



MEGAWIDE CONSTRUCTION CORPORATION

2/F Spring Building, Arnaiz Avenue corner P. Burgos Street,
Pasay City, Metro Manila
Telephone No. +63 2 655 1111

**Preliminary Prospectus relating to the Primary Offer in the Philippines of
40,000,000 Non-Voting Perpetual Preferred Shares
with an Oversubscription Option for up to an additional 30,000,000
Non-Voting Perpetual Preferred Shares
at an Offer Price of ₱100 per Share
To be listed and traded on the
Main Board of The Philippine Stock Exchange, Inc.**

Joint Issue Managers and Joint Bookrunners



Joint Lead Underwriters



Participating Underwriters



November 13, 2014

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

MEGAWIDE CONSTRUCTION CORPORATION
2/F SPRING BUILDING
ARNAIZ AVENUE CORNER P. BURGOS STREET,
PASAY CITY, METRO MANILA
Telephone No. +63 2 655 1111
<http://www.megawide.com.ph/>

This Preliminary Prospectus relates to the offer and sale (the “Offer”) of 40,000,000 cumulative, non-voting Perpetual Preferred Shares (the “Preferred Shares” or “Shares”) of Megawide Construction Corporation (“Megawide” or “MWIDE” or the “Company” or the “Issuer”), a corporation organized under Philippine law. In the event of an oversubscription, the Joint Issue Managers and Joint Bookrunners, with the consent of the Company, reserve the right to increase the size of the Offer by up to 30,000,000 Perpetual Preferred Shares (the “Oversubscription Option”), for an aggregate issue size of up to 70,000,000 Perpetual Preferred Shares. The Preferred Shares will be issued by the Company from its 70,000,000 unissued Non-Voting Preferred Share capital. Each Preferred Share has a par value of ₱1.00.

The Preferred Shares are being offered at a subscription price of ₱100.00 per share (the “Offer Price” or the “Issue Price”). The trading symbol of the Company for the Preferred Shares shall be “MWP”. The distribution and sale of the Preferred Shares shall be made solely in the Philippines and shall be undertaken by the Joint Lead Underwriters (the “Underwriters”) who shall sell and distribute the Preferred Shares to third party buyers/investors. The Joint Lead Underwriters are authorized to organize a syndicate of sub-underwriters, soliciting dealers and/or agents for the purpose of the Offer. Of the 40,000,000 Preferred Shares to be offered, 80% or 32,000,000 shares are being offered through the Underwriters for subscription and sale to Qualified Institutional Buyers and the general public. The Company plans to make available 20% or 8,000,000 shares for distribution to the respective clients of the 133 Trading Participants of the PSE, acting as Selling Agents.

Following the Offer, and assuming the Oversubscription Option is exercised in full, the Company will have 2,399,426,127 of 4,930,000,000 authorized common shares and 70,000,000 of 70,000,000 authorized Non-Voting Preferred Shares issued and outstanding. The holders of the Preferred Shares do not have identical rights and privileges with holders of the existing common shares of the Company. (See “Description of Shares” on page 29)

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

As and if declared by the Board, dividends on the Shares shall be at a fixed rate of 7.025% per annum (also the “Initial Dividend Rate”). Subject to the limitations described in this Preliminary Prospectus, dividends on the Shares will be payable on a quarterly basis in arrears on a Dividend Payment Date (as defined herein). Unless the Preferred Shares have not been redeemed by the Company on the Step Up Date, the dividend rate for all following Dividend Periods following the Step Up Date shall be the higher of (a) the Initial Dividend Rate, or (b) the sum of (i) the 15-year PDST-R2 rate, or if the 15-year PDST-R2 rate is not available or cannot be determined, the interpolated 15-year PDST-R2 rate, or if such interpolated 15-year PDST-R2 rate is not available or cannot be determined, any such successor rate generally accepted by the market or a self-regulatory organization, and (ii) 4.875% . (See “Summary of the Offer” on page 20).

Dividends on the Shares will be cumulative. If for any reason the Issuer’s Board does not declare a dividend on the Shares for a Dividend Period, the Issuer will not pay a dividend on the Dividend Payment Date for that Dividend Period. However, on any future Dividend Payment Date on which dividends are declared, holders of the Shares as of record date of such dividends must receive the dividends due them on such Dividend Payment Date as well as all dividends due and payable or dividends in arrears in respect of prior Dividend Periods (“Dividends in Arrears”) (see “Description of the Shares” on page 29).

As and if declared by the Board, the Issuer may redeem the Preferred Shares on the fifth anniversary of the Listing Date or on any Dividend Payment Date occurring thereafter (each an "Optional Redemption Date") (as defined in this Preliminary Prospectus) in whole (not in part), at a redemption price equal to the Issue Price of the Preferred Shares plus all dividends due on such Optional Redemption Date as well as all Dividends in Arrears after deduction for any tax and customary transfer costs to effect the redemption (the "Redemption Price"). The Redemption Price shall be made to holders of the Shares as of the record date set by Megawide for such redemption.

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

All payments in respect of the Preferred Shares are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of the Government of the Republic of the Philippines (the "Government"), including but not limited to, stamp, issue, registration, documentary, value added or any similar tax or other taxes and duties, including interest and penalties. If such taxes or duties are imposed, the Issuer will pay additional amounts so that holders of Preferred Shares will receive the full amount of the relevant payment which otherwise would have been due and payable, provided, however, that the Issuer shall not be liable for (a) the final withholding tax applicable on dividends earned on the Preferred Shares, (b) as applicable, any income tax (whether or not subject to withholding), percentage tax (such as stock transaction tax), and documentary stamp tax on the redemption or buy back of the Preferred Shares or on the liquidating distributions as may be received by a holder of Preferred Shares, (c) expanded value added tax which may be payable by any holder of the Preferred Shares on any amount to be received from the Issuer under the Offer, (d) any withholding tax on any amount payable to any holder of Shares or any entity which is a non-resident foreign corporation and (e) applicable taxes to any subsequent sale or transfer of the Preferred Shares by any holder of the Preferred Shares which shall be for the account of the said holder (or the buyer in case such buyer shall have agreed to be responsible for the payment of such taxes). If payments become subject to additional withholding or any new tax as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Shares in whole, but not in part, on any Dividend Payment Date (having given not more than thirty (30) nor less than sixty (60) days' notice) at the Redemption Price (see "Summary of the Offer" on page 20; the taxes applicable on the Preferred Shares are discussed in the section on "Taxation" on page 141).

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

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

The Shares will be issued in scripless form. Title to the Shares shall pass by endorsement and delivery to the transferee and registration in the registry of shareholders to be maintained by the Registrar and Depository Agent (as defined herein). Settlement of the Shares in respect of such transfer or change of title to the Shares, shall be similar to the transfer of title and settlement procedures for listed securities in the PSE (see "Summary of the Offer" on page 20).

Through the Offer and based on the Offer Price set forth above, the Company expects to raise gross proceeds of approximately ₱4,000,000,000.00, or if the Oversubscription Option is exercised in full, ₱7,000,000,000.00. The net proceeds from the Offer, estimated to be at ₱ 3,936,695,850.00, or if the Oversubscription Option is exercised in full, ₱6,896,045,850.00, determined by deducting from the gross proceeds the SEC Registration fees, underwriting and selling fees, documentary stamp taxes and other related fees and out-of-pocket expenses, will be used by the Company to partially finance its capital expenditure requirements for various Private Public Partnership projects (See "Use of Proceeds" on page 47). BPI Capital Corporation ("BPI Capital") and Standard Chartered Bank ("SCB") acting as Joint Issue Managers and Joint Bookrunners, and BDO Capital & Investment Corporation ("BDO Capital"), BPI Capital, First Metro Investment Corporation ("First Metro") and SCB as Joint

Lead Underwriters, shall receive underwriting fees of 0.75% of the gross proceeds of the Offer, inclusive of amounts to be paid to the Joint Lead Underwriters, Co-Lead Underwriters, Participating Underwriters and Selling Agents.

Some of the Company's existing loan agreements contain covenants that restrict the declaration or payments of dividends under certain circumstances, such as the occurrence of an event of default under such loan agreements or if such payment would cause an event of default to occur (see "Description of the Shares" on page 29).

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

Unless otherwise stated, the information contained in this Preliminary Prospectus has been supplied by the Company. To the best of its knowledge and belief, the Company (which has taken all reasonable care to ensure that such is the case) confirms that the information contained in this Preliminary Prospectus is correct, and that there is no material statement or omission of fact which would make any statement in this Preliminary Prospectus misleading in any material respect. The Company hereby accepts full and sole responsibility for the accuracy of the information contained in this Preliminary Prospectus. The Company and the Underwriters have exercised due diligence in ascertaining that all material representations contained in the Preliminary Prospectus, its amendments and supplements, are true and correct, and that no material information was omitted which was necessary in order to make the statements contained in the aforementioned documents not misleading. The Joint Issue Managers and the Underwriters confirm that they have exerted reasonable efforts to verify the information contained herein but do not make any representation, express or implied, as to the accuracy or completeness of the materials contained herein. The Joint Issue Managers and the Underwriters, having made all reasonable enquiries, confirm that this document contains all information with respect to the Issuer, the Underwriters, and the Preferred Shares which is material in the context of the issue and offering of the Preferred Shares, that the information contained herein is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed herein are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions, that there are no other facts, the omission of which would, in the context of the issue and offering of the Preferred Shares, make this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect and that all reasonable enquiries have been made by the Issuer to verify the accuracy of such information. The Issuer accepts responsibility accordingly.

Unless otherwise indicated, all information in this Preliminary Prospectus is as of November 14, 2014. Neither the delivery of this Preliminary Prospectus nor any sale made pursuant to this Preliminary Prospectus shall, under any circumstances, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Company and its subsidiaries since such date. Market data and certain industry forecasts used throughout this Preliminary Prospectus were obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Company, the Joint Issue Managers and the Underwriters make any representation as to the accuracy of such information. Each person contemplating an investment in the Preferred Shares should make his own independent investigation and analysis of the creditworthiness of Megawide and his own determination of the suitability of any such investment. The risk disclosure herein does not purport to disclose all the risks and other significant aspects of

investing in the Shares. A person contemplating an investment in the Preferred Shares should seek professional advice if he or she is uncertain of, or has not understood any aspect of the securities to invest in or the nature of risks involved in trading of securities, especially those high-risk securities. Investing in the Preferred Shares involves a higher degree of risk compared to debt instruments. For a discussion of certain factors to be considered in respect of an investment in the Preferred Shares, see the section entitled "Risk Factors" beginning on page 37.

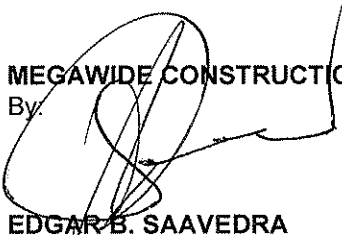
An application to list the Preferred Shares has been filed with the PSE but has not yet been approved. The PSE assumes no responsibility for the correctness of any statements made or opinions expressed in this Preliminary Prospectus. The PSE makes no representation as to its completeness and expressly disclaims any liability whatsoever for any loss arising from reliance on the entire or any part of this Preliminary Prospectus. The issuance of the Preferred Shares is subject to the approval of the Board of Directors of the PSE. Such approval for issuance is permissive only and does not constitute a recommendation or endorsement of the Preferred Shares by the PSE.

Under the SRC and its amended implementing rules, securities, such as the Preferred Shares, are not permitted to be sold or offered for sale or distribution within the Philippines unless such securities are approved for registration by the SEC or are otherwise exempt securities under Section 9 of the SRC or sold pursuant to an exempt transaction under Section 10 of the SRC. For this purpose, Megawide is in the process of securing the registration of the Preferred Shares with the SEC.

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

MEGAWIDE CONSTRUCTION CORPORATION

By:


EDGAR B. SAAVEDRA

President and Chief Operating Officer

SUBSCRIBED AND SWORN to before me this NOV 13 2014 in PASIG CITY, Philippines, by affiant who is personally known to me and exhibited to me his TIN 195-661-064

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Page No. 31
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Series of 2014


ANNABELLE THERESE G. PALOMAR
Appointment No. 291 (2014-2015)
Notary Public for Pasig City
Until December 31, 2015
Attorney's Roll No. 63620
Suite 2401 The Orient Square Bldg.
F. Ortigas Jr. Road, Ortigas Center Pasig City
IBP No. 0968243; 04-03-2014; RSM
PTR No. 10238257; 05-13-2014; Pasig City

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DEFINITION OF TERMS

Affordable Housing	Housing units with a price range of ₱400,000.00 to ₱2,000,000.00 per unit
Altria	Altria East Land, Inc.
Applicant	A person, whether natural or juridical, who seeks to subscribe to the Offer Shares by submitting an Application under the terms and conditions prescribed in this Preliminary Prospectus
Application	An application to subscribe for Offer Shares pursuant to the Offer
Banking Day	A day (except Saturdays, Sundays and holidays) on which banks in the Philippines are open for business in Metro Manila, Philippines
BIR	Bureau of Internal Revenue
Board or Board of Directors	The Board of Directors of the Company
BDO Capital	BDO Capital & Investment Corporation
BPI Capital	BPI Capital Corporation
BSP	Bangko Sentral ng Pilipinas, the central bank of the Philippines
Citicore	Citicore Holdings Investment, Inc.
CMCI	Citicore-Megawide Consortium Inc.
Company	Megawide Construction Corporation
Construction Order Book	The value of construction contracts awarded to the Company during a specified period
Corporation Code	Batas Pambansa Blg. 68, otherwise known as “The Corporation Code of the Philippines”
DENR	Department of Environment and Natural Resources
DepEd	Department of Education
Depository Agent	Philippine Depository and Trust Group
DOH	Department of Health
DOTC	Department of Transportation and Communication
DPWH	Department of Public Works and Highways
Eligible Investors	Applicants who are qualified to subscribe to the Offer Shares
FIA	Foreign Investments Act of 1991, as amended
First Metro	First Metro Investment Corporation
Formwork Systems	Temporary or permanent molds into which concrete or similar materials are poured

Government	The Government of the Republic of the Philippines
GMCAC	GMR-Megawide Cebu Airport Corporation, a joint venture between Megawide (60%) and GMR (40%)
GMR	GMR Infrastructure Limited
High Technology Building Systems	Pre-Cast Concrete and Formwork Systems currently employed by the Company in construction
Joint Issue Managers and Joint Bookrunners	BPI Capital Corporation and Standard Chartered Bank
Joint Lead Underwriters	BDO Capital, BPI Capital, First Metro and SCB
Listing Date	The date on which the listing and trading of the Offer Shares on the PSE begin, expected to be on December 3, 2014
MWCCI	Megawide World Citi Consortium, Inc., a joint venture between Megawide and World Citi, Inc.
MCIA Project	Mactan Cebu International Airport Project
MPOC	Modernization of the Philippine Orthopedic Center
Megawide	Megawide Construction Corporation
MySpace	MySpace Properties Inc.
Offer	The offer for subscription of 40,000,000 Preferred Shares plus an additional oversubscription option of up to 30,000,000 Preferred Shares, if exercised, to eligible investors subject to the terms and conditions in this Preliminary Prospectus and in the Application
Offer Period	The period commencing 9:00 a.m. on November 17, 2014 and ending at 5:00 p.m. on November 24, 2014 within which the Eligible Investors may subscribe to the Offer Shares
Offer Price	₱ 100.00
Offer Shares	40,000,000 new Preferred Shares each with a par value of ₱ 1.00
Order Backlog	The value of the uncompleted portion of a construction contract
Oversubscription Option Shares	Up to 30,000,000 new Preferred Shares each with a par value of ₱ 1.00
₱ or P	Philippine Pesos, the lawful currency of the Republic of the Philippines
PCAB	Philippine Contractors Accreditation Board
P.D. No. 1746	Presidential Decree No. 1746, entitled "Creating the Construction Industry Authority of the Philippines", amending R.A. No. 4566
P/E	Price-to-Earnings, the ratio obtained by dividing a company's share price by its earnings per share
PDTC	The Philippine Depository and Trust Corporation, the central

securities depository of, among others, securities listed and traded on the PSE

Philippine Nationals

Pursuant to the FIA, any of the following:

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

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

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

PPP

Public-Private Partnership

Pre-Cast Concrete System

A construction product resulting from casting concrete in a reusable mold which is then cured in a controlled environment, transported to the construction site and lifted into place.

