

COVER SHEET

SEC Registration Number

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COMPANY NAME

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PRINCIPAL OFFICE (No./Street/Barangay/City/Town/Province)

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| J | R | . | | A | V | E | N | U | E | , | | B | A | G | U | M | B | A | Y | A | N | , | | | | |
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Form Type

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(For March 31, 2019)

Department requiring the report

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Secondary License Type, If Applicable

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| Certificate of Permit to Offer Securities for Sale |
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COMPANY INFORMATION

Company's Email Address

dinainting@allianceglobal.com.ph

Company's Telephone Number/s

709-2038 to 41

Mobile Number

N/A

No. of Stockholders

1,005

Annual Meeting
Month/Day

JUNE 3RD THURSDAY

Fiscal Year
Month/Day

DECEMBER 31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

DINA INTING

Email Address

dinainting@allianceglobal.com.ph

Telephone Number/s

709-2038 to 41

Mobile Number

N/A

Contact Person's Address

7th Floor, 1880 Eastwood Avenue, Eastwood City Cyberpark, 188 E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER**

1. *For the quarterly period ended* **March 31, 2019**
2. *SEC Identification Number* **AS093-7946**
3. *BIR Tax Identification No.* **003-831-302-000**
4. *Exact name of issuer as specified in its charter* **ALLIANCE GLOBAL GROUP, INC.**
5. **METRO MANILA, PHILIPPINES**
Province, country or other jurisdiction of incorporation or organization
6. *(SEC Use Only)*
Industry classification code
7. **7thFloor, 1880 Eastwood Avenue, Eastwood City CyberPark
188 E. Rodriguez Jr. Ave., Bagumbayan, 1110 Quezon City**
Address of principal office
8. **(632) 70920-38 to -41**
Registrant's telephone number, including area code
9. *Securities registered pursuant to Sections 8 and 12 of the SRC, or secs. 4 and 8 of the RSA*

| <i>Title of Each Class</i> | <i>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</i> |
|----------------------------|--|
| Common | 9,996,335,139 (net of 273,492,840 buyback shares held by AGI) |
10. *Are any or all of these securities listed on a Stock Exchange?* **Yes, on the Philippine Stock Exchange.**
11. (a) *AGI 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.*

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

PART I – FINANCIAL INFORMATION

1. FINANCIAL STATEMENTS

Consolidated Statements of Financial Position
Consolidated Statements of Comprehensive Income
Consolidated Statements of Changes in Equity
Consolidated Statements of Cash Flows
Notes to Interim Consolidated Financial Statements
Schedule of Financial Soundness Indicators
Aging Schedule of Trade and Other Receivables Under Current Assets

The interim consolidated financial statements (ICFS) have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS) and Philippine Accounting Standard 34, *Interim Financial Reporting*. As such, they do not include all of the information and disclosures required for full annual consolidated financial statements, and thus should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended December 31, 2018 (ACFS). The accounting policies and methods used in the ICFS are consistent with those applied in ACFS, except for changes brought about by the adoption of new standards that become effective on January 1, 2019 (see Note 2.2 to the ICFS and Note 2.3(c) to the ACFS). Certain profit and loss accounts in 2018 were reclassified to conform to the current period's presentation.

Accounting estimates, assumptions and judgments are used in preparing these statements; and while these are believed to be reasonable under the circumstances, actual results may ultimately differ from such estimates (see Note 3 to the ACFS).

The ICFS comprise the financial statements of the Company and its subsidiaries, after elimination of material intercompany transactions. In addition, shares of stock of the Company acquired by any of these subsidiaries are recognized as treasury shares and presented at cost as a deduction in the consolidated statements of changes in equity. Any changes in their market values as recognized separately by the subsidiaries are likewise eliminated in full. Gain or loss on the sale of these treasury shares is presented as addition to or deduction from additional paid-in capital.

Business Segments

The Group is organized into four major business segments, which aptly correspond to its operating subsidiaries, namely Megaworld, Emperador, Travellers or RWM, and GADC, which in turn represent the main products and services provided by the Group and the lines of business in which the Group operates, i.e. real estate development and leasing, manufacture and distribution of distilled spirits, tourism-entertainment and gaming, and quick-service restaurants operations (see Note 4 to the ICFS).

The Group disaggregates revenues recognized from contracts with customers into these segments that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. This same disaggregation is used in earnings releases, annual reports and investor presentations.

Please refer to Note 1 to the ICFS and ACFS for a comprehensive list of subsidiaries, associates and joint ventures.

2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF INTERIM FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Key Performance Indicators

Presented below are the top five (5) key performance indicators:

In Million Pesos

| | Jan-March 2019 | Jan-March 2018 | Percent Growth 2019 vs 2018 |
|-------------------------------------|-------------------|-------------------|---|
| REVENUES | 41,048 | 34,421 | 19.2% |
| NET PROFIT | 6,523 | 5,639 | 15.7% |
| NET PROFIT TO OWNERS OF AGI | 4,352 | 3,598 | 21.0% |
| Net profit rate | 15.9% | 16.4% | |
| NP Attributable to parent | 10.6% | 10.5% | |
| Return on investment/assets [NP/TA] | 1.1% | 1.0% | |
| | 31-Mar-19 | 31-Dec-18 | |
| TOTAL ASSETS | 594,708 | 588,251 | 1.1% |
| CURRENT ASSETS | 277,499 | 277,726 | -0.1% |
| CURRENT LIABILITIES | 90,820 | 92,440 | -1.8% |
| Current ratio | 3.1x | 3.0x | |
| Quick ratio | 1.3X | 1.3X | |

Note: Numbers may not add up due to rounding.

- Revenue growth – measures the percentage change in sales/revenues over a designated period of time. Performance is measured both in terms of amount and volume, where applicable.
- Net profit growth – measures the percentage change in net profit over a designated period of time
- Net profit rate – computed as percentage of net profit to revenues - measures the operating efficiency and success of maintaining satisfactory control of costs
- Return on investment [or capital employed] – the ratio of net profit to total assets - measures the degree of efficiency in the use of resources to generate net income
- Current ratio – computed as current assets divided by current liabilities – measures the ability of the business to meet its current obligations. To measure immediate liquidity, quick assets [cash, marketable securities, accounts receivables] is divided by current liabilities.

Results of Operations – First Three Months

The Group generated P6.5 billion net profit during the first three months of the current year, up 16% from P5.6 billion a year ago, as all business segments delivered double-digit revenue growths turning over 19% hike in revenues to P41.0 billion from P34.4 billion a year ago with costs and expenses growing at the same 20% pace year-on-year. Net profit attributable to owners soared 21% to P4.4 billion from P3.6 billion a year ago. Net profit rate stood at 16% for both comparable quarters, yet attributable to owners' rate rose to 11% in current quarter.

By Subsidiary groups:

In Million Pesos

| | MEG | EMP | RWM | GADC | Others | TOTAL |
|-----------------------------|---------------|---------------|--------------|--------------|--------------|---------------|
| 2019 | | | | | | |
| Revenues | 14,893 | 11,025 | 6,912 | 7,520 | 743 | 41,094 |
| Intercompany/ Adjustment | (40) | - | (3) | - | (3) | |
| Consolidated | 14,853 | 11,025 | 6,909 | 7,520 | 740 | 41,048 |
| % contribution | 36% | 27% | 17% | 18% | 2% | 100% |
| Costs and expenses | 9,368 | 9,005 | 6,659 | 6,976 | 698 | 32,706 |
| Intercompany/Adjustment | - | (9) | (10) | (24) | (3) | |
| Consolidated | 9,368 | 8,996 | 6,649 | 6,952 | 695 | 32,660 |
| Tax Expense | 1,409 | 277 | 10 | 162 | 7 | 1,865 |
| Net profit | 4,116 | 1,743 | 243 | 382 | 38 | 6,522 |
| Intercompany/ Adjustment | (40) | 9 | 7 | 24 | - | |
| Consolidated | 4,076 | 1,752 | 251 | 406 | 38 | 6,523 |
| % contribution | 62% | 27% | 4% | 6% | 1% | 100% |
| Net profit to owners | 3,836 | 1,738 | 244 | 383 | 38 | 6,239 |
| Intercompany/ Adjustment | (1,300) | (290) | (127) | (171) | - | |
| Consolidated | 2,536 | 1,448 | 118 | 212 | 38 | 4,352 |
| % contribution | 58% | 33% | 3% | 5% | 1% | 100% |
| 2018 | | | | | | |
| Revenues | 12,961 | 9,744 | 4,742 | 6,647 | 368 | 34,462 |
| Intercompany/ Adjustment | (35) | - | (2) | - | (3) | |
| Consolidated | 12,926 | 9,744 | 4,740 | 6,647 | 365 | 34,421 |
| % contribution | 38% | 28% | 14% | 19% | 1% | 100% |
| Costs and expenses | 8,422 | 7,852 | 4,292 | 6,143 | 652 | 27,361 |
| Intercompany/ Adjustment | - | - | (17) | (21) | (3) | |
| Consolidated | 8,422 | 7,852 | 4,275 | 6,122 | 649 | 27,320 |
| Tax Expense | 1,051 | 230 | 6 | 174 | - | 1,461 |
| Net profit | 3,488 | 1,662 | 444 | 331 | (284) | 5,640 |
| Intercompany/ Adjustment | (35) | - | 15 | 21 | - | |
| Consolidated | 3,453 | 1,662 | 459 | 351 | (284) | 5,639 |
| % contribution | 61% | 29% | 8% | 6% | -5% | 100% |
| Net profit to owners | 3,299 | 1,585 | 445 | 329 | (284) | 5,374 |
| Intercompany/ Adjustment | (1,116) | (284) | (230) | (147) | - | |
| Consolidated | 2,183 | 1,301 | 215 | 182 | (284) | 3,598 |
| % contribution | 61% | 36% | 6% | 5% | -8% | 100% |
| Year-on-year Change | | | | | | |
| 2019 | | | | | | |
| Revenues | 14.9% | 13.1% | 45.8% | 13.1% | 102.9% | 19.2% |
| Costs and expenses | 11.2% | 14.6% | 55.5% | 13.6% | 7.1% | 19.6% |
| Tax Expense | 34.0% | 20.6% | 69.3% | -6.8% | 856x | 27.6% |
| Net profit | 18.1% | 5.4% | -45.3% | 15.5% | -113.5% | 15.7% |
| Net profit to owners | 16.2% | 11.3% | -45.4% | 16.2% | -113.5% | 21.0% |

Notes: - Numbers may not add up due to rounding. Percentages are taken based on full numbers, not from the presented rounded amounts.
- At AGI consolidated level, as presented above, revenues and costs and expenses may differ from the totals separately reported by subsidiaries as there may be items reclassified from/to revenues to/from costs or expenses at AGI consolidated level.

Megaworld, the country's leading developer and pioneer of integrated urban townships, achieved P3.8 billion net profit attributable to its owners in the first quarter, a 16% rise from P3.3 billion a year ago, with the group's revenues escalating 15% to P14.9 billion from P13.0 billion a year ago as all its core business segments exhibited double-digit growths. The **residential** business, which accounted for two-thirds of revenues, turned over 11% higher to end the quarter with P9.5 billion real estate sales from P8.5 billion a year ago at a product mix of 68%-13%-12%-7% for Megaworld-GERI (Global-Estate Resorts, Inc.)-Empire East (Empire East Land Holdings, Inc.)-Suntrust (Suntrust Properties, Inc.) brands. Megaworld has generated around P48 billion reservation sales in the first

quarter. **Leasing** of office and commercial retail spaces, which accounted for 26% of revenues, provided P3.9 billion rental income which grew 16% year-on-year from P3.4 billion as the group completed developments that add up in its rental space inventory. **Hotel** revenues registered the fastest growth, soaring 56% to P574 million from P368 million a year ago, with the recently opened homegrown hotel brands Savoy Hotel Manila, Savoy Hotel Boracay, and Twin Lakes Hotel in Tagaytay. These operating results brought in 36%, 62% and 58% to AGI's consolidated revenues, net profit and net profit attributable to owners, respectively.

Emperador, the world's largest brandy company and owner of the world's 5th largest Scotch whisky manufacturer, hit P1.7 billion net profit attributable to its owners for the first three months of the year, a 10% leap from P1.6 billion a year ago, on the back of revenues rising 13% to P11.0 billion from P9.7 billion a year ago. Including non-controlling interest, net profit reached P1.7 billion, up 5% year-on-year. Gross profit and net profit rates were recorded at 34% and 16%, respectively, as compared to 36% and 17% from a year ago. The **Brandy** business, which accounted for 70% of the Emperador group, grew revenues to external customers by 11% year-on-year to P7.7 billion from P6.9 billion. Emperador, Fundador and Presidente remained to be the group's top-selling Philippine, Spanish and Mexican brandy brands, respectively. Spain's Terry and Mexico's Don Pedro came in second. The biggest market for the offshore brands was Mexico, followed by Philippines, Spain, UK, Guinea and USA. Fundador and Tres Cepas have been growing in the Philippines. Smirnoff Mule and The Bar (launched in the fourth quarter last year) lifted up local sales in the first quarter. Costs of sales expanded at a faster pace due to product mix, resulting in gross profit rate for the current quarter of 30% as compared to 34% a year ago, further ending the quarter with net profit attributable to owners of P1.1 billion, at attributable net profit rate of 14% as compared to 16% of the same period last year. The **Scotch Whisky** business, which accounted for 30% of Emperador group, reported an 18% jump in revenues from external customers to P3.3 billion from P2.8 billion a year ago, with net profit soaring 45% to P656 million from P454 million a year ago due to higher gross profit margin of 42% as compared to 38% a year ago, propelled by the single malts led by The Dalmore, followed by Jura and the blended Whyte&Mackay and Shackleton. Single malts Fettercairn and Tamnavulin showed the fast growth during the quarter. Net profit rate was 19% as compared to 16% a year ago. Top markets for the brands were Asia, Travel Retail, UK, USA and Greater Europe. Business also expanded in the Pacific, France, Germany and Canada. Aside from underlying growth, sales were pushed up by contingency orders from customers that would be potentially affected by Brexit (UK exit from the EU), which was supposed to close in March (postponed to October). For the first three months of the year, Emperador group contributed 27% to AGI's consolidated revenues, 27% to consolidated net profit, and 33% to consolidated net profit attributable to AGI owners.

