Net profit (loss) attributable to shareholders of the Parent Company	(P 342,985,234)	(P 398,149,922)	P 859,487,439
Dividends on cumulative preferred shares	(<u>505,629,428</u>)	(<u>281,000,000</u>)	(<u>281,000,000</u>)
Net profit (loss) available to common shareholders of the Parent Company	(848,614,662)	(679,149,922)	578,487,439
Divided by weighted average number of outstanding common shares	<u>2,013,409,717</u>	<u>2,036,285,370</u>	<u>2,081,168,982</u>
Basic and diluted earnings (loss) per share	(P <u>0.42</u>)	(P <u>0.33</u>)	P <u>0.28</u>

The Group does not have dilutive potential common shares outstanding as of December 31, 2021, 2020 and 2019; hence, diluted earnings (loss) per share is equal to the basic earnings (loss) per share.

31. EVENTS AFTER THE END OF THE REPORTING PERIOD

On January 18, 2022, the Parent Company's BOD approved the declaration of cash dividends of P1.19 per share and P1.44 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 4, 2022. The dividends which is payable on February 28, 2022, shall be taken out of the unrestricted earnings of the Parent Company as of December 31, 2021.

32. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in relation to its financial instruments. The Group's financial assets and financial liabilities by category are summarized in Note 33. The main types of risk are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated with the Group's Parent Company, in close cooperation with the BOD, and focuses on actively securing the Group's short-to-medium term cash flows by minimizing the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes, nor does it write options. The relevant financial risks to which the Group is exposed to are described below and in the succeeding pages.

32.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from its operating, investing, and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from intercompany advances to and from foreign related parties, which are denominated in US dollars. The Group also holds US dollar-denominated cash.

Significant US dollar-denominated financial assets (liabilities), translated into Philippine pesos at the closing rates, are as follows:

	<u>2021</u>	<u>2020</u>
Cash in banks	P 1,764,251,914	P 394,519,021
Investment in trust fund	163,541,216	401,525,300
Trade and other payables	(263,595,131)	(235,394,706)
Long-term debt	(<u>3,767,551,000</u>)	(<u>3,436,885,000</u>)
	(<u>P2,103,353,001</u>)	(<u>P 2,876,235,385</u>)

If the Philippine peso had strengthened by 11.30% and 9.51% in 2021 and 2020, respectively, against the US dollar, with all other variables held constant, loss before tax in 2021 and 2020 would have decreased by P237.7 million and P273.5 million, respectively. If the Philippine peso had weakened by the same percentages against the US dollar, then loss before tax in 2021 and 2020 would have increased 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, 2021 and 2020, 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, 2021 and 2020 the Group recognized P54.9 million and P121.9 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 gain from change in fair value of the interest rate swap amounting to US\$1.7 million or P78.6 million in 2021, unrealized loss from change in fair value of the interest rate swap US\$1.0 million or P43.3 million in 2020, and unrealized loss of US\$1.6 million or P104.8 million in 2019, 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):

December 31, 2021	<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>
Cash and cash equivalents	P 279,777	P -	P -	P 279,777	P -	P 279,777
Investment in trust fund	-	163,541	-	163,541	-	163,541
	<u>P 279,777</u>	<u>P 163,541</u>	<u>P -</u>	<u>P 443,318</u>	<u>P -</u>	<u>P 443,318</u>
Derivative liability	<u>P 54,873</u>	<u>P -</u>	<u>P -</u>	<u>P 54,873</u>	<u>P -</u>	<u>P 54,873</u>
Long-term debt:						
PHP (P20 billion loan facility)	P -	P -	P 20,556,350	P 20,556,350	(P 934,942)	P 19,621,408
USD (\$75 million loan facility)	-	-	3,767,551	3,767,551	(44,067)	3,723,484
	<u>P -</u>	<u>P -</u>	<u>P 24,323,901</u>	<u>P 24,323,901</u>	<u>(P 979,009)</u>	<u>P 23,344,892</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>

As at December 31, 2021 and 2020, 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 +/-156.0, +/-248.0 and +/-248.0 basis points in 2021, 2020 and 2019, 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 156.0 basis points, 248.0 basis points and 248.0 basis points in 2021, 2020 and 2019, respectively, loss before tax in 2021 and 2020 would have increased by P20.9 million and P174.0 million, respectively, and profit before tax in 2019 would have decreased by P194.4 million. Conversely, if the interest rates decreased by the same basis points, loss before tax in 2021 and 2020 would have been lower and profit before tax in 2019 would have been higher 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	2021	2020
Cash and cash equivalents	5	P 5,846,088,030	P 7,226,149,912
Trade and other receivables – net	6	16,884,756,480	15,224,568,808
Refundable security and bond deposits	12	234,233,185	199,529,159
Investment in trust fund	12	163,541,216	401,525,300
Contract assets	9	<u>4,777,704,858</u>	<u>4,231,600,246</u>
		<u>P 27,906,323,769</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, 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

(b) *Trade and Other Receivables and Contract Assets*

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, 2021 or 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 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 December 31, 2021 and 2020 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, 2021:					
<i>Expected credit loss rate</i>	-	-	-	22.2%	
Contract receivables	P 4,948,836	P 16,995,126	P 662,124,693	P 604,278,175	P1,288,346,830
Receivables from airport operations	23,790,888	23,338,160	115,454,532	375,303,869	537,887,449
Lease receivables	61,616,024	48,956,559	379,349,077	65,734,997	555,656,657
	<u>P 90,355,748</u>	<u>P 89,289,845</u>	<u>P 1,156,928,302</u>	<u>P 1,045,317,041</u>	<u>P2,381,890,936</u>
Loss Allowance	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 231,765,011</u>	<u>P 231,765,011</u>
December 31, 2020:					
<i>Expected credit loss rate</i>	-	-	-	13.9%	
Contract receivables	P 46,986,891	P 77,268,346	P 244,848,922	P 154,784,121	P 523,888,280
Receivables from airport operations	39,522,219	18,873,677	299,744,561	94,095,611	452,236,068
Lease receivables	63,944,110	50,981,057	115,257,688	24,377,629	254,560,484
	<u>P 150,453,220</u>	<u>P 147,123,080</u>	<u>P 659,851,171</u>	<u>P 273,257,361</u>	<u>P1,230,684,832</u>
Loss Allowance	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 37,932,641</u>	<u>P 37,932,641</u>

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.

ECL for advances to and receivable from related parties are measured and recognized using the liquidity approach. Management determines possible impairment based on the counterparties' ability to repay the receivables upon demand at the reporting date taking into consideration the historical defaults from the counterparties. The Group does not consider any significant risks in the advances to and receivable from related parties since the related parties have enough capacity to pay the advances and receivables upon demand.

(c) *Investment in Trust Fund*

In 2021 and 2020, 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, 2021:			
Interest-bearing loans and borrowings	P 15,750,563,082	P1,615,263,105	P 43,295,463,244
Trade and other payables	8,616,715,347	-	-
Security deposits			
(gross of unearned income)	-	-	471,258,850
	<u>P 24,367,278,429</u>	<u>P1,615,263,105</u>	<u>P 43,766,722,094</u>
December 31, 2020:			
Interest-bearing loans and borrowings	P 12,689,450,003	P1,070,381,301	P 34,171,924,687
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>P1,070,381,301</u>	<u>P 34,656,512,278</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.

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.

		2021		2020	
	Notes	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets					
At amortized cost:					
Cash and cash equivalents	5	P 5,846,088,030	P 5,846,088,030	P 7,226,149,912	P 7,226,149,912
Trade and other receivables – net	6	16,884,756,480	16,884,756,480	15,224,568,808	15,224,568,808
Refundable security and bond deposits	12	234,233,185	234,233,185	199,529,159	199,529,159
Investment in trust fund	12	163,541,216	163,541,216	401,525,300	401,525,300
		23,128,618,911	23,128,618,911	23,051,773,179	23,051,773,179
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
		3,544,472	3,544,472	3,544,472	3,544,472
		P 23,132,163,383	P 23,132,163,383	P 23,055,317,651	P 23,055,317,651
Financial Liabilities					
At amortized cost:					
Interest-bearing loans and borrowings	18	P 49,501,496,492	P 52,120,777,047	P 45,920,365,307	P 47,931,755,991
Trade and other payables	17	8,616,715,347	8,616,715,347	8,291,951,223	8,291,951,223
Derivative liability	17	54,872,973	54,872,973	121,895,954	121,895,954
Security deposits*	20	471,258,850	471,258,850	464,587,591	464,587,591
		P 58,644,343,662	P 61,263,624,217	P 54,798,000,075	P 56,810,190,759

*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 2021 and 2020. 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) can be offset against the Group's outstanding interest-bearing loans and borrowings [see Note 18.2(a)] 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

- 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 P3.5 million as of December 31, 2021 and 2020, 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, 2021 and 2020.

	<u>Notes</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2021</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 54,872,973</u>	<u>P -</u>	<u>P 54,872,973</u>

	<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 121,895,964</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 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, 2021, and 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 December 31, 2021 and 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.

The Group has equity interest of 1% in SSPI as of December 31, 2021 and 2020. 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, 2021 and 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.

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>
2021:				
<i>Financial assets:</i>				
Cash and cash equivalents	P 5,846,088,030	P -	P -	P 5,846,088,030
Trade and other receivables - net	-	-	16,884,756,480	16,884,756,480
Refundable security and bond deposits	-	-	234,233,185	234,233,185
Investment in trust fund	<u>163,541,216</u>	<u>-</u>	<u>-</u>	<u>163,541,216</u>
	<u>P 6,009,629,246</u>	<u>P -</u>	<u>P 17,118,989,665</u>	<u>P 23,128,618,911</u>
<i>Financial liabilities:</i>				
Interest-bearing loans and borrowings	P -	P -	P 52,120,777,047	P 52,120,777,047
Trade and other payables	-	-	8,616,715,347	8,616,715,347
Security deposits	<u>-</u>	<u>-</u>	<u>471,258,850</u>	<u>471,258,850</u>
	<u>P -</u>	<u>P -</u>	<u>P 61,208,751,244</u>	<u>P 61,208,751,244</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 47,931,755,991	P 47,931,755,991
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 56,688,294,805</u>	<u>P 56,688,294,805</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>2021</u>	<u>2020</u>
Building for lease	15	P 3,962,447,034	P 3,875,971,923
Land	15	<u>1,897,868,396</u>	<u>1,869,480,787</u>
		<u>P 5,860,315,430</u>	<u>P 5,745,452,710</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 Group'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. In 2020, the Group determined the fair value of the building approximates its fair value as of December 31, 2020 as it was only newly constructed in March 2019. In 2021, the Level 3 fair value of commercial area under investment properties was determined using the income approach which utilized discounted cash flow method to convert future cash flows to be generated by the non-financial assets in reference to the value of expected income, net of cost of services, other operating expenses and income taxes. The significant unobservable inputs used in the valuation of the property were future annual free cash flows ranging from P520.0 million to P2,400.0 million for average period of 29 years. The discount rates applied in determining the present value of future annual free cash flows is 12%. The management has determined that a reasonably possible change in the unobservable inputs to a different amounts or rates would not cause the fair values of the non-financial assets to be increase or decrease significantly.

There has been no other 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 2021 and 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)	(Note 18)	Liabilities	Total
	(Note 18)	(Note 18)	(Note 16)	
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	4,291,987,360	-	-	4,291,987,360
Repayment of borrowings	(2,018,602,072)	(21,000,000)	(254,545,430)	(2,294,147,502)
Non-cash financing activities				
Effect of modification	1,118,939,962	-	-	1,118,939,962
Unrealized forex on dollar valuation	241,381,112	-	-	241,381,112
Amortization of debt issuance costs	35,395,100	-	-	35,395,100
Additional lease liabilities	-	-	187,575,152	187,575,152
Balance at December 31, 2021	<u>P 43,466,007,560</u>	<u>P 5,569,791,232</u>	<u>P 465,697,699</u>	<u>P 49,501,496,491</u>

	Bank Loans (Note 18)	Notes Payable (Note 18)	Lease Liabilities (Note 16)	Total
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	(4,692,327,851)	(6,862,138,758)	(98,866,695)	(11,653,333,304)
Non-cash financing activities				
Unrealized forex on dollar valuation	(193,392,900)	-	-	(193,392,900)
Amortization of debt issuance costs	25,694,865	-	-	25,694,865
Additional lease liabilities	-	-	157,183,969	157,183,969
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	17,549,361,732	3,056,288,759	-	20,605,650,491
Repayment of borrowings	(9,784,888,587)	(49,861,241)	(142,381,709)	(9,977,131,537)
Non-cash financing activities				
Unrealized forex on dollar valuation	(145,427,315)	-	-	(145,427,315)
Amortization of debt issuance costs	30,747,898	-	-	30,747,898
Additional lease liabilities	-	-	424,531,514	424,531,514
Effect of adoption of PFRS 16	-	-	34,277,641	34,277,641
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>

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 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>	<u>2021</u>	<u>2020</u>
Interest-bearing loans and Borrowings (excluding lease liabilities)	18	P 49,035,798,793	P 45,387,697,330
Total equity		<u>19,200,907,679</u>	<u>20,522,467,864</u>
		<u>2.55: 1.00</u>	<u>2.21: 1.00</u>

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

Punongbayan & Araullo

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The 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, 2021, on which we have rendered our report dated April 8, 2022. 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. 8852327, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 90230-SEC (until Dec. 31, 2025)
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)

April 8, 2022

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
LIST OF SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021

Schedule	Content	Page No.
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MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)

Schedule A

Financial Assets - Fair Value Through Profit or Loss, Fair Value Through Other Comprehensive Income
and Amortized Cost
December 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 5,846,088,030	P 5,846,088,030	P 32,622,362
Trade and other receivables - net		15,963,291,167	15,963,291,167	441,000,000
Refundable security and bond deposits		233,967,445	233,967,445	-
Investment in trust fund		163,541,216	163,541,216	2,447,617
TOTAL	-	P 22,206,887,858	P 22,206,887,858	P 476,069,979

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
(A Subsidiary of Citicore Holdings Investment, Inc.)
Schedule B
Amounts Receivable from Directors, Officers, Employees,
Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2021

Name	Balance at Beginning of Period	Additions	Deductions		Ending Balance		Balance at End of Period
			Amounts Collected	Written Off	Current	Non-current	
AILEEN DEL ROSARIO	-	242,400	-	-	242,400	-	242,400
AISA MARIA TRICCIA E. ESTACIO	17,999	2,969,221	(2,418,752)	-	568,467	-	568,467
AIZA M. TEPATT	7,300	-	-	-	14,600	-	14,600
ALBERT ALINABON	-	73,042	-	-	73,042	-	73,042
ALBERT OROSCO	790	-	(790)	-	-	-	-
ALBERT SAAVEDRA	8,000	141,500	-	-	149,500	-	149,500
ALLAN LUCEL R. BARIT	172,812	-	-	-	172,812	-	172,812
ALYANA GRACE T. ROBLEZA	534	-	(534)	-	-	-	-
ANA JOY S. UPAO	20,000	18,600	(38,600)	-	-	-	-
ANALYN DELOS SANTOS	147,600	98,750	(246,350)	-	-	-	-
ANGELA CLAIRE D. GELLA	-	4,800	(4,800)	-	-	-	-
ANGELA CLAIRE GELLA	10,000	65,000	(75,000)	-	(0)	(0)	-
ANNA KARENINA SALGADO	37,176	732,500	(400,000)	-	369,676	-	369,676
ANNA SHARMAINE CAOILE	47,000	-	-	-	47,000	-	47,000
ANNABELLE J. OBLIANDA	-	22,400	(22,400)	-	-	-	-
ANNIE MAE BERGAS	6,294	-	(6,294)	-	-	-	-
ANTONIO G. PAREDES	-	10,000	-	-	10,000	-	10,000
ARA C. AMORES	-	48,500	-	-	48,500	-	48,500
ARABELLE VALENCIA	78,750	761,800	(688,727)	-	151,823	-	151,823
ARDINE GEROLD ANACIETO	-	20,500	(20,500)	-	-	-	-
ARLEN NAZARIA	20,000	-	(20,000)	-	-	-	-
ARLENE JOYCE OBLEPIAS	-	247,500	(165,488)	-	82,012	-	82,012
ARNEL S. ARTES	1,200	26,400	(27,600)	-	-	-	-
ARNEL SOLOMON	491	-	(491)	-	-	-	-
ARNOLD FAMILARAN	-	1,326,822	-	-	1,326,822	-	1,326,822
ARVIN REY G. ARANDIA	-	12,500	-	-	12,500	-	12,500
ASTRID REGINE A. COLLADO	-	1,400	-	-	1,400	-	1,400
BAMBANG MEDICAL & HOSPITAL EQUIPMENT SUPPLY	31,680	-	-	-	31,680	-	31,680
BART V. CAINDOC	551	-	(551)	-	-	-	-
BENJAMIN S. FABROA JR.	108,436	-	-	-	108,436	-	108,436
BEVERLY R. MOLO	-	29,400	(23,400)	-	6,000	-	6,000
BORGIE DEAN B. SANTOS	-	71,700	(71,700)	-	-	-	-
BREZILDO T. SILDO	20,200	-	-	-	20,200	-	20,200
BRIGIDO BARBADILLO JR.	-	723,450	(502,295)	-	221,155	-	221,155
BRYAN MALINAO	29,847	173,932	(188,779)	-	15,000	-	15,000
BUSINESSWORKS INCORPORATED	-	294,118	-	-	294,118	-	294,118
CAMILLE JOY C. PEREDO	-	95,807	(77,060)	-	18,747	-	18,747
CANYON COVE HOTEL AND SPA INC.	228,967	-	-	-	228,967	-	228,967
CARMELA MARIEL L. CINCO	-	140,000	(98,000)	-	42,000	-	42,000
CATHELLE LOUISE L. CARREON	-	3,000	(3,000)	-	-	-	-
CECILE ALBAO	44,897	-	(44,897)	-	-	-	-
CHARLES PERRI HARI	22,800	500,000	(522,800)	-	-	-	-
CHARMAINE ZACARIAS	11,250	-	(11,250)	-	-	-	-
CHERRY ANN V. ARCENAL	97,500	-	-	-	97,500	-	97,500
CHESTER NEIL R. CARBONELL	173,350	-	(34,259)	-	139,091	-	139,091
CHITO BILOG	-	81,500	-	-	81,500	-	81,500
CHRISelda E. CRISOLOGO	20,160	-	-	-	20,160	-	20,160
CHRISTOPHER A. GANOTICE	-	26,106	(26,106)	-	-	-	-
CHRISTOPHER NADAYAG	16,100	-	-	-	16,100	-	16,100
CHRISTOPHER REGINIO	7,400	-	-	-	7,400	-	7,400
CIB-BDO SA/CA PHP (001150324641/001158035633)	-	18,000	-	-	18,000	-	18,000
CICERO ILAGAN	560,293	-	-	-	560,293	-	560,293
CITY TREASURER MANDAUE CITY	198,465	-	-	-	198,465	-	198,465
CRISTELLE MAE AMORIN	21,300	46,500	-	-	67,800	-	67,800
CRYSTALLINE B. MANALANG	156,525	-	-	-	156,525	-	156,525
DALF LESAN B. GALELA	-	47,740	(47,740)	-	-	-	-
DANDIE C. ESPANOL	-	23,974	-	-	23,974	-	23,974
DANTE SUMIGCAY	-	8,000	(4,000)	-	4,000	-	4,000
DANTE V. CABELLO	1,925	-	-	-	1,925	-	1,925
DARYL JOHN LOPEZ	63,847	47,700	-	-	111,547	-	111,547
DARYL LUMBERIO	71,500	-	(71,500)	-	-	-	-
DEBBIE MAY PURIFICACION	-	328,124	-	-	328,124	-	328,124
DEWEY S. OLAYA	61,500	368,260	-	-	429,760	-	429,760
DIANA MARIE GASPAR	511	52,560	(53,072)	-	(0)	(0)	-
DOMINGO L. LAGMAN ENGINEERING CONSULTANTS	-	8,929	-	-	8,929	-	8,929
DON VINCENT SAHAGUN	-	15,000	-	-	15,000	-	15,000
DONABEL R. PASTORAL	-	108,490	(30,750)	-	77,740	-	77,740
DONABELLE SISON	22,900	50,750	-	-	73,650	-	73,650
DONNA ANGELA DE JESUS	-	20,000	(20,000)	-	-	-	-
EDGAR REUNATA	-	24,000	(15,000)	-	9,000	-	9,000
EDGAR VALERA	222,458	-	-	-	222,458	-	222,458
EDWARD YBANEZ	-	82,500	-	-	82,500	-	82,500
<i>Balance forwarded</i>	P 2,770,308	P 10,220,473	(P 5,982,484)	-	P 7,008,297	-	P 7,008,297