Preferred Shares

The Company's Preferred Shares which are subject of the Offer, each with a par value of ₱ 1.00

Preliminary Prospectus

This Preliminary Prospectus together with all its annexes, appendices and amendments

Project

Any one of the following projects, as the context may require:

- (a) PSIP Phase I;
- (b) PSIP Phase II;
- (c) MPOC;
- (d) MCIA Project; and
- (e) Project for Renewable Energies.

PSE	The Philippine Stock Exchange, Inc.
PSIP	Philippine School for Infrastructure Project of the Department of Education
Qualified Institutional Buyer	Any of the following: mutual funds, pension or retirement funds, commercial or universal banks, trust companies, investment houses, insurance companies, investment companies, finance companies, venture capital firms, government financial institutions, trust departments of commercial or universal banks, non-bank quasi banking institutions, Trading Participants of the PSE for their dealer accounts, non-stock savings and loan associations, educational assistance funds, and any other juridical persons that possesses the following qualifications, and registered as such with SEC-accredited registrars with the SEC under Memorandum Circular No. 6, Series of 2007: (a) Has a minimum annual gross income of at least One Hundred Million Pesos (₱100,000,000.00) for at least two (2) years prior to registration; (b) Has a total portfolio investment in securities registered with the SEC of at least Sixty Million Pesos (₱60,000,000.00); and (c) A net worth of not less than One Hundred Million (₱100,000,000.00)
R.A. No. 4566	Republic Act No. 4566 or the "Contractor's License Law"
Registrar	BDO Unibank, Inc. - Trust & Investments Group
Receiving and Paying Agent	BDO Unibank, Inc. - Trust & Investments Group
SCB	Standard Chartered Bank
SCCP	Securities Clearing Corporation of the Philippines
SEC	The Philippine Securities and Exchange Commission
Shares	Up to 70,000,000 Preferred Shares of the Company being applied for listing with the PSE
SRC	Republic Act No. 8799, otherwise known as "The Securities Regulation Code"
Trading Day	Any day on which trading is allowed in the PSE
Underwriters	BDO Capital, BPI Capital, FMIC, SCB, China Bank, RCBC Capital and SB Capital
Underwriting Agreement	The agreement entered into by and between the Company and the Underwriters, indicating the terms and conditions of the Offer and providing that the Offer shall be fully underwritten by the Underwriters
VAT	Value Added Tax

FORWARD LOOKING STATEMENTS

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

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

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

EXECUTIVE SUMMARY

The following summary is qualified in its entirety by the more detailed information, including the Company's financial statements and the notes relating thereto, appearing elsewhere in this Preliminary Prospectus. Prospective purchasers of the Preferred Shares must read the entire Preliminary Prospectus carefully, including the section on "Risk Factors" on page 37. Capitalized terms not defined in this summary are defined in the section "Definition of Terms" on page 8.

COMPANY OVERVIEW

Megawide Construction Corporation ("Megawide") was registered with the Securities and Exchange Commission (SEC) on July 28, 2004. Its primary purpose is to engage in the general construction business. It includes constructing, enlarging, repairing, or engaging in any work upon buildings, houses and condominium, roads, plants, bridges, piers, waterworks, railroads and other structures, and to own, use, improve, develop real estate of all kinds. Its registered office is located at 2/F Spring Bldg., Arnaiz Ave. cor. P. Burgos St., Pasay City. The Company also maintains an office in its own building at No. 20 N. Domingo Street, Brgy. Valencia, Quezon City.

The Company's common shares were listed at the Philippine Stock Exchange on February 18, 2011 under its trading symbol "MWIDE".

As of the date of this Prospectus, the authorized capital stock of the Company is ₱5,000,000,000.00 divided into 4,930,000,000 common shares with a par value of ₱1.00 per share and 70,000,000 preferred shares with a par value of ₱1.00 per share. As of date, 2,399,426,127 common shares are issued and outstanding, of which 1,494,736,804 are listed.

The Company's management team is headed by Chairman and Chief Executive Officer, Michael C. Cosiquien and Chief Operating Officer and President, Edgar B. Saavedra, each of whom is a licensed civil engineer who have been practicing for more than 15 years. The Company is governed by a board of seven (7) directors composed of Michael C. Cosiquien and Edgar B. Saavedra, Yerik C. Cosiquien, Elizabeth Anne Uychaco, Florentino Tuazon Jr., Leonilo Coronel, and Leonor Briones, the latter two being the independent directors.

As of June 30, 2014, the Company's major shareholders are Citicore, holding 56.8% of the total issued and outstanding capital stock, PCD Nominee Corporation (Filipino) at 20.79% and Sybase Equity Investments Corporation with 15.37%. Citicore is the holding company of Michael C. Cosiquien and Edgar B. Saavedra while Sybase is a holding company owned by the Sy family.

The Company is one of the major players in the Philippine construction industry. It has completed numerous low-rise to high-rise condominiums, office buildings, hotels, and casinos. The Company's major clients include a variety of top and small property developers such as SM Development Corporation, Filinvest Land, Inc., Belle Corporation, Shangri-La Properties, Rockwell Land, Suyen Corporation, Daiichi Properties, Megaworld Corporation and Antel Land Holdings, Inc.. In the recent years, the Company has been actively participating in the bidding for the Government's PPP projects. It has been awarded 4 out of the 5 PPP projects that it participated in, namely, PSIP I, PSIP II, MPOC, and MCIA projects.

The Company's other major on-going and upcoming projects include the construction of the Rockwell Proscenium, SMDC's Jazz Residences, Belle Corporation's City of Dreams, and the Araneta Group's business process outsourcing building to be located in Araneta Center, Cubao, among others. For details of these projects, see "Description of Business" on page 61 of this Preliminary Prospectus.

To support its contracts and to gear up for more projects in the upcoming years, the Company has a 12-hectare state-of-the-art Precast Concrete Manufacturing Complex in Taytay, Rizal. The facility is fully automated and is considered to be the largest and most advanced precast plant in the country as well as in Southeast Asia. Through this technology, Megawide will be able to realize the full potential and inherent benefits of pre-cast concrete building solutions such as shorter construction period, cost efficiency, increased productivity and enhanced operational capability.

COMPETITIVE STRENGTHS

The Company believes that its principal strengths are its: (1) value engineering through the use of modern and advanced building technology; (2) business synergies from vertical integrations; (3) strong brand name and proven track record; (4) organizational capability and flexibility; (5) financial strength and ability to raise financing at competitive costs; (6) AAA and Large B contractor's license; and (7) new, modern and branded fleet of building equipment. For a discussion of these strengths, see "Description of Business" on page 61 of this Preliminary Prospectus.

BUSINESS STRATEGY

The Company sees various opportunities for continued domestic construction orders not just in the private sector such as the condominium, office, and hospitality sectors but also the public sector such as infrastructure projects. The Company is also actively pursuing the National Government's initiative in addressing and improving the infrastructure development in the country through its Private-Partnership Projects. This includes various projects in socialized housing, construction of school buildings, road infrastructure, hospitals, utilities such as water and power supply, and mass transport projects. With these, the Company is keen on the following business strategies: (1) continue to improve productivity and enhance operational efficiency in its on-going projects; (2) timely completion and roll-out of infrastructure projects in its pipeline and actively pursue suitable PPP Projects; (3) expand its business into infrastructure developments; (4) leverage organizational competence and flexibility; and (5) pursue prudent and strategic investments, alliances, joint ventures and acquisitions. For details of these strategies, see "Description of Business" on page 61 of this Preliminary Prospectus.

RISK FACTORS

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

1. Risks relating to the Company and its business

- The Company is exposed to risks associated with the Philippine property market, including potential construction contract cancellations.
- Significant competition in the construction industry could adversely affect the Company's business.
- The Company is exposed to credit risk on its receivables from construction contracts.
- The volatility in the price of construction materials could affect the Company's profitability.
- The Company's reputation will be adversely affected if its projects are not completed on time, or if projects do not meet customer requirements.
- The Company may be exposed to liquidity risk from delayed payments of progress billings.
- The availability of construction materials may affect the Company's projects.
- The Company is reliant on its High Technology Building Systems to maintain its competitive advantage over other contractors.
- The Company is exposed to the risk of industrial or labor disputes.
- The Company is exposed to the risk of separation of key employees.
- Injuries or damages to third parties could arise from construction accidents.
- The Company is required to obtain various licenses for its construction business.
- The MPOC and the MCIA Projects are the subject of pending petitions for certiorari with the Supreme Court seeking to enjoin the implementation of these projects.

2. Risks relating to the Company's Preferred Shares

- Payment of Dividends on the Preferred Shares
- Subordination to the Issuer's Other Indebtedness
- Insufficient Distributions upon Liquidation
- Ability to Make Payments under the Shares is Limited by Terms of Megawide's Other Indebtedness
- No Stated Maturity Date and Megawide has the Sole Right to Redemption.
- Lack of Public Market for the Shares

- Limited Liquidity
- Non-payment of Dividends May Affect the Trading Price of the Preferred Shares
- Inability to Reinvest at a Similar Return on Investment
- No Voting Rights
- Restrictions on Foreign Ownership of Megawide's Shares by Non-Philippine Nationals.

3. General Risks

- A slowdown in the Philippine economy could adversely affect the Company.
- Political or social instability could adversely affect the financial results of the Company.
- Foreign Exchange Controls.
- Occurrence of Natural Catastrophes or Blackout.

CORPORATE INFORMATION

The Company's has its principal place of business is at 2/F Spring Building, Arnaiz Avenue corner P. Burgos Street, Pasay City, Metro Manila but it also maintains its corporate office at No. 20 N. Domingo St., Brgy. Valencia, Quezon City. The Company's finance department, headed by its Chief Finance Officer, Mr. Oliver Tan, and Investor Relations Officer, Mr. Joseph Jalandoni, can be reached at +632 655 1111 loc. 803. Information on the Company may be obtained at www.megawide.com.ph.

SUMMARY FINANCIAL INFORMATION

The selected financial information set forth in the following table has been derived from the Group's unaudited interim financial statements for the period ended June 30, 2014 and June 30, 2013, and the Company's audited financial statements for the years ended December 31, 2013 and 2012, and should be read in conjunction with the financial statements and notes thereto contained in this Preliminary Prospectus and the section entitled "Management's Discussion & Analysis of Financial Condition" on page 89 and other financial information included herein.

The financial statements of the Company for the years ended December 31, 2013 and 2012 were audited by Punongbayan & Araullo. The summary of financial information set forth below does not purport to project the results of operations or financial conditions of the Group for any future period or date.

(Amounts in ₱ thousands)	Reviewed June 30, 2014	Audited December 31	2012 (Restated)
	2014	2013	
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	780,116	2,276,034	209,299
Financial assets at fair value through profit or loss	4,663,839	5,824,274	2,004,223
Trade and other receivables - net	3,745,121	4,102,937	3,433,592
Construction materials	413,542	339,633	67,722
Cost in excess of billings on uncompleted contracts	2,922,884	2,244,617	1,060,186
Other current assets	3,562,576	1,954,825	1,125,528
Total Current Assets	16,088,078	16,742,320	7,900,550
NON-CURRENT ASSETS			
Investment in an associate	776,656	196,269	145,495
Property, plant and equipment - net	4,483,041	4,330,697	3,775,259
Concession Rights	14,759,093		
Deferred tax assets	46,570	41,367	64,123
Other non-current assets	234,848	192,344	151,050
Total Non-current Assets	20,300,208	4,760,677	4,135,927
TOTAL ASSETS	36,388,286	21,502,997	12,036,477
LIABILITIES AND EQUITY			
CURRENT			

(Amounts in ₱ thousands)	Reviewed June 30, 2014	Audited December 31	
	2014	2013	2012 (Restated)
LIABILITIES			
Interest-bearing loans and borrowings	14,958,103	2,432,444	2,075,625
Trade and other payables	3,141,566	2,024,477	1,947,558
Income tax payable	-	-	3,701
Advances from customers	1,039,251	987,842	693,478
Billings in excess of costs on uncompleted contracts	1,052,986	0	0
Other current liabilities	46,215	52,613	51,438
Total Current Liabilities	20,238,121	7,815,238	5,995,114
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	5,015,839	5,032,932	1,194,444
Post-employment defined benefit obligation	119,951	110,367	50,856
Other non-current liability		3,450	24,683
Total Non-current Liabilities	5,135,790	5,146,749	1,269,983
Total Liabilities	25,373,911	12,961,987	7,265,097
EQUITY			
Equity attributable to owners of parent co	9,080,146	8,541,010	4,771,380
Non-controlling interest	1,934,229	-	-
Total Equity	11,014,375	8,541,010	4,771,380
TOTAL LIABILITIES AND EQUITY	36,388,286	21,502,997	12,036,477