Travellers, the owner and operator of Resorts World Manila (RWM), grew its revenues this quarter by 46% to P6.9 billion from P4.7 billion a year ago with gross profit jumping 55% year-on-year to P3.3 billion from P2.1 billion, reflective of a flourishing business. **Gaming** net revenues escalated 42% to P5.3 billion from P3.7 billion a year ago driven by sustained growth in the VIP and non-VIP segments as gaming capacity increased with the opening of the ground floor gaming area of the Grand Wing and new machines at the Garden Wing. **Non-gaming** revenues soared 63% to P1.6 billion from P978 million a year ago as property visitation averaged 35thousand daily. From just three hotels operating a year ago, three additional hotels were operating this year – Courtyard by Marriott Iloilo opened in May 2018, Hilton Manila opened in October 2018 and Sheraton Manila opened in January 2019 – bringing the total room keys to 2,527 by quarter-end from 1,454 a year ago. Theater, cinema and mall revenues further beefed up revenues. As construction projects were getting completed, the capitalization of finance costs ceases resulting in higher charges to operations. The quarter ended with P243 million net profit as compared to P444 million a year ago. Travellers group accounted for 17%, 4% and 3% of AGI's consolidated revenues, consolidated net profit, and consolidated net profit attributable to owners of AGI, respectively.

GADC, the master franchise holder of McDonald's quick-service restaurants brand in the Philippines, attained P7.5 billion revenues which is 13% higher than a year ago, ending the current period with net profit of P382 million which is 16% better year-on-year. This is achieved from the opening of new restaurants, new product launches and the promotions of core menu. Sixty-eight new restaurants (14 in 2019) were opened while seven restaurants (1 in 2019) were closed from a year ago, bringing the

total count to 633 restaurants at the end of interim period as compared to 572 stores a year ago (620 at end-2018), more than half of which are operated by the company. Systemwide same-store sales grew 5% year-on-year. **New product introductions** pushed trial and repeat visits from customers during the quarter. McDo Sulit Rice Bowls was launched in February as part of the Value Rice platform which feature the lead price point of P79 for more filling and “sulit” (worth your money) rice meals. A new tasty offering, the Cheesy Omelette Bowls, is an exciting addition to Breakfast McSavers starting mid-March. Harping on the popularly trending global cuisine, the Flavors of Japan is launched on February 27, featuring Japan-inspired flavors (Ebi burger, Teriyaki Samurai burger, Strawberry Sakura McFloat, and Nori Shake Shake Fries). **Happy Meals** were bundled with Thomas & Friends at the start of the year, followed by toys from The Lego Movie 2, Discovery Robots, and Barbie and Hot Wheels. **Convenience channels** continued to be business accelerators with McDelivery and Drive-Thru garnering 36% and 23% growth, respectively. Digital channels through McDonald’s app, Grab Food and Food Panda showed good support. These operating results translated into 18%, 6% and 5% contribution to the consolidated revenues, net profit and net profit to owners of AGI, respectively.

These strong performances are reflected in the profit and loss accounts, as follows:

| <i>In Million Pesos</i> | <u>2019</u> | <u>2018</u> | <u>2019 vs 2018</u> |
|---|---------------|---------------|---------------------|
| REVENUES | | | |
| Sale of goods | 20,577 | 18,132 | 13.49% |
| Consumer goods | 11,103 | 9,607 | 15.58% |
| Real estate (RE) sales | 9,474 | 8,526 | 11.13% |
| Rendering of services | 18,893 | 15,113 | 25.01% |
| Gaming | 6,894 | 4,484 | 53.77% |
| Less: Promotional allowance | 1,591 | 751 | 111.91% |
| Net Gaming | 5,303 | 3,733 | 42.08% |
| Sales by company-operated quick-service restaurants | 6,724 | 5,989 | 12.27% |
| Franchise revenues | 733 | 633 | 15.80% |
| Rental income | 4,046 | 3,468 | 16.66% |
| Other services | 2,087 | 1,290 | 61.73% |
| Hotel operations | 1,808 | 1,110 | 62.84% |
| Other services | 279 | 180 | 54.90% |
| Share in net profits of associates and joint ventures | 95 | 117 | -19.04% |
| Finance and other income | 1,483 | 1,058 | 40.13% |
| TOTAL | 41,048 | 34,421 | 19.25% |
| COSTS AND EXPENSES | | | |
| Cost of goods sold | 12,438 | 10,800 | 15.17% |
| Consumer goods sold | 7,331 | 6,200 | 18.24% |
| RE sales | 5,107 | 4,600 | 11.03% |
| Cost of services | 9,753 | 7,867 | 23.98% |
| Gaming | 2,403 | 2,035 | 18.06% |
| Services | 7,350 | 5,832 | 26.05% |
| Other operating expenses | 8,775 | 6,692 | 31.12% |
| Selling and marketing | 3,450 | 2,846 | 21.22% |
| General and administrative | 5,325 | 3,846 | 38.45% |
| Finance costs and other charges | 1,694 | 1,961 | -13.65% |
| TOTAL | 32,660 | 27,321 | 19.55% |
| TAX EXPENSE | 1,865 | 1,461 | 27.61% |
| NET PROFIT | 6,523 | 5,639 | 15.67% |

Note: Numbers may not add up due to rounding off.

Revenues for the first three months accelerated 19% to P41.0 billion as compared to P34.4 billion a year ago, from double-digit growth in all business segments. **Sales of goods** (real estate, alcoholic beverages and snack products) at P20.6 billion expanded 13% compared to last year's P18.1 billion as a result of brisk sales of Emperador's Scotch Whisky and Brandy products and Megaworld's condominium units and residential lots. **Service revenues** (gaming, leasing, hotels, quick-service restaurants, other related services) at P18.9 billion escalated 25% compared to last year's P15.1 billion driven mainly by the robust growth in RWM's gaming operations and McDonald's QSR revenues. The Group's hotel operations showed the fastest revenue growth while leasing operations provided an expanding revenue stream. **Share in net profits of associates and joint ventures** went down 19% to P95 million, or P22 million lower this interim period from lower net profit reported by EMP's BLC.

Costs and expenses stepped up 20% year-on-year to P32.7 billion during the current year from P27.3 billion a year ago. While **cost of goods sold and cost of services** (which are a function of sales) respectively grew 15% and 24% to P12.4 billion and P9.8 billion, the combined gross profit margin moved at the same 19% pace as sales revenues, thereby keeping 44% GPR for both periods. **Other operating expenses** increased 31% year-on-year to P8.8 billion which is attributed to higher spending by Megaworld and Travellers, mostly in advertising, promotions and salaries and employee benefits .

Finance and other income ballooned 40% to P1.5 billion or up P425 million from P1.0 billion a year ago from higher interest income earned by the Group during the period and gain on sale of an associate (GERI's gain on BNHGI disposal, P188million). **Finance costs and other charges**, on the other hand, shrank 14% to P1.7 billion or P268 million lower than P2.0 billion a year ago from favorable foreign exchange this interim period as compared to last year's reported loss, particularly on re-measurement of MEG's dollar bonds.

Income tax increased 28% to P1.9 billion or P403 million year-on-year due to higher taxable income.

Earnings before interest, taxes, depreciation and amortizations (EBITDA), computed as net profit before income taxes, interest expense, depreciation and amortizations and impairment provisions, and non-recurring loss/gains escalated 19% year-on-year to P11.7 billion this year as compared to P9.8 billion a year ago, both periods exhibiting 28% EBITDA rate.

Net profit attributable to owners amounted to P4.4 billion from P3.6 billion a year ago, up 21% year-on-year as a result of the foregoing.

Financial Condition

Consolidated total assets amounted to P594.7 billion at end of the interim period from P588.2 billion at beginning of year. The Group is strongly liquid with **current assets** exceeding **current liabilities** 3.1 times. Current assets amounted to P277.5 billion while current liabilities amounted to P90.8 billion at end of the interim period.

Cash and cash equivalents depleted P2.7 billion or 6% ending at P42.1 billion from P44.8 billion at the beginning of the year, primarily due to capital expenditures and payment of bank loans. Cash flows from operating, financing and investing activities during the period were presented in the interim consolidated statements of cash flows.

Contract assets which represent the reclassified portion of trade and other receivables relating to rights to payment which are conditioned upon the completion of units sold and represent excess of progress of work over the right to an amount of consideration, went down 6% for both the **currently** and **non-currently** maturing assets or P723 million and P654 million, respectively.

Other current assets grew 6% or P1.0 billion prepayments of Emperador, Travellers, and GADC.

Non-current trade and other receivables jumped 13% or P1.7 billion to P14.6 billion, attesting to Megaworld's robust business.

Deferred tax assets climbed 10% or P98 million principally from temporary tax differences of MEG and GADC while **deferred tax liabilities** went up 6% or P643 million from temporary tax differences of MEG and EMP.

Other non-current assets increased 8% or P480 million from higher deferred commissions of MEG.

Contract liabilities represent MEG's excess of collection over the progress of work with **current** portion decreasing 7% or P179 million and **non-current** portion increasing 4% or P117 million.

Current interest-bearing loans decelerated 13% or P3.3 billion due to the conversion of RWM's short-term loans to fixed-interest rate long-term loan. In total, interest-bearing loans, current plus non-current, diminished 1% or P2.1 billion as the Group's payments exceeded incurrence of loans.

Income tax payable increased 18% or P297 million due to timing of payments and tax credits.

Advances from related parties decreased 7% or P162 million due to payments made during the period.

Retirement benefit obligation eased 12% or P209 million from the actuarial gains booked in UK in the interim period.

The **changes in equity components** are presented in detail in the consolidated statements of changes in equity. The equity attributable to owners of AGI increased 2% or P4.0 billion from net profit share less cost of treasury shares during the interim period while non-controlling interest grew 2% or P2.2 billion, primarily from net profit share for the interim period.

Liquidity and Capital Resources

The consolidated statements of financial position showed strong liquidity with current assets exceeding current liabilities 3.1times. The interim period opened and closed with 1.0:1 total-liabilities-to-equity ratio and 0.7:1 interest-bearing-debt-to-equity ratio. Assets exceeded liabilities 2times, and equity 2times as well.

In general, working capital was sourced internally from operations and debts during the period. The Group may also from time to time seek other sources of funding, if necessary, depending on its financing needs and market conditions.

| <i>Amounts in Million Pesos</i> | <u>31-Mar-19</u> | <u>31-Dec-18</u> | <u>Yoy</u> |
|---|------------------|------------------|------------|
| Cash and equivalents | 42,115 | 44,779 | -6% |
| FVTPL/FVOCI financial assets | <u>13,931</u> | <u>14,077</u> | -1% |
| Total Available | 56,046 | 58,856 | -5% |
| Interest-bearing debt –current | 21,234 | 24,530 | -13% |
| Interest-bearing debt- noncurrent | 169,160 | 167,974 | 1% |
| Equity-linked securities- non- current* | <u>5,297</u> | <u>5,259</u> | 1% |
| Total Debt | 195,692 | 197,763 | -1% |
| Net cash (debt) | -139,646 | -138,907 | 1% |
| Available Cash and financial assets to | 29% | 30% | |
| interest-bearing debt | | | |
| Interest-bearing debt to | 66% | 68% | |
| total equity | | | |

*Presented under Other Non-current liabilities

Prospects for the future

AGI has a proven track record of creating value over time and is confident in its ability to deliver sustainable profitable growth and value for its stakeholders. In 2019, all business segments are expected to sustain growth trajectory in line with targets and will continue to bolster their presence in their respective fields.

Emperador group is best positioned to capitalize on premiumization opportunities, with its much bigger product portfolio and inventory of high-quality brandy and Scotch whisky and greater global reach. New products are initiated to capture the discriminating taste of its consumers who look for variety and innovations.

Megaworld has a strong roster of townships nationwide that are backed by adequate land banking and carefully-thought masterplans. Its aggressive thrust to grow its investment properties has resulted in increased recurring income stream. It continues to innovate its real estate development and targets to add more developments under this category. The group expects stronger numbers given the group's pipeline of projects this year.

Travellers sees a lot of potential for further growth, as it continues to expand its non-gaming facilities and offerings. [Sheraton Manila opened in January.] It is looking forward to the opening of Hotel Okura Manila in its Grand Wing in RWM in second half of the year which would boost further RWM's hotel capacity.

GADC targets more new store openings with continuous focus on operational excellence leveraging on its taste heritage and innovative concepts, espousing the role of family and community in delivering business while exemplifying good corporate citizenship.

Others

There were no known material events subsequent to the end of the interim period that would have a material impact in the interim period.

There are no other known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way. The Company does not have nor anticipate having any cash flow or liquidity problems within the year. AGI and its subsidiaries are not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

There are no other known events that will trigger direct or contingent financial obligation that is currently considered material to the Company, including any default or acceleration of an obligation.

There are no other material off-balance sheet transactions, arrangements, obligations, and other relationships with unconsolidated entities or other persons created during the reporting period.

There are no other known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. There are also no known events that will cause material change in the relationship between costs and revenues.

There are no other significant elements of income or loss that did not arise from continuing operations.

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

The business has no seasonal aspects that had a material effect on the financial condition and results of operations of the Group.

SIGNATURE

Pursuant to the requirements of Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Alliance Global Group, Inc.

Issuer

By:



DINA D.R. INTING

*Chief Financial Officer/
Corporate Information Officer/
Principal Accounting Officer*

May 17, 2019

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
March 31, 2019

| | 3/31/19 | 12/31/18 |
|---------------------------------------|---------|------------------------|
| Current ratio | 3.06 | 3.00 |
| Quick ratio | 1.28 | 1.29 |
| Liabilities-to-equity ratio | 1.00 | 1.02 |
| Interest-bearing debt to total equity | 0.66 | 0.68 |
| Asset-to-equity ratio | 2.00 | 2.02 |
| | | 3/31/18 As Restated |
| Interest rate coverage ratio | 654% | 727% |
| Net profit margin | 15.89% | 16.38% |
| Return on assets | 1.10% | 1.03% |
| Return on equity/investment | 2.20% | 2.01% |
| Return on equity/investment of owners | 2.47% | 2.13% |

LIQUIDITY RATIOS measure the business' ability to pay short-term debt.

Current ratio - computed as current assets divided by current liabilities

Quick ratio - computed a cash, marketable securities, accounts receivable divided by current liabilities.

SOLVENCY RATIOS measure the business' ability to pay all debts, particularly long-term debt.

Liabilities-to-equity ratio - computed as total liabilities divided by stockholders' equity.

Interest-bearing debt to total capitalization ratio - computed as interest-bearing debt divided by interest-bearing debt + stockholder's equity attributable to controlling interest

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 stockholders' equity.

INTEREST RATE COVERAGE RATIOS measure the business' ability to meet its interest payments. It is computed as profit before income tax and interest expense ("EBIT") divided by interest. In the computation, non-recurring gain is excluded from EBIT.

