CR01944-2017

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

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

1. For the fiscal year ended

   Dec 31, 2016

2. SEC Identification Number

   167423

3. BIR Tax Identification No.

   000-477-103

4. Exact name of issuer as specified in its charter

   MEGAWORLD CORPORATION

5. Province, country or other jurisdiction of incorporation or organization

   Metro Manila

6. Industry Classification Code(SEC Use Only)

7. Address of principal office

   28th Floor, The World Centre, 330 Sen. Gil Puyat Avenue, Makati City
   Postal Code
   1227

8. Issuer's telephone number, including area code

   (632) 8678826 to 40

9. Former name or former address, and former fiscal year, if changed since last report

   N/A

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	32,239,445,872
Preferred	6,000,000,000

11. Are any or all of registrant's securities listed on a Stock Exchange?

   ☑ Yes ☐ No

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

   Philippine Stock Exchange, Common Shares

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or 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

(b) has been subject to such filing requirements for the past ninety (90) days

☑ Yes ☐ No

13. 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 sixty (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 market 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

Php36,691,504,360.94 based on the closing price of Php3.38 per share as of March 31, 2017.

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

☐ Yes ☑ No

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders

N/A

(b) Any information statement filed pursuant to SRC Rule 20

N/A

(c) Any prospectus filed pursuant to SRC Rule 8.1

N/A

MEGAWORLD CORPORATION

Megaworld Corporation
MEG

PSE Disclosure Form 17-1 - Annual Report
References: SRC Rule 17 and
Sections 17.2 and 17.8 of the Revised Disclosure Rules

For the fiscal year ended	Dec 31, 2016
Currency (indicate units, if applicable)	Philippine Pesos

Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2016	Dec 31, 2015
Current Assets	140,689,818,094	131,175,365,355
Total Assets	278,742,517,650	251,684,763,702
Current Liabilities	40,889,535,200	36,478,816,621
Total Liabilities	135,124,177,321	117,271,409,059
Retained Earnings/(Deficit)	80,540,887,249	70,780,278,605
Stockholders' Equity	143,618,340,329	134,413,354,643
Stockholders' Equity - Parent	125,480,239,118	116,688,480,613
Book Value per Share	3.94	3.67

Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2016	Dec 31, 2015
Operating Revenue	44,305,440,617	42,252,866,468
Other Revenue	2,512,103,855	2,742,793,901
Gross Revenue	46,817,544,472	44,995,660,369
Operating Expense	28,747,801,900	28,410,205,062
Other Expense	2,871,041,738	2,725,974,969
Gross Expense	31,618,843,638	31,136,180,031
Net Income/(Loss) Before Tax	15,198,700,834	13,859,480,338

Income Tax Expense	3,489,339,020	3,284,678,495
Net Income/(Loss) After Tax	11,709,361,814	10,574,801,843
Net Income/(Loss) Attributable to Parent Equity Holder	11,331,824,386	10,215,095,444
Earnings/(Loss) Per Share (Basic)	0.35	0.32
Earnings/(Loss) Per Share (Diluted)	0.35	0.31

Financial Ratios

	Formula	**Fiscal Year Ended**	**Previous Fiscal Year**
		Dec 31, 2016	Dec 31, 2016
Liquidity Analysis Ratios:			
Current Ratio or Working Capital Ratio	**Current Assets / Current Liabilities**	3.44	3.6
Quick Ratio	**(Current Assets - Inventory - Prepayments) / Current Liabilities**	1.27	1.37
Solvency Ratio	**Total Assets / Total Liabilities**	2.06	2.15
Financial Leverage Ratios			
Debt Ratio	**Total Debt/Total Assets**	0.48	0.47
Debt-to-Equity Ratio	**Total Debt/Total Stockholders' Equity**	0.43	0.39
Interest Coverage	**Earnings Before Interest and Taxes (EBIT) / Interest Charges**	5.63	7.41
Asset to Equity Ratio	**Total Assets / Total Stockholders' Equity**	1.94	1.87
Profitability Ratios			
Gross Profit Margin	**Sales - Cost of Goods Sold or Cost of Service / Sales**	46.11	46.03
Net Profit Margin	**Net Profit / Sales**	25.01	23.5
Return on Assets	**Net Income / Total Assets**	4.2	4.2
Return on Equity	**Net Income / Total Stockholders' Equity**	8.15	7.87
Price/Earnings Ratio	**Price Per Share / Earnings Per Common Share**	10.02	13.24

Other Relevant Information
None

Filed on behalf by:

Name	Dohrie Edangalino
Designation	Head-Corporate Compliance Group

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 **31 December 2016**

2. SEC Identification Number: **167423** 3. BIR Tax Identification No.: **000-477-103**

4. **MEGAWORLD CORPORATION**
Exact name of issuer as specified in its charter

5. **Metro Manila**
Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
Industry Classification Code

7. **28th Floor The World Centre**
330 Sen. Gil Puyat Avenue
Makati City, Philippines 1227
Address of principal office

8. **(632) 867-8826-40**
Issuer's telephone number, including area code

9. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Stock Outstanding
Common	**32,239,445,872**
Preferred	**6,000,000,000**
Total	**38,239,445,872**

10. Are any or all of these securities listed on a Stock Exchange?

Yes [x] No [ ]

Philippine Stock Exchange **Common Shares**

11. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or 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.

Yes [x] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [x] No [ ]

12. Aggregate Market Value of Voting Common Stock held by Non-Affiliates as of **March 31, 2017** is **Php36,691,504,360.94** based on the closing price of **Php3.38 per share**.

PART I - BUSINESS AND GENERAL INFORMATION

BUSINESS
Business Development

The Company was founded by Andrew Tan and incorporated under Philippine law on August 24, 1989 to engage in the development, leasing and marketing of real estate. The Company initially established a reputation for building high-end residential condominiums and commercial properties located in convenient urban locations with easy access to offices as well as leisure and entertainment amenities in Metro Manila. Beginning in 1996, in response to demand for the lifestyle convenience of having quality residences in close proximity to office and leisure facilities, the Company began to focus on the development of mixed-use communities, primarily for the middle-income market, by commencing the development of its Eastwood City community township. In addition, the Company engages in other property related activities such as project design, construction oversight and property management. In 1999, Eastwood City Cyberpark became the first IT park in the Philippines to be designated a PEZA special economic zone.

Since its incorporation in 1989, the Company and its affiliates have launched approximately 560 residential buildings, office buildings and hotels consisting in aggregate of more than 12 million square meters of floor area.

The following are some of the major residential and office projects completed by the Company:

Residential

8 Newtown Boulevard (Cebu City)
Greenbelt Madison (Makati City)
Greenbelt Parkplace (Makati City)
Greenbelt Radissons (Makati City)
One and Two Lafayette Square (Makati City)
One Central (Makati City)
Paseo Parkview 1 & 2 (Makati City)
The Manhattan Square (Makati City)
The Salcedo Park (Makati City)
Two Central (Makati City)
8 Wack Wack Road (Mandaluyong City)
Wack-Wack Heights (Mandaluyong City)
City Place (Manila)
Marina Square Suites (Manila)
Brentwood Heights (Paranaque)
Sherwood Heights (Paranaque)
Manhattan Parkway (Quezon City)
Narra Heights (Quezon City)
One Central Park (Quezon City)
115 Upper Mckinley (Taguig City)
8 Forbestown Road (Taguig City)
Forbeswood Heights (Taguig City)
Mckinley West Subdivision (Taguig City)
Morgan Suites Executive Residences (Taguig City)
Manhattan Heights – Tower D (Quezon City)
Greenbelt Hamilton 1 (Makati City)
150 Newport Boulevard (Pasay City)
Belmont Luxury Hotel (Pasay City)
Palmtree Villas (Pasay City)
The Parkside Villas (Pasay City)
The Residential Resort (Pasay City)
Corinthian Hills (Quezon City)
Eastwood Excelsior (Quezon City)
Eastwood Lafayette Square (Quezon City)
Eastwood Le Grand (Quezon City)
Eastwood Parkview (Quezon City)
El Jardin del Presidente (Quezon City)
Grand Eastwood Palazzo (Quezon City)
Kentwood Heights (Quezon City)
Manhattan Heights – Tower A (Quezon City)
Manhattan Parkview (Quezon City)
Manhattan Parkview Garden (Quezon City)
One Orchard Road (Quezon City)
Greenhills Heights (San Juan City)
One Beverly Place (San Juan City)
The Bellagio (Taguig City)
The Venice – Alessandro (Taguig City)
The Venice – Bellini (Taguig City)
The Venice – Carusso (Taguig City)
The Venice – Domenico (Taguig City)
The Venice – Emanuele (Taguig City)
Iloilo Boutique Hotel – (Iloilo City)

Office and Retail

One World Center (Cebu City)
Two World Center (Cebu City)
Mactan AlFresco (Cebu City)
1800 Eastwood Avenue (Quezon City)
1880 Eastwood Avenue (Quezon City)
Citibank Square (Quezon City)
Richmonde Hotel (Iloilo City)
CyberOne (Quezon City)
Eastwood Mall (Quezon City)
Global One (Quezon City)
IBM Plaza (Quezon City)
ICITE (Quezon City)
One Global Center (Iloilo City)
Forbes Town Center (Taguig City)

Paseo Center (Makati City)	One Campus Place (Taguig City)
Petron Megaplaza (Makati City)	Science Hub (Taguig City)
The World Centre (Makati City)	The Venice Piazza (Taguig City)
Landbank Plaza (Manila)	Three World Square (Taguig City)
Lucky Chinatown Mall (Manila)	Two World Square (Taguig City)
Richmonde Plaza (Pasig City)	Uptown Parade (Taguig City)
Cybermall (Quezon City)	Uptown Place Towers (Taguig City)
Eastwood City Walk 1&2 (Quezon City)	Uptown Place Mall (Taguig City)
Techno Plaza 1 & 2 (Quezon City)	Venice Corporate Center (Taguig City)
8 Campus Place (Taguig City)	Venice Grand Canal Mall (Taguig City)
Commerce and Industry Plaza (Taguig City)	8 Newtown Boulevard (Cebu City)
Emperador Steel Parking Building (Taguig City)	One Techno Place (Iloilo City)
One West Campus (Taguig City)	Two Global Center (Iloilo City)
Two West Campus (Taguig City)	331 Building (Makati City)
Three West Campus (Taguig City)	Belmont Luxury Hotel (Pasay City)
Festive Walk Parade 2B (Iloilo City)	Festive Walk Mall (Iloilo City)
Tower One Plaza Magellan (Cebu City)	Five West Campus (Taguig City)

Subsidiaries and Associates[1]

As of December 31, 2016, the Company holds interests in the following subsidiaries and associates:

Subsidiaries and Associates	Date of Incorporation	Percentage Ownership
Subsidiaries		
Megaworld Land, Inc.	May 26, 1994	100%
Prestige Hotels & Resorts, Inc.	February 16, 1999	100%
Mactan Oceanview Properties and Holdings, Inc.	August 16, 1996	100%
Megaworld Cayman Islands, Inc.	August 14, 1997	100%
Richmonde Hotel Group International Limited..........	June 24, 2002	100%
Eastwood Cyber One Corporation	October 21, 1999	100%
Megaworld Cebu Properties, Inc…………………….	February 6, 2002	100%
Megaworld Newport Property Holdings, Inc.	October 6, 2003	100%
Oceantown Properties, Inc…………………………..	August 15, 2006	100%
Piedmont Property Ventures, Inc…………………….	August 28, 1996	100%
Stonehaven Land, Inc…………………………………	August 21, 1996	100%
Streamwood Property, Inc…………………………….	August 21, 1996	100%
Suntrust Properties, Inc………………………………	November 14,1997	100%
Arcovia Properties, Inc. ………………………………	March 28, 1985	100%
Luxury Global Hotels and Leisure, Inc………………	July 17, 2013	100%
Global One Integrated Business Services, Inc…….	September 25, 2014	100%
Luxury Global Malls, Inc……………….……………..	September 18, 2014	100%
Davao Park District Holdings, Inc...........................	April 14, 2014	100%
Belmont Newport Luxury Hotels, Inc………………...	March 5, 2015	100%
Global One Hotel Group, Inc…………………………	May 4, 2015	100%
Landmark Seaside Properties, Inc…………………..	January 6, 2011	100%
San Vicente Coast, Inc……………………………….	March 7, 2016	100%
Megaworld Bacolod Properties, Inc………………….	May 12, 1918	91.55%
Empire East Land Holdings, Inc……………………..	July 15, 1994	81.73%
Global-Estate Resorts, Inc…………………………..	May 18, 1994	82.32%
Megaworld Central Properties Inc.	September 15, 2005	76.55%
Soho Café and Restaurant Group, Inc……………..	February 15, 2005	75%
La Fuerza, Inc. ………………………………………..	January 24, 1958	66.67%
Megaworld-Daewoo Corporation …………………...	November 29, 1996	60%
Gilmore Property Marketing Associates, Inc………..	September 5, 1996	52.14%
Megaworld Resort Estates, Inc………………………	April 30, 2007	51%
Manila Bayshore Property Holdings, Inc…………..…	October 14, 2011	50.92%

[1] Please refer to pages 1 to 4 of the attached Audited Financial Statements ended December 31, 2016 for a complete lists.

Megaworld-Globus Asia, Inc.………………………….	March 17, 1995	50%
Integrated Town Management Corporation…………	March 25, 2002	50%
Maple Grove Land, Inc………………………………..	July 20, 2016	50%

Associates

Bonifacio West Development Corporation………….	November 15, 2001	46.11%
Suntrust Home Developers, Inc.	January 18, 1956	42.48%
Palm Tree Holdings & Development Corporation	August 15, 2005	40%

Set out below is a description of each subsidiary or associate and its main activity.

Empire East Land Holdings, Inc. is a publicly-listed company that is engaged in the development and marketing of affordable housing projects either in the form of condominium communities or house-and-lot packages, and to a limited extent, commercial and office space and mixed-use complexes.

Global-Estate Resorts, Inc. is a publicly-listed company which is engaged in diversified portfolio including integrated tourism estates development; horizontal residential subdivision lots and residential/commercial complexes; residential communities integrated with golf, resort and other leisure-related and commercial complexes; residential, office and commercial high rise; business park; and low cost housing.

Suntrust Home Developers, Inc. is a publicly-listed company which owns interests in a property management company.

Megaworld Land, Inc. provides a leasing service to the Company by locating tenants for rental properties and coordinating relations with brokers primarily in relation to the Eastwood Cyberpark.

Prestige Hotels & Resorts, Inc. owns and operates Richmonde Hotel located in Ortigas Center, Pasig City, Eastwood Richmonde Hotel located in Eastwood, Bagumbayan, Quezon City and Richmonde Hotel located in Mandurriao, Iloilo City.

Mactan Oceanview Properties and Holdings, Inc. was organized to develop a resort property in Cebu.

Megaworld Cayman Islands, Inc. was incorporated in the Cayman Islands to act as a promoter and entrepreneur, carry on the business as a financier, broker, dealer, agent, and importer and to undertake investments, financial, trading and other operations.

Richmonde Hotel Group International Ltd. was incorporated in the British Virgin Islands to undertake various investments on behalf of the Company and engage in trading, hotel, restaurant and related businesses.

Eastwood Cyber One Corporation was set up as a special purpose entity to own and develop certain Business Process Outsourcing (BPO) rental properties located in the Eastwood City CyberPark.

Megaworld Cebu Properties, Inc. was organized primarily to act as a principal agent or broker, on commission basis or otherwise, and to acquire by purchase or lease, construct, manage or sell real estate properties.

Megaworld Newport Property Holdings, Inc. provides a sales and marketing service for development of the Newport City projects.

Oceantown Properties, Inc. is a company that was incorporated to own land in Mactan, Cebu.

Piedmont Property Ventures, Inc. was incorporated on 28 August 1996 and was acquired by the Company in 2008.

Stonehaven Land, Inc. was incorporated on 21 August 1996 and was acquired by the Company in 2008.

Streamwood Property, Inc. was incorporated on 21 August 1996 and was acquired by the Company in 2008.

Suntrust Properties, Inc. which was incorporated on 14 November 1997, is a company that is engaged in the development of affordable real estate projects.

Arcovia Properties, Inc. is engaged primarily in real estate activities which include leasing out of real properties.

Luxury Global Hotels and Leisure, Inc. was formed to own, lease and manage hotels.

Global One Integrated Business Services, Inc. was incorporated on 25 September 2014 and is engaged in BPO business.

Luxury Global Malls, Inc. was incorporated on 18 September 2014 and is engaged in BPO business.

Davao Park District Holdings, Inc. is engaged in the real estate business and was incorporated on 14 April 2014.

Belmont Newport Luxury Hotels, Inc. is engaged in owning, leasing, operation and management of hotels.

Global One Hotel Group, Inc. is engaged in owning, leasing, operation and management of hotels.

Landmark Seaside Properties, Inc. is engaged primarily in real estate activities.

San Vicente Coast, Inc. is engaged primarily in real estate activities.

Megaworld Bacolod Properties, Inc. is engaged primarily in real estate activities.

Megaworld Central Properties Inc. was formed to provide sales services in respect of residential units in the Manhattan Garden City project.

Soho Café and Restaurant Group, Inc. is engaged primarily in business of restaurants, cafes, cocktail bars, lounges, inns, apartments, private clubs and other allied businesses.

La Fuerza, Inc. is engaged in the real estate business, including leasing of real estate properties.

Megaworld-Daewoo Corporation is a joint venture between the Company and Daewoo Corporation which developed three residential condominium towers in Eastwood City.

Gilmore Property Marketing Associates, Inc. was incorporated on 5 September 1996 primarily to act as a principal agent or owner, on commission basis or otherwise, and to acquire, lease and construct or dispose of buildings and other real estate properties.

Megaworld Resort Estates, Inc. is a company that was incorporated to engage in the real estate business.

Manila Bayshore Property Holdings, Inc. was organized to engage in real estate development. It started commercial operations on 1 January 2012.

Megaworld-Globus Asia, Inc. was formed to develop and sell “The Salcedo Park”, a twin-tower residential condominium project located in Makati City which has been completed.

Integrated Town Management Corporation is a company that was incorporated to own, buy, develop, redevelop, rehabilitate, offer, sell, market, lease, exchange, operate, maintain, manage, administer or otherwise, real estate of all kinds, including buildings, houses, buildings, condominiums, apartments, malls, commercial centers and other structures.

Maple Grove Land, Inc. is engaged primarily in real estate activities

Bonifacio West Development Corporation is engaged in real estate business and was incorporated on 15 November 2001.

Palm Tree Holdings & Development Corporation is a company that was acquired in connection with its landholdings adjacent to the Company's Eastwood City township. It is currently engaged in the real estate business.

Neither the Company nor any of its subsidiaries have, during the past 3 years, been the subject of a bankruptcy, receivership or similar proceeding, or involved in any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business.

Description of Business

The Company is one of the leading property developers in the Philippines and is primarily engaged in the development of large-scale, mixed-use, master planned townships that integrate residential, commercial, and office developments. Townships typically also have educational, medical, and other civic facilities that support the respective market of each development. Founded in 1989, the Company initially established a reputation for building high quality residential condominiums and commercial properties in certified first choice locations in Metro Manila. Beginning 1996, in response to demand for a lifestyle of convenience, the Company began to focus on the development townships beginning with Eastwood City.

The Company's real estate portfolio includes residential condominium units, subdivision lots and townhouses, as well as office projects and retail space. The Company has three primary business segments: (1) real estate sales of residential developments, (2) leasing of office space, primarily to BPO enterprises, and retail space, and (3) management of hotel operations. The table below sets out each business segments' contribution to Megaworld's consolidated revenue for the years ended 31 December 2014, 2015, and 2016.

	For the years ended 31 December Audited		
(*in ₱million*)	**2014**	**2015**	**2016**
Real Estate Sales	24,607	27,262	27,451
Leasing Operations	7,071	8,730	10,012
Management of Hotel Operations	723	796	1,163
Combined Total	32,401	36,788	38,626

The Company's consolidated revenues for the year ended 31 December 2016 were ₱46.82 billion compared to ₱45.00 billion for the year ended 31 December 2015. Real estate sales of residential developments accounted for 59% of the Company's consolidated revenues in 2016 and 61% in 2015. Rental income from leasing operations accounted for approximately 21% of the Company's consolidated revenues in 2016 and 19% in 2015. The Company's consolidated net profit for the year ended December 31, 2016 was ₱11.71 billion compared to ₱10.57 billion for the year ended 31 December 2015.

As at 31 December 2016, Megaworld's consolidated total assets stood at ₱278.74 billion, consolidated total liabilities were at ₱135.12 billion, with net debt-to-equity ratio (being the ratio of aggregate consolidated interest-bearing indebtedness net of cash and cash equivalent and investment held for trading over equity) of 31.19%.

Foreign sales contributed approximately 16.5%, 18% and 18% to the Company's consolidated sales and revenues for the years 2016, 2015 and 2014. The percentage of sales broken down by major markets is as follows:

Market	2016	2015	2014
North America	28%	26%	33%
Europe	46%	40%	46%
Asia	14%	19%	11%
Middle East	12%	15%	10%
Total	100%	100%	100%

Current Property Development Projects

The Company's current property development projects consist of townships located throughout the country including areas such as Metro Manila, Cebu, Iloilo, and Davao. The objective of each of the township is to provide an integrated community with high quality live-work-play amenities within close proximity to each other. Each of the Company's 22 townships is described below.

Eastwood City

Eastwood City is the first township to showcase Megaworld's signature Live-Work-Play-Learn lifestyle concept. The first of its kind when launched in 1999, it now has become the Company's proof of concept and model for townships thereafter, Eastwood City's 18.50-hectare prime community property in Libis, Quezon City has 19 completed luxury condominium towers, 10 first-class corporate office buildings, and a modern IT park. The planning of Eastwood City adopts an integrated approach to urban planning, with an emphasis on the development of the Eastwood City Cyberpark to provide offices with the infrastructure such as high-speed telecommunications and 24-hour uninterrupted power supply to support BPO and other technology-driven businesses, and to provide education/training, restaurants, leisure and retail facilities and residences to complement Eastwood City Cyberpark. It is home to more than 25,000 residents and 55,000 workers. It hosts the four-level Eastwood Mall – a shopping and dining destination hailed several times as the "Best Shopping Center" by the Philippine Retailers Association. Eastwood City has three malls and around 500 commercial and retail shops.

Forbes Town Center

Forbes Town Center is located in a 5-hectare land in Bonifacio Global City, Taguig, Metro Manila adjacent to the Manila Golf Club, Manila Golf and Country Club, the prestigious Forbes Park residential subdivision and Dasmariñas Village. Forbes Town Center has 12 residential towers which house more than 3,500 residential units. Upon completion, Forbes Town Center is expected to consist of residential, retail and entertainment properties. The focal point of activity in Forbes Town Center is the aptly named Forbes Town Road, a retail strip with 37 restaurants and shops that cater to the diverse needs of the residents of the community's three Bellagio towers, six towers of Forbeswood Heights, two towers of Forbeswood Parklane, and the 53-storey Eight Forbes Town Road. This is connected to another Fort Bonifacio landmark, Burgos Circle, a leisure spot with residential condominiums and a small park. These commercial centers along with each of the condominiums' convenient location and top- notch resort-style amenities form a lifestyle of absolute leisure.

McKinley Hill

McKinley Hill is a community township located on approximately 50 hectares of land in Fort Bonifacio, Taguig, Metro Manila. McKinley Hill consists of office, residential, retail, educational, entertainment and recreational centers. The residential zone consists of subdivision lots for low-density single-detached homes, clusters of low-rise residential garden villas and residential condominiums. The office properties will include the McKinley Hill Cyberpark which is a PEZA-designated IT special economic zone. Tenants of the office properties will largely be comprised of software developers, data encoding and conversion centers, call centers, system integrations, IT and computer system support. The leisure and entertainment zone will consist of bars, restaurants, specialty shops, cinemas and sports complex, which are expected to complement the office and residential areas in the community township. Three international schools, the Chinese International School, the Korean International School and Enderun College, a hotel management institution affiliated with *Les Roches* of Switzerland, initially comprise the “learn” component of the township. McKinley Hill is likewise home to the British Embassy which relocated on a 1.2 hectare property within the development and the Korean Embassy which is located in a 5,822 square meter site within the project.

Newport City

Newport City is a community township located on 25 hectares of land at the Villamor Air Base, Pasay City, Metro Manila, across from the NAIA Terminal 3 and adjacent to the Villamor golf course. It is targeted towards tenants and buyers who consider proximity to the NAIA Terminal 3 an advantage. The residential zone consists of eight to nine-storey medium-rise buildings while the corporate zone is comprised of office buildings. The leisure and entertainment zone consist of bars, restaurants, retail and tourist oriented shops, which are designed to complement the office and residential buildings in the community township. Newport City is home to Resorts World Manila, which is a leisure and entertainment complex comprising gaming facilities, restaurants, hotels and shopping outlets. The hotel zone comprises the Marriott Hotel, Maxims Hotel, Remington Hotel, Belmont Luxury Hotel and Savoy Hotel.

McKinley West

The Company is developing McKinley West, an “ultra high-end” township on a 34.5-hectare portion of the JUSMAG property in Fort Bonifacio which is directly beside Forbes Park and Manila Polo Club and across McKinley Hill in Taguig, Metro Manila. The development of McKinley West into a mixed-use project is another joint venture undertaking with BCDA. McKinley West will have rows of luxury residential estates with some properties having their own swimming pools, state-of-the-art security features and first-of-its-kind luxury amenities designed by some of the world’s leading European architects to have state-of-the-art security features and luxury amenities. The upscale residential enclave will be supplemented by a modern business district of sustainable office buildings, an international school, and a chic commercial centre, which will all be complemented by open spaces and lush greenery. Ingress and egress points of the estate are conveniently along Lawton Avenue which connects Fort Bonifacio to Pasay City and Makati City.

The Mactan Newtown

Megaworld’s first township venture outside Luzon, Mactan Newtown is a mixed-use development on a 30-hectare property near Shangri-La’s Mactan Resort and Spa in Mactan, Cebu, Mactan Newtown combines high-end office towers, luxury condominiums, leisure amenities, retail shops, a school, and upscale hotels. It will also have its own exclusive, world-class beach club at the township’s beachfront, and sports facilities at the 11-hectare beachfront property formerly known as Portofino Beach. It is also near the Mactan-Cebu International Airport, making the township ideal for residence, business or leisure. The first phase of the project is expected, on completion, to comprise high-tech BPO offices, and retail centres, luxury condominiums, leisure facilities and beach resort frontage. The Mactan Newtown is approximately 10 minutes away from the Mactan-Cebu International Airport, the Philippines’ second largest airport. Soon to rise are 5 hotels, two of which are at the beachfront.

Uptown Bonifacio

The Company is developing Uptown Bonifacio, an approximately 15.4-hectare property in Fort Bonifacio in Taguig, Metro Manila. Modeled after the most progressive cities around the world – Paris, London, Milan, New York and Tokyo, Uptown Bonifacio is comprised of a residential portion in the northern part of Fort Bonifacio, and a portion for mixed-use, comprising office and retail space. It is well placed to cater to the fast -paced lives of today’s young professionals and growing families. Set in the heart of Fort Bonifacio, the township will be close to several of the new CBD’s popular landmarks, such as Forbes Town Center, Burgos Circle, the Mind Museum, Bonifacio High Street, and The Fort Strip. First class health care and education will never be far with St. Luke’s Medical Center and the institutional zone mere footsteps away. Within the township is a complete community of its own: live luxuriously in the residences of Uptown Bonifacio; work in the top grade office sites; and play at its very own high-end commercial center, Uptown Place Mall. The township is easily accessible via Kalayaan Avenue, C-5 Road and EDSA.

Boracay Newcoast

Boracay Newcoast is a 150-hectare mixed-use leisure and resort development. It is envisioned to be the next world-class tourism destination in the paradise island. Soon to rise in the tropical tourism development are luxury and boutique hotels, commercial and retail district, upscale villas, and an exclusive residential village. Among the first residential towers to rise is Oceanway Residences, a cluster of mid-rise condominiums offering amazing views of the Sibuyan Sea, Mt. Luho, the island's highest peak, as well as the Fairways & Bluewater Golf Course. Aside from Oceanway Residences, among the upcoming projects here include four hotels and an Ibiza-inspired commercial and retail strip, all the more making it the most anticipated destination in Boracay.

Twin Lakes

Twin Lakes is a 1,200-hectare mixed-use leisure and resort community that raises the bar of living in Tagaytay. The tourism estate will feature the best of Europe at the first residential cluster called The Vineyard Residences, which will be composed of three mid-rise condominium towers named after famous grape varieties: Shiraz, Merlot, and Chardonnay. Twin Lakes also has a unique mixed-use community development called The Vineyard, which spans 177-hectare of natural landscape that offers the perfect view of the famous Taal Volcano, along with a view of the man-made lake within the estate. The Vineyard will have its own sports club and spa, wedding venue, and the 10-hectare vineyard that will produce real grapes that can be processed, stored, and aged in a very own chateau. The township will also have commercial and retail hubs (The Village and Lakeshore Town Center), a university park, as well as a nature park. Other developments in Twin Lakes include a retirement community, wellness center, hotel and chateau, among others. With these developments, one can enjoy both the natural and man-made wonders at Twin Lakes.

Iloilo Business Park

Iloilo Business Park is a mixed-planned community in a 72-hectare property in Mandurriao, Iloilo. When completed, it will be a mixed-use business, tourism, commercial and residential hub with a residential community, BPO office buildings, hotels, a convention center, retail centers and a lifestyle center, all at the heart of Iloilo, a new growth center in the Visayas. The entire Iloilo Business Park development was registered as a special economic zone with the Government, which allows it to benefit from a tax holiday period as well as other incentives for investors. It also features The Street of Festive Walk, a 1.1-kilometer retail strip inspired by outlet shops in America and envisioned to be the longest shop-and-dine street outside of Metro Manila. Iloilo Business Park has launched three residential condominium developments to date – One Madison Place Luxury Residence, Lafayette Park Square and The Palladium, the tallest building in the region at 22 storeys high. With Iloilo Business Park, Megaworld aims to transform Western Visayas into the next central district in the region.

Suntrust Ecotown

Sitting on a 350-hectare land in Tanza, Cavite, the Suntrust Ecotown will be Megaworld's first mixed-use development with an industrial park, also a first in the country. The industrial park is the country's first to be accredited by PEZA with lifestyle amenities. It is also positioned to be the major hub for world-class light to medium export-oriented industries, residential, commercial, and institutional establishments in the south. At Suntrust Ecotown, 111 hectares will be allotted for the industrial park, another 40 hectares is dedicated for the expansion of the industrial park and the integration of lifestyle amenities such as a hotel, commercial and retail hubs, driving range, mini golf course, putting greens, swimming pool, jogging path, basketball and badminton courts, and open parks, and another 200 hectares of future development that may include residential and other recreational facilities.

Davao Park District

Davao Park District is the Company's first township development in Mindanao, specifically on an 11-hectare property along S.P. Dakudao Loop in Lanang, Davao City which used to be the Lanang Golf and Country Club. The township is envisioned to the Mindanao's new central business district, by being a center for BPO and other corporate entities over the next seven years. Also located in Davao Park District are the themed residential condominiums that will be built by Suntrust Properties, a wholly-owned subsidiary of Megaworld. The township will also have a lifestyle mall, commercial and retail strips, open parks, a lagoon, and a school. The first office tower to rise is the iconic 15-storey Davao Finance Center, which is due for completion by 2017. The first tower in One Lakeshore Drive, a 4-tower condominium cluster, started selling in 2014.

Southwoods City

Southwoods City is the largest and only fully-integrated township with a golf course located in the south of Metro Manila. The 561-hectare property is a mixed-use development that features the Jack Nicklaus-designed Manila Southwoods Golf and Country Club, a central business district, a mall, schools, a church, and a medical facility among others. It maintains its suburban feel while being conveniently accessible via the South Luzon Expressway. Within Southwoods City is Pahara, a 26-hectare residential village consisting of over 600 lots, each having a spectacular view of the golf course and the Laguna de Bay. Pahara, which is a Bengali term for hills, was named due to its landscape and terrain. This residential village has a Mediterranean-inspired architectural theme with green open spaces and its own clubhouse, swimming pool, function halls, children's playground, an outdoor circuit gym, and parks.

Alabang West

Alabang West is a 62-hectare township located at the heart of Alabang's leisure, business and commercial district. It delivers the glitz and glamor of Beverly Hills by offering high-end shopping boutiques and world-class amenities, all in a posh neighborhood. It is easily accessible to and from Metro Manila via the South Luzon Expressway and the Daang Hari Exit. Alabang West has a 1.3-kilometer commercial and retail row inspired by Hollywood's famous Rodeo Drive and an exclusive Alabang West Village that features over 700 residential lots. The village will have a clubhouse with badminton and basketball courts, function rooms, game room, a fitness center, and an infinity pool.

ArcoVia City

Envisioned as an environment-friendly community, the 12.4-hectare ArcoVia City is located along the C-5 Road in Pasig City. A main "green" feature of the township is the approximately 1,000 trees that will be planted around the development. This greening feature will help provide an outdoor thermal comfort for the future residents, workers, tenants and visitors of the township. Sustainable buildings registered under Leadership in Energy and Environmental Design (LEED) are the standard of office developments in this township, with the first two to rise designed by world-renowned architectural firm Skidmore, Owings & Merrill. Other green features of ArcoVia City are a rainwater catchment facility, a network of bicycle lanes, and wide tree-lined sidewalks. Aside from office towers, the township will have residential condominiums, a lifestyle mall, retail and commercial strips, and open parks.

The Upper East

The Upper East sits on a 34-hectare property in Bacolod City, Negros Occidental and is bound by Burgos Avenue on the north, Lopez Jaena Street on the west, the Circumferential Road on the east, and is just across the New Government Center. Modeled after New York City's Upper East Side district, its prime location is geared to be Bacolod's own version of an upscale lifestyle district where residential condominiums, malls and commercial centers, BPO office towers, tourism and leisure facilities as well as recreational parks and open spaces are integrated to create an exciting Live-Work-Play township, which Megaworld pioneered in the Philippines.

Northill Gateway

Northill Gateway will rise in the northern part of Bacolod, where the famous Sugar Road was built. Sitting on a 53-hectare property along the new Circumferential Road on the boundaries of Talisay City and Bacolod City, it has direct access to the new Bacolod-Silay Airport. It will rise in an area that has a direct link to The Upper East via the Circumferential Road. Northill Gateway is envisioned to be a refreshing lifestyle district that will house upscale residential villages, mixed-use office and retail developments, leisure and recreational amenities as well as institutional facilities. Megaworld is constructing a 'commercial town center' on the Bacolod side of the rising Northill Gateway township occupying around 7.5 hectares, the Northill Town Center will be a sprawling horizontal commercial development composed mostly of stand-alone two-storey structures of retail shops and dining establishments, surrounded by landscaped parks and open spaces. The town center, which will be accessible along the Bacolod-Silay Airport Access Road, will also have a central plaza, an events venue, 'pasalubong' centers featuring local Negrense delicacies, a supermarket, and wellness and sports facilities.

Sta. Barbara Heights

Sta. Barbara Heights is a 173-hectare mixed-use development has 34 hectares allocated for residential lots, which offer a backdrop of a nearby natural lake and rolling hills in Sta. Barbara, Iloilo. The township is adjacent to the historic Santa Barbara Church and Convent and the Iloilo Golf Course and Country Club, the oldest golf course in Asia. Sta. Barbara Heights will have a direct access to the road leading to the Iloilo International Airport via the Iloilo International Avenue, a six-lane "spine" highway featuring rows of mixed-use and commercial buildings, retail shops, restaurants, boutique hotels and institutional facilities. Half of the entire development is allocated for the Sta. Barbara Heights Residential Estates, a residential village with three phases offering around 1,000 lots. The village will feature a five-hectare Village Center with amenities that include a 260-meter swimming pool, tennis and basketball courts, children's park and picnic ground overlooking a lake beside the Iloilo Golf and Country Club.

The Capital Town Pampanga

This 35.6-hectare prime property beside the provincial capitol of the City of San Fernando, Pampanga is the fourth township launched by Megaworld in 2015. It is just approximately 70 kilometers away from Metro Manila and accessible via the North Luzon Expressway and the Jose Abad Santos Avenue, also known as the Olongapo-Gapan Road. It is also around 20 kilometers away from Clark International Airport and will have residential, office, commercial, and institutional components integrated within its walls. The township's prime location is strategic to tapping the large pool of skilled BPO talents in Pampanga.

Westside City

Westside City will be the second site of Resorts World Manila in the Philippines. The 31-hectare leisure and entertainment township at the booming Entertainment City in Parañaque will also have international hotels, a luxury mall, and residential condominiums. The launch of Westside City marked Megaworld's 20th integrated urban township, the most by any developer in the country. The township will also be home to Megaworld's upscale residential condominiums, a luxury mall as well as international hotel brands such as The Westin Hotel of the Starwood Asia Pacific Hotels & Resorts Group, Hotel Okura Manila of the Okura Hotels & Resorts, the Genting Grand and Crockfords Tower of the Genting Group, and Kingsford Hotel. These hotels will have a total of around 1,500 rooms. Part of the Company's vision for Westside City is to become the "Broadway of Asia" as the township highlights facilities for the performing arts. It will be home to the Philippines' first Grand Opera House that has a total capacity of approximately 3,000 persons.

Maple Grove

Megaworld 21st township, called Maple Grove, is a 140-hectare property in General Trias, Cavite. This vast property will be developed into another world-class mixed-use development, where relaxation and nature perfectly blend with the urban lifestyle. Just 45 minutes away from Makati and other Metro Manila CBDs via Coastal Road and Cavitex, Maple Grove is at the entry point of the booming industrial and residential center of the Cavite-Batangas corridor. The Company is allocating ₱10-billion in the next 10 years to develop Maple Grove. The township will have an eclectic mix of residential, retail, office and institutional components.

Eastland Heights

Through its subsidiary, GERI, Megaworld is building Eastland Heights, an 'integrated lifestyle community' in Antipolo, Rizal on an expansive 640 hectares of land along Marcos Highway with some areas overlooking Metro Manila's panoramic skyline. The vast property has its own iconic 36-hole golf course and country club, which will occupy around 20% of the entire development. It is also known for its rolling terrains on the foot of the scenic Sierra Madre Mountain Range. The Company is spending ₱5-billion to develop Eastland Heights in the next five to seven years. Aside from the golf course, the community will have residential, commercial and retail, and institutional components such as a school.

Marketing and Sales

The Company maintains an in-house marketing and sales division for each of its projects. The marketing and sales division is staffed by a trained group of property consultants who exclusively market the Company's projects. All property consultants are trained prior to selling and the Company also provides skills enhancement program intended to further develop the sales and marketing staff into high-caliber marketing professionals. Property consultants are required to meet the criteria set by the Company. The Company also works with outside agents who compete directly with the Company's in-house personnel.

The Company also employs a marketing services staff whose job is to provide auxiliary services required by the marketing division for its sales and promotional activities. The group is also responsible for monitoring the latest developments in the economy and the real estate property markets as well as conducting market research studies for the marketing division.

In addition, the Company has an international marketing division based in Manila who oversees a global network of sales offices which market the projects of the Company and its affiliates to overseas Filipino professionals and retirees throughout Asia, Europe, North America, the Middle East and Australia. The Company enters into marketing agreements with various brokers based in the different overseas markets, which will then market the Company projects overseas through their respective marketing networks.

Construction

The Company has its own architectural and engineering teams and engages independent groups to carry out the design of its high profile development projects. The Company has a team of project managers who work closely with outside contractors in supervising the construction phase of each project. The Company has also established relationships with Philippine architectural firms as well as with international architectural firms.

Competition

The Company competes with other property investment, development, leasing and property holding companies to attract purchasers as well as tenants for its properties in Metro Manila. The principal bases of competition in the real estate development business are location, product, price, financing, execution and completion, quality of construction, brand and service. The Company believes it has several competitive advantages in each of these categories due to the prime locations of its properties, innovative projects and a good reputation for high quality designs, affordable pre-sales financing, after-sales service and a consistent track record of completion. Total Assets of the Group for the year ended 31 December 2016 is ₱278.74 billion while Net Profit for the same year is ₱11.71 billion.

The Company attributes its strong residential sales to two main factors – the popularity of its live-work-play communities in Metro Manila and the Company's proven track record of delivering more than 374 buildings to its customers over the last two decades.

With respect to community township developments, the Company considers ALI to potentially be its only significant competitor. ALI is present in Fort Bonifacio, which is where the Company's Forbes Town Center, McKinley Hill, McKinley West and Uptown Bonifacio projects are located.

With respect to its office and retail leasing business, the Company believes that it has many competitors in the industry such as Robinsons Land Corporation ("RLC"), ALI and SM Prime Holdings, Inc. ("SMPHI").

With respect to high-end and middle income land and condominium sales, ALI claims to compete for buyers primarily on the basis of reputation, reliability, price, quality and location. With respect to its office rental properties, ALI claims to compete for tenants primarily based on the quality and location of the relevant building, reputation of the building's owner, quality of support services provided by the property manager, and rental and other charges. Total Assets of ALI and subsidiaries for the period ended 31 December 2016 is ₱536.43 billion while their Net Income for the same period is ₱24.43 billion[1].

---

[1] 2017 Definitive Information Statement of ALI.

RLC believes that its strength is in its mixed-use, retail, commercial and residential developments. For its commercial center business, RLC claims to compete on the basis of its flexibility in developing malls with different sizes. For its residential business, RLC claims to compete in terms of industry-specific technological know-how, capital, reputation and sales and distribution network. Total Assets of RLC and subsidiaries as of the period ended 30 September 2016 is ₱120.04 billion while their Net Income for the same period is ₱6.15 billion.[1]

SMPHI believes that it has certain significant competitive advantages which include the very good location of its malls, proven successful tenant mix and selection criteria and the presence of SM stores as anchor tenants. Total Assets of SMPHI and subsidiaries as of the period ended 31 December 2016 is ₱465.56 billion while their Net Income for the same period is ₱24.37 billion.[2]

Sources and Availability of Raw Materials

The Company has a broad base of suppliers from which it sources its construction materials. The Company is not dependent on any one or a limited number of suppliers. The Company also has no plans on being dependent on any one or a limited number of suppliers.

Transactions with and/or dependence on related parties

The Company and its subsidiaries, in their ordinary course of business, engage in transactions with its affiliates. The Company's policy with respect to related party transactions is to ensure that these transactions are entered into on terms comparable to those available from unrelated third parties.

Transactions with related parties include investments in and advances granted to or obtained from subsidiaries, associates and other related parties. Other related parties include joint venture partners (See Note 10 to the Audited Financial Statements, Advances to/from Landowners and Joint Ventures) and investees which investments are accounted for at cost and other entities which are owned and managed by investors/owners of the Company (See Note 11 to the Audited Financial Statements, Investments in and Advances to Associates and Other Related Parties). Advances granted to joint venture partners are in the nature of cash advances made to landowners under agreements covering the development of parcels of land, which are to be used for pre-development expenses such as relocation of existing occupants. Repayment of these advances shall be made upon completion of the project development either in the form of the developed lots corresponding to the landowner's share in saleable lots or in the form of cash to be derived from sales of the landowner's share in the saleable lots and residential and condominium units. The commitment for cash advances under the agreements has been fully granted by the Company.