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 2,770,308	P 10,220,473	(P 5,982,484)	-	P 7,008,297	-	P 7,008,297
ELIZALDE A. MORALES	7,950	-	-	-	7,950	-	7,950
EMILIA CORAZON DE HITTA	-	37,500	-	-	37,500	-	37,500
ENRIQUE VALENZUELA JR.	-	9,200	-	-	9,200	-	9,200
ERIC DULAY	19,800	26,400	(46,200)	-	-	-	-
ERIC GREGOR TAN	-	314,000	(314,000)	-	-	-	-
ERICANDO GALANG	-	76,300	-	-	76,300	-	76,300
ERICKA SHARA MAE A. PLACIDO	-	81,877	(81,877)	-	-	-	-
ESTELITO CENSON JR.	41,750	1,248,048	(857,225)	-	432,574	-	432,574
ESTRELLA ALVARADO	247,376	-	-	-	247,376	-	247,376
EURENO BIETE	226,030	-	-	-	226,030	-	226,030
EXEQUIEL A ISMAEL	-	5,000	-	-	5,000	-	5,000
FAST AUTOWORLD PHILIPPINES CORP.	-	42,847	-	-	42,847	-	42,847
FEBELYN JOY MANAHAN	-	250,100	-	-	250,100	-	250,100
FEDERICO MARTINEZ	-	113,500	(63,500)	-	50,000	-	50,000
FERDINAND N. PORLUCAS	-	32,192	-	-	32,192	-	32,192
FIDEL P. CUERDO	1,842	-	(1,843)	-	(1)	-	(1)
FIONA ROSE R. NICOLAS	-	608,100	-	-	608,100	-	608,100
FRANCESCA MICAELA SANTECO	-	110,000	-	-	110,000	-	110,000
FRANCISCO TURANO JR.	-	17,702	(5,830)	-	11,872	-	11,872
GENISE M. REYES	-	88,220	(50,470)	-	37,750	-	37,750
GENNICA H. MIRANDA	-	27,000	-	-	27,000	-	27,000
GILBERT TUGADE	127,500	16,500	-	-	144,000	-	144,000
GLEN DIAZ	18,150	124,800	(142,950)	-	-	-	-
GLIZETTE DYAN BERNARDO	-	85,200	-	-	85,200	-	85,200
GLOBE HOME INTERIOR	8,143	-	-	-	8,143	-	8,143
GRACE ABEGAIL CASEM	42,473	89,510	(131,983)	-	0	-	0
GRANT LEE FELLOWES	1,318	-	-	-	1,318	-	1,318
GRAZIELLE ANN Q. ALMAZAN	-	14,288	(10,000)	-	4,288	-	4,288
GREENHILLS COURT CONDOMINIUM CORPORATION	12,000	-	-	-	12,000	-	12,000
HAROLD DE LEON	-	4,050	(4,050)	-	-	-	-
HAZELLE ASILVERIO	17,090	-	-	-	17,090	-	17,090
HAZELLE SILVERIO	-	31,950	-	-	31,950	-	31,950
HEDRO IAN PACETE	45,000	-	(45,000)	-	-	-	-
HELEN B. PEDUCHE	-	10,000	(10,000)	-	-	-	-
HERBERT ANDALUZ	-	26,400	(26,400)	-	-	-	-
JAMES CAMPBELL	-	82,266	-	-	82,266	-	82,266
JANE MARIE VELADO	11,491	11,491	-	-	11,491	-	11,491
JANELLE C. MONJARDIN	29,900	106,808	-	-	136,708	-	136,708
JANICE HONORIDEZ	168,287	-	-	-	168,287	-	168,287
JASON DE LUNA	-	8,500	(3,500)	-	5,000	-	5,000
JAY ONG	-	30,000	-	-	30,000	-	30,000
JAYBEE L. LA ROSA	-	78,240	-	-	78,240	-	78,240
JAYSON B. NARVAEZ	-	113,600	-	-	113,600	-	113,600
JEAN VIRAY	19,430	-	-	-	19,430	-	19,430
JEFFREY MIRANDILLA	435,000	-	-	-	435,000	-	435,000
JEFFREY OYAS	16,800	-	(16,800)	-	-	-	-
JENNIFER ARAGON	26,541	33,500	(60,041)	-	-	-	-
JEPHUNEI BERNARDO	-	-	(43,000)	-	(43,000)	-	(43,000)
JERALBINE NUGUID	20,000	-	-	-	20,000	-	20,000
JERBY CONCEPCION	109,800	478,600	(588,400)	-	-	-	-
JERICHA JAN PRIETO	-	16,109	-	-	16,109	-	16,109
JERMYN LEAL	-	237,750	-	-	237,750	-	237,750
JESSICA D. VINAS	-	43,570	(20,000)	-	23,570	-	23,570
JESUS ARIMBUYUTAN	-	288,810	-	-	288,810	-	288,810
JIEZL FLORALDE	-	34,125	-	-	34,125	-	34,125
JIM CARLO A. CORTES	3,000	-	-	-	3,000	-	3,000
JOANA MANGAHAS	71,680	34,224	-	-	105,904	-	105,904
JOANNE MARIE S. BENDERO	-	51,000	(51,000)	-	-	-	-
JOHN KALVIN CARREON	80,000	898,694	(538,194)	-	440,500	-	440,500
JOHN PAUL CADAY	-	19,250	-	-	19,250	-	19,250
JOMAR G. GABITO	-	71,640	(71,640)	-	-	-	-
JONALD BULLECEER	7,980	7,800	(15,780)	-	-	-	-
JOSE CARLO CHAVEZ	-	306,800	-	-	306,800	-	306,800
JOSE LAMBERT A. LIM	-	111,524	-	-	111,524	-	111,524
JOSE RAMIREZ	1,000	25,000	(26,000)	-	-	-	-
JOSELITO O. INAMARGA	800,426	2,296,729	-	-	3,097,155	-	3,097,155
JOSELLER ORBINO	-	30,000	-	-	30,000	-	30,000
JOSEPH NAVARRO	-	37,500	(37,500)	-	-	-	-
JOSIE A. ABUCAY	1,500	-	-	-	1,500	-	1,500
JOSIE M. PARREÑO	87,709	-	-	-	87,709	-	87,709
JOUIE LEE OLIVER	-	329,590	(329,590)	-	-	-	-
JOWELYN ROSARIO	-	93,250	-	-	93,250	-	93,250
JOYSIAN NEPOMUCENO	-	3,000	-	-	3,000	-	3,000
JUANITO GARCIA	9,000	-	-	-	9,000	-	9,000
JULIE ANNE L. NUYLAN	-	7,000	(7,000)	-	-	-	-
JULIUS ARINAZA	-	14,823	-	-	14,823	-	14,823
JUNE PILLAS	-	25,000	(25,000)	-	-	-	-
JUNNY ANN S. INOT	-	11,238	(4,238)	-	7,000	-	7,000
KARA MAE MENDIOLA	10,000	34,100	(34,100)	-	10,000	-	10,000
KARENE XYZA DEMETRIO	-	6,000	-	-	6,000	-	6,000
KEITH ANTHONY CALIMAG	-	100,000	-	-	100,000	-	100,000
KHAREN ALFUENTE	-	55,000	-	-	55,000	-	55,000
KIM ALEXIE VALLESTERO	-	20,250	(20,250)	-	-	-	-
<i>Balance forwarded</i>	P 5,484,783	P 19,863,937	(P 9,665,844)	-	P 15,682,877	-	P 15,682,877

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 5,484,783	P 19,863,937	(P 9,665,844)	-	P 15,682,877	-	P 15,682,877
KIM RITA MARIE SOLOMON	10,500	287,280	(15,818)	-	15,818	-	15,818
LAILANIE ANTONIO	1,800	-	-	-	1,800	-	1,800
LAMBERTO BANSIL III	-	247,800	-	-	247,800	-	247,800
LAPU-LAPU CITY TREASURER	9,720	-	-	-	9,720	-	9,720
LEI ANNE T. ORBISTA	-	8,800	-	-	8,800	-	8,800
LEO ROLLAN	-	20,000	(20,000)	-	-	-	-
LEUMAS DAVID R. LABISTE	24,000	-	(24,000)	-	-	-	-
LIAN MACHADO	6,087	61,200	(67,287)	-	-	-	-
LINO VILLANUEVA	355,215	-	-	-	355,215	-	355,215
LIZNIL JANE GEIDT	-	102,500	-	-	102,500	-	102,500
LLOYD PELAYO	-	57,750	(57,750)	-	-	-	-
LUIGIE LLANO	-	20,000	(20,000)	-	-	-	-
LUIS RAYMOND ILAGAN	93,600	184,932	-	-	278,532	-	278,532
MA. ABIGAEI JANE LIBRANDO	-	101,500	-	-	101,500	-	101,500
MA. GLORIA JENNIFER ONTE	-	250,850	-	-	250,850	-	250,850
MA. TERESA M. MORABE	-	46,300	(46,300)	-	-	-	-
MAEDEN B. ORDANZA	-	20,000	-	-	20,000	-	20,000
MANUEL CRUZ	-	112,900	-	-	112,900	-	112,900
MANUEL ONGJUCO	-	207,250	-	-	207,250	-	207,250
MARC BENI SANSAT	8,000	-	-	-	8,000	-	8,000
MARDEL CIARA MARASIGAN	-	33,240	-	-	33,240	-	33,240
MARIA THERESA PASCUAL	80,000	-	-	-	80,000	-	80,000
MARICEL LUNA	76,850	-	-	-	76,850	-	76,850
MARIECRIS S. YADAO	6,527	34,520	(36,047)	-	5,000	-	5,000
MARIELLE M. OLEA	-	12,000	(4,504)	-	7,496	-	7,496
MARILOU M. GIANAN	-	245,000	-	-	245,000	-	245,000
MARIO LOPE PAR	185,466	282,693	-	-	468,159	-	468,159
MARJULAIN DERENE D. ACAY	7,000	-	(7,000)	-	-	-	-
MARK NICKSON GARCIA	99,277	-	-	-	99,277	-	99,277
MARK NICKSON P. GARCIA	175,385	-	-	-	175,385	-	175,385
MARK ROCAFORT	143,326	1,858,732	(1,669,426)	-	332,632	-	332,632
MARLON ALVARICO	26,174	-	-	-	26,174	-	26,174
MARNELLIE SANIDAD	40,000	71,000	(101,000)	-	10,000	-	10,000
MARTIN MIGUEL FLORES	10,717	-	-	-	10,717	-	10,717
MARY ANN ZACARIAS	14,851	88,254	(103,104)	-	-	-	-
MATEST LABORATORY SERVICES INC.	-	49,043	-	-	49,043	-	49,043
MELISSA SALILICAN	-	96,153	(21,490)	-	74,663	-	74,663
MICHAEL JOSEPH PEREYRA	31,800	-	-	-	31,800	-	31,800
MICHAEL SIMUNDAC	-	173,805	(164,468)	-	9,337	-	9,337
MICHELLE GATAL	111,295	-	-	-	111,295	-	111,295
MILESTILL YOUNG	45,000	20,000	(45,000)	-	20,000	-	20,000
NATIONAL INSTITUTE OF ACCOUNTING TECHNICI	9,025	-	-	-	9,025	-	9,025
NAZARENO C. ABALOS	6,351	-	-	-	6,351	-	6,351
NEIL CATABAY	-	43,600	(33,600)	-	10,000	-	10,000
NELSON LEGARDE	-	68,536	(8,536)	-	60,000	-	60,000
NELSON M. CASADO	-	90,000	-	-	90,000	-	90,000
NELSON TUIZA JR.	2,200	-	-	-	2,200	-	2,200
NESTOR F. DIZON JR.	-	98,840	-	-	98,840	-	98,840
NEW EZKLEEN PORTALET CORP.	8,839	-	-	-	8,839	-	8,839
NICOLE SYMON C. DILIG	-	20,000	(20,000)	-	-	-	-
NIDA H. GREFALDO	507,522	222,750	-	-	730,272	-	730,272
NIKKO KAYE VILLETE	-	31,680	(31,680)	-	-	-	-
NILO MELITON	30,600	26,400	(57,000)	-	-	-	-
NINO DELOS REYES	70,309	196,315	(266,624)	-	-	-	-
NINO JOVIT C. JIMENEZ	42,065	373,401	(68,300)	-	347,165	-	347,165
NOEL CANSINO	-	10,000	(10,000)	-	-	-	-
NOEL M. BERANA	14,464	46,750	-	-	61,214	-	61,214
NORLITO P. BUENA	1,476	26,851	(16,211)	-	12,116	-	12,116
NORMAN N. ESCOBAR	11,960	-	-	-	11,960	-	11,960
OLIVER BERMEJO	-	56,000	-	-	56,000	-	56,000
OUR LADY OF MT. CARMEL MEDICAL CENTER-CLAR	47,000	-	-	-	47,000	-	47,000
OWEN NIPA	79,650	3,600	(83,250)	-	-	-	-
PAMELA PEREZ	9,856	-	-	-	9,856	-	9,856
PAULINE JEENE AGUINALDO	-	15,000	(15,000)	-	-	-	-
PIELCHE IMSON	8,600	92,000	-	-	100,600	-	100,600
PINOY PROPERTIES INVESTMENT CORPORATION	-	22,755	(11,335)	-	11,419	-	11,419
PRIME CARE ALPHA	379,464	-	-	-	379,464	-	379,464
PRINCESS INCISO	-	60,000	-	-	60,000	-	60,000
PRINCESS MAUREEN DE LEON	2,381	224,000	(226,381)	-	(0)	-	(0)
QUAERITO QUALITAS INC.	130,000	-	-	-	130,000	-	130,000
RACQUEL H. VERZOSA	93,610	55,000	-	-	148,610	-	148,610
RAIZA JACKIE LOUISE ESPINO	74,319	547,440	(621,759)	-	-	-	-
RAYMUND JAY S. GOMEZ	-	7,834	-	-	7,834	-	7,834
RAYMUNDO LAYSON	6,140	-	(6,140)	-	-	-	-
REBECCA AYCOCHO	-	3,500	(3,500)	-	-	-	-
RED A. GOLPEO	-	39,500	(39,500)	-	-	-	-
RENATO ALEGADO	-	42,245	(42,245)	-	-	-	-
REXFORD ILAGAN	-	866,489	(866,489)	-	-	-	-
REZA MARIE C. DE GUZMAN	-	280,000	-	-	280,000	-	280,000
RHEA LAMOSTE	9,822	-	(9,822)	-	-	-	-
RHEONEIL M. RAFAEL	-	285,510	-	-	285,510	-	285,510
RICARDO MANUEL	94,062	-	-	-	94,062	-	94,062
RICHARD PEÑAMAYOR	-	58,200	(28,200)	-	30,000	-	30,000
ROBERT JASON TORRES	454,000	486,000	(454,000)	-	486,000	-	486,000
ROBERTO TAPIA	9,000	-	-	-	9,000	-	9,000
RODOLFO J. CERVERA	-	95,016	(95,016)	-	-	-	-
ROEL COLEGADO	42,915	175,000	(212,714)	-	5,201	-	5,201
ROLAND RAYCO	-	120,450	(80,600)	-	39,850	-	39,850
ROMAR COBILLA	55,791	-	-	-	55,791	-	55,791
ROMEO DIAZ	66,404	-	(66,404)	-	-	-	-
ROMEO FAUSTINO JR.	-	91,258	(72,805)	-	18,453	-	18,453
ROMEO P. FURIGAY	-	23,800	-	-	23,800	-	23,800
ROMEO SAKAY	-	30,000	(30,000)	-	-	-	-
ROMMEL SUNGA	-	210,000	(210,000)	-	-	-	-
RONA C. BAUTISTA	1,437	-	(1,437)	-	-	-	-
ROSE ANN PIQUERO	-	10,000	(10,000)	-	-	-	-
ROSE CELINE CASTRO	11,000	38,000	(38,000)	-	11,000	-	11,000
ROSE CLARY APOLINARIO	15,895	-	-	-	15,895	-	15,895
<i>Balance forwarded</i>	P 9,343,528	P 29,751,157	(P 16,071,730)	-	P 23,022,955	-	P 23,022,955

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 9,343,528	P 29,751,157	(P 16,071,730)	-	P 23,022,955	-	P 23,022,955
ROSEBHEL HIBAYA	-	177,160	(161,580)	-	15,580	-	15,580
ROSETTE PASCUAL	60,000	650,000	(504,000)	-	206,000	-	206,000
RUDY'S MOTOR SHOP	22,946	-	-	-	22,946	-	22,946
RUEL ALMA JR.	-	350,000	-	-	350,000	-	350,000
RUFINO DIZO	20,350	-	-	-	20,350	-	20,350
SANDRA MAE UNDALOK	-	91,950	-	-	91,950	-	91,950
SHARE TREATS INNOVATION CORPORATION	51,138	118,510	-	-	169,648	-	169,648
SHAW AUTOMOTIVE RESOURCES INC	-	8,616	-	-	8,616	-	8,616
SHEILA MARIE B. CO	-	4,200	(4,200)	-	-	-	-
SHELLA MAY C. NARCEDA	41,897	68,000	(41,897)	-	68,000	-	68,000
SHERYL A. PAZ	-	22,770	(22,770)	-	-	-	-
SICCION MARKETING, INC.	17,054	-	-	-	17,054	-	17,054
THE TENT CITY RENTALS & SALES SERVICES CORP	23,112	-	-	-	23,112	-	23,112
TONI MAE B. REYES	-	38,500	-	-	38,500	-	38,500
TOYOTA MABOLO CEBU INC	-	11,330	-	-	11,330	-	11,330
TRANSWORLD TIRE AND AUTO SUPPLY	9,585	-	-	-	9,585	-	9,585
TRISHA MAY S. MANALO	15,872	30,000	-	-	45,872	-	45,872
VALERIE AYRA RAMOS	-	4,000	-	-	4,000	-	4,000
VANNESA ANN P. GERILLA	3,193	518,963	(452,196)	-	69,960	-	69,960
VENERABLE DALUSUNG	-	38,000	(38,000)	-	-	-	-
VICTOR RIVERA	-	107,000	(77,000)	-	30,000	-	30,000
VINCENT PAOLO DE GUZMAN	-	20,000	-	-	20,000	-	20,000
WESLEY ARPILLEDA	-	5,000	-	-	5,000	-	5,000
WINSHER CRIS G. STEWART	-	50,048	(24,548)	-	25,500	-	25,500
WINSTON V. JIMENEZ	62,012	-	-	-	62,012	-	62,012
YSRAEL ANGELES	-	66,360	(66,360)	-	-	-	-
ZHEENA OCAMPO	-	120,000	(70,000)	-	50,000	-	50,000
ZYRA FACTURAN	8,975	-	-	-	8,975	-	8,975
<i>Balance forwarded</i>	P 9,679,662	P 32,251,564	(P 17,534,281)	-	P 24,396,946	-	P 24,396,946

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 9,679,662	P 32,251,564	(P 17,534,281)	-	P 24,396,946	-	P 24,396,946
KIM RITA MARIE SOLOMON	10,500	287,280	(281,962)	-	15,818	-	15,818
LAILANIE ANTONIO	1,800	-	-	-	1,800	-	1,800
LAMBERTO BANSIL III	-	247,800	-	-	247,800	-	247,800
LAPU-LAPU CITY TREASURER	9,720	-	-	-	9,720	-	9,720
LEI ANNE T. ORBISTA	-	8,800	-	-	8,800	-	8,800
LEO ROLLAN	-	20,000	(20,000)	-	-	-	-
LEUMAS DAVID R. LABISTE	24,000	-	(24,000)	-	-	-	-
LIAN MACHADO	6,087	61,200	(67,287)	-	-	-	-
LINO VILLANUEVA	355,215	-	-	-	355,215	-	355,215
LIZNIL JANE GEIDT	-	102,500	-	-	102,500	-	102,500
LLOYD PELAYO	-	57,750	(57,750)	-	-	-	-
LUIGIE LLANO	-	20,000	(20,000)	-	-	-	-
LUIS RAYMOND ILAGAN	93,600	184,932	-	-	278,532	-	278,532
MA. ABIGAIL JANE LIBRANDO	-	101,500	-	-	101,500	-	101,500
MA. GLORIA JENNIFER ONTE	-	250,850	-	-	250,850	-	250,850
MA. TERESA M. MORABE	-	46,300	(46,300)	-	-	-	-
MAEDEN B. ORDANZA	-	20,000	-	-	20,000	-	20,000
MANUEL CRUZ	-	112,900	-	-	112,900	-	112,900
MANUEL ONGJUCO	-	207,250	-	-	207,250	-	207,250
MARC BENI SANSAT	8,000	-	-	-	8,000	-	8,000
MARDEL CIARA MARASIGAN	-	33,240	-	-	33,240	-	33,240
MARIA THERESA PASCUAL	80,000	-	-	-	80,000	-	80,000
MARICEL LUNA	76,850	-	-	-	76,850	-	76,850
MARIECRIS S. YADAO	6,527	34,520	(36,047)	-	5,000	-	5,000
MARIELLE M. OLEA	-	12,000	(4,504)	-	7,496	-	7,496
MARILOU M. GIANAN	-	245,000	-	-	245,000	-	245,000
MARIO LOPE PAR	185,466	282,693	-	-	468,159	-	468,159
MARJULAIN DERENE D. ACAY	7,000	-	(7,000)	-	-	-	-
MARK NICKSON GARCIA	99,277	-	-	-	99,277	-	99,277
MARK NICKSON P. GARCIA	175,385	-	-	-	175,385	-	175,385
MARK ROCAFORT	143,326	1,858,732	(1,669,426)	-	332,632	-	332,632
MARLON ALVARICO	26,174	-	-	-	26,174	-	26,174
MARNELLIE SANIDAD	40,000	71,000	(101,000)	-	10,000	-	10,000
MARTIN MIGUEL FLORES	10,717	-	-	-	10,717	-	10,717
MARY ANN ZACARIAS	14,851	88,254	(103,104)	-	-	-	-
MATEST LABORATORY SERVICES INC.	-	49,043	-	-	49,043	-	49,043
MELISSA SALILICAN	-	96,153	(21,490)	-	74,663	-	74,663
MICHAEL JOSEPH PEREYRA	31,800	-	-	-	31,800	-	31,800
MICHAEL SIMUNDAC	-	173,805	(164,468)	-	9,337	-	9,337
MICHELLE GATAL	111,295	-	-	-	111,295	-	111,295
MILESTILL YOUNG	45,000	20,000	(45,000)	-	20,000	-	20,000
NATIONAL INSTITUTE OF ACCOUNTING TECHNICI	9,025	-	-	-	9,025	-	9,025
NAZARENO C. ABALOS	6,351	-	-	-	6,351	-	6,351
NEIL CATABAY	62,009,676	(6,197,978)	(109,642)	-	55,702,056	-	55,702,056
NEIL CATABAY	-	43,600	(33,600)	-	10,000	-	10,000
NELSON LEGARDE	-	68,536	(8,536)	-	60,000	-	60,000
NELSON M. CASADO	-	90,000	-	-	90,000	-	90,000
NELSON TUIZA JR.	2,200	-	-	-	2,200	-	2,200
NESTOR F. DIZON JR.	-	98,840	-	-	98,840	-	98,840
NEW EZKLEEN PORTALET CORP.	8,839	-	-	-	8,839	-	8,839
NICOLE SYMON C. DILIG	-	20,000	(20,000)	-	-	-	-
NIDA H. GREFALDO	507,522	222,750	-	-	730,272	-	730,272
NIKKO KAYE VILLETE	-	31,680	(31,680)	-	-	-	-
NILO MELITON	30,600	26,400	(57,000)	-	-	-	-
NINO DELOS REYES	70,309	196,315	(266,624)	-	-	-	-
NINO JOVIT C. JIMENEZ	42,065	373,401	(68,300)	-	347,165	-	347,165
NOEL CANSINO	-	10,000	(10,000)	-	-	-	-
NOEL M. BERANA	14,464	46,750	-	-	61,214	-	61,214
NORLITO P. BUENA	1,476	26,851	(16,211)	-	12,116	-	12,116
NORMAN N. ESCOBAR	11,960	-	-	-	11,960	-	11,960
OLIVER BERMEJO	-	56,000	-	-	56,000	-	56,000
OUR LADY OF MT. CARMEL MEDICAL CENTER-CLAR	47,000	-	-	-	47,000	-	47,000
OWEN NIPA	79,650	3,600	(83,250)	-	-	-	-
PAMELA PEREZ	9,856	-	-	-	9,856	-	9,856
PAULINE JEENE AGUINALDO	-	15,000	(15,000)	-	-	-	-
PIELCHE IMSON	8,600	92,000	-	-	100,600	-	100,600
PINOY PROPERTIES INVESTMENT CORPORATION	-	22,755	(11,335)	-	11,419	-	11,419
PRIME CARE ALPHA	379,464	-	-	-	379,464	-	379,464
PRINCESS INCISO	-	60,000	-	-	60,000	-	60,000

TOTAL ADVANCES TO OFFICERS AND EMPLOYEES	P 74,481,307	P 32,251,564	(P 20,934,796)	-	P 85,798,075	-	P 85,798,075
<i>Advances to related parties under common ownership</i>							
Future State Myspace, Inc.	33,574.00	1,840	-	-	35,414.00	-	35,414.00
MySpace Properties Inc.	100,795,633.00	6,100,682	-	-	106,896,315.00	-	106,896,315.00
Megawide Foundation	39,845.00	47,631	-	-	87,476.00	-	87,476.00
ESA Group of Companies Inc.	-	757,143	-	-	757,143.00	-	757,143.00
Altria East Land, Inc.	60,428.00	-	(60,428)	-	-	-	-
Citicore Infrastructure Holdings, Inc.	31,716.00	1,548,624	-	-	1,580,340.00	-	1,580,340.00
Citicore Power Inc.	3,176,113,903.00	1,311,655	-	-	3,177,425,558.00	-	3,177,425,558.00
TOTAL ADVANCES TO RELATED PARTIES UNDER COMMON OWNERSHIP	<u>3,277,075,099.00</u>	<u>9,767,575.00</u>	<u>(60,428.00)</u>	<u>-</u>	<u>3,286,782,246.00</u>	<u>-</u>	<u>3,286,782,246.00</u>
ULTIMATE PARENT COMPANY	<u>3,089,295,108.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,089,295,108.00</u>	<u>-</u>	<u>3,089,295,108.00</u>
ASSOCIATES AND JOINT ARRANGEMENTS	<u>44,319,466.00</u>	<u>-</u>	<u>(1,519,066)</u>	<u>-</u>	<u>42,800,400.00</u>	<u>-</u>	<u>42,800,400.00</u>
	<u>6,485,170,980.00</u>	<u>42,019,139.00</u>	<u>(22,514,290.00)</u>	<u>-</u>	<u>6,504,675,829.00</u>	<u>-</u>	<u>6,504,675,829.00</u>

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)

Schedule C

Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
December 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	
Megawide Construction (BVI) Corporation (MCBVI)	P 148,353,434	-	P 12,582,294	-	P 135,771,140	-	P 135,771,140
Megawide Terminals, Inc. (MTI)	480,245,448	38,989	-	-	480,284,437	-	480,284,437
Altria East Land, Inc. (Altria)	123,790,792	834,841					124,625,633
Tiger Legend Holdings Limited	-	472,264,936	-	-	472,264,936	-	472,264,936
Megawide Land Inc. (MLI)	12,275,848	4,274,131	-	-	16,549,979	-	16,549,979
Cebu2World Development, Inc.	2,084,290		2,084,290	-	-	-	-
Wide-Horizons, Inc.	1,250,000	90,911	-	-	1,340,911	-	1,340,911
Globemerchants Inc.		2,000,000			2,000,000		2,000,000

Supplementary information –

Megawide has receivables from MIL for construction and engineering services provided.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES

(A Subsidiary of Citicore Holdings Investment, Inc.)