(Amounts in ₱ thousands)	Reviewed June 30	Audited December 31	
	2014	2013	2012 (Restated)
CONTRACT REVENUES	5,055,312	4,168,372	10,880,437
CONTRACT COSTS	4,172,866	3,424,277	9,099,308

(Amounts in ₦ thousands)	Reviewed June 30		Audited December 31	
	2014	2013	2013	2012 (Restated)
GROSS PROFIT	882,446	744,095	1,781,129	1,393,466
OTHER OPERATING EXPENSES	179,374	160,479	338,338	276,177
OPERATING PROFIT	703,072	583,616	1,442,791	1,117,289
OTHER INCOME (CHARGES)				
Finance costs	(204,476)	(161,595)	(421,151)	(235,064)
Finance income	49,203	339,505	459,041	236,834
Others - net	30,511	24,950	46,897	37,978
	(124,762)	202,860	84,787	39,748
PROFIT BEFORE TAX	578,310	786,476	1,527,578	1,157,038
TAX EXPENSE	40,920	34,292	131,944	144,471
NET PROFIT	537,390	752,184	1,395,634	1,012,566
OTHER COMPREHENSIVE INCOME	-	(13,119)	-	-
NET PROFIT	537,390	739,065	1,395,634	1,012,566

The following table summarizes Megawide's Key Performance Indicators (KPIs) and Ratios as of and for the six months ended June 30, 2014 and the years ended December 31, 2013 and 2012:

	Reviewed June 30		Audited December 31	
	2014	2013	2013	2012
Current Ratio ¹	0.79	2.45	2.14	1.32
Debt to Equity Ratio ²	0.64	0.47	0.47	0.41
Book Value Per Share ³	5.51	4.80	5.18	4.28
Earnings per Share ⁴	0.33	0.50	1.13	0.91
Return on Assets	1.48%	3.96%	6.49%	8.41%
Return on Equity	4.88%	9.51%	16.34%	21.22%
Gross Profit Margin	17.46%	17.85%	16.37%	16.98%
Operating Profit Margin	13.91%	14.00%	13.26%	13.62%

Notes:

(1) Current Assets / Current Liabilities

(2) Interest bearing loans and borrowings / (Stockholder's Equity+Interest bearing loans and borrowings)

(3) Total Equity Attributable to Shareholders of the Parent Company / Issued and Outstanding Shares

(4) Net Income / Issued and Outstanding Shares

The KPIs were chosen to provide management with a measure of Megawide's financial strength (Current Ratio and Debt to Equity Ratio), and profitability (Earnings per Share, Return on Assets, Return on Equity, Gross Profit and Operating Profit Margin).

Top five (5) KPIs for GMCAC are Aircraft Movement, Passenger Movement, Debt to Equity Ratio, Gross Profit Margin and Operating Profit Margin while the top five (5) KPIs for MWCCI are Annual Admissions, Annual Outpatient Visits Movement, Debt to Equity Ratio, Gross Profit Margin and Operating Profit Margin. The KPIs were chosen to provide Megawide's management with a measure of GMCAC's and MWCCI's market strength, financial strength, and profitability.

SUMMARY OF THE OFFER

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

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

Issuer	Megawide Construction Corporation ("Megawide")
Offer Size	₱4 billion with an oversubscription option of up to ₱3 billion
Instrument	Cumulative, non-voting, non-participating, non-convertible, PHP-denominated preferred shares consisting of 40,000,000 preferred shares, and in case the oversubscription option is exercised, up to an additional 30,000,000 preferred shares (collectively, the "Preferred Shares")
Joint Issue Managers and Joint Bookrunners	BPI Capital Corporation ("BPI Capital") and Standard Chartered Bank ("SCB")
Joint Lead Underwriters	BDO Capital & Investment Corporation, BPI Capital, First Metro Investment Corporation and SCB
Syndicate of Underwriters	A group of financial institutions to be invited by the Joint Lead Underwriters as necessary, in consultation with the Issuer (each of the Joint Lead Underwriters and such financial institutions, an "Underwriter")
Registration and Listing	To be registered with the Securities and Exchange Commission ("SEC") and listed on The Philippine Stock Exchange, Inc. ("PSE") on Listing Date (as such term is defined below), subject to compliance with SEC regulations and PSE listing rules
Use of Proceeds	Various Public-Private Partnership (PPP) projects, development of renewable energy projects, and bid preparation and preliminary works for PPP projects that Megawide will bid for
Par Value	The Preferred Shares have a par value of ₱1.00 per share.
Issue Price	The Preferred Shares shall be offered at a price of ₱100.00 per share.
Dividend Rate	The Preferred Shares shall, subject to the Conditions for the Declaration and Payment of Dividends, bear cumulative non-participating cash dividends based on the Issue Price, payable quarterly in arrears every Dividend Payment Date, at the Dividend Rate <i>per annum</i> from Listing Date. Dividends will be calculated on a 30/360-day basis. The term "Dividend Rate" means (a) from the Listing Date up to the Step Up Date, the Initial Dividend Rate, and (b) from the Step Up Date, the higher of the Initial Dividend Rate and the Step Up Rate. (Please see below relevant

	definitions.)
Initial Dividend Rate	The initial dividend rate shall be at the fixed rate of 7.025 % per annum ("Initial Dividend Rate").
Dividend Rate Step Up	If the Preferred Shares shall not have been redeemed by the Company on the seventh anniversary of the Listing Date ("Step Up Date"), the Initial Dividend Rate shall be adjusted on the Step Up Date to the 15-year PDST-R2 rate, or if the 15-year PDST-R2 rate is not available or cannot be determined, the interpolated 15-year PDST-R2 rate, or if such interpolated 15-year PDST-R2 rate is not available or cannot be determined, any such successor rate generally accepted by the market or a self-regulatory organization, in each case, plus 4.875% <i>per annum</i> ("Step Up Rate"). However, if the Initial Dividend Rate is higher than the Step Up Rate, there shall be no adjustment on the Dividend Rate, and the Initial Dividend Rate shall continue to be the Dividend Rate.
Dividend Payment Dates	Cash dividends will be payable on March 3, June 3, September 3, and December 3 of each year (each a "Dividend Payment Date"), being the last day of each 3-month period (a "Dividend Period"), as and if declared by Megawide in accordance with the terms and conditions of the Preferred Shares. If the Dividend Payment Date is not a Banking Day, dividends will be paid on the next succeeding Banking Day, without adjustment as to the amount of dividends to be paid. A "Banking Day" means a day, except Saturday or Sunday or legal holidays, in which facilities of the Philippine banking system are open and available for clearing and the banks are open for business in Metro Manila, Philippines.
Conditions on Declaration and Payment of Cash Dividends	The declaration and payment of cash dividends on each Dividend Payment Date will be subject to the discretion of the Board of Directors, the covenants (financial or otherwise) in the loans and credit agreements to which Megawide is a party and the requirements under applicable laws and regulations. If the profits available for distribution as cash dividends are, in the opinion of the Board of Directors, not sufficient to enable Megawide to pay in full cash dividends on the Preferred Shares and cash dividends that are scheduled to be paid on or before the same date on shares that have an equal right to dividends as the Preferred Shares ("Comparable Shares"), Megawide is required to pay cash dividends on the Preferred Shares and any Comparable Shares <i>pro rata</i> to the amount of the cash dividends scheduled to be paid to the Preferred Shares and the Comparable Shares, respectively. For purposes of this paragraph, the amount scheduled to be paid shall include all dividends due on such Dividend Payment Date as well as all accumulated dividends due and payable or dividends in arrears in respect of prior Dividend Periods ("Dividends in Arrears"). The profits available for distribution are, in general and with some adjustments pursuant to applicable laws and regulations, equal to the accumulated, realized profits of Megawide less accumulated, realized loss.
Optional Redemption and Purchase	As and if declared by the Board of Directors of Megawide and subject to the requirements of applicable laws and regulations, Megawide may, at its sole option, redeem the Preferred Shares on the fifth anniversary of the Listing Date or on any Dividend Payment Date occurring thereafter (each an "Optional Redemption Date"), in whole (not in part), at a redemption price equal to the Issue Price of the Preferred Shares plus all dividends due on such Optional Redemption Date as well as all Dividends in Arrears

	("Redemption Price"). Megawide shall give not less than thirty (30) nor more than sixty (60) days prior written notice of its intention to redeem the Preferred Shares, which notice shall be irrevocable and binding upon Megawide to effect such early redemption of the Preferred Shares at the Optional Redemption Date stated in such notice Megawide may also redeem the Preferred Shares, in whole but not in part, at any time if an Accounting Event or a Tax Event (each as defined below) has occurred and is continuing, having given not less than thirty (30) nor more than sixty (60) days' written notice prior to the intended date of redemption, which notice shall be irrevocable and binding upon Megawide to effect such redemption of the Preferred Shares at the redemption date stated in such notice. The redemption due to an Accounting Event or a Tax Event shall be made by Megawide at the Redemption Price, which shall be paid within five Banking Days of the exercise of the right to redeem the Preferred Shares on the date of redemption set out in the notice. Upon listing on the PSE, Megawide may purchase the Preferred Shares at any time in the open market or by public tender or by private contract at any price through the PSE. The Preferred Shares so purchased may either be redeemed (pursuant to their terms and conditions as set out in the Prospectus) and cancelled, or kept as treasury shares.
No Sinking Fund	Megawide is not legally required to establish, has not established, and currently has no plans to establish, a sinking fund for the redemption of the Preferred Shares.
Accounting Event	An accounting event ("Accounting Event") shall occur if an opinion of any reputable firm authorized to perform auditing services in the Republic of the Philippines has stated that there is more than an insubstantial risk that the funds raised through the issuance of the Preferred Shares may no longer be recorded as "equity" pursuant to the Philippine Financial Recording Standards ("PFRS"), or such other accounting standards which succeed PFRS, as adopted by the Republic of the Philippines and applied by Megawide for drawing up its consolidated financial statements for the relevant financial year.
Tax Event	A tax event ("Tax Event") shall occur if dividend payments on the Preferred Shares become subject to higher withholding tax or any new tax (including a higher rate of an existing tax) as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such tax cannot be avoided by use of reasonable measures available to Megawide.
Taxation	All payments in respect of the Preferred Shares are to be made free and clear of any deductions or withholding for or on account of any future taxes or duties imposed by or on behalf of Republic of the Philippines, including but not limited to, stamp, issue, registration, documentary, value added or any similar tax or other taxes and duties, including interest and penalties. If such taxes or duties are imposed, Megawide will pay additional amounts so that holders of the Preferred Shares will receive the full amount of the relevant payment which otherwise would have been due and payable. Provided, however, that Megawide shall not be liable for, and the foregoing payment undertaking of Megawide shall not apply to: (a) the final withholding tax applicable on dividends earned on the Preferred Shares, (b) as applicable, any income tax (whether or not subject to withholding), percentage tax (such as stock transaction tax) and documentary stamp tax on the redemption of the Preferred Shares or on the liquidating

	distributions as may be received by a holder of Preferred Shares, (c) any expanded value added tax which may be payable by any holder of the Preferred Shares on any amount to be received from Megawide under the terms and conditions of the Preferred Shares, (d) any withholding tax on any amount payable to any holder of Preferred Shares or any entity which is a non-resident foreign corporation, and (e) applicable taxes to any subsequent sale or transfer of the Preferred Shares by any holder of the Preferred Shares which shall be for the account of the said holder (or the buyer in case such buyer shall have agreed to be responsible for the payment of such taxes). Documentary stamp tax for the primary issue of the Preferred Shares and the documentation, if any, shall be for the account of Megawide.
Form, Title and Registration of the Preferred Shares	The Preferred Shares will be issued in scripless form through the electronic book-entry system of BDO Unibank, Inc. – Trust and Investment Group as Registrar for the Offer, and lodged with Philippine Depository and Trust Corporation as Depository Agent on Listing Date through PSE Trading Participants respectively nominated by the applicants. For this purpose, applicants shall indicate in the proper space provided for in the Application Form the name of a PSE Trading Participant under whose name their shares will be registered. After Listing Date, shareholders may request the Registrar, through their respective nominated PSE Trading Participants, to (a) open a scripless registry account and have their holdings of the Preferred Shares registered under their name, or (b) issue stock certificates evidencing their investment in the Preferred Shares. Any expense that will be incurred in relation to such registration or issuance shall be for the account of the requesting shareholder. Legal title to the Preferred Shares will be shown in an electronic register of shareholders (“Registry of Shareholders”) which shall be maintained by the Registrar. The Registrar shall send a transaction confirmation advice confirming every receipt or transfer of the Preferred Shares that is effected in the Registry of Shareholders (at the cost of the requesting shareholder). The Registrar shall send (at the cost of Megawide) at least once every year a statement of account to all shareholders named in the Registry of Shareholders, except certificated shareholders and depository participants, confirming the number of shares held by each shareholder on record in the Registry of Shareholders. Such statement of account shall serve as evidence of ownership of the relevant shareholder as of the given date thereof. Any request by shareholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting shareholder.
Selling and Transfer Restrictions	Initial placement and subsequent transfers of interests in the Preferred Shares shall be subject to normal selling restrictions for listed securities as may prevail in the Philippines from time to time.
Governing Law	The Preferred Shares will be issued pursuant to the laws of the Republic of the Philippines.
Features of the Preferred Shares	

Status	The Preferred Shares rank or shall rank at least <i>pari passu</i> in all respects and ratably without preference of priority among themselves and with all other preferred shares issued or to be issued by Megawide. The obligations of Megawide in respect of the Preferred Shares are subordinated to all indebtedness of Megawide. The obligations of Megawide under the Preferred Shares are unsecured and will, in the event of the winding-up of Megawide, rank junior in right of payment to all indebtedness of Megawide and claims against Megawide which rank or are expressed to rank senior to the Preferred Shares. Accordingly, the obligations of Megawide under the Preferred Shares will not be satisfied unless Megawide can satisfy in full all of its other obligations ranking senior to the Preferred Shares. There is no agreement or instrument that limits the ability of the Megawide to issue preferred shares or other securities that rank <i>pari passu</i> with the Preferred Shares.
Cumulative Dividends	Dividends on the Preferred Shares will be cumulative. If for any reason the Board of Directors of Megawide does not declare a dividend on the Preferred Shares for a Dividend Period, Megawide will not pay a dividend on the Dividend Payment Date for that Dividend Period. However, on any future Dividend Payment Date on which dividends are declared, holders of the Preferred Shares shall receive the dividends due them on such Dividend Payment Date as well as all Dividends in Arrears. Holders of the Preferred Shares shall not be entitled to participate in any other or further dividends, cash, property or stock, beyond the dividends specifically payable on the Preferred Shares. Megawide will covenant that, in the event (for any reason): (a) any cash dividends due with respect to any Preferred Shares then outstanding for any period are not declared and paid in full when due, (b) where there remains Dividends in Arrears on the Preferred Shares, or (c) any other amounts payable in respect of the Preferred Shares pursuant to the terms and conditions of the Preferred Shares, are not paid in full when due, then Megawide will not: (i) declare or pay any dividends or other distributions in respect of shares ranking <i>pari passu</i> with or junior to the Preferred Shares (unless such payment in respect of shares ranking <i>pari passu</i> with the Preferred Shares shall be in accordance with "Conditions on Declaration and Payment of Cash Dividends"), or (ii) repurchase or redeem, securities ranking <i>pari passu</i> with, or junior to, the Preferred Shares (or contribute any moneys to a sinking fund for the redemption of any securities ranking <i>pari passu</i> with, or junior to, the Preferred Shares), until any and all the amounts described in (a), (b) and (c) have been paid in full to the holders of the Preferred Shares.
No Voting Rights	Holders of the Preferred Shares will not be entitled to vote at Megawide's stockholders' meetings, except as otherwise provided by law.