Advances granted to and obtained from subsidiaries, associates and other related parties are for purposes of working capital requirements. For more information, see Note 27 to the Audited Financial Statements.

Other related party transactions include collections from sales of land made in prior years to an associate company on an instalment basis. As part of the transaction, the related party entered into a management agreement with the Company, whereby the Company provides overall administration services in relation to the property.

The Company avails of marketing services of Eastwood Property and Holdings, Inc. (EPHI), a wholly-owned subsidiary of Empire East Land Holdings, Inc. (EELHI), Megaworld Newport Property Holdings, Inc. and Megaworld Land, Inc. (MLI), which acts as a manager and leasing agent for the commercial properties of the Company. (See Note 27 to the Audited Financial Statements, Related Party Transactions). As consideration for said marketing services, the Company pays commission based on contracted terms. Commission expenses charged by EPHI and MLI are based on prevailing market rates.

Other than those disclosed in the Company's Financial Statements, the Company has not entered into any other related party transactions.

---

1 2016 Annual Report of RLC.
2 2017 Definitive Information Statement of SMPHI.

Intellectual Property

In the Philippines, certificates of registration of trademarks issued by the Philippine Intellectual Property Office prior to the effective date of the Philippine Intellectual Property Code in 1998 are generally effective for a period of 20 years from the date of the certificate, while those filed after the Philippine Intellectual Property Code became effective are generally effective for a shorter period of 10 years, unless terminated earlier.

The Company owns the registered trademark over its name and logo which was renewed in March 2015 and valid until March 2025. However, although the brand is important, the Company does not believe that its operations or its subsidiaries' operations depend on its trademarks or any patent, license franchise, concession or royalty agreement. The Company has also applied to register trademarks over the names of its development projects and some approvals are pending.

Regulatory and Environmental Matters

PD 957, RA 4726 and Batas Pambasa Blg. 220 ("BP 220") are the principal statutes which regulate the development and sale of real property as part of a condominium project or subdivision. PD 957, RA 4726 and BP 220 cover subdivision projects for residential, commercial, industrial or recreational purposes and condominium projects for residential or commercial purposes. The Housing and Land Use Regulatory Board ("HLURB") is the administrative agency of the Government which, together with local government units ("LGUs"), enforces these decrees and has jurisdiction to regulate the real estate trade and business.

All subdivision and condominium plans for residential, commercial, industrial and other development projects are required to be filed with the HLURB and the pertinent LGU of the area in which the project is situated. Approval of such plans is conditional on, among other things, the developer's financial, technical and administrative capabilities. Alterations of approved plans, which affect significant areas of the project, such as infrastructure and public facilities, also require the prior approval of the relevant government body or agency.

The development of subdivision and condominium projects can commence only after the relevant government body has issued the required development permit.

The issuance of a development permit is dependent on, among other things: (i) compliance with required project standards and technical requirements which may differ depending on the nature of the project and (ii) issuance of the barangay clearance, the HLURB locational clearance, Department of Environment and Natural Resources ("DENR") permits and Department of Agrarian Reform ("DAR") conversion or exemption orders, as discussed below. A bond equivalent to 10% of the total project cost is required to the posted by the project developer to ensure commencement of the project within one year from the issuance of the development permit.

Developers who sell lots or units in a subdivision or a condominium project are required to register the project with and obtain a license to sell from the HLURB. Subdivision or condominium units may be sold or offered for sale only after a license to sell has been issued by the HLURB. As a prerequisite for the issuance of a license to sell by the HLURB, developers are required to file with the HLURB any of the following to guarantee the construction and maintenance of the roads, gutters, drainage, sewerage, water system, lighting systems, and full development of the subdivision or condominium project and compliance with the applicable laws, rules and regulations:

- a surety bond callable upon demand equivalent to 20.0% of the development cost of the unfinished portion of the approved plan, issued by a duly accredited surety company (whether private or government), and acceptable to the HLURB;

- a real estate mortgage executed by the developer as mortgagor in favor of the Republic of the Philippines as mortgagee, represented by the HLURB, over property other than the land used for the project for which the license to sell is being obtained, free from any liens and encumbrance and the value of such property, computed on the basis of the zonal valuation of the BIR, must be at least 20.0% of the total development cost; or

- other forms of security equivalent to 10.0% of the development cost of the unfinished portion of the approved plan which may be in the form of the following:

  - a cash bond;
  - a fiduciary deposit made with the cashier and/or disbursing officer of the HLURB;
  - a certificate of guaranty deposit issued by any bank or financing institution of good standing in favor of the HLURB for the total development cost;
  - a letter from any bank of recognized standing certifying that so much has been set aside from the bank account of the developer in favor of the HLURB, which amount may be withdrawn by the Chief Executive Officer of HLURB or his authorized representative, at any time the developer fails or refuses to comply with his duties and obligations under the bond contract; or
  - any irrevocable credit line to be utilized in the development of the project from any bank of recognized standing and a refinancing re-structuring program indicating sources of funding from duly accredited funding institutions.

Project permits and licenses to sell may be suspended, cancelled or revoked by the HLURB, by itself or upon a verified complaint from an interested party, for reasons such as involvement in fraudulent transactions, misrepresentation about the subdivision project or condominium project in any literature which has been distributed to prospective buyers. A license or permit to sell may only be suspended, cancelled or revoked after a notice to the developer has been served and all parties have been given an opportunity to be heard in compliance with the HLURB's rules of procedure and other applicable laws.

Real estate dealers, brokers and salesmen are also required to register and secure a certificate of registration with the HLURB before they can sell lots or units in a registered subdivision or condominium project. The certificate of registration will expire on the first day of December of each year.

On June 29, 2009, Republic Act No. 9646 or the Real Estate Service Act of the Philippines ("RA 9646") was signed into law. RA 9646 strictly regulates the practice of real estate brokers by requiring licensure examinations and attendance in continuing professional education programs.

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 is generally required to submit an Initial Environmental Examination ("IEE") to the proper DENR regional office. In 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 scoping agreement identifying critical issues and concerns as validated by the EMB, environmental risk assessment if determined necessary by EMB during the scoping, environmental management program, 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.

While the 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, indicating 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 before or during the operations of the project and in some cases, during the project's abandonment phase. The ECC also provides for other terms and conditions, any violation of which would result in a fine or the cancellation of the ECC.

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. 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 assessment are also required for ECC applications covering subdivisions, housing and other development and infrastructure projects.

All 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.

The Company incurs expenses for 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.

Research and Development

The Company incurs minimal amounts for research and development activities which do not amount to a significant percentage of revenues.

Employees

As of 31 December 2016, the Company had 1,371 employees. The Company intends to hire additional employees if the present workforce becomes inadequate to handle the Company's operations.

The table below shows the breakdown of employees as of 31 December 2016:

Type	Number
Senior Management	31
Middle Management	277
Staff	1,063
Total	1,371

The Company has no collective bargaining agreements with employees and there are no organized labor organizations in the Company. The Company maintains a tax-qualified, non-contributory retirement plan that is being administered by a trustee covering all regular full-time employees.

The Company upholds professional and personal advancement of its employees through Megaworld Learning Academy ("MLA"). MLA offers a slew of leadership and training workshops that are facilitated by the Company's "Learning Ambassadors", who are all experts in their own fields, or third party consultants. Various programs have been specially designed to enable its employees to upgrade their skills and perform at optimum levels. It endeavours the progress of the Company's workforce by offering training and workshops covering career, management and leadership development.

Risks Associated with the Company's Business

Historically, the Company has derived substantially all of its revenues and operating profits from sales of its real estate products in the Philippines, and its business is highly dependent on the state of the Philippine economy. Demand for new residential projects in the Philippines, in particular, has also fluctuated in the past as a result of prevailing economic conditions in both the Philippines and in other countries, such as the United States (including overall growth levels and interest rates), the strength of overseas markets (as a substantial portion of demand comes from OFWs and expatriate Filipinos), the political and security situation in the Philippines and other related factors. For example, the global financial crisis in 2008 and 2009 resulted in a generally negative effect on real estate property prices globally, including the Philippines. The Company expects this general cyclical trend to continue, which means that the Company's results of operations may fluctuate from period to period in accordance with fluctuations in the Philippine economy, the Philippine property market and the global property market in general. There can be no assurance that such variances will not have a material adverse effect on the business, financial condition or results of operations of the Company. There is no assurance that there will be no recurrence of an economic slowdown in the Philippines or abroad.

The Company may be unable to acquire land for future development.

The Company's business is dependent, in large part, on the availability of large tracts of land suitable for development by the Company. As the Company and its competitors attempt to locate sites for development, it may become more difficult to locate parcels of suitable size in locations and at prices acceptable to the Company.

The Company is exposed to risks associated with real estate development.

The Company is subject to risks inherent in property development. Such risks include, among other things, the risks that financing for development may not be available on favourable terms, that construction may not be completed on schedule or within budget (for reasons including shortages of equipment, material and labor, work stoppages, interruptions resulting from inclement weather, unforeseen engineering, environmental and geological problems and unanticipated cost increases), that development may be affected by governmental regulations (including changes in building and planning regulations and delays or failure to obtain the requisite construction and occupancy approvals), and that developed properties may not be leased or sold on profitable terms and the risk of purchaser and/or tenant defaults.

The Company is exposed to risks that it will be unable to lease its properties in a timely manner or collect rent at profitable rates or at all.

The Company is subject to risks incidental to the ownership and operation of office and related retail properties including, among other things, competition for tenants, changes in market rents, inability to renew leases or re-let space as existing leases expire, inability to collect rent from tenants due to bankruptcy or insolvency of tenants or otherwise, increased operating costs and the need to renovate, repair and re-let space periodically and to pay the associated costs. In particular, the Company relies on the growth of the BPO business as a continued source of revenue from its rental properties. If the BPO business does not grow as the Company expects or if the Company is not able to continue to attract BPO-based tenants, it may not be able to lease its office space or as a consequence, its retail space, in a timely manner or otherwise at satisfactory rents.

Services rendered by independent contractors may not always match the Company's requirements for quality or be available within its budget.

The Company relies on independent contractors to provide various services, including land clearing and infrastructure development, various construction projects and building and property fitting-out works. Although the Company invites contractors to tender bids according to their reputation for quality and track record, and although once a contract is awarded the Company supervises the construction progress, there can be no assurance that the services rendered by any of its independent contractors will always be satisfactory or match the Company's requirements for quality. Contractors may also experience financial or other difficulties, and shortages or increases in the price of construction materials may occur, any of which could delay the completion or increase the cost of certain development projects.

The interests of joint development partners for the Company's development projects may differ from the Company's and they may take actions that adversely affect the Company.

The Company obtains a significant portion of its land bank through joint development agreements with landowners, as part of its overall land acquisition strategy and intends to continue to do so. A joint venture involves special risks where the venture partner may have economic or business interests or goals inconsistent with or different from those of the Company's.

Risks Management and Business Strategy

To manage the risks associated with the business of the Company, the Company has adopted a business strategy that is based on conservative financial and operational policies and controls, revenue and property diversification, availability of quality land banks and strategic partners, as well as product innovation.

Maximize earnings through integrated community township developments. The Company intends to maximize earnings by developing alternative, integrated residential, business and retail property communities. This allows the Company to capitalize on the live-work-play-learn concept, which has become popular in the Philippines. The Company's position as a leader in crafting and delivering community township developments has strengthened over the years and continues to be its key strategy in bringing new projects to the market and in entering into new joint venture developments. In 2007, the Company acquired properties in Iloilo and Cebu to expand its BPO office developments and townships in the Visayas. In 2009 and 2010, the Company increased its property portfolio through the acquisition of rights to develop the Uptown Bonifacio and McKinley West properties. In 2014, all the real estate interests of Alliance Global, Inc. was consolidated into the Company. The consolidation aggregated the Company's township properties by virtue of Global-Estate Resorts, Inc's developments in Boracay Newcoast, Southwoods City, Twin Lakes, and Alabang West. During the same year, The Company also launched ArcoVia City, Suntrust Ecotown, and Davao Park District. In 2015, the Company launched The Upper East, Northill Gateway, a township in Pampanga, Westside City, and Sta. Barbara Heights through Global Estate Resorts, Inc. In 2016, the Company launched two more townships namely Maple Grove and Eastland Heights. The Company continuously seeks opportunities to develop land in prime locations to further enhance its real estate portfolio.

Capitalize on brand and reputation. The Company believes that its strong brand name and reputation are keys to its continued success. Since pre-selling is an industry practice in the Philippines, buyers place great importance on the track record and reputation of developers to reduce the completion risk relating to their properties. The Company intends to continue using its brand name and reputation to attract purchasers, tenants and joint development partners. The Company continues to enhance its reputation by employing and training a dedicated marketing staff and extensive sales network for its residential sales businesses who market the Megaworld brand. In addition, the Company is strategically involved in the aftersales market for the properties it develops by providing building management and other aftersales services such as interior design services.

Continue to evaluate projects for synergies. The Company intends to continue to evaluate potential projects, particularly with respect to opportunities among the Company itself and its various subsidiaries and affiliates, in order to maximize cost efficiencies, resources and other opportunities to derive synergies across the Megaworld group and the larger AGI group of companies.

Maintain a strong financial position. The Company intends to maintain its strong financial position by controlling costs and maintaining its net cash position. The Company is able to control development costs by generating a significant portion of its project financing from pre-sales of residential units. By securing post-dated checks and providing a variety of financing options to buyers, the Company limits its cash outlays prior to obtaining project funds. The Company also controls development costs by entering into joint development agreements with landowners, which is a cost-effective means of obtaining rights to develop land as initial costs are fixed and future payments are a fixed percentage of revenue from sales and leasing activity.

Sustain a diversified development portfolio. An important part of the Company's long-term business strategy is to continue to maintain a diversified earnings base. Because the Company's community townships include a mix of BPO offices, retail, middle-income residential, educational/training facilities, leisure and entertainment properties within close proximity to each other, the Company is able to capitalize on the complementary nature of such properties. In addition, the community township developments enable the

Company to generate profits from selling residential projects as well as invest in office and retail assets retained by the Company to generate recurring income and long-term capital gains. The Company intends to continue to pursue revenue and property diversification as it develops community townships with the live-work-play-learn concept in various stages throughout Metro Manila. The Company also intends to continue pursuing innovative product lines that may complement its existing developments, while maintaining a well-diversified earnings base.

Capitalize on growing opportunities in tourism development.

The Company has further developed and diversified its real estate business to include integrated tourism development through its subsidiary GERI. Due to growth in the number of tourist visits to the Philippines and the Company's real estate development expertise, the Company believes it is well-positioned to capitalize on opportunities in this growing sector. The Company is also actively exploring and evaluating possible joint venture opportunities with an affiliate which focuses on tourism-related property developments.

Pre-Sales and Customer Financing

The Company conducts pre-sales of its property units prior to project completion and often, prior to construction. The Company's pre-selling process provides buyers with a variety of payment schemes, with down-payment plans ranging from 50% to no money down. A typical payment scheme includes progressive payments over the period in advance of property construction, including a balloon payment to coincide with buyers' expected cash flows. The Company collects post-dated checks to cover the entire purchase price based on an amortization schedule. Transfer of title to the property occurs only once all payments have been received. The payment structures are designed to appeal to middle-class buyers.

The Company provides a significant amount of in-house financing to qualified buyers. The Company has established processes and procedures designed to screen buyers applying for in-house financing to ensure that they are employed and/or are financially capable of paying their monthly amortizations.

PROPERTIES

Description of Principal Properties

The principal properties of the Company as of 31 December 2016 consist of projects under development, condominium units in completed projects, and land for future development, rental properties and hotels, including the following:

TYPE	LOCATION	Owned/Leased/ Limitations on Ownership
A. Condominium Units and Subdivision Lots Under Development		
Noble Place	Binondo, Manila	Joint Venture
Eastwood Global Plaza Luxury Residence	Eastwood, Quezon City	Owned
One Eastwood Avenue 1 & 2	Eastwood, Quezon City	Owned
Salcedo SkySuites	Gil Puyat Ave., Makati City	Owned
Lafayette Park Square	Iloilo Business Park, Iloilo City	Owned
One Madison Place 1-3	Iloilo Business Park, Iloilo City	Owned
The Palladium	Iloilo Business Park, Iloilo City	Owned
Belmont Hotel Mactan Newtown	Mactan Newtown, Cebu	Owned
One Manchester Place	Mactan Newtown, Cebu	Owned
One Pacific Residence	Mactan Newtown, Cebu	Owned
Savoy Hotel Mactan Newtown	Mactan Newtown, Cebu	Owned
Greenbelt Hamilton 2	Legaspi Street, Makati City	Owned
Paseo Heights	Makati City	Owned
San Antonio Residences	Gil Puyat Ave., Makati City	Owned

Manhattan Heights Tower B	Manhattan Garden City, Quezon City	Joint Venture
Manhattan Heights Tower C	Manhattan Garden City, Quezon City	Joint Venture
Manhattan Plaza	Manhattan Garden City, Quezon City	Joint Venture
The Florence	McKinley Hill, Fort Bonifacio, Taguig City	Owned
The Venice Luxury Residences - Fiorenzo	McKinley Hill, Fort Bonifacio, Taguig City	Owned
The Venice Luxury Residences - Giovanni	McKinley Hill, Fort Bonifacio, Taguig City	Owned
Viceroy	McKinley Hill, Fort Bonifacio, Taguig City	Owned
St. Moritz Private Estate Cluster One & Two	McKinley West, Fort Bonifacio, Taguig City	Joint Venture
101 Newport Boulevard	Newport, Pasay City	Joint Venture
81 Newport Boulevard	Newport, Pasay City	Joint Venture
Savoy Hotel	Newport, Pasay City	Joint Venture
Forbes Hill	Northill Gateway, Bacolod	Joint Venture
GolfHill Gardens	Quezon City	Owned
One Uptown Residence	Uptown Bonifacio, Fort Bonifacio, Taguig City	Joint Venture
Uptown Parksuites Residence	Uptown Bonifacio, Fort Bonifacio, Taguig City	Joint Venture
Uptown Ritz Residence	Uptown Bonifacio, Fort Bonifacio, Taguig City	Joint Venture
Three Central	Valero St. Makati City	Owned
The Ellis	Makati City	Owned
Saint Honore	Iloilo Business Park, Iloilo City	Owned

B. Condominium Units in Completed Projects

8 Wack Wack Road	Wack Wack Road, Mandaluyong City	Owned
8 Forbestown Road	Forbestown Center, Fort Bonifacio, Taguig City	Joint Venture
Wack Wack Heights	Lee St., Mandaluyong City	Owned
Cityplace Binondo A & B	Binondo, Manila	Owned
Eastwood Le Grand 1-3	Eastwood, Quezon City	Owned
Eastwood Parkview 1 & 2	Eastwood, Quezon City	Owned
Grand Eastwood Palazzo	Eastwood, Quezon City	Owned
One Central Park	Eastwood, Quezon City	Owned
One Orchard Road	Eastwood, Quezon City	Owned
The Eastwood Excelsior	Eastwood, Quezon City	Owned
The Eastwood Lafayette 1-3	Eastwood, Quezon City	Owned
One Lafayette Square	Makati City	Owned
Two Lafayette Square	Makati City	Owned
The Bellagio 1-3	Forbestown Center, Fort Bonifacio, Taguig City	Joint Venture
Forbeswood Heights	Forbestown Center, Fort Bonifacio, Taguig City	Joint Venture
Forbeswood Parklane	Forbestown Center, Fort Bonifacio, Taguig City	Joint Venture
Marina Square Suites	Pedro Gil, Manila	Owned
Greenbelt Madison	Legaspi Village, Makati City	Owned
Greenbelt Chancellor	Rada St., Legaspi Village, Makati City	Owned
Greenbelt Parkplace	Palanca St., Legaspi Village, Makati City	Owned
Greenbelt Radissons	Aguirre St., Legaspi Village, Makati City	Owned
Greenbelt Excelsior	Palanca St., Legaspi Village, Makati City	Joint Venture
Paseo Parkview Suites 1&2	Valero St. Salcedo Village, Makati City	Owned
One Central	Sen. Gil Puyat Ave., Makati City	Owned
115 Upper McKinley	McKinley Hill, Fort Bonifacio, Taguig City	Joint Venture
McKinley Hill Garden Villas	McKinley Hill, Fort Bonifacio, Taguig City	Joint Venture
The Woodridge 1 & 2	McKinley Hill, Fort Bonifacio, Taguig City	Joint Venture

Tuscany Private Estate	McKinley Hill, Fort Bonifacio, Taguig City	Joint Venture
Morgan Suites Executive Residences	McKinley Hill, Fort Bonifacio, Taguig City	Owned
Stamford Executive Residences	McKinley Hill, Fort Bonifacio, Taguig City	Owned
150 Newport Boulevard	Newport, Pasay City	Joint Venture
Palm Tree Villas 1 & 2	Newport, Pasay City	Joint Venture
The Parkside Villas	Newport, Pasay City	Joint Venture
The Residential Resort at Newport	Newport, Pasay City	Joint Venture
Belmont Luxury Hotel	Newport, Pasay City	Joint Venture
Greenhills Heights	Pinaglabanan San Juan	Joint Venture
One Beverly Place	Greenhills, San Juan	Joint Venture
El Jardin Del Presidente 1 & 2	Sgt. Esguerra Ave., Quezon City	Owned
Manhattan Parkway	Manhattan Garden City, Quezon City	Joint Venture
Manhattan Parkview 1-3	Manhattan Garden City, Quezon City	Joint Venture
Two Central	Valero St., Makati City	Owned
The Venice Luxury Residences - Alessandro	McKinley Hill, Fort Bonifacio, Taguig City	Owned
The Venice Luxury Residences - Bellini	McKinley Hill, Fort Bonifacio, Taguig City	Owned
The Venice Luxury Residences - Carusso	McKinley Hill, Fort Bonifacio, Taguig City	Owned
The Venice Luxury Residences - Domenico	McKinley Hill, Fort Bonifacio, Taguig City	Owned
McKinley West Subdivision	McKinley West, Taguig City	Joint Venture
Manhattan Parkview Garden	Manhattan Garden City, Quezon City	Joint Venture
8 Newtown Boulevard	Mactan Newtown, Cebu City	Owned
Manhattan Heights Tower A	Manhattan Garden City, Quezon City	Joint Venture
Greenbelt Hamilton Tower 1	Legaspi St., Legaspi Village, Makati City	Owned
Iloilo Boutique Hotel	Iloilo Business Park, Iloilo City	Owned
Manhattan Heights Tower D	Manhattan Garden City, Quezon City	Joint Venture
The Venice Luxury Residences - Emanuele	McKinley Hill, Fort Bonifacio, Taguig City	Owned

C. Rental Properties

City Place Retail Mall	Binondo, Manila	Owned
Lucky Chinatown Mall	Binondo, Manila	Owned
Hotel Lucky Chinatown (Chinatown Belmont)	Binondo, Manila	Owned
Global One	Eastwood, Quezon City	Owned
1880 Eastwood Avenue	Eastwood, Quezon City	Owned
1800 Eastwood Avenue	Eastwood, Quezon City	Owned
Cyber One Units	Eastwood, Quezon City	Owned
ICITE	Eastwood, Quezon City	Owned
Eastwood Citywalk	Eastwood, Quezon City	Owned
Eastwood Mall	Eastwood, Quezon City	Owned
Cyber Mall	Eastwood, Quezon City	Owned
E-Commerce Plaza	Eastwood, Quezon City	Owned
IBM Plaza	Eastwood, Quezon City	Owned
Techno Plaza 1	Eastwood, Quezon City	Owned
Techno Plaza 2 Units	Eastwood, Quezon City	Joint Venture
Burgos Circle	Forbestown Center, Fort Bonifacio, Taguig City	Joint Venture
Commerce and Industry Plaza	McKinley Hill, Fort Bonifacio, Taguig City	Ground Lease
One Campus Place	McKinley Hill, Fort Bonifacio, Taguig City	Ground Lease
8 Campus Place	McKinley Hill, Fort Bonifacio, Taguig City	Ground Lease

Science Hub Towers	McKinley Hill, Fort Bonifacio, Taguig City	Ground Lease
McKinley Hill (Phase 3) Lots	McKinley Hill, Fort Bonifacio, Taguig City	Ground Lease
The Venice Piazza	McKinley Hill, Fort Bonifacio, Taguig City	Ground Lease
Woodridge Residences	McKinley Hill, Fort Bonifacio, Taguig City	Joint Venture
Tuscany Retail	McKinley Hill, Fort Bonifacio, Taguig City	Joint Venture
8 Upper McKinley	McKinley Hill, Fort Bonifacio, Taguig City	Owned
Three World Square	McKinley Hill, Fort Bonifacio, Taguig City	Owned
Two World Square	McKinley Hill, Fort Bonifacio, Taguig City	Owned
One World Square	McKinley Hill, Fort Bonifacio, Taguig City	Owned
McKinley Parking Building	McKinley Hill, Fort Bonifacio, Taguig City	Owned
Venice Corporate Center	McKinley Hill, Fort Bonifacio, Taguig City	Owned
The Venice Canal Mall	McKinley Hill, Fort Bonifacio, Taguig City	Owned
Uptown Parade	Uptown Bonifacio, Taguig City	Joint Venture
California Garden Square Retail	Libertad cor Calbayog, Mandaluyong City	Owned
The World Centre	Gil Puyat Ave., Makati City	Owned
Paseo Center	Paseo Center, Makati City	Owned
331 Building	Sen. Gil Puyat Ave., Makati City	Owned
Eastwood Richmonde Hotel	Eastwood, Quezon City	Owned
Corinthian Hills Retail	Temple Drive, Quezon City	Owned
The Richmonde Hotel	Ortigas, Mandaluyong City	Owned
One Beverly Place Retail	Greenhills, San Juan	Owned
One World Center	Mactan Newtown, Cebu	Owned
Two World Center	Mactan Newtown, Cebu	Owned
Mactan Alfresco	Mactan Newtown, Cebu	Owned
Tower One Plaza Magellan	Mactan Newtown, Cebu	Owned
Richmonde Hotel Iloilo & Richmonde Tower	Iloilo Business Park, Iloilo City	Owned
One Global Center	Iloilo Business Park, Iloilo City	Owned
Two Global Center	Iloilo Business Park, Iloilo City	Owned
One Techno Place	Iloilo Business Park, Iloilo City	Owned
One West Campus	McKinley West, Taguig City	Joint Venture
Two West Campus	McKinley West, Taguig City	Joint Venture
Three West Campus	McKinley West, Taguig City	Joint Venture
Five West Campus	McKinley West, Taguig City	Joint Venture
Emperador Steel Parking Building	McKinley Hill, Fort Bonifacio, Taguig City	Ground Lease
Uptown Place Towers	Uptown Bonifacio, Taguig City	Joint Venture
Uptown Place Mall	Uptown Bonifacio, Taguig City	Joint Venture
Festive Walk Mall	Iloilo Business Park, Iloilo City	Owned
Festive Walk Parade 2B	Iloilo Business Park, Iloilo City	Owned
Belmont Luxury Hotel	Newport City, Pasay City	Joint Venture
8 Newtown Boulevard	Mactan Newtown, Cebu	Joint Venture

The Company's principal office is located on the 28th floor of The World Centre at Sen. Gil Puyat Avenue, Makati City.

While the Company has sufficient land for future development, it continuously seeks opportunities to acquire and develop land in prime locations through purchase, joint venture arrangements or otherwise.

There are no mortgages, liens or encumbrances over any of the properties owned by the Company.

LEGAL PROCEEDINGS

No Material Pending Legal Proceedings

Neither the Company nor any of its subsidiaries or any of their properties is involved in or the subject of any legal proceedings which would have a material adverse effect on the business or financial position of the Company or any of its subsidiaries, or any of its or their properties.

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted during the fourth quarter of 2016 to a vote of security holders.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Price Information

The common shares of the Company are traded on the Philippine Stock Exchange ("PSE") under the symbol of MEG. The Company's common stock was first listed on the PSE on June 15, 1994.

The following table sets out, for the periods indicated, the high and low sales price for the Company's common shares as reported on the PSE:

Year		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2015	High	5.73	5.94	5.05	4.94
	Low	4.70	4.46	3.76	4.03
2016	High	4.30	4.78	5.51	4.88
	Low	3.00	3.51	4.36	3.21
2017	High	4.03			
	Low	3.38			
3/31/17	Close	3.38			

Market price of the Issuer's Shares as at 29 December 2016 was ₱3.57 per share.

Holders

As of 31 December 2016, the Company had 2,545 shareholders of record worldwide. The following table sets forth the twenty largest shareholders of the Company as of 31 December 2016.

	Stockholder Name	No. of shares	% to Total
1	Alliance Global Group, Inc. (Common)	14,090,219,058	36.8473%
	(Preferred)	6,000,000,000	15.6906%
	Total:	20,090,219,058	52.5379%
2.	New Town Land Partners, Inc.	5,668,530,324	14.8238%
3.	PCD Nominee Corporation (Non-Filipino)	5,420,431,977	14.1750%
4.	PCD Nominee Corporation (Filipino)	5,279,137,248	13.8055%
5.	First Centro, Inc.	873,012,500	2.2830%

6.	Richmonde Hotel Group International Limited	420,000,000	1.0983%
7.	Megaworld Cebu Properties, Inc.	143,000,000	0.3740%
8.	Andrew L. Tan	95,000,000	0.2484%
9.	The Andresons Group, Inc.	89,760,000	0.2347%
10.	Simon Lee Sui Hee	8,845,200	0.0231%
11.	OCBC Securities Phils., Inc. Fao: Santiago J. Tanchan Jr.	7,371,000	0.0193%
12.	Luisa Co Li	5,525,697	0.0145%
13.	Evageline Abdullah	5,400,000	0.0141%
14.	Jasper Karl Tanchan Ong	5,370,300	0.0140%
15.	Winston Co	5,180,760	0.0135%
16.	Luis U. Ang &/Or Teresa W. Ang	4,000,000	0.0105%
17.	Luis Ang &/Or Lisa Ang	3,785,532	0.0099%
18.	Lucio W. Yan	3,780,000	0.0099%
19.	Alberto Mendozas &/or Jeanie C. Mendoza	2,587,454	0.0068%
20.	Luis U. Ang &/or Teresa W. Ang	2,529,345	0.0066%

Dividend Policy

The payment of dividends, either in the form of cash or stock, will depend upon the Company's earnings, cash flow and financial condition, among other factors. The Company may declare dividends only out of its unrestricted retained earnings. These represent the net accumulated earnings of the Company with its capital unimpaired, which are not appropriated for any other purpose. The Company may pay dividends in cash, by the distribution of property, or by the issue of shares of stock. Dividends paid in cash are subject to the approval by the Board of Directors. Dividends paid in the form of additional shares are subject to approval by both the Board of Directors and at least two-thirds of the outstanding capital stock of the shareholders at a shareholders' meeting called for such purpose.

Cash dividends amounting to ₱1.61 billion, ₱1.94 billion and ₱1.25 billion were declared on the Company’s common shares in 2016, 2015 and 2014, respectively. The dividends were paid in July 2016, July 2015 and July 2014 respectively. Cash dividends were declared on the Company’s Series “A” Preferred Shares in 2016, 2015 and 2014 in the amount of ₱600,000 for each year. The dividends were paid in July 2016, July 2015, and July 2014.

The Company declares cash dividends to shareholders of record usually in the first half of each year. These dividends are paid from unrestricted retained earnings. The Company intends to maintain an annual cash dividend payment ratio of 20% of its net income from the preceding year, subject to the requirements of applicable laws and regulations and the absence of circumstances that may restrict the payment of such dividends, such as where the Company undertakes major projects and developments. The Company’s Board of Directors may, at any time, modify its dividend payout ratio depending upon the results of operations and future projects and plans of the Company.

Recent Sales of Unregistered or Exempt Securities

The following securities were issued as exempt from the registration requirements of the Securities Regulation Code (SRC) and therefore have not been registered with the SEC:

(a) In 2011, the Company issued US$200,000,000 worth of corporate notes due in 2018 with a coupon of 6.75% and a yield of 6.875%. UBS acted as sole global coordinator and bookrunner for the issue. The corporate notes are listed in the Singapore Exchange Securities Trading Limited.

(b) In 2013, the Company issued US$250,000,000 worth of corporate notes due in 2023 with a coupon of 4.25%. UBS acted as sole global coordinator and bookrunner for the issue. The corporate notes are listed in the Singapore Exchange Securities Trading Limited.

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

Results of Operations
(Based on Financial Statements adopted in accordance with the Philippine Financial Reporting Standards)

Review of December 31, 2016 versus December 31, 2015

Megaworld, the country's largest developer of integrated urban townships and the biggest lessor of office spaces, grew its net income by 12% in 2016 toP11.63-billion (net of P82-million non-recurring gain) from P10.39-billion (net of P181-million nonrecurring gain) the previous year. The company's sustained double-digit growth is attributed to stronger rental revenues that soared by 15% in 2016 to an all-time high of P10.01-billion from P8.73-billion during the previous year, as well as to the company's efficient cost management from operations.

Consolidated revenues, excluding non-recurring gains, grew 4% year-on-year in 2016 to P46.74-billion compared to P44.81-billion in 2015.

Development. Among product portfolios, the bulk of consolidated revenues came from the sale of condominium units and residential lots, comprising 58.63% of total revenues. Real estate sales remained steady with a slight increase of 0.69%, amounting to Php27.45 billion in 2016 versus Php27.26 billion in 2015. The Group's registered sales mostly came from the following projects: One Eastwood Avenue Tower 2, Two Central, The Florence, St. Moritz Private Estate, Eastwood Global Plaza Luxury Residence, Savoy Hotel – Newport City, The Palladium, San Antonio Residence, Three Central, Palm Tree Villas 2, One Uptown Residence, 81 Newport Boulevard, Manhattan Heights Tower A, The Venice Luxury Residences, Uptown Parksuites Tower 1 & 2, Greenbelt Hamilton Towers 1 & 2, Uptown Ritz Residence, and Viceroy East Tower.

Leasing**.** Rental income soared 14.68% for the year, reaching Php10.01 billion in 2016 from Php8.73 billion last year. The Group's expanded office space and commercial retail portfolio backed the steady growth of leasing revenues.

Hotel Operations**.** The Group's revenues attributable to hotel operations posted an amount of Php1.16 billion during the year with an increase of 46.06% from Php796.32 million in 2015.

Total costs and expenses amounted to Php35.10 billion, an increase by 1.99% from Php34.42 billion last year. Interest and other charges – net increased by 5.19%, amounting to Php2.87 billion in 2016 from Php2.73 billion last year due to higher finance costs. Tax expense in 2016 amounting to Php3.49 billion resulted to an increase of 6.23% from 2015 reported amount of Php3.28 billion due to higher taxable income.

There were no seasonal aspects that had a material effect on the financial condition or financial performance of the Group. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on net sales or revenues or income from continuing operations. The Group is not aware of events that will cause material change in the relationship between costs and revenues.

There are no significant elements of income or loss that did not arise from the Group's continuing operations.

Financial Condition

The Group maintains a prudent financial policy as it engages to a more competitive and challenging environment. The Group's Statements of Financial Position reflects stable financial growth. Total resources as at December 31, 2016 amounted to Php278.74 billion, posting an increase of 10.75% compared to Php251.68 billion as at December 31, 2015.

The Group shows steady liquid position as at December 31, 2016 by having its current assets at Php140.69 billion as against its current obligations at Php40.89 billion. Current assets posted an increase of 7.25% from December 31, 2015 balance of Php131.18 billion. Current obligations reflected an increase of 12.09% from December 31, 2015 balance of Php36.48 billion.

Cash and cash equivalents decreased by 27.97% from Php22.76 billion in 2015 to Php16.40 billion in 2016 mainly due to capital expenditures and operating activities for business expansion. Current and non-current trade and other receivables – net increased by 13.64%, amounting to Php62.67 billion as at December 31, 2016 compared to Php55.15 billion as at December 31, 2015. Residential, condominium units, golf and resort shares for sale increased by 1.94% from Php61.47 billion in 2015 to Php62.66 billion in 2016 mainly due to the additional construction costs attributable to on-going projects. Property development costs increased to Php20.11 billion, 35.31% higher than Php14.86 billion last year. Land for future development increased by 21.88% from Php18.12 billion in 2015 to Php22.08 billion in 2016. The Group's investments in available-for-sale (AFS) securities – current and non-current decreased by 22.07%, from Php4.70 billion in 2015 to Php3.66 billion in 2016 due to changes in the fair market value of shares. Investment properties – net increased by 30.73% amounting to Php60.49 billion in December 31, 2016 from Php46.27 billion in December 31, 2015 due to completion and additional construction costs of real properties for lease. Property and equipment – net increased to Php3.57 billion, up 17.02% from year-end 2015 balance of Php3.05 billion due to additional costs incurred for hotel buildings.

Trade and other payables amounted to Php13.57 billion and Php12.07 billion as at December 31, 2016 and 2015, respectively. The increase of 12.41% was mainly due to higher payables to suppliers and contractors. Total current and non-current customers' deposits as at December 31, 2016 amounted to Php12.22 billion compared Php6.94 billion as at December 31, 2015 with 75.96% increase. The combined effect of current and non-current deferred income on real estate sales increased by 2.09% which amounted to Php10.68 billion as at December 31, 2016 compared to Php10.46 billion as at December 31, 2015.

The interest-bearing loans and borrowings current and non-current amounted to Php38.85 and Php31.67 billion for December 31, 2016 and 2015, respectively, reflecting a 22.67% increase. Bonds payable increased by 6.69% – Php22.33 billion as at December 31, 2016 compared to Php20.93 billion as at December 31, 2015. Total other liabilities amounted to Php6.50 billion from Php5.56 billion as at December 31, 2016 and 2015, respectively, translating to a 16.78% increase.

Total Equity (including non-controlling interests) increased by 6.85% from Php134.41 billion as at December 31, 2015 to Php143.62 billion as at December 31, 2016 due to the Group's continuous profitability.

The top five (5) key performance indicators of the Group are shown below:

	December 31, 2016	December 31, 2015
Current Ratio *1	3.44:1.00	3.60:1.00
Quick Ratio *2	0.40:1.00	0.62:1.00
Debt to Equity Ratio *3	0.43:1.00	0.39:1.00

	December 31, 2016	December 31, 2015
Return on Assets *4	4.42%	4.47%
Return on Equity *5	9.36%	8.98%

**1 – Current Assets / Current Liabilities*
**2 – Cash and Cash Equivalents / Current Liabilities*
**3 – Interest Bearing Loans and Borrowings and Bonds Payable / Equity*
**4 – Net Profit / Average Total Assets*
**5 – Net Profit / Average Equity (Computed using figures attributable only to parent company shareholders)*

With its strong financial position, the Group will continue investing in and pursuing expansion activities as it focuses on identifying new markets, maintaining established markets and tapping business opportunities.

Material Changes in the Year 2016 Financial Statements
(Increase/decrease of 5% or more versus December 31, 2015)

Statement of Financial Position

27.97% decrease in cash and cash equivalents
Due to capital expenditures and operating activities for business expansion

13.64% increase in trade and other receivables – current and non-current
Primarily due to additional sales for the period

35.31% increase in property development costs
Due to costs attributable to the development of various projects

22.07% decrease in investments in AFS securities – current and non-current
Due to changes in the fair market value of shares

73.39% increase in advances to contractors and suppliers
Represents advance payments to contractors and suppliers

19.66% increase in prepayments and other assets – current and non-current
Due to increase in prepaid expenses

25.04% decrease in advances to landowners and joint ventures
Mainly due to a subsidiary's reclassification of account to land for future development

21.88% increase in land for future development
Mainly due to a subsidiary's reclassification from advances to landowners and joint ventures and consolidation of new subsidiaries

23.38% decrease in investments in and advances to associates and other related parties
Due to the elimination of advances resulting from the consolidation of a new subsidiary previously classified as other related party

30.73% increase in investment properties – net
Due to additional project costs of malls, commercial centers and office buildings

17.02% increase in property and equipment – net
Represents additional costs incurred for hotel buildings

12.56% increase in deferred tax assets – net
Due to higher deferred tax assets on taxable temporary differences

22.67% increase in interest-bearing loans and borrowings – current and non-current
Due to availment of new loans

12.41% increase in trade and other payables
Due to higher payables to suppliers and contractors

6.69% increase in bonds payable – current and non-current
Due to foreign currency losses recognized for the year

75.96% increase in customers' deposits – current and non-current
Pertains to amounts received from customers for sale of residential lots and condominium units not yet qualified for sales recognition

16.78% increase in other liabilities – current and non-current
Mainly contributed by additional security deposits and advance rent from new tenants

62.62% increase in advances from associates and other related parties
Due to increase in advances arising from related party transactions

*(**Increase/decrease of 5% or more versus December 31, 2015)***

Statements of Income

5.07% increase in realized gross profit on prior years' sales
Represents portion of gross profit from real estate sales made in prior years realized for the current period

14.68% increase in rental income
Due to aggressive expansion of the Group's leasing portfolio, escalation of rental rates and high demand for office space from BPO Companies

46.06% increase in hotel operations
Mainly contributed by newly-opened hotels last year

8.79% decrease in interest and other income – net
Due to higher interest income and non-recurring gains recognized last year

7.03% decrease in deferred gross profit
Pertains to the portion of gross profit from current real estate sales to be realized in future periods

45.65% increase in cost of hotel operations
Represents direct costs attributable to hotel operations

5.19% increase in interest and other charges – net
Primarily due to higher loss on foreign exchange re-measurement of dollar bonds

6.23% increase in tax expense
Due to higher taxable income and tax effects of deductible temporary differences

There are no other significant changes in the Group's financial position (5% or more) and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would have impact or change the reported financial information and condition on the Group.

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 the Group's liquidity in any material way. The Group does not anticipate having any cash flow or liquidity problems. The Group 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 sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.
The Group has no unusual nature of transactions or events that affects assets, liabilities, equity, net income or cash flows.

There were no seasonal aspects that had a material effect on the financial condition or results of operations of the Group.

There were no known material events subsequent to the end of the period that have not been reflected in the Group's Financial Statements for the year 2016.

There were no changes in estimates of amount reported in the current financial year or changes in estimates of amounts reported in prior financial years.

There was no contingent liability reflected in the most recent annual financial statement, the same in the current year consolidated financial statements as at 2016. There are commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying consolidated financial statements. The management of the Group is of the opinion that losses, if any, from these items will not have any material effect on its consolidated financial statements.

There were no other material issuances, repurchases or repayments of debt and equity securities.

There are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonable expected to have a material impact on the continuing operations of the Group.

Results of Operations

(Based on Financial Statements adopted in accordance with the Philippine Financial Reporting Standards)

Review of December 31, 2015 versus December 31, 2014

Megaworld, the country's largest developer of integrated urban townships and the biggest lessor of office spaces, has breached the Php10-billion mark in net core income for 2015. The Group's core profit reached Php10.40-billion (net of Php181-million non-recurring gain), up by 10.58% from last year's Php9.40-billion (net of Php12.16-billion non-recurring gain).

Consolidated core revenues composed of real estate sales, rental income, hotel operations and other recurring revenues posted an amount of Php44.81 billion this year, up by Php3.84 billion or 9.37% higher from 2014 figures amounting to Php40.97 billion.