Schedule D

Long-Term Debt

December 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 43,466,007,561	P 14,504,602,415	P 28,961,405,146
Note payable (ii)	5,569,791,232	P 56,000,000	5,513,791,232
Lease liabilities (iii)	465,697,699	219,483,607	246,214,092
Total	P 49,501,496,492	P 14,780,086,022	P 34,721,410,470

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

(A Subsidiary of Citicore Holdings Investment, Inc.)

Schedule E

Indebtedness to Related Parties

December 31, 2021

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
Citicore-Megawide Consotium, Inc. (CMCI)	20,000,000	20,000,000
MWM Terminals, Inc. (MWMTI)	1,115,843,082	38,328,360
Cebu2World Development, Inc.	-	921,465,312
Total	P 1,135,843,082	P 979,793,672

Supplementary information on Indebtedness to Related Parties

¹ The Group obtained unsecured, noninterest-bearing cash advances from its associate, CMCI, for working capital requirements, which are payable on demand. its working capital requirements, which are payable on demand. Citicore paid for the Parent Company's agreed subscription of MWCCI in 2014 and CMCI in 2012. These advances are noninterest-bearing and payable on demand.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES

(A Subsidiary of Citicore Holdings Investment, Inc.)

Schedule F

Guarantees of Securities of Other Issuers

December 31, 2021

Name of Related Party	Amount
MWM Terminals, Inc. (MWMTI)	P 3,841,500,000
Citicore Holdings Investments, Inc. (CHI)	1,500,000,000
Citicore Megawide Consortium, Inc. (CMCI)	656,000,000
Total	P 5,997,500,000

Supplementary information on Guarantees of Securities and Other Issuers

¹ 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.

² 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. MWMTI has an outstanding loan amounting to P3,841.5 million as of December 31, 2021.

³ On March 23, 2015, CMCI, with the Parent Company as guarantor, executed a RPA with certain local commercial banks, whereby 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. The Parent Company, as guarantor, shall pay on the demand up to the aggregate amount of P656 million in case of default of CMCI. Pursuant to the continuing obligations of CMCI under the RPA, CMCI has been in compliance with the RPA during the reporting periods.

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
(A Subsidiary of Citicore Holdings Investment, Inc.)
 Schedule G
 Capital Stock
 December 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 (i)	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights / Treasury Shares	Number of Shares Held By		
				Related Parties	Directors, Officers and Employees	Others
Common	4,930,000,000	2,381,709,313	P 386,016,410	1,330,634,698	19,171,308	681,320,525
Preferred	178,000,000	88,626,010.00	-	5,000,000	-	83,626,010

" 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.

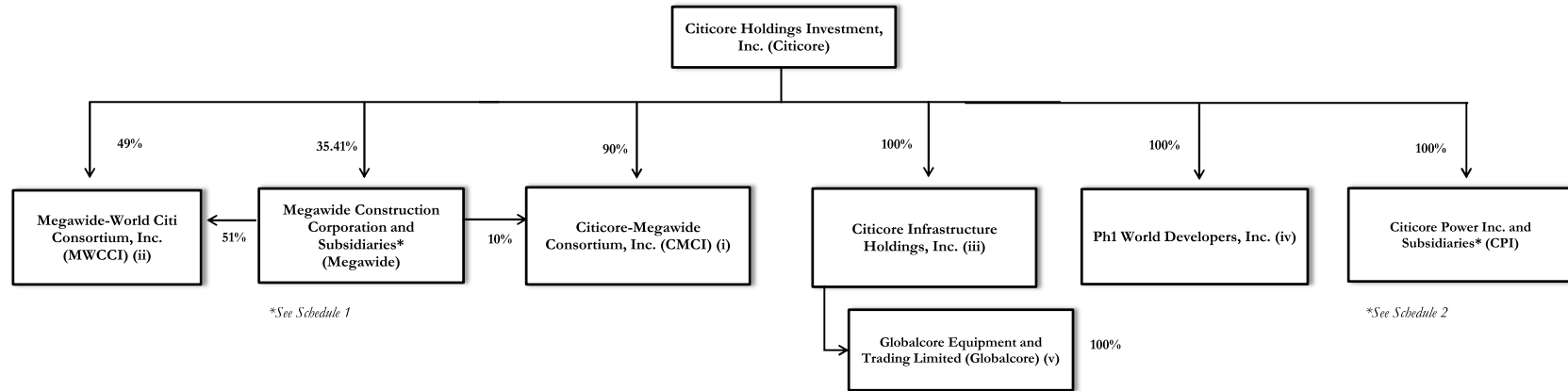
On March 3, 2020, the Parent's BOD approved an additional P3.0 billion to its share buyback program, making it a total of P5.0 billion and removal of the period within which to execute the program, making it open-ended. Total cost of acquired treasury shares in 2020 amounted to P703.1 million, which is equivalent to 50.2 million shares. "

MEGAWIDE CONSTRUCTION CORPORATION
Reconciliation of Retained Earnings Available for Dividend Declaration
For Year Ended December 31, 2021

Unappropriated Retained Earnings of the Parent Company at Beginning of Year	P	4,903,113,418
Prior Periods' Outstanding Reconciling Item		
Treasury shares - at cost	(	4,615,690,576) ¹
Deferred tax income	(	201,153,958)
Effect of prior period restatement		12,718,499
Effect of change in income tax rate		<u>33,525,660</u>
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted		132,513,043
Net Profit of the Parent Company Realized During the Period		
Net profit per audited financial statements		1,285,145,170
Non-actual/unrealized income		
Deferred tax income related to deferred tax assets recognized in the profit or loss during the year	(	141,920,106)
Other Transaction During the Period		
Cash dividends to preferred and common shareholders	(	<u>505,629,428)</u>
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	P	<u>770,108,679</u>

¹ The Group's retained earnings are restricted up to the extent of the cost of its treasury shares, except those treasury shares acquired in the redemption of redeemable preferred shares amounting to P4,000.0 million as of December 31, 2021.

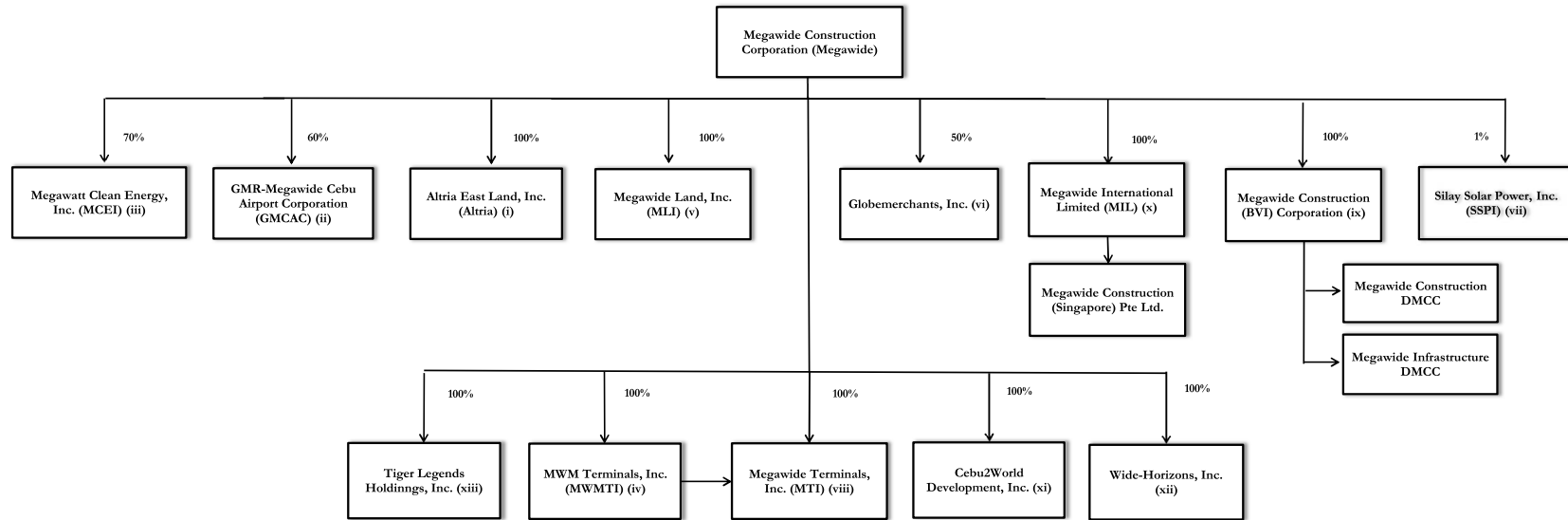
MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
MAP SHOWING THE RELATIONSHIP BETWEEN THE COMPANY AND ITS RELATED ENTITIES
 December 31, 2021



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 CIHI. CIHI was established primarily to engage in buying and holding shares of other companies, either by subscribing to unissued shares of capital stock in public or private offering or by purchasing the shares of other stockholders by way of assignment in private sale.
- (iv) In January 2012, upon execution of Deed of assignment between CHI and Ph1's stockholders, the 100% ownership of Ph1 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.

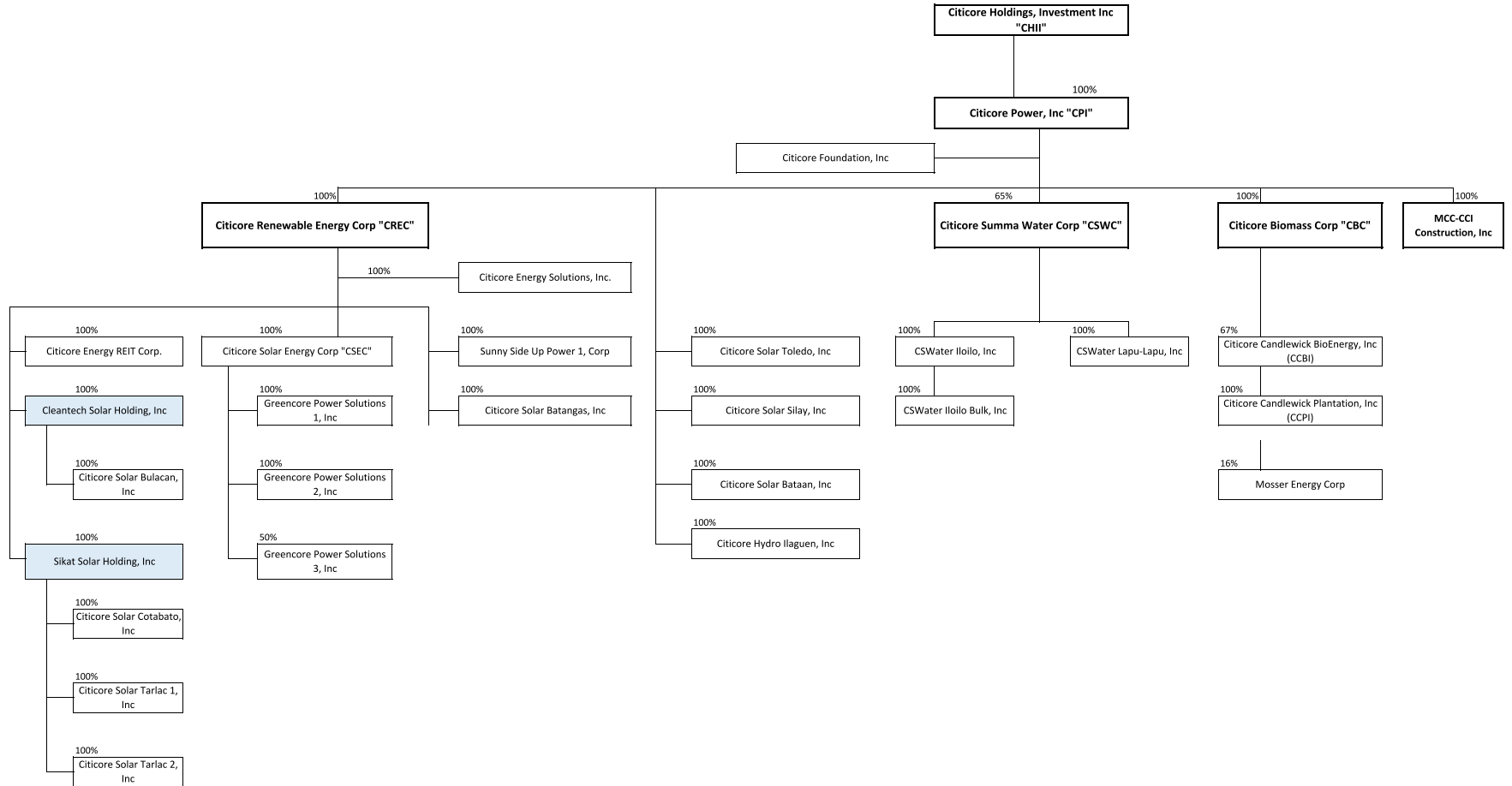
MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
MAP SHOWING THE RELATIONSHIP BETWEEN THE COMPANY AND ITS RELATED ENTITIES
Schedule I: Megawide Construction Corporation and Subsidiaries
December 31, 2021



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) MWTMTI 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 MWTMTI 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 Globemercants, 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 Globemercants, 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 Marty Building, 2nd Floor, Parrell 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 Ljfe FGU Center Cebu, Mindanao Avenue corner Bilaran 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.
- (xiii) Tiger Legends was incorporated on October 16, 2020 to primarily engage in buying and holding shares of other companies. Tiger Legend's registered address is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, British Virgin Islands.

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, 2021



Supplementary information:

- (i) 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.
- (ii) In 2016, the following newly incorporated entities: HBPI, CESI, BGESSI, NGESSI, LGESSI and CGESSI, become wholly owned subsidiaries of the CPI upon subscription on their common shares.

In 2015, CPI acquired NGPTC. CPI acquired additional shares of NGPTC through conversion of advances to equity investments.

In November 2015, CPI entered into a share purchase agreement (SPA) for the acquisition of 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 purchased price to \$9.6 million. CPI gained control on FTSEEC in May 2016 upon significant compliance of the parties to the SPA. CPI then recognized 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, 2021 and 2020, on which we have rendered our report dated April 8, 2022. 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, 2021 and 2020 and for the years then ended and no material exceptions were noted.

PUNONGBAYAN & ARAULLO



By: Mailene Sigue-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 8532327, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 90230-SEC (until Dec. 31, 2025)
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)

April 8, 2022



January 14, 2022

THE DISCLOSURE DEPARTMENT
THE PHILIPPINE STOCK EXCHANGE, INC.
6/F PSE Tower, 5th Avenue corner 28th Street
Bonifacio Global City
Taguig City

Attention: **Ms. Janet A. Encarnacion**
Head, Disclosure Department

Gentlemen and Mesdames:

In compliance with the disclosure requirements of the Philippine Stock Exchange, Inc., please find enclosed herein are the following:

1. Quarterly Progress Report on the Application of Proceeds from the Preferred Shares Offering of Megawide Construction Corporation as of and for the Quarter Ended December 31, 2021; and,
2. Report of Independent Auditors on Factual Findings.

MEGAWIDE CONSTRUCTION CORPORATION

By:

A handwritten signature in black ink, appearing to read 'Ramon H. Diaz', written over a horizontal line.

Ramon H. Diaz
Group Chief Finance Officer



14 January 2022

THE PHILIPPINE STOCK EXCHANGE, INC.

6/F PSE Tower, 5th Avenue corner 28th Street
Bonifacio Global City, Taguig City

Attention: **Ms. Janet A. Encarnacion**
Head, Disclosure Department

Re: **MEGAWIDE CONSTRUCTION CORPORATION**
*Quarterly Progress Report as of and for the Quarter Ended 31
December 2021 on the Application of Proceeds from the Preferred
Shares Offering with Certification of Independent Auditors*

Gentlemen and Mesdames:

In connection with the preferred shares offering of **MEGAWIDE CONSTRUCTION CORPORATION** (the "Company") on October 29, 2021, we submit herewith the Company's quarterly report on the application of the proceeds from the said offering. The details of the disbursements made as of and for the quarter ended December 31, 2021 are as follows:

Offering Proceeds (40,000,000 shares at Php100.00 per share)	PhP	4,000,000,000.00
Less: Expenses related to public offering*		
Underwriting fees		21,996,369.93
Registration and filing fees		5,578,155.00
Professional fees		1,881,397.00
Documentary stamp tax		400,000.00
Net Offering Proceeds	PhP	3,970,144,078.07
Less: Disbursements		
Costs incurred as of December 31, 2021		3,970,144,078.07
Balance of the Offering Proceeds as of December 31, 2021	PhP	-

**The expenses related to the preferred shared offering amounting to PhP 29.9 million, which were incurred prior to the receipt of the proceeds from the offering, were initially funded using the Company's working capital. The Company charged this amount against the proceeds from the offering in the last quarter of 2021.*

We hope you find everything in order.

Very truly yours,

Ramon H. Diaz
Chief Finance Officer

Report of Independent Auditors on Factual Findings

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
(A Subsidiary of Citicore Holdings Investment, Inc.)
20 N. Domingo Street
Brgy, Valencia
Quezon City

We have performed the procedures agreed with you and enumerated in the succeeding page with respect to the attached Quarterly Progress Report (the Report) as of and for the quarter ended December 31, 2021 on the application of proceeds from the Preferred Shares Offering (Offering Proceeds) of Megawide Construction Corporation (the Company) on October 29, 2021. The procedures were performed solely to enable the Company to comply with the requirement of the Philippine Stock Exchange (PSE) to submit the Report relating to the application of the Offering Proceeds accompanied by an external auditor's report. Our engagement was undertaken and our report is issued in accordance with Philippine Standard on Related Services 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*, applicable to agreed-upon procedures engagements.

We present below the summary of the breakdown and application of the Offering Proceeds as of and for the quarter ended December 31, 2021 based on the information we obtained from the Company.

	Offering Proceeds on October 29, 2021	Offering Related Expenses	Net Offering Proceeds	Disbursements for the Quarter ended December 31, 2021	Net Offering Proceeds as of December 31, 2021
Series 4 Preferred Shares	P4,000,000,000.00	P 29,855,921.93	P3,970,144,078.07	P3,970,144,078.07	P -

Agreed-upon Procedures

The agreed procedures we performed are as follows:

1. Obtained and checked the mathematical accuracy of the following:
 - a. The Report;
 - b. Reallocation of the Use of Proceeds Report;
 - c. Schedule of planned use of proceeds from the Offering Prospectus; and,
 - d. Detailed schedule of utilization of proceeds as of and for the quarter ended December 31, 2021.

2. Agreed total amount of disbursement of the Offering Proceeds shown in the Report to the detailed schedule of disbursements of proceeds as of and for the quarter ended December 31, 2021.
3. Compared the disbursements of the Offering Proceeds shown in the Report with the schedule of planned use of proceeds indicated in the Offering Prospectus.
4. Inquired and identified the nature of disbursements of the Offering Proceeds in the detailed schedule and checked that such disbursements were consistent with the planned use of the Offering Proceeds.
5. Traced to and examined supporting documents of the disbursements in the schedule and agreed the total amount of disbursements per category in the Report.

Results of the Performance of Agreed-Upon Procedures

1. With respect to item 1, we noted no exceptions on the mathematical accuracy of the Report and schedules.
2. With respect to item 2, we noted that the total amount of disbursements appearing in the Report is in agreement with the amount in the detailed schedule of disbursements of the Offering Proceeds.

With respect to item 3, we found the disbursements of proceeds in the Report as of and for the quarter ended December 31, 2021 is consistent with the planned application of proceeds indicated in the Use of Proceeds section of the Offering Prospectus.

3. With respect to item 4, we noted the following:

The disbursements incurred from October 1 to December 31, 2021 showed that the Company used the Offering Proceeds for the sole purpose of redeeming the outstanding Series 1 Preferred Shares of the Company 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 Company may redeem the Series 1 Preferred Shares in whole (not in part), as and if declared by the Board of Directors (BOD), 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 used 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.

The net proceeds of the Series 1 Preferred Shares were used by the Company 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 entire P3,970.1 million from the Offering Proceeds were allocated for this purpose. The Company released the entire Offering Proceeds to Stock Transfer Service, Inc. (STSI) a stock transfer agent. Subsequently after receipt of the Offering Proceeds and upon instruction of the Company, STSI processed the release of the redemption proceeds to the relevant stockholders of record as of November 9, 2021, including to the Philippine Depository and Trust Corp. for further crediting to the accounts of the relevant scrippless stockholders.

As of December 31, 2021, the Company’s Offering Proceeds are fully utilized in accordance with the planned use as disclosed above.