PROFITABILITY RATIOS

Net margin - computed as net profit divided by revenues

Return on assets - net profit divided by total assets

Return on investment - net profit divided by total stockholders' equity

Return on investment of equity owners - net profit divided by equity attributable to owners of the parent company

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2019 AND DECEMBER 31, 2018
(Amounts in Philippine Pesos)

| | <u>March 31, 2019</u> <u>(UNAUDITED)</u> | <u>December 31, 2018</u> <u>(AUDITED)</u> |
|--|---|--|
| <u>A S S E T S</u> | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | P 42,115,368,065 | P 44,779,011,533 |
| Trade and other receivables - net | 60,835,890,983 | 60,518,718,373 |
| Contract assets | 10,408,436,460 | 11,131,863,695 |
| Financial assets at fair value through profit or loss | 13,473,086,658 | 13,617,425,147 |
| Inventories - net | 133,370,031,514 | 131,394,011,426 |
| Other current assets | <u>17,296,503,141</u> | <u>16,285,340,485</u> |
| Total Current Assets | <u>277,499,316,821</u> | <u>277,726,370,659</u> |
| NON-CURRENT ASSETS | | |
| Trade and other receivables - net | 14,646,292,175 | 12,984,665,792 |
| Contract assets | 10,441,174,716 | 11,095,415,992 |
| Advances to landowners and joint ventures | 7,125,210,812 | 6,910,177,902 |
| Financial assets at fair value through other comprehensive income | 457,643,114 | 459,974,884 |
| Investments in and advances to associates and other related parties | 8,129,568,151 | 7,942,876,611 |
| Property, plant and equipment - net | 119,855,270,326 | 117,501,643,236 |
| Investment property - net | 106,967,156,863 | 104,635,533,741 |
| Intangible assets - net | 41,972,079,557 | 41,958,580,601 |
| Deferred tax assets - net | 1,106,936,296 | 1,009,269,507 |
| Other non-current assets | <u>6,507,235,979</u> | <u>6,026,685,803</u> |
| Total Non-current Assets | <u>317,208,567,989</u> | <u>310,524,824,069</u> |
| TOTAL ASSETS | <u>P 594,707,884,810</u> | <u>P 588,251,194,728</u> |

- 2 -

| | March 31, 2019 (UNAUDITED) | December 31, 2018 (AUDITED) |
|--|---|---------------------------------------|
| <u>LIABILITIES AND EQUITY</u> | | |
| CURRENT LIABILITIES | | |
| Trade and other payables | P 51,252,514,828 | P 49,181,881,957 |
| Contract liabilities | 2,484,352,965 | 2,663,104,996 |
| Interest-bearing loans | 21,233,994,572 | 24,530,016,698 |
| Income tax payable | 1,976,593,032 | 1,679,266,461 |
| Redeemable preferred shares | 251,597,580 | 251,597,580 |
| Other current liabilities | <u>13,621,327,745</u> | <u>14,134,269,900</u> |
| Total Current Liabilities | <u>90,820,380,722</u> | <u>92,440,137,592</u> |
| NON-CURRENT LIABILITIES | | |
| Interest-bearing loans | 144,039,957,801 | 142,871,936,606 |
| Bonds payable | 25,120,403,611 | 25,102,042,365 |
| Contract liabilities | 2,822,998,603 | 2,705,562,299 |
| Advances from related parties | 2,223,819,118 | 2,385,463,118 |
| Retirement benefit obligation | 1,580,579,222 | 1,790,019,668 |
| Redeemable preferred shares | 1,740,152,017 | 1,712,264,245 |
| Deferred tax liabilities - net | 11,720,768,369 | 11,077,531,099 |
| Other non-current liabilities | <u>17,804,937,104</u> | <u>17,593,574,277</u> |
| Total Non-current Liabilities | <u>207,053,615,845</u> | <u>205,238,393,677</u> |
| Total Liabilities | <u>297,873,996,567</u> | <u>297,678,531,269</u> |
| EQUITY | | |
| Equity attributable to owners of the parent company | 176,203,775,505 | 172,193,472,060 |
| Non-controlling interest | <u>120,630,112,738</u> | <u>118,379,191,399</u> |
| Total Equity | <u>296,833,888,243</u> | <u>290,572,663,459</u> |
| TOTAL LIABILITIES AND EQUITY | <u>P 594,707,884,810</u> | <u>P 588,251,194,728</u> |

See Notes to Interim Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018
(Amounts in Philippine Pesos)
(UNAUDITED)

| | <u>2019</u> | <u>2018</u> (As Restated - see Note 2) |
|--|------------------------|--|
| REVENUES | | |
| Sale of goods | P 20,577,513,140 | P 18,132,332,053 |
| Rendering of services - net | 18,893,191,518 | 15,113,249,647 |
| Share in net profits of associates and joint ventures - net | 94,788,237 | 117,083,647 |
| Finance and other income | <u>1,482,860,579</u> | <u>1,058,214,426</u> |
| | <u>41,048,353,474</u> | <u>34,420,879,773</u> |
| COSTS AND EXPENSES | | |
| Cost of goods sold | 12,438,128,194 | 10,799,857,807 |
| Cost of services | 9,753,381,328 | 7,866,675,276 |
| Other operating expenses | 8,775,413,977 | 6,692,577,896 |
| Finance costs and other charges | <u>1,693,659,406</u> | <u>1,961,304,275</u> |
| | <u>32,660,582,905</u> | <u>27,320,415,254</u> |
| PROFIT BEFORE TAX | 8,387,770,569 | 7,100,464,519 |
| TAX EXPENSE | <u>1,864,838,959</u> | <u>1,461,387,885</u> |
| NET PROFIT | <u>6,522,931,610</u> | <u>5,639,076,634</u> |
| OTHER COMPREHENSIVE INCOME (LOSS) | | |
| Items that will not be reclassified subsequently to profit or loss | | |
| Actuarial gains on remeasurement of retirement benefit obligation | 243,273,029 | 73,512,000 |
| Net unrealized fair value loss on financial assets at fair value through other comprehensive income | (2,418,501) | (82,612,508) |
| Deferred tax expense relating to components of other comprehensive income | (33,645,788) | (12,497,040) |
| | <u>207,208,740</u> | (21,597,548) |
| Items that will be reclassified subsequently to profit or loss | | |
| Translation adjustments | 622,779,386 | 1,966,081,196 |
| Net unrealized fair value gain (loss) on cash flow hedge | (99,621,042) | 172,210,633 |
| | <u>523,158,344</u> | <u>2,138,291,829</u> |
| TOTAL COMPREHENSIVE INCOME | <u>P 7,253,298,694</u> | <u>P 7,755,770,915</u> |
| Net profit attributable to: | | |
| Owners of the parent company | P 4,352,343,684 | P 3,597,553,459 |
| Non-controlling interest | <u>2,170,587,926</u> | <u>2,041,523,175</u> |
| | <u>P 6,522,931,610</u> | <u>P 5,639,076,634</u> |
| Total comprehensive income attributable to: | | |
| Owners of the parent company | P 4,927,784,504 | P 5,242,056,942 |
| Non-controlling interest | <u>2,325,514,190</u> | <u>2,513,713,973</u> |
| | <u>P 7,253,298,694</u> | <u>P 7,755,770,915</u> |
| Earnings Per Share for the Net Profit Attributable to Owners of the Parent Company: | | |
| Basic | <u>P 0.4408</u> | <u>P 0.3585</u> |
| Diluted | <u>P 0.4399</u> | <u>P 0.3575</u> |

See Notes to Interim Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018
(Amounts in Philippine Pesos)
(UNAUDITED)

| | Attributable to Owners of the Parent Company | | | | | | | | | | | | | Noncontrolling Interest | Total Equity |
|------------------------------------|--|----------------------------|----------------------------|---|--|-------------------------------------|---|----------------------|-------------------------|------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------|
| | Capital Stock | Additional Paid-in Capital | Treasury Shares – at cost | Net Actuarial Losses on Retirement Benefit Plan | Net Fair Value Gains (Losses) on Financial Assets at FVOCI | Accumulated Translation Adjustments | Revaluation Reserves on Cash Flow Hedge | Share Options | Other Reserves | Retained Earnings | | | | | |
| | | | | | | | | | | Appropriated | Unappropriated | Total | | | |
| Balance at January 1, 2019 | P 10,269,827,979 | P 34,395,380,979 | (P 4,130,664,509) | (P 37,087,081) | P 292,038,325 | (P 4,186,081,933) | P 124,320,576 | P 744,676,052 | P 17,189,184,985 | P 3,520,080,000 | P 114,011,796,687 | P 172,193,472,060 | P 118,379,191,399 | P 290,572,663,459 | |
| Transactions with owners: | | | | | | | | | | | | | | | |
| Acquisition of treasury shares | - | - | (568,712,424) | - | - | - | - | - | - | - | - | (568,712,424) | - | (568,712,424) | |
| Share-based compensation | - | - | - | - | - | - | - | - | - | - | - | - | 5,465,811 | 5,465,811 | |
| Additions | - | - | - | - | - | - | - | - | (348,768,635) | - | - | (348,768,635) | (58,997,482) | (407,766,117) | |
| Change in percentage ownership | - | - | - | - | - | - | - | - | - | - | - | - | (21,061,180) | (21,061,180) | |
| | - | - | (568,712,424) | - | - | - | - | - | (348,768,635) | - | - | (917,481,059) | (74,592,851) | (992,073,910) | |
| Appropriation of retained earnings | - | - | - | - | - | - | - | - | - | 3,034,080,000 | (3,034,080,000) | - | - | - | |
| Reversal of appropriation | - | - | - | - | - | - | - | - | - | (3,034,080,000) | 3,034,080,000 | - | - | - | |
| Total comprehensive income | - | - | - | 136,032,494 | (149,936,260) | 656,339,737 | (66,995,151) | - | - | - | 4,352,343,684 | 4,927,784,504 | 2,325,514,190 | 7,253,298,694 | |
| Balance at March 31, 2019 | P 10,269,827,979 | P 34,395,380,979 | (P 4,699,376,933) | P 98,945,413 | P 142,102,065 | (P 3,529,742,196) | P 57,325,425 | P 744,676,052 | P 16,840,416,350 | P 3,520,080,000 | P 118,364,140,371 | P 176,203,775,505 | P 120,630,112,738 | P 296,833,888,243 | |
| Balance at January 1, 2018 | 10,269,827,979 | 34,395,380,979 | (1,566,146,040) | (36,537,800) | 259,101,753 | (3,761,144,930) | (30,896,586) | 744,676,052 | 20,039,138,973 | 2,748,722,000 | 100,958,827,802 | 164,020,950,182 | 109,964,643,080 | 273,985,593,262.00 | |
| Transactions with owners: | | | | | | | | | | | | | | | |
| Acquisition of treasury shares | - | - | (1,078,786,095) | - | - | - | - | - | - | - | - | (1,078,786,095) | - | (1,078,786,095) | |
| Share-based compensation | - | - | - | - | - | - | - | - | - | - | - | - | 5,815,665 | 5,815,665 | |
| Change in percentage ownership | - | - | - | - | - | - | - | - | - | - | - | - | (452,777,596) | (452,777,596) | |
| Redemption of preferred shares | - | - | - | - | - | - | - | - | - | - | - | - | (2,875,000) | (2,875,000) | |
| | - | - | (1,078,786,095) | - | - | - | - | - | - | - | - | (1,078,786,095) | (449,836,931) | (1,528,623,026) | |
| Reclassification adjustment | - | - | - | - | - | - | - | - | - | 9,689,175 | (9,689,175) | - | - | - | |
| Total comprehensive income | - | - | - | 50,081,079 | 27,767,995 | 1,450,842,758 | 115,811,651 | - | - | - | 3,597,553,459 | 5,242,056,942 | 2,513,713,973 | 7,755,770,915 | |
| Balance at March 31, 2018 | P 10,269,827,979 | P 34,395,380,979 | (P 2,644,932,135) | P 13,543,279 | P 286,869,748 | (P 2,310,302,172) | P 84,915,065 | P 744,676,052 | P 20,039,138,973 | P 2,758,411,175 | P 104,546,692,086 | P 168,184,221,029 | P 112,028,520,122 | P 280,212,741,151 | |

See Notes to Interim Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018
(Amounts in Philippine Pesos)
(UNAUDITED)

| | 2019 | 2018 (As Restated - see Note 2) |
|---|---------------------------------|---------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | P 8,387,770,569 | P 7,100,464,519 |
| Adjustments for: | | |
| Depreciation and amortization | 2,006,486,029 | 1,537,049,257 |
| Interest expense | 1,478,830,490 | 1,133,122,533 |
| Interest income | (830,708,481) | (658,558,617) |
| Unrealized foreign currency loss (gain) - net | (503,169,640) | 596,302,425 |
| Gain on sale of investments in an associate | (188,514,452) | - |
| Share in net profits of associates and joint ventures | (94,788,237) | (117,083,647) |
| Stock option benefit expense | 5,465,811 | 5,815,665 |
| Loss (gain) on disposal of property, plant and equipment and investment property | 5,092,984 | (4,633,718) |
| Dividend income | (4,935,758) | (16,292,834) |
| Gain on reversal of impairment losses | (1,019,445) | - |
| Impairment loss on property, plant and equipment | - | 1,290,459 |
| Operating profit before working capital changes | <u>10,260,509,870</u> | 9,577,476,042 |
| Decrease (increase) in trade and other receivables | (1,843,993,801) | 6,527,180,473 |
| Decrease (increase) in contract assets | 1,377,668,511 | (7,639,238,748) |
| Decrease (increase) in financial assets at fair value through profit or loss | 36,782,901 | (1,973,557,524) |
| Decrease (increase) in inventories | (1,532,391,598) | 4,029,921,699 |
| Increase in other current assets | (546,156,730) | (2,879,504,015) |
| Increase in trade and other payables | 2,004,888,329 | 117,377,709 |
| Decrease in contract liabilities | (61,315,727) | (237,435,801) |
| Increase (decrease) in retirement benefit obligation | (45,169,834) | 111,127,002 |
| Increase (decrease) in other current liabilities | (512,942,155) | 30,598,393 |
| Increase in other non-current liabilities | <u>249,862,340</u> | <u>806,326,392</u> |
| Cash generated from operations | <u>9,387,742,106</u> | 8,470,271,622 |
| Cash paid for taxes | (<u>1,101,435,942</u>) | (<u>707,885,895</u>) |
| Net Cash From Operating Activities | <u>8,286,306,164</u> | <u>7,762,385,727</u> |
| <i>Balance carried forward</i> | P 8,286,306,164 | P 7,762,385,727 |

- 2 -

| | <u>2019</u> | <u>2018</u> (As Restated - see Note 2) |
|---|--------------------------------|--|
| <i>Balance brought forward</i> | P 8,286,306,164 | P 7,762,385,727 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisitions of: | | |
| Property, plant and equipment | (3,495,654,373) | (5,392,276,620) |
| Investment property | (2,358,348,095) | (1,018,108,330) |
| Intangible assets | (12,934,124) | (13,945,500) |
| Proceeds from: | | |
| Sale of an investment in an associate | 240,908,437 | - |
| Disposal of property, plant and equipment and intangible asset | 147,960,245 | 58,754,465 |
| Collections of advances from associates and other related parties | 19,214,080 | - |
| Interest received | 593,774,018 | 538,527,826 |
| Advances to landowners, joint ventures and other related parties - net | (215,032,910) | (14,683,395) |
| Increase in other non-current assets | (476,406,769) | (433,669,418) |
| Additional advances granted to associates | (180,272,387) | (51,905,925) |
| Cash dividends received | <u>4,935,758</u> | <u>16,292,834</u> |
| Net Cash Used in Investing Activities | (<u>5,731,856,120</u>) | (<u>6,311,014,063</u>) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from interest-bearing loans | 1,361,460,000 | 15,987,500,000 |
| Payment of interest-bearing loans | (3,024,060,730) | (16,248,113,424) |
| Interest paid | (2,713,167,179) | (1,770,705,651) |
| Acquisition of treasury shares | (568,712,424) | (1,078,786,095) |
| Buyback of shares from non-controlling interest by a subsidiary | (12,947,324) | (525,641,964) |
| Advances granted and paid to related parties | (372,084,323) | (478,056,451) |
| Advances collected and received from related parties | 111,418,468 | 15,025,084 |
| Redemption of preferred shares | <u>-</u> | (<u>2,875,000</u>) |
| Net Cash Used in Financing Activities | (<u>5,218,093,512</u>) | (<u>4,101,653,501</u>) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (<u>2,663,643,468</u>) | (<u>2,650,281,837</u>) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | <u>44,779,011,533</u> | <u>55,672,960,546</u> |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | P <u>42,115,368,065</u> | P <u>53,022,678,709</u> |

Supplemental Information on Non-cash Investing and Financing Activities:

In the normal course of business, the Group enters into non-cash activities which are not reflected in the cash flows, including the following:
(a) exchanges or purchases or sale on account of real estate and other assets that remain unpaid at end of period; (b) reclassifications or transfers of property between Inventories, Property and Equipment and Investment Properties; (c) borrowing costs under capitalized Inventories or Construction in Progress.