Development. Among product portfolios, the bulk of consolidated revenues came from the sale of condominium units and residential lots, comprising 60.59% of total revenues. Real estate sales posted a 10.79% increase, with an aggregate amount of Php27.26 billion in 2015 versus Php24.61 billion last year. The Group's registered sales mostly came from the following projects: Three Central, The Venice Luxury Residences – Fiorenzo, Greenbelt Hamilton Tower 2, St. Moritz Private Estate, McKinley Hill Village, One Eastwood Avenue Tower 2, Uptown Parksuites Towers 1 & 2, One Uptown Residences, Paseo Heights, Viceroy East Tower, The Florence, Salcedo Skysuites, Tuscany Private Estate, Eight Forbestown Road, Lafayette Park Square, One Manchester Place and 81 Newport Boulevard.

Leasing**.** Rental income contributed 19.40% to the consolidated revenues and amounted to Php8.73 billion compared to Php7.07 billion reflected last year, a 23.46% increase. Contributing to the growth are the escalation of rental rates and increase in demand for office space from BPO Companies.

Hotel Operations**.** The Group's revenues attributable to hotel operations posted an amount of Php796.32 million during the year with an increase of 10.15% from Php722.97 million in 2014.

Total costs and expenses increased by 9.25% from Php31.51 billion in 2014 to Php34.42 billion this year primarily due to increase in real estate sales, operating and administrative expenses. Interest and other charges – net increased by 67.82%, amounting to Php2.73 billion in 2015 from Php1.62 billion last year due to foreign exchange re-measurement of dollar bonds. Tax expense in 2015 amounting to Php3.28 billion resulted to a 5.27% increase from 2014 reported amount of Php3.12 billion due to higher taxable income

There were no seasonal aspects that had a material effect on the financial condition or financial performance of the Group. Neither were there any trends, events or uncertainties that have had or that are reasonably expected to have a material impact on net sales or revenues or income from continuing operations. The Group is not aware of events that will cause material change in the relationship between costs and revenues.

There are no significant elements of income or loss that did not arise from the Group's continuing operations.

Financial Condition

The Group maintains a prudent financial policy as it engages to a more competitive and challenging environment. The Group's Statement of Financial Position reflects stable financial growth. Total resources as at December 31, 2015 amounting to Php251.68 billion posted an increase of 13.86% compared to Php221.04 billion as at December 31, 2014.

The Group shows steady liquid position as at December 31, 2015 by having its current assets at Php131.18 billion as against its current obligations at Php36.48 billion. Current assets posted an increase of 7.44% from December 31, 2014 balance of Php122.09 billion. Current obligations reflected a decrease of 6.17% from Php38.88 billion balance last year.

Cash and cash equivalents decreased by 9.47% from Php25.14 billion in 2014 to Php22.76 billion in 2015 due to capital expenditure and operating activities for business expansion. An increase of 14.11% from its current and non-current trade and other receivables – Php60.06 billion as at December 31, 2015 compared to Php52.63 billion as at December 31, 2014, was due to additional sales for the period. Residential, condominium units, golf and resort shares for sale further increased by 8.01% from Php56.91 billion last year to Php61.47 billion in 2015 mainly due to the additional construction costs attributable to on-going projects. Property development costs increased to Php14.86 billion, 19.92% higher than Php12.39 billion last year. The Group's investments in available-for-sale securities decreased by 23.54%, from Php6.15 billion in 2014 to Php4.70 billion in 2015 due to changes in the fair market value of shares. Investment properties increased by 29.39% amounting to Php46.27 billion in December 31, 2015 from Php35.76 billion in December 31, 2014 due to completion of properties for lease.

Trade and other payables amounted to Php12.07 billion and Php10.62 billion as at December 31, 2015 and December 31, 2014, respectively. The increase of 13.65% was due to higher payables to suppliers and contractors. Total current and non-current customers' deposits as at December 31, 2015 amounted to Php6.94 billion compared to Php7.24 billion as at December 31, 2014 with 4.16% decrease, due to sales recognition of pre-sold various projects. The combined effect of current and non-current deferred income on real estate sales increased by 6.12% which amounted to Php10.46 billion as at December 31, 2015 compared to Php9.86 billion as at December 31, 2014.

The interest-bearing loans and borrowings current and non-current amounted to Php31.67 billion resulted in a 261.86% increase from previous year-end's Php8.75 billion mainly due to availment of new loans. Total other liabilities amounted to Php5.56 billion from Php4.09 billion as at December 31, 2015 and December 31, 2014, respectively translating to a 35.97% increase.

Total Equity (including non-controlling interests) increased by 4.36% from Php128.80 billion as at December 31, 2014 to Php134.41 billion as at December 31, 2015 due to the Group's continuous profitability.

The top five (5) key performance indicators of the Group are shown below:

	December 31, 2015	December 31, 2014
Current Ratio *1	3.60:1.00	3.14:1.00
Quick Ratio *2	0.62:1.00	0.65:1.00
Debt to Equity Ratio *3	0.39:1.00	0.26:1.00

	December 31, 2015	December 31, 2014
Return on Assets *4	4.47%	10.92%
Return on Equity *5	8.98%	20.93%

**1 – Current Assets / Current Liabilities*
**2 – Cash and Cash Equivalents / Current Liabilities*
**3 – Interest Bearing Loans and Borrowings and Bonds Payable / Equity*
**4 – Net Income / Average Total Assets*
**5 – Net Income / Average Equity (Computed using figures attributable only to parent company shareholders)*

With its strong financial position, the Group will continue investing in and pursuing expansion activities as it focuses on identifying new markets, maintaining established markets and tapping business opportunities.

Material Changes in the Year 2015 Financial Statements
(Increase/decrease of 5% or more versus December 31, 2014)

Statement of Financial Position

9.47% decrease in cash and cash equivalents
Due to capital expenditure and operating activities for business expansion

14.11% increase in trade and other receivables – current and non-current
Primarily due to additional sales for the period

8.01% increase in residential, condominium units, golf and resort shares for sale
Due to additional construction costs attributable to on-going projects

19.92% increase in property development costs
Costs incurred during the development stage of the projects

18.09% increase in prepayments and other assets – current and non-current
Due to increase in prepaid expenses

34.38% increase in advances to landowners and joint ventures
Due to additional advances made to landowners

37.11% increase in land for future development
Due to additional land acquisitions and contribution of new subsidiary

23.54% decrease in investments in available-for-sale securities
Due to changes in the fair market value of shares

11.33% increase in investments in and advances to associates and other related parties
Mainly due to new investment in associate

29.39% increase in investment properties - net
Due to completion of properties for lease

63.38% increase in property and equipment - net
Mainly contributed by a new hotel building and improvements

13.15% decrease in deferred tax assets – net
Due to lower deferred tax assets on taxable temporary differences

261.86% increase in interest-bearing loans and borrowings – current and non-current
Due to availment of new loans

15.55% decrease in bonds payable – current and non-current
Primarily due to maturity of bonds

13.65% increase in trade and other payables
Due to higher payables to suppliers and contractors

5.36% increase in reserve for property development – current and non-current
Represents estimated cost to complete the development of various projects

6.12% increase in deferred income on real estate sales – current and non-current
Represents increase in unearned revenue

10.71% decrease in income tax payable
Due to payment of prior year income tax due

65.11% increase in advances from associates and other related parties
Due to increase in advances arising from related party transactions

35.97% increase in other liabilities – current and non-current
Mainly due to additional security deposits and advance rent

18.41% increase in deferred tax liabilities
Pertains to tax effects of taxable and deductible temporary differences

14.14% decrease in retirement benefit obligation
Mainly due to lower recognized liabilities on employee benefits

(Increase/decrease of 5% or more versus December 31, 2014)

Statements of Income

10.79% increase in real estate sales
Due to higher sales for the period

17.27% increase in realized gross profit on prior years' sales
Represents portion of gross profit from real estate sales made in prior years realized for the period

23.46% increase in rental income
Due to escalation of rental rates and increase in demand for office space from BPO companies

10.15% increase in hotel operations
Mainly due to opening of new hotels

57.83% decrease in equity share in net earnings of associates
Due to the reclassification of investment in associates as investment in available-for-sale in 2014

83.20% decrease in interest and other income – net
Primarily due to non-recurring gains from the acquisition and sale of subsidiary and associate in 2014

7.46% increase in cost of real estate sales
Due to increase in real estate sales

27.02% increase in cost of hotel operations
Represents direct costs attributable to hotel operations

6.68% increase in operating expenses
Due to increase in other administrative and corporate overhead expenses

67.82% increase in interest and other charges – net
Primarily due to foreign exchange re-measurement of dollar bonds

5.27% increase in tax expense
Due to higher taxable income and tax effects of deductible temporary differences

There are no other significant changes in the Group's financial position (5% or more) and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would have impact or change the reported financial information and condition on the Group.

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 the Group's liquidity in any material way. The Group does not anticipate having any cash flow or liquidity problems. The Group 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 sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

The Group has no unusual nature of transactions or events that affects assets, liabilities, equity, net income or cash flows.

There were no seasonal aspects that had a material effect on the financial condition or results of operations of the Group.

There were no known material events subsequent to the end of the period that have not been reflected in the Group's Financial Statements for the year 2015.

There were no changes in estimates of amount reported in the current financial year or changes in estimates of amounts reported in prior financial years.

There was no contingent liability reflected in the most recent annual financial statement, the same in the current year consolidated financial statements as at 2015. There are commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying consolidated financial statements. The management of the Group is of the opinion that losses, if any, from these items will not have any material effect on its consolidated financial statements.

There were no other material issuances, repurchases or repayments of debt and equity securities.

There are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonable expected to have a material impact on the continuing operations of the Group.

EXTERNAL AUDIT FEES AND SERVICES

The external auditors of the Company and its subsidiaries billed the amounts of Php18,662,135 in 2016, Php14,149,500 in 2015 and PhP13,082,017 in 2014 in fees for professional services rendered for the audit of the Company and its subsidiaries' annual financial statements and services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements for 2016, 2015 and 2014. Except as disclosed above, no other services were rendered or fees billed by the external auditors of the Company for the years 2016, 2015 and 2014.

The Board of Directors, after consultation with the Audit Committee, recommends to the stockholders the engagement of the external auditors of the Company. The selection of external auditors is made on the basis of credibility, professional reputation, accreditation with the Philippine Securities and Exchange Commission, and affiliation with a reputable foreign partner. The professional fees of the external auditors of the Company are approved by the Company's Audit Committee after approval by the stockholders of the engagement and prior to the commencement of each audit season.

FINANCIAL STATEMENTS

Financial Statements meeting the requirements of SRC Rule 68, as amended, are attached hereto as Exhibit 1 and incorporated herein by reference.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

In compliance with SEC Memorandum Circular No. 8, Series of 2003, which was subsequently incorporated in SRC Rule 68, paragraph 3(b)(iv), and the Company's Manual of Corporate Governance, which require that the Company's external auditor be rotated or the handling partner changed every five (5) years or earlier, Mr. Renan A. Piamonte of Punongbayan and Araullo was designated as handling partner for the audit of the financial statements of the Company starting the year ending 31 December 2016. Punongbayan & Araullo was also the auditor of the Company for 2016, 2015 and 2014.

There are no disagreements with the auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to their satisfaction, would have caused the auditors to make reference thereto in their reports on the financial statements of the Company and its subsidiaries.

PART III – CONTROL AND COMPENSATION INFORMATION

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The overall management and supervision of the Company is undertaken by the Board of Directors ("Board"). Currently, the Board consists of seven members, of which three are independent directors. All of the directors were elected at the Company's annual stockholders meeting on June 17, 2016 and will hold office until their successors have been duly elected and qualified.

The table sets forth each member of the Company's Board as of 31 December 2016.

Name	Age	Citizenship	Position
Andrew L. Tan	67	Filipino	Director, Chairman and President
Katherine L. Tan	65	Filipino	Director
Kingson U. Sian	55	Filipino	Director and Executive Director
Enrique Santos L. Sy	67	Filipino	Director
Jesus B. Varela	60	Filipino	Independent Director
Gerardo C. Garcia	75	Filipino	Independent Director
Roberto S. Guevara	65	Filipino	Independent Director

The table below sets forth Megaworld's executive officers in addition to its executive directors listed above as of 31 December 2016.

Name	Age	Citizenship	Position
Lourdes T. Gutierrez-Alfonso	53	Filipino	Chief Operating Officer
Francisco C. Canuto	59	Filipino	Senior Vice President, Treasurer Compliance Officer and Corporate Information Officer
Giovanni C. Ng	42	Filipino	Senior Vice President and Finance Director
Philipps C. Cando	58	Filipino	Senior Vice President for Operations
Maria Victoria M. Acosta	55	Filipino	Senior Vice President for International Marketing
Jericho P. Go	45	Filipino	Senior Vice President for Business Development and Leasing
Noli D. Hernandez	46	Filipino	Senior Vice President for Sales and Marketing
Kevin Andrew L. Tan	37	Filipino	Senior Vice President for Commercial Division
Rafael Antonio S. Perez	48	Filipino	Senior Assistant Vice President for Human Resources
Kimberly Hazel A. Sta. Maria	36	Filipino	Assistant Vice President for Corporate Communications and Advertising
Carmen C. Fernando	59	Filipino	Managing Director for Hotels
Anna Michelle T. Llovido	38	Filipino	Corporate Secretary
Rolando D. Siatela	56	Filipino	Assistant Corporate Secretary

Andrew L. Tan
Chairman of the Board/President

Mr. Tan is the founder of the Company and has served as its Chairman and President since its incorporation in 1989. He pioneered the live-work-play-learn model in real estate development through the Company's integrated township communities, fueling the growth of the business process outsourcing (BPO) industry. He embarked on the development of integrated tourism estates through publicly-listed Alliance Global Group, Inc. and Global-Estate Resorts, Inc., which he both chairs, while continuing to focus on consumer-friendly food and beverage and quick service restaurants. Mr. Tan serves as Chairman of the Board of Empire East

Land Holdings, Inc., a publicly-listed subsidiary of the Company, and Suntrust Properties, Inc., a subsidiary engaged in the development and marketing of affordable housing projects. He also serves in the boards of other Megaworld subsidiaries including Eastwood Cyber One Corporation, Megaworld Land, Inc., Megaworld Central Properties Inc., Townsquare Development, Inc. and Richmonde Hotel Group International Limited. He is also the Chairman of Emperador Inc., a public-listed company which owns Emperador Distillers, Inc., the leading brandy manufacturer and distributor in the Philippines. Mr. Tan is Chairman of Megaworld Foundation, the Company's corporate social responsibility arm, which primarily focuses on the promotion of education through scholarship programs for financially handicapped but deserving students, and supports causes that promote poverty alleviation, people empowerment, social justice, good governance and environmental conservation. He is a director of Travellers International Hotel Group, Inc., a publicly-listed company, which owns Resorts World Manila, and the food and beverage companies, Emperador Distillers, Inc. Alliance Global Brands, Inc. and Golden Arches Development Corporation. Mr. Tan is a Director and President and CEO of Twin Lakes Corporation.

Katherine L. Tan
Director

Ms. Tan, has served as Director of the Company since 1989. She is concurrently a Director and Treasurer of publicly-listed Alliance Global Group, Inc. and Emperador Inc. She has extensive experience in the food and beverage industry and is currently Director and Corporate Secretary of The Bar Beverage, Inc. She is Director and President of Raffles & Company, Inc. and Choice Gourmet Banquet, Inc. She is also a Director and Treasurer of Alliance Global Brands, Inc. and Emperador Distillers, Inc.

Kingson U. Sian
Director and Executive Director

Mr. Sian has served as Director of the Company since April 13, 2007. He joined the Megaworld Group in September 1995 as Senior Vice President and is currently Executive Director of the Company. He is concurrently Director and President of publicly-listed Alliance Global Group, Inc. and Travellers International Hotel Group, Inc. and a Director of Emperador Inc. He is the Chairman and President of Prestige Hotels & Resorts, Inc. and Luxury Global Hotels and Leisure, Inc. He is the Senior Vice President and Chief Executive Officer of Megaworld Land, Inc. He is also the President of Eastwood Cyber One Corporation and Manila Bayshore Property Holdings, Inc. Mr. Sian was formerly a Vice President of FPB Asia Ltd/First Pacific Bank in Hong Kong from 1990 to 1995. Prior to that, he was connected with Citicorp Real Estate, Inc. in the United States from 1988 to 1990. Mr. Sian graduated from the University of the Philippines with the degree of Bachelor of Science in Business Economics. He obtained his Master's Degree in Business Administration for Finance and Business Policy from the University of Chicago.

Enrique Santos L. Sy
Director

Mr. Sy has served as Director of the Company since July 2009. He was Vice President for the Corporate Communications & Advertising Division of the Company until his retirement in March 2011. He is concurrently a Director of publicly-listed Empire East Land Holdings, Inc. He is a Director of Eastin Holdings, Inc. and First Oceanic Property Management Inc. He is also a Director and the Corporate Secretary of Asia Finest Cuisine, Inc. and Corporate Secretary of Empire East Communities, Inc. Mr. Sy previously worked as Advertising Manager of Consolidated Distillers of the Far East, Inc., Creative Director of AdCentrum Advertising, Inc., Copy Chief of Admakers, Inc. and Peace Advertising Corporation, and Creative Associate of Adformatix, Inc. Mr. Sy graduated with honors from the Ateneo de Manila University with the degree of Bachelor of Arts in Communication Arts.

Jesus B. Varela
Independent Director/Vice Chairman

Mr. Varela has served as Director of the Company since June 2016. He concurrently serves as independent director in the boards of publicly-listed, Global-Estate Resorts, Inc. He is also the Chairman of the Philippine Chamber of Commerce and Industry, GS1 Philippines (Barcode of the Philippine), and New Lights Technologies, Inc. He is the President and CEO of the Advancement of Workers' Awareness Regarding Employment (AWARE) Foundation, Inc., and President of Philippine Greek Business Council and

Philippine Peru Business Council. He is also the Director General of the International Chamber of Commerce Philippines (ICC-Philippine), Trustee of the Home Mutual Development Fund, Receiver of J-Phil Marine Shipping Inc., and Member of the Committee for Accreditation of Cargo Surveying Companies. Mr. Varela has more than twenty years of experience in the fields of marketing, human resources, international labor affairs, agriculture, and commerce, among others. He has done executive work with the Department of Agriculture, National Food Authority Council, Philippine Genetics, Inc., National Irrigation Administration, Philippine Planters Products, National Agri- Business Corporation, Agriculture Anti-Smuggling Task Force, and Nautical Highway Board. He served as Labor Attaché to Kobe, Japan, to the Commonwealth of Northern Marianas Island, and to Athens. Mr. Varela obtained his bachelor's degree in Economics from Ateneo De Manila University. He attended training courses in Labor Administration and Policy Formulation under the International Labor Organization/ARPLA program, the Corporate Planning Course at the Center for Research Communication, Foreign Exchange Training by Metro Bank and Forex Club of the Philippines, Systems Analysis by the Presidential Management Staff, Asian Productivity Seminar and other in-house seminars conducted by the Department of Labor and the Development Academy of the Philippines.

Gerardo C. Garcia
Independent Director

Mr. Garcia has served in the Company's Board of Directors since 1994. He concurrently serves as independent director in the boards of publicly-listed Empire East Land Holdings, Inc. and Global-Estate Resorts, Inc. He also serves as an independent director of Megaworld Land, Inc. and Suntrust Properties, Inc. From October 1994 to December 1997, Mr. Garcia served as President of Empire East Land Holdings, Inc. Prior to joining Empire East Land Holdings, Inc. Mr. Garcia served as Executive Vice President of UBP Capital Corporation. He holds a bachelor's degree in Chemical Engineering and a Master's Degree in Business Administration from the University of the Philippines.

Roberto S. Guevara
Independent Director

Mr. Guevara has been a member of the Company's Board of Directors since June 20, 2001. He is Chairman of the Board of Directors of Seed Capital Ventures, Inc. He serves on the board of other companies, such as G & S Transport Corporation, a licensee of Avis Car Rentals, Guevent Industrial Development Corporation and Radiowealth Finance Corporation, and as independent director of First Centro, Inc. and Kalahi Realty, Inc. He is also the President of RFC (HK) Limited. Mr. Guevara graduated from San Beda College in 1974, and received graduate degree from the Asian Institute of Management and a post graduate course at the Institute for Management Development (IMD), in Lausanne, Switzerland.

Lourdes T. Gutierrez-Alfonso
Chief Operating Officer

Ms. Gutierrez joined the Company in 1990. She is the Company's Chief Operating Officer and is a member of the Company's Management Executive Committee. Ms. Gutierrez has extensive experience in real estate and a strong background in finance and marketing. A certified public accountant by profession, she previously held the position of Senior Executive Vice President for Finance and Administration in the Company. Ms. Gutierrez is Chairman and President of the property management company, First Oceanic Property Management, Inc. She serves as director in numerous affiliate companies including publicly-listed Global-Estate Resorts, Inc. and Suntrust Properties, Inc., Twin Lakes Corporation, Mactan Oceanview Properties and Holdings, Inc., Megaworld Resort Estates, Inc., Oceantown Properties, Inc. and Prestige Hotels & Resorts, Inc. She is also a trustee and a Corporate Secretary of Megaworld Foundation, Inc.

Francisco C. Canuto
Senior Vice President and Treasurer

Mr. Canuto joined the Company in 1995. He is a Certified Public Accountant and currently holds the rank of Senior Vice President and Treasurer of the Company and is Senior Assistant to the Chairman. He is a member of the Company's Management Executive Committee. He holds a bachelor's degree in Commerce major in Accounting and a Master's Degree in Business Administration. He is concurrently Director of Megaworld-Global Estate, Inc. and Eastwood Property Holdings, Inc., Director and Corporate Secretary of Megaworld Central Properties, Inc. and Director and Treasurer of Megaworld Cebu Properties, Inc., Twin

Lakes Corporation, Oceantown Properties, Inc., Megaworld Resort Estates, Inc., Megaworld Land, Inc., Megaworld-Daewoo Corporation, Eastwood Cyber One Corporation, Asia's Finest Hotels & Resort, Inc., and Prestige Hotels & Resorts, Inc. He serves as a Director and President of Arcovia Properties, Inc., Megaworld Cayman Islands, Inc., Lucky Chinatown Cinemas, Inc., McKinley Cinemas, Inc., Uptown Cinemas, Inc. and Gilmore Property Marketing Associates, Inc. He is also the President of Megaworld Foundation, Inc. Before joining the Company, he worked as Audit Manager of SGV & Company and Controller of Federal Express Corporation.

Giovanni C. Ng
Senior Vice President and Finance Director

Mr. Ng, is a Senior Vice President and Finance Director of the Company. He serves as director in Eastwood Property Holdings, Inc., Oceantown Properties, Inc., Empire East Communities, Inc., Gilmore Property Marketing Associates, Inc., First Centro, Inc., Valle Verde Properties, Inc., Lucky Chinatown Cinemas, Inc., McKinley Cinemas, Inc., Uptown Cinemas, Inc., Mactan Oceanview Properties and Holdings, Inc. and New Town Land Partners, Inc. He also serves as Treasurer of publicly-listed Empire East Land Holdings, Inc. and Adams Properties, Inc. and Townsquare Development, Inc. He is also a Director and Corporate Secretary of Megaworld Land, Inc. Previously, he worked as Analyst Associate in Keppel IVI Investments. Mr. Ng obtained his bachelor's degree in Quantitative Economics from the University of Asia and the Pacific, graduating summa cum laude in 1995.

Philipps C. Cando
Senior Vice President for Operations

Mr. Cando is a licensed civil engineer who has over 28 years of experience in project development and construction management. Mr. Cando joined the Company in 1994 as a construction manager and eventually rose to become head of the Company's project management team. Prior to joining Megaworld, Mr. Cando was employed for over 12 years in construction design and consultancy firms, Arenas-Tugade Associates and Massive Design Group. During his more than 15 years with the Company, Mr. Cando was responsible for the construction management of over thirty-three (33) project developments of the Company including residential and office condominium projects, hotel, mall and retail complexes as well as large scale mixed-use developments such as McKinley Hill and Eastwood City. He now heads the Company's Operations Division and responsible for the construction development of large scale developments to include, Newport City, Forbes Town Center at Global City, Manhattan Garden City at Araneta Center, Cityplace at Binondo and Bonifacio Uptown. Mr. Cando serves as Director and President of Oceantown Properties, Inc. and Boracay Newcoast Hotel Group, Inc.

Maria Victoria M. Acosta
Senior Vice President for International Marketing

Ms. Acosta is Senior Vice President for International Marketing. She joined the Company in September 1999. Prior to her appointment, she had twenty years of marketing experience in real estate and consumer products with other companies. Ms. Acosta was Executive Vice President and Chief Operating Officer of Empire East Land Holdings, Inc. from 1997 to 1998 and was Executive Director for Marketing from 1996 to 1997. Earlier, she also served as Senior Vice President and General Manager of Raffles & Co., Inc. She is concurrently Director and Corporate Secretary of Eastwood Property Holdings, Inc. and Corporate Secretary of Gilmore Property Marketing Associates, Inc.

Jericho P. Go
Senior Vice President for Business Development and Leasing

Mr. Go is the Company's Senior Vice President for Business Development & Leasing since May 2014. Prior to this, he was the First Vice President for Business Development & Leasing. He interfaces with brokers and various stake holders in the real estate industry to assess market trends and the viability of various types of projects. He keeps an eye on possible opportunities for strategic alliances and business partnerships. He also served as Megaworld's Executive Assistant to the Chairman from February 1997 to October 1999. His task is to study, evaluate, and explore areas identified by the Chairman as having strategic value to the company. Mr. Go obtained his Bachelor's degree in Arts major in Development Studies in 1993 from the

University of the Philippines. He graduated Magna Cum Laude. He is concurrently Director of Twin Lakes Corporation and Davao Park District Holdings, Inc.

Noli D. Hernandez
Senior Vice President for Sales and Marketing

Mr. Hernandez joined the Company in February 1994 as a property consultant. He is currently a Senior Vice President for Sales and Marketing. Mr. Hernandez rose from the ranks in the Company, starting out as a property consultant then becoming Sales Manager, Assistant Vice President, Senior Assistant Vice President and Vice President for Marketing. Mr. Hernandez graduated from the University of the Philippines with a degree of Bachelor of Science in Political Science. He serves as Director and President of Megaworld Cebu Properties, Inc.

Kevin Andrew L. Tan
Senior Vice President for Commercial Division

Mr. Tan heads the Commercial Division of the Company which markets and operates the Megaworld Lifestyle Malls including Eastwood Mall and The Clubhouse at Corinthian Hills in Quezon City, Venice Piazza at Mckinley Hill and Burgos Circle at Forbestown Center, both in Fort Bonifacio, California Garden Square in Mandaluyong City, Newport Mall at Resorts World Manila in Pasay City, and Lucky Chinatown Mall in Binondo, Manila. He is concurrently a Director of publicly-listed companies, Empire East Land Holdings, Inc., Alliance Global Group, Inc. and Global-Estate Resorts, Inc. and of Eastwood Cyber One Corporation, Uptown Cinemas, Inc., Megaworld Central Properties Inc., Twin Lakes Corporation, Megaworld Land, Inc., Townsquare Development, Inc., Emperador Distillers, Inc., Alliance Global Brands, Inc., Anglo Watsons Glass, Inc., Yorkshire Holdings, Inc., The Bar Beverage, Inc., Emperador Brandy, Inc., and New Town Land Partners, Inc. He is also a trustee and a Treasurer of Megaworld Foundation, Inc. He has over 11 years of experience in retail leasing, marketing and operations. Mr. Tan obtained his bachelor's degree in Business Administration major in Management from the University of Asia and the Pacific.

Rafael Antonio S. Perez
Senior Assistant Vice President for Human Resources

Mr. Perez joined the Company in June 2008. He is the Senior Assistant Vice President for Human Resources. He is concurrently the Managing Director of Global One Integrated Business Services, Inc. and Luxury Global Malls, Inc. Mr. Perez graduated Cum Laude from the Philippine Normal University with the degree of Bachelor of Arts in Psychology.

Kimberly Hazel A. Sta. Maria
Assistant Vice President for Corporate Communications and Advertising

Ms. Sta. Maria holds the rank of Assistant Vice President and heads the Corporate Communication and Advertising Division of the Company. She joined the Company in 2002 as Head Writer and is responsible for the creative conceptualization and production of advertising and marketing campaigns and materials for the Company's projects. Ms. Sta. Maria is a *cum laude* graduate of the University of the Philippines Manila and holds a bachelor's degree in Organizational Communication.

Carmen C. Fernando
Managing Director for Hotels

Ms. Fernando is Managing Director for Hotels and has held the position since July 1999. She joined the Company in 1997 as Director of Finance for Megaworld Land, Inc. and is responsible for pre-operating activities for Richmonde Hotel Ortigas. In January 1999 she became the Financial Controller for Prestige Hotels & Resort, Inc. Prior to joining the Company she was employed with Mandarin Oriental Manila as Financial Controller and with Sycip, Goress, Velayo & Co. as a Staff Auditor III. Ms. Fernando obtained her bachelor's degree in Commerce major in Accounting from the University of Santo Tomas and she obtained her master's degree in Business Administration from the University of the Philippines. Ms. Fernando is a Certified Public Accountant and a member of the Philippine Institute of Certified Public Accountants.

Anna Michelle T. Llovido
Corporate Secretary

Ms. Llovido is the Corporate Secretary of the Company and has held this position last August 2014. She concurrently serves as Legal Manager of Emperador Distillers, Inc., a position she has held since July 2012. Ms. Llovido is an experienced in-house counsel with core practice in labor and intellectual property law. Prior to her employment in Emperador Distillers, Inc., Ms. Llovido was a Manager at Reeves & Associates International Corporation and was charged with the management of its Philippine representative office. She also served as Legal Counsel to Transnational Diversified Group, Inc. from May 2008 to September 2009 where she serviced the legal requirements of over 30 companies engaged in total logistics, ship management, air and travel services, and information and communications technology. She was an Associate Lawyer at Tantoco Villanueva De Guzman & Llamas law offices from April 2006 to April 2008. Ms. Llovido obtained her bachelor's degrees in Laws in 2004 and Hotel and Restaurant Management in 1999 from the University of Santo Tomas.

Rolando D. Siatela
Assistant Corporate Secretary

Mr. Siatela serves as Assistant Corporate Secretary of the Company. He is also an Assistant Vice President of the Company. He concurrently serves in publicly-listed Suntrust Home Developers, Inc. as Corporate Secretary and Corporate Information Officer, and in Alliance Global Group, Inc., Emperador Inc., Suntrust Properties, Inc. and Global-Estate Resorts, Inc. as Assistant Corporate Secretary. He is a member of the board of Asia Finest Cuisine, Inc. Prior to joining Megaworld Corporation, he was employed as Administrative and Personnel Officer with Batarasa Consolidated, Inc.

Significant Employees

While the Company values its workforce, the business of the Company is not highly dependent on the services of personnel outside of Senior Management.

Family Relationships

Chairman and President Andrew L. Tan is married to Director Katherine L. Tan, who is also Director and Treasurer of Emperador Inc. and Alliance Global Group, Inc. Their son, Kevin Andrew L. Tan, is presently a Senior Vice President for Commercial Division of Megaworld and is also a director and Corporate Secretary of Alliance Global Brands, Inc. and a director of publicly-listed companies Empire East Land Holdings, Inc., Global-Estate Resorts, Inc. and Alliance Global Group, Inc. while another son, Kendrick Andrew L. Tan, is a Director of publicly-listed Emperador Inc..

Involvement in Certain Legal Proceedings

The Company is not aware of the occurrence, as of the date hereof and during the past five (5) years preceding this date, of any of the following events which it believes to be material to the evaluation of the ability or integrity of any of its directors, nominees for election as director, or executive officers:

1. Any bankruptcy petition filed by or against any business of a director, nominee for election as director, or executive officer who was a general partner or executive officer either at the time of the bankruptcy or within two 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 in his personal capacity 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 Commission 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.

EXECUTIVE COMPENSATION

Summary Compensation Table

Aggregate compensation paid to Megaworld's Chief Executive Officer and the four most highly compensated executive officers as a group for the last two fiscal years and the estimate for the ensuing year are as follows:

Name and Principal Position	Year	Salary	Other Variable Pay	Total Annual Compensation
Andrew L. Tan, President and CEO				
Lourdes T. Gutierrez-Alfonso, Chief Operating Officer				
Philipps C. Cando, SVP for Operations				
Giovanni C. Ng, SVP, Management Analyst				
Francisco C. Canuto, SVP, Treasurer				
President and 4 Most Highly Compensated Officers	Actual 2015	P66.5 Million	P28.7 Million	P95.2 Million
	Actual 2016	P79.8 Million	P33.0 Million	P112.8 Million
	Projected 2017	P95.8 Million	P37.9 Million	P133.7 Million
All Other Officers and Directors as a Group	Actual 2015	P 86.4 Million	P37.8 Million	P124.3 Million
	Actual 2016	P 95.1 Million	P42.9 Million	P138.0 Million
	Projected 2017	P104.6 Million	P48.6 Million	P153.2 Million

Compensation of Directors

The members of the Board receive a standard per diem for attendance in Board meetings. In 2016 and 2015, the Company paid a total of Php700,000 for each year, for directors' per diem. For 2017, the Company has allocated Php800,000 for directors' per diem. Other than payment of the per diem, there are no arrangements pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly, during the year ended December 31, 2016 and the ensuing year, for any service provided as a director.

Employment Contracts and Termination of Employment and Change-in-Control Arrangement

Executive officers are appointed by the Board to their respective offices. The Company does not enter into employment contracts with its executive officers. Other than benefits available under the Company's retirement plan, there is no compensatory plan or arrangement with respect to an executive officer which results or will result from the resignation, retirement or any other termination of such executive officer's employment with the Company and its subsidiaries, or from a change-in-control of the Company, or a change in an executive officer's responsibilities following a change-in-control of the Company.

Outstanding Warrants and Options

There are executive officers of the Company who were granted options to subscribe to common shares of the Company pursuant to the Company's Employee Stock Option Plan approved by the Board and stockholders of the Company in 2012.

Name	No. of Outstanding Options	No. of Options Exercised	Date of Grant	Exercise Price	Market Price at Date of Grant
President and 4 Most Highly Compensated Officers	60,000,000	0	Various Dates	Php1.773054*	Php 2.54*
All Other Officers and Directors as a Group	40,000,000	0	Various Dates	Php2.288494*	Php3.244*

*Average prices

The Company's Employee Stock Option Plan is intended to (i) enable qualified employee who are largely responsible for the further growth and development of the Company to participate in the growth of the Company; (ii) encourage the long-term commitment of such employees; and (iii) motivate such employees to continue their efforts in contributing to the long-term financial success of the Company.

The Company has not adjusted the exercise price of the option since the last grant and issuance on 11 June 2014.

Security Ownership of Record and Beneficial Owners of more than 5% of the Company's Shares as of 31 December 2016

Title of Class	Name, address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent of Class
Common Preferred	Alliance Global Group, Inc. (AGI)[1] 7/F 1880 Eastwood Avenue, Eastwood City, E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City	Alliance Global Group, Inc.[2]	Filipino	14,090,219,058 6,000,000,000	36.8473% 15.6906%

[1]The Chairman of the Board of AGI, Mr. Andrew L. Tan, is also Chairman of the Board and President of the Company.
[2] The Board of Directors of AGI has voting and investment power over AGI's shares of stock in the Company.
AGI normally authorizes its Chairman, or in his absence, the Chairman of the Meeting, to vote AGI's shares of stock in the Company.

Total				20,090,219,058	52.5379%
Common	New Town Land Partners, Inc. (NTLPI)[1], 6/F The World Centre, Sen. Gil Puyat, Ave., Makati	New Town Land Partners, Inc.	Filipino	5,668,530,324	14.8238%
Common	PCD Nominee Corporation (Non-Filipino), G/F MKSE Bldg., 6767 Ayala Ave., Makati	Participants of the PCD composed of custodian banks and brokers.	Non-Filipino	5,420,431,977[2]	14.1750%
Common	PCD Nominee Corporation (Filipino) G/F MKSE Bldg., 6767 Ayala Ave., Makati	Participants of the PCD composed of custodian banks and brokers.[3]	Filipino	5,279,137,248	13.8055%
Common	PCD Nominee Corporation (Non-Filipino), G/F MKSE Bldg., 6767 Ayala Ave., Makati	The Hongkong and Shanghai Banking Corp. Ltd. – Clients (HSBC)[4]	Non-Filipino	2,413,671,674	6.3119%

Other than the persons identified above, there are no other beneficial owners of more than 5% of the Company's outstanding capital stock that are known to the Company.

Security Ownership of Management as of 31 December 2016

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Directors/Nominees				
Common	Andrew L. Tan	95,000,000 (direct)	Filipino	.24843%
		1,891,632[5] (indirect)	Filipino	.00495%
		20,090,219,058[6] (indirect)	Filipino	52.5379%
		5,668,530,324[7](indirect)	Filipino	14.8238%
Common	Gerardo C. Garcia	136,136 (direct)	Filipino	.00036%
Common	Kingson U. Sian	612,501 (direct)	Filipino	.00160%
Common	Katherine L. Tan	1,891,632 (direct)	Filipino	.00495%
		95,000,000[8] (indirect)	Filipino	.24843%
Common	Jesus B. Varela	1 (direct)	Filipino	.00000%
Common	Roberto S. Guevara	1 (direct)	Filipino	.00000%
Common	Enrique Santos L.	80,553 (direct)	Filipino	.00021%

[1] The Board of Directors of NTLPI has voting and investment power over NTLPI's shares of stock in the Company, NTLPI has authorized the Chairman of the Board of the Company, or in his absence the Chairman of the Meeting to vote NTLPI's shares of stock in the Company.

[2] This includes HSBC's 2,413,671,674 shares.

[3]Among the PCD participants, HSBC owns 2,413,671,674 shares, representing 6.3119% of the Company's outstanding capital stock.

[4] HSBC is a participant of the PCD. The beneficial owners of the shares held by HSBC are not known to the Company.

[5] The shares are beneficially owned by Katherine L. Tan, spouse of Andrew L. Tan.

[6] The shares are held by Alliance Global Group, Inc. which normally authorizes Andrew L. Tan, in his capacity as Chairman of the Board, or in his absence the Chairman of the Meeting, to vote AGI's common shares in the Company.

[7] The shares are held by NTLPI which normally authorizes the Chairman of the Board of the Company, or in his absence the Chairman of the Meeting to vote NTLPI's shares of stock in the Company.

[8] The shares are beneficially owned by Andrew L. Tan, spouse of Katherine L. Tan.

	Sy			
CEO and Four Most Highly Compensated Officers				
Common	Andrew L. Tan	Same as above		
Common	Kingson U. Sian	Same as above		
Common	Lourdes T. Gutierrez-Alfonso	974,244 (direct)	Filipino	.00255%
Common	Francisco C. Canuto	369,054 (direct)	Filipino	.00097%
Common	Philipps C. Cando	0	Filipino	n/a
Other Executive Officers				
Common	Maria Victoria M. Acosta	0	Filipino	n/a
Common	Giovanni C. Ng	0	Filipino	n/a
Common	Jericho P. Go	18,000(direct)	Filipino	.00005%
Common	Noli D. Hernandez	0	Filipino	n/a
Common	Kevin Andrew L. Tan	367,205(direct)	Filipino	.00096%
Common	Rafael Antonio S. Perez	0	Filipino	n/a
Common	Kimberly Hazel A. Sta. Maria	0	Filipino	n/a
Common	Carmen C. Fernando	0	Filipino	n/a
Common	Anna Michelle T. Llovido	0	Filipino	n/a
Common	Rolando D. Siatela	0	Filipino	n/a
Common	All directors and executive officers as a group	99,453,748 (direct)		0.26008%

Voting Trust Holders of 5% or More

The Company is not aware of the existence of persons holding more than five percent (5%) of the Company's common shares under a voting trust or similar agreement.

Changes in Control

There has been no change in the control of the Company since it was incorporated in 1989.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Please refer to the discussion under Transactions with and/or dependence on related parties on page 13.

The Group's policy on related party transactions is disclosed in Note 2.22, Page 30 of the Audited Financial Statements.

In Note 1, Pages 1 to 4 of the Audited Financial Statements, the interest of the Company on its subsidiaries and associates as well as other explanatory notes are disclosed. Moreover, Notes 27 to 27.7, Pages 70 to 73, cite the conditions, purpose and types of transactions (i.e., real estate sales and rendering services to related parties, sale and purchase of investment, advances provided to associates and other related parties, advances from associates and other related parties and other accounts). Further, in accordance with PAS 24.18, the Group disclosed the amount of the transactions with its related parties, including the amount of outstanding balances of the reporting dates. With regard to determination of transaction prices, these are determined based on the agreement of the parties involved and are usually based on prevailing market sales.

The Company has no transaction for the covered period with parties that fall outside the definition of "related parties" under PAS 24 but with whom the Company or its related parties has a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent parties on an arm's length basis.

PART V – EXHIBITS AND SCHEDULES

EXHIBITS AND REPORTS ON SEC FORM 17-C

Exhibits

Exhibit No.	Description of Exhibit
1	Audited Consolidated Financial Statements as of December 31, 2016, 2015 and 2014.

The Company filed the following reports on SEC Form 17-C during the last six-month period covered by this report.

Date	Disclosures
4 August 2016	Notice of Analyt's Briefing
4 August 2016	Press Release: "Megaworld maps out Visayas BPO Triangle"
10 August 2016	Press Release: "Rental surge drives MEG's first half earnings"
18 August 2016	Press Release: "Megaworld launches 6th residential tower in Iloilo Business Park"
25 August 2016	Press Release: "Megaworld to further grow own local hotel brands"
08 November 2016	Notice of Analyt's Briefing
09 November 2016	Press Release: "Megaworld's 9-mo rental income surges 15%; pulls net profit up to P9.27B"
22 November 2016	Press Release: "Megaworld to build 'Northill Town Center' in Bacolod"
24 November 2016	Press Release: "Megaworld to build St. Monitz's second tower in McKinley West"
12 December 2016	Press Release: "Megaworld's GERI to build P5B Eastland Heights' in Antipolo

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati, on ___________.

MEGAWORLD CORPORATION
Company

By:

ANDREW L. TAN
President
(Principal Executive Officer)

FRANCISCO C. CANUTO
Treasurer
(Principal Financial Officer)

LOURDES T. GUTIERREZ-ALFONSO
Chief Operating Officer
(Principal Operating Officer)

LOURDES O. RAMILO
(Principal Accounting Officer and Comptroller)

ANNA MICHELLE T. LLOVIDO
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 06 2017, affiants exhibiting to me their Tax Identification Number, as follows:

NAME	TIN NO.
Andrew L. Tan	125-960-003
Francisco C. Canuto	102-956-483
Lourdes T. Gutierrez-Alfonso	106-893-930
Lourdes O. Ramilo	111-600-504
Anna Michelle T. Llovido	121-424-847

Doc. No. 96;
Page No. 20;
Book No. II;
Series of 2017.