4. We found no exceptions with respect to item 5.

Because the foregoing procedures do not constitute either an audit or review made in accordance with Philippine Standards on Auditing (PSA) or Philippine Standard on Review Engagements (PSRE), respectively, we do not express an assurance on the use of Offering Proceeds based on the said standards. Had we performed additional procedures, or had we performed an audit or review of the financial statements in accordance with PSA or PSRE, respectively, other matters might have come to our attention that would have been reported to you.

We have no responsibility to update this report for events or circumstances occurring after the date of this report.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties. This report relates only to the information and items specified above and does not extend to any financial statements of the Company, taken as a whole.

PUNONGBAYAN & ARAULLO



By: Mailene Sique-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 8852327, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 90230-SEC (until Dec. 31, 2025)
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)

January 14, 2022

MEGAWIDE CONSTRUCTION CORPORATION AND SUBSIDIARIES
Supplemental Schedule of Financial Soundness Indicators
December 31, 2021 and 2020

Ratio	Formula	2021	Formula	2020
Current ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets 39,772,467,299 Divide by: Total Current Liabilities <u>27,365,849,718</u> Current ratio 1.45	1.45	Total Current Assets divided by Total Current Liabilities Total Current Assets 36,432,587,464 Divide by: Total Current Liabilities <u>23,755,843,080</u> Current ratio 1.53	1.53
Acid test ratio	Quick assets (Total Current Assets less Inventories, Contract Assets and Other Current Assets) divided by Total Current Liabilities Total Current Assets 39,772,467,299 Less: Inventories (2,045,159,384) Contract Assets (4,777,704,858) Other Current Assets <u>(10,132,960,472)</u> Quick Assets 22,816,642,585 Divide by: Total Current Liabilities <u>27,365,849,718</u> Acid test ratio 0.83	0.83	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 <u>(7,956,744,328)</u> Quick Assets 22,525,200,027 Divide by: Total Current Liabilities <u>23,755,843,080</u> Acid test ratio 0.95	0.95
Solvency ratio	Total Assets divided by Total Liabilities Total Assets 85,176,628,860 Divide by: Total Liabilities <u>65,975,721,181</u> Solvency ratio 1.29	1.29	Total Assets divided by Total Liabilities Total Assets 81,343,769,067 Divide by: Total Liabilities <u>60,821,301,203</u> Solvency ratio 1.34	1.34
Debt-to-equity ratio	Total Liabilities divided by Total Equity Total Liabilities 65,975,721,181 Divide by: Total Equity <u>19,200,907,679</u> Debt-to-equity ratio 3.44	3.44	Total Liabilities divided by Total Equity Total Liabilities 60,821,301,203 Divide by: Total Equity <u>20,522,467,864</u> Debt-to-equity ratio 2.96	2.96
Assets-to-equity ratio	Total Assets divided by Total Equity Total Assets 85,176,628,860 Divide by: Total Equity <u>19,200,907,679</u> Assets-to-equity ratio 4.44	4.44	Total Assets divided by Total Equity Total Assets 81,343,769,067 Divide by: Total Equity <u>20,522,467,864</u> Assets-to-equity ratio 3.96	3.96
Interest rate coverage ratio	Earnings before interest and taxes (EBIT) divided by Interest expense EBIT 1,109,061,595 Divide by: Interest expense <u>1,832,843,352</u> Interest rate coverage ratio 0.61	0.61	Earnings before interest and taxes (EBIT) divided by Interest expense EBIT 1,238,676,064 Divide by: Interest expense <u>1,848,485,140</u> Interest rate coverage ratio 0.67	0.67
Return on equity	Net Loss divided by Average Equity Net Profit (893,154,419) Divide by: Average Equity <u>19,861,687,772</u> Return on equity (0.04)	(0.04)	Net Loss divided by Average Equity Net Profit (874,595,891) Divide by: Average Equity <u>19,260,490,280</u> Return on equity (0.05)	(0.05)

Ratio	Formula	2021	Formula	2020
Return on assets	Net Profit divided by Average Assets	(0.01)	Net Profit divided by Average Assets	(0.01)
	Net Profit (893,154,419)		Net Profit (874,595,891)	
	<u>Divide by: Average Assets 83,260,198,964</u>		<u>Divide by: Average Assets 81,054,047,649</u>	
	Return on assets (0.01)		Return on assets (0.01)	
Net profit margin	Net Profit divided by Total Revenue	(0.06)	Net Profit divided by Total Revenue	(0.07)
	Net Profit (893,154,419)		Net Profit (874,595,891)	
	<u>Divide by: Total Revenue 15,643,971,114</u>		<u>Divide by: Total Revenue 12,923,226,465</u>	
	Net profit margin (0.06)		Net profit margin (0.07)	

Exhibit 3: Sustainability Report - Reporting Template

Contextual Information

Company Details	
Name of Organization	Megawide Construction Corporation (MCC)
Location of Headquarters	20 N. Domingo Street, Barangay Valencia, Quezon City
Location of Operations	I. Megawide Construction Corporation A. Engineering Procurement and Construction (EPC): Megawide Head Office, 20 N. Domingo Street, Barangay Valencia, Quezon City B. Holding Company (HoldCo) Office: 10F Santolan Town Plaza, Santolan Road, San Juan City C. Business Units (BU): Taytay Industrial Complex 2758 Velasquez St., Sitio Bangiad, Brgy. San Juan, Taytay, Rizal II. MWM Terminals, Inc. (MWMTI) A. Paranaque Integrated Terminal Exchange (PITX): 1 Kennedy Road, Brgy. Tambo, Paranaque City III. GMR Megawide Cebu Airport Corporation (GMCAC) A. Mactan-Cebu International Airport (MCIA): Lapu-Lapu Airport Road, Lapu-Lapu City, Cebu
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	I. Megawide Construction Corporation A. HoldCo B. BU C. EPC 1. Head Office 2. NPL 3. West Side City A & C 4. UT5 5. Ascott 6. CGC 7. MCRP 8. TEG 9. Plumera 10. Carbon Market 11. Mandani 12. Gentry 13. Suncity B 14. UD-Tondo 15. Albany

	16. WWP 17. IFC 18. UD-Cubao 19. UD-Ortigas 20. DD Tower 21. DD Meridian 22. Cornerhouse 23. Aglipay 24. Hive C & D 25. Hampton II. MWMTI III. GMCAC
Business Model, including Primary Activities, Brands, Products, and Services	Since its inception, Megawide Construction Corporation (referred herein as Megawide) has pursued revolutionary construction and engineering solutions. Megawide started as a general construction business and grew its order book in Engineering, Procurement, and Construction (EPC) through a range of projects, from low- to high-rise condominiums, office buildings, hotels, and casinos, and works for clients such as Megaworld Corporation, Double Dragon Properties, 8990 Holdings, Rockwell Land, and Araneta Properties. The company also diversified its portfolio into transport-oriented infrastructure development, through their participation in the government's Public-Private Partnership (PPP) programs, which enabled them to secure projects like the Parañaque Integrated Terminal Exchange (PITX) and the Mactan-Cebu International Airport (MCIA). Currently, the business is managed along the following segments: Construction, Airport, and Landport (Terminal) Operations. Construction covers the construction, enlargement, repair, or other work on buildings, houses and condominiums, roads, plants, bridges, piers, waterworks, railroads, and other structures. This segment also includes the ownership, use, improvement, and development of various types of real estate. The Airport Operation segment is focused on building, rehabilitating, renovating, constructing, developing, operating, and maintaining airports, such as the MCIA, as well as the commercial assets and all allied businesses for the operation and maintenance of the airport facility.

	Meanwhile, the Landport Operation segment operates a multimodal transport terminal, as well as commercial leasing properties – office and retail areas – within PITX.
Reporting Period	January 1 to December 31, 2021
Highest Ranking Person responsible for this report	Edgar B. Saavedra, Chairman and Chief Executive Officer

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

Materiality Process

Megawide rolled out their Sustainability Policy Framework in 2018, anchored on three pillars: Environmental Stewardship, Good Governance, and Social Responsibility. The company's strategic business units take guidance and direction from this policy and align their projects and programs with these sustainability goals.

Megawide abides by the sustainability reporting requirements of the Security and Exchange Commission (SEC), as well as the reporting principles of the GRI Standards. They report on critical topics (high and medium) that are most relevant to their business and stakeholders.

To determine these topics, they conducted a materiality assessment in 2018, which included an engagement process with internal and external stakeholders to understand their issues and concerns. For 2021, Megawide did a review of stakeholder concerns with their business units to understand the specific issues raised during the period covered. With that, topics that were covered in the previous year have been considered as material for 2021 as well.

Alignment of Material Topics to GRI Standards and UN SDGs

Criticality	Material Topic	Relevant GRI Standard	Contribution to SDGs
High	Pandemic	GRI 403: Occupational Health and Safety GRI 416: Customer Health and Safety	SDG 3: Good Health and Well-being SDG 8: Decent Work and Economic Growth
High	Employee Welfare and Well-being	GRI 403: Occupational Health and Safety GRI 401: Employment GRI 404: Trainings	SDG 3: Good Health and Well-being SDG 8: Decent Work and Economic Growth
High	Shareholder Confidence	GRI 201: Economic Performance	SDG 16: Peace, Justice,

		GRI 102-40 to 102-44: Stakeholder Engagement	and Strong Institutions
High	Health and Safety	GRI 403: Occupational Health and Safety	SDG 3: Good Health and Well-being SDG 8: Decent Work and Economic Growth
High	Corruption/Fraud	GRI 205: Anti-corruption	SDG 16: Peace, Justice and Strong Institutions
High	Ethical Business Operations	GRI 206: Anti-corruption GRI 307: Environmental Compliance GRI 419: Socioeconomic Compliance	SDG 16: Peace, Justice and Strong Institutions
High	Customer Satisfaction	GRI 416: Customer Health and Safety	SDG 16: Peace, Justice and Strong Institutions
High	Employee Training and Competency	GRI 404: Trainings	SDG 8: Decent Work and Economic Growth
High	Innovation in Operations/ Products & Services	GRI 102-2: Activities, brands, products, and services	SDG 9: Industry, Innovation, and Infrastructure
Medium	Product Quality and Responsibility	GRI 102-2: Activities, brands, products, and services GRI 307: Environmental Compliance GRI 308: Supplier Environmental Assessment GRI 414: Supplier Social Assessment GRI 416: Customer Health and Safety GRI 419: Socioeconomic Compliance	SDG 12: Responsible Consumption and Production SDG 16: Peace, Justice and Strong Institutions
Medium	Financial Sustainability/ Profitability	GRI 201: Economic Performance	SDG 1: No Poverty SDG 8: Decent Work and Economic Growth

Medium	Information Security/Data Privacy	GRI 418: Customer Privacy	SDG 16: Peace, Justice and Strong Institutions
Medium	Local Sourcing/Procurement	GRI 102-9: Supply chain GRI 204: Procurement Practices	SDG 12: Responsible Consumption and Production
Medium	Human Rights (Child Labor /Forced Labor/ Discrimination)	GRI 408: Child Labor GRI 409: Forced or Compulsory Labor GRI 411: Rights of Indigenous Peoples GRI 412: Human Rights Assessment	SDG 10: Reduced Inequalities
Medium	Employee Turnover, Attrition, and Retention	GRI 401: Employment GRI 402: Labor/Management Relations	SDG 1: No Poverty SDG 8: Decent Work and Economic Growth
Medium	Energy Management/Efficiency	GRI 302: Energy GRI 305: Emissions	SDG 7: Affordable and Clean Energy
Medium	Impact on Community/Contribution to Society	GRI 203: Indirect Economic Impacts GRI 413: Local Communities	SDG 10: Reduced Inequalities
Medium	GHG Emissions/Climate Change	GRI 305: Emissions	SDG 13: Climate Action
Medium	Waste Disposal and Recycling	GRI 306: Effluents and Waste	SDG 11: Sustainable Cities and Communities SDG 12: Responsible Consumption and Production
Medium	Water Consumption	GRI 303: Water and Effluents GRI 306: Effluents and Waste	SDG 6: Clean Water and Sanitation
Medium	Impact on Biodiversity	GRI 304: Biodiversity	SDG 13: Climate Action SDG 14: Life Below Water SDG 15: Life on Land

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	15,643,971,114.00	PhP
Direct economic value distributed:	14,611,660,244.44	
a. Operating costs	10,152,945,566.00	PhP
b. Employee wages and benefits	1,832,333,609.00	PhP
c. Payments to suppliers, other operating costs	1,559,364,805.00	Php
d. Dividends given to stockholders and interest payments to loan providers	505,629,428.00	PhP
e. Taxes given to government	500,509,027.00	PhP
f. Investments to community (e.g. donations, CSR)	60,877,809.44	PhP

Megawide's Management Approach for Economic Performance

A strong economic performance provides Megawide with the resources to ensure long-term enterprise sustainability. It also enables the company to pursue and fund a broader and more inclusive social and environmental sustainability program. Having a robust economic performance boosts the value chain and facilitates a healthy wealth distribution across the company. Megawide mostly encounters external risks which affect the conduct of the business thus it can impact its economic performance. Necessary risk mitigation measures are implemented despite external factors being largely beyond the company's control.

Guided by their vision and mission, Megawide pursues a long-term and sustainable growth agenda. These objectives are translated and measured through Key Result Areas (KRAs), which are developed from the bottom up. These KRAs not only serve as the financial and operational targets on an annual basis, but also provide the basis for performance evaluation of each employee and the company as a whole. Megawide has various grievance mechanisms in place such as Whistle-Blowing Policy and institutionalized internal programs (S.A.P.A.K). These mechanisms encourage anonymous reporting of perceived anomalies and irregularities, which are then subject to investigation.

Management regularly assesses company accomplishments with reference to their long-term roadmap. This is done through the KRAs or balance scorecard that is agreed upon by all members of the company. This sets the benchmark for measuring how effective each one is in achieving the individual and shared goals. The results are then collected and form part of the planning process for the succeeding year. Areas for improvement and other growth opportunities to further strengthen long-term economic performance are also considered after reviewing the results.

Procurement Practices

Proportion of spending on local suppliers

Disclosure	HoldCo	BU	EPC	MWMTI	GMCAC
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers (%)	N/A	90	85	100	90

Megawide's Management Approach for Procurement Practices

Megawide adopts a local procurement strategy and engages with vendors, suppliers, and subcontractors within their project sites to boost the indigenous economy and contribute to nation-building. This allows for easier communication and enables an efficient evaluation of supplier accreditation credentials versus actual capacities. It also ensures on-time and quality delivery as well as facilitates the payment method. Moreover, working with local suppliers allows the company to conduct plant visits and background checks to validate suppliers' compliance with standards and regulations as well as their minimum financial capacity. Engaging with homegrown businesses also helps establish prioritization and strengthen the local supply chain.

To mitigate risks such as price volatility and supply availability, the Procurement Team partners with various suppliers to ensure price equity and broader sourcing scope. Local traders also deal with foreign counterparties for imported items, which can cause longer lead times and higher costs. In response, the Procurement Department establishes direct sourcing agreements with authorized distributors, importers, and manufacturers to secure the most favorable terms and deals.

BU

Challenges experienced in terms of the supply and demand of raw materials include price increases and delivery delays. The supply chain of Megawide continuously engages with suppliers who can support the demand and are located within the radius of site locations. The BUs enter partnerships and contract agreements with local suppliers to lock in the prices and to secure supplies that will readily be available to them. Management evaluates whether they are successful in managing this topic by assessing if there have been any shortages in suppliers for all BUs.

GMCAC

GMCAC's airport operations tap locals to ensure on-time and high-quality delivery of products and services. Strong business partnerships with suppliers facilitate the entire procurement process, from ordering, production planning, to maintenance scheduling. These are essential in achieving an efficient working relationship with partners to ensure that product and service requirements are always met.

Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure	MCC	MWMTI	GMCAC
Percentage of directors to whom the organization's anti-corruption policies and procedures have been communicated to	100	100	100
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	100	100
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	100	100
Percentage of directors and management that have received anti-corruption training	100	100	100
Percentage of employees that have received anti-corruption training	100	100	100

Incidents of Corruption

Disclosure	MCC
Number of incidents in which directors were removed or disciplined for corruption	0
Number of incidents in which employees were dismissed or disciplined for corruption	0
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0
Public legal cases regarding corruption brought against the organization or its employees during the reporting period and the outcome of such cases	1*

*On 05 November 2021, the following Directors and Officers of Megawide Construction Corporation, in their capacity as Directors of GMR Megawide Cebu Airport Corporation, received a Joint Resolution of the Office of the Ombudsman (the "Resolution"):

a. Mr. Manuel Louie B. Ferrer – Executive Director, Infrastructure Development and Chief Corporate Affairs and Branding Officer of Megawide;

- b. Mr. Jez G. Dela Cruz – AVP-Corporate Finance and Planning of Megawide;
- c. Mr. Edgar B. Saavedra - President and CEO of Megawide; and
- d. Mr. Oliver Y. Tan - Director of Megawide.

(the “Megawide Respondents”)

The Resolution, issued on 20 July 2021, found probable cause against Steve Y. Dicdican (“Public Respondent”), Manuel Louie B. Ferrer, Edgar B. Saavedra, Oliver Y. Tan, Jez Dela Cruz, Srinivas Bommidala, P. Sripathy, Vivek Singhai, Andrew Acquaaah-Harrison, Ravi Bhatnagar, Ravishankar Saravu, Michael Lenane, Sudarshan MD, Kumar Gaurav, Magesh Nambiar, and Rajesh Mandan (“Private Respondents”) (collectively, the "Respondents"), who all allegedly acted in conspiracy with one another, for violation of Section 3(e) of Republic Act No. 3019 or the Anti-Graft and Corrupt Practices Act. The Respondents allegedly acted with a common purpose and intention to allow foreign nationals to perform executive functions, particularly to manage and operate the Mactan Cebu International Airport in violation of the Anti-Dummy Law.

Prior to receiving the Resolution, none of the Private Respondents obtained or received any subpoena or order from the Office of the Ombudsman directing the submission of their respective counter-affidavits. As a result, the Private Respondents were not given the opportunity to present their defenses and participate in the preliminary investigation.

Subsequently, the Megawide Respondents filed a Petition for Review with the Department of Justice assailing the finding of probable cause.

Megawide, its Directors, and Officers maintain that they exercise good corporate governance and adhere to all applicable laws, rules, and regulations in all its dealings.

Megawide’s Management Approach for Anti-corruption

As a publicly-listed Company, Megawide acknowledges their responsibility to comply with relevant laws and regulations. As such, they adopt and are guided by the highest legal, ethical, and moral standards. Megawide is committed to promoting a strong culture of ethics, compliance, and enforcement across its operations. In compliance with its Manual on Corporate Governance, the Board of Directors has instituted various policies against corruption where it is consistently stated that it does not condone dishonest, unethical, or unprofessional behavior regardless of the level of authority of the other individual. Any violations or suspected violations shall be reported to the Compliance Officer, Chief Human Resources Officer, or Chief Audit Executive.

The nature of the business involves transactions with third party organizations which may or may not be tracked accordingly by Megawide, despite diligent measures in place. This elevates the exposure of Megawide to any suspicious activity related to corruption and similar to such that is considered to be unacceptable. In this regard, on 3 April 2019, Megawide implemented a Code of Conduct and Ethical Standards for Suppliers to guide third parties on the standards, virtues, and values they must uphold and practice in all their dealings with Megawide. Furthermore, Megawide endeavors to regularly conduct orientation seminars for its directors, senior management, and employees where the Manual on Corporate

Governance, Code of Business Conduct and Ethics, Employee Code of Discipline, and Code of Conduct and Ethical Standards for Suppliers, Whistleblowing Policy, and Anti-Fraud Policy are discussed and explained thoroughly. Such directors, officers, and employees have also been informed that the said codes are accessible through Megawide's website.

As provided in Megawide's Code of Business Conduct and Ethics, the acceptance of kickbacks or secret commissions from contractors, suppliers, and other service providers is strictly prohibited; and a breach of this rule may result in termination of professional relationship and/or termination of employment with Megawide, as well as prosecution of criminal cases arising therefrom to the fullest extent of the law. Megawide's Code of Business Conduct and Ethics, Employee Code of Discipline, Code of Conduct and Ethical Standards for Suppliers, Whistleblowing Policy, Anti-Fraud Policy, and other relevant rules and regulations provide for the clear and stringent policies on curbing and penalizing employee involvement in offering, paying, and receiving bribes. Furthermore, Megawide's Whistleblowing Policy and Anti-Fraud Policy establish the guidelines, procedures, and controls that will facilitate the prevention, detection, reporting, investigation, and punishment of all fraudulent activities within the organization.

For EPC and BUs, concerned parties who suspect the occurrence of any fraudulent activity within the Company must immediately report this following the policies and procedures of the Company. These include reporting the matter to the Internal Audit Department, Legal Department, Human Resources Department, and/or through the Whistleblowing Policy and Sumbong Anomalya Para sa Kompanya (SAPAK) campaign of the Company. All fraudulent activities reported that could affect the Company's financial statements shall be coordinated by the Chief Audit Executive with the Chief Finance Officer and Compliance Officer, who shall refer the matter to the appropriate Board Committees.

In compliance with Megawide Code of Business Conduct and Ethics, all supervisors, managers, officers, directors, and employees of Megawide that have any form of control in directing the business operations of Megawide, or deal directly with suppliers and contractors, are required to fill out a Conflict of Interest Disclosure Form before hiring and at least annually (or as often as necessary when there is a need to disclose certain conflicts of interest) to help Megawide identify and resolve conflicts of interest within the organization.

Megawide strives to continue developing and maintaining a culture of outstanding corporate governance and accountability to avoid incidents of corruption. It is firmly committed to conduct its business with the highest ideals of integrity and ethical and moral value; and to strictly comply with all applicable laws and regulations. The Manual on Corporate Governance, Code of Business Conduct and Ethics, Employee Code of Discipline, and Code of Conduct and Ethical Standards for Supplier, Whistleblowing Policy, and Anti-Fraud Policy are regularly promoted and enforced consistently throughout the organization.

In addition, Megawide endeavors to further strengthen compliance with the Code of Corporate Governance of the Securities and Exchange Commission (SEC), and other applicable laws and regulations as well as develop initiatives to embed ethical behavior into the culture of the organization. It aims to further increase the awareness of all employees on the governance policies promulgated by the Board of Directors through periodic seminars and communications.

Finally, the Compliance Officer ensures that Megawide is in full compliance with all laws and regulations, including those that pertain to corporate governance, as well as professional standards, accepted business practices, and internal standards. Megawide operations also undergo in-depth assessments in the form of internal audits. The internal audit group periodically monitors compliance with the anti-corruption policies of Megawide and identifies the existence of potential and actual incidents of corruption.