Non-Participating	Holders of the Preferred Shares shall not be entitled to participate in any other or future dividends beyond the cash dividends specifically payable on the Preferred Shares.
Non-Convertible	Holders of the Preferred Shares shall have no right to convert the Preferred Shares into any other preferred shares or common shares of Megawide.
No Pre-emptive Rights	Holders of the Preferred Shares will have no pre-emptive rights to subscribe to any shares (including, without limitation, treasury shares) that will be issued by Megawide.
Liquidation Rights	In the event of a return of capital in respect of the liquidation, dissolution or winding up of the affairs of Megawide but not on a redemption or purchase by Megawide of any of its share capital, the holders of the Preferred Shares at the time outstanding will be entitled to receive, in Philippine Pesos out of the assets of Megawide available for distribution to shareholders, together with the holders of any other shares of Megawide ranking, as regards repayment of capital, <i>pari passu</i> with the Preferred Shares and before any distribution of assets is made to holders of any class of shares of Megawide ranking after the Preferred Shares as regards repayment of capital, liquidating distributions in an amount equal to the Redemption Price as of (and including) the date of commencement of the winding up of Megawide or the date of any such other return of capital, as the case may be. If, upon any return of capital in the winding up of Megawide, the amount payable with respect to the Preferred Shares and any other shares of Megawide ranking as to any such distribution <i>pari passu</i> with the Preferred Shares are not paid in full, the holders of the Preferred Shares and of such other shares will share proportionately in any such distribution of the assets of Megawide in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount of the liquidating distribution to which they are entitled, the holders of the Preferred Shares will have no right or claim to any of the remaining assets of Megawide and will not be entitled to any further participation or return of capital in a winding up.
Other Terms of the Offer	
Offer Period	The Offer Period shall commence at 9:00 a.m. on November 17, 2014 and end at 5:00 p.m. on November 24, 2014. Megawide and the Joint Lead Underwriters reserve the right to extend or terminate the Offer Period with the approval of the SEC and the PSE.
Minimum Subscription to the Preferred Shares	Each Application shall be for a minimum of 500 Preferred Shares, and thereafter, in multiples of 100 Preferred Shares. No Application for multiples of any other number of Preferred Shares will be considered.
Eligible Investors	The Preferred Shares may be owned or subscribed to by any person, partnership, association or corporation regardless of nationality (except U.S. Persons as defined below), provided that the Company may reject an Application or reduce the number of Preferred Shares applied for subscription or purchase for purposes of complying with any applicable constitutional or statutory nationality requirement. In determining compliance with such nationality requirement, the required percentage of Filipino ownership shall be applied to both (a) the total number of outstanding shares of stock entitled to vote in the election of directors, and (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors, as set out in applicable regulations. The Offer Shares shall not be sold to persons classified as U.S. Persons under the Foreign Account Tax Compliance Act of the United States, as this may be amended from time to time. "U.S. Persons" means any of the

	following: (i) a U.S. citizen (including dual citizen); (ii) a U.S. resident alien for U.S. tax purposes; (iii) a US partnership; (iv) a U.S. corporation; (v) any U.S. estate; (v) any U.S. trust if: (y) a court within the United States is able to exercise primary supervision over the administration of the trust; or (z) one of more U.S. persons have the authority to control all substantial decisions of the trust; and (vi) any other person that is not a non-US person. Law may restrict subscription to the Preferred Shares in certain jurisdictions. Foreign investors interested in subscribing for or purchasing the Preferred Shares should inform themselves of the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile, and as to any relevant tax or foreign exchange control laws and regulations affecting them personally. Foreign investors, both corporate and individual, shall warrant that their purchase of the Preferred Shares will not violate the laws of their jurisdiction and that they are allowed to acquire, purchase and hold the Preferred Shares.
Procedure for Application	Application Forms for the subscription of Preferred Shares may be obtained from any of the Underwriters and Selling Agents. All applications shall be evidenced by the Application Form, duly executed in each case by an authorized signatory of the applicant and accompanied by two (2) completed signature cards, the corresponding payment for the Preferred Shares covered by the Application and all other required documents including documents required for registry with the registrar and depository agent ("Application"). The duly executed Application Form and required documents should be submitted to the Underwriters or Selling Agents on or prior to the deadline for submission of Applications for Underwriters and Selling Agents, respectively. If the applicant is a corporation, partnership, or trust account, the Application must be accompanied by the following documents: - a certified true copy of the applicant's latest articles of incorporation and by-laws and other constitutive documents, each as amended to date, duly certified by the corporate secretary (or equivalent officer); - a certified true copy of the applicant's SEC certificate of registration, duly certified by the corporate secretary (or equivalent officer); - a duly notarized corporate secretary's certificate setting forth the resolution of the applicant's board of directors or equivalent body authorizing (i) the purchase of the Preferred Shares indicated in the Application, and (ii) the designated signatories for the purpose, including their respective specimen signatures; and - two (2) specimen signature cards fully completed and signed by the applicant, [and certified by the corporate secretary (or equivalent officer),] If the applicant is an individual, two (2) specimen signature cards duly authenticated by the Underwriter or the Selling Agent which forwarded the Application.
Payment for the Preferred Shares	The Preferred Shares shall be paid for in full upon submission of the Application. The purchase price must be paid in full in Pesos upon the submission of the duly completed and signed Application Form and signature

	cards together with the requisite attachments. Payment for the Preferred Shares being subscribed for shall be made either by: (i) personal or corporate check drawn against an account with a <i>Bangko Sentral ng Pilipinas</i> (“BSP”) authorized bank at any of its branches located in Metro Manila, or (ii) manager’s or cashier’s check drawn against any of such authorized bank at any of its branches located in Metro Manila. The check shall be made to the order of “Megawide Preferred Shares”. The check must be dated on or about (but not later than) the date of the filing of the application and crossed “For Payee’s Account Only”. Applications and the related payments shall be received by the Receiving Agent at its offices or other designated places during the Offer Period. Applicants directly submitting their Application to a Joint Issue Manager, Joint Lead Underwriter or Joint Bookrunner may also remit payment for their Preferred Shares through the RTGS facility of the BSP to the Joint Issue Manager, Joint Lead Underwriter or Joint Bookrunner to whom such Application was submitted or via direct debit to their deposit account maintained with such Joint Issue Manager, Joint Lead Underwriter or Joint Bookrunner. Applications and the related payments shall be received at any of the offices of the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners. Cash payments shall not be accepted.
Acceptance/Rejection of Applications	The actual number of Preferred Shares that an applicant will be allowed to subscribe for is subject to the confirmation of the Underwriters. Megawide through the Joint Lead Underwriters shall have sole discretion to accept or reject, in whole or in part, or to reduce any application due to any grounds specified in the underwriting agreement to be entered into by Megawide and the Joint Lead Underwriters. Applications which were unpaid or where payments were insufficient and those that do not comply with the terms of the Offer shall be rejected. Moreover, any payment received pursuant to the Application does not constitute as approval or acceptance by Megawide of the Application. An Application, when accepted, shall constitute an agreement between the applicant and Megawide for the subscription to the Preferred Shares at the time, in the manner and subject to terms and conditions set forth in the Application Form and those described in the Prospectus. Notwithstanding the acceptance of any Application by Megawide, the actual subscription by the applicant for the Preferred Shares will become effective only upon listing of the Preferred Shares on the PSE and upon the obligations of the Underwriters under the issue management and underwriting agreement/s becoming unconditional and not being suspended, terminated or cancelled, on or before the Listing Date, in accordance with the provision of the said agreement/s. If such conditions have not been fulfilled on or before the periods provided above, all Application payments will be returned to the applicants without interest.
Refunds for Rejected Applications	In the event that the number of Preferred Shares to be allotted to an applicant, as confirmed by an Underwriter or Selling Agent, is less than the number covered by its Application, or if an Application is wholly or partially rejected by Megawide, then Megawide shall refund, without interest, within five (5) Banking Days from the end of the Offer Period, all or a portion of the payment corresponding to the number of Preferred Shares wholly or partially rejected. All refunds shall be made through the Underwriter or Selling Agent with whom the applicant has filed the Application at the applicant’s risk.
Listing Date	December 3, 2014

Depository Agent	Philippine Depository and Trust Corporation
Registrar	Banco de Oro Unibank, Inc. - Trust and Investments Group
Receiving and Paying Agent	Banco de Oro Unibank, Inc. - Trust and Investments Group
Selling Agents	PSE Trading Participants
Counsel to the Issuer	Martinez Vergara Gonzalez & Serrano Law
Counsel to the Joint Lead Underwriters	SyCip Salazar Hernandez & Gatmaitan

DESCRIPTION OF SHARES

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

THE COMPANY'S SHARE CAPITAL

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

The current authorized capital stock of the Company is ₱5,000,000,000.00 divided into 4,930,000,000 common shares with a par value of ₱1.00 per share and 70,000,000 preferred shares with a par value of ₱1.00 per share. As of date, 2,399,426,127 common shares are issued and outstanding, of which 1,494,736,804 is listed.

Following the Offer, and assuming the Oversubscription Option is exercised in full, the Company will have (a) 2,399,426,127 of 4,930,000,000 authorized common shares and (b) 70,000,000 of 70,000,000 authorized Non-Voting Preferred Shares, issued and outstanding. Following the Offer, and assuming the Oversubscription Option is not exercised, the Company will have (a) 2,399,426,127 of 4,930,000,000 authorized common shares and (b) 40,000,000 of 70,000,000 authorized Non-Voting Preferred Shares, issued and outstanding.

The holders of the Preferred Shares do not have identical rights and privileges with holders of the existing common shares of the Company.

THE PREFERRED SHARES

Under the Amended Articles, the Preferred Shares have the following features, rights and privileges:

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

Pursuant to the board resolution approved on November 13, 2014 and the authority granted to certain signatories pursuant to the such board resolutions, and as applicable, pursuant to law, the Preferred Shares shall have the following specific features, rights and privileges:

Issue Price

The Preferred Shares shall be offered at a price of ₱100.00 per share (the "Issue Price").

Dividend Policy In Respect of the Preferred Shares

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

The term "Dividend Rate" means (a) from the Listing Date up to the Step Up Date, the Initial Dividend Rate, and (b) from the Step Up Date, the higher of the Initial Dividend Rate and the Step Up Rate. (Please see below relevant definitions.)

The initial dividend rate shall be at the fixed rate of 7.025% ("Initial Dividend Rate").

If the Preferred Shares shall not have been redeemed by the Company on the seventh anniversary of the Listing Date (the "Step Up Date"), Initial Dividend Rate shall be adjusted on the Step Up Date to the 15-year PDST-R2 rate, or if the 15-year PDST-R2 rate is not available or cannot be determined, the interpolated 15-year PDST-R2 rate, or if such interpolated 15-year PDST-R2 rate is not available or cannot be determined, any such successor rate generally accepted by the market or a self-regulatory organization, in each case, plus 4.875% *per annum* (the "Step Up Rate").

However, if the Initial Dividend Rate is higher than the Step Up Rate, there shall be no adjustment on the Dividend Rate, and the Initial Dividend Rate shall continue to be the Dividend Rate.

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

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

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

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

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

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

Redemption of the Preferred Shares

As and if declared by the Board and subject to the requirements of applicable laws and regulations, the Issuer may redeem the Preferred Shares on the fifth anniversary of the Listing Date or on any Dividend Payment Date occurring thereafter (each, an “Optional Redemption Date”), in whole (not in part) at a redemption price equal to the Issue Price plus all dividends due on such Optional Redemption Date as well as all Dividends in Arrears (the “Redemption Price”). The payment of the Redemption Price, less any tax and customary transfer costs to effect the redemption, shall be made to holders of the Shares as of the record date set by Megawide for such redemption. Upon such redemption, the Preferred Shares shall be considered retired and no longer issuable.

The Issuer is not legally required to establish, has not established, and currently has no plans to establish, a sinking fund for the redemption of the Preferred Shares.

The Issuer may purchase the Preferred Shares at any time in the open market or by public tender or by private contract at any price through the PSE. The Preferred Shares so purchased may either be redeemed (pursuant to their terms and conditions as set out in this Preliminary Prospectus) and cancelled or kept as treasury shares.

The Issuer shall give not less than thirty (30) nor more than sixty (60) days prior written notice of its intention to redeem the Preferred Shares, which notice shall be irrevocable and binding upon the Megawide to effect such redemption of the Preferred Shares at the redemption date stated in such notice.

Early Redemption Due to Taxation

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

Early Redemption Due to Changes in Accounting Treatment of the Shares

If an Accounting Event occurs the Issuer may redeem the Preferred Shares in whole, but not in part, at any time after giving not less than thirty (30) nor more than sixty (60) days’ written notice prior to the intended date of redemption. The redemption shall be made by Megawide at the Redemption Price which shall be paid within five (5) Banking Days of the exercise of the right to redeem the Preferred Shares on the date of redemption set out in the notice, which notice shall be irrevocable and binding upon Megawide to effect such redemption of the Preferred Shares at the redemption date stated in such notice.

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

In General: No Voting Rights

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

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

- Amendment of the Articles (including any increase or decrease in capital stock);
- Amendment of the Company's By-laws;
- Sale, lease, exchange, mortgage, pledge or other disposition of all or a substantial part of the Company's assets;
- Incurring, creating or increasing bonded indebtedness;
- Increase or decrease of capital stock;
- Merger or consolidation of the Company with another corporation or other corporations;
- Investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which the Company was organized; and
- Dissolution of the Company.