See Notes to Interim Consolidated Financial Statements.

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018
(With Comparative Figures as of December 31, 2018)
(Amounts in Philippine Pesos)
(Unaudited)

1. CORPORATE INFORMATION

Alliance Global Group, Inc. (the Company, Parent Company, or AGI) was registered with the Philippine Securities and Exchange Commission (SEC) on October 12, 1993 and listed its shares in the Philippine Stock Exchange (PSE) on April 19, 1999.

Currently, AGI is one of the leading conglomerates in the Philippines, with interests in real estate property development, food and beverage manufacture and distribution, integrated tourism-entertainment and gaming, and quick-service restaurant businesses. The Company and its subsidiaries, associates and joint ventures (collectively referred to as the Group) operate a diversified range of businesses that focus on developing products and services that generally cater to their target markets, under the following entities (see Note 4):

| Subsidiaries/Associates/Joint Ventures | Short Name | Notes | Percentage of Effective Ownership of AGI | |
|--|---------------|-------|---|------------------|
| | | | March 2019 | December 2018 |
| <i>Subsidiaries</i> | | | | |
| Megaworld and subsidiaries | | | | |
| Megaworld Corporation | | | | |
| Megaworld Resort Estates, Inc. | Megaworld | (a) | 67% | 67% |
| Townsquare Development, Inc. | | (b) | 83% | 83% |
| Golden Panda-ATI Realty Corporation | TDI | | 50% | 50% |
| Arcovia Properties, Inc. | | | 67% | 67% |
| Belmont Newport Luxury Hotels, Inc. | | | 67% | 67% |
| Davao Park District Holdings Inc. | | | 67% | 67% |
| Eastwood Cyber One Corporation | | | 67% | 67% |
| Global One Hotel Group, Inc. | | | 67% | 67% |
| Global One Integrated Business Services, Inc. | | | 67% | 67% |
| Hotel Lucky Chinatown, Inc. | | | 67% | 67% |
| Landmark Seaside Properties, Inc. | | | 67% | 67% |
| Luxury Global Hotels and Leisures, Inc. | | | 67% | 67% |
| Luxury Global Malls, Inc. | | | 67% | 67% |
| Mactan Oceanview Properties and Holdings, Inc. | | | 67% | 67% |
| Megaworld Cayman Islands, Inc. | | (c) | 67% | 67% |
| Megaworld Cebu Properties, Inc. | | | 67% | 67% |
| Megaworld Land, Inc. | | | 67% | 67% |
| Citywalk Building Administration, Inc. | | | 67% | 67% |
| Forbestown Commercial Center Administration, Inc. | | | 67% | 67% |
| Ilo-ilo Center Mall Administration, Inc. | | | 67% | 67% |
| Newtown Commercial Center Administration, Inc. | | | 67% | 67% |
| Paseo Center Building Administration, Inc. | | | 67% | 67% |
| San Lorenzo Place Commercial Center Administration, Inc. | | | 67% | 67% |
| Southwoods Lifestyle Mall Management, Inc. | | | 67% | 67% |
| Uptown Commercial Center Administration, Inc. | | | 67% | 67% |
| Valley Peaks Property Management, Inc. | | | 67% | 67% |
| Megaworld Newport Property Holdings, Inc. | | | 67% | 67% |
| Oceantown Properties, Inc. | | | 67% | 67% |

| Subsidiaries/Associates/Joint Ventures | Short Name | Notes | Percentage of Effective Ownership of AGI | |
|--|------------|-------|--|---------------|
| | | | March 2019 | December 2018 |
| Subsidiaries | | | | |
| Megaworld and subsidiaries | | | | |
| Piedmont Property Ventures, Inc. | | | 67% | 67% |
| Prestige Hotels and Resorts, Inc. | | | 67% | 67% |
| Richmonde Hotel Group International Ltd. | | (d) | 67% | 67% |
| San Vicente Coast, Inc. | | | 67% | 67% |
| Savoy Hotel Manila, Inc. | | | 67% | 67% |
| Stonehaven Land, Inc. | | | 67% | 67% |
| Streamwood Property, Inc. | | | 67% | 67% |
| Megaworld Bacolod Properties, Inc. | | | 62% | 62% |
| Manila Bayshore Property Holdings, Inc. | | | 60% | 60% |
| Megaworld Capital Town, Inc. | | | 51% | 51% |
| Megaworld Central Properties, Inc. | | | 51% | 51% |
| Soho Cafe and Restaurant Group, Inc. | | | 50% | 50% |
| La Fuerza, Inc. | | | 45% | 45% |
| Megaworld-Daewoo Corporation | | | 40% | 40% |
| Northwin Properties, Inc. | | | 40% | 40% |
| Gilmore Property Marketing Associates Inc. | | | 35% | 35% |
| Integrated Town Management Corporation | | | 34% | 34% |
| Maple Grove Land, Inc. | | | 34% | 34% |
| Megaworld Globus Asia, Inc. | | | 34% | 34% |
| Suntrust Properties, Inc. | | | | |
| Governor's Hills Science School, Inc. | | | 67% | 67% |
| Sunrays Properties Management, Inc. | | | 67% | 67% |
| Suntrust Ecotown Developers, Inc. | | | 67% | 67% |
| Suntrust One Shanata, Inc. | | | 67% | 67% |
| Suntrust Two Shanata, Inc. | | | 67% | 67% |
| Stateland, Inc. | | | 65% | 65% |
| Global-Estate Resorts, Inc. | | | | |
| | GERI | (e) | 55% | 55% |
| Southwoods Mall Inc. | | | 61% | 61% |
| Twin Lakes Corp. | | | 61% | 61% |
| Twin Lakes Hotel, Inc. | | | 61% | 61% |
| Megaworld Global-Estate, Inc. | | | 60% | 60% |
| Fil-Estate Golf and Development, Inc. | | | 55% | 55% |
| Golforce, Inc. | | | 55% | 55% |
| Southwoods Ecocentrum Corp. | | | 33% | 33% |
| Philippine Aquatic Leisure Corp. | | | 33% | 33% |
| Fil-Estate Properties, Inc. | | | 55% | 55% |
| Aklan Holdings Inc. | | | 55% | 55% |
| Blu Sky Airways, Inc. | | | 55% | 55% |
| Fil-Estate Subic Development Corp. | | | 55% | 55% |
| Fil-Power Concrete Blocks Corp. | | | 55% | 55% |
| Fil-Power Construction Equipment Leasing Corp. | | | 55% | 55% |
| Golden Sun Airways, Inc. | | | 55% | 55% |
| La Compañía De Sta. Barbara, Inc. | | | 55% | 55% |
| MCX Corporation | | | 55% | 55% |
| Pioneer L-5 Realty Corp. | | | 55% | 55% |
| Prime Airways, Inc. | | | 55% | 55% |
| Sto. Domingo Place Development Corp. | | | 55% | 55% |
| Fil-Estate Industrial Park, Inc. | | | 44% | 44% |
| Sherwood Hills Development Inc. | | | 30% | 30% |
| Fil-Estate Urban Development Corp. | | | 55% | 55% |
| Global Homes and Communities, Inc. | | | 55% | 55% |
| Novo Sierra Holdings Corp. | | | 55% | 55% |
| Elite Communities Property Services, Inc. | | | 55% | 55% |
| Oceanfront Properties, Inc. | | | 28% | 28% |
| Empire East Land Holdings, Inc. | | | | |
| | EELHI | | 55% | 55% |
| Sonoma Premiere Land, Inc. | | (f) | 73% | 73% |
| Pacific Coast Mega City, Inc. | PCMI | (g) | 82% | 71% |
| 20th Century Nylon Shirt, Inc. | | | 55% | 55% |
| Eastwood Property Holdings, Inc. | | | 55% | 55% |
| Empire East Communities, Inc. | | | 55% | 55% |
| Sherman Oak Holdings, Inc. | | | 55% | 55% |
| Valle Verde Properties, Inc. | | | 55% | 55% |
| Laguna Bel-Air School, Inc. | | | 40% | 40% |

| Subsidiaries/Associates/Joint Ventures | Short Name | Notes | Percentage of Effective Ownership of AGI | |
|--|------------------|-------|--|---------------|
| | | | March 2019 | December 2018 |
| Subsidiaries | | | | |
| Emperador and subsidiaries | | | | |
| Emperador Inc. | EMP or Emperador | | 83% | 83% |
| Emperador Distillers, Inc. | EDI | | 83% | 83% |
| Alcazar de Bana Holdings Company, Inc. | | | 83% | 83% |
| ProGreen AgriCorp, Inc. | | | 83% | 83% |
| South Point Science Park, Inc. | | | 83% | 83% |
| Anglo Watsons Glass, Inc. | | | 83% | 83% |
| Cocos Vodka Distillers Philippines, Inc. | | | 83% | 83% |
| The Bar Beverage, Inc. | | | 83% | 83% |
| Tradewind Estates, Inc. | | | 83% | 83% |
| BoozyLife, Inc. | | | 42% | 42% |
| Zabana Rum, Inc. | | | 83% | 83% |
| Emperador International Ltd. | EIL | (d) | 83% | 83% |
| Emperador Asia Pte Ltd. | EA | (i) | 83% | 83% |
| Grupo Emperador Spain, S.A.U. | GES | (i) | 83% | 83% |
| Bodega San Bruno, S.L. | BSB | (i) | 83% | 83% |
| Bodegas Fundador SLU | BFS | (i) | 83% | 83% |
| Complejo Bodeguero San Patricio, SLU | CBSP | (i) | 83% | 83% |
| Destilados de la Mancha S.L. | | (i) | 83% | 83% |
| Emperador Gestion S.L. | GEG | (i) | 83% | 83% |
| Domecq Bodega Las Copas, S.L. | DBLC | (h) | 41% | 41% |
| Bodega Domecq S.A. de C.V. | BDSC | (h) | 41% | 41% |
| Gonzales Byass de Mexico S.A. de C.V. | GBMS | (h) | 41% | 41% |
| Pedro Domecq S.A. de C.V. | PDSC | (h) | 41% | 41% |
| Emperador Europe SARL | EES | (i) | 83% | 83% |
| Emperador Holdings (GB) Limited. | EGB | (i) | 83% | 83% |
| Emperador UK Limited | EUK | (i) | 83% | 83% |
| Whyte and Mackay Group Limited | WMG | (i) | 83% | 83% |
| Whyte and Mackay Limited | WML | (i) | 83% | 83% |
| Whyte and Mackay Warehousing Ltd. | WMWL | (i) | 83% | 83% |
| GADC and subsidiaries | | | | |
| Golden Arches Development | | | | |
| Corporation | GADC | | 49% | 49% |
| Advance Food Concepts Manufacturing, Inc. | | | 49% | 49% |
| Red Asian Food Solutions | | | 37% | 37% |
| Clark Mac Enterprises, Inc. | | | 49% | 49% |
| Golden Laoag Foods Corporation | | | 38% | 38% |
| Davao City Food Industries, Inc. | | | 37% | 37% |
| First Golden Laoag Ventures | | | 34% | 34% |
| McDonald's Anonas City Center | | | 34% | 34% |
| McDonald's Puregold Taguig | | | 29% | 29% |
| Golden City Food Industries, Inc. | | | 29% | 29% |
| McDonald's Bonifacio Global City | | | 27% | 27% |
| Molino First Golden Foods, Inc. | | | 26% | 26% |
| GY Alliance Concepts, Inc. | | | 19% | 19% |
| Golden Arches Realty Corporation | GARC | (j) | - | - |
| Travellers and subsidiaries | | | | |
| Travellers International Hotel Group, Inc. | | | | |
| Agile Fox Amusement and Leisure Corporation | Travellers | (k) | 47% | 47% |
| APEC Assets Limited | | | 47% | 47% |
| Aquamarine Delphinium Leisure and Recreation, Inc. | | | 47% | 47% |
| Bright Pelican Leisure and Production, Inc. | | | 47% | 47% |
| Bright Leisure Management, Inc. | | | 47% | 47% |
| Brilliant Apex Hotels and Leisure Corporation | | | 47% | 47% |
| Coral Primrose Leisure and Recreation Corporation | | | 47% | 47% |