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	MCC		MWMTI	GMCAC
	HoldCo	BU		
Renewable sources	N/A	N/A	N/A	565,779.04
Gasoline	N/A	N/A	N/A	N/A
LPG (GJ)	N/A	323.16	N/A	N/A
Diesel (GJ)	N/A	2,184.91	N/A	N/A
Electricity (kWh)	331,609.00	2,305,668.98	21,575,564.10	13,495,839.09

Disclosure	MCC				
	EPC				
	Head Office	NPL	West Side City A & C	UT5	Ascott
Diesel (GJ)	8.29	180.17	8,085.29	19.78	27.95
Electricity (kWh)	948,320	314,577	365,327	102,192	162,289

Disclosure	MCC				
	EPC				
	CGC	MCRP	TEG	Plumera	Carbon Market
Diesel (GJ)	74.00	35,809.71	321.73	65.92	0
Electricity (kWh)	29,738	579,010	82,525	42,752	0

Disclosure	MCC				
	EPC				
	Mandani	Gentry	Suncity B	UD-Tondo	Albany

Diesel (GJ)	280.53	759.42	39,124.97	101.05	388.42
Electricity (kWh)	3,743,240	635,410	837,120	931,543	200,310

Disclosure	MCC				
	EPC				
	WWP	IFC	UD-Cubao	UD-Ortigas	DD Tower
Diesel (GJ)	271.76	963.07	1,490.94	4,171.73	1,486.30
Electricity (kWh)	309,388	29,192	239,346	1,441,969	695,242

Disclosure	MCC				
	EPC				
	DD Meridian	Cornerhouse	Aglipay	Hive C & D	Hampton
Diesel (GJ)	93.10	224.46	385.37	242.69	0
Electricity (kWh)	172,705	333,029	83,071	287,572	223,764

Megawide's Management Approach for Energy Consumption

HoldCo

Power interruptions will disrupt business operations and result in delays. To mitigate this, the company ensures that their businesses are equipped with the necessary backup equipment and servers to ensure business continuity. For HoldCo office operations, they coordinate closely with the Santolan Town Plaza building administration to maintain the generator sets of the building, which are used for backup power. Electricity requirements were predetermined and considered in the decision-making on office equipment and backup power requirements. HoldCo also practices energy conservation by shutting down appliances and lights when not in use, especially lighting during daytime when natural light can be utilized.

BUs

For 2021, energy consumption for both the Taytay complex and head office building increased since operations went back to normal for all business units. Energy became more critical to the business units since there is always a need to hit the production target and supply the needs of the daily operations of each building. As part of the energy management in 2021, Facility Management Department (FMD) practiced energy conservation by turning-off appliances, lights, and other equipment when not in use. They also took the opportunity to use solar energy to power certain areas through the replacement of normal flood lights with solar-powered LED lights. FMD also started switching to LED for all their lights which resulted in a 75% completion of their targets.

BU Batching Plant has set a standard allowable range with regards to their energy usage to improve the operations and to contribute to the preservation of its environment. They use electricity as its main source and utilize a generator set as a backup source for emergency purposes. BU Batching Plant's energy consumption is based on its production output. They continue to adopt energy conservation by shutting down equipment, lights, and air conditioning units after office hours. Their generator set is only utilized in terms of power outage. BU Batching Plant ensures that their energy consumption is within the standard range through monthly monitoring.

EPC

In the MCC Head Office, certain efforts are made to monitor and manage energy usage as return-to-office is now mandated and most employees are now working on-site. Such efforts include imposing a schedule on air conditioning systems and elevators, reminding employees to turn off the lights and computers when not in use, and having a generator to back up energy supply that is tested monthly for at most 1 hour. Responsible energy usage is acknowledged as a responsibility to the environment by improving office practices. In 2021, there is almost a 15% increase in energy consumption compared to the 2020 energy consumption data. This was associated with more employees coming into the office versus 2020 which was the peak of the pandemic. Since COVID-19 regulations became much more lenient in 2021, offices were opened and employees used office facilities more. However, the company recognizes the need to implement bigger and more consistent efforts on energy consumption monitoring and management. More strategies would be developed in the coming years to improve energy management practices and to further reduce energy usage of the company as a commitment to climate change action.

In the Head Office, efforts for energy management are being imposed in different Megawide businesses. Efforts such as scheduling of usage of the air conditioning system, elevators, equipment, and lights are being implemented. Generator sets are also being used as a stand-by in case of power outage. The monitoring of energy consumption is done monthly.

MWMTI

MWMTI's energy consumption was still low in 2021, due to a decrease in the occupancy rate of the office towers caused by COVID-19 restrictions. In general, however, the Terminal adopts energy-efficient practices to manage its consumption. This includes the shift to LED lighting, using only 50% of lighting during non-peak and idle hours, and shutting down escalators and elevators at midnight. MWMTI also has generators on standby to ensure continuous operations, even during power interruptions.

GMCAC

GMCAC has significant energy requirements and recognizes the importance of monitoring and managing their energy usage to improve their operations, carry out their responsibility to the environment, and participate in the climate change agenda. In 2021, GMCAC continued to experience a decrease in energy consumption due to the consequences of the COVID-19 pandemic. For GMCAC, power costs through the local power utility in Cebu are quite high, which poses a risk to financial stability. This resulted in a strategy to source power through the open market for Terminals 1 and 2. For its part, GMCAC is moving towards expanding their use of renewable energy sources. In 2021, the company was able to reduce its energy consumption by 565,779.04 kWh due to the use of solar power. The partial utilization of renewable energy also enabled GMCAC to provide power to surrounding areas and stranded passengers at the airport even in the aftermath of Typhoon Odette last December 2021, when power was out.

Water consumption within the organization

Disclosure	MCC		MWMTI	GMCAC
	HoldCo	BU		
Water withdrawal (ML)	889	112.860	234.847	194.46
Water consumption (ML)	889	110.800	118.88	194.37
Water recycled and reused (cu.m)	0	9.198	N/A	N/A

Disclosure	MCC				
	EPC				
	Head Office	NPL	West Side City A & C	UT5	Ascott
Water withdrawal (ML)	5.48	9.96	41.78	4.16	9.64
Water consumption (ML)	5.48	9.96	41.78	4.16	9.64
Water recycled and reused (cu.m)	N/A	N/A	N/A	N/A	N/A

Disclosure	MCC				
	EPC				
	CGC	MCRP	TEG	Plumera	Carbon Market
Water withdrawal (ML)	7.43	51.96	11.79	3.22	0.20
Water consumption (ML)	7.43	51.96	11.79	3.22	0.20
Water recycled and reused (cu.m)	N/A	N/A	N/A	N/A	N/A

Disclosure	MCC				
	EPC				
	Mandani	Gentry	Suncity B	UD-Tondo	Albany
Water withdrawal (ML)	53.52	24.31	88.98	27.38	26.90
Water consumption (ML)	53.52	24.31	88.98	27.38	26.90
Water recycled and reused (cu.m)	N/A	N/A	N/A	N/A	N/A

Disclosure	MCC				
	EPC				
	WWP	IFC	UD-Cubao	UD-Ortigas	DD Tower
Water withdrawal (ML)	179.25	21.20	9.25	95.58	33.62
Water consumption (ML)	179.25	21.20	9.25	95.58	33.62
Water recycled and reused (cu.m)	N/A	N/A	N/A	N/A	N/A

Disclosure	MCC				
	EPC				
	DD Meridian	Cornerhouse	Aglipay	Hive C & D	Hampton
Water withdrawal (ML)	4.07	13.26	14.20	15.71	4.69
Water consumption (ML)	4.07	13.26	14.20	15.71	4.69
Water recycled and reused (cu.m)	N/A	N/A	N/A	N/A	N/A

Effluents

Disclosure	MCC		MWMTI	GMCAC	EPC
	HoldCo	BU			Head Office
Total volume of water discharges (ML)	This is handled by the building administration; Megawide is only a tenant.	2.06	115.97	N/A	1.67
Percent of wastewater recycled (%)	N/A	0.02	N/A	N/A	N/A

Megawide's Management Approach for Water and Effluents

Water is a basic resource utilized by all of Megawide's businesses, although they may have varying requirements. Managing water consumption is a priority given the frequency of water shortages in Metro Manila and other cities in the Philippines. Megawide sources water from third-party water concessionaires and does not operate any deep wells.

HoldCo and EPC

The water usage of HoldCo and EPC Head Office is primarily for domestic purposes, such as washing, cleaning, and maintenance. A regular and reliable water supply is necessary for these offices to ensure that employees are able to maintain a clean, safe, and healthy workplace. Water-efficient fixtures in washrooms, such as faucets with sensors, are installed to control water consumption and prevent wastage. HoldCo is a tenant in the Santolan Town Plaza, but Facilities Management monitors daily operations and coordinates with the building administrator to implement water supply and water quality initiatives. HoldCo also abides by the requirements set by the building administrator with respect to water use and management. The Santolan Town Plaza building also has a sewage treatment plant (STP), which treats all water discharge from the offices in the building. With that, management of water discharge-related data and impacts is within the scope of the landlord. As for EPC's project sites, water is a requirement both for construction and domestic use in the barracks, canteen, washrooms, and offices. Since EPC project sites utilize water primarily for cement mixing, there is minimal water discharge. Portlets used by the project sites are managed and maintained by the third-party provider. For the head office, FMD has rehabilitated their cooling tower which previously had a leakage problem, in order to lessen the water consumption of the building.

BUs

Water is an essential part of the operations of each business unit and the head office building. Each BU utilizes their water consumption in relation to their production rate which gradually increased in 2021 compared to 2020. Water comes from Manila Water and is one of the raw materials for the production of Precast and the

refurbishment of Formworks. It is also usually used in the daily operations of each office and other maintenance activities.

In Taytay, the Precast plant uses recycled water to maximize their resources for some activities. Water is later on discharged into a small creek leading to Laguna Lake. For water discharge, FMD ensures that this is in line with the standards set by the LLDA and the local government.

Similar to energy, the Batching Plant also sets a standard allowable range for water consumption to lessen negative impacts on the environment. Water is withdrawn from a water storage tank for the production of ready-mix concrete and domestic use. The BU recognizes that a high production target requires more water to be used thus lack of water may impact the business and slow down activities and services. The consumption of water by the Batching Plant may also affect the depletion of natural resources. To address this, the plant maximizes the usage of water by reusing or recycling water. They use recycled water for dedusting to attain minimal to zero water discharge which would contribute to the conservation of the environment. The Batching Plant also ensures that water consumption is monitored on a monthly basis. For water discharge, the Batching Plant follows the Water Effluent Standards for Class C Water Body according to DAO 2016-08 and as mandated by DENR and LLDA.

EPC

In the Head Office, water is primarily used for domestic purposes. STP is installed to treat effluents and is maintained regularly to comply with the standards set by the LLDA. Offices are required to provide a safe and regular water supply to its employees for a healthy working environment. Clean water is provided by a third-party. Facilities regularly monitor daily water supply and the third-party ensures that their effluents discharged into the city drainage of San Juan River are in line with the standard set by the regulatory bodies. The EPC Head Office sets goals towards the reduction of consumption, establishment of baseline data, and installation of water efficient faucets.

MWMTI

MWMTI uses water for its domestic and commercial use in washrooms, as well as for cleaning, landscaping, and maintenance activities. A water conservation strategy is in place to ensure the proper use of water and the reduction of wastewater. Water flow from sinks in the washrooms was monitored and adjusted from 15-second intervals to 5-second intervals to reduce water consumption. The Terminals have cistern tanks that are cleaned annually for both potable and non-potable water. These tanks are separate from the main water supply system to ascertain continuous water supply and prevent inconvenience to passengers and tenants. MWMTI is also exploring water-related opportunities such as optimizing water use in washrooms, adjusting water pressure for both potable and non-potable water systems, and implementing rainwater harvesting. An STP is located at the Terminals to treat wastewater before it is discharged to public drainage systems. In coordination with an accredited contractor, MWMTI monitors the volume and quality of effluents to prevent negative impacts on water bodies where water is discharged to.

GMCAC

Water is one of the basic necessities needed for a business to operate. It is withdrawn from MCIAA for Terminal 1 while water for Terminal 2 is supplied by Mactan Rock Industries. Water is mainly used for the following purposes: domestic, landscape, dust suppression, cooling tower, drinking fountain, and equipment washing. With the use of water comes the generation of wastewater which is discharged into the Mactan Channel after being treated at the Sewage Treatment Plant. GMCAC monitors its water consumption through internal metering. While the monitoring of water usage will help determine losses, part of the management directive is to combine the water source of both Terminals to maximize the better price supplied in Terminal 2. GMCAC also engages with its stakeholders through the implementation of Information and Education

Campaigns (IEC) on Water and Energy Conservation. In addition, management is exploring the use of recycled water or greywater from the MCIAA STP for landscaping as well as a cooling tower water replenishment. It is also looking into rainwater harvesting to further mitigate water-related impacts. MCIA Management handles the treatment and disposal of domestic wastewater and monthly monitoring of effluents is carried out to ensure that it is within the standards set by the DENR, with a conscious effort to minimize wastage and enhance recycling year in and year out.

Materials used by the organization

BU Batching Plant

Disclosure	Quantity	Units
Materials used by weight or volume		
Non-renewable		
- Cement	53,404	T
- Coarse aggregates	186,331	T
- Fine aggregates	171,557	T
- Water	25,320	T
- Fly ash (recycled material from Power Plants)	8,584	T
Percentage of recycled input materials used to manufacture the organization's primary products and services	1.93	%

*Data only contains materials for Batching Plant

EPC

Disclosure	Quantity	Units
Materials used by weight or volume		
Non-renewable		
- Gravel G-1	3,014.81	cu.m
	4,000	bags
- Gravel G-3/4	14,622	bags
- Gravel G-3/8	3,428	bags
- Gravel Base Coarse	1,502.173	cu.m
- White Sand	593.0912	cu.m

	284,118	bags
- Good Lumber	20,576	pcs
- Backer Rod	71,945	pcs
- Battery	282	pcs
- Panel Board	9	assy
	2	sets
- Construction Film	128	rolls
- Ready-mix concrete	5,328.5	
- Sheet Piles	475 pcs	pcs
- Smoke Detector	140 pcs	pcs
- Tile Spacer	23,045 pcs	pcs
- Emergency Lights	42 pcs	pcs
Percentage of recycled input materials used to manufacture the organization's primary products and services	N/A	%

Megawide's Management Approach for Materials

Megawide abides by both local and international standards, including the Philippine National Standards (PNS), American Society for Testing and Materials (ASTM), American National Standards Institute (ANSI), American Concrete Institute (ACI), Construction Specifications Institute (CSI), American Association of State Highway and Transportation Officials (AASHTO), and ISO standard on Quality, Environmental, Safety, and Health. The company enters partnership agreements with suppliers to help reduce the risk of price fluctuations, material shortage, and delays.

BUs

FMD focuses on providing facility management services to clients such as other business units and Megawide groups. Since the department provides services, the main resources utilized are office supplies and energy resources due to heavy use of computers and laptops. To be able to reduce the waste generation of the department, the following initiatives were implemented in 2021:

1. Gradual transition to digitalization to reduce office wastes
2. "Last one out switches off" policy to preserve energy

BU Batching Plant supplies only high quality and the right volume of ready-mix concrete to ensure that customers are happy and satisfied with their product and services. To ensure high quality product, the team

consistently carries out a routine quality check of raw materials to be used. All equipment in the Batching Plant is calibrated to ensure the accurate value of each raw material to be batched. Inspection and approval of raw materials is properly communicated with the Procurement and Supply Chain Department. To ensure that raw materials used in their production are within the standard specification of the product, there is an existing policy that the plant follows during the process of inspection and approval which is "*Approving of Raw Materials for Use in Concrete.*" The Procurement team is responsible for negotiating the pricing while the Quality Control Department is tasked to check the consistency of product quality. The Research and Development Department is responsible for conducting verification and validation. With this process, the Batching Plant is also able to ensure that anti-corruption and anti-bribery are being practiced. Since there is an existing policy for inspection and approval of raw materials, the responsible personnel ensure that all processes are documented properly and cascaded accordingly with all the concerned departments of BU Batching Plant. In addition, all end products are accepted by the client and there have been no recorded instances of failed testing.

EPC

Raw materials are sourced through trusted external providers in the construction industry, using a thorough selection process by the procurement team. Raw material inputs are primarily steel, cement, and aggregates. Suppliers are selected based on their quality, pricing, availability, and efficiency in delivering the raw materials. Delays are avoided as much as possible therefore establishing a partnership with different suppliers is a must as well as maintaining the quality of the products procured. Material testing is done by specialized laboratories to verify its compliance to the standards set by the authorities.

MWMTI and GMCAC

MWMTI and GMCAC mainly transact with local service providers and vendors for services such as maintenance, marketing, and other operations. Furthermore, both MWMTI and GMCAC encourage local partnering for raw materials sourcing, subject to vendor accreditation guidelines, to reduce handling costs, especially in light of volatile fuel prices, and to maintain efficient turnaround times.

Air Emissions

GHG

Disclosure	MCC		MWMTI	GMCAC
	HoldCo	BU		
Direct (Scope 1) GHG Emissions (Tonnes CO2e)	N/A	877.92	N/A	72.17
Energy indirect (Scope 2) GHG Emissions (Tonnes CO2e)	228.81	1,590.91	14,887.14	9,312.13
Emissions of ozone-depleting substances (ODS) (Tonnes CO2e)	N/A	N/A	N/A	Data unavailable

Disclosure	MCC				
	EPC				
	Head Office	NPL	West Side City A & C	UT5	Ascott
Direct (Scope 1) GHG Emissions (Tonnes CO2e)	0.17	3.64	163.32	0.40	0.56
Energy indirect (Scope 2) GHG Emissions (Tonnes CO2e)	654	217	252	71	112
Emissions of ozone- depleting substances (ODS) (Tonnes CO2e)	N/A	N/A	N/A	N/A	N/A

Disclosure	MCC				
	EPC				
	CGC	MCRP	TEG	Plumera	Carbon Market
Direct (Scope 1) GHG Emissions (Tonnes CO2e)	1.49	723.36	6.50	1.33	0
Energy indirect (Scope 2) GHG Emissions (Tonnes CO2e)	21	400	57	29	0
Emissions of ozone- depleting substances (ODS) (Tonnes CO2e)	N/A	N/A	N/A	N/A	N/A

Disclosure	MCC				
	EPC				
	Mandani	Gentry	Suncity B	UD-Tondo	Albany
Direct (Scope 1) GHG Emissions (Tonnes CO2e)	5.67	15.34	790.32	2.04	7.85
Energy indirect (Scope 2) GHG Emissions (Tonnes CO2e)	2,583	438	578	643	138
Emissions of ozone-depleting substances (ODS) (Tonnes CO2e)	N/A	N/A	N/A	N/A	N/A

Disclosure	MCC				
	EPC				
	WWP	IFC	UD-Cubao	UD-Ortigas	DD Tower
Direct (Scope 1) GHG Emissions (Tonnes CO2e)	5.49	19.45	30.11	84.27	30.02
Energy indirect (Scope 2) GHG Emissions (Tonnes CO2e)	213	20	165	995	480
Emissions of ozone-depleting substances (ODS) (Tonnes CO2e)	N/A	N/A	N/A	N/A	N/A

Disclosure	MCC				
	EPC				
	DD Meridian	Cornerhouse	Aglipay	Hive C & D	Hampton
Direct (Scope 1) GHG Emissions (Tonnes CO2e)	1.88	4.53	7.78	4.90	0
Energy indirect (Scope 2) GHG Emissions (Tonnes CO2e)	119	230	57	198	154
Emissions of ozone-depleting substances (ODS) (Tonnes CO2e)	N/A	N/A	N/A	N/A	N/A

Air pollutants

Disclosure	MCC		MWMTI	GMCAC
	BU	EPC		
NOx	Data unavailable	Data unavailable	Data unavailable	0.23 ug/Ncm
SOx	Data unavailable	Data unavailable	Data unavailable	<0.02 ug/Ncm
Persistent organic pollutants (POPs)	Data unavailable	Data unavailable	Data unavailable	N/A
Volatile organic compounds (VOCs)	Data unavailable	Data unavailable	Data unavailable	N/A
Hazardous air pollutants (HAPs)	Data unavailable	Data unavailable	Data unavailable	N/A
Particulate matter (PM)	Data unavailable	Data unavailable	Data unavailable	3.00 mg/Ncm

Megawide's Management Approach for Air Emissions

Megawide seeks to manage emissions associated with their operations and acknowledges their responsibility to comply with national environmental standards and regulations governing air emissions.

At present, HoldCo, EPC, and MWM Terminals do not have a testing device to monitor emissions.

BUs

Since the Batching Plant is involved in the manufacturing of ready-mix concrete which imminently generates emissions, they ensure that the plant complies with the government standards surrounding the national air emission policy. Any failure to comply may result in DENR-EMB monetary penalties and the stoppage of their daily operations until compliance is ensured. To manage emissions, the plant minimizes the use of generator sets which produce high volumes of air pollutants. The generator sets are only used during the installation of the plant. Safety Officers regularly monitor air emissions and report to Maintenance for the immediate action of unusual or high emissions by replacing damaged silo filters. The plant also ensures that new Pollution Control Officers (PCOs) are properly trained so that they can effectively carry out quarterly monitoring reports and secure all necessary environmental permits from the DENR-EMB for the following year. To evaluate whether they are successful in managing this topic, the Maintenance team conducts a regular inspection of silos and the Safety Officer accomplishes an internal audit of the plant's air emissions.

EPC

At present, EPC has no testing device to monitor emissions.

MWMTI

MWMTI conducted an Emission Testing for the Air Pollution Sources Installations (Generator Sets) 2021 to have an overview of the company's environmental impact in terms of air pollutant emission. Results have shown that the facility is able to pass the criteria and parameters of the testing. This was done by a third-party vendor specialized in Air Emission Testing for all kinds of equipment.

GMCAC

There are several sources that contribute to carbon emissions in GMCAC as such it is imperative for the company to acknowledge and comply with the national regulations governing air emissions. The level of carbon footprint emitted remains a challenge to GMCAC. For GMCAC, the number of flights that pass through the airport influences emissions and noise pollution levels. GMCAC has an approved Environmental Management Plan, which provides for the monitoring of ambient air quality and noise quality in specific areas surrounding the airport complex. This is in line with the requirements of the Philippine Clean Air Act (RA 8749).

GMCAC conducts Ambient Air Quality monitoring in six areas, while Noise Quality Monitoring is implemented in four areas surrounding the airport:

Ambient Air Quality Monitoring Sites	Noise Quality Monitoring Sites

Carbo Bay Area (MCIA Gate)	STEC – Science & Technology Education Center
Bangkal Brgy. Hall	St. Augustine International School
STEC – Science & Technology Education Center	MCIAA General Aviation Building
Pusok National High school	Carmelite EMD Foundation School
Terminal 1 and 2 Ramp area	

GMCAC's motorized ground support equipment (GSEs) are also tested for hydrocarbon emissions to reduce pollution. GMCAC also recognizes its responsibility to inform nearby communities about emissions and their effects, as well as provide them with updates on how GMCAC is managing its emissions.