Status

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

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

Liquidation Rights In Respect of the Preferred Shares

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

Tax Payments in respect of the Preferred Shares

All payments in respect of the Preferred Shares are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of Republic of the Philippines, including but not limited to, stamp, issue, registration, documentary, value added or any similar tax or other taxes and duties, including interest and penalties. If such taxes or duties are imposed, the Issuer will pay additional amounts so that holders of the Preferred Shares will receive the full amount of the relevant payment which otherwise would have been due and payable. Provided, however, that the Issuer shall not be liable for: (a) the final withholding tax applicable on dividends earned on the Preferred Shares, (b) as applicable, any income tax (whether or not subject

to withholding), percentage tax (such as stock transaction tax) and documentary stamp tax on the redemption or buy back of the Preferred Shares or on the liquidating distributions as may be received by a holder of Preferred Shares, (c) expanded value added tax which may be payable by any holder of the Preferred Shares on any amount to be received from the Issuer under the terms and conditions of the Preferred Shares, (d) any withholding tax on any amount payable to any holder of the Share or any entity which is a non-resident foreign corporation, and (e) applicable taxes to any subsequent sale or transfer of the Preferred Shares by any holder of the Preferred Shares which shall be for the account of the said holder (or the buyer in case such buyer shall have agreed to be responsible for the payment of such taxes).

No Pre-emptive Rights

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

Transfer of Shares and Share Register

The Preferred Shares will be issued in scripless form.

Legal title to the Preferred Shares will be shown in the Registry of Shareholders which shall be maintained by the Registrar. The Registrar shall send (at the cost of the Issuer) at least once every year a Statement of Account to all Shareholders named in the Registry of Shareholders confirming the number of Shares held by each Shareholder on record in the Registry of Shareholders. Such Statement of Account shall serve as evidence of ownership of the relevant Shareholder as of a given date thereof. Any request by Shareholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Shareholder.

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

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

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

Not Convertible into Common Shares

The Preferred Shares shall not be convertible into Megawide's common shares.

Other Rights and Incidents Relating to the Preferred Shares

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

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

Under the Philippine Constitution, no franchise, certificate, or any other form of authorization for the operation of public utility shall be granted except to citizen of the Philippines or to corporations or

associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens. Accordingly, the Preferred Shares and Megawide's other shares may be owned or subscribed by or transferred to any person, partnership, association or corporation regardless of nationality, provided that it complies with the nationality requirement under the Philippine constitution and other applicable laws. Pursuant to SEC Memorandum Circular No. 8, Series of 2013, which generally applies to all corporations engaged in identified areas of activities or enterprises specifically reserved, wholly or partly, to Philippine nationals by the Philippine Constitution, the FIA and other existing laws, amendments thereto, and implementing rules and regulations of said laws, for purposes of determining compliance with the constitutional or statutory ownership requirement, the required percentage of Filipino ownership shall be applied to both:

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

Directors

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

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

The Company conforms to the requirement to have at least two (2) independent directors or such number of independent directors as may be required by law. As of the date of this Preliminary Prospectus, the Company's independent directors are Leonilo G. Coronel and Leonor M. Briones.

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

Appraisal Rights

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

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

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

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

Shareholders' Meeting

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

Quorum

The Corporation Code provides that, except in instances where the assent of shareholders representing two-thirds of the outstanding capital stock is required to approve a corporate act (usually involving the significant corporate acts where even non-voting shares may vote, as identified above) or where the by-laws provide otherwise, a quorum for a meeting of shareholders will exist if shareholders representing a majority of the capital stock are present in person or by proxy.

Voting

At every meeting of the stockholders of the Company, every stockholder entitled to vote shall be entitled to one vote for each share of stock standing in his name on the books of the Company; provided, however, that in the case of the election of directors, every stockholder entitled to vote shall be entitled to cumulative voting in accordance with the provision of Corporation Code. Every stockholder entitled to vote at any meeting of the stockholders may so vote by proxy, provided that the proxy shall have been appointed in writing by the stockholder himself, or by his duly authorized attorney; in accordance with the existing laws, and rules and regulations of the SEC and the Company's amended by-laws.

In case of election of directors, each stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many nominees as he shall see fit, provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.

Fixing Record Dates

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

Issues of Shares

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

Change in Control

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

Mandatory Tender Offers

Under the Securities Regulation Code and its implementing rules, subject to certain exceptions:

- Any person or group of persons acting in concert, who intends to acquire thirty five percent (35%) or more of equity shares in a public company shall disclose such intention and contemporaneously make a tender offer for the percent sought to all holders of such class. In the event that the tender offer is oversubscribed, the aggregate amount of securities to be acquired at the close of such tender offer shall be proportionately distributed across both selling shareholder with whom the acquirer may have been in private negotiations and minority shareholders.
- Any person or group of persons acting in concert, who intends to acquire thirty five percent (35%) or more of equity shares in a public company in one or more transactions within a period of twelve (12) months, shall be required to make a tender offer to all holders of such class for the number of shares so acquired within the said period.
- If any acquisition of even less than thirty five percent (35%) would result in ownership of over fifty one percent (51%) of the total outstanding equity securities of a public company, the acquirer shall be required to make a tender offer for all the outstanding equity securities to all remaining stockholders of the said company at a price supported by a fairness opinion provided by an independent financial advisor or equivalent third party. The acquirer in such a tender offer shall be required to accept any and all securities thus tendered.

Accounting and Auditing Requirements / Rights of Inspection

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

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

RISK FACTORS

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

Prior to making any investment decision, prospective investors should carefully consider all of the information in this Preliminary Prospectus, including the risk factors described below before deciding to invest in the Preferred Shares.

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

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

RISKS RELATING TO THE COMPANY AND ITS BUSINESS

The Company is exposed to risks associated with the Philippine property market, including potential construction contract cancellations.

The Company currently derives a majority of its sales and operating profits from its contracting services with Philippine property developers. Megawide's business is highly dependent on the ability of these developers to market, sell and dispose of condominium units and office units to potential customers. In the event of a weak property market, developers may hold and/or cancel construction contracts and orders. These events would have a material adverse effect on the Company's business, financial condition and results of operations.

While these risks are uncontrollable, the Company seeks to minimize the possible effects of a weak property market by gradually diversifying into other types of projects such as infrastructure and public utility projects that are non-cyclical in nature. The current administration's commitment in accelerating the country's infrastructure development through its Public-Private Partnership projects posts a great opportunity for the Company. Megawide, with its track record and technical expertise, is actively participating in these projects, both as a contractor and as a proponent. This will enable Megawide to diversify its customer client base and decrease revenue concentration risk.

Significant competition in the construction industry could adversely affect the Company's business.

The Company competes with both local and foreign firms to provide construction services in the domestic property market. The Philippine construction industry is highly competitive, with large companies competing aggressively in the same target market. These large companies have existing or on-going residential condominium or commercial development projects in the Metro Manila area. There is also a possibility of decline in market share due to the entry of new contractors. A discussion

on the Company's competitors is found on the "Description of Business" on page 61 of this Preliminary Prospectus.

The Company believes, however, that it has a competitive advantage over other construction companies due to its use of High Technology Building Systems, high quality construction equipment, value-added engineering services, technical competence, and innovative ability. Furthermore, Megawide's use of High Technology Building Systems has allowed it to price its projects competitively. A discussion on the Company's use of the High Technology Building Systems is found on page 61 of this Preliminary Prospectus.

The Company is exposed to credit risk on its receivables from construction contracts.

For on-going projects, Megawide is exposed to credit risk if project owners are unable to fully settle the unpaid balance of receivables under construction contracts, and other claims owed to the Company.

Credit risk is managed in accordance with the Company's credit risk policy, which requires the evaluation of the creditworthiness of each project owner. The Company can also resort to enforce its contractor's lien over the project with varying degrees of effectiveness. Under Article 2242 (3) of the Civil Code of the Philippines, a contractor's lien is the preference accorded to the claim of a contractor engaged in the construction, reconstruction or repair of buildings, canals or other works, with respect to the said buildings, canals or other works when the same is the subject of claims of several creditors and the value of such is insufficient to pay in full all the creditors. As of the date of this Preliminary Prospectus, the Company has not had to enforce its contractor's lien over any of the projects.

While frequently invited to participate in biddings, the Company carefully selects which projects to consider in line with its credit risk policies and based on the following criteria:

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

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

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

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

A significant increase in construction material prices could adversely affect the Company's cost of sales and other expenses. The Company may not be able to pass on any increase in construction material costs to its customers.

While these risks are uncontrollable, the Company employs a hedging program and facilities with a number of its suppliers to help mitigate the risk of price volatility. Steel and cement, for example, which are historically the most price volatile materials, constitute around 70% of the Company's construction cost. In order to mitigate the risk, the Company enters into fixed purchase contracts with its suppliers, immediately upon award of contracts, which fix the unit cost of the materials. These contracts typically range from six (6) months to one (1) year. No price escalation is charged until the estimated quantities have been delivered within the agreed period.

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

The Company's reputation will be adversely affected if any of its projects experience construction failures, design flaws, significant project delays and quality control issues. These will make it more difficult for the Company to obtain more projects in the future.

The Company has a proven track record with years of experience in the construction industry. Megawide has a group of well-trained and experienced technical managers that implement measures to maintain project progress, schedules and quality. In addition, contracts with the Company's suppliers and subcontractors contain warranties for quality and requirements for timely completion. These warranties are typically covered by a guarantee bond, surety bond or performance bond. For details, see "Description of Business" on page 61 of this Preliminary Prospectus.

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

The Company may encounter difficulty with cash inflows due to delayed payments of progress billings by project owners. This, in turn, may cause project delays. The Company believes that it has a solid financial background and has established credit lines with several financial institutions from which it is able to easily obtain loans to finance its working capital requirements.

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

The lack of construction materials could affect the Company's ability to complete projects within the timeframe given in its construction contracts.

The principal raw materials utilized by the Company in its projects are cement and steel, which are both readily available in the market from a number of sources, including Dee Concrete and Steel Asia Manufacturing Corporation. The Company also diversifies its sources of these raw materials so that it is not dependent on one or a limited number of suppliers.

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

The Company believes that it has a competitive advantage over other construction companies partly due to its High Technology Building Systems. The use of High Technology Building Systems has allowed it to price its projects competitively. The Company currently does not have an exclusivity contract with any of its technology and equipment suppliers. As such, competitors may opt to and will be able to purchase the same technology and equipment from the Company's suppliers.

However, although its competitors may purchase similar technology, the Company has an advantage as it already has at least eight (8) years of experience in utilizing said High Technology Building Systems. The Company believes, based on its experience, that new users of the High Technology Building Systems will need time to learn and adapt to the change in construction processes. Employees will need to be re-trained for these new methods and technologies. New users should also have significant project volumes in order to realize a return on its investment and to bring down construction cost.

Nonetheless, to ensure that Megawide maintains its technological advantage, the Company has established a Research and Development Team to continuously adapt and respond to new inventions and standards in construction and continues to implement training programs to keeps its work force up to date with the latest innovations.

The Company is exposed to the risk of industrial or labor disputes.

The Company is exposed to the risk of industrial or labor disputes. The occurrence of such events could have a material adverse effect on the Company's business, financial condition, or results of operation.

The Company has maintained a harmonious relationship between management and staff. Megawide provides employee benefits and complies with labor standards. It is not unionized and there has not been any incidence of work stoppages or labor disputes. The Company is also highly mechanized, and is therefore not dependent on manual labor for its production and structural works.

The Company is exposed to the risk of separation of key employees.

Megawide relies on the continued employment of, and its ability to attract, qualified engineers, project managers and technical personnel to ensure its continued success. The competition for such skilled workforce in the construction industry is strong, as seen in aggressive head hunting of employees.

To mitigate this risk, the Company gives attractive compensation packages that consist of: (1) basic wages; (2) allowance for project employees, depending on the position of the project employee; (3) project completion bonus for project employees; and (4) performance bonus for project employees occupying key positions such as project managers and assistant project managers, depending on the position of the project employee.

The Company has also entered into employment agreements with its key employees containing a “non-compete” clause, which prevents these key personnel from moving to Megawide’s competitors.

Injuries or damages to third parties could arise from construction accidents.

Risk related to injuries or damages to third parties arising from construction accidents is inherent in the nature of the Company’s business. In the event of accidents during construction, third parties may claim for damages.

The Company actively promotes and advocates the highest construction safety standards. It adopts the European Standard on Safety Scaffoldings. Under this standard, safety scaffoldings are built in accordance with the British Standard (BS 5973), which sets out performance requirements for working scaffolds and permissible stress design method. The working scaffold provides a safe workplace with safe access suitable for the work being done. The Company utilizes German Scaffoldings such as MEVA Automatic Climbing Scaffold, Shoring Tower and other Folding Scaffoldings, which were built in accordance with BS 5973.

The Company also strictly implements wearing of proper full body protection gear in accordance with the Zero Accident Safety Program. The program is adopted in all job sites to prevent worker injury under a “Zero Injury” or “Accident” program, which means that accidents or serious injuries to workers can be successfully prevented. Moreover, as part of the project safety program, a Safety Engineer is assigned to each construction site to ensure employee awareness.

Nonetheless, as a matter of policy, the Company ensures that all its projects are sufficiently covered with Contractors All Risk Insurance to cover for damages to property and third party claims for injury and death.

The Company is required to obtain various licenses for its construction business.

The Company is required to obtain and maintain various licenses in relation to its construction activities, which include among others, its Contractor’s License from PCAB, environmental permits, and building permits and licenses. The revocation or non-renewal of these permits and licenses may have a material adverse effect on the Company’s operations.

To avoid work stoppage or disruption, the Company ensures that it is always compliant with the necessary permits required by various licensing authorities. For details, please refer to the section on “Regulatory and Environmental Matters” on page 120 of this Preliminary Prospectus.

The MPOC and the MCIA Projects are the subject of pending petitions for certiorari with the Supreme Court seeking to enjoin the implementation of these projects.

Two (2) of the Company's projects, namely the MCIA Project and the MPOC, are subject of petitions for certiorari filed with the Supreme Court and which seek to enjoin the implementation and/or award of the relevant projects through the immediate issuance of temporary restraining order.