| Subsidiaries/Associates/Joint Ventures | Short Name | Notes | Percentage of Effective Ownership of AGI | |
|---|------------|-------|--|---------------|
| | | | March 2019 | December 2018 |
| Subsidiaries | | | | |
| Travellers and subsidiaries | | | | |
| Deluxe Hotels and Recreation, Inc. | | | 47% | 47% |
| Entertainment City Integrated Resorts & Leisure, Inc. | | | 47% | 47% |
| FHTC Entertainment & Production, Inc. | FHTC | | 47% | 47% |
| Golden Peak Leisure and Recreation, Inc. | | | 47% | 47% |
| Grand Integrated Hotels and Recreation, Inc. | | | 47% | 47% |
| Grandservices, Inc. | | | 47% | 47% |
| Grandventure Management Services, Inc. | | | 47% | 47% |
| Lucky Star Hotels and Recreation, Inc. | | | 47% | 47% |
| Lucky Panther Amusement and Leisure Corporation | | | 47% | 47% |
| Luminescent Vertex Hotels and Leisure Corporation | | | 47% | 47% |
| Magenta Centaurus Amusement and Leisure Corporation | | | 47% | 47% |
| Majestic Sunrise Leisure & Recreation, Inc. | | | 47% | 47% |
| Netdeals, Inc. | | | 47% | 47% |
| Newport Star Lifestyle, Inc. | | | 47% | 47% |
| Royal Bayshore Hotels & Amusement, Inc. | | | 47% | 47% |
| Sapphire Carnation Leisure and Recreation Corporation | | | 47% | 47% |
| Scarlet Milky Way Amusement and Leisure Corporation | | | 47% | 47% |
| Sparkling Summit Hotels and Leisure Corporation | | | 47% | 47% |
| Valiant Leopard Amusement and Leisure Corporation | | | 47% | 47% |
| Vermillion Triangulum Amusement and Leisure Corporation | | | 47% | 47% |
| Westside City Resorts World, Inc. | | (l) | 47% | 47% |
| Purple Flamingos Amusement and Leisure Corporation | | | 47% | 47% |
| Red Falcon Amusement and Leisure Corporation | | | 47% | 47% |
| Westside Theatre Inc. | | | 47% | 47% |
| Corporate and Others | | | | |
| Alliance Global Brands, Inc. | | | 100% | 100% |
| McKester Pik-nik International Limited | MPIL | (d) | 100% | 100% |
| Great American Foods, Inc. | | (m) | 100% | 100% |
| New Town Land Partners, Inc. | N'TLPI | | 100% | 100% |
| Alliance Global Group Cayman Islands, Inc. | | (c) | 100% | 100% |
| Boracay Newcoast Resorts, Inc. | | | 100% | 100% |
| Dew Dreams International, Inc. | | | 100% | 100% |
| First Centro, Inc. | FCI | | 100% | 100% |
| ERA Real Estate Exchange, Inc. | | | 100% | 100% |
| Oceanic Realty Group International, Inc. | | | 100% | 100% |
| Greenspring Investment Holdings Properties Ltd. | | (d) | 100% | 100% |
| Infracorp Development, Inc. | | | 100% | 100% |
| Shiok Success International, Inc. | | | 100% | 100% |
| Travellers Group Ltd. | | (d) | 100% | 100% |
| Venezia Universal Ltd. | | (d) | 100% | 100% |
| Dew Dreams International, Ltd. | | (d) | 100% | 100% |
| Shiok Success International, Ltd. | | (d) | 100% | 100% |
| Adams Properties, Inc. | Adams | | 60% | 60% |

| Subsidiaries/Associates/Joint Ventures | Short Name | Notes | Percentage of Effective Ownership of AGI | |
|--|------------|-------|--|---------------|
| | | | March 2019 | December 2018 |
| Associates | | | | |
| First Premiere Arches Restaurant Inc. | | | 49% | 49% |
| Bonifacio West Development Corporation | | | 31% | 31% |
| Suntrust Home Developers, Inc. | SHDI | | 31% | 31% |
| Citylink Coach Services, Inc. | | | 31% | 31% |
| First Oceanic Property Management, Inc. | | | 31% | 31% |
| Palm Tree Holdings and Development Corporation | | | 27% | 27% |
| Fil-Estate Network, Inc. | | | 11% | 11% |
| Fil-Estate Sales, Inc. | | | 11% | 11% |
| Fil-Estate Realty and Sales Associates, Inc. | | | 11% | 11% |
| Fil-Estate Realty Corp. | | | 11% | 11% |
| Boracay Newcoast Hotel Group, Inc. | | (n) | - | 8% |
| Nasugbu Properties, Inc. | | | 8% | 8% |
| Joint Ventures | | | | |
| Bodega Las Copas, S.L. | BLC | (o) | 41% | 41% |
| Front Row Theatre Management, Inc. | | (p) | 24% | 24% |

Explanatory notes:

- (a) AGI's effective ownership interest is derived from its 44% direct ownership, 3% direct holdings of FCI, 18% direct holdings of NTLPI and 2% holdings of other subsidiaries.
- (b) AGI and Megaworld directly owns 49% and 51%, respectively.
- (c) Foreign subsidiaries operating under the laws of the Cayman Islands.
- (d) Foreign subsidiaries operating under the Business Companies Act of the British Virgin Islands (BVI).
- (e) AGI's effective ownership interest represents its indirect holdings through Megaworld, which owns 82% of GERI as at December 31, 2018 and 2019.
- (f) A subsidiary through 60% and 40% direct ownership of EELHI and FCI, respectively.
- (g) As of December 31, 2018, PCMI is 71% effectively owned by the Group through the 60% direct ownership of AGI and 20% by EELHI. In January 2019, EELHI acquired the remaining 20% held by TAGI, thus the Group gained 100% rights over PCMI. The effective ownership of the Group over PCMI after the transaction is 82%.
- (h) DBLC, a subsidiary of GES, is operating under the laws of Spain and its subsidiaries PDSC, BDSC and GBMS are operating under the laws of Mexico.
- (i) Subsidiaries under EIL. EA is operating under the laws of Singapore while GES and its subsidiaries BSB, BFS, GEG, CBSP and DBLC, are operating under the laws of Spain. EES is operating under the laws of Luxembourg. EGB (the ultimate UK parent) is operating under the laws of England and Wales. EUK, WMG, WML and WMWL are operating under the laws of Scotland. EA, EES and EGB are direct subsidiaries of EIL.
- (j) GADC has no ownership interest over GARC, but qualifies as a subsidiary since its operating and corporate policies and decision making are being governed by GADC.
- (k) Travellers' common shares are directly owned 15% by AGI, 3% by FCI, 2% by Megaworld, 46% by Adams, 24% by Genting Hongkong Limited (GHL) and 10% by the public.
- (l) AGI's effective ownership is through 1% direct ownership, 45% through 95% ownership of Travellers, and 1% through ownership of other subsidiaries within the Group (i.e., FCI, Megaworld and Adams).
- (m) Foreign subsidiary of MPIL operating under the laws of United States of America.
- (n) As of March 2019, FEPI sold an aggregate of 100% ownership interest in BNHGI.
- (o) A foreign joint venture under GES and operating under the laws of Spain.
- (p) A joint venture through FHITC.

The Company, its subsidiaries, associates and joint ventures are incorporated and operating in the Philippines, except for such foreign subsidiaries and a joint venture as identified in the preceding table (see explanatory notes c, d, h, i, m and o above).

AGI's shares of stock and those of Megaworld, EMP, Travellers, GERI, EELHI and SHDI are listed in and traded through the PSE.

The principal activities of the Group are further described in Note 4.

The Company's registered office and primary place of business is located at 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City.

The Board of Directors (BOD) approved on May 17, 2019, the release of the interim consolidated financial statements (ICFS) of the Group as of and for the three months ended March 31, 2019 (including the comparative financial statements as of December 31, 2018 and for the three months ended March 31, 2018).

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these ICFS are consistent with those applied in the audited consolidated financial statements (ACFS) as of and for the year ended December 31, 2018 except for the application of standards that became effective on January 1, 2019 (see Note 2.2).

2.1 Basis of Preparation of Interim Consolidated Financial Statements

These ICFS have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Philippine Financial Reporting Standards (PFRS), and should be read in conjunction with the Group's ACFS as of and for the year ended December 31, 2018.

The ICFS are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the ICFS 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.

The presentation of the ICFS is consistent with the most recent ACFS presentation, except for the amendments introduced by the new accounting standards mentioned in Note 2.2.

The Group presents all items of income and expense in a single consolidated statement of comprehensive income.

The Group reclassified certain accounts in its consolidated statements of comprehensive income for the three months ended March 31, 2018 to conform to the current period presentation and classification, as follows:

- 1) Certain expenses amounting to P94.0 million in March 31, 2018 were reclassified from Cost of Goods Sold account to Other Operating Expenses account in the consolidated statement of comprehensive income for the three months ended March 31, 2018, to conform to the current interim period presentation; and,

- 2) Promotional allowances were increased by P215.0 million in March 31, 2018 relating to the net effects of the casino rebates program and the provision for gaming points that should have reduced the gaming revenues in accordance with the fair value measurement of such derivatives, and the casino-related prizes and promotions that should have been reported as operating expenses. Adjusted Promotional allowances totaling P750.7 million in March 31, 2018 were reclassified from Cost of Services account to Revenues-Rendering of Services under Revenues account to conform to the current interim period presentation.

The effects of these prior period adjustments on certain line items in the consolidated statements of income for the three months ended March 31, 2018 are as follows:

| | March 31, 2018 | | | |
|---------------------------------|---------------------------|-----------------------------------|----------------------------------|-------------------|
| | As Previously Reported | Effects of adoption | | As Restated |
| | | PFRS 15 and PIC Q&A 2018-12 | Restatement/ Reclassification | |
| Sale of goods | P 18,439,495,411 | (P 307,163,358) | P - | P 18,132,332,053 |
| Rendering of services | 15,853,394,754 | - | (740,145,107) | 15,113,249,647 |
| Finance and other income | 892,960,652 | 175,801,811 | (10,548,037) | 1,058,214,426 |
| Cost of goods sold | (11,414,178,174) | 520,347,911 | 93,972,456 | (10,799,857,807) |
| Cost of services | (7,651,691,808) | - | (214,983,468) | (7,886,675,276) |
| Other operating expenses | (7,481,920,292) | (82,361,760) | 871,704,156 | (6,692,577,896) |
| Finance costs and other charges | (1,881,676,818) | (79,627,457) | - | (1,961,304,275) |
| Tax expense | (1,429,559,541) | (31,828,344) | - | (1,461,387,885) |
| Net increase in profit | | <u>P 195,168,803</u> | <u>P -</u> | |
| Net profit attributable to: | | | | |
| Owners of the parent company | 3,499,462,015 | 98,091,444 | - | 3,597,553,459 |
| Non-controlling interest | 1,944,445,816 | <u>97,077,359</u> | <u>-</u> | 2,041,523,175 |
| | | <u>P 195,168,803</u> | <u>P -</u> | |
| Earnings per share: | | | | |
| Basic | 0.3487 | | | 0.3585 |
| Diluted | 0.3478 | | | 0.3575 |

The effects of prior period adjustments on certain line items under cash flows from operating and investing activities in the consolidated statement of cash flows for the three months ended March 31, 2018 are as follows:

| | March 31, 2018 | | | |
|--|---------------------------|-----------------------------------|----------------------------------|------------------|
| | As Previously Reported | Effects of adoption | | As Restated |
| P | | PFRS 15 and PIC Q&A 2018-12 | Restatement/ Reclassification | |
| <i>Cash flows from operating activities</i> | | | | |
| Profit before tax | P 6,783,467,372 | P 226,997,147 | P - | P 7,100,464,519 |
| Decrease (increase) in: | | | | |
| Trade and other receivables | 1,455,511,697 | 4,966,311,976 | 105,356,800 | 6,527,180,473 |
| Contract assets | - | (7,639,238,748) | - | (7,639,238,748) |
| Inventories | (1,466,719,981) | 5,746,768,935 | (250,127,255) | 4,029,921,699 |
| Property development cost | (243,578,171) | - | 243,578,171 | - |
| Other current assets | (279,168,694) | (2,600,335,321) | - | (2,879,504,015) |
| Increase (decrease) in: | | | | |
| Trade and other payables | 697,730,693 | (606,999,549) | 26,646,565 | 117,377,709 |
| Other non-current liabilities | 436,686,656 | 369,639,736 | - | 806,326,392 |
| Contract liabilities | - | (237,435,801) | - | (237,435,801) |
| <i>Cash flows from investing activities</i> | | | | |
| Acquisition of Property, plant and equipment | (5,392,245,506) | - | (31,114) | (5,392,276,620) |
| Investment properties | (922,713,991) | - | (95,394,339) | (1,018,108,330) |
| Land for future development | (6,549,084) | - | 6,549,084 | - |
| Advances to landowners, joint ventures and other related parties – net | (30,011,408) | - | 15,328,013 | (14,683,395) |
| Increase in other non-current assets | (207,961,043) | (225,708,375) | - | (433,669,418) |
| Additional advances granted to associates | (105,356,800) | - | 53,450,875 | (51,905,925) |
| <i>Cash flows from financing activities</i> | | | | |
| Advances granted and paid to related parties | (222,699,651) | - | (255,356,800) | (478,056,451) |
| Advances collected and received from related parties | (134,974,916) | - | 150,000,000 | 15,025,084 |
| | | - | - | |
| Cash at the beginning of year | 55,672,960,546 | - | - | 55,672,960,546 |
| Cash at end of year | 53,022,678,709 | - | - | 53,022,678,709 |
| Net effect of changes on cash flows | | <u>P -</u> | <u>P -</u> | |

2.2 Adoption of New and Amended PFRS

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

In 2019, the Group adopted for the first time the following new PFRS, amendments, interpretation and annual improvements to existing standards that are relevant to the Group and effective for financial statements with annual periods beginning on or after January 1, 2019.

| | | |
|---------------------|---|---|
| PAS 19 (Amendments) | : | Employee Benefits – Plan Amendment, Curtailment or Settlement |
| PAS 28 | : | Investment in Associates – Long-term Interest in Associates and Joint Venture |
| PFRS 9 (Amendment) | : | Financial Instruments – Prepayment Features with Negative Compensation |
| PFRS 16 | : | Leases |
| IFRIC 23 | : | Uncertainty over Income Tax Treatments |

(b) Effective Subsequent to 2019 but are not Adopted Early

There are new PFRS, amendments, interpretation and annual improvements to existing standards effective for annual periods subsequent to 2019, which are adopted by the Financial Reporting Standards Council. Management will adopt the following relevant pronouncements in accordance with their transitional provisions:

| | | |
|---------------------------------|---|--|
| PFRS 10 and PAS 28 (Amendments) | : | Consolidated Financial Statements, and Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture |
| Annual Improvements | : | Annual Improvements to PFRS (2015 – 2017 cycle) |

Management is currently assessing the impact of these standards and interpretation on the Group's consolidated financial statements and it will conduct a comprehensive study of the potential impact of these standards prior to their mandatory adoption date to assess the impact of all changes.

3. JUDGMENTS AND ESTIMATES

The preparation of the Group's ICFS in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the policies applied and amounts reported in the ICFS and related explanatory notes. Judgments and estimates are based on historical experience and management's best knowledge of current events and actions, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates. There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current interim period.

The judgments, estimates and assumptions applied in the ICFS, including the key sources of estimation uncertainty, were the same as those applied in the ACFS for the year ended December 31, 2018.

4. SEGMENT INFORMATION

4.1 *Business Segments*

The Group is organized into major business segments, which are the major subsidiaries of the Group. These represent the main products and services provided by the Group and the line of business in which the Group operates. Presented below is the basis of the Group in reporting its primary segment information.

- (a) The *Megaworld* segment consists of development of real estate, integrated resorts, leasing of properties and hotel operations business which is primarily undertaken by Megaworld Corporation and subsidiaries, the Group's forerunner in the real estate industry.
- (b) The *Emperador* segment refers to the manufacture and distribution of distilled spirits, including the production of glass containers, which is undertaken by Emperador Inc. and subsidiaries.
- (c) The *Travellers* segment relates to tourism-oriented business that integrates entertainment, hospitality and leisure, including gaming, as that of Resorts World Manila, which is operated by Travellers International Hotel Group, Inc. and subsidiaries.
- (d) The *GADC* segment refers to operations of McDonald's restaurants in the Philippines in accordance with the franchise agreement between GADC and McDonald's Corporation, USA.