Solid and Hazardous Wastes

Solid Waste

Disclosure	MCC		MWMTI	GMCAC
	HoldCo	BU*		
Total solid waste				
- Preparation for reuse (T)	N/A	N/A	N/A	N/A
- Recycling (T)	N/A	264,760	0.12	N/A
- Incineration (T)	N/A	N/A	N/A	N/A
- Landfilling (T)	N/A	2,856,054	1,113,670	363.40
- Other recovery operations (T)	N/A	N/A	N/A	N/A
- Other disposal operations (T)	0.607	12.06	N/A	N/A

**Data includes FMD and Batching Plant only*

Disclosure	MCC				
	EPC				
	Head Office	NPL	West Side City A & C	UT5	Ascott
Total solid waste					
- Preparation for reuse (T)	N/A	N/A	N/A	N/A	N/A

- Recycling (T)	N/A	45.26	179	37.90	48.22
- Incineration (T)	N/A	N/A	N/A	N/A	N/A
- Landfilling (T)	5.6	204 truckloads	178	294.37 T, 32 truckloads	53
- Other recovery operations (T)	16.21	N/A	N/A	N/A	N/A
- Other disposal operations (T)	1.97	N/A	N/A	N/A	N/A

Disclosure	MCC				
	EPC				
	CGC	MCRP	TEG	Plumera	Carbon Market
Total solid waste					
- Preparation for reuse (T)	N/A	N/A	N/A	N/A	N/A
- Recycling (T)	0	8.5	80.63 T, 8 truckloads	0	29.16
- Incineration (T)	N/A	N/A	N/A	N/A	N/A
- Landfilling (T)	0	95.36	1,000	11.6	57.27
- Other recovery operations (T)	N/A	N/A	N/A	N/A	N/A
- Other disposal operations (T)	N/A	N/A	N/A	N/A	N/A

Disclosure	MCC				
	EPC				
	Mandani	Gentry	Suncity B	UD-Tondo	Albany
Total solid waste					
- Preparation for reuse (T)	N/A	N/A	N/A	N/A	N/A
- Recycling (T)	461.48	51.67 T,	508.37	210	6.67 T,

		11 truckloads			6 truckload wood
- Incineration (T)	N/A	N/A	N/A	N/A	N/A
- Landfilling (T)	1,804.76	729	128.43	3,271	2,196
- Other recovery operations (T)	N/A	N/A	N/A	N/A	N/A
- Other disposal operations (T)	N/A	N/A	N/A	N/A	N/A

Disclosure	MCC				
	EPC				
	WWP	IFC	UD-Cubao	UD-Ortigas	DD Tower
Total solid waste					
- Preparation for reuse (T)	N/A	N/A	N/A	N/A	N/A
- Recycling (T)	40.24	94.86	56.51	93.6	131.06 T, 22 truckloads
- Incineration (T)	N/A	N/A	N/A	N/A	N/A
- Landfilling (T)	16.43	81	685.65	4,109	913.5
- Other recovery operations (T)	N/A	N/A	N/A	N/A	N/A
- Other disposal operations (T)	N/A	N/A	N/A	N/A	N/A

Disclosure	MCC				
	EPC				
	DD Meridian	Cornerhouse	Aglipay	Hive C & D	Hampton
Total solid waste					
- Preparation for reuse (T)	N/A	N/A	N/A	N/A	N/A
- Recycling (T)	30.44	34.53	16.66	49.08	91.26

- Incineration (T)	N/A	N/A	N/A	N/A	N/A
- Landfilling (T)	23.71	2,675	0	2,006	956
- Other recovery operations (T)	N/A	N/A	N/A	N/A	N/A
- Other disposal operations (T)	N/A	N/A	N/A	N/A	N/A

Hazardous Waste

Disclosure	MCC		MWMTI	GMCAC
	BU*	EPC		
Total hazardous waste				
- Preparation for reuse (T)	N/A	N/A	1.26	N/A
- Recycling (T)	8,810	N/A	N/A	N/A
- Incineration (T)	N/A	N/A	N/A	N/A
- Landfilling (T)	N/A	N/A	N/A	N/A
- Other recovery operations (T)	N/A	N/A	N/A	N/A
- Other disposal operations (T)	1,367.3	1.97	N/A	N/A

**Data includes FMD and Batching Plant only*

Megawide's Management Approach for Solid and Hazardous Wastes

Megawide's compliance is monitored by relevant regulatory agencies, including the DENR and Laguna Lake Development Authority (LLDA). The company engages with accredited third-party contractors to haul and dispose of their solid and hazardous waste.

HoldCo

For HoldCo, solid waste is generated primarily by office activities. Bins are provided for proper waste segregation in the common office and meeting rooms. As part of the arrangement with the building administration, waste is disposed of in the building's MRF. Hazardous waste generated by HoldCo is transferred to the EPC Head Office for handling by the DENR-accredited and contracted third-party hauler.

BUs

Being a part of Megawide, the Batching Plant has the commitment to ensure an environmentally friendly work area. The plant ensures that no mixed concrete waste will be disposed directly to the environment by using a reclaimer or settling pond and availing the services of an accredited hauler. Failure to do so may result in environmental and sanitation issues and penalties. Solid waste generated by the Batching Plant is picked

up by the same DENR-accredited contractors who also deliver the raw materials, resulting in significant disposal cost savings. The plant carefully monitors concrete waste to minimize losses and takes measures to recycle concrete waste by diverting it to other project sites, making beton blocks, or discharging the waste to the settling pond. The plant also ensures that there are assigned Pollution Control Officers for all plants to monitor waste segregation in coordination with Safety Officers on site. For domestic waste, they dispose of this to the Materials Recovery Facility of the project site. In the Taytay Industrial Complex, the Precast Plant generates the most waste, although the actual amounts fluctuate depending on their production levels. Some precast waste is recyclable while the accumulated scraps are scheduled for hauling. For Styrofoam waste, this is crushed into smaller pieces and collected weekly by a third-party contractor, CEMEX. The Precast Plant also has a temporary MRF for the storage and segregation of waste prior to disposal. All BUs strictly implement a “no proper segregation, no collection” policy to promote the separation of residual and recyclable waste. Plastic bottles are handled by a separate collector.

EPC

In the EPC Head Office, efforts in waste segregation are duly implemented to maximize material usability that would aid in EPC’s commitment to climate change action. Waste, when not properly segregated, may cause harmful effects to the employees or to the utilities handling it. For example, pest infestation may occur when food wastes are not properly disposed of. Land pollution is also a possible impact when waste is not properly managed. Proper waste segregation was disseminated to the employees by providing the appropriate trash bins for different kinds of waste. Information containing photos on waste types were also attached to these trash bins. In addition to waste segregation, EPC also promotes the non-usage of single use plastics which could reduce the amount of waste directed to the landfill. Furthermore, a Material Recovery Facility (MRF) is established to further segregate waste. Waste and scraps are hauled by the local government with proper arrangements. Third-party haulers are audited and waste is monitored daily. Waste management procedures are also being disseminated to project sites by conducting an online training or seminar.

Megawide, as a whole, practices and implements proper solid waste management and disposal in compliance with the standard imposed by the regulatory bodies such as Department of Environment and Natural Resources (DENR), Laguna Lake Development Authority (LLDA), and Department of Labor and Employment (DOLE). The company always makes sure that every activity that they engage in with regards to solid waste management is in line with the standards imposed. The company partners up with accredited third-party waste haulers for disposal and the submission of appropriate documents to the regulatory bodies.

MWMTI

The volume of passengers and tenants in the facility influences the amount of waste generated at the Terminals. In compliance with national laws, the Terminals operate an MRF and have made plans to expand the capacity of the MRF. This would allow them to accommodate the increased volume of waste generated in the facility. MWMTI handles residual wastes, as well as food waste from tenants belonging to the food industry. Food waste management is enhanced through daily inspection and close monitoring of food service tenants to ensure that such wastes are properly handled and disposed of.

GMCAC

Continuous generation of waste contributes to land and water pollution which remains to be a challenge in the airport. As such, GMCAC is obliged to abide by the relevant government regulations on solid and

hazardous waste management and disposal. GMCAC extends this environmental responsibility to their stakeholders and concessionaires through a Management Information Notice (MIN) which allows the company to work with its partners to manage solid waste and ensure compliance with regulations. Infographics are also disseminated throughout the company to communicate the different ways on how the generation of waste can be minimized. An accredited contractor is tasked to haul solid waste generated by the terminal, as well as waste from the aircraft.

Waste is segregated at source to reduce the amount disposed of in landfills. A Central Waste Storage Facility is established as a temporary holding area of the collected wastes prior to final disposal. Moreover, hazardous waste is handled by an accredited transporter and treater who works in accordance with the DENR-Environmental Management Bureau (EMB) guidelines.

In terms of hauling and treating solid and hazardous waste, the management continued to partner with the ABS-CBN Bantay Langis Program for the treatment and disposal of used cooking oil. GMCAC is also exploring the implementation of a no-plastic policy, recognizing the negative impact of plastics on the environment. It is also looking into improving the process of waste segregation at MRFs. GMCAC already enforces a no single-use plastic policy for all employees in order to minimize plastic waste. Furthermore, the company plans to develop communication materials and organize seminars to communicate the best practices in waste management.

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	MCC	MWMTI	GMCAC
Total amount of monetary fines for non-compliance with environmental laws and/or regulations (Php)	0	0	0
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations (#)	0	0	0
No. of cases resolved through dispute resolution mechanism (#)	0	0	0

Megawide's Management Approach for Environmental Compliance

HoldCo

Megawide aligns their operations with Philippine environmental laws, rules, and regulations, as well as international benchmarks and standards. They aim to uphold full compliance to set the bar for Philippine industry practice that can meet first-world standards. The compliance team of the company tracks these requirements to monitor and ensure that these are constantly updated. The same team is also in charge of keeping an eye out for any new environmental regulations that may be applicable to their businesses. In 2021, Megawide launched its Regulatory Requirements Electronic Management and Monitoring System,

which contributed to a significant improvement in the company's compliance with applicable legal and regulatory requirements. The diligent monitoring of permit renewals and applications ahead of stipulated dates and deadlines resulted in a reduction of penalties from PhP 1,943,956.00 in 2019 to PhP 0.00 in 2020.

BUs

Since the Batching Plant is involved in the manufacturing of ready-mix concrete where emissions and wastewater are a part of their daily operation, they ensure that they are compliant with government environmental regulations and standards. Any failure to comply may result in monetary penalties and the possible suspension of business activities. As part of compliance with environmental regulations, specifically for air emissions and water discharge, the Management Department ensures that all BUs have a registered Pollution Control Officer and Managing Head that will understand the environmental standards through the necessary training. The Admin Department together with the Health & Safety Department monitors the compliance of the BUs to environmental standards by conducting internal audits.

EPC

Ensuring compliance to environmental rules and standards imposed by the government can help the company by having a good standing with the regulatory bodies and avoiding fines and penalties that may be imposed for non-compliance. Conditions in every permit secured for environmental compliance are being met continually. Operations are aligned mainly and with high regards to the five main environmental laws imposed in the Philippines, namely, RA 9275 (Philippine Clean Water Act), RA 8749 (Philippine Clean Air Act), RA 9003 (Ecological Solid Waste Management Act), RA 6969 (Toxic Substance and Hazardous and Nuclear Waste Control Act), and PD 1586 (Philippine Environmental Impact Statement System). Compliance is monitored regularly and periodically depending on the requirement. Compliance to these regulations are also being improved periodically to keep up with updated standards.

GMCAC

With the release of ECC to GMCAC, conditions were also set by DENR for the compliance of GMCAC. Reporting of compliance and monitoring is to be submitted to DENR-EMB to ensure that environmental management plans and activities by GMCAC are in line with the environmental regulations set upon by the government. Valid permits are secured and the company diligently reports to the DENR quarterly for SMR and semi-annually for CMR.

SOCIAL

Employee Management

Employee data

Disclosure	MCC			MWMTI*	GMCAC
	HoldCo	BU	EPC		
Total number of employees ¹	122	247	2415	58	185
a. Number of female employees	64	45	496	31	81
b. Number of male employees	58	202	1919	27	104
Attrition rate ²	0.22	0.24	1.26	0.13	39.94
Ratio of lowest paid employee against minimum wage	1:1	0:1	0	4:0	Not applicable

*MWMTI also outsourced 242 workers

Employee benefits

HoldCo			
List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
Life insurance	Y	0%	0%
SSS	Y	12%	5%
PhilHealth	Y	12%	7%
Pag-ibig	Y	0%	0%
Parental leaves	Y	2%	2%
Vacation leaves	Y	81%	77%
Sick leaves	Y	33%	30%
Medical benefits (aside from PhilHealth)	Y	88%	89%
Housing assistance (aside from Pag-ibig)	N	0%	

¹ Employees are individuals who are in an employment relationship with the organization, according to national law or its application ([GRI Standards 2016 Glossary](#))

² Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

Retirement fund (aside from SSS)	Y	0%	0%
Further education support	N	0%	0%
Company stock options	N	0%	0%
Telecommuting	N	0%	0%
Flexible-working Hours	N	0%	0%
(Others)			

BU			
List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
Life insurance	Y	0%	0%
SSS	Y	2%	7%
PhilHealth	Y	0%	2%
Pag-ibig	Y	0%	23%
Parental leaves	Y	4%	1%
Vacation leaves	Y	4%	41%
Sick leaves	Y	7%	26%
Medical benefits (aside from PhilHealth)	Y	0%	22%
Housing assistance (aside from Pag-ibig)	N	0%	0%
Retirement fund (aside from SSS)	N	0%	0%
Further education support	N	0%	0%
Company stock options	N	0%	0%
Telecommuting	N	0%	0%
Flexible-working Hours	N	0%	0%
(Others)			

EPC (Project Sites)			
List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
Life insurance	Y	100%	100%
SSS	Y	6.04%	6.90%
PhilHealth	Y	1.01%	0.36%
Pag-ibig	Y	0.40%	0.15%
Parental leaves	Y	2.42%	5.58%
Vacation leaves	Y	6.02%	49.10%
Sick leaves	Y	16.57%	21.39%
Medical benefits (aside from PhilHealth)	Y	64.5%	51.9%
Housing assistance (aside from Pag-ibig)	N	0%	0%
Retirement fund (aside from SSS)	Y	0%	0%
Further education support	N	0%	0%
Company stock options	N	0%	0%
Telecommuting	N	0%	0%
Flexible-working Hours	N	0%	0%
(Others)			

MWMTI			
List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
Life insurance	Y	0%	0%
SSS	Y	52%	33%
PhilHealth	Y	6%	0%

Pag-ibig	Y	6%	6%
Parental leaves	Y	6%	0%
Vacation leaves	Y	58%	63%
Sick leaves	Y	39%	52%
Medical benefits (aside from PhilHealth)	Y	84%	78%
Housing assistance (aside from Pag-ibig)	N	0%	0%
Retirement fund (aside from SSS)	N	0%	0%
Further education support	N	0%	0%
Company stock options	N	0%	0%
Telecommuting	Y	58%	56%
Flexible-working Hours	Y	100%	100%
(Others)			

GMCAC			
List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
Life insurance	Y	0%	1.62%
SSS	Y	100%	100%
PhilHealth	Y	100%	100%
Pag-ibig	Y	100%	100%
Parental leaves	Y	0%	1.62%
Vacation leaves	Y	100%	100%
Sick leaves	Y	100%	100%
Medical benefits (aside from PhilHealth)	Y	100%	100%
Housing assistance (aside from Pag-ibig)	N	0%	0%

Retirement fund (aside from SSS)	Y	0%	0%
Further education support	N	0%	0%
Company stock options	N	0%	0%
Telecommuting	N	0%	0%
Flexible-working Hours	Y	100%	100%
(Others)			

Megawide's Management Approach for Employee Management

HoldCo

Megawide requires engineering professionals, project managers, and technical personnel for their operations and project sites. Competition is tight for these types of skilled workers and the company must maintain high standards of human resource management for it to continue to be an employer of choice among engineering and construction firms. Part of the company's efforts is to provide employees with attractive and competitive compensation as well as benefits packages. Project employees receive a basic wage, allowances, performance bonuses, and project completion bonuses

HoldCo must manage and ensure productivity, especially when there are executive-level vacancies. To avoid a decrease in productivity, an officer-in-charge is assigned to keep operations running without interruption. Holdco plans to implement a talent acquisition strategy and manpower planning system to proactively address business requirements. HR manages a talent pipeline, especially for critical positions, to attract new hires and manage the risk of attrition. To ensure that employees are properly oriented and understand their scope of work, HR implements Megawide's Onboarding Program for all levels and its Employer Branding program.

HoldCo adopted Work-from-Home arrangements for all its employees, subject to key deliverables on a timely basis. Depending on and in compliance with government guidelines, Megawide implemented special work arrangements to allow employees to productively work away from the office or to use a blended approach, combining both work from home and work on site. The strategy is aimed at maintaining the company's productivity without losing out its market competitiveness.

BUs

In terms of employee management, the company's focus is on attracting, hiring, and retaining qualified and high-potential employees who can meet and deliver the quality of work our clients and customers expect. The company upholds high standards of talent management and retention to remain an employer of choice among engineering and construction firms. This should include an attractive and competitive compensation and benefits package and opportunities for career growth. Recruitment processes across their different BUs depend on manpower requirements of each department. The BUs also recognize the importance of recruitment and hiring the right people for the job.

To address issues in supplying skilled workers, BUs enroll their existing non-skilled employees in training and certification programs to equip them with the right skills rather than acquiring from the external market. With this, they are able to ensure sufficient manpower in the pipeline. The BUs also established partnerships with different TESDA-accredited training centers for all workers to be properly assessed and certified. The BU

HR department maintains a Key Performance Indicator (KPI) Tracker which measures the performance of the HR team in real time. Through this, they are able to track their recruitment and other HR targets.

To align with HR objectives and boost manpower quality, a Recruitment Referral Program is continuously implemented. The BUs also take part in job fairs, post in online job portals, collaborate with the Public Employment Service Office, LGUs, and reach out to the academe to expand their potential pool of new hires. The HR department ensures that all online job platforms to which they are subscribed to are fully utilized. They also collaborate with the Public Employment Service Office (PESO) to reach out to target applicants. On-site recruitment is also conducted at their project sites. The BUs acknowledge the need for employees to air out their grievances. They provide tools such as the Employee Suggestion Box while conducting Employee Hour, Kamustahan, and UMAGAHAN sessions. The Employee Hour is held every month for HR to disseminate new policies, updates, and scheduled activities while Kamustahan is an interactive meeting where employee needs and concerns are discussed. UMAGAHAN sessions and “Mornings with the Bossing’s” are conducted quarterly to inform employees of the latest developments on Megawide’s performance, plans, and directions.

In addition, Employee Engagement Surveys to check the level of engagement of the employees. The following factors are considered when the survey was developed:

1. Job satisfaction
2. Feedback
3. Teamwork
4. Workplace and resources
5. Purpose and direction
6. Opportunities for growth
7. Compensation and benefits
8. Work-life balance
9. Stress and work pace
10. Fairness
11. Respect for management and employees
12. Personal expression and diversity
13. Communication

Through this survey, employees are also able to provide suggestions and comments related to their overall employee experience with the company.

EPC

Similar to other entities in the construction industry, EPC’s workforce has a high percentage of project-based employees. Due to the nature of construction work, EPC experiences high turnover rates and employees frequently transfer across different project sites. In response to this, EPC has adopted a more streamlined approach to recruitment and strengthened its hiring strategies through academic linkages, provincial recruitment, and increased exposure in social media.

The HR department also looks at their internal manpower and prioritizes current project-based employees from ending projects to augment manpower needs for other EPC projects. This allows them to provide employees with continued opportunities and avoid project delays. EPC also has cadetship training programs to build its manpower. EPC’s HR department conducts manpower forecasting and planning to ensure that it is able to meet its requirements. Additionally, it utilizes dashboards to monitor and manage employee transfers.

On a long-term perspective, EPC is also shifting to long-duration and high value projects to keep talent within

the company and at the same time address business sustainability.

MWMTI

A strong recruitment process is a strategy of MWMTI in hiring the right people who can help achieve the company's objectives. Changes in the organizational structure were made to further strengthen collaboration among departments. New positions were also created to ensure that critical functions would be performed. MWMTI is compliant with all statutory benefits such as overtime pay, holiday pay, night shift differential, leave credits, and 13th month pay. MWM operates Paranaque Integrated Terminal Exchange (PITX), a public terminal for land transport with Metro Manila and nearby provinces.

The COVID-19 safety and health protocols were put in place and strictly enforced to keep the workplace safe. COVID-19 webinars and regular reminders of the protocols were done to ensure employees are updated and remain vigilant. To reduce exposure to COVID-19, selected employees who can perform their tasks remotely were allowed to have a hybrid work arrangement wherein they could work from home on some days of the week. MWMTI also strongly encouraged employees and third-party workers to be vaccinated. A vaccination drive in PITX was conducted in cooperation with DOTr, DOH and the Paranaque LGU to benefit employees, workers, and stakeholders. By the fourth quarter of 2021, 100% of PITX employees and workers have been vaccinated as a show of commitment to protecting customers and stakeholders.

GMCAC

GMCAC offers their employees carefully-planned **benefits** that are relevant to their needs. For those part of the skeletal workforce, GMCAC provided accommodations, meals, and transportation during the implementation of the lockdown, including any COVID-19 testing required due to exposure at work. The company also regularly reviews its compensation and benefits packages, recognizing the importance to employees, yet acknowledges that a competitive salary is not the only factor that determines employee satisfaction and retention. The review allows them to design appropriate packages that will attract new talents and satisfy current employees, without incurring unnecessary expenditures.

Employee Training and Development

Disclosure	MCC			MWMTI	GMCAC
	HoldCo	BU	EPC		
Total training hours provided to employees*					
a. Female employees	12	2,038	4,895	1,424	2,490.6
b. Male employees	12	4721	10,940	1361.5	2,123.5
Average training hours provided to employees**					
a. Female employees	12	45.29	9.47	45.94	23.95
b. Male employees	12	23.37	5.46	50.43	26.22

*in hours

**in hours/employees

HoldCo

Learning and development is vital in ensuring that the company grows. In 2021, HoldCo took a step back to identify the competencies required from its people so that the company can continue to be successful in its endeavors. The knowledge, skills, and behaviors have been described and communicated to raise awareness of what is expected from each employee. These competencies, categorized as Behavioral, Leadership and Functional, or Technical, have been used as basis for Learning and Development Programs. It also served as the foundation for the Learning and Development Curriculum.

In the middle of 2021, Megawide rolled out its Leadership Initiative, a 12-hour webinar entitled "Lead to Drive Business Results," as well as a 360-Degree Feedback using the MLEAD Effectiveness Scale. These programs were attended by and conducted among Executives and selected Managers. Moving forward, the intent is for these programs to be cascaded to the rest of the Managers and Supervisors to ensure a common understanding of Management and Leadership essentials.

"Lead to Drive Business Results" is a 4-module program that covers topics such as Fundamentals of Management, Creating Accountability and Delegation, Leader as a Communicator, and Leader as a Coach. The program included lectures, tailored case studies, and breakout sessions to provide more opportunities for discussions.