MCIA Project

On April 3, 2014, Senator Sergio Osmeña III filed a Petition for Certiorari and Prohibition with Application for Temporary Restraining Order and/or Writ of Preliminary Injunction with the Supreme Court seeking to enjoin the DOTC, the MCIAA and the Prequalification, Bids and Awards Committee of the MCIA Project from issuing a Notice of Award or executing a Concession Agreement for the MCIA Project in favor of the consortium of Megawide and GMR. A Notice of Award of the MCIA Project was issued in favor of the consortium of Megawide and GMR on April 4, 2014. Thus, Senator Osmeña filed a Supplemental Petition with Prayer for Supplemental Provisional Relief essentially seeking the nullification of the Notice of Award in favor of the consortium of Megawide and GMR. Sen. Osmeña claims that: (a) the consortium of Megawide and GMR is an "unqualified bidder" in view of: (1) conflict of interest as defined in the Instruction to Prospective Bidders issued on December 27, 2012 and the Instruction to Bidders issued on May 10, 2013 for the MCIA Project and (2) the lack of financial and technical capability of GMR. The Supreme Court has not issued any temporary restraining order. Subsequently, the Company and GMR filed their Comments to the Petition alleging that (a) there is no conflict of interest and (b) the consortium of Megawide and GMR is financially and technically capable of undertaking the MCIA Project and developing, maintaining and operating the renovated MCIA Project.

MPOC

On the other hand, petitioners in the MPOC case wants to annul and set aside the MPOC project for being in violation of Article II, Section 15 of the Constitution which provides that "the State shall protect and promote the right to health of the people and instill health consciousness among them". The Company filed its Comment maintaining that (i) the MPOC project does not violate the constitution and our treaty obligations and private investments into public health services are not prohibited by the constitution (ii) Section 15, Article 2 of the Constitution is not a self-executory provision and (iii) the Build Operate and Transfer law can cover health facilities and hospitals.

For a detailed discussion of these cases, please refer to the section on "Legal Proceedings" on page 86 of this Preliminary Prospectus.

While the Company is confident that both Supreme Court petitions will not prosper, the Company will be compensated in the unlikely event of an adverse decision resulting in the cancellation of the projects. In its agreement with the DOTC and MCIAA and the DOH, the DOTC and MCIAA or the DOH, as the case may be, will be liable for termination payments computed in accordance with a formula set forth in the respective agreement, taking into account the stage at which the project was terminated.

RISKS RELATING TO THE COMPANY'S PREFERRED SHARES

Payment of Dividends on the Preferred Shares

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

If the profits available for distribution as cash dividends are, in the opinion of the Board of Directors, not sufficient to enable Megawide to pay in full cash dividends on the Preferred Shares and cash dividends that are scheduled to be paid on or before the same date on Comparable Shares, Megawide is required to pay cash dividends on the Preferred Shares and any Comparable Shares *pro*

rata to the amount of the cash dividends scheduled to be paid to the Preferred Shares and the Comparable Shares, respectively. For purposes of this paragraph, the amount scheduled to be paid shall include all dividends due on such Dividend Payment Date as well as all Dividends in Arrears.

Subordination to the Issuer's Other Indebtedness

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

Megawide's obligations under the Preferred Shares are unsecured and will, in the event of the winding-up of the Company, rank junior in right of payment to all indebtedness of the Company and junior in right of payment to securities of, or claims against, the Company which rank or are expressed to rank senior to the Preferred Shares. Accordingly, Megawide's obligations under the Preferred Shares will not be satisfied unless Megawide can satisfy in full all of its other obligations ranking senior to the Preferred Shares.

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

Insufficient Distributions upon Liquidation

In the event of liquidation, the Non-Voting Preferred Shares shall rank ahead of the common shares.

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

Ability to Make Payments under the Shares is Limited by the requirements under Applicable Laws and the Terms of Megawide's Other Indebtedness

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

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

Perpetual or No Stated Maturity Date and Megawide has the Sole Right to Redemption

The Preferred Shares have no fixed maturity date, and the Preferred Shares are not repayable in cash unless the Issuer, at its sole discretion, redeems them for cash. Furthermore, holders of the Preferred Shares have no right to require the Issuer to redeem the Preferred Shares. The Preferred

Shares are only redeemable at the option of the Issuer on the Optional Redemption Date, or at any time, if an Accounting Event or Tax Event has occurred and is continuing. Accordingly, if a Preferred Share holder wishes to obtain the cash value of the investment, the holder will have to sell the Preferred Shares in the secondary market.

Lack of Public Market for the Shares

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

Limited Liquidity

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

Non-payment of Dividends May Affect the Trading Price of the Preferred Shares

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

Inability to Reinvest at a Similar Return on Investment

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

No Voting Rights

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

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

Under Philippine law, no franchise, certificate, or any other form of authorization for the operation of public utility shall be granted except to citizen of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens. Accordingly, the Preferred Shares may be owned or subscribed by or transferred to any person, partnership, association or corporation regardless of nationality, provided that at any time at least 60% of the Company’s outstanding capital stock shall be owned by citizens of the Philippines or by partnerships, associations or corporations, 60% of the voting stock or voting power, and 60% of the total number of outstanding shares of stock, of which is owned and controlled by citizens of the Philippines as set out in applicable regulations.

GENERAL RISKS

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

Results of operations of the Company have generally been influenced, and will continue to be influenced by, the performance of the Philippine economy. Consequently, the Company's income and results of operations depend, to a significant extent, on the performance of the Philippine economy.

The Philippine economy was adversely affected by the 1997 Asian financial crisis which caused a significant depreciation of the Philippine peso, rise in interest rates and downgrading of the Philippine local currency rating and the ratings outlook for the Philippine banking sector. While the Philippine economy has recovered from this crisis and has registered respectable positive economic growth starting 1999, it continues to be at risk from its significant budget deficit, volatile peso exchange rate and relatively weak banking sector.

Any deterioration in economic conditions in the Philippines as a result of these or other risk factors, may materially adversely affect the Company's financial condition and results of operations. There can also be no assurance that the current or future Government will adopt economic policies conducive to sustaining economic growth. This risk is beyond the control of the Company.

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

The Philippines has from time to time experienced political and social instability. In 2001, President Joseph Estrada was subjected to allegations of corruption, and this led to protracted televised impeachment proceedings against him. These proceedings were followed by widespread street demonstrations and a public withdrawal of support for Estrada by the military that eventually forced Estrada to resign. Following Estrada's removal from office, the then Vice President, Gloria Macapagal-Arroyo, was sworn in as President on January 20, 2001.

Challenges to the legitimacy of Arroyo's presidency were struck down by the Supreme Court in a unanimous decision promulgated on March 2, 2001. Nevertheless, political uncertainty plagued the Arroyo Administration.

On July 27, 2003, over 270 military officers and soldiers conducted an unsuccessful coup d'état against President Arroyo due to allegations of corruption.

After the May 2004 elections, President Arroyo was re-elected and persistent accusations of corruption and electoral fraud were made against Arroyo during her second term. On February 24, 2006, another attempted coup d'état led President Arroyo to issue Proclamation No. 1017, which was criticized as a virtual declaration of martial law and portions of it were later declared unconstitutional by the Philippine Supreme Court. On November 29, 2007, Senator Antonio Trillanes IV, a leader of the 2003 coup d'état who was elected to the Senate while in jail, led an armed occupation by military officers and soldiers of a luxury hotel in the Makati financial district and publicly called for President Arroyo's ouster. Senator Trillanes and his troops later surrendered.

On November 23, 2009, in the southern island of Mindanao's Maguindanao province, approximately 100 armed men allegedly affiliated with the Ampatuan political family murdered 58 persons, including members of the Mangudadatu family (the Ampatuans' political rivals in the province), lawyers, journalists and aides accompanying them, and motorists whose vehicles were behind the Mangudadatus' vehicles. This was the bloodiest incident of political violence and of violence directed at journalists in the Philippines' recent history and President Arroyo sent hundreds of troops to and declared martial law over Maguindanao after the incident.

In June 2010, Senator Benigno S. Aquino III took office as the 15th President of the Philippines, after garnering votes of over 15 million in the country's first computerized elections. Jejomar S. Binay, former Makati City Mayor, won the vice-presidential race over President Aquino's running mate Senator Manuel Roxas II.

In December 2011, the House of Representatives voted to impeach then Chief Justice Renato Corona of the Philippine Supreme Court, making him the first head of the Philippine judiciary to be

impeached and put on trial. The impeachment complaint accused Chief Justice Corona of improperly issuing decisions that favored former President Arroyo, as well as failure to disclose certain properties, in violation of rules applicable to all public employees and officials. The trial of Chief Justice Corona was conducted from January until May 2012. On May 29, 2012, a verdict was given by the Senate of the Philippines acting as an impeachment court, finding the former Chief Justice guilty of impeachable acts. On August 24, 2012, President Aquino appointed the Philippines' first female Chief Justice in the person of Associate Justice Maria Lourdes Sereno.

In October 2012, the Government and the Moro Islamic Liberation Front ("MILF"), signed a preliminary peace agreement, the Framework Agreement on the Bangsamoro, in Malacanang Palace in Manila, designed to implement structural reform while upholding national sovereignty through the creation of an autonomous political entity, Bangsamoro. Under the agreement, a Transition Commission and a Bangsamoro Transition Authority will be created to draft the Bangsamoro Basic Law and to recommend amendments to the Philippine Constitution, if necessary, and to bridge the period between the plebiscite and the elections planned for the new Bangsamoro region in 2016, respectively. The Bangsamoro Transition Authority is tasked to prepare for the transformation of the region into the Bangsamoro. With a ministerial form of government, the MILF and other political forces will be able to participate in elections through political parties. Voters shall elect political parties, and the winning parties shall, in turn, elect the head of the Bangsamoro region. On July 14, 2013, the Government and the MILF signed a wealth-sharing agreement that provides guidance for drafting relevant provisions of a law expanding Muslim autonomy in the new Bangsamoro region.

In February 2013, some 235 militants arrived by boat in Lahad Datu, Sabah from Simunul Island, Tawi-Tawi, Philippines. The militants were reportedly sent by Jamalul Kiram III, one of the claimants to the throne of the Sultanate of Sulu, an archipelago in the southern region of the Philippines, in order to settle and assert the unresolved territorial claim of the Philippines to eastern Sabah. In response, Malaysian security forces surrounded the village where the group are gathered, declared the group a terrorist group and commenced military operations. According to reports from the National Disaster Risk Reduction Management Council, some 5,000 Filipinos have fled Sabah since the start of this conflict. Kiram forces in Lahad Datu, reportedly 1,600 strong, killed eight members of the Malaysian forces in an ambush on August 11. At least 36 Filipinos are on trial or have been sentenced to life imprisonment for acts related to the conflict. Notwithstanding this, the Office of the President of the Philippines has issued statements to the media that the relationship between the Philippines and Malaysia remains unchanged and should remain unaffected by the conflict.

National and local elections as well as elections for the regional officials of the Autonomous Region of Muslim Mindanao were held on May 13, 2013. While the Government acknowledged 90 violent incidents related to the elections, including deaths, it also claimed that election-related violence had declined compared to previous years.

On April 28, 2014, the officials of the Government and the United States of America signed the Enhanced Defense Cooperation Agreement, shortly before the visit to the Philippines of US President Barack Obama. The said agreement shall foster the implementation of the Philippines and US Mutual Defense Treaty and shall allow greater US military presence in the Philippines. Activists blasted the move and have staged various protest actions, with even some lawmakers arguing the lack of transparency and rush in having the said agreement signed.

These political events, among others, negatively affect the economic condition in the Philippines. There is no assurance that there will not be any future political events such as these that could destabilize the Philippines.

Therefore, the Company's business, financial position, and results of operations could be materially and adversely affected.

Foreign Exchange Controls

Currently, the Philippines has liberal foreign exchange controls. The BSP has statutory authority with the approval of the President of the Philippines, during a foreign exchange crisis or in times of national emergency, to:

- suspend temporarily or restrict sales of foreign exchange;
- require licensing of foreign exchange transactions; or
- require the delivery of foreign exchange to the BSP or its designee banks for the issuance and guarantee of foreign currency-denominated borrowings.

The Company acquires machinery and equipment from abroad and may need foreign currency to make these purchases. Prospective investors cannot be assured that foreign exchange controls will not be imposed by the Government in the future. If imposed, these restrictions could materially and adversely affect the Company's ability to obtain machinery and equipment from abroad, which could affect Megawide's financial condition and results of operations.

Occurrence of Natural Catastrophes or Blackouts

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

USE OF PROCEEDS

Megawide expects to raise gross proceeds amounting to approximately ₱4,000,000,000.00 from the Offer. In the event that the Oversubscription Option is exercised in full, the Company expects to raise gross proceeds from the Offer of ₱ 7,000,000,000.00.

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

	Without Oversubscription (in ₱)	With Oversubscription (in ₱)
SEC Registration Fees	2,338,150	2,338,150
PSE Processing and Listing Fees	4,056,000	7,056,000
Documentary Stamp Tax	200,000	350,000
Underwriting and Selling Fees	30,000,000	52,500,000
Professional Expenses	25,710,000	40,710,000
Other related expenses*	1,000,000	1,000,000
Total Estimated Expenses	63,304,150	103,954,150

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

Megawide expects to use the net proceeds from the Offer, estimated to be ₱3,936,695,850.00, or ₱ 6,896,045,850.00 assuming the Oversubscription Option is fully exercised, after deducting the above expenses.

Net Proceeds from the Offering will be used by Megawide to partially finance its capital expenditure (“CAPEX”) requirements of the following projects.

Project Name	Amount Without Oversubscription (in ₱)	Amount With Oversubscription (in ₱)	Timing of Disbursements
PPP Projects Awarded			
Mactan-Cebu International Airport Allocated for additional equity call from Airport Subsidiary GMCAC to cover any shortfall in the estimated internal accruals/retained earnings to be plowed back as equity into the construction of the new passenger terminal building, Terminal 2.	984,173,962.50	985,149,407.14	Q4 2015
Public School Infrastructure Project Phase 2 Construction of 2,440 classrooms spread over Region I, II, III and CAR	442,878,283.13	443,317,233.21	Q1 2015
Modernization of Philippine Orthopedic Center Construction of 700-beds specialty hospital in East Avenue, Quezon City	442,878,283.13	443,317,233.21	Q1 2015

Project Name	Amount Without Oversubscription (in ₱)	Amount With Oversubscription (in ₱)	Timing of Disbursements
Project Development			
Development of various Renewable Energies composed of Wind, Solar, Hydro and Biomass totaling to 100MW	98,417,396.25	98,514,940.71	Q1 2015
Other Possible PPP Projects (Bid Preparation & Preliminary Works)			
Bulacan Bulk Water Supply Project* Construction of Water Treatment Plants, Treated Water Reservoirs, Pumping Station, Raw Water Conveyance System, Interconnection pipelines and Ancillary Facilities	984,173,962.50	1,970,298,814.29	Q3 2016
Integrated Transport System (Southwest and South Terminal)* Construction of Intermodal Transport Terminal catering to various transport systems such as Provincial and City Buses, Jeepneys, Taxi and AUVs	492,086,981.25	492,574,703.57	Q3 2015
6-Airports to be Bid Out* In preparation for the expected tender of 6-Airports by DOTC namely Davao, Palawan, Iloilo, Bacolod, Bohol and Laguindingan	492,086,981.25	985,149,407.14	Q4 2016
Laguna Lakeshore Expressway Dike Project* Construction of a high standard highway with a dike, interchanges, floodgates, pumps and the reclamation of 700 hectares of land.	N/A	985,149,407.14	Q4 2016
Regional Prison Facilities* Construction of a modern prison facility, staff housing, administrative buildings, areas for rehabilitation, and high security systems that can accommodate 26,880 inmates and associated staff.	N/A	492,574,703.57	Q4 2016
TOTAL	3,936,695,850.00	6,896,045,850.00	

*These projects are part of the PPP currently to be awarded by the Government. Megawide intends to participate in the tender for these projects and hence must already allocate funds for the same in the event of being awarded the same.