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-88
UNTIL DEC. 31, 2018
ROLL OF ATTY. NO. 48348
MCLE COMPLIANCE NO. IV-0016333-4/10/13
I.B.P O.R No. 706762, LIFETIME MEMBER JAN. 29,2007
PTR No. 590-90-82 JAN.3, 2017
EXECUTIVE BLDG. CENTER
MAKATI AVE. COR., JUPITER ST. MAKATI CITY

MEGAWORLD CORPORATION
28/F The World Centre, 330 Sen. Gil Puyat Avenue, Makati City 1200, Philippines
Tels: (632) 867-8826 to 40
www.megaworldcorp.com • *E-mail: infodesk@megaworldcorp.com*

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Megaworld Corporation and Subsidiaries** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group 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, have audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

ANDREW L. TAN
Chairman of the Board

ANDREW L. TAN
Chief Executive Officer

FRANCISCO C. CANUTO
SVP and Treasurer
(Chief Financial Officer)

Signed this 29th day of March 2017

CERTIFICATION INTERNATIONAL
ISO 9001:2008
CIP/2652/99/11/168

MAR 2 9 2017

MAKATI CITY

SUBSCRIBED AND SWORN to before me on this ____ day of ______ at __________, Philippines affiants exhibiting to me their Tax Identification Nos. as follows:

Andrew L. Tan	125-960-003-000
Francisco C. Canuto	102-956-483-000

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-88
UNTIL DEC. 31, 2018
ROLL OF ATTY. NO. 48348
MCLE COMPLIANCE NO. IV-0016333-4/10/13
I.B.P O.R No. 706762, LIFETIME MEMBER JAN 29,2007
PTR No. 590-90-82 JAN.3, 2017
EXECUTIVE BLDG. CENTER
MAKATI AVE. COR., JUPITER ST. MAKATI CITY

Doc. No. 276;
Page No. 57;
Book No. 02;
Series of 2017

P&A
Grant Thornton
An instinct for growth™

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

T +63 2 988 2288
F +63 2 886 5506
grantthornton.com.ph

Report of Independent Auditors

The Board of Directors and Stockholders
Megaworld Corporation and Subsidiaries
(A Subsidiary of Alliance Global Group, Inc.)
28th Floor, The World Centre Building
Sen. Gil Puyat Avenue, Makati City

Opinion

We have audited the consolidated financial statements of Megaworld Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, 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, 2016, 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, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 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.

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 Recognition for Sale of Pre-Completed Properties

Description of the Matter

The Group recognizes revenue from sale of pre-completed properties using the percentage-of-completion method after establishing that collection of the total contract price is reasonably assured, which is determined when a certain percentage of the total contract price has already been collected. Further, under the percentage-of-completion method, the Group recognizes gross profit based on the stage of completion as estimated by management with the assistance of project engineers.

Revenue recognition from sale of pre-completed properties was significant to our audit as it comprises majority of total revenues of the Group. Further, revenue recognition involves significant management judgments and estimates. Management applies judgment in ascertaining the collectability of the contract price, and estimating the stage of completion and contract costs of the real estate project. An error in application of judgment and estimate could cause a material misstatement in the consolidated financial statements.

The Group's policy for revenue recognition is more fully described in Note 2 to the consolidated financial statements.

How the Matter was Addressed in the Audit

We tested, on a sample basis, the application of the percentage of collection threshold on sales contracts entered during the year. We also tested the reasonableness of the collection threshold as basis of determining revenue recognition criterion on the collectability of contract price.

In testing the application of percentage-of-completion method, we ascertained the qualification of project engineers who certified the stage of completion of projects. We also tested the reasonableness of percentage of completion by performing physical inspection of selected projects under development and comparing our observations of physical stage of completion with cost-to-cost budgetary estimate. Further, we evaluated the reasonableness of estimated contract costs with reference to contractors' and suppliers' quotes and historical costs of similar and recently completed projects.

(b) Assessment of Goodwill Impairment

Description of the Matter

Under Philippine Accounting Standards (PAS) 36, *Impairment of Assets,* the Group is required to annually test the amount of goodwill for impairment. This annual impairment test was significant to our audit because the amount of goodwill is material to the consolidated financial statements. In addition, management's assessment process is complex and highly judgmental and is based on significant assumptions, specifically in determining the fair value less costs to sell (which uses current transaction prices) and the value-in-use (which uses a certain discount rate and cash flows projections) of real estate and rental segments, the identified cash generating units over which goodwill was allocated. The assumptions used by management are generally affected by expected future market and economic conditions.

The Group's policy on impairment assessment of goodwill is more fully described in Note 2 to the consolidated financial statements while the carrying amount of goodwill is presented in Note 14.

How the Matter was Addressed in the Audit

We evaluated the reasonableness of assumptions used in determining the fair value less costs to sell of real estate and rental segments with reference to current transaction prices of similar properties held by the Group. We also tested the assumptions, methodologies and weighted average cost of capital used in discounting the cash flows projections by comparing them to external and historical data. Further, we tested the sensitivity of cash flows projections by evaluating whether a reasonably possible change in assumptions could cause the carrying amount of the cash generating units to exceed the recoverable amount.

(c) Consolidation Process

Description of the Matter

The Group's consolidated financial statements comprise the financial statements of Megaworld Corporation and its subsidiaries, as enumerated in Note 1 to the consolidated financial statements, after the elimination of material intercompany transactions. The Group's consolidation process is significant to our audit because of the complexity of the process. It involves identifying and eliminating voluminous intercompany transactions to properly reflect realization of profits and measurement of controlling and non-controlling interests.

The Group's policy on consolidation process is more fully described in Note 2 to the consolidated financial statements.

How the Matter was Addressed in the Audit

We obtained understanding of the Group structure and its consolidation process including the procedures for identifying intercompany transactions and reconciling intercompany balances. We tested significant consolidation adjustments which include elimination of intercompany revenues, expenses and investments, reversal of unrealized fair value adjustments on intercompany investments, and recognition of equity transactions to measure non-controlling interest.

(d) Fair Value of Investment Properties

Description of the Matter

The carrying amount of the Group's investment properties carried at cost less accumulated depreciation as of December 31, 2016 is P60.5 billion. As required by PAS 40, *Investment Property,* the Group disclosed in Note 12 to the consolidated financial statements the total fair value of its investment properties amounting to P244.2 billion. Management determined the fair value using the discounted cash flows model using assumptions that are mainly based on market conditions existing at the end of the reporting period, such as the receipt of contractual rentals, expected future market rentals, void periods, maintenance requirements and appropriate discount rate.

The disclosure on fair value of investment properties was significant in our audit as the amount is material to the consolidated financial statements and that the processes of determining the fair value involves significant estimates.

The method and assumptions used in determining the fair value of investment properties is more fully described in Notes 3 and 33 to the consolidated financial statements while the fair value of investment properties as of December 31, 2016 is presented in Note 12.

How the Matter was Addressed in our Audit

We tested the integrity of inputs of the projected cash flows used in the valuation to supporting lease contracts and other documents. We challenged the discount rate used in the valuation by comparing with industry data, taking into consideration comparability and market factors.

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, 2016, 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, 2016 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 audit resulting in this independent auditors' report is Renan A. Piamonte.

PUNONGBAYAN & ARAULLO

By: Renan A. Piamonte
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 5908630, January 3, 2017, Makati City
SEC Group A Accreditation
Partner - No. 1363-AR-1 (until Mar. 1, 2020)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-37-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

March 29, 2017

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015
(With Corresponding Figures as of January 1, 2015)
(Amounts in Philippine Pesos)

	Notes		December 31, 2016		December 31, 2015 (As Restated – See Note 2)		January 1, 2015 (As Restated – See Note 2)
A S S E T S							
CURRENT ASSETS							
Cash and cash equivalents	5	**P**	**16,395,663,456**	P	22,763,063,173	P	25,142,949,887
Trade and other receivables - net	6		**26,996,127,314**		22,453,734,175		20,694,945,868
Residential, condominium units, golf and resort shares for sale - net	7		**62,659,149,563**		61,466,864,765		56,908,140,889
Property development costs	3		**20,105,196,663**		14,858,143,294		12,390,474,097
Investments in available-for-sale securities	9		**66,501,898**		-		-
Advances to contractors and suppliers	2		**8,511,641,803**		4,909,049,653		3,023,954,443
Prepayments and other current assets - net	8		**5,955,537,397**		4,724,510,295		3,930,038,987
Total Current Assets			**140,689,818,094**		131,175,365,355		122,090,504,171
NON-CURRENT ASSETS							
Trade and other receivables - net	6		**35,674,848,340**		32,694,770,838		28,911,089,037
Advances to landowners and joint ventures	10		**4,859,000,177**		6,481,862,730		4,823,705,981
Land for future development	3		**22,079,341,640**		18,115,516,349		13,212,623,684
Investments in available-for-sale securities	9		**3,595,778,288**		4,699,583,654		6,146,267,429
Investments in and advances to associates and other related parties	11		**5,188,535,019**		6,772,193,903		6,083,083,483
Investment properties - net	12		**60,493,481,173**		46,272,070,191		35,762,629,818
Property and equipment - net	13		**3,570,186,965**		3,050,852,191		1,867,373,139
Deferred tax assets - net	26		**75,533,803**		67,107,874		77,267,099
Other non-current assets - net	14		**2,515,994,151**		2,355,440,617		2,065,297,752
Total Non-current Assets			**138,052,699,556**		120,509,398,347		98,949,337,422
TOTAL ASSETS		**P**	**278,742,517,650**	P	251,684,763,702	P	221,039,841,593

	Notes	December 31, 2016		December 31, 2015		January 1, 2015
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Interest-bearing loans and borrowings	15	**P**	**6,005,651,572**	P	4,244,935,177	P 2,625,737,935
Bonds payable	16		**-**		-	5,000,000,000
Trade and other payables	17		**13,566,744,368**		12,069,419,857	10,620,187,419
Customers' deposits	2		**6,135,777,300**		5,880,223,576	5,847,731,277
Reserve for property development	2		**7,460,325,834**		6,437,971,861	7,063,089,278
Deferred income on real estate sales	2		**5,561,346,611**		5,653,790,826	5,340,188,412
Income tax payable			**126,290,564**		130,563,095	146,218,656
Other current liabilities	19		**2,033,398,951**		2,061,912,229	2,234,881,908
Total Current Liabilities			**40,889,535,200**		36,478,816,621	38,878,034,885
NON-CURRENT LIABILITIES						
Interest-bearing loans and borrowings	15		**32,847,121,469**		27,427,696,485	6,126,996,683
Bonds payable	16		**22,330,589,969**		20,929,920,130	19,784,913,748
Customers' deposits	2		**6,080,125,315**		1,062,317,494	1,396,448,740
Redeemable preferred shares	18		**1,257,987,900**		1,257,987,900	1,257,987,900
Reserve for property development	2		**8,846,206,033**		9,751,642,232	8,302,500,433
Deferred income on real estate sales	2		**5,119,282,510**		4,808,072,809	4,518,013,829
Deferred tax liabilities - net	26		**9,899,659,695**		9,637,196,264	8,138,764,944
Advances from associates and other related part	27		**2,424,926,309**		1,491,160,829	903,152,243
Retirement benefit obligation	25		**965,204,603**		925,195,114	1,077,540,365
Other non-current liabilities	19		**4,463,538,318**		3,501,403,181	1,856,694,602
Total Non-current Liabilities			**94,234,642,121**		80,792,592,438	53,363,013,487
Total Liabilities			**135,124,177,321**		117,271,409,059	92,241,048,372
EQUITY	28					
Total equity attributable to the Company's shareholders			**125,480,239,117**		116,688,480,613	110,802,948,163
Non-controlling interests			**18,138,101,212**		17,724,874,030	17,995,845,058
Total Equity			**143,618,340,329**		134,413,354,643	128,798,793,221
TOTAL LIABILITIES AND EQUITY		**P**	**278,742,517,650**	P	251,684,763,702	P 221,039,841,593

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Philippine Pesos)

	Notes	2016	2015	2014
REVENUES AND INCOME				
Real estate sales	20	P 27,450,993,911	P 27,262,297,450	P 24,606,554,437
Interest income on real estate sales	6	1,700,850,559	1,677,596,838	1,671,138,097
Realized gross profit on prior years' sales	20	3,978,988,971	3,786,994,581	3,229,266,841
Rental income	12	10,011,504,052	8,729,655,235	7,070,911,439
Hotel operations	2	1,163,103,124	796,322,364	722,971,143
Equity in net earnings of associates	11	136,866,743	138,614,220	328,707,760
Interest and other income - net	23	2,375,237,112	2,604,179,681	15,501,208,246
		46,817,544,472	44,995,660,369	53,130,757,963
COSTS AND EXPENSES				
Real estate sales	21	15,514,651,678	15,434,942,352	14,363,869,187
Deferred gross profit	2	4,197,865,236	4,515,385,332	4,538,218,791
Hotel operations	2	681,601,381	467,982,367	368,443,782
Operating expenses	22	8,353,683,605	7,991,895,011	7,491,693,766
Interest and other charges - net	24	2,867,726,950	2,726,266,816	1,624,478,535
Tax expense	26	3,489,339,020	3,284,678,495	3,120,330,226
		35,104,867,870	34,421,150,373	31,507,034,287
PROFIT FOR THE YEAR BEFORE PRE-ACQUISITION INCOME		11,712,676,602	10,574,509,996	21,623,723,676
PRE-ACQUISITION LOSS (INCOME) OF SUBSIDIARIES	1	(3,314,788)	291,847	(69,008,162)
NET PROFIT FOR THE YEAR		P 11,709,361,814	P 10,574,801,843	P 21,554,715,514
Net profit attributable to:				
Company's shareholders		P 11,331,824,386	P 10,215,095,444	P 21,219,577,584
Non-controlling interests		377,537,428	359,706,399	335,137,930
		P 11,709,361,814	P 10,574,801,843	P 21,554,715,514
Earnings Per Share:	29			
Basic		P 0.356	P 0.321	P 0.670
Diluted		P 0.355	P 0.319	P 0.667

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Philippine Pesos)

	Notes	2016	2015	2014
NET PROFIT FOR THE YEAR		**P 11,709,361,814**	P 10,574,801,843	P 21,554,715,514
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss -				
Actuarial gains (losses) on retirement benefit obligations	25	**45,977,971**	316,613,558	(165,532,030)
Tax income (expense)	25, 26	**(13,793,391)**	(94,984,067)	49,659,609
		32,184,580	221,629,491	(115,872,421)
Share in other comprehensive income (loss) of associates	11	**(27,975,475)**	38,744,144	-
		4,209,105	260,373,635	(115,872,421)
Items that will be reclassified subsequently to profit or loss:				
Fair valuation of available-for-sale securities:				
Fair value losses during the year		**(1,071,530,344)**	(2,741,305,680)	(416,644,686)
Fair value gains on disposal reclassified to profit or loss	23	**-**	(3,728,897)	(796,867,188)
	9	**(1,071,530,344)**	(2,745,034,577)	(1,213,511,874)
Exchange difference on translating foreign operations	2	**43,561,840**	69,869,987	(102,295,326)
Tax income (expense)	26	**(13,068,552)**	(20,960,996)	30,688,598
		30,493,288	48,908,991	(71,606,728)
		(1,041,037,056)	(2,696,125,586)	(1,285,118,602)
Total Other Comprehensive Loss		**(1,036,827,951)**	(2,435,751,951)	(1,400,991,023)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**P 10,672,533,863**	P 8,139,049,892	P 20,153,724,491
Total comprehensive income attributable to:				
Company's shareholders		**P 10,362,974,246**	P 7,782,514,268	P 19,826,358,307
Non-controlling interests		**309,559,617**	356,535,624	327,366,184
		P 10,672,533,863	P 8,139,049,892	P 20,153,724,491

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Philippine Pesos)

	Attributable to the Company's Shareholders								
	Capital Stock (See Note 28)	Additional Paid-in Capital (See Note 28)	Treasury Shares - At Cost (See Note 28)	Translation Reserves (See Note 2)	Revaluation Reserves (See Notes 9, 11 and 25)	Retained Earnings (See Note 28)	Total	Non-controlling Interests (See Note 2)	Total Equity
Balance at January 1, 2016	P 32,430,865,872	P 16,657,990,413	(P 633,721,630)	(P 413,553,328)	(P 2,133,379,319)	P 70,780,278,605	P 116,688,480,613	P 17,724,874,030	P 134,413,354,643
Transactions with owners:									
Share-based employee compensation	-	-	-	-	-	29,493,030	29,493,030	-	29,493,030
Cash dividends	-	-	-	-	-	(1,608,600,152)	(1,608,600,152)	(46,066,182)	(1,654,666,334)
Share-based employee compensation of a subsidiary	-	-	-	-	-	-	-	18,527,020	18,527,020
Acquisition of a new subsidiary with non-controlling interest	-	-	-	-	-	-	-	143,598,107	143,598,107
Deconsolidated subsidiary with non-controlling interest	-	-	-	-	-	-	-	(4,500,000)	(4,500,000)
Changes in ownership interest in subsidiaries that do not result in a loss of control	-	-	-	-	-	7,891,380	7,891,380	(7,891,380)	-
	-	-	-	-	-	(1,571,215,742)	(1,571,215,742)	103,667,565	(1,467,548,177)
Total comprehensive income for the year:									
Net profit	-	-	-	-	-	11,331,824,386	11,331,824,386	377,537,428	11,709,361,814
Actuarial gain on retirement benefit obligation, net of tax	-	-	-	-	31,863,285	-	31,863,285	321,295	32,184,580
Fair value losses on available-for-sale securities	-	-	-	-	(1,003,231,238)	-	(1,003,231,238)	(68,299,106)	(1,071,530,344)
Share in other comprehensive loss of associates	-	-	-	-	(27,975,475)	-	(27,975,475)	-	(27,975,475)
Exchange difference on translating foreign operations, net of tax	-	-	-	30,493,288	-	-	30,493,288	-	30,493,288
	-	-	-	30,493,288	(999,343,428)	11,331,824,386	10,362,974,246	309,559,617	10,672,533,863
Balance at December 31, 2016	**P 32,430,865,872**	**P 16,657,990,413**	**(P 633,721,630)**	**(P 383,060,040)**	**(P 3,132,722,747)**	**P 80,540,887,249**	**P 125,480,239,117**	**P 18,138,101,212**	**P 143,618,340,329**

	Attributable to the Company's Shareholders								
	Capital Stock (See Note 28)	Additional Paid-in Capital (See Note 28)	Treasury Shares - At Cost (See Note 28)	Translation Reserves (See Note 2)	Revaluation Reserves (See Notes 9, 11 and 25)	Retained Earnings (See Note 28)	Total	Non-controlling Interests (See Note 2)	Total Equity
Balance at January 1, 2015	P 32,422,877,948	P 16,657,990,413	(P 633,721,630)	(P 462,462,319)	P 348,110,848	P 62,470,152,903	P 110,802,948,163	P 17,995,845,058	P 128,798,793,221
Transactions with owners:									
Issuance of shares of stock	7,987,924	-	-	-	-	-	7,987,924	-	7,987,924
Share-based employee compensation	-	-	-	-	-	31,190,286	31,190,286	-	31,190,286
Cash dividends	-	-	-	-	-	(1,936,160,028)	(1,936,160,028)	(80,000,000)	(2,016,160,028)
Share-based employee compensation of a subsidiary	-	-	-	-	-	-	-	115,081,847	115,081,847
Acquisition of a new subsidiary with non-controlling interest	-	-	-	-	-	-	-	254,687,970	254,687,970
Changes in ownership interest in subsidiaries that do not result in a loss of control	-	-	-	-	-	-	-	(917,276,469)	(917,276,469)
	7,987,924	-	-	-	-	(1,904,969,742)	(1,896,981,818)	(627,506,652)	(2,524,488,470)
Total comprehensive income for the year:									
Net profit	-	-	-	-	-	10,215,095,444	10,215,095,444	359,706,399	10,574,801,843
Actuarial gain on retirement benefit obligation, net of tax	-	-	-	-	210,281,710	-	210,281,710	11,347,781	221,629,491
Fair value losses on available-for-sale securities	-	-	-	-	(2,730,516,021)		(2,730,516,021)	(14,518,556)	(2,745,034,577)
Share in other comprehensive income of associates	-	-	-	-	38,744,144	-	38,744,144	-	38,744,144
Exchange difference on translating foreign operations, net of tax	-	-	-	48,908,991	-	-	48,908,991	-	48,908,991
	-	-	-	48,908,991	(2,481,490,167)	10,215,095,444	7,782,514,268	356,535,624	8,139,049,892
Balance at December 31, 2015	P 32,430,865,872	P 16,657,990,413	(P 633,721,630)	(P 413,553,328)	(P 2,133,379,319)	P 70,780,278,605	P 116,688,480,613	P 17,724,874,030	P 134,413,354,643

	Attributable to the Company's Shareholders								
	Capital Stock (See Note 28)	Additional Paid-in Capital (See Note 28)	Treasury Shares - At Cost (See Note 28)	Translation Reserves (See Note 2)	Revaluation Reserves (See Notes 9, 11 and 25)	Retained Earnings (See Note 28)	Total	Non-controlling Interests (See Note 2)	Total Equity
Balance at January 1, 2014	P 32,160,675,105	P 16,657,990,413	(P 633,721,630)	(P 390,855,591)	P 1,675,882,695	P 42,457,420,384	P 91,927,391,376	P 10,025,630,449	P 101,953,021,825
Transactions with owners:									
Issuance of shares of stock	262,202,843	-	-	-	-	-	262,202,843	-	262,202,843
Share-based employee compensation	-	-	-	-	-	40,096,554	40,096,554	-	40,096,554
Cash dividends	-	-	-	-	-	(1,246,941,619)	(1,246,941,619)	(178,468,817)	(1,425,410,436)
Derecognition of other comprehensive income of associates	-	-	-	-	(6,159,298)	-	(6,159,298)	-	(6,159,298)
Acquisition of new subsidiaries with non-controlling interest	-	-	-	-	-	-	-	5,199,701,059	5,199,701,059
Changes in ownership interest in subsidiaries that do not result in a loss of control	-	-	-	-	-	-	-	2,621,616,183	2,621,616,183
	262,202,843	-	-	-	(6,159,298)	(1,206,845,065)	(950,801,520)	7,642,848,425	6,692,046,905
Total comprehensive income for the year:									
Net profit	-	-	-	-	-	21,219,577,584	21,219,577,584	335,137,930	21,554,715,514
Actuarial loss on retirement benefit obligation, net of tax	-	-	-	-	(108,100,675)	-	(108,100,675)	(7,771,746)	(115,872,421)
Fair value losses on available-for-sale securities	-	-	-		(1,213,511,874)	-	(1,213,511,874)	-	(1,213,511,874)
Exchange difference on translating foreign operations, net of tax	-	-	-	(71,606,728)	-	-	(71,606,728)	-	(71,606,728)
	-	-	-	(71,606,728)	(1,321,612,549)	21,219,577,584	19,826,358,307	327,366,184	20,153,724,491
Balance at December 31, 2014	P 32,422,877,948	P 16,657,990,413	(P 633,721,630)	(P 462,462,319)	P 348,110,848	P 62,470,152,903	P 110,802,948,163	P 17,995,845,058	P 128,798,793,221

See Notes to Consolidated Financial Statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Philippine Pesos)

	Notes	2016	2015 (As Restated – See Note 2)	2014 (As Restated – See Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 15,198,700,834**	P 13,859,480,338	P 24,675,045,740
Adjustments for:				
Interest expense	24	**1,494,496,938**	1,486,628,541	1,416,888,598
Depreciation and amortization	12, 13, 14	**1,486,971,728**	1,348,751,764	1,300,385,226
Interest income	23	**(1,218,551,263)**	(1,337,049,326)	(1,056,924,854)
Unrealized foreign currency losses - net		**1,200,819,997**	1,148,545,867	105,046,866
Equity in net earnings of associates	11	**(136,866,743)**	(138,614,220)	(328,707,760)
Gain on sale of investments in an associate	23	**(82,459,513)**	(181,347,731)	(9,384,719,202)
Dividend income	23, 27	**(68,845,396)**	(78,239,149)	(46,595,425)
Employee share options	25	**48,020,050**	146,272,133	40,096,554
Gain on deconsolidation of a subsidiary	1, 23	**(4,376,532)**	-	(377,473,088)
Gain on acquisition of subsidiaries	1, 23	**(2,027,645)**	-	(142,695,054)
Fair value gains on disposal of available-for-sale securities reclassified to profit or loss	23	-	(3,728,897)	(796,867,188)
Fair value gains on remeasurement of investments	23	-	-	(2,251,067,460)
Gain on sale of land	23	-	-	(98,461,571)
Loss on disposal of property and equipment		-	-	6,549,810
Operating profit before working capital changes		**17,915,882,455**	16,250,699,320	13,060,501,192
Decrease (increase) in trade and other receivables		**(7,560,836,753)**	(6,452,094,137)	1,219,615,318
Increase in residential, condominium, golf and resort shares for sale		**(5,378,269,890)**	(4,827,860,992)	(12,263,125,597)
Increase in property development costs		**(5,200,693,239)**	(2,467,537,709)	(1,950,203,880)
Increase in advances to contractors and suppliers		**(3,602,592,150)**	(979,010,666)	(2,310,020,866)
Increase in prepayments and other current assets		**(1,067,456,617)**	(744,699,012)	(510,957,376)
Decrease (increase) in advances to landowners and joint ventures		**1,622,862,553**	(1,658,156,749)	(36,293,127)
Increase in trade and other payables		**2,429,440,703**	1,780,422,124	1,216,809,513
Increase (decrease) in customers' deposits		**5,273,361,545**	(301,638,947)	659,947,347
Increase in reserve for property development		**116,917,774**	824,024,382	2,328,050,242
Increase in deferred income on real estate sales		**218,765,486**	603,661,394	1,490,855,451
Increase in other liabilities		**1,363,563,968**	1,529,675,359	571,084,034
Cash generated from operations		**6,130,945,835**	3,557,484,367	3,476,262,251
Cash paid for income taxes		**(2,212,712,107)**	(1,907,688,663)	(1,743,573,374)
Net Cash From Operating Activities		**3,918,233,728**	1,649,795,704	1,732,688,877
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Investment properties	12	**(12,979,191,612)**	(12,896,131,534)	(8,727,663,262)
Land for future development		**(1,687,208,045)**	(4,358,367,202)	(4,097,181,884)
Property and equipment	13	**(480,928,503)**	(208,882,344)	(191,245,753)
Advances from associates and other related parties:	27			
Obtained		**961,778,444**	693,250,959	288,167,471
Paid		**(28,012,964)**	(105,242,373)	(20,315,115)
Advances to associates and other related parties:	27			
Collected		**386,790,457**	507,860,575	86,788,697
Granted		**(35,162,769)**	(382,744,323)	(433,938,450)
Interest received		**965,058,268**	1,058,915,769	980,473,281
Acquisition and subscription of shares of stock of new subsidiaries and associates		**(342,620,339)**	(877,776,746)	(13,107,646,794)
Proceeds from sale of investments in an associate and subsidiaries	1, 23	**343,867,951**	422,256,169	10,431,650,000
Increase in other non-current assets		**(167,518,751)**	(565,531,212)	(1,348,512,492)
Dividends received		**68,845,396**	78,239,149	176,516,425
Acquisition of available-for-sale securities	9	**(12,496,657)**	(1,461,811,671)	(1,351,199,338)
Proceeds from sale of property and equipment		**9,070,383**	-	7,334,460
Proceeds from sale of available-for-sale securities		-	125,516,555	1,850,390,166
Proceeds from sale of investment property		-	-	446,428,572
Net Cash Used in Investing Activities		**(12,997,728,741)**	(17,970,448,229)	(15,009,954,016)
Balance carried forward		**(P 9,079,495,013)**	(P 16,320,652,525)	(P 13,277,265,139)

	Notes	2016	2015	2014
Balance brought forward		(P 9,079,495,013)	(P 16,320,652,525)	(P 13,277,265,139)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from availments of long and short-term liabilities	15, 16	10,320,000,000	26,462,435,925	6,453,950,594
Repayments of long and short-term liabilities		(3,139,858,621)	(3,542,538,882)	(1,634,629,882)
Cash dividends declared and paid	28	(1,608,600,152)	(1,936,160,028)	(1,246,941,619)
Interest paid		(2,861,348,025)	(2,050,959,128)	(1,664,874,571)
Repayments of bonds payable	16	-	(5,000,000,000)	-
Proceeds from exercise of share warrants	28	-	7,987,924	262,202,843
Net Cash From Financing Activities		2,710,193,202	13,940,765,811	2,169,707,365
NET DECREASE IN CASH AND CASH EQUIVALENTS		(6,369,301,811)	(2,379,886,714)	(11,107,557,774)
BEGINNING BALANCE OF CASH AND CASH EQUIVALENTS OF ACQUIRED SUBSIDIARIES		1,902,094	-	4,682,627,857
PRE-ACQUISITION CHANGES IN CASH AND CASH EQUIVALENTS OF ACQUIRED SUBSIDIARIES		-	-	(184,025,841)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		22,763,063,173	25,142,949,887	31,751,905,645
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 16,395,663,456	P 22,763,063,173	P 25,142,949,887

Supplemental Information on Non-cash Investing and Financing Activities:

In the normal course of business, the Group enters into non-cash transactions such as exchanges or purchases on account of real estate and other assets. Other non-cash transactions include transfers of property from Land for Future Development to Property Development Costs or Investment Properties as the property goes through its various stages of development. Also, certain amount of borrowing costs are capitalized as part of Property Development Costs. These non-cash activities are not reflected in the consolidated statements of cash flows (see Notes 10 and 12).

See Notes to Consolidated Financial Statements.

(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

Megaworld Corporation (the Company) was incorporated in the Philippines on August 24, 1989, primarily to engage in the development of large scale, mixed-use planned communities or townships that integrate residential, commercial, leisure and entertainment components. The Company is presently engaged in property-related activities such as project design, construction and property management. The Company's real estate portfolio includes residential condominium units, subdivision lots and townhouses, condominium-hotel projects as well as office projects and retail spaces.

All of the Company's common shares are listed at the Philippine Stock Exchange (PSE).

The registered office of the Company, which is also its principal place of business, is located at the 28th Floor, The World Centre Building, Sen. Gil Puyat Avenue, Makati City.

Alliance Global Group, Inc. (AGI or the Parent Company), also a publicly listed company in the Philippines, is the ultimate parent company of Megaworld Corporation and its subsidiaries (the Group). AGI is a holding company and is presently engaged in the food and beverage, real estate development, quick-service restaurant, tourism-entertainment and gaming businesses. AGI's registered office, which is also its primary place of business, is located at the 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City.

1.1 Composition of the Group

As at December 31, the Company holds ownership interests in the following subsidiaries and associates:

Subsidiaries/Associates	Explanatory Notes	Effective Percentage of Ownership 2016	2015	2014
Subsidiaries:				
Prestige Hotels and Resorts, Inc. (PHRI)		**100%**	100%	100%
Richmonde Hotel Group International Ltd. (RHGI)		**100%**	100%	100%
Eastwood Cyber One Corporation (ECOC)		**100%**	100%	100%
Megaworld Cebu Properties, Inc. (MCP)		**100%**	100%	100%
Megaworld Newport Property Holdings, Inc. (MNPHI)		**100%**	100%	100%
Oceantown Properties, Inc. (OPI)		**100%**	100%	100%
Luxury Global Hotels and Leisure, Inc. (LGHLI)		**100%**	100%	100%
Arcovia Properties, Inc. (API)		**100%**	100%	100%
Mactan Oceanview Properties and Holdings, Inc. (MOPHI)	(a)	**100%**	100%	100%
Megaworld Cayman Islands, Inc. (MCII)	(a)	**100%**	100%	100%
Piedmont Property Ventures, Inc. (PPVI)	(a)	**100%**	100%	100%
Stonehaven Land, Inc. (SLI)	(a)	**100%**	100%	100%

Subsidiaries/Associates	Explanatory Notes	Effective Percentage of Ownership 2016	2015	2014
Subsidiaries:				
Streamwood Property, Inc. (SP)	(a)	**100%**	100%	100%
Global One Integrated Business Services, Inc. (GOIBSI)	(b)	**100%**	100%	100%
Luxury Global Malls, Inc. (LGMI)	(b)	**100%**	100%	100%
Davao Park District Holdings, Inc. (DPDHI)	(b)	**100%**	100%	100%
Belmont Newport Luxury Hotels, Inc. (BNLHI)	(c)	**100%**	100%	-
Global One Hotel Group, Inc. (GOHGI)	(c)	**100%**	100%	-
Landmark Seaside Properties, Inc. (LSPI)	(i)	**100%**	-	-
San Vicente Coast, Inc. (SVCI)	(i)	**100%**	-	-
Megaworld Bacolod Properties, Inc. (MBPI, formerly Bacolod-Murcia Milling Co., Inc.)	(i)	**91.55%**	91.55%	-
Megaworld Central Properties, Inc. (MCPI)	(d)	**76.55%**	76.55%	76.54%
Soho Café and Restaurant Group, Inc. (SCRGI)	(i)	**75%**	-	-
La Fuerza, Inc. (LFI)	(e)	**66.67%**	66.67%	66.67%
Megaworld-Daewoo Corporation (MDC)		**60%**	60%	60%
Gilmore Property Marketing Associates, Inc. (GPMAI)	(a, f)	**52.14%**	52.14%	52.13%
Manila Bayshore Property Holdings, Inc. (MBPHI)	(g)	**50.92%**	50.92%	50.92%
Megaworld Globus Asia, Inc. (MGAI)		**50%**	50%	50%
Integrated Town Management Corporation (ITMC, formerly Philippine International Properties, Inc.)		**50%**	50%	50%
Maple Grove Land, Inc. (MGLI)	(i)	**50%**	-	-
Megaworld Land, Inc. (MLI)		**100%**	100%	100%
City Walk Building Administration, Inc. (CBAI)	(h)	**100%**	100%	100%
Forbestown Commercial Center Administration, Inc. (FCCAI)	(h)	**100%**	100%	100%
Paseo Center Building Administration, Inc. (PCBAI)	(h)	**100%**	100%	100%
Uptown Commercial Center Administration, Inc. (UCCAI)	(h)	**100%**	100%	100%
Iloilo Center Mall Administration, Inc. (ICMAI)	(h)	**100%**	100%	-
Newtown Commercial Center Administration, Inc. (NCCAI)	(h)	**100%**	100%	-
Valley Peaks Property Management, Inc. (VPPMI)	(h)	**100%**	100%	-
Suntrust Properties, Inc. (SPI)		**100%**	100%	100%
Suntrust Ecotown Developers, Inc. (SEDI)		**100%**	100%	100%
Governor's Hills Science School, Inc. (GHSSI)		**100%**	100%	100%
Sunrays Property Management, Inc. (SPMI)		**100%**	100%	100%
Suntrust One Shanata, Inc. (SOSI)		**100%**	100%	100%
Suntrust Two Shanata, Inc. (STSI)		**100%**	100%	100%
Global-Estate Resorts, Inc. (GERI)	(j)	**82.32%**	82.26%	80.41%
Southwoods Mall, Inc. (SMI)	(a, k)	**91.09%**	91.13%	40.21%
Megaworld Global-Estate, Inc. (MGEI)	(l)	**89.39%**	89.36%	88.25%
Twin Lakes Corporation (TLC)	(l)	**83.37%**	83.34%	67.18%
Fil-Estate Properties, Inc. (FEPI)	(l)	**82.32%**	82.26%	80.41%
Aklan Holdings, Inc. (AHI)	(a, l)	**82.32%**	82.26%	80.41%
Blu Sky Airways, Inc. (BSAI)	(a, l)	**82.32%**	82.26%	80.41%
Fil-Estate Subic Development Corp. (FESDC)	(a, l)	**82.32%**	82.26%	80.41%
Fil-Power Construction Equipment Leasing Corp. (FPCELC)	(a, l)	**82.32%**	82.26%	80.41%
Golden Sun Airways, Inc. (GSAI)	(a, l)	**82.32%**	82.26%	80.41%
La Compaña De Sta. Barbara, Inc. (LCSBI)	(l)	**82.32%**	82.26%	80.41%
MCX Corporation (MCX)	(a, l)	**82.32%**	82.26%	80.41%
Pioneer L-5 Realty Corp. (PLRC)	(a, l)	**82.32%**	82.26%	80.41%
Prime Airways, Inc. (PAI)	(a, l)	**82.32%**	82.26%	80.41%

Subsidiaries/Associates	Explanatory Notes	Effective Percentage of Ownership 2016	2015	2014
Subsidiaries:				
Sto. Domingo Place Development Corp. (SDPDC)	(a, l)	**82.32%**	82.26%	80.41%
Fil-Power Concrete Blocks Corp. (FPCBC)	(a, l)	**82.32%**	82.26%	80.41%
Fil-Estate Industrial Park, Inc. (FEIPI)	(a, l)	**65.03%**	64.99%	63.52%
Sherwood Hills Development, Inc. (SHD)	(l)	**45.28%**	45.24%	44.22%
Fil-Estate Golf and Development, Inc. (FEGDI)	(l)	**82.32%**	82.26%	80.41%
Golforce, Inc. (Golforce)	(l)	**82.32%**	82.26%	80.41%
Southwoods Ecocentrum Corp. (SWEC)	(l)	**49.39%**	46.07%	45.03%
Philippine Aquatic Leisure Corp. (PALC)	(a, l)	**49.39%**	46.07%	45.03%
Fil-Estate Urban Development Corp. (FEUDC)	(l)	**82.32%**	82.26%	80.41%
Novo Sierra Holdings Corp. (NSHC)	(a, l)	**82.32%**	82.26%	80.41%
Global Homes and Communities, Inc. (GHCI)	(a, l)	**82.32%**	82.26%	80.41%
Oceanfront Properties, Inc. (OFPI)	(l)	**41.13%**	41.13%	40.20%
Empire East Land Holdings, Inc. (EELHI)	(m)	**81.73%**	81.73%	81.72%
Eastwood Property Holdings, Inc. (EPHI)	(m)	**81.73%**	81.73%	81.72%
Valle Verde Properties, Inc. (VVPI)	(a, m)	**81.73%**	81.73%	81.72%
Sherman Oak Holdings, Inc. (SOHI)	(a, m)	**81.73%**	81.73%	81.72%
Empire East Communities, Inc. (EECI)	(a, m)	**81.73%**	81.73%	81.72%
20^{th} Century Nylon Shirt, Inc. (CNSI)	(a, m)	**81.73%**	81.73%	-
Laguna BelAir School, Inc. (LBASI)	(m)	**59.67%**	59.67%	59.66%
Sonoma Premier Land, Inc. (SPLI)	(a, m)	**49.04%**	49.04%	49.03%
Megaworld Resort Estates, Inc. (MREI)		**51%**	51%	51%
Townsquare Development, Inc. (TDI)		**30.60%**	30.60%	30.60%
Golden Panda-ATI Realty Corporation (GPARC)		**30.60%**	30.60%	30.60%
Lucky Chinatown Cinemas, Inc. (LCCI)	(n)	**-**	100%	100%
McKinley Cinemas, Inc. (MCI)	(n)	**-**	100%	-
Uptown Cinemas, Inc. (UCI)	(n)	**-**	100%	-
Eastwood Cinema 2000, Inc. (EC2000)	(n)	**-**	55%	55%
Associates:				
Bonifacio West Development Corporation (BWDC)		**46.11%**	46.11%	46.11%
Suntrust Home Developers, Inc. (SHDI)		**42.48%**	42.48%	42.48%
First Oceanic Property Management, Inc. (FOPMI)		**42.48%**	42.48%	42.48%
Citylink Coach Services, Inc. (CCSI)		**42.48%**	42.48%	42.48%
Palm Tree Holdings and Development Corporation (PTHDC)	(a)	**40%**	40%	40%
GERI				
Boracay Newcoast Hotel Group, Inc. (BNHGI)	(o)	**24.70%**	37.01%	48.25%
Fil-Estate Network, Inc. (FENI)	(p)	**16.46%**	16.45%	16.08%
Fil-Estate Sales, Inc. (FESI)	(p)	**16.46%**	16.45%	16.08%
Fil-Estate Realty and Sales Associates, Inc. (FERSAI)	(p)	**16.46%**	16.45%	16.08%
Fil-Estate Realty Corp. (FERC)	(p)	**16.46%**	16.45%	16.08%
Nasugbu Properties, Inc. (NPI)	(p)	**11.52%**	11.52%	11.23%
EELHI				
Pacific Coast Mega City, Inc. (PCMCI)	(q)	**16.35%**	16.35%	-

Explanatory Notes:

(a) These were acquired/incorporated subsidiaries in prior years but have not yet started commercial operations as at December 31, 2016.

(b) Subsidiaries newly-incorporated in 2014. GOIBSI and LGMI are engaged in business process outsourcing. DPDHI, which is engaged in the same line of business as the Company, was acquired from a third party in 2014. The acquisition of DPDHI resulted in a gain on acquisition (negative goodwill) of P65.1 million (see Note 23). Also a pre-acquisition loss of P3.5 million was reported in the 2014 consolidated statement of income.

(c) Subsidiaries newly-incorporated in 2015. BNLHI is engaged in condominium-hotel operations while GOHGI provides management services to the former.

(d) As at December 31, 2016, the Company owns 76.55% of MCPI consisting of 51% direct ownership, 18.97% indirect ownership through EELHI and 6.58% indirect ownership through MREI.

(e) On January 21, 2014, the Company acquired additional 16.67% interest in LFI resulting in the increase in ownership to 66.67%, gaining the power to govern its financial and operating policies. Gain on acquisition (negative goodwill) of P77.6 million was realized from the business combination and is presented as part of Interest and Other Income – Net in the 2014 consolidated statement of income (see Note 23). Non-controlling interest arising from consolidation amounted to P1.2 billion. The pre-acquisition income of P2.6 million arising from the transaction was also recognized in the 2014 consolidated statement of income.

(f) As at December 31, 2016, the Company's ownership in GPMAI is at 52.14%, which consists of 38.72% and 13.42% indirect ownership from EELHI and MREI, respectively.

(g) In 2015 and 2014, the Company and Travellers International Hotel Group, Inc. (TIHGI) equally subscribed to additional shares of MBPHI amounting to P0.5 billion and P0.8 billion each, respectively. The additional subscriptions on MBPHI did not affect the ownership interest of both TIHGI and the Company.

(h) These were incorporated to engage in operation, maintenance, and administration of various malls and commercial centers. These companies became subsidiaries of the Company through MLI, their immediate parent company.

(i) SVCI and MGLI are newly-incorporated subsidiaries in 2016. Meanwhile, LSPI and SCRGI were existing entities that were separately acquired and were accounted for as business acquisitions. Excess of the consideration paid over the net asset of LSPI was allocated as part of land for future development. SVCI, MGLI and LSPI are engaged in the same line of business as the Company, while SCRGI is engaged in restaurant operations. In 2015, the Company acquired 91.55% ownership interest in MBPI, which is engaged in the same line of business as the Company.

(j) In 2016 and 2015, the Company acquired additional shares of GERI from the PSE, increasing its ownership interest to 82.32% and 82.26% respectively.

(k) SMI is a subsidiary of GERI acquired in 2014 which is engaged in real estate business. In 2015, the Company acquired 50% ownership in SMI. As at December 31, 2015, effective ownership interest over SMI totaled to 91.13%, consisting of 50% direct ownership and 41.13% indirect ownership through GERI. In 2016, both the Company and GERI subscribed to additional common shares of SMI resulting to 49.59% and 50.41% direct ownership interest, respectively.