"MLEAD Effectiveness" is a statistically validated tool that covers the following factors:

- Communicates a Shared Vision & Monitors Progress
- Inspires & Develops Others
- Leads with Presence
- Thinks on Strategy & Focuses on Results

Using the MLEAD Tool, attendees of the leadership webinar underwent self-assessment and were given feedback by their Immediate Superior, Peers, and Subordinates. These results aim to raise self-awareness which could also become a point of discussion and coaching during executive sessions later on.

BUs

Constant training and development are essential for the BUs, especially in the industries they operate in. The provision of skills enhancement and capacity building programs to employees improves their quality of work and performance as well as promotes employees' satisfaction with the company. The BUs prioritize training and development for their employees by investing in capacity-building to improve job satisfaction and boost talent retention. They utilize training needs analysis, SWOT analysis, and strategic planning to create the appropriate packages for their employees. The BUs conduct performance evaluations and Individual Development Plans that serve as guides in implementing effective skills enhancement and development programs for workers. Furthermore, they refer to a Competency Gap Matrix in identifying the needed training of each employee. Based on the identified gaps, the BUs design or outsource training programs to address the skill or knowledge gap. They also partner with their health and safety department in designing training programs based on the DOLE OSH requirements.

Since not all employees have the same learning style and may or may not respond well to a single training approach, a range of learning and development modalities for their employees is utilized. The BU HR taps and invites potential resource persons or subject matter experts within the company who can help in carrying out the programs. Both external sources and internal experts are considered as trainers who can share their learnings and competencies to the rest of the team. Free webinars were proven to be a cost-effective

method, especially during the pandemic where face-to-face events were limited. In 2021, FMD conducted Leadership Skills Training, Train the Trainer, and Project Management Training. Batching Plant and Precast employees were offered training programs to develop both technical and soft skills and increase effectiveness in performing their respective duties and responsibilities. Precast ensures that all training materials and equipment needed are prepared before the actual training. For employees who are from project sites and would have to stay overnight, barracks or dormitories are provided. Formworks and CELS employees were provided with Forklift Training, SMAW Training, GMAW Training, GTAW Training, Rigger Training, Leadership Skills Training, Train-the-trainer training, Project Management Training, 5S Training, COSH Training, SSS In-depth Training, ISO Awareness Training, Lead Auditor Training, and Internal Auditor Training. Employees are endorsed to TESDA Accredited Assessment Centers for certification and are certified with NCII which they can use in their future employment.

Performance Reviews are conducted every six months. Employees who do not meet their targets and KPIs undergo the proper training and are reevaluated together with the Learning and Development Department after another six months to check if they are able to apply their learnings to the actual job. Employees are also given projects that will allow them to fully utilize the knowledge and skills that they learned from the training they attended.

EPC

Despite the ongoing pandemic and restrictions to conduct face-to-face training in 2021, providing training and development to employees is still one of the priorities of EPC. Continuous provision of learnings to improve skills and competencies of EPC employees will not only support their career and personal growth, but will also support the attainment of company goals.

EPC enhances its strategic approach in determining learning, competency, and performance gaps by introducing a more comprehensive process in conducting Training Needs Analysis, Competency Assessments, and Performance Management. The processes involved in these activities are improved and tailor-fitted to the requirements of the different groups in the company to better analyze and acquire data that will be used in recommending targeted learning programs and performance development or improvement plans.

EPC is continuously improving its procedures by integrating its various systems to align and connect processes and provide readily available data. This would also allow them to have a holistic overview of the overall results of its initiatives. EPC conducts effectiveness evaluations through regular monitoring, audit, feedback surveys, assessments, and check-back to determine areas for improvement in their programs. These will help enhance the delivery of the programs and better address and resolve any learning, competency, or performance gaps of employees. EPC believes that placing the right approach and interventions will lead to enhanced competency and higher performance results.

To help upgrade employee skills, EPC provides the following programs:

- Leadership, Technical, Behavioral, Developmental Programs (Project Management, ISO and Regulatory, Health and Safety Trainings, Cadetship, Communication, Training of Trainers, Awareness, Business Support Programs, Skills Training, Awareness Programs)

They also provide other assistance such as:

- Enrollment to Certification Trainings;
- Support to gain CPD points or renewal of required licenses;
- Participation to Technical Conventions;
- Assistance on accreditations and certifications;
- Internal Talent Building (Cross-posting/internal mobility/secondments)

For project-based employees whose contracts are terminated due to project phase completion, EPC offers rehiring for new and ongoing projects. For employees who have reached retirement age, they may request for consultancy arrangements for technical positions.

MWMTI

For MWMTI, training and development allows for the enhancement of employee performance and efficiency. Talent development efforts of the company focused on upgrading leadership skills, acquiring coping skills to deal with COVID-19 and mental health issues, and keeping the workplace safe. People Managers received training on the Mega-PEAK Performance Management System which was cascaded to all employees. A few face-to-face trainings with small class sizes were conducted in 2021, however most training programs were conducted online due to the COVID-19 restrictions. By June 2021, monthly leadership learning sessions were held online with managers and supervisors. Employees were provided with webinars on COVID-19, caring for one's mental health, building emotional resilience, physical wellness, and occupational safety and health, including basic life support and first-aid, and bomb awareness. The Code of Discipline lecture which included topics on anti-bullying, anti-harassment, and anti-discrimination, was a regular activity during the onboarding of all new hires. MWMTI provided other assistance in the form of coaching and counseling as well.

GMCAC

GMCAC identified employee attrition as a training risk, given the highly specialized and service-oriented the airline and tourism industry is – if employees resign, GMCAC would not be able to capitalize on the employees they trained. While cognizant of this risk, GMCAC does not implement training bonds as a strategy to maximize its investment in training. Rather, it focuses on strong employee engagement and welfare programs to retain employees and attract new ones. GMCAC implements various employee engagement programs and conducts regular talent review and succession planning as an effort to maximize the training they provide. The company also has plans to develop internal subject matter experts, covering strategic planning and performance management. Investing in employee training and development is in line with GMCAC's vision to be the leading airport operator in the Philippines.

Labor-Management Relations

Disclosure	MCC			MWMTI	GMCAC
	HoldCo	BU	EPC		
% of employees covered with Collective Bargaining Agreements	N/A				
Number of consultations conducted with employees concerning employee-related policies	0	6	0	421	N/A

Megawide's Management Approach for Labor-Management Relations

BUs

Maintaining good relations between management and its workforce helps build business continuity and operational sustainability. The BUs promote and cultivate strong labor-management relations for protection against the risk of labor disputes that might result in work stoppages or operational disruptions. They also ensure that all the minimum requirements set forth by the Department of Labor and Employment (DOLE) are followed at all times. In addition, employee engagement programs are conducted regularly despite the pandemic. Virtual kamustahan, virtual heroes' day, and a Halloween session are some of the programs

conducted. The BUs strictly implement the company's Code of Conduct by administering due process for violators and recognizing employees for exemplary performance. Members of Megawide also promote a harmonious labor-management relationship to avoid incurring fines, prevent damage to the brand reputation, and ensure business continuity. The BUs implement effective employee commitment strategies and comply with relevant labor laws in order to prevent the risk of industrial or labor conflict. They are also supported by the Legal Department, which helps resolve concerns or disputes amicably. Social media and online platforms such as MS Teams are continuously used and enhanced for communications. Regular site visits are also conducted to gather concerns from workers. An employee engagement survey is also carried out to measure the effectiveness of the different HR programs in improving the level of engagement of the employees.

EPC

EPC implements various Employee Listening Strategies in order to understand the concerns and issues of its employees, enabling it to manage concerns before they escalate into more serious problems by being proactive about employee engagement and addressing any feedback they might have. Through quarterly employee hours, the HR department conducts site visits to update employees, facilitate values formation, and solicit feedback from employees. EPC also manages an online tool called Share Your Concern, where employees can communicate work-related concerns anonymously. HR also conducts a regular Employee Engagement Survey to gauge the level of employee engagement in company activities and decision-making. Managers are provided continuous education on handling discipline and management of project employees to ensure that they stay involved in maintaining good relations with employees. EPC has identified common employee concerns through the implementation of listening strategies. They have a key performance indicator (KPI) for the formulation of action plans on these identified issues. HR is committed to providing responses and action plans in relation to concerns raised.

MWMTI

MWMTI believes that open and honest communication with employees is instrumental in building employee trust and loyalty. The first MWMTI employee survey was rolled out and subsequent focus group discussions were conducted to gather information about the level of employee engagement and to listen to the issues and concerns affecting employees. Employees expressed appreciation for being heard and feeling valued. The information gathered were reported to Management and action plans were developed to address these issues and concerns. The company complies with applicable labor laws and standards, and follows due process in resolving disciplinary cases. Policies and guidelines are communicated and disseminated to employees through alignment meetings and memoranda to ensure clear understanding. Employee engagement programs include an employee bonding activity held every month to bond, unwind, relieve stress, and build camaraderie.

GMCAC

Employees of GMCAC are provided with channels to air their grievances to management. These venues are found to be successful at addressing employee concerns and grievances through effective engagement processes with the relevant departments, resulting in harmonious labor-management relations.

Diversity and Equal Opportunity

Disclosure	MCC			MWMTI	GMCAC
	HoldCo	BU	EPC		
% of female workers in the workforce	52%	18%	21%	53%	44%
% of male workers in the workforce	48%	82%	79%	47%	56%

Number of employees from indigenous communities and/or vulnerable sector*	0	0	N/A	1	N/A
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**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

Megawide's Management Approach for Diversity and Equal Opportunity

Across the business, Megawide upholds the value of diversity and equal opportunity and maintains a work environment that respects the dignity of all. The company promotes equal opportunity and does not discriminate against company personnel, officers, directors, or even applicants on the basis of race, color, religion, sex, national origin, age, sexual orientation, or disability. They uphold policies that protect people regardless of their age or gender: The Anti-Age Discrimination in Employment Act (RA No. 10911), The Solo Parents' Welfare Act (RA No. 8972), The Magna Carta of Women (RA No. 9710), The Magna Carta for Persons with Disability (RA No. 7277, as amended). Megawide is a multicultural company thus they value the beliefs and cultures of their expatriates. They also celebrate Mother's Day and Father's Day within the company. Employees from different levels of the company are encouraged to voice out their thoughts and to share ideas regarding inclusivity and equal opportunity. This allows them to incorporate other best practices related to these matters.

BU

The BUs believe that having a diverse workforce provides fresh perspectives, giving the company the opportunity to bring forth innovation. With regards to diversity and equal opportunity, there is minimal risk in this area since the BUs comply with government rules in their HR processes. The BUs also provide students opportunities for on-the-job (OJT) training, where any risks posed by this are mitigated by requiring documentation from the participating schools. The OJT program is office-based for graduating students only and is in coordination with the school.

MWMTI

Achieving diversity within MWMTI provides a perception of fairness which would increase the employees' morale. The company upholds the principle of equal opportunity when it comes to hiring, promotion, rewards and recognition, and other career development opportunities by not discriminating people in terms of age, race, gender, religion sexual orientation, civil status, health conditions, and disabilities. All employees were given sensitivity training aimed at eliminating incidents of bullying, harassment, and discrimination.

GMCAC

GMCAC implements a recruitment strategy that is fair and inclusive, having no prejudice over gender and civil status, as the company aims to uphold equal male and female representation across all job levels. The company also provides equal leave benefits to all employees, with additional benefits for employees from the vulnerable sector, while currently strengthening women empowerment in the workplace. As there is a significant number of female leaders in the company, this program will hopefully encourage other women to take on greater responsibilities and participate more actively in the business. In the long run, a high female representation in the company-promotes gender fairness and equality.

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	MCC		MWMTI	GMCAC
	BU	EPC		
Safe Man-Hours	203,400	693,013	2,303,335	403,316
No. of work-related injuries	73	0	0	1
No. of work-related fatalities	0	0	0	0
No. of work-related ill-health	35	0	43	0
No. of safety drills	3	0	1	0

Megawide's Management Approach for Occupational Health and Safety

BUs

Being a major player in the construction and engineering industry, the health and safety of workers is of utmost importance to Megawide. The company adopts high standards of safety in all operations and maintains an Occupational Health and Safety (OHS) certification across business units to manage related concerns. Megawide also implements the Philippine Occupational Safety and Health (OSH) Standards, which are monitored by the Department of Labor and Employment (DOLE).

The BUs have a strict OHS management that covers all workers, areas, and activities. Work-related hazards are identified through a regular routine inspection of the site after which recommendations are communicated to workers to eliminate hazards, mitigate risks, and apply the hierarchy of controls. The BUs also ensure that the worker is certified to work on each activity. The results of the routine inspections are used for auditing and taken into consideration when evaluating the OHS management system for improvement.

During hazard and risk orientation and training, workers are informed on how to report on hazardous situations and are also instructed to proceed to the medical department for an assessment of any injury sustained. Work-related incidents are investigated with all parties involved and corrective actions are carried out later on.

For occupational health services, BUs ensure that there is a secured stock of medicines and that equipment is thoroughly inspected for the safety of employees. They also conduct health awareness and orientation for all workers. HMO is already provided and any personal health-related information of the workers are kept confidential. For OHS related concerns, workers are encouraged to participate through capacity building activities such as toolbox meetings and drills. A safety committee is also established where all workers are represented. In terms of OHS-related training, all employees are required to undergo an 8-hour seminar on safety awareness and other work-specific training.

Although the COVID-19 pandemic affected everyone including the industry, companies slowly transitioned and established a new normal in 2021. Megawide continues to follow health and safety guidelines mandated

by the government where workers and subcontractors are encouraged to undergo COVID-19 vaccination. All BU workers and subcontractors practice a bubble system in which workers are prohibited from going outside the premises to avoid contamination of the virus. The company constantly ensures that safety and health protocols are strictly implemented within the company such as social distancing, wearing of masks, checking of body temperature, and monitoring of COVID-19 related symptoms. Antigen Testing Kits are also readily available for all BUs in the case that workers exhibit signs and symptoms of COVID-19. For COVID-positive workers or workers exposed to positive cases, isolation facilities are provided to all BUs.

EPC

EPC has an Occupational Health and Safety (OHS) system that is in accordance with national laws, guided by the Philippine Occupational Safety and Health (OSH) standards by the Department of Labor and Employment (DOLE) and complies with the guidelines under OHSAS 18001 certification, which is the international standard for OHS procedures, policies, forms, and methodologies. Their OHS system includes the necessary controls to ensure that all tasks within project sites and various departments are accomplished safely and efficiently. In addition, EPC conducts a Hazard Risk Assessment and Control (HIRAC), which provides an additional basis for controls and actions to take. With all employees abiding by the OHS system, this safeguards against possible violation of government policies.

Prior to employment, workers are required to undergo physical and medical examinations to determine their fitness to work. They also undergo an Environmental, Health, and Safety Orientation before working onsite which equips workers with the basic safety knowledge related to their jobs. Toolbox and health talks are regularly held at the beginning of each shift to go over health and safety protocols. The company also provides a dedicated staff nurse on-site to monitor worker health and provide immediate care in cases of emergency. An approved method statement and Job Hazard and Risk Assessment are required prior to the start of each project task to guarantee that proper health and safety controls are implemented on site. Controls are regularly monitored for compliance and project sites conduct safety inspections and audits where results are later on communicated to the persons-in-charge for immediate corrective action and resolution. The risk of injury is inherent to the construction and engineering industry. As such, EPC emphasizes compliance with highest construction safety standards. For instance, the company has adopted the European Standard on Safety Scaffoldings which makes use of safety scaffoldings as a requirement to provide safe access in the workplace. They also have a Zero Accident Safety Program that focuses on the prevention of accidents or serious injuries to workers. In line with this, EPC strictly enforces the use of personal protective equipment (PPE). A Safety Engineer is also stationed in each construction site to oversee all safety protocols.

When an incident occurs, an investigation team is formed consisting of Site Supervisors, Foremen, a Safety Advisor, a Safety Officer, and Nurse. Statements are collected from witnesses and persons involved to support the investigation. EPC conducts a root cause analysis and implements corrective and preventive actions to ensure that such incidents will not be repeated. Learnings and recommendations from the incident investigation are disseminated to all employees through toolbox meetings, health and safety committee meetings, and project safety alerts. EPC also has a company policy to provide all projects with a Contractors' All Risk Insurance to cover risks of possible injuries, death, or property damage.

MWMTI

In 2021, MWMTI focused on improving its own OSH Management System. The company developed programs and plans for the improvement of health and wellness of their employees. They also engaged in wellness activities for employees to reduce their BMIs and improve their lifestyle. Despite local COVID-19 restrictions, employees were still eager to learn the importance of OSH in the workplace. The company conducted virtual training for the continual improvement of employees and raised awareness for OSH. The participation of employees in these programs allows them to learn more details on OSH, therefore ensuring compliance

within the workplace.

An Occupational Safety and Health Program was submitted in 2021 for DOLE approval. However, there will be some revisions made and additional programs will be implemented. The OSH Program covers all organic and inorganic employees at PITX. However, some employees may not be able to participate due to their work schedules and availability. MWMTI makes use of Hazard Identification, Risk Assessment and Risk Control, and Job Hazards Analysis to identify how exposed workers are to hazards that are present in their work area. This process is overseen by personnel who are well-aware and trained for the task they are assigned to. Evaluated results from these processes will identify residual risk that could still be present in the workplace. The company will then use the results to continue to improve the OSH Management System. Workers can report any work-related hazards through any means necessary such as through the clinic, Information Counter, Viber and MS Teams Chat, and other related applications. To prevent accidents or injuries in the workplace, each employee is required to undergo the Mandatory Eight-Hours OSH Orientation which will also raise their awareness in identifying hazards in the workplace. Any work-related incident undergoes thorough investigation from the team, the clinic, and security. This is then approved by their immediate superiors for the implementation of proper controls.

In terms of occupational health services, PITX engages with Clinic Management to ensure manning on the facility's clinic. Clinic Management was supervised and monitored by the Health and Safety Specialist to ensure the quality of services being provided. The clinic was also evaluated through KPIs on a monthly basis. Employees are welcome to go to the clinic for their immediate health concerns as it is open 24/7. Clinic records are kept with utmost confidentiality and requesting consent is done prior to the release of information to others, if necessary. PITX also has a joint management-worker health and safety committee in place. Besides the Mandatory Eight-Hour Orientation on OSH, Fire Safety Seminar and Health Talks are conducted for workers. Health promotion is done through a consultation program with the company's physician.

GMCAC

The GMCAC occupational health and safety (OHS) management system is an integrated set of work practices, beliefs, and procedures for monitoring and improving the safety and well-being of all aspects of the company. GMCAC promotes an OHS management system for safety policy, safety risk management, safety assurance, and safety promotions. An OHS Performance Indicator is used by the company to evaluate its own management system.

An OHS management system has been implemented to abide by legal requirements and as part of the GMCAC's commitment to promoting a safe and healthy culture within the company. This management system covers all GMCAC employees, airport terminal operations, and activities such as customer service, engineering activities, aerobridge operations, office works, and conduct inspection. However, the OHS management system does not cover other stakeholders such as government agencies, airline operators, and ground service providers. Several controls are in place to ensure the health and safety of employees and other stakeholders. The company has switched to water-based paint from thinner-based and established engineering controls such as the provision of table guarding (plexiglass barrier), machine guarding, and an exhaust system. GMCAC also had administrative controls such as the permit to a work system, implementation of safety orientation and safety signages, and training and certification. PPEs such as protective clothing and safety shoes are also provided. In terms of evaluating and improving the OHS management system, GMCAC conducts a risk assessment regularly. Workers are also encouraged to report any work-related hazards to the safety team or during their shift. They are also expected to utilize the safety management manual as their guide in removing themselves from work situations that they believe could cause injury or ill-health. For work-related incidents, these are investigated through daily shift inspections and walkthroughs.

As part of their medical surveillance program, health insurance is provided and there is a designated clinic for Terminals 1 and 2, an ambulance on standby, as well as doctors and nurses who are on duty 24/7. The company does not disclose any personal health-related information to other parties as these are only accessed by key personnel to maintain the confidentiality of the worker's health status. In terms of worker participation, safety reporting is implemented and an Environment, Health, and Safety (EHS) Committee is selected and established based on the identified safety program. Worker training includes an on-boarding EHS orientation program for new employees, certification for designated safety officers, and process certification for passenger boarding bridge operators. In terms of work-related injuries, first-aid cases were the most common in 2021. Although there were no cases of work-related ill health, COVID-19 was still determined to be a risk. This was addressed through the implementation of various safety and health controls.

The main initiatives of GMCAC for OHS include the provision of PPEs and the implementation of information education campaigns (IECs) on health and safety to prevent the occurrence of accidents in the workplace and to ensure the good health of employees. GMCAC conducts hazard identification and risk assessment, and provides recommendations for controls.

For instance, the spread of communicable diseases and viruses, including COVID-19, from infected passengers was identified to be a risk of the business. These can be easily transmitted due to the number of employees, personnel, and customers that go to the airport. Infected employees may be absent from work which leads to the disruption of operations. In response, GMCAC has adjusted its operations to prevent the potential spread of disease or viruses such as COVID-19.

GMCAC is committed to the improvement of its OHS initiatives and programs by setting aside a budget for health facilities which includes the provision of an emergency treatment/isolation room and a clinic. The company has also partnered with health providers to provide medical surveillance at the workplace and maintain close communications with the Department of Health, Bureau of Quarantine, and the local government unit.