A. Capital Expenditure for PPP Projects Awarded

MCIA Project

The MCIA Project was awarded to the Consortium of Megawide and GMR on April 4, 2014. It involves the construction of new passenger terminal 2 and renovation of the old passenger terminal 1, operation and maintenance of both terminals, construction and operation of aprons, ground handling, daily slot management and bay allocation. The turnover of terminal 1 by MCIAA to the GMCAC was successfully completed on November 1, 2014.

The new passenger terminal 2 will have 3-levels with a double sided pier spread over 43,398 square meters with 6 contact gates to service 90% of international flights through boarding bridges on T2 Apron, 3-level in-line baggage screening system, 4 Baggage Carousels, 14 escalators and canopy coverage for Airport Village, Ramps and Taxi Parking.

The Project is expected to generate revenues through a passenger service charge, aero-related services and commercial services. The passenger service charge is the fee charged to embarking passengers at the passenger terminals. Aero-related services provide revenues generated from the airlines' usage of various services at the apron and inside the terminal. These services include boarding bridge usage, check-in counter charges, aircraft parking fee, ground handling services, and in-flight catering. Commercial services that generate revenues include duty free related revenues, food and beverage operations, advertising, retail, lounges, car parking and taxi operations.

In order to finance the construction expansion, GMCAC, is in the midst of arranging its debt financing in order to achieve financial close by mid-January 2015. In particular, GMCAC is currently negotiating with domestic and foreign banks that constitute a large share of the banking industry as well as multilateral financing institutions. These prospective lenders are in the final stages of their due diligence process. The Company remains optimistic that GMCAC will succeed in achieving financial close by mid-January 2015 due to data showing strong market fundamentals over the life of the concession that supports the financial and operational viability of the MCIA Project.

Total equity infusion is estimated at ₱11.0 Billion to be funded through equity calls to the Company and GMR as shareholders of GMCAC. The Company will use a portion of the net proceeds from the Offer to partially fund its share of the equity.

PSIP Phase 2

The PSIP Phase 2 Project was awarded to the Company on September 16, 2013. It involves the construction of new public school building of various types for a total of 2,440 classrooms equipped with school furniture and toilets in accordance with the minimum specifications provided in its Build-Transfer Contract with the Department of Education. These schools are spread over Regions I, II, III and CAR.

After completion of the construction of all the classrooms, the Company will receive remuneration equivalent to the entire Build-Transfer contract value. The Company has mobilized its operations to begin the construction of the classrooms.

Total Project Cost is estimated at ₱2.2 billion to be funded through mixed short term revolving line facility with banks, equity and internally generated cash. The Company has already achieved financial close by securing the required short term revolving line facilities. The Company will use a portion of the net proceeds from the Offer to partially fund the equity requirement for this project.

MPOC

The MPOC Project was awarded to the Consortium of Megawide and World Citi last December 6, 2013 and the Company expects to commence construction by end of the year. It involves the construction of new 700-beds super specialty tertiary hospital fully equipped with modern facilities and equipment. The Project Site comprises an actual area of 6,714.78 square meters situated at the National Kidney Transplant Institute Complex in Quezon City. The Build-Operate-Transfer

Concession is for 25 years. The Consortium of Megawide and World Citi has since incorporated MWCCI to undertake the Project.

The Project is expected to generate revenues through in-patient orthopedic services, medical services, hospital laboratory usage, pharmacy and supplies, training services, and commercial concessions.

Total Project Cost is estimated at ₱5.6 billion to be funded through mixed debt and equity. The Company will use a portion of the net proceeds from the Offer to partially fund its share of equity. On October 2, 2014, MWCCI entered into an Omnibus Loan and Security Agreement with Land Bank of the Philippines, Land Bank of the Philippines – Trust Banking Group and Development Bank of the Philippines.

B. Project Development of Renewable Energies

The Company is currently working on the project development of four (4) potential renewable energies (two (2) solar and two (2) biomass) with combined capacity of 80 megawatts at various project development stages.

Project development of these potential renewable energies involves the registration / Service Contract with Department of Energy, Project Feasibility Studies, Technical Data Gathering, detailed engineering designs, financial modeling, procurement of government clearances, consents and permits, procurement of power purchase agreement and Energy Regulatory Commission (“ERC”) approvals.

The Company estimates that post-project development cost for construction after the development phase would require approximately ₱ 5.8 billion to fund the capital expenditures which involve the civil works, mechanical and electrical works for these power plant projects.

The Company will use a portion of the net proceeds from the Offer to fund the project development costs estimated at ₱ 100 million.

C. Bid Preparation and Preliminary Works

Bulacan Bulk Water Supply Project

The proposed project involves the design, financing, construction, operation and maintenance of a new water treatment plants, treated water reservoirs, pumping stations, raw water conveyance system, interconnection pipelines and ancillary facilities. This project is envisioned to supply clean water to various water districts located in the Province of Bulacan.

The Company will use a portion of the net proceeds from the Offer to fund the bid preparation, project feasibility studies, value engineering services, technical and planning, engineering analysis and designs as well as fund a portion of the projected initial capital requirement of the project with total estimated cost of ₱ 24 billion.

Intermodal Transport System

The proposed project involves the design, financing, construction, operation and maintenance of a new Intermodal Transport Terminals in Coastal Road, Manila and FTI Taguig. The project aims to ease commuters coming from different provinces to the city.

The Company will use a portion of the net proceeds from the Offer to fund bid preparation, project feasibility studies, value engineering services, technical and planning, engineering analysis and designs as well as fund a portion of the projected initial capital outlay requirement of the project.

Privatization of 6-Airports

The proposed project involves the design, financing, construction, operation and maintenance of 6 Airports located in Davao, Palawan, Iloilo, Bacolod, Bohol and Laguindingan.

The Company will use a portion of the net proceeds from the Offer to fund bid preparation, project feasibility studies, value engineering services, technical and planning, engineering analysis and designs as well as fund a portion of the projected initial capital outlay requirement of the project.

Laguna Lakeshore Expressway Dike Project

The proposed project involves the design, financing, construction, operation and maintenance of a high standard highway with a dike, interchanges, floodgates, pumps and the reclamation of 700 hectares of land.

The Company will use a portion of the net proceeds from the Offer to fund bid preparation, project feasibility studies, value engineering services, technical and planning, engineering analysis and designs as well as fund a portion of the projected initial capital outlay requirement of the project.

Regional Prison Facilities

The proposed project involves the design, financing, construction and maintenance of a modern prison facilities, staff housing, administrative buildings, areas for rehabilitation and high security systems that can accommodate 26,880 inmates and associated staff.

The Company will use a portion of the net proceeds from the Offer to fund bid preparation, project feasibility studies, value engineering services, technical and planning, engineering analysis and designs as well as fund a portion of the projected initial capital outlay requirement of the project.

In the event that the allocated proceeds from the Offer for various identified PPP projects that the Company intends to tender are not awarded to the Company, the Company plans to re-channel portion of these allocated proceeds to the capital expenditures requirement for the project construction phase of the four (4) power plant projects discussed above. The capital expenditure for these renewable energy projects, which the Company initially plan to source from internally generated funds, would be equivalent to the bid preparation and preliminary works for the PPP projects to be bidded out. Should the proceeds of the Offer exceed the capital expenditure requirements of the renewable energy projects especially in the event the Over Subscription Option is exercised, the Company may use said excess proceeds to meet subsequent GMCAC equity calls for the MCIA Project.

While awaiting disbursements, the Company may deposit the funds in time deposits or special deposit accounts and/or invest the same in Philippine government Peso-denominated securities. The Company will not use any portion of the proceeds to discharge any debt nor to reimburse any of its officers, directors, employees or shareholders for services rendered, asset previously transferred, or money loaned or advanced. Other than the fees relating to the underwriting and issue management of the Company, the Company will not use the proceeds to pay any financial obligations with the Underwriter and its affiliates.

The foregoing discussion represents a best estimate of the use of proceeds of the Offer based on the Company's current plans and anticipated expenditures. In the event that there is any change in the Company's development plan, including *force majeure* and circumstances, such as (1) failure to obtain requisite approvals, and (2) changes in government policies that would render any of the above plans not commercially viable, the Company will carefully evaluate the situation and may reallocate the proceeds for future investments and/or hold such funds on short term deposit whichever is better for the Company's and its shareholders' interest taken as a whole. In such event, the Company will issue a public disclosure if there is any change in the above proposed use of proceeds and shall accordingly inform the SEC, the PSE and its shareholders at least thirty (30) days prior to its implementation.

In the event that the actual expenses are more than the estimates, or the actual net proceeds are less than the projected net proceeds, the Company will utilize said net proceeds based on their order of priority and will use internally generated funds and bank loans to finance the shortfall, or delay or abandon one or more of the components of its plans. In such an event, the Company shall inform the SEC, the PSE and its shareholders at least thirty (30) days prior to its implementation.

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

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

PLAN OF DISTRIBUTION

THE OFFER

The offer by the Company of the Preferred Shares is purely domestic and will not include an international offering. BDO Capital, BPI Capital, First Metro and SCB have been appointed by the Company to act as Joint Lead Underwriters for the Offer. The Company plans to issue the Preferred Shares through the Joint Lead Underwriters, namely, BDO Capital, BPI Capital, First Metro and SCB. The Trading Participants, who are member-brokers of the PSE, shall act as Selling Agents for the Offer, pursuant to the PSE's rules and regulations.

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

OBLIGATIONS OF THE UNDERWRITERS AND SELLING AGENTS

In accordance with the Underwriting Agreement to be entered into with Megawide, BDO Capital, BPI Capital, First Metro and SCB (the "Joint Lead Underwriters") have agreed to underwrite 40,000,000 of Preferred Shares at the Offer Price on a firm basis, and to distribute and sell the Preferred Shares in the Offer, subject to the satisfaction of certain conditions, in consideration for certain fees and expenses.

Each of the Joint Lead Underwriters has committed to underwrite the Offer up to the amount indicated below (in ₱, actual amounts):

BDO Capital	1,000,000,000.00
BPI Capital	1,000,000,000.00
SCB	1,000,000,000.00
First Metro	1,000,000,000.00
Total	4,000,000,000.00

BDO Capital is a wholly-owned investment-banking subsidiary of BDO Unibank Inc. BDO Capital is a full-service investment house primarily involved in securities underwriting, loan syndication, financial advisory, private placement of debt and equity, project finance, and direct equity investment. Incorporated in December 2008, BDO Capital commenced operations in March 1999.

BPI Capital is a wholly-owned subsidiary of Bank of Philippine Islands. BPI Capital is an investment house focused on corporate finance and securities distribution business. It began operations in December 1994. BPI Capital has an investment house license.

Founded in 1972, First Metro Investment Corporation is a leading investment bank in the country with over 40 years of service in the development of the Philippine capital markets. It is the investment banking arm of the Metrobank Group, one of the largest financial conglomerates in the country. It provides high-quality investment banking and financial services through its strategic business units – Investment Banking, Financial Markets, Investment Advisory and Trust. With assets of around ₱83 billion as of December 31, 2013, it is the largest investment bank in the country today. First Metro has been ranked among the Top 11 Philippine Companies and among the Best ASEAN 100 Companies based on Relative Wealth Added Index by New York-based management consulting firm, Stern Stewart & Co. In 2009, 2011 and 2013, First Metro was awarded the Best Bond House in the Philippines by Finance Asia. In the last five years, First Metro was also awarded the Best Bond House by The Asset Magazine of Hong Kong. In 2012, it was recognized by Finance Asia as the Best Equity House in the Philippines. In 2013, it was awarded as one of the Top 10 Best Managed Companies and Top 10 Best Investor Relations by Finance Asia.

Standard Chartered Bank is a banking corporation duly organized and incorporated in England with limited liability by Royal Charter in 1853, and licensed to act as a banking institution under and by virtue of the laws of the Republic of the Philippines through its branch office, with principal offices in Makati City. It has operated for over 150 years in some of the world's most dynamic markets and earns more than 90 percent of its profits in Asia, Africa and the Middle East. Operating in the Philippines since 1872, Standard Chartered is a universal bank and is the longest established foreign bank in the country. The principal banking products include deposits, lending and related services, treasury and capital market operations, trade services, payments and cash management, credit cards, and custodial services. The bank also provides capital raising solutions such as local currency and G3 currency fixed income and loan syndications.

Participating Underwriters

China Bank is one of the largest commercial banks in the Philippines in terms of assets and capital. Commencing operations on August 16, 1920, it is the first privately owned local commercial bank in the Philippines. It provides a wide range of banking services including investment banking, lending, treasury and foreign exchange trading, trust and investment management, wealth management, insurance and remittance.

RCBC Capital is a licensed investment house providing a complete range of capital raising and financial advisory services. Established in 1974, RCBC Capital has over 40 years of experience in the underwriting of equity, quasi-equity and debt securities, as well as in managing and arranging the syndication of loans, and in financial advisory. RCBC Capital is a wholly-owned subsidiary of the Rizal Commercial Banking Corporation and a part of the Yuchengco Group of Companies, one of the country's largest fully integrated financial services conglomerates.

SB Capital is a Philippine corporation organized in October 1995 as a wholly-owned subsidiary of Security Bank Corporation. It obtained its license to operate as an investment house in 1996 and is licensed by the SEC to engage in underwriting and distribution of securities to the public. SB Capital provides a wide range of investment banking services including financial advisory, underwriting of equity and debt securities, project finance, privatizations, mergers and acquisitions, loan syndications and corporate advisory services.