(l) Subsidiaries of GERI. As a result of the additional investments in GERI in 2016 and 2015, the Company's indirect ownership interest over these subsidiaries increased in proportion to the increase in effective interest over GERI.

(m) In 2015, the Company acquired shares of EELHI from the PSE, resulting in the increase in ownership interest to 81.73%. Indirect ownership over the subsidiaries of EELHI also increased proportionately.

(n) In 2016, the Company disposed its ownership interest over LCCI, MCI, UCI and EC2000. Gain on deconsolidation was recognized, presented under Interest and Other Income – Net. (see Note 1.2).

(o) In 2015, FEPI sold 15% ownership interest in BNHGI to a third party, decreasing the Company's ownership to 37.01%. As at December 31, 2016, the effective ownership interest over BNHGI is 24.70%.

(p) Associates of GERI. As a result of the additional investments in GERI in 2016 and 2015, the Company's indirect ownership interest over these associates increased in proportion to the increase in effective interest over GERI.

(q) PCMCI was incorporated in 2012. In 2015, EELHI acquired 20% ownership interest over PCMCI; consequently, the Company has indirect ownership of 16.35%.

Except for MCII and RHGI, all the subsidiaries and associates were incorporated and have their principal place of business in the Philippines. MCII was incorporated and has principal place of business in the Cayman Islands while RHGI was incorporated and has principal place of business in the British Virgin Islands.

The Company, its subsidiaries and associates, except for entities which have not yet started commercial operations as at December 31, 2016, are presently engaged in the real estate business, hotel, condominium-hotel operations, cinema, business process outsourcing, educational, facilities provider, maintenance and property management operations and marketing services.

EELHI, GERI, and SHDI are publicly listed companies in the Philippines.

1.2 Business Combinations and Loss of Control

In 2016 and 2015, the Company obtained control over various entities as disclosed in Note 1.1. Aggregate information at acquisition date is as follows:

	2016	2015
Fair value of assets acquired:		
Land for future development	**P 1,079,527,021**	P 3,000,916,172
Other assets	**52,110,049**	691,681
	1,131,637,070	3,001,607,853
Fair value of liabilities assumed	**(25,580,071)**	(24,000,000)
Fair value of consideration transferred:		
Advances to related parties	**(1,100,445,738)**	-
Cash	**(5,000,000)**	(2,725,999,990)
	(1,105,445,738)	(2,725,999,990)
Non-controlling interest	**(675,882)**	251,607,864
Gain on acquisition	**(2,027,645)**	-
Pre-acquisition income (loss)	**3,314,788**	(291,847)

In 2016, the Company disposed its investments over some entities thereby losing control. The aggregate carrying amount of net assets of the entities at the date of disposal is as follows:

Current assets (excluding cash)	P 9,612,358
Non-current assets	185,746,855
Current liabilities	(131,560,556)
Non-current liabilities	(118,647,500)
Total net liabilities	(54,848,843)
Total consideration received in cash	20,500,000
Cash and cash equivalents disposed of	(75,472,313)
Net cash paid	(54,972,313)
Derecognized non-controlling interest	(4,500,000)
Gain on deconsolidation	**P 4,376,532**

Gain on acquisition and gain on deconsolidation is presented as part of Interest and Other Income – Net account in the 2016 consolidated statement of income (see Note 23).

1.3 Subsidiaries with Material Non-controlling Interest

The subsidiaries with material non-controlling interest (NCI) are EELHI and GERI. Ownership interest and voting rights held by NCI over EELHI is 18.27% in 2016 and 2015. EELHI's profit allocated to NCI amounted to P110.3 million and P105.2 million in 2016 and 2015, respectively. Meanwhile, ownership interest and voting rights held by NCI over GERI is 17.68% and 17.74% in 2016 and 2015, respectively. GERI's profit allocated to NCI amounted to P276.8 million an P252.3 million in 2016 and 2015, respectively.

The summarized financial information of GERI and EELHI, before intragroup eliminations, is shown below.

	Assets	Liabilities	Equity	Revenues	Net Profit	Other Comprehensive Income (Loss)
December 31, 2016						
GERI	**P 44,385,356,133**	**P 16,884,327,744**	**P 27,501,028,389**	**P 5,748,962,178**	**P 1,082,362,926**	**(P 1,370,580)**
EELHI	**P 38,549,428,812**	**P 13,636,566,430**	**P 24,912,862,382**	**P 5,196,511,338**	**P 600,327,071**	**P 228,872,916**
December 31, 2015						
GERI	P 39,691,598,386	P 13,865,087,090	P 25,826,511,296	P 5,410,488,882	P 878,474,000	(P 5,929,070)
EELHI	P 37,270,099,336	P 12,586,231,863	P 24,683,867,473	P 5,058,604,660	P 550,374,188	(P 734,308,742)

	2016	2015
GERI		
Net cash from (used in):		
Operating activities	**(P 891,583,454)**	(P 2,045,902,005)
Investing activities	**(1,422,187,646)**	(360,169,524)
Financing activities	**2,529,190,113**	2,289,378,611
	215,419,013	(116,692,918)
EELHI		
Net cash from (used in):		
Operating activities	**(767,853,969)**	(418,929,692)
Investing activities	**23,023,423**	(850,844,366)
Financing activities	**355,592,629**	1,846,496,242
	(389,237,917)	576,722,184
Net cash inflow (outflow)	**(P 173,818,904)**	P 460,029,266

1.4 Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as at and for the year ended December 31, 2016 (including the comparative consolidated financial statements as at December 31, 2015 and for the years ended December 31, 2015 and 2014, and the corresponding figures as at January 1, 2015) were authorized for issue by the Company's Board of Directors (BOD) on March 29, 2017.

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. The 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 more 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 presents a consolidated statement of comprehensive income separate from the consolidated statement of 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 2016, the Group reclassified Advances to Contractors and Suppliers, previously presented as part of Trade and Other Receivables – Net under current classification, as a separate line item in the consolidated statement of financial position. The Group restated its prior period consolidated financial statements to conform with the current year presentation. The reclassifications have no significant impact on the Group's consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows.

The Group presented a third consolidated statement of financial position as at January 1, 2015, without the related notes, except for the disclosures required under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.*

The effects of reclassification in the consolidated statements of financial position as at December 31, 2015, and the corresponding figures as at January 1, 2015 are summarized as follows:

	As Previously Reported	Reclassification	As Restated
December 31, 2015			
Changes in assets:			
Trade and other receivables – net (current portion)	P27,362,783,828	(P 4,909,049,653)	P22,453,734,175
Advances to contractors and suppliers	-	4,909,049,653	4,909,049,653
January 1, 2015			
Changes in assets:			
Trade and other receivables – net (current portion)	P23,718,900,311	(P 3,023,954,443)	P20,694,945,868
Advances to contractors and suppliers	-	3,023,954,443	3,023,954,443

(c) *Functional and Presentation Currency*

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

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

2.2 Adoption of New and Amended PFRS

(a) *Effective in 2016 that are Relevant to the Group*

The Group adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for consolidated financial statements beginning on or after January 1, 2016:

PAS 1 (Amendments)	:	Presentation of Financial Statements – Disclosure Initiative
PAS 16 and PAS 38 (Amendments)	:	Property, Plant and Equipment and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization
PAS 16 and PAS 41 (Amendments)	:	Property, Plant and Equipment and Agriculture – Bearer Plants

PAS 28, PFRS 10 and PFRS 12 (Amendments)	:	Investment in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception, Consolidated Financial Statements, Disclosure of Interests in Other Entities
PFRS 11 (Amendments)	:	Joint Arrangements – Accounting for Acquisition of Interest in Joint Operations
Annual Improvements	:	Annual Improvements to PFRS (2012-2014 Cycle)

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

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Disclosure Initiative.* The amendments encourage entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, they clarify that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendments clarify that an entity's share of other comprehensive income of associates and joint ventures accounted for using equity method should be presented based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. They further clarify that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

(ii) PAS 16 (Amendments), *Property, Plant and Equipment,* and PAS 38 (Amendments), *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization.* The amendments in PAS 16 clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. In addition, amendments to PAS 38 introduces a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is not appropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of an intangible asset are highly correlated. The amendments also provide guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.

(iii) PAS 16 (Amendments), *Property, Plant and Equipment,* and PAS 41 (Amendments) *Agriculture – Bearer Plants.* The amendments define a bearer plant as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce. On this basis, bearer plant is now included within the scope of PAS 16 rather than PAS 41, allowing such assets to be accounted for as property, plant and equipment and to be measured after initial recognition at cost or revaluation basis in accordance with PAS 16. The amendments further clarify that produce growing on bearer plants remains within the scope of PAS 41.

(iv) PFRS 10 (Amendments), *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception.* These amendments address the concerns that have arisen in the context of applying the consolidation exception for investment entities. They clarify which subsidiaries of an investment entity are consolidated in accordance with paragraph 32 of PFRS 10 and clarify whether the exemption to present consolidated financial statements, set out in paragraph 4 of PFRS 10, is available to a parent entity that is a subsidiary of an investment entity. These amendments also permit a non-investment entity investor, when applying the equity method of accounting for an associate or joint venture that is an investment entity, to retain the fair value measurement applied by that investment entity associate or joint venture to its interests in subsidiaries.

(v) PFRS 11 (Amendment), *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations.* These amendments require the acquirer of an interest in a joint operation in which the activity constitutes a business as defined in PFRS 3, *Business Combinations* to apply all accounting principles and disclosure requirements on business combinations under PFRS 3 and other PFRSs, except for those principles that conflict with the guidance in PFRS 11.

(vi) Annual Improvements to PFRS (2012-2014 Cycle). Among the improvements, the following amendments are relevant to the Group but had no material impact on the Group's consolidated financial statements as these amendments merely clarify the existing requirements:

- PAS 19 (Amendments), *Employee Benefits – Discount Rate: Regional Market Issue.* The amendments clarify that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

- PFRS 5 (Amendments), *Non-current Assets Held for Sale and Discontinued Operations –Changes in Methods of Disposal.* The amendments clarify that when an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution (or vice-versa), the accounting guidance in paragraphs 27-29 of PFRS 5 does not apply. They also state that when an entity determines that the asset (or disposal group) is no longer available for immediate distribution or that the distribution is no longer highly probable, it should cease held-for-distribution accounting and apply the guidance in paragraphs 27-29 of PFRS 5.

- PFRS 7 (Amendments), *Financial Instruments: Disclosures – Servicing Contracts.* The amendments provide additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

(b) Effective in 2016 that are not Relevant to the Group

The following new PFRS, amendments and annual improvements to existing standards are mandatorily effective for annual periods beginning on or after January 1, 2016 but are not relevant to the Group's consolidated financial statements:

PAS 27 (Amendments)	:	Separate Financial Statements – Equity Method in Separate Financial Statements
PFRS 14	:	Regulatory Deferral Accounts
Annual Improvements to PFRS (2012-2014 Cycle)		
PFRS 7 (Amendments)	:	Financial Instruments: Disclosures – Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements
PAS 34 (Amendments)	:	Interim Financial Reporting – Disclosure of Information "Elsewhere in the Interim Financial Report"

(c) Effective Subsequent to 2016 but not Adopted Early

There are new PFRS and amendments to existing standards effective for annual periods subsequent to 2016 which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

(i) PAS 7 (Amendments), *Statement of Cash Flows – Disclosure Initiative* (effective from January 1, 2017). The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes). They require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, they suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including: (a) changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and, (b) a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

(ii) PAS 12 (Amendments), *Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses* (effective from January 1, 2017). The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost. The amendments provide guidance in the following areas where diversity in practice previously existed: (a) existence of a deductible temporary difference; (b) recovering an asset for more than its carrying amount; (c) probable future taxable profit against which deductible temporary differences are assessed for utilization; and, (d) combined versus separate assessment of deferred tax asset recognition for each deductible temporary difference.

(iii) PFRS 2 (Amendments), *Share-based Payment – Classification and Measurement of Share-based Payment Transactions* (effective from January 1, 2018). The amendments contain three changes covering the following matters: the accounting for the effects of vesting conditions on the measurement of a cash-settled share-based payment; the classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and, the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

(iv) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39, *Financial Instruments: Recognition and Measurement* and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;

- an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Management is currently assessing the impact of PFRS 9 (2014) on the consolidated financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(v) PFRS 15, *Revenue from Contract with Customers* (January 1, 2018) – This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers* and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*, effective January 1, 2018.

This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Relative to the adoption of PFRS 15 in the Philippines, the FRSC also approved the issuance of Philippine Interpretations Committee Question & Answer No. 2016-04, Application of PFRS 15, *Revenue from "Contracts with Customers," on Sale of Residential Properties under Pre-completion Contracts*, which provides that sales of residential properties under pre-completion stage can be recognized over time until completion of construction.

Management is currently assessing the impact of this standard on the Group's consolidated financial statements.

(vi) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*.

For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right of use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similarly to a purchased asset and depreciated or amortized. The lease liability is accounted for similar to a financial liability using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

Management is currently assessing the impact of this new standard on the Group's consolidated financial statements.

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

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Company, and its subsidiaries as enumerated in Note 1, after the 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. In addition, the shares of the Company held by the subsidiaries are recognized as treasury shares and these are presented as deduction in the consolidated statement of changes in equity. Any changes in the market values of such shares as recognized separately by the subsidiaries are likewise eliminated in full.

The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting principles. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Company accounts for its investments in subsidiaries, associates, interests in jointly-controlled operations and non-controlling interests as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Company has control. The Company controls an entity when: it has the power over the entity; 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 Company obtains control.

The 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.

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 acquiree's 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 the 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).

(b) Investments in Associates

Associates are those entities over which the Group is able to exert significant influence but not control and which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for in the consolidated financial statements using the equity method.

Acquired investment in associate is subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Group'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 Group'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 Earnings of Associates account in 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 2.17).

Changes resulting from other comprehensive income of the associates or items recognized directly in the associates' equity are recognized in other comprehensive income or equity of the Group, as applicable. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profit, 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.

Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Interests in Jointly-controlled Operations

For interests in jointly-controlled operations, the Group recognizes in its consolidated financial statements the assets that it controls, the liabilities and the expenses that it incurs and its share in the income from the sale of goods or services by the joint venture. 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.

No adjustment or other consolidation procedures are required for the assets, liabilities, income and expenses of the joint venture that are recognized in the separate financial statements of the venturers.

(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 in equity. Disposals of equity investments to non-controlling interests result in gains and losses for the Group that are already recognized in equity.

When the Company 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 purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amount previously recognized in other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This means that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The Company holds interests in various subsidiaries and associates as presented in Notes 1.1 and 11.

2.4 Foreign Currency Transactions and Translation

(a) Transactions and Balances

Except for MCII and RHGI which use the United States (U.S.) dollar as their functional currency, the accounting records of the Company and its subsidiaries are maintained in Philippine Peso. 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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized under Interest and Other Income – Net account in the consolidated statement of income.

(b) Translation of Financial Statements of Foreign Subsidiaries

The operating results and financial position of MCII and RHGI, which are measured using the U.S. dollar, their functional currency, are translated to Philippine Peso, the 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 reporting period;

(ii) Income and expenses for each profit or loss account are translated at the annual 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 exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in MCII and RHGI are recognized under Exchange Difference on Translating Foreign Operations in the consolidated statement of comprehensive income. As these entities are wholly owned subsidiaries, the translation adjustments are fully allocated to the Company's shareholders. When a foreign operation is partially disposed of or sold, such exchange differences are recognized in the consolidated statement of comprehensive income as part of gains or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The translation of the consolidated financial statements into Philippine Peso should not be construed as a representation that the U.S. dollar amounts could be converted into Philippine Peso amounts at the translation rates or at any other rates of exchange.

2.5 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instruments. 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 and Measurement of Financial Assets

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments and available-for-sale (AFS) securities. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss. A more detailed description of categories of financial assets that are relevant to Group is as follows:

(i) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for those with maturities greater than 12 months after the end of each reporting period, which are classified as non-current assets.

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents and Trade and Other Receivables, Guarantee and other deposits (presented as part of Other Non-current Assets), and Advances to associates and other related parties (presented as part of Investments in and Advances to Associates and Other Related Parties) in the consolidated statement of financial position. Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any.

(ii) AFS Securities

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are presented as Investments in Available-for-Sale Securities under non-current assets section in the consolidated statement of financial position unless management intends to dispose of the investment within 12 months from the end of the reporting period. The Group's AFS securities include quoted and unquoted equity securities and quoted dollar-denominated corporate bonds.

All financial assets within this category are subsequently measured at fair value, except for unquoted equity securities which is measured at cost, less impairment, as its current fair value cannot be estimated reliably. Gains and losses from changes in fair value are recognized in other comprehensive income, net of any income tax effects, and are reported as part of Revaluation Reserves account in equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets which are recognized in profit or loss.

When the financial asset is disposed of or is determined to be impaired that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

(b) Impairment of Financial Assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. The Group recognizes impairment loss based on the category of financial assets as presented below.

(i) Carried at Amortized Cost – Loans and Receivables

If there is objective evidence that an impairment loss on loans and receivables carried at cost has been incurred, the amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in profit or loss.

(ii) Carried at Cost – AFS Securities

If there is objective evidence of impairment for any of the unquoted equity instruments that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and required to be settled by delivery of such an unquoted equity instrument, impairment loss is recognized. The amount of impairment loss is the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

(iii) Carried at Fair Value – AFS Securities

When a decline in the fair value of an AFS securities has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss – measured as the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

Reversal of impairment losses is recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

(c) Items of Income and Expense Related to Financial Assets

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Interest and Other Income – Net and Interest and Other Charges – Net accounts in the consolidated statement of income.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

(d) 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.

2.6 Real Estate Transactions

Acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of title of the property to the Group, are charged to Land for Future Development account. These costs are reclassified to Property Development Costs account when the development of the property starts. Related property development costs are then accumulated in this account. Borrowing costs on certain loans incurred during the development of the real estate properties are also capitalized by the Group as part of the property development costs (see Note 2.20). Once a revenue transaction occurred, on a per project basis, up to the stage the unit is sold, the related property development costs are reclassified to Residential, Condominium Units and Golf and Resort Shares for Sale – Net account. The cost of real estate property sold before completion of the development is determined based on the actual costs incurred to date plus estimated costs to complete the development of the property. The estimated expenditures for the development of sold real estate property, as determined by the project engineers, are charged to the Cost of Real Estate Sales account presented in the consolidated statement of income with a corresponding credit to a liability account, Reserve for Property Development.

Costs of properties and projects accounted for as Land for Future Development, Property Development Costs and Residential, Condominium Units, Golf and Resort Shares for Sale – Net are assigned using specific identification of their individual costs. These properties and projects are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete and the estimated costs necessary to make the sale.

The Group recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known.

2.7 Other Assets

Prepayments and other 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 or in the normal operating cycle of the business, if longer, are classified as non-current assets.

2.8 Investment Properties

Properties held for lease under operating lease agreements, which comprise mainly of land, buildings and condominium units, are classified as Investment Properties, and carried at cost, net of accumulated depreciation and any impairment in value, except for land which is not subject to depreciation. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Depreciation of investment properties, excluding land, is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 25 years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount (see Note 2.17).

The residual values, estimated useful lives and method of depreciation of investment properties, except for land, are reviewed and adjusted, if appropriate, at the end of each reporting period.

Transfers to, or from, investment properties shall be made when and only when there is a change in use or purpose for such property.

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 investment properties are recognized in the consolidated statement of income in the year of retirement or disposal.

2.9 Property and Equipment

Property and equipment are carried at acquisition or construction cost less subsequent depreciation, amortization and any impairment losses. As no finite useful life for land can be determined, related carrying amounts are not depreciated.

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 while expenditures for repairs and maintenance are charged to expenses as incurred.

Depreciation and amortization are computed on the straight-line basis over the estimated useful lives of the assets. Amortization of office and land improvements is recognized over the estimated useful lives of improvements of 5 to 20 years or the term of the lease, whichever is shorter.

The depreciation and amortization periods for other property and equipment, based on the above policies, are as follows:

Building and condominium units	10-25 years
Transportation equipment	5 years
Office furniture, fixtures and equipment	3-5 years

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

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 2.17).

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

An item of property and equipment, including the related accumulated depreciation, amortization and any 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 the consolidated profit or loss in the year the item is derecognized.

2.10 Financial Liabilities

Financial liabilities of the Group include Interest-bearing Loans and Borrowings, Bonds Payable, Trade and Other Payables (except tax-related liabilities), Redeemable Preferred Shares and Advances from Associates and Other Related Parties.

Financial liabilities are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges are recognized as expense in profit or loss under the caption Interest and Other Charges – Net account in the consolidated statement of income.

Interest-bearing Loans and Borrowings, Bonds Payable and Redeemable Preferred Shares are raised for support of long-term funding of operations. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss, except for capitalized borrowing cost, 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.

Preferred shares, which carry a mandatory coupon or are redeemable on specific date or at the option of the shareholder, are classified as financial liabilities and presented as a separate line item in the consolidated statement of financial position as Redeemable Preferred Shares. These shares are also issued for support of long-term funding.

Trade and Other Payables, and Advances from Associates and Other Related Parties are initially recognized at their fair values and subsequently measured at amortized cost using effective interest method for maturities beyond one year, less settlement payments.

Dividend distributions to shareholders, if any, are recognized as financial liabilities when the dividends are approved by the BOD. The dividends on the redeemable preferred shares are recognized in the consolidated statement of income as interest expense on an amortized cost basis using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after 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 the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in consolidated profit or loss.

2.11 Offsetting 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 the Group currently has 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.

2.12 Business Combination

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 Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. 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 2.17).

Negative goodwill, which is the excess of the Company's interest in the net fair value of net identifiable assets acquired over acquisition cost, is charged directly to profit or loss.

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 Company 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 the consolidated profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Company is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.13 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Strategic Steering Committee (SSC), its chief operating decision-maker. The SSC 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 products and 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:

- interest cost from post-employment benefit obligation;
- revenue, costs and fair value gains from investment properties;
- interest income, equity in net earnings of associates, fair value gains, dividend income and foreign currency gains/losses;
- gain on sale of investments in associate; and,
- finance costs.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.14 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 consolidated financial statements. Similarly, probable 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.

2.15 Revenue and Expense Recognition

Revenue comprises revenue from the sale of goods and the rendering of services measured by reference to the fair value of consideration received or receivable by the Group for goods sold and services rendered, excluding value added taxes (VAT) and trade discounts.

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that future economic benefits will flow to the Group; and the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) *Sale of residential and condominium units* – For financial reporting purposes, revenues from transactions covering sales of residential and condominium units ready for occupancy are recognized using the full accrual method while sales of units sold prior to completion are recognized under the percentage-of-completion method.

    Under the full accrual method, revenue is recognized in full when the risks and rewards of ownership of the properties have passed to the buyer, i.e., generally when the customer has acknowledged delivery of goods.

    Under the percentage-of-completion method, realization of gross profit is recognized by reference to the stage of development of the properties, i.e., revenue is recognized in the period in which the work is performed. The unrealized gross profit on a year's sales is presented as Deferred Gross Profit in the consolidated statement of income; the cumulative unrealized gross profit as of the end of the year is shown as Deferred Income on Real Estate Sales (under current and non-current liabilities section) in the consolidated statement of financial position.

    The sale is recognized when a certain percentage of the total contract price has already been collected. The amount of real estate sales recognized in the consolidated statement of income is equal to the total contract price, net of day-one loss related to the discounting of noninterest-bearing receivables.

If the transaction does not yet qualify as sale, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of sale, payments received from buyers are presented under the Customers' Deposits account in the liabilities section of the consolidated statement of financial position. Revenues and costs relative to forfeited or back out sales are reversed in the current year as they occur.

For tax reporting purposes, a modified basis of computing the taxable income for the year based on collections from sales is used by the Company, GERI, EELHI, SPI, ECOC, MBPHI, SEDI, LFI, API, and MGAI.

(b) *Sale of undeveloped land and golf and resort shares for sale* – Revenues on sale of undeveloped land and golf and resort shares for sale are recognized using the full accrual method. Under the full accrual method, revenue is recognized when the risks and rewards of ownership on the undeveloped land and golf and resort shares have passed to the buyer and the amount of revenue can be measured reliably.

(c) *Rendering of services* – Revenue is recognized when the performance of contractually agreed tasks has been substantially rendered. Revenue from rendering of services includes rental income, hotel operations, property management and others.

(d) *Rental income* – Revenue is recognized on a straight-line basis over the lease term. Advance rentals received are recorded as deferred rental income. Unearned revenues pertain to advanced collections from real estate customers. For tax purposes, rental income is recognized based on the contractual terms of the lease.

(e) *Construction contracts* – Revenue is recognized when the performance of contractually agreed tasks have been substantially rendered using the cost recovery and percentage-of-completion methods. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

(f) *Interest* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

(g) *Dividends* – Revenue is recorded when the shareholders' right to receive the payment is established.

Costs of residential and condominium units sold before completion of the projects include the acquisition cost of the land, development costs incurred to date, applicable borrowing costs (see Note 2.20) and estimated costs to complete the project, determined based on estimates made by the project engineers (see also Note 2.6).

Operating expenses and other costs (other than costs of real estate and golf and resort shares sold) are recognized in profit or loss upon utilization of goods or services or at the date they are incurred.

2.16 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentives received from the lessor) are recognized as expense in the profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

(b) *Group as Lessor*

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease income is recognized as income in profit or loss on a straight-line basis over the lease term.

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.

2.17 Impairment of Non-financial Assets

The Group's Investments in Associates, Goodwill and Leasehold rights (included as part of Other Non-current Assets), Investment Properties, Property and Equipment and other non-financial assets are subject to impairment testing. Intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets 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 in profit or loss 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.

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.

2.18 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan, defined benefit 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 pension plan covers all regular full-time employees. The pension plan is tax-qualified, noncontributory 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 (DBO) at the end of the reporting period less the fair value of plan assets. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using a discount rate derived from the interest rates of a zero coupon government bonds as published by Philippine Dealing & Exchange Corporation, 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.

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, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Interest and Other Charges – Net or Interest and Other Income – Net accounts in the consolidated statement of income.

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

(b) Post-employment Defined Contribution Plans

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

(d) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in the 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.

2.19 Share-based Employee Remuneration

The Group grants share options to qualified employees of the Group eligible under a share option plan. The services received in exchange for the grant, and the corresponding share options, are valued by reference to the fair value of the equity instruments granted at grant date. This fair value excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions), if any. The share-based remuneration is recognized as an expense in the consolidated profit or loss with a corresponding credit to retained earnings.

The expense is recognized during the vesting period based on the best available estimate of the number of share options expected to vest. The estimate is subsequently revised, if necessary, such that it equals the number that ultimately vests on vesting date. No subsequent adjustment is made to expense after vesting date, even if share options are ultimately not exercised.

Share options issued by a subsidiary is accounted for by the Company as non-controlling interests at fair value at the date of grant. However, during the period the option is outstanding, the non-controlling interest related to the option holder should not be attributed any profit or loss of the subsidiary until the option is exercised. Meanwhile, the related share option expense is recognized in full in profit or loss.

Upon exercise of share option, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to capital stock with any excess being recorded as additional paid in capital (APIC).

2.20 Borrowing Costs

For financial reporting purposes, 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 the cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset are being incurred, 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.

For income tax purposes, interest and other borrowing costs are charged to expense when incurred.

2.21 Income Taxes

Tax expense recognized in consolidated profit or loss comprises the sum of deferred tax and current tax not recognized in consolidated 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 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 consolidated 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 carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred income tax asset 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 to 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 liabilities and assets 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 consolidated profit or loss, except to the extent that it relates to items recognized in consolidated other comprehensive income or directly in equity. In this case, the tax is also 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.

2.22 Related Party Relationships and Transactions

Related party transactions are transfers of resources, services or obligations between the entities in the Group and their related parties, regardless 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. Related 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; (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 post-employment plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.23 Equity

Capital stock is determined using the nominal value of shares that have been issued.

APIC includes any premiums received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from APIC, 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 Company's equity holders until the shares are cancelled, reissued or disposed of. Also, this includes shares of the Company held by certain subsidiaries (see Note 2.3).

Revaluation reserves consist of:

(a) Accumulated actuarial gains and losses arising from remeasurements of retirement benefit obligation, net of tax.

(b) Net fair value gains or losses recognized due to changes in fair values of AFS securities.

(c) Cumulative share in other comprehensive income of associates attributable to the Group.

Translation reserves represent the translation adjustments resulting from the translation of foreign-currency denominated financial statements of certain foreign subsidiaries into the Group's functional and presentation currency.

Retained earnings represent all current and prior period results of operations and share-based employee remuneration as reported in the consolidated statement of income, reduced by the amounts of dividends declared.

2.24 Earnings Per Share

Basic earnings per share (EPS) is computed by dividing consolidated net profit attributable to equity holders of the Company by the weighted average number of shares issued and outstanding, adjusted retroactively for any share dividend, share split and reverse share split during the current year, if any.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of potential dilutive common shares (see Note 29).

2.25 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's 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 ESTIMATES AND JUDGMENTS

The preparation of Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect 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 vary 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 following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(a) Revenue Recognition

The Group uses judgement in evaluating the probability of collection of contract price on real estate sales as a criterion for revenue recognition. The Group uses historical payment pattern of customers in establishing a percentage of collection threshold over which the Group determines that collection of total contract price is reasonably assured.

(b) Impairment of Investments in AFS Securities

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and, the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Based on the recent evaluation of information and circumstances affecting the Group's investments in AFS securities, management concluded that the assets are not impaired as at December 31, 2016 and 2015. Future changes in such information and circumstance might significantly affect the carrying amount of the assets.

(c) Distinction Among Investment Properties, Owner-occupied Properties and Land for Future Development

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process while Land for Future Development are properties intended solely for future development.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the Group's main line of business or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the Group's main line of business or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

(d) Distinction Between Residential, Condominium Units, Golf and Resorts Shares for Sale and Investment Properties

Residential, condominium units, golf and resorts shares for sale comprise properties that are held for sale in the ordinary course of business. Meanwhile, investment properties comprise of land and buildings which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. The Group considers management's intention over these assets in making its judgment.

(e) Distinction Between AFS Securities and Residential, Condominium Units, Golf and Resort Shares for Sale

Being a real estate developer, the Group determines how these shares shall be accounted for. In determining whether these shares shall be accounted for as either inventories or financial instruments, the Group considers its role in the development of the club and its intent for holding these shares. The Group classifies such shares as inventories when the Group acts as the developer and its intent is to sell a developed property together with the club share.

(f) Distinction Between Asset Acquisition and Business Combinations

The Company acquires subsidiaries that own real estate properties. At the time of acquisition, the Company considers whether the acquisition represents the acquisition of a business. The Company accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made with regard to the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the Group (e.g., maintenance, cleaning, security, bookkeeping, hotel services, etc.). The significance of any process is judged with reference to the guidance in PAS 40, *Investment Property,* on ancillary services.

In 2015, the Company gained control over various entities as described in Note 1. Based on management's assessment, the acquisition of MBPI in 2015 was accounted for as an asset acquisition; hence, no goodwill or gain on acquisition was recognized. MBPI is engaged in the same line of business as the Company. All other acquisitions in 2016 and 2015 were accounted for as business combinations.

(g) Distinction Between Land Held for Sale and Land for Future Development

The Group determines whether a land will be classified as part of Residential, Condominium Units, Golf and Resorts Shares for Sale or Land Held for Future Development. In making this judgment, the Group considers whether the property will be sold in the normal operating cycle or whether it will be retained as part of the Group's strategic land banking activities for future development.

(h) Distinction Between Operating and Finance Leases

The Group has entered into various lease agreements. 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 risk 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. Based on management assessment, the Group's lease agreements are classified as operating lease.

(i) Consolidation of Entities in which the Group Holds 50% or Less

Management considers that the Group has de facto control over investees even though it effectively holds less than 50% of the ordinary shares and voting rights in those companies. The Company exercises control over these companies through its direct subsidiaries who own majority of the voting rights of said companies (see Note 1).

(j) Significant Influence on Investees Even if the Group Holds Less than 20% of Voting Rights

The Group considers that it has significant influence over investees when it has board representation which allows them to participate in the financial and operating policy decisions but has no control or joint control of those policies (see Notes 1 and 11).

(k) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Accounting policies on recognition and disclosure of provision are discussed in Note 2.14 and disclosures on relevant provisions and contingencies are presented in Note 30.

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) Revenue Recognition Using the Percentage-of-Completion Method

The Group uses the percentage-of-completion method in accounting for its realized gross profit on real estate sales. The use of the percentage-of-completion method requires the Group to estimate the portion completed using relevant information such as costs incurred to date as a proportion of the total budgeted cost of the project and estimates by engineers and other experts.

(b) Determination of Net Realizable Value of Residential, Condominium Units, Golf and Resort Shares for Sale, Property Development Costs and Land for Future Development

In determining the net realizable value of residential, condominium units, golf and resort shares for sale, property development costs and land for future development, management takes into account the most reliable evidence available at the times the estimates are made. The future realization of the carrying amounts of real estate for sale and property development costs is affected by price changes in the different market segments as well as the trends in the real estate industry. These are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's Residential, Condominium Units, Golf and Resort Shares for Sale, Property Development Costs and Land for Future Development within the next reporting period.

Considering the Group's pricing policy, the net realizable values of real estate units for sale are higher than their related costs.

The carrying values of the Group's Property Development Costs, and Land for Future Development are presented in the consolidated statements of financial position while the carrying value of Residential, Condominium Units, Golf and Resort Shares for Sale is disclosed in Note 7.

(c) Fair Value of Share Options

The Group estimates the fair value of the share option by applying an option valuation model, taking into account the terms and conditions on which the share options were granted. The estimates and assumptions used are presented in Note 28.6 which include, among other things, the option's time of expiration, applicable risk-free interest rate, expected dividend yield, volatility of the Company's share price and fair value of the Company's common shares. Changes in these factors can affect the fair value of share options at grant date.

The fair value of share option recognized as part of Salaries and employee benefits in 2016, 2015 and 2014 is presented in Note 25.2.

(d) Fair Value Measurement of Investment Properties

Investment properties are measured using the cost model. The fair value disclosed in Note 12 to the consolidated financial statements is determined by the Group using the discounted cash flows valuation technique since the information on current or recent prices of investment property is not available. The Group uses assumptions that are mainly based on market conditions existing at each reporting period, such as: the 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.

Portion of the investment properties is also determined by an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant areas. For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair values of those properties.

A significant change in these elements may affect prices and the value of the assets. The fair value of investment properties is disclosed in Notes 12 and 33.4.

(e) Estimation of Useful Lives of Property and Equipment and Investment Properties

The Group estimates the useful lives of property and equipment and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and investment properties 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 of property and equipment and investment properties are based on collective assessment of industry practice, internal technical evaluation and experience with similar assets.

The carrying amounts of investment properties and property and equipment are disclosed in Notes 12 and 13, respectively. Based on management's assessment as at December 31, 2016 and 2015, there is no change in the estimated useful lives of these assets during those years. Actual results, however may vary due to changes in estimates brought by changes in factors mentioned above.

(f) Impairment of Trade and Other Receivables

Adequate amount of allowance is provided for specific and groups of accounts, where an objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances affecting the collectability of the accounts, including, but not limited to, the length of the Group's relationship with the counterparties, the counterparties' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The carrying value of trade and other receivables and the analysis of allowance for impairment on such financial assets are shown in Note 6.

(g) Valuation of Financial Assets Other than Trade and Other Receivables

The Group carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument. The amount of changes in fair value would differ had the Group utilized different valuation methods and assumptions. Any change in fair value of these financial assets would affect consolidated profit and loss and equity.

The carrying amounts investments in AFS securities and the amounts of fair value changes recognized during the years on those assets are disclosed in Note 9.

(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 balance of deferred tax assets recognized as at December 31, 2016 and 2015 will be utilized in the succeeding years.

The carrying amount of the net deferred tax assets as at December 31, 2016 and 2015 is disclosed in Note 26.

(i) Impairment of Goodwill and Other Non-financial Assets

Goodwill is reviewed annually for impairment while other non-financial assets are tested whenever certain impairment indicators become present. 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 uncertainties relates to assumptions about future operating results and the determination of suitable discount rate. Also, the Group's policy on estimating the impairment of goodwill and other non-financial assets is discussed in detail in Note 2.17. 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.

There were no impairment losses on the Group's goodwill and other non-financial assets required to be recognized in 2016, 2015 and 2014 based on management's assessment.

(j) Valuation of Post-employment Defined Benefit Obligation

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by independent 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, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 25.3.

(k) Business Combinations

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in the consolidated statement of income in the subsequent period.

4. SEGMENT INFORMATION

4.1 Business Segments

The Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group is engaged in the development of residential and office units including urban centers integrating office, residential and commercial components. The Real Estate segment pertains to the development and sale of residential and office developments. The Rental segment includes leasing of office and commercial spaces. The Hotel Operations segment relates to the management of hotel business operations. The Corporate and Others segment includes cinema, business process outsourcing, educational, facilities provider, maintenance and property management operations, marketing services, general and corporate income and expense items. Segment accounting policies are the same as the policies described in Note 2.13. The Group generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

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 and cash equivalents, receivables, real estate inventories, property and equipment, and investment properties, 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 segment liabilities do not include deferred taxes.

4.3 Intersegment Transactions

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

4.4 Analysis of Segment Information

The following tables present revenue and profit information regarding industry segments for the years ended December 31, 2016, 2015 and 2014 and certain asset and liability information regarding segments as at December 31, 2016, 2015 and 2014:

2016

	Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
TOTAL REVENUES						
Sales to external customers	P 33,130,833,441	P10,011,504,052	P 1,163,103,124	P 998,976,763	P -	P 45,304,417,380
Intersegment sales	-	312,175,346	-	1,132,601,593	(1,444,776,939)	-
Total revenues	**P 33,130,833,441**	**P10,323,679,398**	**P 1,163,103,124**	**P 2,131,578,356**	**(P 1,444,776,939)**	**P 45,304,417,380**
RESULTS						
Cost and operating expense	(24,618,928,139)	(2,615,063,399)	(921,983,397)	(2,108,226,743)	1,331,355,588	(28,932,846,090)
Segment results	**P 8,511,905,302**	**P 7,708,615,999**	**P 241,119,727**	**P 23,351,613**	**(P 113,421,351)**	**P 16,371,571,290**
Interest and other income - net						1,376,260,349
Interest and other charges - net						(2,682,682,760)
Equity in net earnings of associates						136,866,743
Tax expense						(3,489,339,020)
Preacquisition income of a subsidiary						(3,314,788)
Net profit						P 11,709,361,814
ASSETS AND LIABILITIES						
Segment assets	P 199,490,722,049	P65,182,493,578	P 2,398,302,698	P 6,482,464,306	P -	P 273,553,982,631
Investments in and advances to associates and other related parties - net	-	-	-	5,188,535,019	-	5,188,535,019
Total assets	**P199,490,722,049**	**P65,182,493,578**	**P 2,398,302,698**	**P11,670,999,325**	**P -**	**P 278,742,517,650**
Segment liabilities	**P 114,637,385,751**	**P16,997,530,379**	**P 468,807,766**	**P 3,020,453,425**	**P -**	**P 135,124,177,321**
OTHER SEGMENT INFORMATION						
Project and capital expenditures						**P 48,839,469,783**

2015

	Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
TOTAL REVENUES						
Sales to external customers	P 32,726,888,869	P 8,729,655,235	P 796,322,364	P 1,007,543,475	P -	P 43,260,409,943
Intersegment sales	-	227,908,084	-	649,654,556	(877,562,640)	-
Total revenues	P 32,726,888,869	P 8,957,563,319	P 796,322,364	P 1,657,198,031	(P 877,562,640)	P 43,260,409,943
RESULTS						
Cost and operating expense	(24,722,587,613)	(2,314,999,416)	(632,775,137)	(1,610,514,873)	779,579,569	(28,501,297,470)
Segment results	P 8,004,301,256	P 6,642,563,903	P 163,547,227	P 46,683,158	(P 97,983,071)	P 14,759,112,473
Interest and other income - net						1,596,636,206
Interest and other charges - net						(2,635,174,408)
Equity in net earnings of associates						138,614,220
Tax expense						(3,284,678,495)
Preacquisition loss of a subsidiary						291,847
Net profit						P 10,574,801,843
ASSETS AND LIABILITIES						
Segment assets	P 187,279,330,964	P 50,003,842,390	P 2,433,682,285	P 5,195,714,160	P -	P 244,912,569,799
Investments in and advances to associates and other related parties - net	-	-	-	6,772,193,903	-	6,772,193,903
Total assets	P 187,279,330,964	P50,003,842,390	P 2,433,682,285	P 11,967,908,063	P -	P 251,684,763,702
Segment liabilities	P 98,703,363,884	P15,149,080,026	P 424,651,426	P 2,994,313,723	P -	P 117,271,409,059
OTHER SEGMENT INFORMATION						
Project and capital expenditures						P 54,513,276,245

2014

	Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
TOTAL REVENUES						
Sales to external customers	P 29,506,959,375	P 7,070,911,439	P 722,971,143	P 2,241,733,163	P -	P 39,542,575,120
Intersegment sales	-	203,861,206	-	784,885,706	(988,746,912)	-
Total revenues	P 29,506,959,375	P 7,274,772,645	P 722,971,143	P 3,026,618,869	(P 988,746,912)	P 39,542,575,120
RESULTS						
Cost and operating expense	(22,280,129,613)	(2,043,972,081)	(535,056,858)	(2,869,610,730)	896,500,685	(26,832,268,597)
Segment results	P 7,226,829,762	P 5,230,800,564	P 187,914,285	P 157,008,139	(P 92,246,227)	P 12,710,306,523
Interest and other income - net						13,259,475,083
Interest and other charges - net						(1,554,435,464)
Equity in net earnings of associates						328,707,760
Tax expense						(3,120,330,226)
Preacquisition income of subsidiaries - net						(69,008,162)
Net profit						P 21,554,715,514
ASSETS AND LIABILITIES						
Segment assets	P 165,979,243,776	P42,366,078,019	P 1,100,579,967	P 5,510,856,348	P -	P 214,956,758,110
Investments in and advances to associates and other related parties - net	-	-	-	6,083,083,483	-	6,083,083,483
Total assets	P 165,979,243,776	P42,366,078,019	P 1,100,579,967	P 11,593,939,831	P -	P 221,039,841,593
Segment liabilities	P 81,319,354,609	P 7,359,037,541	P 302,003,465	P 3,260,652,757	P -	P 92,241,048,372
OTHER SEGMENT INFORMATION						
Project and capital expenditures						P 39,780,970,914

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as of December 31:

	2016	2015
Cash on hand and in banks	**P 5,709,405,267**	P 4,790,154,317
Short-term placements	**10,686,258,189**	17,972,908,856
	P 16,395,663,456	P 22,763,063,173

Cash in banks generally earn interest based on daily bank deposit rates. Short-term placements are made for varying periods between 30 to 60 days and earn effective interest ranging from 1.25% to 2.50% both in 2016 and 2015, and 1.10% to 4.00% in 2014 (see Note 23).