In terms of COVID-19 response, GMCAC implemented several measures, focused on four main aspects:

1. To increase physical and mental resilience, through:
 - a. Provision of psychosocial support in the form of HR email blasts on COVID-19 information and guidance
 - b. Access to telemedicine or online consultations
 - c. Health advisory posters
 - d. Conduct of orientations
 - e. Provision of guidelines
2. To reduce transmission of COVID-19 in the workplace, through:
 - a. Provision of online health declaration checklist. This is also to prevent the entrance area from being crowded with the number of people entering, as well as to avoid the need for a pen to fill up physical forms
 - b. Provision of standalone thermal checker to maintain physical distancing
 - c. Provision of PPEs (e.g. facemask, face shields, protective clothing, etc.)
 - d. Provision of alcohol at different strategic locations
 - e. Provision of disinfection mats at the entrances
 - f. Disinfection of all work areas and frequently handled objects, such as door knobs and handles
 - g. Provision of sufficient clean water and soap at washroom and toilet facilities
3. To minimize contact rate, through:

- a. Implementation of alternate office reporting or work from home during ECQ
 - b. Use of the Zoom online meeting platform. The Company promoted the use of videoconferencing to discourage face-to-face interaction with clients. If videoconferencing was not possible, measures were taken to limit the number of attendees inside the meeting room.
 - c. Rearrangement of offices and tables to maintain social distancing
 - d. Provision of footpaths in the office hallways, aisles, corridors, and stairwells
 - e. Provision of Plexiglass barriers at counter stations
 - f. Encouraging employees to eat their meals at their work stations and practicing frequent sanitation of tables
4. To reduce the risk of COVID-19 infection, through
- a. Provision of Restart guidelines
 - b. Provision of isolation room
 - c. Regular reporting to the Department of Health
 - d. Provision of return-to-work protocols to determine employees' fitness to work

Labor Laws and Human Rights

Disclosure	MCC	MWMTI	GMCAC
No. of legal actions or employee grievances involving forced or child labor	0	0	0

Do you have policies that explicitly disallow violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

MCC		
Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	Y	Megawide's Code of Business Conduct and Ethics contains the following provisions in relation to labor laws and human rights: "Non-Discriminatory Environment: The Company fosters a work environment in which all individuals are treated with respect and dignity. The Company promotes equal opportunity and does not discriminate against Company Personnel, potential employees, officers or directors on the basis of race, color, religion, sex, national origin, age, sexual orientation, or disability. The Company will only make reasonable accommodations for its Company Personnel in compliance with applicable laws, rules and regulations. The Company is committed to actions and policies to assure fair employment, including equal treatment in hiring, promotion, training, compensation, termination
Child labor		
Human Rights		

		and corrective action, and will not tolerate discrimination by Company Personnel. This policy also applies equally to the treatment of the Company's customers/clients. Harassment-Free Workplace: The Company will not tolerate any form of harassment of Company Personnel, customers or suppliers, which shall include sexual harassment. Sexual harassment is illegal and Company Personnel are prohibited from engaging in any form of sexually harassing behavior. Sexual harassment means unwelcome sexual conduct, either visual, verbal or physical, and may include, but is not limited to, unwanted sexual advances, unwanted and/or suggestive touching, language of a sexual nature, telling sexual jokes, innuendoes, suggestions, suggestive looks and displaying sexually suggestive visual materials. Workplace Violence: It is the policy of the Company to ensure that all inter-relationships among persons in the workplace will be professional and free from bias, harassment, and/or violence. Thus, the workplace must be free from any kind of violent behavior. Threatening, intimidating, or aggressive behavior, as well as bullying, subjecting to ridicule, or other similar behavior toward fellow Company Personnel or others in the workplace will not be tolerated. Any form of violent misconduct, discrimination, harassment, retaliation, and/or other forms of violent behavior, even if not unlawful, will be subject to disciplinary action. Additionally, any misconduct that is also unlawful may be subject to civil and criminal liability."
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MWMTI		
Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	N	
Child labor	N	
Human rights assessment	Y	Code of Discipline

Megawide's Management Approach for Labor Laws and Human Rights

Megawide strictly complies with labor and human rights laws which has led to zero legal actions or employee grievances involving forced or child labor.

Megawide's Code of Business Conduct and Ethics contains the following provisions in relation to labor laws and human rights:

"Non-Discriminatory Environment: The Company fosters a work environment in which all individuals are treated with respect and dignity. The Company promotes equal opportunity and does not discriminate against Company Personnel, potential employees, officers or directors on the basis of race, color, religion, sex, national origin, age, sexual orientation, or disability. The Company will only make reasonable accommodations for its Company Personnel in compliance with applicable laws, rules and regulations. The Company is committed to actions and policies to assure fair employment, including equal treatment in hiring, promotion, training, compensation, termination and corrective action, and will not tolerate discrimination by Company Personnel. This policy also applies equally to the treatment of the Company's customers/clients.

Harassment-Free Workplace: The Company will not tolerate any form of harassment of Company Personnel, customers or suppliers, which shall include sexual harassment. Sexual harassment is illegal and Company Personnel are prohibited from engaging in any form of sexually harassing behavior. Sexual harassment means unwelcome sexual conduct, either visual, verbal or physical, and may include, but is not limited to, unwanted sexual advances, unwanted and/or suggestive touching, language of a sexual nature, telling sexual jokes, innuendoes, suggestions, suggestive looks and displaying sexually suggestive visual materials.

Workplace Violence: It is the policy of the Company to ensure that all inter-relationships among persons in the workplace will be professional and free from bias, harassment, and/or violence. Thus, the workplace must be free from any kind of violent behavior. Threatening, intimidating, or aggressive behavior, as well as bullying, subjecting to ridicule, or other similar behavior toward fellow Company Personnel or others in the workplace will not be tolerated.

Any form of violent misconduct, discrimination, harassment, retaliation, and/or other forms of violent behavior, even if not unlawful, will be subject to disciplinary action. Additionally, any misconduct that is also unlawful may be subject to civil and criminal liability."

Megawide secures and conducts an annual reorientation of the company's Code of Business Conduct and Ethics to instill in the minds of employees the policies that pertains to human rights. In 2021, all BU employees underwent a total of 109 hours of training on human rights policies and procedures. The company is aggressive in preventing incidents related to labor laws or human rights by ensuring that all immediate superiors are well-informed of these policies and are able to manage any incidents reported.

MWMTI

MWMTI believes in measuring corporate excellence, based not only on the attainment of its goals, but also on the general welfare of its employees, customers and stakeholders. MWMTI continues to place a premium on the value of its employees, the satisfaction of its customers, the respect for its suppliers, and the satisfaction of its investors. They seek to conduct their business with the highest regard for human rights and always with honesty, integrity, and in good faith, while respecting the legitimate interests of those it conducts

business with. Its employees interact lawfully, decently, and professionally with its colleagues, suppliers, customers, and investors.

MWMTI is compliant with all national labor laws and regulations, and all local ordinances that pertain to wages, labor standards, workplace conditions, compensation, benefits, due process, and the discipline and severance of employment. The company recognizes the relevance of abiding by corporate policies on inclusion and diversity, anti-discrimination, anti-harassment, anti-corruption, workplace safety, data privacy, single parenthood, violence against women, mental health, and corporate sustainability. For MWMTI, the business can only thrive in an environment where human rights are protected and respected and where labor laws are strictly complied with. In 2021, 60% of all employees underwent a total of 22.5 hours of training on human rights policies and procedures.

GMCAC

GMCAC is compliant with labor laws and human rights requirements which creates a positive impact on team dynamics, work culture, and stakeholder relations. It ensures proper compliance with these laws and regulations through the implementation of the Organizational Climate Survey, Employee Engagement Survey, HR Buddy System, and Department Coordination Meetings. GMCAC has also organized the Banwag and Employee Engagement Committees.

GMCAC has identified the following as risks due to non-compliance to labor laws: labor unrest, labor cases, and termination of concession agreements with the Government. The company prevents these by implementing strict labor compliance measures to protect all employee rights and ensure that all labor concerns are addressed. GMCAC automatically prevents child labor by registering all its personnel with SSS, Pag-Ibig, PhilHealth, and BIR among others, which require registrants to be at least 18 years of age. Furthermore, GMCAC does not accept child labor employed by contractors in any of its projects. Apart from this being a violation of the labor laws, it also poses a safety concern to the business.

GMCAC improves its compliance with labor laws by benchmarking the best practices, reflecting on their core values, and defining a positive and engaging work culture/environment. They have also looked into investing in employee training, employee engagement activities, and continuous communication with employees for updates and concerns.

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

Do you consider the following sustainability topics when accrediting suppliers?

HoldCo		
Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	N	
Forced labor	N	
Child labor	N	

Human rights	N	
Bribery and corruption	N	

BU		
Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	Y	Vendors and subcontractors with established Environmental Management Systems and/or equivalent programs and initiatives are preferred.
Forced labor	N	
Child labor	N	
Human rights	N	
Bribery and corruption	N	

EPC		
Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	N	
Forced labor	N	
Child labor	N	
Human rights	N	
Bribery and corruption	N	

MWMTI		
Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	N	
Forced labor	N	
Child labor	N	
Human rights	N	
Bribery and corruption	N	

GMCAC		
Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	N	
Forced labor	N	
Child labor	N	
Human rights	N	
Bribery and corruption	N	

Megawide's Management Approach for Supply Chain Management

Megawide maintains contract agreements with their suppliers. These serve as the basis for the suppliers' commitment to the company. Megawide's contracts require compliance with all applicable laws, rules, and regulations. Contractors, suppliers, and service providers are required to undergo an assessment and accreditation process. This includes the submission of documentary requirements that prove the supplier's good legal standing. The various BUs also consider environmental performance, risks of bribery and corruption, forced labor, child labor, and human rights concerns when accrediting suppliers.

BUs

It is important to assess suppliers based on their environmental performance and governance. This allows the company to learn their capabilities in supplying products or services while not negatively impacting the company's operations and reputation. Suppliers are assessed and evaluated through the submission of their documents, plant visits, and through compliance to Environmental Certificates, especially if the supplier has ownership over quarries. The Accreditation Team conducts a thorough verification of the supplier's records, including an assessment for any pending cases. The management approach is evaluated through the total number of approved and accredited suppliers.

EPC

EPC's procurement includes anti-fraud and whistleblowing policies in its supplier accreditation process. However, it is also considering the inclusion of an environmental and social criteria in accrediting and approving suppliers to further strengthen the process.

GMCAC

GMCAC's legal team reviews permits, while the finance team monitors and manages the supplier accreditation and payment processing. This includes the submission of compliance certifications, documentation, and remittances from stakeholders and process owners. GMCAC also has a feedback mechanism in its engagements with suppliers. External stakeholders, such as third-party suppliers, as well as members of internal departments are expected to comply with company processes and checklists. Megawide and GMCAC also conduct regular internal and external audits to ensure compliance and to check for possible improvements in the process.

As of 2021, the SBUs have no environmental and social criteria for the accreditation of suppliers. Their

respective procurement departments select suppliers based on the legitimacy of its operations through requirements such as business registration and other governmental licenses and permits. Because of this, GMCAC considers to dig deeper into the responsibility of assuring the individual responsibilities of their suppliers to the environment and society. Hence, the procurement policy will be further reviewed to incorporate provisions for both environmental and social criteria. Continuous conduct of supplier audits will help identify additional criteria that can enhance the current procurement process.

Relationship with Community

Significant Impacts on Local Communities

GMCAC

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable) *	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
Airport operations	Lapu-Lapu City, Cebu	Children and youth, elderly, PWDs, urban poor	N		Community consultation, relief operations, communication campaigns

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: _____

Certificates	Quantity	Units
FPIC process is still undergoing	N/A	#
CP secured	N/A	#

Megawide's Management Approach for Local Communities

Megawide operations are strategically situated in areas that allow the company to optimize efficiency. These operations may, however, result in direct and indirect negative impacts on neighboring communities and the local environment.

Construction activities in project sites, as well as in the Taytay Industrial Complex generate dust and waste, contribute to noise pollution, produce dust and waste, and may cause traffic congestion. Megawide carries out strategies to manage these negative impacts, including the installation of technology and equipment to reduce noise and dust. They also invest in the formulation of traffic management plans to ease the congestion caused by operations and activities.

BU

The Batching Plant has been working in coordination with Megawide Foundation for CSR activities. It has contributed to responding to the needs of the local communities since 2012. Megawide Foundation serves as the company's CSR arm, tapping into the company's available First-World solutions such as technical training and sustainable infrastructure. This will support and achieve the organization's goal of building more resilient communities. In response to the events of 2021, the Batching Plant made plans for a blood donation activity with their partner local communities. However, this was rescheduled to 2022 due to the COVID-19 lockdown. This activity was initiated to address the needs of employees and the local community where mobile plants are located.

MWMTI

MWMTI upgraded their facilities to accommodate increasing passenger traffic and tenants in the facility. The company recognizes that their activities and operations can result in environmental impact, such as air pollution, solid waste, and increased traffic congestion. MWMTI ensures the proper implementation of waste management procedures to mitigate these impacts, as well as traffic management schemes to manage the vehicular flow.

GMCAC

Given the wide scope of airport operations that encompass several local communities, GMCAC works closely with its neighboring communities. GMCAC acknowledges that its operations can give rise to impacts such as traffic congestion, noise and air pollution due to airside operations (i.e. refueling, aircraft emissions, and more), and waste generation from terminal operations. Furthermore, there is the presence of health risks due to the COVID-19 pandemic.

Guided by its 10-year CSR Roadmap, GMCAC ensures the implementation of its social programs for its local communities such as livelihood and education initiatives through donation of school supplies for distance and modular learning, community relief operations, donation of basic PPEs to health workers, compliance to local and national health protocols, and consultation sessions with stakeholders particularly its host communities in Ibo and Pusok. In 2021, GMCAC continued to implement initiatives in ways that can help the community given the available resources. GMCAC remained committed to its local communities through the provision of school supplies to Pusok Elementary School to support its teachers and students in distant modular learning. GMCAC also donated basic PPEs to local health workers and sanitary and hygiene kits to Barangay Mambaling where around 1,000 households were affected by a fire incident. In addition, the company supported the Department of Health (DOH) by holding its own mobile blood donation program to contribute to the DOH National Voluntary Blood Services Program.

In order to ensure the viability of each program, these are annually evaluated and aligned with the core values

and annual goals of the company. After-Action Reports are also submitted to various stakeholders such as grantors and lenders.

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third-party conduct the customer satisfaction study (Y/N)?
Customer satisfaction		
- BU	4.875	Y
- MWMTI	4.11	N
- GMCAC	0	0

Health and Safety

Disclosure	MCC		MWMTI	GMCAC
	BU	EPC		
No. of substantiated complaints on product or service health and safety*	0	0	0	0
No. of complaints addressed	0	0	0	0

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

Megawide's Management Approach for Customer Management

MWMTI

Customer satisfaction is MWMTI's top priority. MWMTI has a 24-hour feedback center which caters to all customer concerns. Training is provided to customer-facing employees to ensure high standards of service. In 2019, the facility came up with baseline measures of customer satisfaction for its facilities and amenities. The Parañaque Integrated Terminal Exchange (PITX), the country's first land port, continues to enhance customer experience by promoting PITX as a friendly terminal and developing a culture of exceptional customer service across the entire PITX community. The goal is to have all PITX front liner staff provide consistently high levels of customer service. The Customer Service Culture land port continues to measure customer satisfaction by monitoring Customer Satisfaction (CSAT) scores through the Landport Service Quality (LSQ) Survey. PITX defines and builds their Customer-Centric strategy by putting customers' needs at the core of their business. The PITX LSQ Survey also provides more in-depth data analysis between Overall Satisfaction Score and Passenger Stated Importance.

MWMTI implemented safety and health protocols for the well-being of customers. PITX continues to conduct

sanitation efforts at the landport multiple times daily. Landport staff have developed and deployed misters to rapidly sanitize and disinfect high-traffic areas. All entrances to the terminals are equipped with body temperature scanners and information counters and ticketing booths were installed with acrylic barriers. Stickers have also been strategically placed around the facility to remind guests about social distancing. The landport also has public announcements about safety protocols. PITX has designated line overflow locations at ticketing and boarding gates, to ensure that social distancing is maintained even during peak travel times. In addition, the landport has implemented the PITX COVID Ambassador Program as an effort to make travel safer during the ongoing COVID-19 pandemic. Through the program, PITX deploys travel safety ambassadors at the landport to make sure that all passengers follow the seven commandments for public transport passengers, stakeholders, visitors, and commercial establishments.

The 7 Commandments for Public Transportation

1. Wear proper face mask
2. Wear face shield
3. No talking, no eating
4. Adequate ventilation
5. Frequent and proper disinfection
6. No symptomatic passengers
7. Observe physical distancing

GMCAC

The Mactan-Cebu International Airport Authority (MCIA) measures quality and customer satisfaction through the Airport Service Quality (ASQ) survey which considers 33 service parameters. There is an established process for managing customer complaints based on the Minimum Performance Specifications and Standards (MPSS). MCIA has a target of acknowledging complaints within two days and resolving cases within five days.

In 2021, the ASQ survey was temporarily suspended from January to April due to low turn-out and restriction on face-to-face interaction. From May to mid-September, the survey resumed using a QR code, which yielded a minimum acceptable rating of 3.5 but falling short of the minimum 1,400 number of respondents. In 2020, the ASQ Survey was suspended as the decline in air travel caused the drop in passenger volumes passing through the terminals and would not reflect ASQ parameters and results accurately.

2021 GMCAC Traffic Statistics

	Domestic		International	
	<i>Arriving</i>	<i>Departing</i>	<i>Arriving</i>	<i>Departing</i>
January	483	497	91	77
February	480	486	83	78
March	517	543	109	99
April	449	473	113	92

May	574	596	120	98
June	594	614	121	102
July	693	706	133	116
August	436	469	151	124
September	489	522	147	117
October	665	702	169	133
November	813	880	196	137
December	1084	1135	167	124

GMCAC continues to invest in the improvement of its services and facilities. GMCAC conducts regular data collection and reporting activities to determine the needed improvements. They also carry out audits and process monitoring programs. The IMS Certification process was still put on hold in 2021 due to the COVID-19 pandemic.

Physical manning of information counters at GMCAC is terminally suspended. Instead, Virtual Passenger Service Agents were set up to attend to customer-related concerns. This initiative was implemented to comply with the DOH, DOLE, and DOTr health control measures during the pandemic.

Since health and safety were an operational priority for airport terminals, MCIA ReStart Guidelines were established and implemented in response to the pandemic. These guidelines contain health control measures to reduce the risk of COVID-19 transmission and infection.

Marketing and Labeling

Disclosure	MCC	MWMTI	GMCAC
No. of substantiated complaints on marketing and labeling*	0	0	0
No. of complaints addressed	0	0	0

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

Megawide's Management Approach for Marketing and Labeling

Megawide has an established portfolio in the construction industry, given their strong brand name and proven track record of providing quality construction services and of managing the airport and terminal operations. They have participated in biddings for large infrastructure projects due to their Large B

classification for government registration. Properties and future developments aim to obtain ISO and LEED certification as a commitment to provide quality work to clients and to advocate for responsibility in their operations. Megawide secures their equipment in different business segments with the necessary certifications and licenses. They also apply for and renew the proper environmental and safety licenses and permits.

In their transport and airport operations, they engage with different stakeholders, especially passengers in providing information on PITX and MCIA services. MWMTI distributes flyers that contain the vicinity map, route map, and terminal guide. It is expanding its partnerships with different organizations to increase the marketability of the Landport. GMCAC protects its reputation by accommodating stakeholder feedback through social media channels and giving the appropriate responses. These avenues also allow the company to improve its processes and services based on customer perception.

Any internal or external factors that influence the success of marketing strategies and activities may affect the company's reputation. Corporate plans and strategies are aimed to provide a greater advantage over their competitors in the industry.

Megawide is exposed to the risk that their name or marks, or those confusingly similar to them, will be used, copied, reproduced, imitated, or infringed by an unauthorized third party. Moreover, such risk includes the use of the Megawide name or marks for projects, goods, or services which they are not a part of, have not produced, or are not offered by the company. This leads to the unfair and illegal appropriation of the goodwill associated with Megawide's name and marks. To minimize or address the marketing and labeling related risks faced by Megawide, their name and marks are registered with the Intellectual Property Office of the Philippines (IPO). Particularly, the IPO has issued Certificates of Registration for Megawide's typeface, logo, and logo with typeface. Meanwhile, Megawide has received a Notice of Allowance for their tagline from the IPO and has paid the required fees for the issuance of the Certificate of Registration.

By registering their name and marks with the IPO, Megawide is protected against the unauthorized use or infringement of its name and marks, or those confusingly similar to them. Additionally, Megawide is assured that they are the owner of such name and marks and have the exclusive right to utilize the same. As a fair competitor in the industry, Megawide continues to uphold their accreditation and certifications from regulatory and voluntary codes. Aside from maintaining the uniqueness of their brand and trademark, processes across the SBUs are also being managed to maintain quality and timely delivery of work that are true to all accreditations and certifications of the company. They market construction products and services, as well as the Terminal and Airport operations through various platforms and media. The Branding Team continues to develop its marketing strategies to effectively communicate their products and services to wider audiences.

Customer Privacy

Disclosure	MCC	MWMTI	GMCAC
No. of substantiated complaints on customer privacy*	0	0	0
No. of complaints addressed	0	0	0
No. of customers, users and account holders whose information is used for secondary purposes	0	0	0

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

Data Security

Disclosure	MCC	MWMTI	GMCAC
No. of data breaches, including leaks, thefts and losses of data	0	0	0

Megawide's Management Approach for Customer Privacy and Data Security

Megawide recognizes that there may be instances when protection and security of personal data can get destroyed, lost, altered, or disclosed, accessed, and processed without consent. To prevent cases of digital identity theft, fraud, and file corruption, the company implements reasonable and appropriate organizational, physical, and technical measures intended for the protection of personal data against any accidental or unlawful destruction, alteration and disclosure, as well as against any other unlawful processing. These include the implementation of safeguards to protect their computer network and regular monitoring for security breaches.

The Megawide Group is firmly committed to ensuring that all personal data collected from data subjects – clients, employees, suppliers, stakeholders, and other relevant external parties, are processed in compliance with Republic Act No. 10173 or “An Act Protecting Individual Personal Information in Information and Communication Systems in the Government and the Private Sector, Creating for this Purpose a National Privacy Commission, and for Other Purposes” (the “Data Privacy Act”), its Implementing Rules and Regulations, and other relevant policies and issuances of the National Privacy Commission (“NPC”).

On 03 September 2018, Megawide adopted a Data Privacy Manual (the “Data Privacy Manual”) in compliance with the Data Privacy Act. In adherence to the general principles of transparency, legitimate purpose, and proportionality under the Data Privacy Act, Megawide abides by the Data Privacy Manual in carrying out its principal business. This is to ensure that personal data under its control remain safe and secured while being processed in the course of its key operations and processes. The Data Privacy Manual aims to inform clients, employees, partners, and stakeholders of Megawide's data protection and security measures, and guide them in the exercise of their rights under the Data Privacy Act and other relevant regulations and policies.

Moreover, they recognize that robust information technology (“IT”) management systems are critical to protecting personal data. Thus, in addition to the Data Privacy Manual, they have also adopted IT data protection policies and procedures, such as hard disk drive low-level formatting and firewall configuration management and monitoring systems.

In compliance with the preventive and control measures imposed by the government in response to COVID-19, the company implemented work-from-home arrangements in 2020 and 2021, which created security challenges. However, to ensure that the data privacy of data subjects remains protected, the IT Department initiated the following measures in the new remote work reality: (i) migration of all working documents and resources in the cloud services of Microsoft Office; (ii) installation of antivirus software for end-point security with data loss prevention features for all users; (iii) continuous monitoring of firewall logs for any security breaches; and (iv) setting up of alert mechanisms for any unauthorized attempt to the IT system of Megawide.

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Construction and Manufacturing Operations	SDG 8: Decent Work and Economic Growth SDG 9: Industry, Innovation, and Infrastructure	- Air pollution and dust generation -High risk of accidents due to the nature of works in the construction	- Compliance to DENR policies and procedures in minimizing contribution to pollution - Compliance with DOLE safety standards for construction and manufacturing activities
Transport-oriented Operation	SDG 8: Decent Work and Economic Growth SDG 9: Industry, Innovation, and Infrastructure SDG 11: Sustainable Cities and Communities	Traffic congestion in surrounding areas	Traffic management plan
Social Responsibility Activities	SDG 3: Good Health and Well-Being SDG 11: Sustainable Cities and Communities SDG 13: Climate Action SDG 15: Life on Land	None since these activities aim to contribute to the betterment of beneficiaries.	

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*