The Group disaggregates revenues recognized from contracts with customers into these segments that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. This same disaggregation is used in earnings releases, annual reports and investor presentations.

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, trade and other receivables, inventories, property, plant and equipment, intangible assets and investment properties. Segment liabilities include all operating liabilities and consist principally of trade and other payables, interest-bearing loans and bonds payable.

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

Segment information can be analyzed as follows for three months ended March 31, 2019 and 2018.

| | For three months ended March 31, 2019 (Unaudited) | | | | |
|--|--|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| | <u>Megaworld</u> | <u>Travellers</u> | <u>GADC</u> | <u>Emperador</u> | <u>Total</u> |
| REVENUES | | | | | |
| Sales to external customers | P 13,982,691,577 | P 6,896,551,695 | P 7,463,027,375 | P 10,796,686,991 | P 39,138,957,638 |
| Intersegment sales | 40,272,521 | 2,551,297 | - | - | 42,823,818 |
| Finance and other income | <u>870,474,732</u> | <u>12,873,982</u> | <u>57,367,141</u> | <u>228,457,434</u> | <u>1,169,173,289</u> |
| Segment revenues | 14,893,438,830 | 6,911,976,974 | 7,520,394,516 | 11,025,144,425 | 40,350,954,745 |
| Cost of sales and expenses excluding depreciation and amortization | (<u>7,750,890,532</u>) | (<u>5,470,328,205</u>) | (<u>6,597,224,066</u>) | (<u>8,479,388,025</u>) | (<u>28,297,830,828</u>) |
| | 7,142,548,298 | 1,441,648,769 | 923,170,450 | 2,545,756,400 | 12,053,123,917 |
| Depreciation and amortization | (611,833,359) | (751,816,648) | (309,496,650) | (319,196,385) | (1,992,343,042) |
| Finance costs and other charges | (<u>1,005,822,785</u>) | (<u>426,637,328</u>) | (<u>45,418,814</u>) | (<u>197,292,221</u>) | (<u>1,675,171,148</u>) |
| Profit before tax | 5,524,892,154 | 263,194,793 | 568,254,986 | 2,029,267,794 | 8,385,609,727 |
| Tax expense | (<u>1,408,609,787</u>) | (<u>9,954,618</u>) | (<u>162,112,737</u>) | (<u>277,596,805</u>) | (<u>1,858,273,947</u>) |
| SEGMENT PROFIT | <u>P 4,116,282,367</u> | <u>P 253,240,175</u> | <u>P 406,142,249</u> | <u>P 1,751,670,989</u> | <u>P 6,527,335,780</u> |
| SEGMENT ASSETS AND LIABILITIES | | | | | |
| Segment assets | P 325,989,900,125 | P 105,873,714,379 | P 19,326,634,605 | P 117,206,220,693 | P 568,396,469,802 |
| Segment liabilities | 123,011,590,759 | 59,329,655,357 | 11,063,093,579 | 54,501,689,943 | 247,906,029,638 |
| OTHER SEGMENT INFORMATION | | | | | |
| Share in net profit (loss) of associates and joint ventures | 23,048,202 | (17,154) | - | 71,757,189 | 94,788,237 |

| | For three months ended March 31, 2018 [As Restated (Unaudited)] | | | | |
|--|---|--------------------------|--------------------------|--------------------------|---------------------------|
| | Megaworld | Travellers | GADC | Emperador | Total |
| REVENUES | | | | | |
| Sales to external customers | P 12,293,163,625 | P 4,708,364,334 | P 6,632,691,092 | P 9,322,633,306 | P 32,956,852,357 |
| Intersegment sales | 35,375,251 | 2,463,524 | - | - | 37,838,775 |
| Finance and other income | <u>632,395,394</u> | <u>31,099,585</u> | <u>14,315,141</u> | <u>421,336,253</u> | <u>1,099,146,373</u> |
| Segment revenues | 12,960,934,270 | 4,741,927,443 | 6,647,006,233 | 9,743,969,559 | 34,093,837,505 |
| Cost of sales and expenses excluding depreciation and amortization | (<u>6,664,269,653</u>) | (<u>3,866,718,958</u>) | (<u>5,761,465,615</u>) | (<u>7,283,478,034</u>) | (<u>23,575,932,260</u>) |
| | 6,296,664,617 | 875,208,485 | 885,540,618 | 2,460,491,525 | 10,517,905,245 |
| Depreciation and amortization | (<u>525,080,511</u>) | (<u>474,056,622</u>) | (<u>279,451,910</u>) | (<u>230,694,705</u>) | (<u>1,509,283,748</u>) |
| Finance costs and other charges | (<u>1,232,940,458</u>) | <u>65,698,153</u> | (<u>80,588,704</u>) | (<u>338,077,148</u>) | (<u>1,585,908,157</u>) |
| Profit before tax | 4,538,643,648 | 466,850,016 | 525,500,004 | 1,891,719,672 | 7,422,713,340 |
| Tax expense | (<u>1,051,302,277</u>) | (<u>5,880,228</u>) | (<u>173,939,943</u>) | (<u>230,257,772</u>) | (<u>1,461,380,220</u>) |
| SEGMENT PROFIT (LOSS) | <u>P 3,487,341,371</u> | <u>P 460,969,788</u> | <u>P 351,560,061</u> | <u>P 1,661,461,900</u> | <u>P 5,961,333,120</u> |

The following presents the segment assets and liabilities of the Group as of December 31, 2018 (audited):

| | | | | | |
|--|-------------------|-------------------|------------------|-------------------|-------------------|
| SEGMENT ASSETS AND LIABILITIES | | | | | |
| Segment assets | P 322,191,472,006 | P 104,709,932,153 | P 19,580,530,142 | P 114,542,338,652 | P 561,024,272,953 |
| Segment liabilities | 123,368,102,367 | 58,410,773,061 | 11,656,147,656 | 54,404,692,853 | 247,839,715,937 |
| OTHER SEGMENT INFORMATION [For the three months ended March 31, 2018 (Unaudited)] | | | | | |
| Share in net profit (loss) of associates and joint ventures | 15,629,549 | (30,669) | - | 101,484,767 | 117,083,647 |

4.5 Reconciliations

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its ICFS.

| | March 31, 2019 <u>(Unaudited)</u> | March 31, 2018 [As Restated (Unaudited)] |
|---|---|---|
| Revenues | | |
| Total segment revenues | P 40,350,954,745 | P 34,093,837,505 |
| Unallocated corporate revenue | 740,222,547 | 364,881,043 |
| Elimination of intersegment revenues | (42,823,818) | (37,838,775) |
| Revenues as reported in interim consolidated profit or loss | <u>P 41,048,353,474</u> | <u>P 34,420,879,773</u> |
| Profit or loss | | |
| Segment operating profit | P 6,527,335,780 | P 5,961,333,120 |
| Unallocated corporate gain (loss) | 38,419,648 | (284,417,711) |
| Elimination of intersegment revenues | (42,823,818) | (37,838,775) |
| Profit as reported in interim consolidated profit or loss | <u>P 6,522,931,610</u> | <u>P 5,639,076,634</u> |
| | March 31, 2019 <u>(Unaudited)</u> | December 31, 2018 (Audited) |
| Assets | | |
| Segment assets | P 568,396,469,802 | P 561,024,272,953 |
| Unallocated corporate assets | 26,311,415,008 | 27,226,921,775 |
| Total assets reported in the consolidated statements of financial position | <u>P 594,707,884,810</u> | <u>P 588,251,194,728</u> |
| Liabilities | | |
| Segment liabilities | P 247,906,029,638 | P 247,839,715,937 |
| Unallocated corporate liabilities | 49,967,966,929 | 49,838,815,332 |
| Total liabilities reported in the consolidated statements of financial position | <u>P 297,873,996,567</u> | <u>P 297,678,531,269</u> |

Concentration of revenue is considered when at least 10% of total segment revenue is generated from a single customer. There is no concentration of the Group's revenue in a single customer as the 10% threshold has not been met in any of the periods presented.

5. PROPERTY, PLANT AND EQUIPMENT

The gross carrying amounts and accumulated depreciation, amortization and impairment of property, plant and equipment as of March 31, 2019 and December 31, 2018 are shown below.

| | March 31, 2019 <u>(Unaudited)</u> | December 31, 2018 (Audited) |
|--|--------------------------------------|--------------------------------|
| Cost | P 154,962,237,767 | P 151,062,328,123 |
| Accumulated depreciation, amortization and impairment | (35,106,967,441) | (33,560,684,887) |
| Net carrying amount | <u>P 119,855,270,326</u> | <u>P 117,501,643,236</u> |

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

| | <u>March 31, 2019</u> <u>(Unaudited)</u> | <u>December 31, 2018</u> <u>(Audited)</u> |
|--|---|--|
| Balance at beginning of period, net of accumulated depreciation, amortization and impairment | P 117,501,643,236 | P 98,026,484,627 |
| Additions | 4,069,268,390 | 19,985,611,713 |
| Depreciation and amortization charges for the period | (1,563,607,510) | (5,201,720,435) |
| Disposals – net | (153,053,235) | (346,205,473) |
| Reversal of impairment loss | 1,019,445 | 19,258,000 |
| Reclassifications – net | <u>-</u> | <u>5,018,214,804</u> |
| Balance at end of period, net of accumulated depreciation, amortization and impairment | <u>P 119,855,270,326</u> | <u>P 117,501,643,236</u> |

6. INVESTMENT PROPERTY

The Group's investment property includes several parcels of land, buildings and improvements which are held for investment purposes only, either to earn rental income or for capital appreciation or both. The gross carrying amounts and accumulated depreciation of investment property at the beginning and end of the reporting periods are shown below.

| | <u>March 31, 2019</u> <u>(Unaudited)</u> | <u>December 31, 2018</u> <u>(Audited)</u> |
|--------------------------|---|--|
| Cost | P 118,322,882,978 | P 115,489,918,831 |
| Accumulated depreciation | (11,355,726,115) | (10,854,385,090) |
| Net carrying amount | <u>P 106,967,156,863</u> | <u>P 104,635,533,741</u> |

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

| | <u>March 31, 2019</u> <u>(Unaudited)</u> | <u>December 31, 2018</u> <u>(Audited)</u> |
|--|---|--|
| Balance at beginning of period, net of accumulated depreciation | P 104,635,533,741 | P 97,228,826,949 |
| Additions | 2,832,964,148 | 14,280,652,677 |
| Depreciation charges for the period | (501,341,026) | (1,907,742,465) |
| Reclassifications | - | (4,963,739,212) |
| Disposals – net | <u>-</u> | <u>(2,464,208)</u> |
| Balance at end of period, net of accumulated depreciation | <u>P 106,967,156,863</u> | <u>P 104,635,533,741</u> |

7. DIVIDENDS

There were no dividends declared and paid by the Company during the three-month period ended March 31, 2019 and 2018.

8. EARNINGS PER SHARE

Earnings per share is computed as follows:

| | March 31, 2019 (Unaudited) | March 31, 2018 [As Restated (Unaudited)] |
|--|---|--|
| Basic: | | |
| Net profit attributable to owners of the parent company | P 4,352,343,684 | P 3,597,553,459 |
| Divide by the weighted average number of outstanding common shares | <u>9,873,370,939</u> | <u>10,035,873,879</u> |
| | <u>P 0.4408</u> | <u>P 0.3585</u> |
| Diluted: | | |
| Net profit attributable to owners of the parent company | P 4,352,343,684 | P 3,597,553,459 |
| Divide by the weighted average number of outstanding common shares and potentially dilutive shares | <u>9,894,427,344</u> | <u>10,062,182,587</u> |
| | <u>P 0.4399</u> | <u>P 0.3575</u> |

On September 19, 2017 the BOD approved a two-year share repurchase program allowing the Company to repurchase up to P5.0 billion shares from existing stockholders. Under this program, the Company has repurchased 273,492,840 shares for P3.8 billion and 110,989,900 shares for P1.7 billion as of March 31, 2019 and 2018, respectively, which are reported as Treasury Shares. In addition, as of March 31, 2019 and 2018, certain subsidiaries held 122,964,200 shares which cost P936.2 million that are considered as part of Treasury Shares. Such treasury shares do not form part of outstanding common shares.

The actual number of outstanding common shares approximates the weighted average for each interim period. As of March 31, 2019, and 2018, there are 21.1 million and 26.3 million potentially dilutive shares, respectively, from the Company's Executive Stock Option Plan. However, such number of dilutive shares has no significant effect on the weighted average number of outstanding common shares and, consequently has negligible effect on the 2019 and 2018 diluted EPS.

9. RELATED PARTY TRANSACTIONS

The Group's related parties include its stockholders, associates, joint ventures, the Group's key management personnel and retirement fund, and others. The summary of the Group's transactions with its related parties for the periods ended March 31, 2019 and 2018, and the related outstanding balances as of March 31, 2019 and December 31, 2018 are as follows:

| Related Party Category | Notes | Amount of Transaction | | Outstanding Balance Receivable (Payable) | |
|---|-------|-------------------------------|-------------------------------|--|--------------------------------|
| | | March 31, 2019 (Unaudited) | March 31, 2018 (Unaudited) | March 31, 2019 (Unaudited) | December 31, 2018 (Audited) |
| Subsidiaries' | | | | | |
| stockholders: | | | | | |
| Casino transactions | 9.2 | P 113,403,340 | P 6,802,047 | P 108,678,360 | (P 1,346,880) |
| Management fees | 9.3 | 91,806,302 | 60,532,928 | (21,958,963) | (17,173,497) |
| Accounts payable | 9.5 | - | - | (347,670,510) | (347,670,510) |
| Acquisition of investment | 9.7 | - | - | (809,715,967) | (1,046,400,000) |
| Related party under common ownership: | | | | | |
| Purchase of raw materials | 9.1 | 1,134,397,474 | 621,893,903 | (1,187,237,925) | (941,949,372) |
| Purchase of imported goods | 9.1 | 4,914,703 | 4,238,871 | (607,695) | (459,844) |
| Advances granted | 9.4 | 180,272,387 | 103,993,351 | 1,693,226,731 | 1,512,954,344 |
| Management services | 9.1 | 15,000,000 | - | (77,000,000) | (76,500,000) |
| Associates – | | | | | |
| Advances granted | 9.4 | (19,214,080) | 1,363,449 | 1,112,334,894 | 1,131,548,974 |
| Others: | | | | | |
| Accounts receivable | 9.5 | (62,036,452) | (11,088,927) | 275,580,006 | 337,616,458 |
| Accounts payable | 9.5 | - | 150,000,000 | (65,208,430) | (65,208,430) |
| Advances from joint venture partners and others | 9.6 | (161,644,000) | (218,763,494) | (2,223,819,118) | (2,385,463,118) |
| Donations | | (62,065,765) | (40,426,363) | (19,002,012) | (16,717,694) |

Unless otherwise stated, the outstanding balance of the Group's transactions with its related parties are unsecured, noninterest-bearing and payable or collectible on demand.