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Notes	2016	2015 [As Restated – see Note 2.1(b)]
Current:			
Trade	27.1, 15.2 15.4	**P26,061,790,608**	P 22,318,593,069
Allowance for impairment		**(513,670,606)**	(517,091,448)
		25,548,120,002	21,801,501,621
Others		**1,448,007,312**	652,232,554
		26,996,127,314	22,453,734,175
Non-current:			
Trade	27.1, 15.2 15.4	**35,679,444,242**	32,691,658,240
Allowance for impairment		**(12,224,936)**	(12,224,936)
		35,667,219,306	32,679,433,304
Others		**7,629,034**	15,337,534
		35,674,848,340	32,694,770,838
		P62,670,975,654	P 55,148,505,013

Trade receivables mainly pertain to real estate sales and rental transactions.

The installment period of sales contracts averages one to five years. Noninterest-bearing trade receivables with maturity of more than one year after the end of the reporting period are remeasured at amortized cost using the effective interest rate of 10%. Interest income recognized amounted to P1.7 billion in 2016, 2015 and 2014. These amounts are presented as Interest Income on Real Estate Sales account in the consolidated statements of income.

A reconciliation of the allowance for impairment at the beginning and end of 2016 and 2015 is shown below.

	Note	**2016**	2015
Balance at beginning of year		**P 529,316,384**	P 529,316,384
Impairment loss during the year	24	**233,152**	-
Write-off of trade receivables previously provided with allowance		**(3,653,994)**	-
Balance at end of year		**P 525,895,542**	P 529,316,384

Impairment loss is presented as part of Miscellaneous – net under Interest and Other Charges – Net account in the 2016 consolidated statement of income (see Note 24).

The Group has outstanding receivables assigned to local banks as at December 31, 2016 and 2015 amounting to P1,089.4 million and P1,066.4 million, respectively (see Notes 15.2 and 15.4).

All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regard to trade and other receivables as the amounts recognized consist of a large number of receivables from various customers. Most receivables from trade customers are covered by postdated checks. Certain past due accounts are not provided with allowance for impairment to the extent of the expected market value of the property sold to the customer. The titles to the real estate properties remain with the Group until the receivables are fully collected (see Note 31.3).

7. RESIDENTIAL, CONDOMINIUM UNITS, GOLF AND RESORT SHARES FOR SALE

The composition of this account as at December 31 is shown below.

	Note	**2016**	2015
Residential and condominium units	15.2	**P 60,077,855,669**	P59,067,903,490
Golf and resort shares		**2,669,705,396**	2,487,372,777
		62,747,561,065	61,555,276,267
Allowance for writedown		**(88,411,502)**	(88,411,502)
		P 62,659,149,563	P61,466,864,765

Residential and condominium units for sale mainly pertain to the accumulated costs incurred in developing the Group's horizontal and condominium projects and certain integrated-tourism projects.

Golf and resort shares for sale pertain to proprietary or membership shares (landowner resort shares and founders shares) that are of various types and costs. The cost of the landowner resort shares is based on the acquisition and development costs of the land and the project. The cost of the founders shares is based on the par value of the resort shares which is P100 per share.

Certain residential and condominium units for sale are subject to negative pledge on certain loans obtained by the Group (see Note 15.2).

The details of cost of real estate sales are shown in Note 21.

8. PREPAYMENTS AND OTHER CURRENT ASSETS

The composition of this account is shown below.

	2016	2015
Input VAT	**P4,408,152,584**	P 3,165,125,754
Prepaid rent and other prepayments	**676,066,600**	611,769,191
Creditable withholding taxes	**425,483,490**	443,201,769
Deposits	**215,263,677**	355,857,083
Others	**230,571,046**	148,556,498
	P5,955,537,397	P 4,724,510,295

Others include supplies and food and beverage inventories.

9. INVESTMENTS IN AVAILABLE-FOR-SALE SECURITIES

Investments in AFS securities comprise the following as at December 31:

	Note	2016	2015
Equity securities:			
Quoted	27.5	**P 3,568,328,390**	P 4,606,799,401
Unquoted		**27,449,898**	27,449,898
		3,595,778,288	4,634,249,299
Debt securities – quoted		**66,501,898**	65,334,355
		P 3,662,280,186	P 4,699,583,654

The securities can be further analyzed as follows:

	2016	2015
Local	**P 3,595,778,288**	P 4,634,249,299
Foreign	**66,501,898**	65,334,355
	P 3,662,280,186	P 4,699,583,654

The reconciliation of the carrying amounts of investments in AFS securities are as follows:

	2016	2015
Balance at the beginning of year	**P 4,699,583,654**	P 6,146,267,429
Fair value losses – net	**(1,071,530,344)**	(2,745,034,577)
Foreign currency gains – net	**21,730,219**	20,387,396
Additions	**12,496,657**	1,461,811,671
Disposals	**-**	(183,848,265)
Balance at end of year	**P 3,662,280,186**	P 4,699,583,654

Equity securities significantly pertain to investments in publicly-listed holding and service companies with fair values determined directly by reference to published prices in the PSE while debt securities consist of euro-denominated corporate bonds quoted in a foreign active market which will mature in 2017. Management has determined that fair value losses are not permanent, therefore, these investments are considered not impaired.

In 2016 and 2015, the Group received cash dividends from TIHGI amounting to P14.5 million and P20.6 million, respectively. The amount of dividend received is presented as part of Dividend income under Interest and Other Income – Net account in the consolidated statements of income (see Note 23). No dividends were received in 2014.

In 2014, as a result of the Company's sale and subsequent reclassification of remaining investments in TIHGI, non-recurring gains amounting to P9.4 billion and P2.3 billion pertaining to Gain on sale of investments in an associate and Fair value gains on remeasurement of investments – net, respectively, were recognized under Interest and Other Income – Net account in the 2014 consolidated statement of income (see Note 23).

The fair value gains or losses arising from AFS securities which comprised the movements in the carrying amounts and disposals of AFS, are reported under Revaluation Reserves account under the equity section of the consolidated statements of financial position.

10. ADVANCES TO/FROM LANDOWNERS AND JOINT VENTURES

10.1 Advances to Landowners and Joint Ventures

The Group enters into numerous joint venture agreements for the joint development of various projects. These are treated as jointly-controlled operations; hence, there were no separate entities created under these joint venture agreements.

The joint venture agreements stipulate that the Group's co-venturer shall contribute parcels of land while the Group shall be responsible for the planning, conceptualization, design, demolition of existing improvements, construction, financing and marketing of residential and condominium units to be constructed on the properties. Costs incurred by the Group for these projects are recorded under the Residential, Condominium Units, Golf and Resort Shares for Sale and Property Development Costs accounts in the consolidated statements of financial position (see Note 2.6).

The Group also grants noninterest-bearing, secured cash advances to a number of landowners and joint ventures under agreements they entered into with the landowners covering the development of certain parcels of land. Under the terms of the agreements, the Group, in addition to providing specified portion of total project development costs, also commits to advance mutually agreed-upon amounts to the landowners to be used for pre-development expenses such as the relocation of existing occupants.

Repayment of these advances shall be made upon completion of the project development either in the form of the developed lots corresponding to the owner's share in saleable lots or in the form of cash to be derived from the sales of the landowner's share in the saleable lots and residential and condominium units.

Total amount of advances made by the Group less repayments, is presented as part of the Advances to Landowners and Joint Ventures account in the consolidated statements of financial position.

As at December 31, 2016 and 2015, management has assessed that the advances to joint ventures is fully recoverable. Further, there has been no outstanding commitment for cash advances under the joint venture agreements.

The net commitment for construction expenditures amounts to:

	2016	2015
Total commitment for construction expenditures	**P25,275,787,747**	P24,076,339,196
Total expenditures incurred	**(18,965,104,576)**	(16,403,084,016)
Net commitment	**P 6,310,683,171**	P 7,673,255,180

The Group's interests in jointly-controlled operations and projects range from both 50% to 95% in 2016 and 2015. The listing of the Group's jointly-controlled projects are as follows:

Company:

- McKinley Hill
- McKinley West
- Newport City
- Manhattan Garden City
- Noble Place
- Uptown Bonifacio
- Northill Gateway

EELHI:

- Pioneer Woodlands
- San Lorenzo Place
- Various Metro Manila and Calabarzon projects

SPI:

- Capitol Plaza
- Governor's Hills
- Mandara
- Sta. Rosa Heights
- Sta. Rosa Hills

- Sentosa
- Asmara
- 88 Gibraltar
- One Lakeshore
- Riva Bella
- Solana
- Gentri Heights
- Fountain Grove
- Palm City
- The Mist Residence

GERI
- Alabang West
- Boutique
- Shopwise
- Oceanway Residences
- Savoy Hotel
- Belmont Hotel
- MSW Phase 6 Pahara
- Newport Hills
- Pahara at Southwoods
- Sta. Barbara Heights Phase 1, 2 & 3
- Holland Park

The aggregate amounts of the current assets, long-term assets, current liabilities, long-term liabilities as at December 31, 2016 and 2015, and income and expenses for each of the three years in the period ended December 31, 2016 related to the Group's interests in joint ventures are not presented or disclosed in the consolidated financial statements as the joint ventures in which the Group is involved are not jointly-controlled entities (see Note 2.3).

As at December 31, 2016 and 2015, the Group either has no other contingent liabilities with regard to these joint ventures or has assessed that the probability of loss that may arise from contingent liabilities is remote.

10.2 Advances from Joint Ventures

This account represents the share of joint venture partners in the proceeds from the sale of certain projects in accordance with various joint venture agreements entered into by the Group.

The advances from golf share partners and lot owners recognized in 2016 and 2015 amounted to P471.1 million and P458.8 million, net of deferred interest expense amounting to P31.1 million and P51.0 million, respectively, and is presented as part of Advances from Associates and Other Related Parties account in the consolidated statements of financial position (see Note 27.4).

The amortization of deferred interest amounting to P19.8 million in 2016, 2015 and 2014 is presented as part of Interest expense under the Interest and Other Charges – Net account in the consolidated statements of income (see Note 24).

11. INVESTMENTS IN AND ADVANCES TO ASSOCIATES AND OTHER RELATED PARTIES

11.1 Breakdown of Carrying Values

The details of investments in associates, accounted for using the equity method, and advances to associates and other related parties are as follows:

	2016	2015
Acquisition costs:		
PCMCI	**P 877,776,746**	P 877,776,746
SHDI	**875,445,000**	875,445,000
NPI	**734,396,528**	734,396,528
BNHGI	**293,602,421**	534,510,859
BWDC	**199,212,026**	199,212,026
PTHDC	**64,665,000**	64,665,000
FERC	**28,000,000**	28,000,000
FENI	**10,000,003**	10,000,003
FESI	**7,808,360**	7,808,360
FERSAI	**4,000,000**	4,000,000
	3,094,906,084	3,335,814,522
Accumulated equity in net losses:		
Balance at beginning of year	**(561,522,560)**	(700,136,780)
Equity share in net earnings of associates for the year	**136,866,743**	138,614,220
Balance at end of year	**(424,655,817)**	(561,522,560)
Accumulated equity in other comprehensive income:		
Balance at beginning of year	**38,744,144**	-
Share in other comprehensive income (loss) of associate	**(27,975,475)**	38,744,144
Balance at end of year	**10,768,669**	38,744,144
	2,681,018,936	2,813,036,106
Advances to associates and other related parties (see Note 27.3)	**2,507,516,083**	3,959,157,797
	P 5,188,535,019	P 6,772,193,903

The shares of stock of SHDI are listed in the PSE. The fair values of all other investments in associates are not available as at December 31, 2016 and 2015. The related book values of the Group's holdings in all of the associates either exceed or approximate their carrying values; hence, management deemed that the recognition of impairment loss is not necessary. Equity in Net Earnings of Associates is presented in the consolidated statements of income while Share in Other Comprehensive Income of Associates is presented in the consolidated statements of comprehensive income.

a. Investment in BNHGI

In 2016 and 2015, FEPI sold 15% ownership interest each year over BNHGI. Gain on sale of investment in an associate amounting to P82.5 million and P181.3 million was recognized in 2016 and 2015, respectively, presented under Interest and Other Income – Net account in the consolidated statements of income (see Note 23).

b. Investment in PCMCI

In 2015, EELHI acquired 750,000,000 PCMCI shares amounting to P877.8 million representing 20% ownership interest. Through this acquisition, the Group acquired an ability to exert significant influence over PCMCI.

11.2 Summarized Financial Information

The aggregated amounts of assets, liabilities, revenues and net profit (loss) of the associates are as follows:

	Assets	Liabilities	Revenues	Net Profit (Loss)
2016:				
PCMCI	P 2,451,853,311	P 8,432,960	P -	(P 6,422,305)
SHDI	684,377,995	402,542,158	417,351,286	47,452,693
BNHGI	1,800,435,218	196,475,395	-	(108,161)
NPI	5,675,415,679	1,317,006,156	18,283	(123,034)
BWDC	2,759,328,848	2,749,338,148	443,284,067	280,292,263
PTHDC	1,136,165,327	1,007,331,770	4,940	(766,419)
FERC	277,874,990	209,508,750	-	-
FENI	98,510,739	93,113,013	-	-
FESI	61,570,543	16,233,974	1,521,487	(2,415,300)
FERSAI	157,909,404	173,014,080	-	-
	P 15,103,442,054	**P 6,172,996,404**	**P 862,180,063**	**P 317,909,737**
2015:				
PCMCI	P 2,458,015,617	P 8,172,960	P -	(P 9,234,061)
SHDI	563,065,578	341,187,869	365,068,765	36,576,139
BNHGI	1,799,798,866	196,246,769	-	(2,019,930)
NPI	5,675,538,713	1,317,006,156	21,150	(18,348)
BWDC	3,327,984,093	2,637,530,014	384,744,535	259,062,480
PTHDC	1,136,403,777	1,006,803,801	5,900	(1,190,233)
FERC	277,874,990	209,508,750	-	-
FENI	98,510,739	931,113,013	-	-
FESI	64,232,266	18,248,112	1,818,862	(1,767,717)
FERSAI	157,909,404	173,014,080	-	-
	P 15,559,334,043	P 6,838,831,524	P 751,659,212	P 281,408,330

12. INVESTMENT PROPERTIES

The gross carrying amounts and accumulated depreciation of investment properties at the beginning and end of 2016 and 2015 are shown below.

	Land	Buildings	Total
December 31, 2016			
Cost	P 9,751,857,938	P 57,621,914,632	P 67,373,772,570
Accumulated depreciation	-	(6,880,291,397)	(6,880,291,397)
Net carrying amount	**P 9,751,857,938**	**P 50,741,623,235**	**P 60,493,481,173**
December 31, 2015			
Cost	P 9,530,417,733	P 42,464,672,890	P 51,995,090,623
Accumulated depreciation	-	(5,723,020,432)	(5,723,020,432)
Net carrying amount	P 9,530,417,733	P 36,741,652,458	P 46,272,070,191
January 1, 2015			
Cost	P 9,017,340,569	P 31,290,523,670	P 40,307,864,239
Accumulated depreciation	-	(4,545,234,421)	(4,545,234,421)
Net carrying amount	P 9,017,340,569	P 26,745,289,249	P 35,762,629,818

A reconciliation of the carrying amounts at the beginning and end of 2016, 2015 and 2014 of investment properties is shown below.

	Land	Buildings	Total
Balance at January 1, 2016, net of accumulated depreciation	P 9,530,417,733	P 36,741,652,458	P 46,272,070,191
Additions	163,153,826	12,816,037,786	12,979,191,612
Addition due to acquisition of a subsidiary	22,276,500	-	22,276,500
Transfer to property and equipment	-	(457,721,767)	(457,721,767)
Reclassifications	36,009,879	2,798,925,723	2,834,935,602
Depreciation charges for the year	-	(1,157,270,965)	(1,157,270,965)
Balance at December 31, 2016, net of accumulated depreciation	**P 9,751,857,938**	**P 50,741,623,235**	**P 60,493,481,173**
Balance at January 1, 2015, net of accumulated depreciation	P 9,017,340,569	P 26,745,289,249	P 35,762,629,818
Additions	513,077,164	12,383,054,370	12,896,131,534
Transfer to property and equipment	-	(1,175,058,950)	(1,175,058,950)
Disposals	-	(33,846,200)	(33,846,200)
Depreciation charges for the year	-	(1,177,786,011)	(1,177,786,011)
Balance at December 31, 2015, net of accumulated depreciation	P 9,530,417,733	P 36,741,652,458	P 46,272,070,191
Balance at January 1, 2014, net of accumulated depreciation	P 6,433,222,583	P 18,513,716,536	P 24,946,939,119
Investment properties of newly-acquired subsidiaries	2,932,084,986	663,739,979	3,595,824,965
Disposals	(347,967,000)	-	(347,967,000)
Additions	-	8,727,663,262	8,727,663,262
Depreciation charges for the year	-	(1,159,830,528)	(1,159,830,528)
Balance at December 31, 2014, net of accumulated depreciation	P 9,017,340,569	P 26,745,289,249	P 35,762,629,818

Rental income earned from these properties amounted to P10.0 billion, P8.7 billion and P7.1 billion in 2016, 2015 and 2014, respectively, and is shown as Rental Income in the consolidated statements of income. The direct operating costs, exclusive of depreciation incurred by the Group relating to these investment properties amounted to P494.5 million in 2016, P459.2 million in 2015 and P458.5 million in 2014. There were no idle investment properties in 2016, 2015 and 2014. The operating lease commitments of the Group as a lessor are fully disclosed in Note 30.1.

In 2016, certain projects under property development costs were reclassified to investment properties due to change in management's intention. At the date of reclassification, the properties were fully constructed and started earning rental income.

Depreciation of investment properties is presented as part of Depreciation and amortization under the Operating Expenses account (see Note 22).

The fair market values of these properties are P244.2 billion and P190.8 billion as at December 31, 2016 and 2015, respectively. These are determined by calculating the present value of the cash inflows anticipated until the end of the useful lives of the investment properties using a discount rate of 8% in 2016 and 2015 (see Note 33.4).

Other information about the fair value measurement and disclosures related to the investment properties are presented in Note 33.4.

13. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2016 and 2015 are shown below.

	Building and Condominium Units	Office Furniture, Fixtures and Equipment	Office and Land Improvements	Transportation Equipment	Land	Total
December 31, 2016						
Cost	P 3,733,068,215	P 789,297,631	P 203,351,839	P 322,672,963	P 240,394,192	P 5,288,784,840
Accumulated depreciation and amortization	(746,881,350)	(613,842,775)	(170,404,407)	(187,469,343)	-	(1,718,597,875)
Net carrying amount	**P 2,986,186,865**	**P 175,454,856**	**P 32,947,432**	**P 135,203,620**	**P 240,394,192**	**P 3,570,186,965**
December 31, 2015						
Cost	P 3,046,239,743	P 732,964,892	P 191,035,835	P 228,464,730	P 248,009,320	P 4,446,714,520
Accumulated depreciation and amortization	(647,851,020)	(464,215,769)	(150,520,322)	(133,275,218)	-	(1,395,862,329)
Net carrying amount	P 2,398,388,723	P 268,749,123	P 40,515,513	P 95,189,512	P 248,009,320	P 3,050,852,191
January 1, 2015						
Cost	P 1,845,594,330	P 632,467,113	P 180,642,048	P 192,522,121	P 248,009,320	P 3,099,234,932
Accumulated depreciation and amortization	(619,589,270)	(383,686,979)	(118,870,760)	(109,714,784)	-	(1,231,861,793)
Net carrying amount	P 1,226,005,060	P 248,780,134	P 61,771,288	P 82,807,337	P 248,009,320	P 1,867,373,139

A reconciliation of the carrying amounts at the beginning and end of 2016, 2015 and 2014, of property and equipment is shown below.

	Building and Condominium Units	Office Furniture, Fixtures and Equipment	Office and Land Improvements	Transportation Equipment	Land	Total
Balance at January 1, 2016 net of accumulated depreciation and amortization	P2,398,388,723	P 268,749,123	P 40,515,513	P 95,189,512	P 248,009,320	P 3,050,852,191
Transfer from investment properties	457,721,767	-	-	-	-	457,721,767
Additions	229,106,705	144,145,849	12,316,004	95,359,945	-	480,928,503
Disposals	-	(303,543)	-	(1,151,712)	(7,615,128)	(9,070,383)
Disposals due to deconsolidation of subsidiaries	-	(87,509,567)	-	-	-	(87,509,567)
Depreciation and amortization charges for the year	(99,030,330)	(149,627,006)	(19,884,085)	(54,194,125)	-	(322,735,546)
Balance at December 31, 2016, net of accumulated depreciation and amortization	**P2,986,186,865**	**P 175,454,856**	**P 32,947,432**	**P 135,203,620**	**P 240,394,192**	**P 3,570,186,965**
Balance at January 1, 2015, net of accumulated depreciation and amortization	P1,226,005,060	P 248,780,134	P 61,771,288	P 82,807,337	P 248,009,320	P 1,867,373,139
Transfer from investment properties	1,175,058,950	-	-	-	-	1,175,058,950
Additions	27,522,735	110,578,304	18,789,212	51,992,093	-	208,882,344
Disposals	(1,936,272)	(10,080,525)	(8,395,425)	(16,049,484)	-	(36,461,706)
Depreciation and amortization charges for the year	(28,261,750)	(80,528,790)	(31,649,562)	(23,560,434)	-	(164,000,536)
Balance at December 31, 2015, net of accumulated depreciation and amortization	P2,398,388,723	P 268,749,123	P 40,515,513	P 95,189,512	P 248,009,320	P 3,050,852,191
Balance at January 1, 2014, net of accumulated depreciation and amortization	P 283,423,288	P 220,852,626	P 62,614,201	P 53,688,627	P 81,095,000	P 701,673,742
Additions	88,867,593	62,378,378	6,230,108	33,769,674	-	191,245,753
Property and equipment of newly-acquired subsidiaries	894,314,085	49,919,639	-	17,744,568	166,914,320	1,128,892,612
Disposals	-	(8,750,069)	-	(5,134,201)	-	(13,884,270)
Depreciation and amortization charges for the year	(40,599,906)	(75,620,440)	(7,073,021)	(17,261,331)	-	(140,554,698)
Balance at December 31, 2014, net of accumulated depreciation and amortization	P1,226,005,060	P 248,780,134	P 61,771,288	P 82,807,337	P 248,009,320	P 1,867,373,139

Depreciation and amortization is presented as part of the Operating Expenses account (see Note 22).

The Group's fully depreciated assets that are still being used in operations had original costs of P406.0 million and P442.7 million as of December 31, 2016 and 2015, respectively.

As of December 31, 2016 and 2015, the Group does not have any contractual commitments for acquisition of property and equipment.

None of the Group's property and equipment are used as collateral for its interest-bearing loans and borrowings.

14. OTHER NON-CURRENT ASSETS

This account consists of:

	2016	2015
Goodwill	**P 1,290,232,360**	P1,290,232,360
Guarantee and other deposits	**983,982,727**	822,930,111
Leasehold rights – net	**125,373,902**	132,339,119
Miscellaneous	**116,405,162**	109,939,027
	P 2,515,994,151	P2,355,440,617

Goodwill represents the excess of acquisition cost over the fair value of net identifiable assets at the date of acquisitions of various subsidiaries.

Leasehold rights represents separately identifiable asset recognized from the acquisition of GPARC. Leasehold rights amortization amounted to P7.0 million in 2016 and 2015 (nil in 2014) and are presented as part of Depreciation and amortization under Operating Expenses account in the consolidated statements of income (see Note 22).

Goodwill is subject to annual impairment testing while leasehold rights is subject to testing whenever there is an indication of impairment. No impairment losses were recognized in 2016, 2015 and 2014 as the recoverable amounts of the intangible assets determined by management are higher than their carrying values.

Guarantee deposits mainly pertain to payments made for compliance with construction requirements in relation to the Group's real estate projects.

15. INTEREST-BEARING LOANS AND BORROWINGS

Interest-bearing Loans and Borrowings account represents the following loans of the Group as at December 31:

	2016	2015
Current:		
Company	**P 4,455,128,205**	P 2,871,346,152
GERI	**721,153,846**	72,916,667
EELHI	**355,115,433**	119,927,915
SPI	**286,203,383**	1,115,773,089
LFI	**125,000,000**	-
RHGI	**63,050,705**	64,971,354
Balance brought forward	**P 6,005,651,572**	P 4,244,935,177

	2016	2015
Balance carried forward	**P 6,005,651,572**	P 4,244,935,177
Non-current:		
Company	**24,756,410,256**	22,211,538,461
GERI	**3,205,929,487**	1,927,083,333
SPI	**2,906,347,683**	1,400,000,000
EELHI	**1,603,434,043**	1,389,074,691
LFI	**375,000,000**	500,000,000
	32,847,121,469	27,427,696,485
	P 38,852,773,041	P 31,672,631,662

The Group has complied with applicable loan covenants including maintaining certain financial ratios at the end of the reporting periods.

Finance costs arising from interest-bearing loans that are mainly and directly attributable to construction of the Group's projects are capitalized as part of Residential, Condominium Units, Golf and Resort Shares for Sale and Property Development Costs accounts. The remaining interest costs are expensed outright.

Total finance costs attributable to all the loans of the Group amounted to P1,784.7 million, P763.9 million and P308.8 million in 2016, 2015 and 2014, respectively. Of these amounts, portion expensed is presented as part of Interest expense under Interest and Other Charges – Net account in the consolidated statements of income (see Note 24). Interest capitalized in 2016, 2015 and 2014 amounted to P1,540.4 million, P481.3 million and P43.0 million, respectively. The outstanding interest payable as of December 31, 2016 and 2015 is presented as part of Accrued interest under Trade and Other Payables account in the consolidated statements of financial position (see Note 17). Capitalization rate used in determining the amount of interest charges qualified for capitalization is 4.32%, 5.53% and 6.19% in 2016, 2015 and 2014, respectively.

15.1 Company

Philippine peso, five-year loan due 2021

In November 2016, the Company obtained an unsecured long-term loan from a local bank amounting to P5.0 billion. The loan is payable for a term of five years with a grace period of one year upon availment. The principal repayment on the loan shall commence in February 2018 and interest is paid quarterly based on a fixed 6.4274% annual interest rate.

Philippine peso, five-year loan due 2021

In August 2016, the Company obtained an unsecured long-term loan from a local bank amounting to P2.0 billion. The loan is payable for a term of five years with a grace period of two years upon availment. The principal repayment on the loan shall commence in November 2018 and interest is paid quarterly based on a fixed 5.2632% annual interest rate.

Philippine peso, five-year loan due 2020

In December 2015, the Company obtained an unsecured long-term loan from a local bank amounting to P5.0 billion. The loan is payable for a term of five years with a grace period of one year upon availment. The principal repayment on the loan will commence in March 2017 and interest is paid quarterly based on a fixed 5.035% annual interest rate. The outstanding balance pertaining to this loan amounted to P5.0 billion as at December 31, 2016 and 2015.

Philippine peso, seven-year loan due 2022
In November 2015, the Company obtained an unsecured long-term loan from a local bank amounting to P5.0 billion. The loan is payable for a term of seven years. The principal repayments on this loan commenced in November 2016 and interest is paid semi-annually based on a fixed 5.05% annual interest rate. The outstanding balance pertaining to this loan amounted to P4.6 billion and P5.0 billion as at December 31, 2016 and 2015, respectively.

Philippine peso, seven-year loan due 2022
In March 2015, the Company signed a financing deal with a local bank in which the Company may avail of a P10.0 billion unsecured loan, divided equally into two tranches. The Company had availed both tranches in March and June 2015. The proceeds of the loan were used to fund the development of the Company's various real estate projects and retire currently maturing obligations. The loan is payable for a term of seven years. The principal repayments on this loan commenced in June 2016 and interest is paid quarterly based on a fixed 5.401% annual interest rate. The outstanding balance pertaining to this loan amounted to P8.8 billion and P10.0 billion as at December 31, 2016 and 2015, respectively.

Philippine peso, seven-year loan due 2021
In 2014, the Company obtained an unsecured long-term loan from a local bank amounting to P5.0 billion. The loan is payable for a term of seven years. The principal repayments on this loan commenced in August 2015 and interest is paid semi-annually based on a fixed 5.1250% annual interest rate. The outstanding balance pertaining to this loan amounted to P3.8 billion and P4.6 billion as at December 31, 2016 and 2015, respectively.

Philippine peso, seven-year loan due 2016
In May 2009, the Company obtained an unsecured long-term loan from a local bank amounting to P500.0 million. The loan is payable for a term of seven years and interest is payable semi-annually based on a floating six-month PDST F-R plus a certain spread, subject to semi-annual repricing. The outstanding balance pertaining to this loan amounted to P467.5 million as at December 31, 2015. The loan was fully settled in 2016.

15.2 EELHI

Philippine peso, seven-year loan due 2022 to 2023
In 2015, EELHI obtained an unsecured, interest-bearing seven-year P2.0 billion loan from a local bank. The loan was released in three tranches from 2015 to 2016 and bears floating interest ranging from 3.1% to 5.4% subject to quarterly repricing. The outstanding balance pertaining to this loan amounted to P1.9 billion and P1.4 billion as at December 31, 2016 and 2015, respectively. In relation to these loans, certain residential and condominium units for sale are subject to negative pledge (see Note 7).

Philippine peso, liability on assigned receivables
In prior years, EELHI obtained loans from local banks through assignment of certain trade receivables (see Note 6). The loans bear fixed interest rates ranging from 7.0% to 9.0% and are being paid as the related receivables are collected. This loans are secured by certain Residential and condominium units for sale with total carrying value of P188.4 million and P312.1 million as of December 31, 2016 and 2015, respectively (see Note 7). The outstanding balances pertaining to these loans amounted to P41.9 million and P69.0 million as of December 31, 2016 and 2015, respectively.

15.3 LFI

Philippine peso, five-year loan due 2020
In December 2015, LFI obtained an unsecured interest-bearing loan from a local commercial bank amounting to P500.0 million. The loan originally bears an annual interest of 5.0%, subject to quarterly repricing. Quarterly installments beginning in March 2017 are due until the loan is fully-settled in 2020, or five years from the issue date of the loan.

15.4 SPI

Philippine peso, five-year loan due in 2021
In 2016, SPI obtained an unsecured long-term loan from a local bank amounting to P0.4 billion. The loan bears 3.15% floating interest subject to repricing every 30 to 180 days and will mature in 2021. The principal amount is payable on a monthly basis after a grace period of two years from the date of availment. The outstanding balance of the loan as of December 31, 2016 is P0.4 billion.

Philippine peso, various short-term loans
In 2016 and 2015, SPI obtained various unsecured short-term loans from different local banks. The loans bear fixed and floating interest ranging from 5.50% to 5.75%. The outstanding balances of the loans as of December 31, 2016 and 2015 amount to P45.0 million and P60.0 million, respectively.

Philippine peso, five-year loan due in 2020
In 2015, SPI obtained an unsecured long-term loan from a local bank amounting to P1.5 billion. The loan is payable in monthly installments over five years with a grace period of two years from the initial drawdown date. The loan bears floating interest ranging from 3.15% to 5.15%, subject to repricing every 30 to 180 days. In 2016 and 2015, SPI made a drawdown amounting to P0.3 billion and P1.2 billion, respectively. The outstanding balance of the loan as of December 31, 2016 and 2015 is P1.5 billion and P1.2 billion, respectively.

Philippine peso, five-year loan due in 2020
In 2015, SPI obtained an additional unsecured long-term loan from another local bank amounting to P0.2 billion. The loan bears 5.25% floating interest subject to repricing every 30 to 180 days. Repayment of this loan shall be made on a quarterly basis beginning 2017. The outstanding balance of this loan amounts to P0.2 billion as of December 31, 2016 and 2015.

Philippine peso, liability on assigned receivables
In 2015, SPI obtained various loans from a local bank through assignment of trade receivables (see Note 6). The loans bear floating interests ranging from 5.50% to 15.0% and are being paid as the receivables are collected. The outstanding balance pertaining to these loans as of December 31, 2016 and 2015 amounted to P1.0 billion.

15.5 GERI

Philippine peso, five-year loan due 2021
In 2016, GERI obtained an unsecured long-term loan from a local bank amounting to P2.0 billion. The loan has a term of five years from the date of initial drawdown inclusive of a grace period of two years on principal repayment. The loan is payable in quarterly installments of P125.0 million commencing on the 9th quarter from the date of initial drawdown and balloon payment at the end of five years and bears fixed interest rate plus a certain spread subject to a floor rate of 3%. The outstanding balance of the loan as of December 31, 2016 is P2.0 billion.

Philippine peso, five-year loan due 2020
In 2015, GERI obtained an unsecured long-term loan from a local bank amounting to P1.5 billion. The loan has a term of five years from the date of initial drawdown, inclusive of a grace period on principal repayment of two years. The loan, which is payable quarterly commencing on the 9th quarter from the date of initial drawdown, bears fixed interest rate plus a certain spread subject to a floor rate of 5%. As of December 31, 2016 and 2015, the outstanding balance of such loan amounts to P1.5 billion.

15.6 RHGI

Euro-denominated, short-term loan due 2016
In December 2014, RHGI availed of a Euro-denominated short-term loan from a foreign commercial bank amounting to €1.3 million (equivalent to P69.2 million) which bears an annual interest rate of 0.76% and matured in 2015. In June 2015, RHGI renewed, for one year, the said short-term loan at a revised annual interest of 0.82%.

In June 2016, RHGI renewed the said short-term loan and shall mature in June 2017 at a revised annual interest of 0.87%. Interest and principal is payable at maturity.

The outstanding balance in relation this loan amounted to P63.1 million and P65.0 million as at December 31, 2016 and 2015, respectively.

15.7 OFPI

Philippine peso, long-term loan due 2020
In 2015, OFPI, the loan is included as part of GERI, obtained an unsecured long-term loan from a local bank. The loan bears fixed interest of 5.04% and shall mature in 2020. The outstanding balance of the loan as of December 31, 2016 and 2015 is P427.1 million and P500.0 million, respectively.

16. BONDS PAYABLE

U.S. Dollar, 10- year due 2023
On April 17, 2013, the Group issued 10-year term bonds totaling US $250 million. The bond carries a coupon rate of 4.25% per annum and interest is payable semi-annually starting October 17, 2013. The bond shall mature in 2023. The proceeds of the bond issuance is being used by the Company for general corporate purposes. As at December 31, 2016 and 2015, the outstanding bonds payable balance amounted to P12.4 billion and P11.7 billion, respectively.

U.S. Dollar, 7- year due 2018
On April 15, 2011, the Group issued seven-year term bonds totaling US $200 million. The bonds bear interest at 6.75% per annum payable semi-annually in arrears every April 15 and October 15 each year starting October 15, 2011. The bonds shall mature on April 15, 2018. As at December 31, 2016 and 2015, the outstanding bonds payable balance amounted to P9.9 billion and P9.2 billion, respectively.

The Group has complied with bond covenants including maintaining certain financial ratios at the end of the reporting periods.

Total interest incurred on these bonds amounted to P1,162.6 million in 2016, P1,270.1 million in 2015 and P1,508.8 million in 2014 and are presented as part of Interest expense under Interest and Other Charges – Net account in the consolidated statements of income (see Note 24). The outstanding interest payable as of December 31, 2016 and 2015 is presented as part of Accrued interest under Trade and Other Payables account in the consolidated statements of financial position (see Note 17). Unrealized foreign currency losses in relation to these bonds are presented as part of Foreign currency losses – net under Interest and Other Charges – Net account in the statements of income (see Note 24).

Interest capitalized as part of certain investment properties, in relation to local bonds fully settled in 2015, amounted to P161.0 million and P423.0 million in 2015 and 2014, respectively. Capitalization rate used in determining the amount of interest charges qualified for capitalization is 8.46% in 2015 and 2014.

17. TRADE AND OTHER PAYABLES

This account consists of:

	Notes	2016	2015
Trade payables		**P 9,744,959,080**	P 8,664,025,590
Retention payable		**2,635,278,935**	2,495,578,562
Accrued interest	15, 16	**512,974,956**	378,240,423
Accrued construction cost		**5,833,625**	4,999,106
Miscellaneous		**667,697,772**	526,576,176
		P13,566,744,368	P12,069,419,857

Trade payables mainly represent obligations to subcontractors and suppliers of construction materials for the Group's projects.

Retention payable pertains to amounts withheld from payments made to contractors to ensure compliance and completion of contracted projects equivalent to 10% of every billing made by the contractor. Upon completion of the contracted projects, the amounts are returned to the contractors.

Miscellaneous payable consists primarily of withholding taxes payable and accrual of salaries and wages and utilities.

18. REDEEMABLE PREFERRED SHARES

On September 4, 2012, TLC's BOD approved the additional subscriptions to 1,258.0 million preferred shares out of TLC's authorized capital stock as partial payment for certain parcels of land with total fair value of P1,338.2 million. The SEC approved the issuance through the exchange of certain parcels of land on April 17, 2013.

Generally non-voting, these preferred shares earn dividends at a fixed annual rate of 2.5% subject to the existence of TLC's unrestricted retained earnings. The accrued dividends on these preferred shares amounting to P118.1 million and P89.1 million as at December 31, 2016 and 2015, respectively, is presented as part of Other payables under Other Non-current Liabilities account in the consolidated statements of financial position (see Note 19). The related interest expense recognized amounting to P28.9 million in 2016, 2015 and 2014 is presented as Interest expense arising from redeemable preferred shares under the Interest and Other Charges – Net account in the consolidated statements of income (see Note 24).

The preferred shares have a maturity of 10 years and shall be redeemed on every anniversary date beginning on the sixth anniversary date until expiration of the ten-year period. Only 1/5 of the aggregate face value of preferred shares may be redeemed per year during such redemption period, with all remaining shares to be redeemed on the 10th anniversary date.

The preferred shares are considered as financial liabilities. Accordingly, the redeemable preferred shares are recognized at fair value on the date of issuance and are classified as a non-current liability in the consolidated statements of financial position. The fair values of the redeemable preferred shares on the date of issuance approximate their par value.

19. OTHER LIABILITIES

This account consists of:

	Note	**2016**	2015
Current:			
Unearned revenues		**P 1,672,152,962**	P1,639,368,747
Deferred rental income		**197,890,667**	355,831,050
Other payables		**163,355,322**	66,712,432
		2,033,398,951	2,061,912,229
Non-current:			
Deferred rental income		**4,334,195,802**	3,346,201,751
Other payables	18	**129,342,516**	155,201,430
		4,463,538,318	3,501,403,181
		P 6,496,937,269	P5,563,315,410

Other current payables mainly pertain to due to condo unit-holders arising from condo hotel operations. Deferred rental income refers to the rental payments advanced by the lessee at the inception of the lease which will be applied to the remaining payments at the end of the lease term.

20. REAL ESTATE SALES

This account consists of sales for the following:

	2016	2015	2014
Residential and condominium units	**P 27,450,190,340**	P 27,260,722,450	P 24,605,116,509
Golf and resort shares	**803,571**	1,575,000	1,437,928
	P 27,450,993,911	P 27,262,297,450	P 24,606,554,437

Realized gross profit on prior years' sale amounted to P4.0 billion, P3.8 billion and P3.2 billion in 2016, 2015 and 2014, respectively.

21. COSTS OF REAL ESTATE SALES

The total cost of real estate sales for the years ended December 31 are as follows:

	2016	2015	2014
Actual costs	**P10,822,973,859**	P 9,520,350,982	P 7,762,486,949
Estimated costs	**4,691,677,819**	5,914,591,370	6,601,382,238
	P 15,514,651,678	P 15,434,942,352	P 14,363,869,187

The breakdown of the cost of real estate sales are further broken down as follows:

	2016	2015	2014
Contracted services	**P13,467,972,535**	P 12,851,666,636	P 12,120,803,695
Land cost	**1,764,172,819**	2,058,899,931	1,770,144,307
Borrowing cost	**230,608,589**	331,643,102	273,887,171
Other costs	**51,897,735**	192,732,683	199,034,014
	P 15,514,651,678	P15,434,942,352	P 14,363,869,187

22. OPERATING EXPENSES

Presented below are the details of this account.

	Notes	2016	2015	2014
Salaries and employee benefits	25	**P 2,202,426,673**	P 2,059,096,838	P 1,714,889,017
Depreciation and amortization	12, 13, 14	**1,486,971,728**	1,348,751,764	1,300,385,226
Commission		**1,130,313,466**	1,062,732,165	961,366,846
Taxes and licenses		**656,464,800**	664,757,350	757,575,717
Advertising and promotions		**659,717,782**	686,408,553	676,949,982
Rent		**566,678,726**	539,873,942	521,819,487
Utilities and supplies		**461,917,468**	480,113,476	460,767,752
Professional fees and outside services		**325,673,449**	288,358,171	278,527,420
Transportation		**242,448,127**	226,691,959	223,885,030
Association dues		**242,379,131**	273,733,153	263,961,219
Miscellaneous		**378,692,255**	361,377,640	331,566,070
		P 8,353,683,605	P 7,991,895,011	P 7,491,693,766

Miscellaneous operating expenses include repairs and maintenance, insurance expense, and training and development expense.

23. INTEREST AND OTHER INCOME

Presented below are the details of this account.

	Notes	2016	2015	2014
Interest income	5	**P 1,218,551,263**	P 1,337,049,326	P 1,056,924,854
Property management, cinema operations, commission and construction income		**914,296,701**	875,835,168	745,378,539
Gain on sale of investments in an associate	11, 27.2	**82,459,513**	181,347,731	9,384,719,202
Dividend income	9, 27.5	**68,845,396**	78,239,149	46,595,425
Gain on acquisition and deconsolidations of subsidiaries	1	**6,404,177**	-	520,168,142
Fair value gains on disposal of AFS securities reclassified to profit or loss		**-**	3,728,897	796,867,188
Fair value gains on remeasurement of investments – net	9, 27.2	**-**	-	2,251,067,460
Miscellaneous – net		**84,680,062**	127,979,410	699,487,436
		P 2,375,237,112	P 2,604,179,681	P 15,501,208,246

The gain on sale of investment in an associate in 2014 represents the difference between the proceeds from sale of 1.1 billion common shares of TIHGI amounting to P10.4 billion and the related carrying amount of investment amounting to P1.1 billion. The fair value gains on remeasurement of investments pertain mainly to the excess of fair value of the retained interests in TIHGI over its carrying amount at the time of reclassification of such investment to AFS securities (see Note 9).

In 2016 and 2015, FEPI sold portions of its investments in BNGHI resulting to a gain amounting to P82.5 million and P181.3 million, respectively. The sale did not affect the significant influence of the Group over BNHGI (see Notes 1 and 11).

On January 21, 2014, the Company acquired additional 16.67% ownership in LFI, increasing the Company's total ownership interest to 66.67%, thereby, obtaining control. The fair value of the identifiable net assets of P3.7 billion exceeded the acquisition cost of P3.6 billion; hence, a gain on acquisition (negative goodwill) of P77.6 million was recognized from the acquisition (see Note 1).

By the end of December 2014, the Company acquired 100% ownership in DPDHI to increase its landbank position in Davao City. The transaction was settled in cash amounting to P495.4 million. Gain on acquisition of P65.1 million was recognized since the fair value of net assets of P560.5 million exceeded the acquisition cost (see Note 1).

Gain on sale of investments in an associate, when investment in TIHGI was classified as an associate in 2014, consists of realized fair value gains reclassified subsequently to profit or loss and gains on sale of these investments in an associate.