9.1 Purchase of Goods and Management Agreement

Emperador imports finished goods and raw materials such as alcohol, flavorings and other items through Andresons Global, Inc., a related party under common ownership. Emperador also imports raw materials from Alcoholera dela Mancha Vinicola, S.L., a wholly-owned subsidiary of BLC, which is considered a related party under joint control. These transactions are generally payable within 30 days. Emperador also entered into a management agreement with Condis for the consultancy and advisory services in relation to the operation, management, development and maintenance of machineries in the distillery plant. The outstanding balances as of March 31, 2019 and December 31, 2018 are shown as part of Trade and Other Payables account in the consolidated statements of financial position.

9.2 Casino Transactions with GHL

Travellers recognized outstanding accounts receivable from (payable to) GHL representing show money received by Travellers (GHL) from foreign patrons which the counterparty will later remit to the other. The outstanding balance, which is unsecured, noninterest bearing and payable in cash upon demand, is presented as part of Trade and Other Receivables account and Trade and Other Payables account in the 2019 and 2018 consolidated statements of financial position, respectively.

9.3 Operations and Management Agreement with GHL

Some of Travellers' administrative functions are being handled by certain key officers and employees under the management of GHL as agreed by both parties under the Operations and Management Agreement. These transactions are presented as part of Management fees, under the Other Operating Expenses account in the consolidated statements of comprehensive income. The outstanding liability, which is unsecured, noninterest bearing and payable in cash upon demand, arising from this transaction is presented as part of Accrued expenses under Trade and Other Payables account in the consolidated statements of financial position.

9.4 Advances to Associates and Other Related Parties

Entities within the Group grant advances to associates and other entities for working capital purposes. Settlement is generally made in cash or through offsetting arrangements. The outstanding balances of Advances to associates and other related parties, which are shown as part of Investments in and Advances to Associates and Other Related Parties account in the consolidated statements of financial position, and movement of the account are presented as follows (these mainly represent advances granted by Megaworld):

| | March 31, 2019 (Unaudited) | December 31, 2018 (Audited) |
|--------------------------------|---|-----------------------------------|
| Balance at beginning of period | P 2,644,503,318 | P 2,544,141,192 |
| Cash advances granted | 180,272,387 | 355,789,071 |
| Collections | (19,214,080) | (255,426,945) |
| Balance at end of period | <u>P 2,805,561,625</u> | <u>P 2,644,503,318</u> |

As of March 31, 2019 and December 31, 2018, based on management's assessment, the outstanding balances of advances to associates and other related parties are not impaired; hence, no impairment losses were recognized.

9.5 Due from/to Related Parties

Transactions with related parties include the following: financing of opening of letters of credit and payment of progress billings, royalty fees, rentals, interest and certain expenses in behalf of the entities within Group or other related parties. Settlement is generally made in cash or through offsetting arrangements.

The outstanding balances of the Due from/to Related Parties are included under Trade and Other Receivables and Trade and Other Payables accounts, respectively, in the consolidated statements of financial position as follows:

| | March 31, 2019 (Unaudited) | December 31, 2018 (Audited) |
|--|---|-----------------------------------|
| <i>Due from Related Parties</i> | | |
| Balance at beginning of period | P 337,616,458 | P 249,464,102 |
| Additions | 30,167,936 | 200,099,920 |
| Collections | (92,204,388) | (111,947,564) |
| | 275,580,006 | 337,616,458 |
| Impairment loss | - | (9,340,816) |
| Balance at end of period | <u>P 275,580,006</u> | <u>P 328,275,642</u> |
| <i>Due to Related Parties</i> | | |
| Balance at beginning of period | P 412,878,940 | P 487,878,940 |
| Additions | - | 150,000,000 |
| Repayments | - | (225,000,000) |
| Balance at end of period | <u>P 412,878,940</u> | <u>P 412,878,940</u> |

As at March 31, 2019, based on management's assessment, an additional amount of impairment is not necessary to be recognized.

9.6 Non-current Advances from Related Parties

Certain expenses of entities within the Group are paid for by other related parties. The advances are unsecured, noninterest-bearing, with no repayment terms, and generally payable in cash or through offsetting arrangements. Advances from Joint Venture (JV) partners pertain to advances from golf share partners and lot owners.

Details of Advances from Related Parties and JV Partners are presented as follows:

| | March 31, 2019 (Unaudited) | December 31, 2018 (Audited) |
|-------------------------------|---|-----------------------------------|
| Advances from related parties | P 1,828,394,475 | P 1,990,038,475 |
| Advances from JV partners | <u>395,424,643</u> | <u>395,424,643</u> |
| | <u>P 2,223,819,118</u> | <u>P 2,385,463,118</u> |

9.7 Acquisition of Investments

In 2018, AGI acquired 2,250.0 million shares of PCMI for P3,714.3 million from TAGI, by way of assignment of subscription rights. The acquisition represents 60% ownership in PCMI. As at March 31, 2019 and December 31, 2018, there is an outstanding liability from this transaction which is shown as part of Trade and Other Payables account in the consolidated statements of financial position.

Effective ownership over PCMI is 82% and 71% at March 31, 2019 and December 31, 2018, respectively, derived from AGI's 60% and EELHI's holdings (20% in 2018; 40% in 2019). In January 2019, EELHI acquired additional shares of PCMI representing additional 20% direct ownership.

9.8 Transactions with the Retirement Plans

The Group has formal retirement plans established separately for each significant subsidiary, particularly Megaworld, GERI, ELI, Travellers, GADC, EDI and WML. These plans are defined benefit post-employment plan maintained for qualified employees, administered and managed by trustee banks (except for GERI which is still an unfunded plan) that are legally separated from the Group. The retirement funds do not provide any guarantee or surety for any obligation of the Group and their investments are not covered by any restrictions or liens.

10. COMMITMENTS AND CONTINGENCIES

10.1 Tax Contingencies of Travellers' Casino Operations

Travellers is subject to 25% and 15% license fees, inclusive of franchise tax and in lieu of all taxes, with reference to the income component of the gross gaming revenues, as provided under the Provisional License Agreement with Philippine Amusement and Gaming Corporation (PAGCOR). In April 2013, however, the BIR issued RMC 33-2013 declaring that PAGCOR, its contractees and its licensees are no longer exempt from corporate income tax under the National Internal Revenue Code of 1997, as amended.

In August 2016, the Supreme Court (SC) confirmed that "all contractees and licensees of PAGCOR, upon payment of the 5% franchise tax, shall be exempted from all other taxes, including income tax realized from the operation of casinos." The SC Decision has been affirmed with finality by the SC in a Resolution dated November 28, 2016, when it denied the Motion for Reconsideration filed by the Bureau of Internal Revenue. Consistent with the decision of SC, on June 13, 2018, the Office of the Solicitor General issued a legal opinion stating that the tax exemption and imposition of 5% franchise tax in lieu of all other taxes and fees for gaming operations that was granted to PAGCOR extended to all PAGCOR contractees and licensees.

10.2 Consortium Agreement for Ninoy Aquino International Airport

On February 12 2018, AGI as a member of a consortium of seven (7) conglomerates, submitted a P102-billion unsolicited proposal to the Department of Transportation (DOTr) for the improvement, upgrade, enhancement, expansion, operation and maintenance, and management of the Ninoy Aquino International Airport. On September 10, 2018, the DOTr and Manila International Airport Authority granted an Original Proponent Status (OPS) to the consortium.

10.3 Skytrain Project

On October 10, 2017, the Group submitted a P3-billion unsolicited proposal to the government to build a 1.87-kilometer Skytrain monorail project and transfer its ownership title to the government. The Group was granted an OPS by the DOTr on May 17, 2018. The following day, DOTr formally endorsed the project to the National Economic and Development Authority – Investment Coordination Committee and is now undergoing review and evaluation.

10.4 Other Commitments and Contingencies

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 accompanying ICFS. Management is of the opinion that losses, if any, from these items will not have any material impact on the ICFS.

In addition, there are no material off-balance sheet transactions, arrangements, obligations and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

11. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has various financial instruments such as cash and cash equivalents, financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVOCI), interest-bearing loans, bonds payable, trade receivables and payables and derivative assets and liabilities which arise directly from the Group's business operations. The financial debts 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.

The Group is exposed to a variety of financial risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

11.1 Market Risk

(a) Foreign Currency Sensitivity

Most of the Group's transactions are carried out in Philippine pesos, Euros, UK pounds and U.S. dollars, which are the functional currencies of the individual subsidiaries making the transactions. The currency exchange risk arises from transactions carried out in currencies other than the functional currency of the subsidiaries at each entity level.

Foreign-currency denominated financial assets and financial liabilities, translated into Philippine pesos at period-end closing rate are as follows:

| | <u>March 31, 2019 (Unaudited)</u> | | <u>December 31, 2018 (Audited)</u> | |
|-----------------------|-----------------------------------|------------------------|------------------------------------|------------------------|
| | <u>U.S. Dollars</u> | <u>HK Dollars</u> | <u>U.S. Dollars</u> | <u>HK Dollars</u> |
| Financial assets | P 3,900,397,124 | P 2,365,294,709 | P 5,046,723,090 | P 4,393,877,128 |
| Financial liabilities | (19,649,607,079) | (793,270,781) | (20,699,495,919) | (1,128,098,097) |
| | <u>(P 15,749,209,955)</u> | <u>P 1,572,023,928</u> | <u>(P15,652,772,829)</u> | <u>P 3,265,779,031</u> |

The sensitivity of the consolidated income before tax for the period with regard to the Group's financial assets and the U.S. dollar – Philippine peso exchange rate assumes +/- 7.47% and +/- 7.43% changes in exchange rate for the three months ended March 31, 2019 and for the year ended December 31, 2018, respectively. The HK dollar – Philippine peso exchange rate assumes +/- 7.61% and +/- 7.57% changes in exchange rate for the three months ended March 31, 2019 and for the year ended December 31, 2018, respectively. These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months estimated at 95% level of confidence. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting periods.

If the Philippine peso had strengthened (or weakened) against the U.S. dollar, with all other variables held constant, consolidated profit before tax would have increased (or decreased) by P1.2 billion for the three-month period ended March 31, 2019 and for the year ended December 31, 2018. If in 2019 and 2018, the Philippine peso had strengthened (or weakened) against the HK dollar, with all other variables held constant, consolidated profit before tax would have decreased (or increased) by P0.1 billion for the three-month period ended March 31, 2019 and P0.2 billion for the year ended December 31, 2018.

The Group periodically reviews the trend of the foreign exchange rates and monitors its non-functional currency cash flows.

Exposures to foreign exchange rates vary during the period depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

(b) *Interest Rate Sensitivity*

The Group's interest risk management policy is to minimize interest rate cash flow risk exposures to changes in interest rates. At present, the Group is exposed to changes in market interest rates through bank borrowings and cash and cash equivalents, which are subject to variable interest rates. The Group maintains a debt portfolio unit of both fixed and variable interest rates. All other financial assets are subject to variable interest rates.

The sensitivity of the consolidated profit before tax for the period to a reasonably possible change in interest rates of +/- 3.21% for Philippine peso and +/- 1.29% for U.S. dollar in 2019, and +/- 2.91% for Philippine peso and +/- 1.99% for U.S. dollar in 2018 with effect from the beginning of the period. These percentages have been determined based on the average market volatility in interest rates, using standard deviation, in the previous 12 months estimated at 95% level of confidence.

The sensitivity analysis is based on the Group's financial instruments held at March 31, 2019 and December 31, 2018, with effect estimated from the beginning of the period. All other variables held constant, the consolidated profit before tax would have increased by P3.5 billion for the three-month period ended March 31, 2019 and P3.3 billion for the year ended December 31, 2018. Conversely, if the interest rates decreased by the same percentage, consolidated profit before tax would have been lower by the same amount.

11.2 Credit Risk

Generally, the Group's credit risk is attributable to trade and other receivables arising mainly from transactions with approved franchisees, installment sales receivables, rental receivables and other financial assets. The carrying values of these financial assets subject to credit risk are disclosed in Note 12.

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. Franchisees are subject to stringent financial, credit and legal verification process. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant portion of sales, advance payments are received to mitigate credit risk.

With respect to credit risk arising from the other financial assets of the Group, composed of cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 per depositor per banking institution.

Trade and other receivables that are past due but not impaired are as follows:

| | March 31, 2019 (Unaudited) | December 31, 2018 (Audited) |
|-----------------------|---|-----------------------------------|
| Not more than 30 days | P 3,277,854,695 | P 6,168,427,517 |
| 31 to 60 days | 1,707,634,969 | 2,118,222,699 |
| Over 60 days | <u>1,595,506,478</u> | <u>1,774,318,897</u> |
| | <u>P 6,580,996,142</u> | <u>P 10,060,969,113</u> |

11.3 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 basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a three-month and one-year period are identified monthly. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans, bonds, and preferred shares.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits, mutual funds 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. In addition, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise. Fund raising activities may include bank loans and capital market issues.

As of March 31, 2019, the Group's financial liabilities have contractual maturities which are presented below.

| | Current | | Non-current | |
|-------------------------------------|--------------------------------|--------------------------------|---------------------------------|-------------------------------|
| | Within 6 Months | 6 to 12 Months | 1 to 5 Years | Later than 5 Years |
| Trade and other payables | P 40,700,017,067 | P 8,937,553,727 | P - | P - |
| Interest-bearing loans | 8,379,718,125 | 13,462,650,489 | 146,549,293,095 | 837,565,736 |
| Bonds payable | - | 945,738,010 | 29,974,124,235 | - |
| Equity-linked debt securities (ELS) | - | - | 5,402,665,931 | - |
| Advances from related parties | - | - | 2,223,819,118 | - |
| Redeemable preferred shares | - | 251,597,580 | 754,792,740 | 1,574,159,348 |
| Guaranty deposits | - | 25,405,708 | 100,221,889 | 309,442,938 |
| Derivative liabilities | 330,020,082 | - | - | - |
| Other liabilities | 6,315,271 | 841,217,497 | 4,393,627,953 | 101,070,596 |
| | <u>P 49,416,070,545</u> | <u>P 24,464,163,011</u> | <u>P 189,398,544,961</u> | <u>P 2,822,238,618</u> |

As of December 31, 2018, the Group's financial liabilities have contractual maturities which are presented below.

| | Current | | Non-current | |
|-------------------------------|--------------------------------|--------------------------------|---------------------------------|-------------------------------|
| | Within 6 Months | 6 to 12 Months | 1 to 5 Years | Later than 5 Years |
| Trade and other payables | P 39,230,499,206 | P 6,800,895,953 | P - | P - |
| Interest-bearing loans | 13,494,324,190 | 12,449,456,918 | 143,683,341,001 | 3,307,547,673 |
| Bonds payable | - | 1,202,612,500 | 30,032,563,750 | - |
| ELS | - | - | 5,402,665,931 | - |
| Advances from related parties | - | - | 2,385,463,118 | - |
| Redeemable preferred shares | - | 268,957,813 | 772,152,973 | 1,574,159,348 |
| Guaranty deposits | - | - | 153,529,825 | 208,423,557 |
| Derivative liabilities | 393,300,753 | - | - | - |
| Other liabilities | - | 1,171,355,329 | 4,305,304,967 | 101,279,537 |
| | <u>P 53,118,124,149</u> | <u>P 21,893,278,513</u> | <u>P 186,735,021,565</u> | <u>P 5,191,410,115</u> |

The contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting period.

11.4 Other Price Risk Sensitivity

The Group's market price risk arises from its investments carried at fair value (financial assets classified as financial assets at FVOCI). 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 and their impact on the equity as of March 31, 2019 and December 31, 2018 are summarized as follows:

| | <u>Observed Volatility Rates</u> | | <u>Impact on Equity</u> | |
|--|----------------------------------|-----------------|-------------------------|-----------------------|
| | <u>Increase</u> | <u>Decrease</u> | <u>Increase</u> | <u>Decrease</u> |
| 2019 - Investment in equity securities | +35.18% | -35.18% | <u>P 48,024,162</u> | <u>(P 48,024,162)</u> |
| 2018 - Investment in equity securities | +35.39% | -35.39% | <u>P 48,923,706</u> | <u>(P 48,923,706)</u> |

The maximum additional estimated loss in 2019 and 2018 is to the extent of the carrying value of the securities held as of these reporting dates with all other variables held constant. The estimated change in quoted market price is computed based on volatility of listed companies at the PSE for the past three months in 2019 and 12 months in 2018, at 95% confidence level.

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.

12. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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.

| | <u>March 31, 2019 (Unaudited)</u> | | <u>December 31, 2018 (Audited)</u> | |
|---------------------------------------|-----------------------------------|--------------------------|------------------------------------|--------------------------|
| | <u>Carrying Values</u> | <u>Fair Values</u> | <u>Carrying Values</u> | <u>Fair Values</u> |
| Financial assets | | | | |
| Financial assets at amortized cost: | | | | |
| Cash and cash equivalents | P 42,115,368,065 | P 42,115,368,065 | P 44,779,011,533 | P 44,779,011,533 |
| Trade and other receivables | 52,575,319,437 | 52,574,804,406 | 52,852,435,257 | 52,829,566,514 |
| Other financial assets | <u>8,559,399,470</u> | <u>8,487,393,394</u> | <u>8,365,705,660</u> | <u>8,460,215,641</u> |
| | <u>P 103,250,086,972</u> | <u>P 103,177,565,865</u> | <u>P 105,997,152,450</u> | <u>P 106,068,793,688</u> |
| Financial assets at FVTPL: | | | | |
| Marketable debt and equity securities | P 13,168,874,659 | P 13,168,874,659 | P 13,190,939,209 | P 13,190,939,209 |
| Derivative assets | <u>304,211,999</u> | <u>304,211,999</u> | <u>426,485,938</u> | <u>426,485,938</u> |
| | <u>P 13,473,086,658</u> | <u>P 13,473,086,658</u> | <u>P 13,617,425,147</u> | <u>P 13,617,425,147</u> |
| Financial assets at FVOCI – | | | | |
| Equity securities | <u>P 457,643,114</u> | <u>P 457,643,114</u> | <u>P 459,974,884</u> | <u>P 459,974,884</u> |

| | <u>March 31, 2019 (Unaudited)</u> | | <u>December 31, 2018 (Audited)</u> | |
|--|-----------------------------------|---------------------------------|------------------------------------|---------------------------------|
| | <u>Carrying Values</u> | <u>Fair Values</u> | <u>Carrying Values</u> | <u>Fair Values</u> |
| <i>Financial Liabilities</i> | | | | |
| Financial liabilities at FVTPL – | | | | |
| Derivative liabilities | <u>P 545,240,551</u> | <u>P 545,240,551</u> | <u>P 393,300,753</u> | <u>P 393,300,753</u> |
| Financial liabilities at amortized cost: | | | | |
| Current: | | | | |
| Trade and other payables | <u>P 49,637,570,794</u> | <u>P 49,637,570,794</u> | <u>P 46,031,395,159</u> | <u>P 46,031,395,159</u> |
| Interest-bearing loans | <u>21,233,994,572</u> | <u>20,359,198,663</u> | <u>24,530,016,698</u> | <u>24,137,908,859</u> |
| Redeemable preferred shares | <u>251,597,580</u> | <u>251,597,580</u> | <u>251,597,580</u> | <u>251,597,580</u> |
| Commission payable | <u>841,217,497</u> | <u>841,217,497</u> | <u>1,165,040,058</u> | <u>1,165,040,058</u> |
| | <u>P 71,964,380,443</u> | <u>P 71,089,584,534</u> | <u>P 71,978,049,495</u> | <u>P 71,585,941,656</u> |
| Non-current: | | | | |
| Interest-bearing loans | <u>P 144,039,957,801</u> | <u>P 135,853,881,383</u> | <u>P 142,871,936,606</u> | <u>P 136,250,437,900</u> |
| Bonds payable | <u>25,120,403,611</u> | <u>23,751,684,178</u> | <u>25,102,042,365</u> | <u>23,366,702,221</u> |
| ELS | <u>5,297,301,105</u> | <u>5,297,301,105</u> | <u>5,258,801,592</u> | <u>5,258,801,592</u> |
| Redeemable preferred shares | <u>1,740,152,017</u> | <u>1,922,488,569</u> | <u>1,712,264,245</u> | <u>1,840,140,016</u> |
| Due to related parties | <u>2,223,819,118</u> | <u>2,223,819,118</u> | <u>2,385,463,118</u> | <u>2,385,463,118</u> |
| Retention payable | <u>4,156,029,537</u> | <u>4,050,938,113</u> | <u>4,063,944,817</u> | <u>3,945,330,030</u> |
| Security deposits | <u>626,695,629</u> | <u>530,105,856</u> | <u>578,726,149</u> | <u>502,057,696</u> |
| Accrued rent | <u>116,257,787</u> | <u>122,562,310</u> | <u>116,455,980</u> | <u>122,771,251</u> |
| | <u>P 183,320,616,605</u> | <u>P 173,752,780,632</u> | <u>P 182,089,634,872</u> | <u>P 173,671,703,824</u> |

13. FAIR VALUE MEASUREMENT AND DISCLOSURES

13.1 Fair Value Hierarchy

The hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets or for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the resource 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 financial asset or financial 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 of Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing services, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

13.2 Financial Instruments Measured at Fair Value

The table below shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the consolidated statements of financial position on a recurring basis as of March 31, 2019 and December 31, 2018.

| | March 31, 2019 (Unaudited) | | | |
|--------------------------------|-----------------------------|----------------------|----------------------|-------------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets: | | | | |
| Financial assets at FVTPL – | | | | |
| Debt and equity securities | P 13,168,874,659 | P - | P - | P 13,168,874,659 |
| Derivative asset | - | 304,211,999 | - | 304,211,999 |
| Financial assets at FVOCI – | | | | |
| Equity securities | 136,509,840 | 102,600,000 | 218,533,274 | 457,643,114 |
| | P 13,305,384,499 | P 406,811,999 | P 218,533,274 | P 13,930,729,772 |
| Financial liabilities: | | | | |
| Financial liability at FVTPL – | | | | |
| Derivative liabilities | P - | P 545,240,551 | P - | P 545,240,551 |
| | | | | |
| | December 31, 2018 (Audited) | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets: | | | | |
| Financial assets at FVTPL – | | | | |
| Debt and equity securities | P 13,190,939,209 | P - | P - | P 13,190,939,209 |
| Derivative asset | - | 426,485,938 | - | 426,485,938 |
| Financial assets at FVOCI – | | | | |
| Equity securities | 138,241,610 | 103,200,000 | 218,533,274 | 459,974,884 |
| | P 13,329,180,819 | P 529,685,938 | P 218,533,274 | P 14,077,400,031 |
| Financial liabilities: | | | | |
| Financial liability at FVTPL – | | | | |
| Derivative liabilities | P - | P 393,300,753 | P - | P 393,300,753 |

13.3 Financial Instruments Measured at Amortized Cost for Which Fair Value is Disclosed

The table below and in the succeeding page shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the consolidated statements of financial position on a recurring basis as of March 31, 2019 and December 31, 2018.

| | March 31, 2019 (Unaudited) | | | |
|-----------------------------|----------------------------|----------------------|-------------------------|--------------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets: | | | | |
| Cash and cash equivalents | P 42,115,368,065 | P - | P - | P 42,115,368,065 |
| Trade and other receivables | - | 124,373,691 | 52,450,430,715 | 52,574,804,406 |
| Other financial assets | 3,271,562,623 | 580,936,607 | 4,634,894,164 | 8,487,393,394 |
| | P 45,386,930,688 | P 705,310,298 | P 57,085,324,879 | P 103,177,565,865 |

| | | | | | March 31, 2019 (Unaudited) | | | |
|------------------------------------|---|--------------------------------|---|-------------------------------|-----------------------------------|--------------------------------|----------------|---------------------------------|
| | | | | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Financial liabilities: | | | | | | | | |
| Current: | | | | | | | | |
| Trade and other payables | P | - | P | - | P | 49,637,570,794 | P | 49,637,570,794 |
| Interest-bearing loans | | - | | 378,518,929 | | 19,980,679,734 | | 20,359,198,663 |
| Redeemable preferred shares | | - | | - | | 251,597,580 | | 251,597,580 |
| Commission payable | | - | | - | | 841,217,497 | | 841,217,497 |
| Non-current: | | | | | | | | |
| Bonds payable | | 23,751,684,178 | | - | | - | | 23,751,684,178 |
| Interest-bearing loans | | - | | 314,737,414 | | 135,539,143,969 | | 135,853,881,383 |
| ELS | | - | | - | | 5,297,301,105 | | 5,297,301,105 |
| Redeemable preferred shares | | - | | 1,167,695,829 | | 754,792,740 | | 1,922,488,569 |
| Due to related parties | | - | | - | | 2,223,819,118 | | 2,223,819,118 |
| Retention payable | | - | | - | | 4,050,938,113 | | 4,050,938,113 |
| Security deposits | | - | | 350,033,650 | | 180,072,206 | | 530,105,856 |
| Accrued rent | | - | | 122,562,310 | | - | | 122,562,310 |
| | | <u>P 23,751,684,178</u> | | <u>P 2,333,548,132</u> | | <u>P218,757,132,856</u> | | <u>P 244,842,365,166</u> |
| December 31, 2018 (Audited) | | | | | | | | |
| | | | | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Financial assets: | | | | | | | | |
| Cash and cash equivalents | P | 44,779,011,533 | P | - | P | - | P | 44,779,011,533 |
| Trade and other receivables | | - | | 130,921,360 | | 52,698,645,154 | | 52,829,566,514 |
| Other financial assets | | <u>3,270,298,083</u> | | <u>755,805,022</u> | | <u>4,434,112,536</u> | | <u>8,460,215,641</u> |
| | | <u>P 48,049,309,616</u> | | <u>P 886,726,382</u> | | <u>P 57,132,757,690</u> | | <u>P 106,068,793,688</u> |
| Financial liabilities: | | | | | | | | |
| Current: | | | | | | | | |
| Trade and other payables | P | - | P | - | P | 46,031,395,159 | P | 46,031,395,159 |
| Interest-bearing loans | | - | | 392,840,499 | | 23,745,068,360 | | 24,137,908,859 |
| Redeemable preferred shares | | - | | - | | 251,597,580 | | 251,597,580 |
| Commission payable | | - | | - | | 1,165,040,058 | | 1,165,040,058 |
| Non-current: | | | | | | | | |
| Bonds payable | | 23,366,702,221 | | - | | - | | 23,366,702,221 |
| Interest-bearing loans | | - | | 339,391,430 | | 135,911,046,470 | | 136,250,437,900 |
| ELS | | - | | - | | 5,258,801,592 | | 5,258,801,592 |
| Redeemable preferred shares | | - | | 1,085,347,276 | | 754,792,740 | | 1,840,140,016 |
| Due to related parties | | - | | - | | 2,385,463,118 | | 2,385,463,118 |
| Retention payable | | - | | - | | 3,945,330,030 | | 3,945,330,030 |
| Security deposits | | - | | 313,467,160 | | 188,590,536 | | 502,057,696 |
| Accrued rent | | - | | 122,771,251 | | - | | 122,771,251 |
| | | <u>P 23,366,702,221</u> | | <u>P 2,253,817,616</u> | | <u>P219,637,125,643</u> | | <u>P 245,257,645,480</u> |

For financial assets and financial liabilities with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

The fair values of the financial assets and financial liabilities included in Level 2 and Level 3 which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

13.4 Investment Property Measured at Cost for which Fair Value is Disclosed

As of December 31, 2018, the fair value of the Group's investment property amounting to P352.5 billion is classified within Level 3 of the fair value hierarchy. The Level 3 fair value of the investment property was determined using the income approach which is performed with values derived using a discounted cash flow model. Also, there were no transfers into or out of Level 3 fair value hierarchy. There was no valuation update made for the current period.

14. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objective is to ensure its ability to continue as a going concern; to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk; and to maintain strong and healthy financial position to support its current business operations and drive its expansion and growth in the future.

There were no changes in the Group's approach to capital management during the period.

| | March 31, 2019 (Unaudited) | December 31, 2018 (Audited) |
|-----------------------------------|---|---------------------------------------|
| Total liabilities | P 297,873,996,567 | P 297,678,531,269 |
| Total equity | <u>296,833,888,243</u> | <u>290,572,663,459</u> |
| Total liabilities-to-equity ratio | <u>P 1.00:1</u> | <u>P 1.02:1</u> |

15. SEASONAL FLUCTUATIONS

For Travellers, casino operations tend to experience seasonality in visitations during public holidays, festivals in the Philippines and around South East Asian region.

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

ALLIANCE GLOBAL GROUP, INC. AND SUBSIDIARIES
AGING SCHEDULE OF CURRENT TRADE AND OTHER RECEIVABLES
MARCH 31, 2019
(Amounts in Philippine Pesos)

| | | |
|-------------------------------------|----------|-------------------------------------|
| Current | P | 53,979,314,835 |
| 1 to 30 days | | 3,277,854,695 |
| 31 to 60 days | | 1,707,634,969 |
| Over 60 days | | <u>1,595,506,478</u> |
| Total | | 60,560,310,977 |
| Due from other related parties | | <u>275,580,006</u> |
| Balance as at March 31, 2019 | P | <u><u>60,835,890,983</u></u> |