Miscellaneous income refers to gain on sale of land, marketing fees and others.

24. INTEREST AND OTHER CHARGES

Presented below are the details of this account.

	Notes	2016	2015	2014
Interest expense arising from:				
Bank loans, borrowings and bonds payable	15, 16	**P 1,406,865,158**	P 1,391,749,555	P 1,319,465,995
Post-employment defined benefit obligation	25	**38,850,050**	46,097,256	48,640,873
Redeemable preferred shares	18	**28,933,722**	28,933,722	28,933,722
Amortization of deferred interest	10.2	**19,848,008**	19,848,008	19,848,008
Foreign currency losses – net	16	**1,188,185,822**	1,148,545,867	105,046,866
Miscellaneous – net	6	**185,044,190**	91,092,408	102,543,071
		P 2,867,726,950	P 2,726,266,816	P 1,624,478,535

Miscellaneous charges pertain to amortization of discounts on security deposits, bank charges, impairment loss on receivables and other related fees.

25. EMPLOYEE BENEFITS

25.1 Salaries and Employee Benefits

Expenses recognized for salaries and employee benefits are presented below.

	Notes	2016	2015	2014
Short-term benefits		**P 2,048,636,489**	P 1,768,663,918	P 1,548,795,060
Employee share options	25.2, 28.6	**48,020,050**	146,272,133	40,096,554
Post-employment benefits	25.3	**105,770,134**	144,160,787	125,997,403
	22	**P 2,202,426,673**	P 2,059,096,838	P 1,714,889,017

25.2 Employee Share Option Plan (ESOP)

The Group's share option benefit expense includes the amounts recognized by the Company and GERI over the vesting period granted by them. As at December 31, 2016 and 2015, about 283.3 million and 200.0 million shares of GERI's options have vested, respectively, but none of these have been exercised by any of the option holder. None of the Company's share options have vested in 2016 and 2015.

Share option benefits expense, included as part of Salaries and employee benefits under Operating Expenses account in the consolidated statements of income, amounted to P48.0 million, P146.3 million and P40.1 million in 2016, 2015 and 2014, respectively (see Note 25.1).

25.3 Post-employment Defined Benefit Plan

(a) Characteristics of Defined Benefit Plan

The Group maintains a funded, tax-qualified, non-contributory post-employment benefit plan that is being administered by trustee banks. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 with a minimum of 5 years of credited service. The post-employment defined benefit plan provides for retirement ranging from 60% to 200% of plan salary for every year of credited service, but shall not be less than the regulatory benefit under Republic Act 7641, *The Retirement Pay Law,* or the applicable retirement law at the time of the member's retirement.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation reports obtained from independent actuaries in 2016 and 2015.

The amounts of retirement benefit obligation, presented as non-current liability in the consolidated statements of financial position, are as follows:

	2016	2015
Present value of the obligation	**P 1,161,347,079**	P1,065,773,374
Fair value of plan assets	**(196,142,476)**	(140,578,260)
Net defined benefit liability	**P 965,204,603**	P 925,195,114

The movements in the present value of the retirement benefit obligation recognized in the books are as follows:

	2016	2015
Balance at beginning of year	**P1,065,773,374**	P1,191,591,023
Current service costs	**105,770,134**	144,160,787
Interest costs	**45,355,647**	51,547,448
Remeasurements –		
Actuarial losses (gains)		
arising from changes in:		
Experience adjustments	**(39,331,500)**	(65,694,538)
Financial assumptions	**(11,685,141)**	(248,958,147)
Demographic assumptions	**683,029**	(3,955,741)
Benefits paid from:		
Plan assets	**(4,683,016)**	(2,917,458)
Booked reserves	**(535,448)**	-
Balance at end of year	**P1,161,347,079**	P 1,065,773,374

The movements in the fair value of plan assets are presented below.

	2016	2015
Balance at beginning of year	**P 140,578,260**	P 114,050,658
Contributions paid	**58,241,600**	22,000,000
Interest income	**6,505,597**	5,450,192
Benefits paid	**(4,683,016)**	(2,917,458)
Remeasurement of plan assets	**(144,324)**	-
Return on plan assets (excluding amount included in net interest cost)	**(4,355,641)**	1,994,868
Balance at end of year	**P 196,142,476**	P 140,578,260

The plan assets are composed of cash and cash equivalents and investments in debt and equity securities. Debt securities pertain to corporate and government securities while equity securities consist of investments in private corporation. The contributions to the retirement plan are made annually by the Group. The amount of contributions to the retirement plan is determined based on the expected benefit payments that the Group will incur within five years.

Actual return on plan assets were P2.1 million, P7.4 million and P3.7 million in 2016, 2015 and 2014, respectively.

The plan assets do not include any of the Company's and other related parties' own financial instruments or any of its assets occupied and/or used in its operations.

The components of amounts recognized in consolidated income and in consolidated other comprehensive income in respect of the post-employment defined benefit plan are as follows:

	Notes	2016	2015	2014
Reported in consolidated statements of income:				
Current service costs	25.1	**P105,770,134**	P144,160,787	P 125,997,403
Net interest costs	24	**38,850,050**	46,097,256	48,640,873
		P144,620,184	P190,258,043	P 174,638,276

	Note	2016	2015	2014
Reported in consolidated statements of comprehensive income:				
Actuarial gains (losses) arising from changes in:				
Financial assumptions		**P 11,685,141**	P 248,958,147	(P 114,089,539)
Experience adjustments		**39,331,500**	65,694,538	(52,928,254)
Demographic assumptions		**(683,029)**	3,955,741	-
Return on plan assets (excluding amounts included in net interest expense)		**(4,355,641)**	(1,994,868)	1,485,763
		45,977,971	316,613,558	(165,532,030)
Tax income (expense)	26	**(13,793,391)**	(94,984,067)	49,659,609
		P 32,184,580	P 221,629,491	(P 115,872,421)

Current service costs is presented as part of Salaries and employee benefits under Operating Expenses account in the consolidated statements of income (see Note 25.1). The net interest cost is included in Interest expense under Interest and Other Charges – Net account in the consolidated statements of income (see Note 24).

Amounts recognized in consolidated other comprehensive income were included within items that will not be reclassified subsequently to consolidated profit or loss.

In determining the amounts of the post-employment defined benefit obligation, the following significant actuarial assumptions were used:

	2016	2015	2014
Discount rates	**4.65% - 6.80%**	4.89% - 5.40%	4.49% - 7.81%
Expected rate of salary increases	**5.00% - 10.00%**	5.00% - 10.00%	6.00% - 10.00%

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 22 years for both males and females. These assumptions were developed by management with the assistance of independent actuaries. 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 defined benefit obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement 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 Rate Risks

The present value of the DBO is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively balanced investment in cash and cash equivalents and debt securities. Due to the long-term nature of the plan obligation, a level of continuing debt investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

(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 both 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 retirement plan are described below and succeeding page.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the DBO as at December 31, 2016 and 2015:

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
December 31, 2016			
Discount rate	**0.50%**	**(P 108,514,908)**	**P 130,391,869**
Salary increase rate	**1.00%**	**161,287,334**	**(134,152,751)**
December 31, 2015			
Discount rate	0.50%	(P 110,145,014)	P 63,048,969
Salary increase rate	1.00%	166,787,414	(21,338,142)

The above 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 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) Asset-liability Matching Strategies

The Group, through its BOD, envisions that the investment positions shall be managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This aims to match the plan assets to the retirement obligations by investing in debt securities and maintaining cash and cash equivalents that match the benefit payments as they fall due and in the appropriate currency.

There has been no change in the Group's strategies to manage its risks from previous periods.

(iii) Funding Arrangements and Expected Contributions

As at December 31, 2016, the plan is currently underfunded by P965.2 million based on the Group's latest actuarial valuation. While there are no minimum funding requirements in the country, the size of the underfunding may pose a cash flow risk in about 22 years' time when a significant number of employees is expected to retire.

The Group expects to make contributions of P40.0 million to the plan during the next reporting period.

The maturity profile of undiscounted expected benefit payments from the plan follows:

	2016	2015
Within one year	**P 48,377,366**	P 9,270,690
More than one year to 5 years	**116,432,820**	50,525,978
More than 5 years to 10 years	**454,185,958**	453,305,787
More than 10 years to 15 years	**453,114,812**	392,676,385
More than 15 years to 20 years	**783,977,156**	664,392,058
More than 20 years	**6,846,806,159**	8,020,780,539
	P 8,702,894,271	P 9,590,951,437

The weighted average duration of the DBO at the end of the reporting period is 22 years.

26. TAXES

The components of tax expense (income) as reported in the consolidated statements of income and consolidated statements of comprehensive income are as follows:

	2016	2015	2014
Reported in consolidated statements of income:			
Current tax expense:			
Regular corporate income tax (RCIT) at 30% and 10%	**P 2,133,634,027**	P 1,836,798,661	P 1,529,076,945
Final tax at 20% and 7.5%	**45,088,297**	50,655,309	69,385,362
Preferential tax at 5%	**27,016,743**	2,817,063	40,955,848
Minimum corporate income tax (MCIT) at 2%	**2,700,509**	1,761,980	1,760,348
Capital gains tax at 5%	**-**	-	26,785,714
	2,208,439,576	1,892,033,013	1,667,964,217
Deferred tax expense relating to origination and reversal of temporary differences	**1,280,899,444**	1,392,645,482	1,452,366,009
	P 3,489,339,020	P 3,284,678,495	P 3,120,330,226
Reported in consolidated statements of comprehensive income –			
Deferred tax expense (income) relating to origination and reversal of temporary differences	**P 26,861,943**	P 115,945,063	(P 80,348,207)

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the consolidated statements of income is as follows:

	2016	2015	2014
Tax on pretax profit at 30%	**P 4,559,610,250**	P 4,157,844,101	P 7,402,513,722
Adjustment for income subjected to lower income tax rates	**(150,602,787)**	(59,524,349)	(705,832,346)
Tax effects of:			
Non-taxable income	**(1,359,946,941)**	(1,212,893,361)	(4,074,676,381)
Non-deductible expenses	**378,646,243**	361,286,164	405,000,251
Unrecognized deferred tax assets on temporary differences	**65,749,546**	35,830,382	96,763,874
Miscellaneous	**(4,117,291)**	2,135,558	(3,438,894)
	P 3,489,339,020	P 3,284,678,495	P 3,120,330,226

The deferred tax assets and liabilities relate to the following as of December 31:

	2016	2015
Deferred tax assets:		
Retirement benefit obligation	**P 20,981,165**	P 12,488,746
Allowance for property development costs	**9,227,732**	-
Allowance for impairment of receivables	**7,747,189**	9,087,303
NOLCO	**4,178,239**	11,187,800
MCIT	**3,323,451**	5,448,915
Others	**30,076,027**	28,895,110
	P 75,533,803	P 67,107,874
Deferred tax liabilities – net:		
Uncollected gross profit	**P 9,661,687,872**	P 8,884,257,510
Capitalized interest	**1,790,886,538**	1,431,498,138
Unrealized foreign currency losses – net	**(1,220,035,435)**	(663,877,612)
Difference between the tax reporting base and financial reporting base of rental income	**287,572,150**	258,790,669
Retirement benefit obligation	**(295,187,069)**	(245,597,333)
Translation adjustments	**(109,801,221)**	(96,732,669)
Share options	**(36,336,115)**	(27,488,206)
Bond issuance costs	**17,754,987**	23,511,908
Uncollected rental income	**52,328,557**	7,882,177
Others	**(249,210,569)**	64,951,682
	P 9,899,659,695	P 9,637,196,264

No deferred tax liability has been recognized on the accumulated equity in net earnings of associates. The Group has no liability for tax should the amounts be declared as dividends since dividend income received from domestic corporation is not subject to income tax.

Some of the entities within the Group are subject to MCIT which is computed at 2% of gross income, net of allowable deductions as defined under the tax regulations. The details of MCIT paid by certain subsidiaries, which can be applied as deduction from their respective future RCIT payable within three years from the year the MCIT was incurred, are shown below and in the succeeding page.

Subsidiaries	Year incurred	Amount	Valid Until
MLI	2016	P 225,136	2019
	2015	116,720	2018
	2014	120,319	2017
API	2016	252,499	2019
	2015	69,690	2018
	2014	123,051	2017
GPMAI	2016	4,396	2019
	2015	5,884	2018
	2014	37,063	2017

Subsidiaries	Year incurred	Amount	Valid Until
MCPI	2015	P 385,058	2018
	2014	1,194,150	2017
OPI	2016	736,053	2019
	2015	338,261	2018
MNPHI	2015	187,680	2018
MCP	2015	4,847	2018

The details of NOLCO incurred by certain subsidiaries, which can be claimed as deduction from their respective future taxable income within three years from the year the loss was incurred, are shown below.

Subsidiaries	Year incurred	Amount	Valid Until
API	2015	P 4,869,362	2018
	2014	2,165,572	2017
GPMAI	2016	1,848,528	2019
	2015	2,771,046	2018
	2014	404,617	2017
MCP	2015	64,022	2018
DPDHI	2015	174,547	2018
	2014	3,520,503	2017
ITMC	2016	785,884	2019
LSPI	2016	1,016,673	2019
PPVI	2016	28,911	2019
SLI	2016	28,911	2019
SP	2016	283,003	2019

Certain subsidiaries within the Group did not recognize the deferred tax assets on their MCIT and NOLCO as realization of such amounts is uncertain.

The aggregated amounts of assets, retained earnings (deficit), revenues and net loss of the subsidiaries which incurred NOLCO are as follows:

	Assets	Retained Earnings (Deficit)	Revenues	Net Loss
2016				
LSPI	P 1,090,513,724	(P 13,101,814)	P -	(P 1,016,673)
ITMC	49,774,506	(589,245)	36,745,208	(768,877)
GPMAI	597,262,846	269,828,360	901,791	(1,728,756)
PPVI	45,996,289	(260,806)	-	(28,911)
SLI	46,004,899	(252,196)	-	(28,911)
SP	49,167,035	(918,046)	-	(283,003)
	P 1,878,719,299	**P 254,706,253**	**P 37,646,999**	**(P 3,855,131)**
2015				
API	P 85,825,255	(P 60,115,720)	P 4,201,321	(P 4,935,424)
GPMAI	598,975,335	271,557,115	3,349,927	(7,955,482)
MCP	1,006,886,851	92,631,864	17,055,876	(68,488,236)
DPDHI	560,714,338	(3,695,050)	-	(174,547)
	P 2,252,401,779	P 300,378,209	P 24,607,124	(P 81,553,689)

Except for certain subsidiaries, management has assessed that the net losses incurred, as well as the related NOLCO, can be recovered through future operations and are not significant to the overall financial condition and financial performance of the Group.

In 2016, 2015 and 2014, the Group opted to continue claiming itemized deductions, except for MDC which opted to use OSD in those years, in computing for their income tax dues.

ECOC and SEDI are registered with the Philippine Economic Zone Authority (PEZA) pursuant to Presidential Proclamation No. 191 dated October 6, 1999. As PEZA-registered entities, ECOC and SEDI are entitled to a preferential tax rate of 5% on gross income earned from registered activities, in lieu of all local and national taxes, and to other tax privileges.

In November 2011 and May 2014, the Board of Investments approved SPI's application for registration on Suntrust Adriatico Gardens and Suntrust Sentosa projects, respectively. SPI shall be entitled to income tax holiday for three years from November 2011 and May 2014, respectively, or actual start of commercial operations/selling, whichever is earlier but in no case earlier than the date of registration, with certain terms. In 2015, ITH for Suntrust Adriatico Gardens has expired.

27. RELATED PARTY TRANSACTIONS

The Group's related parties include the Parent Company, associates, the Group's key management and other related parties under common ownership as described below.

The summary of the Group's transactions with its related parties as of and for the years ended December 31, 2016, 2015 and 2014 are as follows:

Related Party Category	Notes	Amount of Transaction 2016	2015	2014	Outstanding Investment/ Receivable (Payable) 2016	2015
Parent Company:						
Customer's deposits	27.1	**P 4,987,671,233**	P -	P -	**(P4,987,671,233)**	P -
Investments in equity securities	27.5	**(407,032,000)**	(565,270,000)	(1,200,383,754)	**1,566,828,000**	1,973,860,000
Dividend income	27.5	**38,006,000**	38,006,000	46,595,425	**-**	-
Dividends paid	27.6	**(712,651,193)**	(857,700,557)	(456,070,226)	**-**	-
Sale of investment	27.2	**-**	-	10,431,650,000	**-**	-
Purchase of investment	27.2	**-**	-	(10,431,650,000)	**-**	-
Associates:						
Rendering of services	27.1	**4,438,286**	3,000,778	2,412,448	**3,216,269**	4,409,086
Advances granted	27.3	**27,486,807**	(3,595,658)	(230,425,498)	**1,298,017,045**	1,325,503,852
Advances availed	27.4	**(279,090,439)**	281,280,506	(28,041,758)	**(3,521,627)**	(282,612,066)
Related Parties Under Common Ownership:						
Real estate sales	27.1	**183,928,571**	999,082,400	-	**150,525,000**	-
Rendering of services	27.1	**85,220,422**	4,902,046	7,182,034	**72,424,594**	276,174
Advances granted	27.3	**1,424,154,907**	128,711,910	(1,045,631,931)	**1,209,499,038**	2,633,653,945
Advances availed	27.4	**1,212,855,919**	306,728,080	810,706,262	**(2,421,404,682)**	(1,208,548,763)
Investments in equity securities	27.5	**(630,060,205)**	(1,517,602,124)	2,669,056,587	**1,989,150,744**	2,619,210,950
Dividend income	27.5	**30,663,710**	40,036,576	-	**-**	-
Customer's deposits	27.1	-	-	144,803,571	**(144,803,571)**	(144,803,571)
Key Management Personnel –						
Compensation	27.7	**290,133,282**	322,576,930	237,509,062	**-**	-

None of the companies within the Group is a joint venture. The Company is not subject to joint control and none of its related parties exercise significant influence over it.

27.1 Real Estate Sales and Rendering of Services to Related Parties

The Group renders services to its related parties on a cost-plus basis, allowing a certain margin agreed upon by the parties at arm's length. The summary of services offered by the Group is presented below.

	Amount of Transactions 2016	2015	2014
Real estate sales and lease of properties	**P 202,258,704**	P 1,006,985,224	P 9,594,482
Management services	**71,328,575**	-	-
	P 273,587,279	P 1,006,985,224	P 9,594,482

The Group leases some of its investment properties to its associates and other related parties under common ownership with rental payments mutually agreed before commencement of the lease. The leases have terms ranging from one to twenty-five years, with renewal options, and include annual escalation rates of 3% to 10%, except for contingent rent. The revenues earned from these related parties are included as part of Rental Income in the consolidated statements of income (see Note 12). The related outstanding receivables from these transactions are presented as part of Trade under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

The Company and a related party under common ownership are parties to a management agreement whereby the former provides management services for the overall administration of the latter's leasing operations for a fee, which is based on certain rates of collections plus commission. Further, there are other management services provided to related parties under common ownership related to management of construction and development activities.

Occasionally, the Company sells real properties to its related parties under the normal course of business.

In 2016, the Company sold parcels of land located in Iloilo and Cebu to a related party under common ownership. Such sale is presented as part of Real Estate Sales account in the 2016 consolidated statement of income. The outstanding receivables arising from these transactions is presented as part of Trade under Trade and Other Receivables in the 2016 consolidated statement of financial position (see Note 6).

In 2015, the Group, through EELHI, sold parcels of land located in Batangas to a related party under common ownership with a combined area of 169,336 square meters for a total consideration of P999.1 million, net of VAT. Such sale is presented as part of Real Estate Sales account in the 2015 consolidated statement of income (see Note 20). The sale is fully paid in 2015.

The Group's outstanding receivables from related parties arising from the above transactions are unsecured, noninterest-bearing, and payable in cash or through offsetting arrangements.

There were no impairment losses recognized on the Group's receivables from related parties in 2016, 2015 and 2014.

Further, in 2016, the Company received cash from its Parent Company representing down payment for the sale of two commercial buildings developed by the Company, both located in Taguig, Metro Manila. These collections did not reach the threshold set by the Company to be recognized as real estate sales; hence, are presented as part of Customers' Deposits account under Non-current Liabilities section in the 2016 statement of financial position.

In 2014, the Group, through LFI, received cash deposit made by a related party under common ownership, for the future purchase of a certain property owned by LFI. The related outstanding payable arising from the transaction is presented as part of Customers' Deposits account under Non-current Liabilities section in the consolidated statements of financial position.

27.2 Sale and Purchase of Investment

In 2014, the Company sold significant portion of its ownership over TIHGI to the Parent Company for P10.4 billion. The resulting gain on remeasurement of investment and gain on sale of shares were recognized under Interest and Other Income – Net account in the 2014 consolidated statement of income (see Note 23).

Further, the Company purchased additional shares of GERI from the Parent Company for P10.4 billion. As a result, the Company gained control over GERI.

27.3 Advances to Associates and Other Related Parties

Associates and other related parties under common ownership are granted noninterest-bearing and unsecured advances by the Company and other entities in the Group with no repayment terms for working capital purposes. These are generally collectible in cash or through offsetting arrangements with the related parties.

The outstanding balances of Advances to associates and other related parties shown as part of Investments in and Advances to Associates and Other Related Parties in consolidated statements of financial position (see Note 11.1) are as follows:

	2016	2015
Advances to associates	**P1,298,017,045**	P1,325,503,852
Advances to other related parties	**1,209,499,038**	2,633,653,945
	P2,507,516,083	P3,959,157,797

The movements in advances to associates and other related parties are as follows:

	2016	2015
Balance at beginning of year	**P3,959,157,797**	P 4,084,274,049
Net collected	**(351,627,688)**	(125,116,252)
Advances eliminated through consolidation	**(1,100,014,026)**	-
Balance at end of year	**P2,507,516,083**	P3,959,157,797

Advances to other related parties pertain to advances granted to entities under common ownership of the parent company. No impairment losses on the advances to associates and other related parties were recognized in 2016, 2015 and 2014 based on management's assessment.

27.4 Advances from Associates and Other Related Parties

Certain expenses of the entities within the Group are paid by other related parties on behalf of the former. The Group also made cash advances to a certain related party under common ownership, for the development of a certain entertainment site which is integrated tourism project planned by the Philippine Amusement and Gaming Corporation. The advances are noninterest-bearing, unsecured and with no repayment terms and are generally payable in cash upon demand or through offsetting arrangements with the related parties. The outstanding balances from these transactions are presented as Advances from Associates and Other Related Parties account in the consolidated statements of financial position and are broken down as follows:

	2016	2015
Advances from associates	**P 3,521,627**	P 282,612,066
Advances from other related parties	**2,421,404,682**	1,208,548,763
	P2,424,926,309	P1,491,160,829

The movements in advances from associates and other related parties are as follows:

	2016	2015
Balance at beginning of year	**P 1,491,160,829**	P 903,152,243
Net availed	**933,765,480**	588,008,586
Balance at end of year	**P2,424,926,309**	P1,491,160,829

27.5 Investments in Equity Securities

The Group's equity securities include of investment in shares of the Parent Company and related parties under common ownership. The fair values of these securities have been determined directly by reference to published prices in active market. Movements and the related fair value gains or losses on these investments are shown and discussed in Note 9. Also, the Group received dividend income from these shares and is presented as part of Dividend income under Interest and Other Income – Net account in the consolidated statements of income (see Note 23). No outstanding receivable arises from the transaction.

27.6 Dividends Paid to Parent Company

The Company declared dividends to the Parent Company amounting to P0.7 billion, P0.9 billion and P0.5 billion in 2016, 2015 and 2014, respectively. There is no outstanding liability arising from these transactions as of the end of both years (see Note 28.4).

27.7 Key Management Personnel Compensation

The Group's key management personnel compensation includes the following:

	2016	2015	2014
Short-term benefits	**P 208,001,541**	P 144,906,631	P 168,632,604
Post-employment benefit	**48,804,369**	31,398,166	28,779,904
Share-based expense	**33,327,372**	146,272,133	40,096,554
	P 290,133,282	P 322,576,930	P 237,509,062

27.8 Post-employment Plan

The Group has a formal retirement plan established separately for the Company and each of the significant subsidiaries, particularly GERI, EELHI, and PHRI. The Group's retirement fund for its post-employment defined benefit plan is administered and managed by trustee banks. The fair value and the composition of the plan assets as of December 31, 2016 and 2015 are presented in Note 25.3.

The Group's transactions with the fund mainly pertain to contribution, benefit payments and interest income.

The retirement fund neither provides any guarantee or surety for any obligation of the Group nor its investments covered by any restrictions or liens.

28. EQUITY

Capital stock consists of:

	Shares			Amount		
	2016	2015	2014	**2016**	2015	2014
Preferred shares Series "A"- P0.01 par value Authorized, issued and outstanding	**6,000,000,000**	6,000,000,000	6,000,000,000	**P 60,000,000**	P 60,000,000	P 60,000,000
Common shares – P1 par value						
Authorized	**40,140,000,000**	40,140,000,000	40,140,000,000	**P 40,140,000,000**	P 40,140,000,000	P 40,140,000,000
Issued and outstanding:						
Balance at beginning of year	**32,370,865,872**	32,362,877,948	32,100,675,105	**P32,370,865,872**	P 32,362,877,948	P 32,100,675,105
Issuances during the year	**-**	7,987,924	262,202,843	**-**	7,987,924	262,202,843
Balance at end of year	**32,370,865,872**	32,370,865,872	32,362,877,948	**P32,370,865,872**	P 32,370,865,872	P 32,362,877,948
Total Capital Stock				**P32,430,865,872**	P 32,430,865,872	P 32,422,877,948

On June 15, 1994, the SEC approved the listing of the Company's common shares totaling 140,333,333. The shares were initially issued at an offer price of P4.8 per common share. As of December 31, 2016, there are 2,545 holders of the listed shares, which closed at P3.57 per share as of that date.

The following also illustrates the additional listings made by the Company (in shares): May 23, 1996 – 1.6 billion; January 8, 1997 – 2.1 billion; November 23, 1998 – 2.0 billion; August 19, 1999 – 3.0 billion; October 12, 2005 – 5.5 billion; November 21, 2006 – 10.0 billion and July 17, 2007 – 3.9 billion; 2012 – 3.1 billion. The Company also listed 700.0 million shares in 2013, 300.0 million shares in 2014, 8.0 million shares in 2015 and none in 2016.

28.1 Preferred Shares Series "A"

The preferred shares are voting, cumulative, non-participating, non-convertible and non-redeemable with a par value of P0.01 per share. The shares earn dividends at 1% of par value per annum cumulative from date of issue. Dividends paid on cumulative preferred shares amounted to P0.6 million in 2016, 2015 and 2014.

28.2 Common Shares

On May 23, 2013, the Company's BOD approved a P10.0 billion increase in authorized capital stock (ACS) consisting of 10 billion shares with par value of P1.0 per share. On November 20, 2013, the SEC approved the P10.0 billion increase in ACS, of which 2.5 billion shares were subscribed and paid by the Parent Company at a price of P4.29 per share for a total subscription price of P10.7 billion.

In 2009, 5,127,556,725 common shares were subscribed and issued through pre-emptive share rights offering. Moreover, shareholders were given four additional share warrants for every five share rights subscribed. For every share warrant, shareholders can avail of one common share at P1 per share.

Relative to the share subscription, 4,102,045,364 share warrants were issued of which 7,987,924, and 262,202,843 were exercised at P1 per share in 2015 and 2014, respectively. As of December 31, 2015, 4,101,662,246 warrants have already been exercised while the remaining 383,118 have expired.

28.3 Additional Paid-in Capital

The APIC pertains to the excess of the total proceeds received from the Company's shareholders over the total par value of the common shares.

28.4 Cash Dividends

The details of the Group's cash dividend declarations, both for preferred and common shares, are as follows:

	2016	2015	2014
Declaration date/date of approval by BOD	**June 15, 2016**	June 17, 2015	June 16, 2014
Date of record	**June 29, 2016**	July 1, 2015	June 30, 2014
Date paid	**July 22, 2016**	July 27, 2015	July 24, 2014
Amounts declared and paid			
Common	**P 1,608,000,152**	P 1,935,560,028	P 1,246,341,619
Preferred	**600,000**	600,000	600,000
	P 1,608,600,152	P 1,936,160,028	P 1,246,941,619
Dividends per share:			
Common	**P 0.05**	P 0.06	P 0.04
Preferred	**P 0.01**	P 0.01	P 0.01

28.5 Treasury Shares

This account also includes the Company's common shares held and acquired by RHGI. The number of treasury common shares aggregated to P633.7 million as at December 31, 2016. The changes in market values of these shares, recognized as fair value gains or losses by the subsidiary, were eliminated in full and not recognized in the consolidated financial statements.

A portion of the Company's retained earnings is restricted for dividend declaration up to the cost of treasury shares as of the end of the reporting period.

28.6 ESOP

(a) Company

In 2012, the Company's BOD approved and the shareholders adopted an ESOP for the Company's key executive officers.

The options shall generally vest on the 60th birthday of the option holder and may be exercised until the date of his/her retirement from the Company. The exercise price shall be at a 15% discount from the volume weighted average closing price of the Company's shares for nine months immediately preceding the date of grant.

Pursuant to this ESOP, on November 6, 2012, the Company granted share options to certain key executives to subscribe to 235.0 million common shares of the Company, at an exercise price of P1.77 per share.

In 2013, additional share options were granted to certain key executives to subscribe to 20 million common shares of the Company at an exercise price of P2.33 per share. Additional 40.0 million share options were granted in 2014 at an average exercise price of P3.00 per share.

There were no additional share options granted in 2016 and 2015.

In 2016 and 2014, 5.0 million options each year were forfeited due to resignation of key executive officers. No option was vested as of December 31, 2016.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP.

The following principal assumptions were used in the valuation:

Option life	11.44 to 30.17 years
Share price at grant date	P2.54 to P4.52
Exercise price at grant date	P1.7731 to P3.2299
Fair value at grant date	P1.21 to P2.19
Average standard deviation of	
Share price return	1.03%
Average dividend yield	1.13%
Average risk-free investment rate	4.63%

The underlying expected volatility was determined by reference to historical date of the Company's shares over a period of time consistent with the option life.

The Company recognized a total of P29.5 million, P31.2 million and P30.1 million share-based executive compensation in 2016, 2015 and 2014, respectively, as part of Salaries and employee benefits and a corresponding credit in Retained Earnings (see Note 25.2).

(b) *GERI*

In 2011, the BOD of GERI approved and the stockholders adopted an ESOP for its key executive officers.

Under the ESOP, GERI shall initially reserve for exercise of share options up to 500.0 million common shares of the GERI's outstanding shares to be issued, in whole or in part, out of the authorized but unissued shares. Share options may be granted within 10 years from the adoption of the ESOP and may be exercised within seven years from date of grant.

The options shall vest within three years from date of grant and the holder of an option may exercise only a third of the option at the end of each year of the three-year period. The exercise price shall be at a 15% discount from the volume weighted average closing price of the GERI's shares for twelve months immediately preceding the date of grant.

Pursuant to this ESOP, in 2012, GERI granted the option to its key company executives to subscribe to 100.0 million shares of GERI, at an exercise price of P1.93. An option holder may exercise in whole or in part his vested option provided, that, an option exercisable but not actually exercised within a given year shall accrue and may be exercised at any time thereafter but prior to the expiration of said option's life cycle. As at December 31, 2016 and 2015, a total of 283.3 million and 200.0 million options have vested but none of these have been exercised yet by any of the option holders as at the end of both reporting periods.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP. The following principal assumptions were used in the valuation:

Average option life	7 years
Share price at grant date	P1.02 to P2.10
Exercise price at grant date	P1.0 to P1.93
Fair value at grant date	P0.24 to P2.27
Standard deviation of share price return	12.16% to 57.10%
Risk-free investment rate	2.14% to 2.59%

The underlying expected volatility was determined by reference to historical date of the GERI's shares over a period of time consistent with the option life.

GERI recognized a total of P18.5 million, P115.1 million and P10.0 million share-based compensation in 2016, 2015, and 2014, respectively, as part of Salaries and employee benefits and a corresponding credit in Non-controlling Interest (see Note 25.2).

A total of P48.0 million, P146.3 million and P40.1 million share option benefits expense in 2016, 2015 and 2014, respectively, is recognized and presented as part of Salaries and employee benefits under Operating Expenses account in the consolidated statements of income (see Note 25.2).

29. EARNINGS PER SHARE

EPS amounts were computed as follows:

	2016	2015	2014
Net profit attributable to Company's shareholders	**P 11,331,824,386**	P 10,215,095,444	P 21,219,577,584
Dividends on cumulative preferred shares Series "A"	**(600,000)**	(600,000)	(600,000)
Profit available to Company's common shareholders	**P 11,331,224,386**	P 10,214,495,444	P 21,218,977,584
Divided by weighted average number of outstanding common shares	**31,819,445,872**	31,816,158,923	31,678,808,588
Basic EPS	**P 0.356**	P 0.321	P 0.670
Divided by weighted average number of outstanding common shares and potential dilutive shares	**31,958,695,843**	31,977,462,945	31,834,293,509
Diluted EPS	**P 0.355**	P 0.319	P 0.667

In 2015, unexercised share warrants expired; hence, were no longer included in the computation. In addition, the potentially dilutive outstanding share options totaling 275 million in 2016 and 280 million both in 2015 and 2014 were also considered in the computations (see Note 28.6).

30. COMMITMENTS AND CONTINGENCIES

30.1 Operating Lease Commitments – Group as Lessor

The Group is a lessor under several non-cancellable operating leases covering real estate properties for commercial use (see Note 12). Future minimum lease payments receivable under these agreements are as follows:

	2016	2015	2014
Within one year	**P 10,392,140,312**	P 7,687,114,102	P 6,757,739,227
After one year but not more than five years	**55,737,574,775**	43,476,147,159	35,491,931,862
More than five years	**17,634,334,035**	13,795,188,452	11,199,502,286
	P 83,764,049,122	P 64,958,449,713	P 53,449,173,375

30.2 Operating Lease Commitments – Group as Lessee

The Group is a lessee under several non-cancellable operating leases covering condominium units for administrative use. The future minimum rental payables under these non-cancellable leases as at December 31 are as follows:

	2016	2015	2014
Within one year	**P 43,652,561**	P 55,832,292	P 48,658,023
After one year but not more than five years	**43,684,340**	62,907,791	49,101,909
More than five years	**52,819,794**	56,662,793	60,505,793
	P 140,156,695	P 175,402,876	P 158,265,725

30.3 Others

As at December 31, 2016 and 2015, the Group has unused lines of credit as follows:

	2016	2015
SPI	**P 3,400,000,000**	P2,100,000,000
EELHI	**670,000,000**	1,023,000,000
	P 4,070,000,000	P3,123,000,000

There are other commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the consolidated financial statements. The management of the Group is of the opinion that losses, if any, from these items will not have any material effect on its consolidated financial statements.

31. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has various financial instruments such as cash and cash equivalents, investments in AFS securities, interest-bearing loans and borrowings, bonds payable, trade receivables and payables which arise directly from the Group's business operations. The financial liabilities were issued to raise funds for the Group's capital expenditures.

The Group does not actively engage in the trading of financial assets for speculative purposes.

31.1 Foreign Currency Sensitivity

Most of the Group's transactions are carried out in Philippine peso, its functional currency. Exposures to currency exchange rates arise mainly from the Group's U.S. dollar-denominated cash and cash equivalents and bonds payable, and Euro-denominated loans and bonds which have been used to fund new projects and to refinance certain indebtedness for general corporate purposes.

As of December 31, 2016 and 2015, net foreign currency-denominated financial liabilities in U.S. dollar, translated into Philippine Peso at the closing rate, amounted to P21.8 billion and P16.3 billion, respectively.

Management assessed that the reasonably possible change in exchange rates of Philippine Peso to U.S. dollar, based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months at 68% confidence level is 5.04% and 3.67% in 2016 and 2015, respectively. If the exchange rate increased or decreased by such percentages, the profit before tax in 2016 and 2015 would have changed by P1,099.99 million and P598.97 million, respectively.

As of December 31, 2016 and 2015, the Group has foreign currency-denominated financial assets and liabilities in Euro but has no material foreign currency risk exposure.

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions and mainly affect consolidated profit or loss of the Group. There are no material exposures on foreign exchange rate that affect the Group's consolidated other comprehensive income (loss). Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

31.2 Interest Rate Sensitivity

The Group interest risk management policy is to minimize interest rate cash flow risk exposures to changes in interest rates. The Group maintains a debt portfolio unit of both fixed and floating interest rates. Most long-term borrowings are subject to fixed interest rate while other financial assets subject to variable interest rates.

The Group's ratio of fixed to floating rate debt stood at 113.01:1.00, 25.74:1.00 and 51.63:1.00 as of December 31, 2016, 2015 and 2014, respectively.

The following table illustrates the sensitivity of the consolidated net results for the year and consolidated equity to a reasonably possible change in floating interest rates of +/–1% in 2016 and 2015. The calculations are based on the Group's financial instruments held at each reporting date. All other variables are held constant.

	2016		2015	
	+1%	**-1%**	+1%	-1%
Consolidated net results for the year	**(P 3,283,288)**	**P 3,283,288**	(P 19,675,000)	P 19,675,000
Consolidated equity	**(2,298,301)**	**2,298,301**	(13,772,500)	13,772,500

31.3 Credit Risk

The Group's credit risk is attributable to trade receivables, rental receivables and other financial assets. The Group maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position (or in the detailed analysis provided in the notes to consolidated financial statements), as summarized below.

	Notes	**2016**	2015
Cash and cash equivalents	5	**P 16,395,663,456**	P 22,763,063,173
Trade and other receivables – net	6	**62,670,975,654**	55,148,505,013
Advances to associates and other related parties	11, 27.3	**2,507,516,083**	3,959,157,797
AFS debt securities	9	**66,501,898**	65,334,355
Guarantee and other deposits	14	**983,982,727**	822,930,111
		P 82,624,639,818	P 82,758,990,449

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents as described below.

(a) Cash and Cash Equivalents

The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) Trade and Other Receivables

All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regard to Trade and Other Receivables as the amounts recognized resemble a large number of receivables from various customers. Certain receivables from trade customers are covered by post-dated checks. Certain past due accounts are not provided with allowance for impairment to the extent of the expected market value of the property sold to the customer. The title to the real estate properties remains with the Group until the receivables are fully collected.

Some of the unimpaired trade receivables are past due as at the end of the reporting period. The trade receivables that are past due but not impaired are as follows:

	2016	2015
Not more than 3 months	**P1,323,419,533**	P1,152,518,898
More than 3 months but not more than 6 months	**464,509,857**	445,589,200
More than 6 months but not more than one year	**303,215,454**	267,533,633
More than one year	**144,702,602**	104,813,390
	P2,235,847,446	P1,970,455,121

31.4 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week, as well as on the basis of a rolling 30-day projection. Long-term needs for a six-month and one-year period 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 marketable securities. 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.

As at December 31, 2016 and 2015, the Group's financial liabilities have contractual maturities which are presented below.

	2016		
	Within 1 Year	**1 to 5 Years**	**More than 5 Years**
Interest-bearing loans and borrowings*	P 7,638,691,154	P 35,150,365,101	P 1,478,120,046
Trade and other payables	13,303,336,111	-	-
Bonds payable*	954,316,762	12,945,153,375	12,717,881,563
Redeemable preferred shares*	28,933,722	1,064,257,763	251,597,580
Advances from associates and other related parties	-	2,424,926,309	-
	P 21,925,277,749	**P 51,584,702,548**	**P 14,447,599,189**

	2015		
	Within 1 Year	1 to 5 Years	More than 5 Years
Interest-bearing loans and borrowings*	P 5,625,001,999	P 26,378,266,996	P 5,054,286,885
Trade and other payables	9,937,812,130	-	-
Bonds payable*	903,605,573	12,894,005,250	12,543,208,125
Redeemable preferred shares*	28,933,722	835,807,161	508,981,904
Advances from associates and other related parties	-	1,491,160,829	-
	P 16,495,353,424	P 41,599,240,236	P 18,106,476,914

**Inclusive of future interest costs*

The contractual maturities in the previous page reflect the gross cash flows, which may differ from the carrying values of the liabilities at the reporting dates.

31.5 Other Price Risk Sensitivity

The Group's market price risk arises from its investments in AFS securities carried at fair value . It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

For equity securities listed in the Philippines, the observed volatility rates of the fair values of the Group's investments held at fair value is determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months, estimated at 99% level of confidence. Their impact on the Group's consolidated net profit and consolidated equity as at December 31, 2016 and 2015 are summarized as follows:

	Observed Volatility Rates	Impact on Equity Increase	Impact on Equity Decrease
2016			
Investment in equity securities:			
Holding company	**+/-8.85%**	**P 138,700,599**	**(P 138,700,599)**
Tourism and leisure	**+/-21.55%**	**342,142,231**	**(341,142,231)**
Manufacturing	**+/-9.49%**	**38,348,819**	**(38,438,819)**
2015			
Investment in equity securities:			
Holding company	+/-7.49%	P 147,789,372	(P 147,789,372)
Tourism and leisure	+/-31.47%	264,181,970	(264,181,970)
Manufacturing	+/-6.82%	34,165,835	(34,165,835)

The investments in listed equity securities are considered long-term strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilized in the Group's favor.

32. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

32.1 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 and in the succeeding page.

	Notes	**2016** Carrying Values	**2016** Fair Values	2015 Carrying Values	2015 Fair Values
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	5	**P 16,395,663,456**	**P 16,395,663,456**	P 22,763,063,173	P 22,763,063,173
Trade and other receivables – net	6	**62,670,975,654**	**62,670,975,654**	55,148,505,013	55,148,505,013
Advances to associates and other related parties	11, 27.3	**2,507,516,083**	**2,507,516,083**	3,959,157,797	3,959,157,797
Guarantee and other deposits	14	**983,982,727**	**983,982,727**	822,930,111	822,930,111
		P 82,558,137,920	**P 82,558,137,920**	P 82,693,656,094	P 82,693,656,094
AFS securities:	9				
Equity securities		**P 3,595,778,288**	**P 3,595,778,288**	P 4,634,249,299	P 4,634,249,299
Debt securities		**66,501,898**	**66,501,898**	65,334,355	65,334,355
		P 3,662,280,186	**P 3,662,280,186**	P 4,699,583,654	P 4,699,583,654

	Notes	2016 Carrying Values	2016 Fair Values	2015 Carrying Values	2015 Fair Values
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	15	**P 38,852,773,041**	**P 38,852,773,041**	P 31,672,631,662	P 31,672,631,662
Bonds payable	16	**22,330,589,969**	**22,330,589,969**	20,929,920,130	20,929,920,130
Redeemable preferred shares	18	**1,257,987,900**	**1,257,987,900**	1,257,987,900	1,257,987,900
Trade and other payables	17	**13,303,336,111**	**13,303,336,111**	9,937,812,130	9,937,812,130
Advances from associates and other related parties	27.4	**2,424,926,309**	**2,424,926,309**	1,491,160,829	1,491,160,829
		P 78,169,613,330	**P 76,169,613,330**	P 65,289,512,651	P 65,289,512,651

See Notes 2.5 and 2.10 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 31.

32.2 Offsetting of Financial Assets and Financial Liabilities

The Group has not set-off financial instruments in 2016 and 2015 and does not have relevant offsetting arrangements, except as disclosed in Notes 27.3 and 27.4. Currently, all other financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties' BOD and shareholders. As such, the Group's outstanding receivables from and payables to the same related parties can be potentially offset to the extent of their corresponding outstanding balances. Further, certain trade receivables that were assigned on a with-recourse basis may be offset against the related outstanding borrowings from local banks (see Notes 15.2 and 15.4).

33. FAIR VALUE MEASUREMENT AND DISCLOSURES

33.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

33.2 Financial Instruments Measurement at Fair Value

The table below shows the fair value hierarchy of the Group's investments in AFS Securities measured at fair value in the consolidated statements of financial position on a recurring basis as at December 31, 2016 and 2015 (see Note 9).

	Level 1	Level 2	Level 3	Total
2016				
Equity securities	**P 3,568,328,390**	**P -**	**P 27,449,898**	**P3,595,778,288**
Debt securities	**66,501,898**	**-**	**-**	**66,501,898**
2015				
Equity securities	4,606,799,401	-	27,449,898	P 4,634,249,299
Debt securities	65,334,355	-	-	65,334,355

The Group has no financial liabilities measured at fair value as at December 31, 2016 and 2015.

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years.

Described below are the information about how the fair values of the Group's classes of financial assets are determined.

(a) *Equity Securities*

As at December 31, 2016 and 2015, instruments included in Level 1 comprise equity securities classified as AFS securities. These securities were valued based on their market prices quoted in the PSE at the end of each reporting period.

Moreover, equity security held in certain investee companies are included in Level 3 since its market value is not quoted in an active market, hence, measured by reference to the fair value of a comparable instrument adjusted for inputs internally developed by management to consider the differences in corporate profile and historical performance of the entity.

(b) *Debt Securities*

The fair value of the Group's debt securities which consist of corporate bonds is estimated by reference to quoted bid price in active market (i.e., Frankfurt Exchange) at the end of the reporting period and is categorized within Level 1.

33.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The Group's financial assets which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed include cash and cash equivalents, which are categorized as Level 1, and trade and other receivables – net, advances to associates and other related parties and guarantee and other deposits which are categorized as Level 3. Financial liabilities which are not measured at fair value but for which fair value is disclosed pertain to interest-bearing loans and borrowings, bonds payable, redeemable preferred shares, trade and other payables and advances from associates and other related parties which are categorized under Level 3.

For financial assets with fair values included in Level 1, management considers that the carrying amounts of these financial instruments approximate their fair values due to their short-term duration.

The fair values of the financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability based on the instrument where the significant inputs required to determine the fair value of such instruments are not based on observable market data.

33.4 Fair Value Investment Properties Measured at Cost for which Fair Value is Disclosed

The fair value of the Group's investment properties except for investment properties of API and LFI (see Note 12) was determined by calculating the present value of the cash inflows anticipated until the life of the Investment properties using a discount rate of 8%. On the other hand, the fair value of API and LFI was determined by an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. In estimating the fair value of these properties, 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 investment properties is their current use.

As at December 31, 2016 and 2015, the fair value of the Group's investment properties is classified within Level 3 of the fair value hierarchy. The Level 3 fair value of the investment properties was determined using the income approach which is performed with values derived using a discounted cash flow model. The income approach uses future free cash flow projections and discounts them to arrive at a present value. The discount rate is based on the level of risk of the business opportunity and costs of capital. The most significant inputs into this valuation approach are the estimated annual cash inflow and outgoing expenses, anticipated increase in market rental, discount rate and terminal capitalization rate.

Also, there were no transfers into or out of Level 3 fair value hierarchy in 2016 and 2015.

34. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objective is to ensure its ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using the debt-to-equity ratio.

	2016	2015
Interest-bearing loans and borrowings	**P 38,852,773,041**	P 31,672,631,662
Bonds payable	**22,330,589,969**	20,929,920,130
	P 61,183,363,010	P 52,602,551,792
Total equity	**P 143,618,340,329**	P 134,413,354,643
Debt-to-equity ratio	**0.43 : 1.00**	0.39 : 1.00

The Group has complied with its covenant obligations, including maintaining the required debt-to-equity ratio for the years presented above.

35. EVENTS AFTER THE END OF THE REPORTING PERIOD

In March 2017, the SEC approved the shelf registration of P30.0 billion fixed rate bonds of the Company. Relative to the first tranche of shelf registration, the SEC also granted the Company a permit to sell P8.0 billion, with an over subscription option of up to P4.0 billion, seven-year Series B fixed rate bonds due in 2024 with an interest rate of 5.3535%. On March 28, 2017, the Company issued P12.0 billion bonds relative to the offer.

36. OTHER MATTER

International Organization for Standardization (ISO) Certification

The Company was awarded a certificate of registration under ISO 9001:1994 on November 26, 1999 by Certification International Philippines, Inc. which was upgraded to ISO 9001:2000 series on November 21, 2002.

Effective November 25, 2011, the Company has upgraded its Certification to ISO 9001:2008 for its quality management system. The scope of the certification covers all areas of the Company's real estate development and marketing. Among others, the Company is required to undergo surveillance audits every six months.

P&A
Grant Thornton

An instinct for growth™

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

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

T +63 2 988 2288
F +63 2 886 5506
grantthornton.com.ph

The Board of Directors and Stockholders
Megaworld Corporation and Subsidiaries
(A Subsidiary of Alliance Global Group, Inc.)
28th Floor, The World Centre Building
Sen. Gil Puyat Avenue, Makati City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Megaworld Corporation and Subsidiaries (the Group) for the year ended December 31, 2016, on which we have rendered our report dated March 29, 2017. 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 Securities Regulation Code Rule 68, 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 the Group's 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: **Renan A. Piamonte**
Partner

CPA Reg. No. 0107805
TIN 221-843-037
PTR No. 5908630, January 3, 2017, Makati City
SEC Group A Accreditation
Partner - No. 1363-AR-1 (until Mar. 1, 2020)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-37-2016 (until Oct. 3, 2019)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

March 29, 2017

Megaworld Corporation and Subsidiaries
List of Supplementary Information
December 31, 2016

Megaworld Corporation and Subsidiaries
Schedule A - Financial Assets
Available-for-sale Securities
December 31, 2016

Name of issuing entity and association of each issue	*Number of shares or principal amount of bonds or notes*	*Amount shown on the balance sheet*	*Valued based on the market quotation at balance sheet date*	*Income received and accrued*
Alliance Global Group, Inc.	122,600,000	P 1,566,828,000	P 1,566,828,000	P 38,006,000
Travellers International Hotel Group, Inc.	290,587,162	956,031,763	956,031,763	14,529,358
Emperador, Inc.	57,729,000	406,374,970	406,374,970	6,616,960
Various quoted equity securities	190,665,866	639,093,657	639,093,657	9,693,078
Various unquoted equity securities	29,501,000	27,449,898	27,449,898	-
Various unquoted debt securities	1,250,000	66,501,898	66,501,898	3,608,792
		P 3,662,280,186	P 3,662,280,186	P 72,454,188

Megaworld Corporation and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2016

				Ending Balance		
Name	***Beginning Balance***	***Additions***	***Deductions***	***Current***	***Not current***	***Total***
Accounts Receivable from Officers and employees	P 2,123,025	P -	(P 997,956)	P 1,125,069	P -	P 1,125,069

MEGAWORLD CORPORATION AND SUBSIDIARIES
SCHEDULE C- Amounts Receivable/Payable from/to Related Parties which are Eliminated During the Consolidation of Financial Statements
December 31, 2016

Name and designation of debtor	Balance at the beginning of period	Additions	Deductions: Amounts collected	Deductions: Amounts written off	Current	Non current	Balance at the end of the period
Due from Related Parties:							
Suntrust Properties, Inc. (SPI)	P 2,235,174,633	P 230,216,147	P -	P -	P -	P 2,465,390,780	P 2,465,390,780
Empire East Land Holdings, Inc. (EELHI)	1,883,501,611	133,694,525	-	-	-	2,017,196,136	2,017,196,136
Megaworld Cebu Properties, Inc. (MCP)	1,540,129,557	-	21,596,893	-	-	1,518,532,664	1,518,532,664
Landmark Seaside Properties, Inc. (LSPI)	1,100,281,737	-	-	-	-	1,100,281,737	1,100,281,737
San Vicente Coast, Inc. (SVCI)	-	971,055,960	-	-	-	971,055,960	971,055,960
Maple Grove Land, Inc. (MGLI)	-	342,350,993	-	-	-	342,350,993	342,350,993
Arcovia Properties, Inc. (API)	114,662,816	-	2,835,605	-	-	111,827,211	111,827,211
Global Estate Resorts, Inc. (GERI)	75,304,089	27,140,307	-	-	-	102,444,396	102,444,396
Megaworld Newport Property Holdings, Inc. (MNPHI)	92,126,213	-	8,734,629	-	-	83,391,584	83,391,584
Megaworld Land, Inc. (MLI)	177,393,885	-	112,356,050	-	-	65,037,835	65,037,835
Eastwood Property Holdings, Inc. (EPHI)	45,893,431	4,160,251	-	-	-	50,053,682	50,053,682
Oceantown Properties, Inc. (OPI)	58,354,995	-	20,053,890	-	-	38,301,105	38,301,105
Belmont Newport Luxury Hotels Inc. (BNLHI)	26,869,495	8,335,122	-	-	-	35,204,617	35,204,617
Megaworld Bacolod Properties Inc. (MBPI)	24,001,020	47,388	-	-	-	24,048,408	24,048,408
Integrated Town Management Corporation (ITMC, formerly PIPI)	-	7,081,805	-	-	-	7,081,805	7,081,805
Luxury Global Hotels and Leisure, Inc. (LGHLI)	1,645,743	1,333	-	-	-	1,647,076	1,647,076
Streamwood Property, Inc. (SP)	1,344,666	27,082	-	-	-	1,371,748	1,371,748
Various Subsidiaries	6,655,071	497,536	5,187,193	-	-	1,965,414	1,965,414
Due to Related Parties:							
Richmonde Hotel Group International, Ltd. (RHGI)	3,850,795,111	418,782,558	-	-	-	4,269,577,669	4,269,577,669
Megaworld Globus Asia, Inc. (MGAI)	210,979,082	-	-	-	-	210,979,082	210,979,082
Townsquare Development, Inc. (TDI)	62,252,966	106,609,622	-	-	-	168,862,588	168,862,588
Megaworld Central Properties, Inc. (MCPI)	156,350,553	10,204,225	-	-	-	166,554,778	166,554,778
Prestige Hotels and Resorts, Inc. (PHRI)	69,506,432	26,532,433	-	-	-	96,038,865	96,038,865
Megaworld-Daewoo Corporation (MDC)	119,927,543	-	25,425,311	-	-	94,502,232	94,502,232
Eastwood Cyber One Corporation(ECOC)	-	84,414,440	-	-	-	84,414,440	84,414,440
Davao Park District Holdings, Inc. (DPDHI)	-	36,034,042	-	-	-	36,034,042	36,034,042
Gilmore Property Marketing Associates Inc. (GPMAI)	-	3,125,100	-	-	-	3,125,100	3,125,100
Integrated Town Management Corporation (ITMC, formerly PIPI)	4,365,587	-	4,365,587	-	-	-	-

Megaworld Corporation and Subsidiaries
Schedule D - Intangible Assets - Other Assets
December 31, 2016

			Deduction			
Description	*Beginning balance*	*Additions at cost*	*Charged to cost and expenses*	*Charged to other accounts*	*Other changes additions (deductions)*	*Ending balance*
Goodwill	P 1,290,232,360	P -	P -	P -	P -	P 1,290,232,360
Leasehold Rights	132,339,119	-	6,965,217	-	-	125,373,902
	P 1,422,571,479	P -	P 6,965,217	P -	P -	P 1,415,606,262

Megaworld Corporation and Subsidiaries
Schedule E - Long-Term Debt
December 31, 2016

Title of issue and type of obligation	*Amount authorized by indenture*		*Amount shown under caption"Current portion of long-term debt" in related balance sheet*		*Amount shown under caption"Long-Term Debt" in related balance sheet*	
Long -term loan	P	42,438,460,225	P	5,942,600,867	P	32,847,121,469
Foreign borrowings	$	451,265,748		63,050,705		22,330,589,969
			P	6,005,651,572	P	55,177,711,438

Megaworld Corporation and Subsidiaries
Schedule H - Capital Stock
December 31, 2016

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under the related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common shares - P1 par value	40,140,000,000	32,239,445,872	275,000,000	21,284,521,882	99,449,327	10,855,474,663
Preferred shares - P.01 par value	6,000,000,000	6,000,000,000		6,000,000,000		

Megaworld Corporation
Schedule I - Reconciliation of Retained Earnings Available for Dividend Declaration
December 31, 2016

Unappropriated Retained Earnings at Beginning of Period		P 57,509,822,684
Prior Years Outstanding Reconciling Items		
Deferred tax income	(882,155,481)	
Stock options credited to retained earnings	(91,627,355)	
Unrealized interest income from trade receivables	527,547,206	
Day-one gain on initial measurement of security deposits at amortized cost	(452,825,153)	(899,060,784)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Period, as Adjusted		56,610,761,900
Net Profit Realized during the period		
Net profit per unaudited financial statements		10,757,859,777
Non-actual/unrealized income		
Amortization of interest from trade receivables	(1,123,948,357)	
Day-one gain on initial measurement of security deposits at amortized cost	(263,282,594)	
Rental income from straight-line amortization in excess of rental collections	(186,302,673)	
Amortization of day-one gain from security deposits at amortized cost	169,735,069	
Deferred tax income	(450,270,473)	(1,854,069,028)
		8,903,790,749
Dividends declared during the period		(1,629,824,911)
Retained Earnings Restricted for Treasury Shares		(118,555,453)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Period		**P 63,766,172,285**

Megaworld Corporation and Subsidiaries
Schedule J - Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as at December 31, 2016

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✔		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✔		
Practice Statement Management Commentary			✔	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✔		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✔		
	Amendments to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✔		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✔		
	Amendments to PFRS 1: Government Loans	✔		
PFRS 2	Share-based Payment	✔		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✔		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✔		
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions* *(effective January 1, 2018)*			✔
PFRS 3 (Revised)	Business Combinations	✔		
PFRS 4	Insurance Contracts			✔
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✔
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✔
PFRS 6	Exploration for and Evaluation of Mineral Resources			✔
PFRS 7	Financial Instruments: Disclosures	✔		
	Amendments to PFRS 7: Transition	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✔		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✔		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✔		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✔		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures* *(effective when PFRS 9 is first applied)*			✔
PFRS 8	Operating Segments	✔		
PFRS 9	Financial Instruments (2014)* *(effective January 1, 2018)*			✔
PFRS 10	Consolidated Financial Statements	✔		
	Amendments to PFRS 10: Transition Guidance	✔		
	Amendments to PFRS 10: Investment Entities	✔		
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	✔		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*			✔
PFRS 11	Joint Arrangements	✔		
	Amendments to PFRS 11: Transition Guidance	✔		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	✔		
PFRS 12	Disclosure of Interests in Other Entities	✔		
	Amendments to PFRS 12: Transition Guidance	✔		
	Amendments to PFRS 12: Investment Entities	✔		
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	✔		
PFRS 13	Fair Value Measurement	✔		
PFRS 14	Regulatory Deferral Accounts			✔
PFRS 15	Revenue from Contract with Customers *(effective January 1, 2018)*			✔
PFRS 16	Leases* *(effective January 1, 2019)*			✔
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✔		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✔		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✔		
	Amendments to PAS 1: Disclosure Initiative	✔		

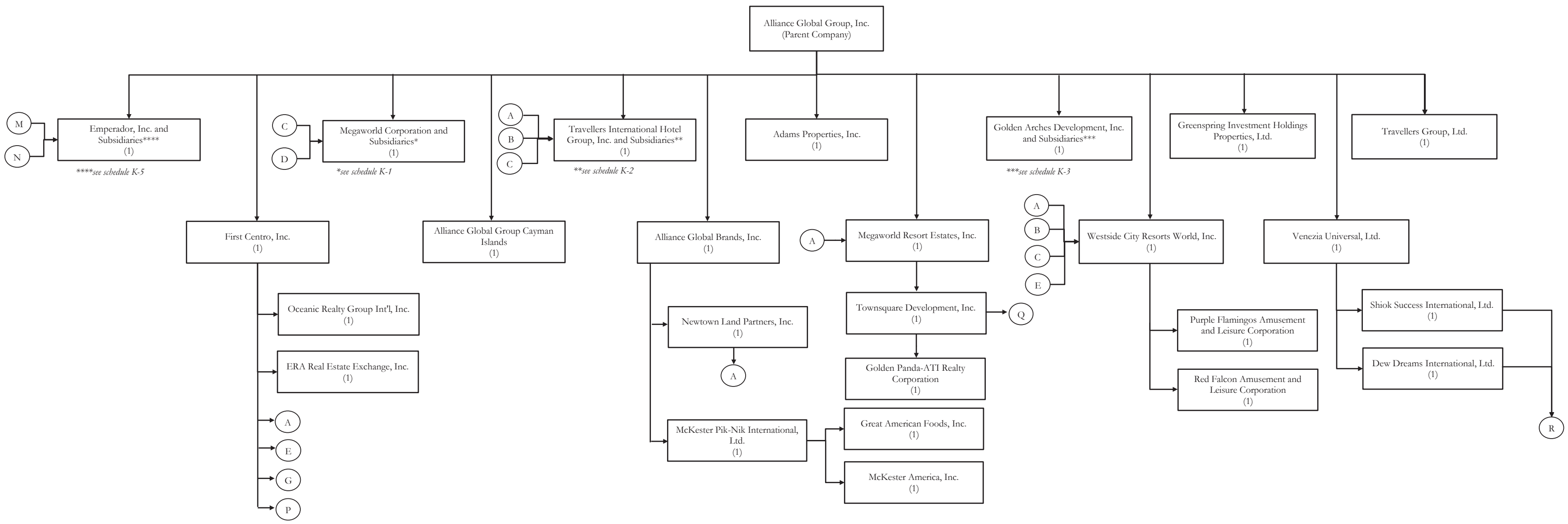
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 2	Inventories	✔		
PAS 7	Statement of Cash Flows	✔		
	Amendments to PAS 7: Disclosure Initiative* *(effective January 1, 2017)*			✔
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✔		
PAS 10	Events After the Reporting Period	✔		
PAS 11	Construction Contracts			✔
PAS 12	Income Taxes	✔		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✔		
	Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses* *(effective January 1, 2017)*			✔
PAS 16	Property, Plant and Equipment	✔		
	Amendments to PAS 16: Bearer Plants	✔		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and	✔		
PAS 17	Leases	✔		
PAS 18	Revenue	✔		
PAS 19 (Revised)	Employee Benefits	✔		
	Amendments to PAS 19: Defined Benefit Plans – Employee Contributions	✔		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✔
PAS 21	The Effects of Changes in Foreign Exchange Rates	✔		
	Amendments: Net Investment in a Foreign Operation	✔		
PAS 23 (Revised)	Borrowing Costs	✔		
PAS 24 (Revised)	Related Party Disclosures	✔		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✔
PAS 27 (Revised)	Separate Financial Statements			✔
	Amendments to PAS 27: Investment Entities			✔
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✔
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✔		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred indefinitely)*			✔
	Amendments to PAS 28: Investment Entities – Applying the Consolidation Exception	✔		
PAS 29	Financial Reporting in Hyperinflationary Economies			✔
PAS 32	Financial Instruments: Presentation	✔		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✔		
	Amendments to PAS 32: Classification of Rights Issues	✔		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✔		
PAS 33	Earnings Per Share	✔		
PAS 34	Interim Financial Reporting			✔
PAS 36	Impairment of Assets	✔		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✔		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✔		
PAS 38	Intangible Assets	✔		
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and	✔		
PAS 39	Financial Instruments: Recognition and Measurement	✔		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✔		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✔		
	Amendments to PAS 39: The Fair Value Option	✔		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✔		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✔		
	Amendments to PAS 39: Eligible Hedged Items	✔		
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✔		
PAS 40	Investment Property	✔		
PAS 41	Agriculture			✔
	Amendments to PAS 41: Bearer Plants			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✔		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✔
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✔		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**	✔		
IFRIC 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment			✔
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✔
IFRIC 9	Reassessment of Embedded Derivatives**	✔		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives**	✔		
IFRIC 10	Interim Financial Reporting and Impairment			✔
IFRIC 12	Service Concession Arrangements			✔
IFRIC 13	Customer Loyalty Programmes			✔
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✔		
	Amendments to Philippine Interpretations IFRIC – 14, Prepayments of a Minimum Funding Requirement and their Interaction**	✔		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✔
IFRIC 17	Distributions of Non-cash Assets to Owners**	✔		
IFRIC 18	Transfers of Assets from Customers**	✔		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	✔		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✔
IFRIC 21	Levies	✔		
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✔
SIC-10	Government Assistance – No Specific Relation to Operating Activities			✔
SIC-13	Jointly Controlled Entities – Non-Monetary Contributions by Venturers			✔
SIC-15	Operating Leases – Incentives	✔		
SIC-25	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders**	✔		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✔		
SIC-29	Service Concession Arrangements: Disclosures			✔
SIC-31	Revenue – Barter Transactions Involving Advertising Services**	✔		
SIC-32	Intangible Assets – Web Site Costs			✔

* These standards will be effective for periods subsequent to 2016 and are not early adopted by the Group.

** These standards have been adopted in the preparation of consolidated financial statements but the Group has no significant transactions covered in both years presented.

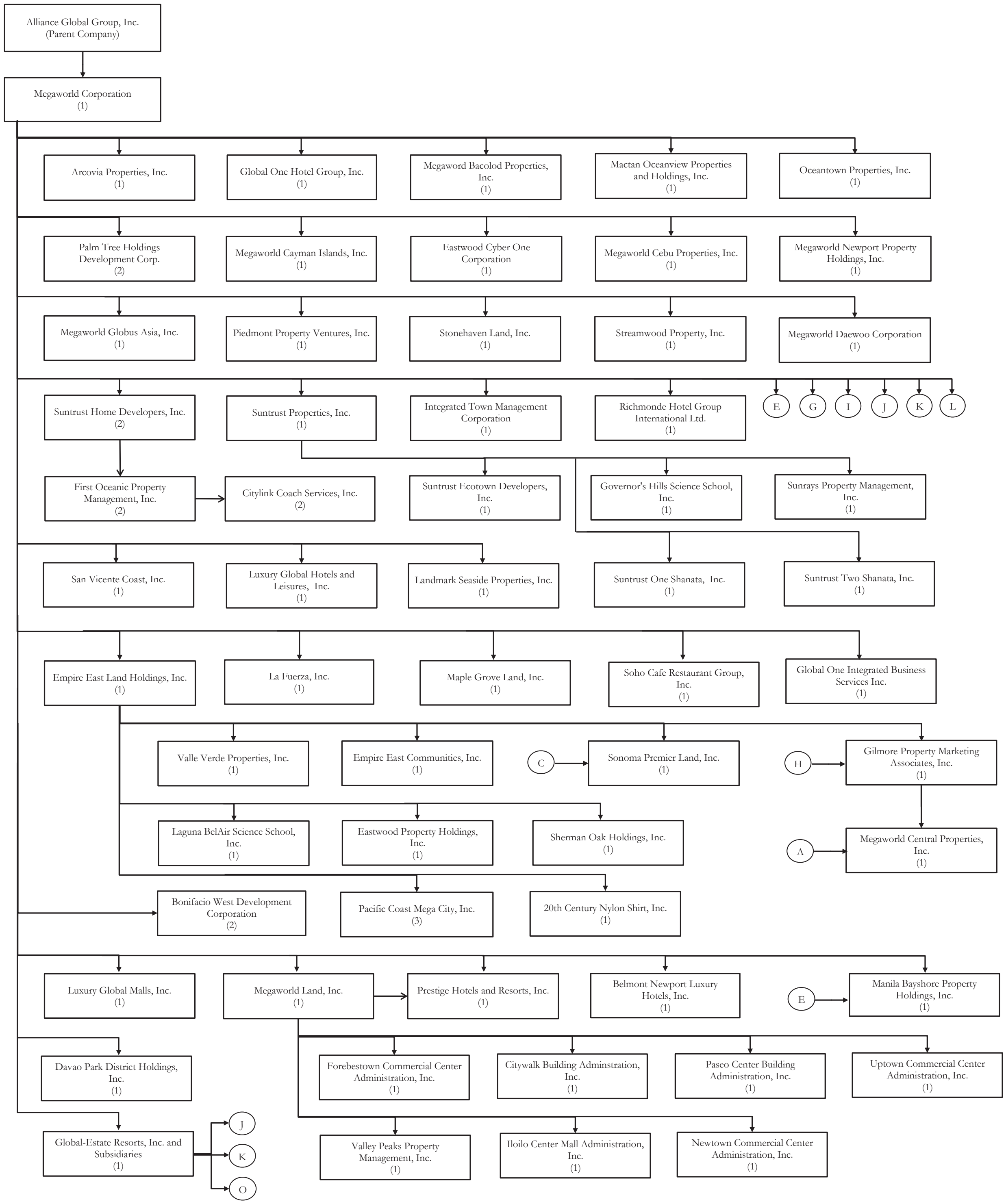
ALLIANCE GLOBAL GROUP, INC.
Schedule K – Map Showing the Relationship Between and
Among the Company and Its Related Parties
December 31, 2016



Legend

(1)	Subsidiary		A	Megaworld Corporation		F	Manila Bayshore Property Holdings, Inc.		K	Megaworld Global Estates, Inc.		P	Sonoma Premier Land, Inc.	
(2)	Associate		B	Adams Properties, Inc.		G	Westside City Resorts World, Inc.		L	Megaworld Central Properties, Inc.		Q	Gilmore Property Marketing Associates, Inc.	
(3)	Jointly Controlled Entity		C	First Centro, Inc.		H	Townsquare Development, Inc.		M	Shiok Success International, Ltd.		R	Emperador Inc.	
			D	Newtown Land Partners, Inc.		I	Megaworld Resort Estates, Inc.		N	Dew Dreams International, Ltd.				
			E	Travellers International Hotel Group, Inc.		J	Twin Lakes Corporation		O	File-Estate Properties, Inc.				

ALLIANCE GLOBAL GROUP, INC.
Schedule K-1 – Map Showing the Relationship Between and
Among the Company and Megaworld Corporation Group
December 31, 2016



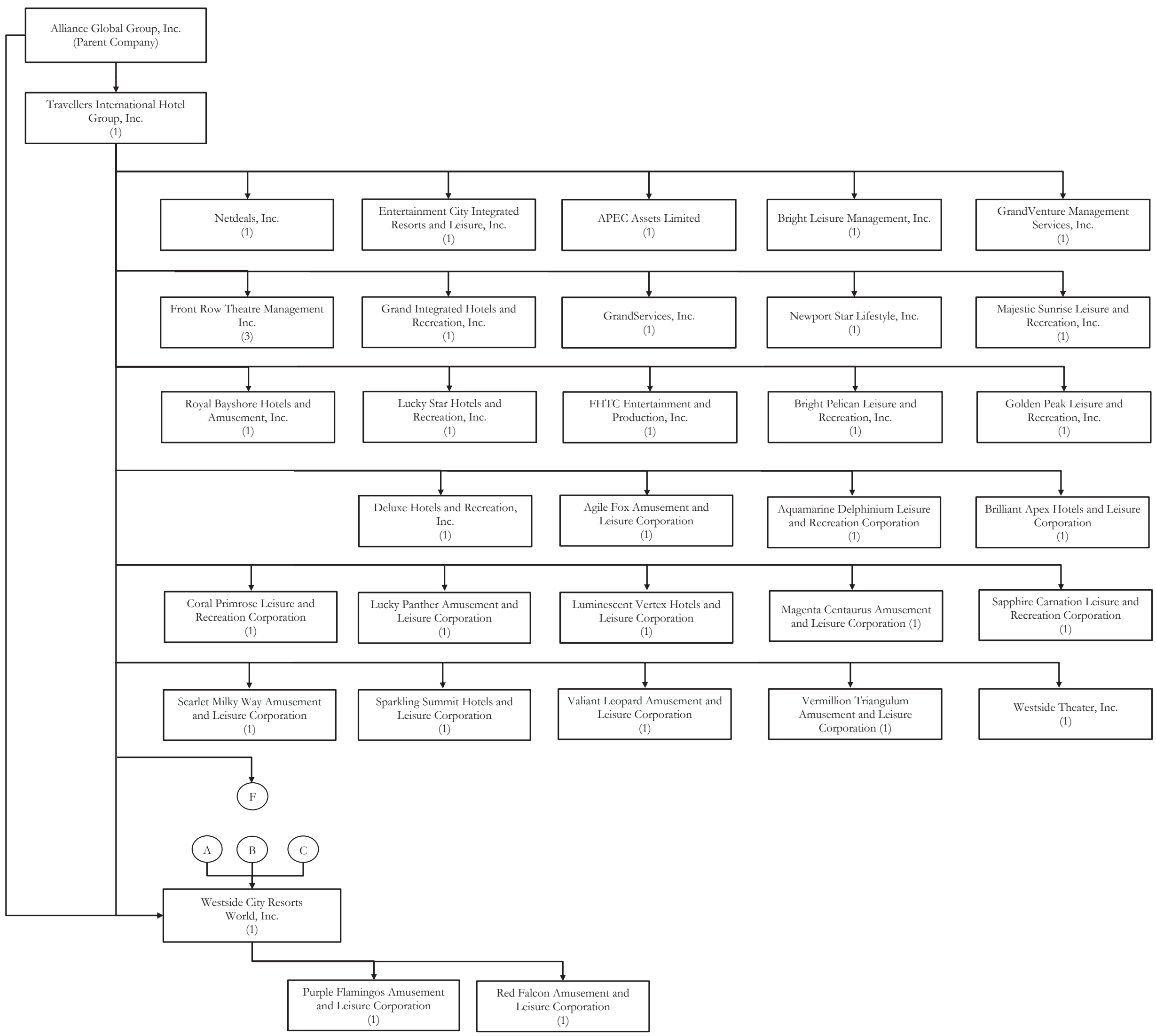
Legend

(1) Subsidiary (2) Associate (3) Jointly Controlled Entity

A	Megaworld Corporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	File-Estate Properties, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.

i

ALLIANCE GLOBAL GROUP, INC.
Schedule K-2 – Map Showing the Relationship Between and
Among the Company and Travellers Group
December 31, 2016

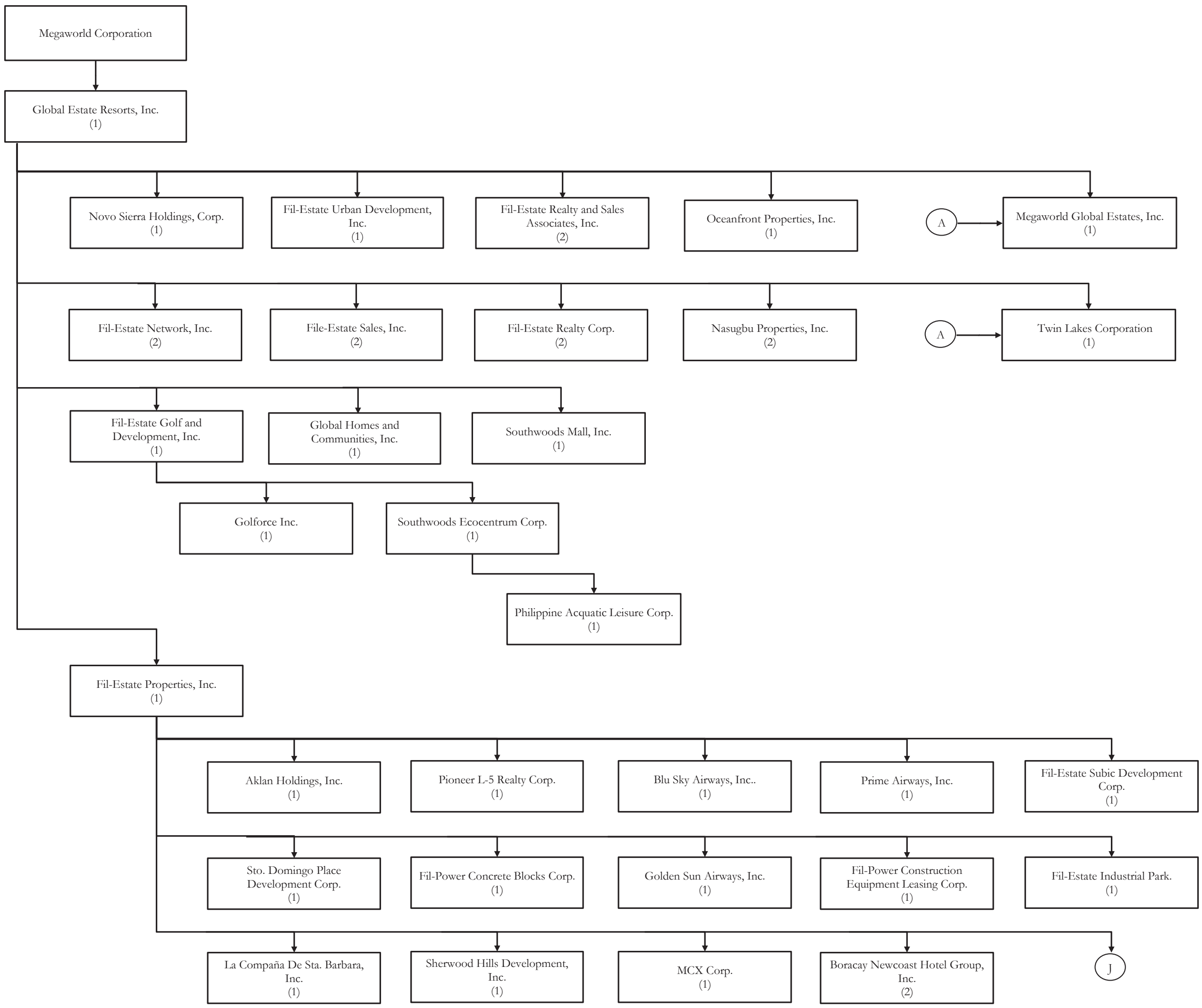


Legend

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	Megaworld Corporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	File-Estate Properties, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.

ALLIANCE GLOBAL GROUP, INC.
Schedule K-4 – Map Showing the Relationship Between and
Among Megaworld and Global Estate Resorts Inc. Group
December 31, 2016

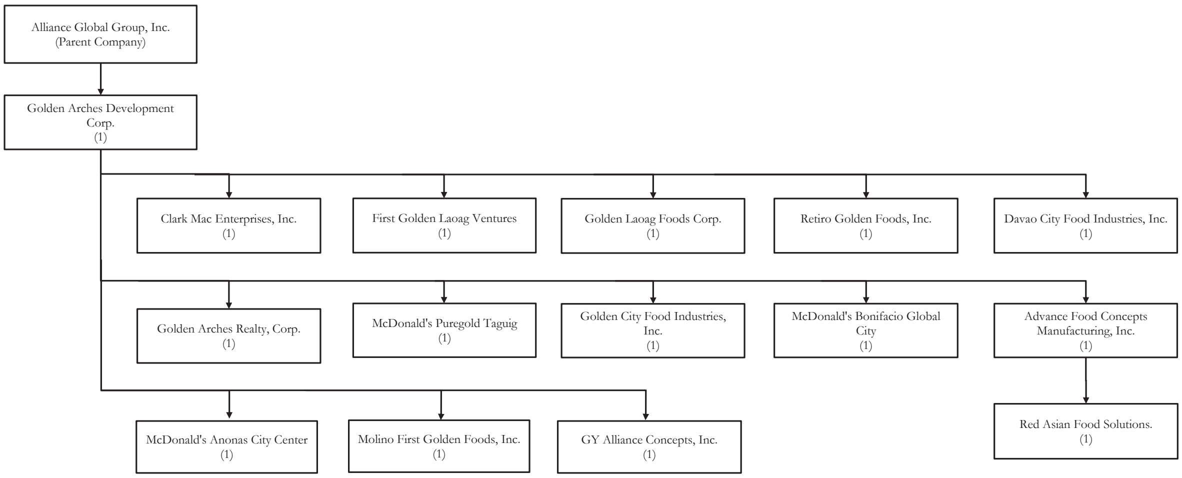


Legend

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	Megaworld Corporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	File-Estate Properties, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.

ALLIANCE GLOBAL GROUP, INC.
Schedule K-3 – Map Showing the Relationship Between and
Among the Company and Golden Arches Development Corporation Group
December 31, 2016

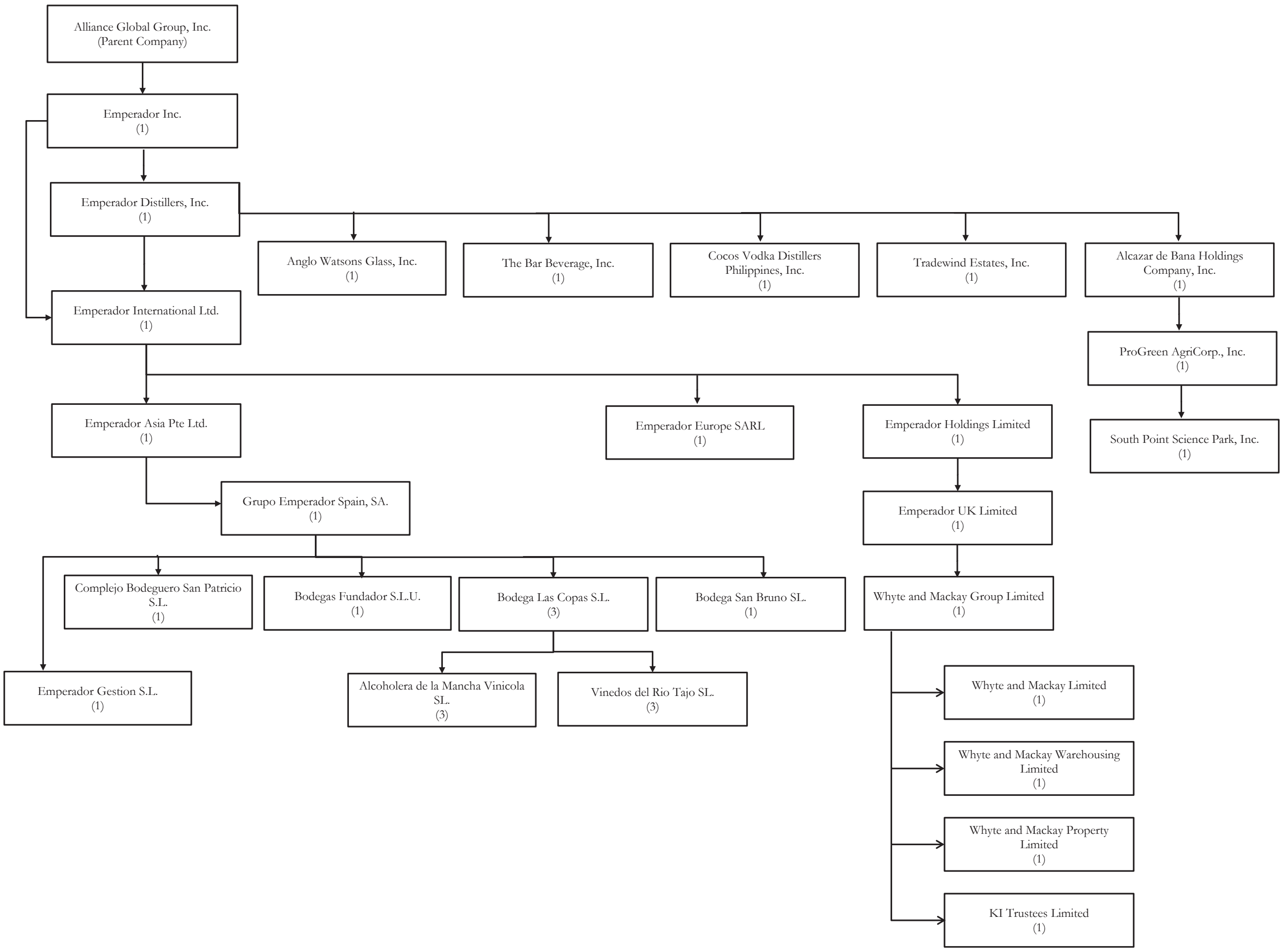


Legend

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	Megaworld Corporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	File-Estate Properties, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.

ALLIANCE GLOBAL GROUP, INC.
Schedule K-5 – Map Showing the Relationship Between and
Among the Company and Emperador Inc.
December 31, 2016



Legend

(1) Subsidiary
(2) Associate
(3) Jointly Controlled Entity

A	Megaworld Corporation	J	Twin Lakes Corporation
B	Adams Properties, Inc.	K	Megaworld Global Estates, Inc.
C	First Centro, Inc.	L	Megaworld Central Properties, Inc.
D	Newtown Land Partners, Inc.	M	Shiok Success International, Ltd.
E	Travellers International Hotel Group, Inc.	N	Dew Dreams International, Ltd.
F	Manila Bayshore Property Holdings, Inc.	O	File-Estate Properties, Inc.
G	Westside City Resorts World, Inc.	P	Sonoma Premier Land, Inc.
H	Townsquare Development, Inc.	Q	Gilmore Property Marketing Associates, Inc.
I	Megaworld Resort Estates, Inc.	R	Emperador Inc.

Megaworld Corporation and Subsidiaries
Schedule L - Financial Soundness Indicators
December 31, 2016 and 2015

	DECEMBER 31, 2016	DECEMBER 31, 2015
Current ratio	3.44 :1.00	3.60 :1.00
Quick ratio	0.40 :1.00	0.62 :1.00
Debt-to-equity ratio	0.43 :1.00	0.39 :1.00
Interest-bearing debt to total capitalization ratio	0.33 :1.00	0.31 :1.00
Asset-to-equity ratio	1.94 :1.00	1.87 :1.00
Interest rate coverage ratio	563.42%	740.88%
Net profit margin	25.01%	23.50%
Return on assets	4.42%	4.47%
Return on equity/investment of owners	9.36%	8.98%

LIQUIDITY RATIOS measure the business' ability to pay short-term debt.
Current ratio – computed as current assets divided by current liabilities
Quick ratio – computed as cash and cash equivalents divided by current liabilities

SOLVENCY RATIOS measure the business' ability to pay all debts, particularly long-term debt.
Debt to equity ratio – computed as interest bearing loans and borrowings and bonds payable divided by total stockholders' equity.
Interest-bearing debt to total capitalization ratio – computed as interest-bearing debt divided by interest-bearing debt+stockholders' equity attributable to the company's shareholders.

ASSET-TO-EQUITY RATIOS measure financial leverage and long-term solvency. It shows how much of the assets are owned by the company. It is computed as total assets divided by total stockholders' equity.

INTEREST RATE COVERAGE RATIOS measure the business' ability to meet its interest payments. It is computed as Earnings before income tax and interest expense (EBIT) divided by interest payments.

PROFITABILITY RATIOS
Net profit margin – computed as net profit divided by revenues
Return on assets – net profit divided by average total assets
Return on investment of owners – net profit attributable to the company's shareholders divided by average equity attributable to the company's shareholders.