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

The Underwriters may enter into other sub-underwriting agreements with other underwriters who may want to participate in the issuance. There is no agreement for any of the Underwriters to put back to Megawide any unsold Preferred Shares.

The Company further grants the Joint Lead Underwriters an option, exercisable within the Offer Period, to subscribe, on a firm basis, up to an additional 30,000,000 Preferred Shares, on the same terms and conditions set forth in this Preliminary Prospectus, solely to cover oversubscriptions, if any. In the event the Oversubscription Option is not exercised, it is deemed cancelled and the filing fee for that over-subscription is forfeited.

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

The Underwriters have no direct relations with Megawide in terms of ownership by either of their respective major stockholder/s.

The Underwriters do not have a contract or other arrangement with the Company under which any of the Underwriters may put back to the Company any unsold securities of the Offer. The Underwriters do not have any direct or indirect interest in the Company or in any securities thereof including options, warrants or rights thereto. The Underwriters do not have any right to designate or nominate any member of the Company's Board.

SALE AND DISTRIBUTION

The distribution and sale of the Preferred Shares shall be undertaken by the Underwriters who shall sell and distribute the Preferred Shares to third party buyers/investors. The Underwriters are authorized to organize a syndicate of sub-underwriters, soliciting dealers and/or agents for the purpose of the Offer. Of the 40,000,000 Preferred Shares to be offered, 80% or 32,000,000 shares are being offered through the Underwriters for subscription and sale to Qualified Institutional Buyers and the general public. The Company plans to make available 20% or 8,000,000 shares for distribution to the respective clients of the 133 Trading Participants of the PSE, acting as Selling Agents. Each Trading Participant shall be allocated 60,100 shares (computed by dividing the Preferred Shares allocated to the Trading Participants by 133), subject to reallocation as may be determined by the Receiving Agent. The balance of 8,000,000 shares shall be allocated by the PSE among the Trading Participants. Trading Participants may undertake to purchase more than their allocation of 60,100 shares. Any requests for shares in excess of 8,000,000 shares may be satisfied via the reallocation of any Preferred Shares not taken up by other Trading Participants.

The Company will not allocate any Preferred Shares for the Local Small Investors. As defined in the PSE Revised Listing Rules, a Local Small Investor is a share subscriber whose subscription does not exceed ₱25,000.00. The Offer will have a minimum subscription amount of ₱50,000.00, which is beyond the prescribed maximum subscription amount for Local Small Investors.

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

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

The obligations of each of the Underwriters will be several, and not joint and solidary, and nothing in the Underwriting Agreement shall be deemed to create a partnership or joint venture between and among any of the Underwriters. Unless otherwise expressly provided in the Underwriting Agreement, the failure by any Underwriter to carry out its obligations thereunder shall not relieve any other Underwriter of its obligations thereunder, nor shall any Underwriter be responsible for the obligations of any other Underwriter thereunder.

TERM OF APPOINTMENT

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

The underwriting and selling fees to be paid by the Company to the Joint Lead Underwriters in relation to the Offer shall be equivalent to 0.75% of the gross proceeds of the Offer. This shall be inclusive of underwriting fees to be paid to the Joint Lead Underwriters, Co-Lead Underwriters and Participating Underwriters, if any, and selling commissions to be paid to the Trading Participants, which selling commissions shall be equivalent to 0.20% of the total proceeds from the sale of the Preferred Shares by such Trading Participant.

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

MANNER OF DISTRIBUTION

The Underwriters shall, at their discretion, determine the manner by which proposals for subscriptions to, and issuances of, Preferred Shares shall be solicited, with the primary sale of the Preferred Shares to be effected only through the Underwriters and Selling Agents.

OFFER PERIOD

The Offer Period shall commence at 9:00 a.m. on November 17, 2014 and end at 5:00 p.m. on November 24, 2014. The Company and the Underwriters reserve the right to extend or terminate the Offer Period with the approval of the SEC and the PSE.

CAPITALIZATION

The following table sets out the unaudited consolidated long-term debt and capitalization of the Group as of June 30, 2014 and as adjusted to give effect to the issuance of the Preferred Shares. This table should be read in conjunction with Group's unaudited interim condensed consolidated financial statements and the related notes thereto as of and for the period ended June 30, 2014 attached to this Preliminary Prospectus.

(Amounts in ₪ thousands)	Actual	As of June 30, 2014	
		Assuming ₪4 billion Offer	Assuming ₪7 billion Offer
<u>LIABILITIES AND EQUITY</u>			
Liabilities - net of issuance costs			
Interest-bearing loans and borrowings - current portion	14,958,103	14,958,103	14,958,103
Interest-bearing loans and borrowings - long term debt	5,015,839	5,015,839	5,015,839
Total Interest-bearing loans and borrowings	19,973,942	19,973,942	19,973,942
EQUITY			
Common stock	1,649,426	1,649,426	1,649,426
Preferred shares	-	40,000	70,000
Additional paid-in capital	4,207,276	8,167,276	11,137,276
Revaluation reserve	(36,065)	(36,065)	(36,065)
Retained earnings	3,259,509	3,259,509	3,259,509
Non Controlling Interest	1,934,229	1,934,229	1,934,229
Total Equity	11,014,375	15,014,375	18,014,375
Total Capitalization	30,988,317	34,988,317	37,988,317

DILUTION

The Company is offering to the public 40,000,000 Preferred Shares, with an Oversubscription Option of up to an additional 30,000,000 Preferred Shares with a par value of ₱1.00 per share to be issued from unissued Non-Voting Preferred Share Capital. The issuance of the Preferred Shares will not have any dilutive effect on the earnings per common share (EPS) of the Company, since the Preferred Shares are not convertible to common shares. Therefore, the outstanding number of common shares that will be used in computing the EPS will not change.

On September 22, 2014, the SEC approved the amendment to the Seventh Article of the Company's Amended Articles of Incorporation to increase Megawide's authorized capital stock from ₱2,000,000,000 and the creation of 70,000,000 Preferred Shares. Megawide's current authorized capital structure is ₱ 5,000,000,000.00 divided into 4,930,000,000 common shares with a par value of ₱ 1.00 per share and 70,000,000 preferred shares with a par value of ₱1.00 per share. The issuance and offering of the Preferred Shares will enable the Company to comply with the capital requirements for construction projects and will fund the Company's capital expenditures.

The terms, conditions and dividends for preferred shares are declared upon the sole discretion of the Megawide's Board.

DETERMINATION OF THE OFFER PRICE

The Offer Price of ₱ 100.00 is at a premium to the Preferred Shares' par value per share of ₱ 1.00. The Offer Price was arrived at by dividing the desired gross proceeds of approximately ₱ 4 billion (or up to ₱ 7 billion in the event that the Oversubscription Option is exercised in full) by the target amount of Preferred Shares allocated for the Offer. Factors considered in the determination of the offer included offer prices of other comparable transactions, marketability to investors and the number of preferred shares that the Company can issue out of its authorized capital stock, among others.

DIVIDEND POLICY

On June 26, 2013, the Board of Directors adopted a dividend policy of declaring annual cash dividends equivalent to 20% of the prior year income, subject to contractual obligations. The Company has entered into loan agreements restricting its ability to declare dividends unless certain conditions such as all debt obligations are current and updated, availability of retained earnings while maintaining debt to equity ratios and debt service cover ratios after dividend payment, are met. As of date, the Company's subsidiaries, many of which are new established and not yet income generating, do not as of yet have any dividend policy formulated or approved. The Company intends to cause these subsidiaries to adopt the appropriate dividend policies that subject to capital requirements and other existing covenants/restriction with its creditors, it is intended each subsidiary shall regularly declare dividends in favor of the Company.

Under the Corporation Code, Megawide's Board of Directors is authorized to declare cash, property, stock dividends or a combination thereof. Cash and property dividend declarations require the approval of the Board and no shareholder approval is necessary. A stock dividend declaration requires the approval of the Board and shareholders representing at least 2/3 of Megawide's outstanding capital stock. Such approval may be given at a general or special meeting duly called for such purpose. Holders of outstanding shares on a dividend record date for such shares will be entitled to the full dividend declared without regard to any subsequent transfer of shares. Under the Corporation Code, Megawide may not make any distribution of dividends other than out of its unrestricted retained earnings.

Megawide declared dividends as follows during the past three (3) years:

Date Approved	Record Date	Type	Amount	Date of Payment
June 3, 2011	October 14, 2011	Stock	₱257,100,001.00	November 10, 2011
June 30, 2011				
June 26, 2012	July 20, 2012	Cash	₱150,024,528.20	August 15, 2012
April 8, 2013	July 19, 2013	Stock	₱380,636,801.00	August 14, 2013
June 26, 2013				
May 14, 2014	October 22, 2014	Stock	₱750,000,000.00	November 17, 2014
June 30, 2014				

RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES

Megawide made the following issuances of shares of stock:

- On November 10, 2011, the Company issued stock dividends amounting to ₱257,100,001.00 to the shareholders.
- On May 15, 2013, Megawide issued shares of stock amounting to ₱35,959,523.00 from its authorized capital stock to Citicore, Geoffred Deetan, Ellie Chan and Dennis Bryan Ty.
- On May 24, 2013, Megawide issued shares amounting to ₱118,729,800.00 to Citicore pursuant to a Placing Agreement with Citicore, CLSA Limited and First Metro relative to the Company's Placing and Subscription transaction/offering.
- On August 14, 2013, Megawide issued stock dividends amounting to ₱380,636,801.00 to shareholders.
- On November 17, 2014, Megawide issued stock dividends amounting to ₱750,000,000.00 to shareholders.

The foregoing issuances are exempt transactions under Section 10.1 (d), (e) and (i) respectively of the SRC, for which no notice or request for exemption is required. The Company, however, filed a Notice of Exempt Transaction with the SEC on October 21, 2011 in relation to the stock dividends paid on November 10, 2011. The shares were not publicly offered and no underwriter was engaged for purposes of the issuance of the shares. There were also no underwriting discounts or commissions since there were no underwriters engaged.

DESCRIPTION OF BUSINESS

OVERVIEW OF THE COMPANY

Megawide Construction Corporation (Megawide) was registered with the Securities and Exchange Commission (SEC) on July 28, 2004. Its primary purpose is to engage in the general construction business. The Company's common shares were listed at the Philippine Stock Exchange on February 18, 2011 under its trading symbol "MWIDE".

The current authorized capital stock of the Company is ₱5,000,000,000.00 divided into 4,930,000,000 common shares with a par value of ₱1.00 per share and 70,000,000 preferred shares with a par value of ₱1.00 per share. As of date, 2,399,426,127 common shares are issued and outstanding, of which 1,494,736,804 is listed.

The Company is governed by a board of seven (7) directors composed of Michael C. Cosiquien, Edgar B. Saavedra, Yerik C. Cosiquien, Elizabeth Anne Uychaco, Florentino Tuazon Jr., Leonilo Coronel, and Leonor Briones.

The Company's management team is headed by Chairman and Chief Executive Officer, Michael C. Cosiquien and Chief Operating Officer and President, Edgar B. Saavedra, each of whom is a licensed civil engineer who have been practicing for more than 15 years. They are ably supported by Vice President for Operations, Ronald Paolo, Chief Technology Officer, Tarczyjusz W. Froelich, and Vice President for Precast, Masashi Watanabe. Other members of the management committee who are not engineers are Chief Financial Officer, Oliver Y. Tan, Chief Marketing Officer, Manuel Louie B. Ferrer, Vice President for Comptroller, Renato Uy and Vice President for Human Resource, Claudia Soriano.

Megawide is one of the leaders in the Philippines construction industry. Megawide has been essential in defining the current skyline of Metro Manila and various parts of the Philippines by being the developer of choice for high-rise residential buildings, office buildings, commercials, hotels and casinos, schools, hospitals and mass affordable housing. Known for its value engineering expertise, design capabilities, project management and advanced construction technologies, Megawide has transformed into an Engineering, Procurement and Construction (EPC) company offering complete solutions and services from civil and structural works, mechanical and electrical works, architectural and fit-out works to commissioning and facility management at par with global trends and practices.

Megawide's unique business model puts it in a league of its own, clearly differentiating it from its peers. It is the only construction company that has a manufacturing component through its state-of-the-art precast production facility and wide downstream integration such as modern concrete batching plant, advanced formworks systems and its own fleet of vertical, earth-moving and construction equipment. Moreover, to ensure sustainable business growth and mitigate economic down cycles, Megawide has expanded and diversified into infrastructure development, an upstream integration that certainly adds and creates greater value to Megawide in the short, medium and long term horizon. Not only will these infrastructure development projects provide construction revenues to its downstream business units, it will likewise become the source of future stable recurring income upon completion. The synergies in these vertical integrations will result to seamless operating efficiencies, optimal use of resources and financial strength.

Megawide further organized its infrastructure development into three (3) categories namely: Social Infrastructure, Public Infrastructure and Utility Infrastructure. Its on-going public school building projects and Modernization of Philippine Orthopedic Center projects are clustered under the Social Infrastructure Segment while the Mactan-Cebu International Airport project and other airport projects that it shall tender a bid for, including the Intermodal Transport System project, are clustered under the Public Infrastructure category. Lastly, the Company's future power generating assets and water concessions shall be grouped together under Utility Infrastructure.

Under its Construction Portfolio, the Company's on-going and upcoming projects include SM Development Corporation's Jazz Residences and Fern Residences condominium projects; Filinvest's The Linear, Zen Studio, and IHUB projects, the Araneta Group's BPO, Shang Properties' Shang Salcedo Place, and Rockwell Land's Proscenium. For details of these projects, see "Description of Business" on page 61 of this Preliminary Prospectus. At the moment, there are no foreign revenues in the Company's construction portfolio.

Megawide is also registered with the Board of Investments as new producer of modular housing components/systems on a non-pioneer status.

HISTORY

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

2005 to 2010

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

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

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

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

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

2011

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

In May 2011, Megawide broke ground for its 12-hectares State-of-the-Art Precast Concrete Manufacturing Complex in Taytay, Rizal. The facility is fully automated and considered to be the largest precast plant in the country. The Company intends to use the facility to mass-produce modular

housing components to address the housing backlog of the nation; moreover, the same can also be used for school buildings, hospitals, and other infrastructure projects.

2012

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

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

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

2013

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

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

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

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

The International Organization for Standardization ("ISO") awarded Megawide with the ISO 9001:2008 and ISO 140001:2004 certifications for quality and environmental management respectively.

Finance Asia awarded Megawide as one of "Asia's Best Managed Companies" for its outstanding performance.

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

2014

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

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

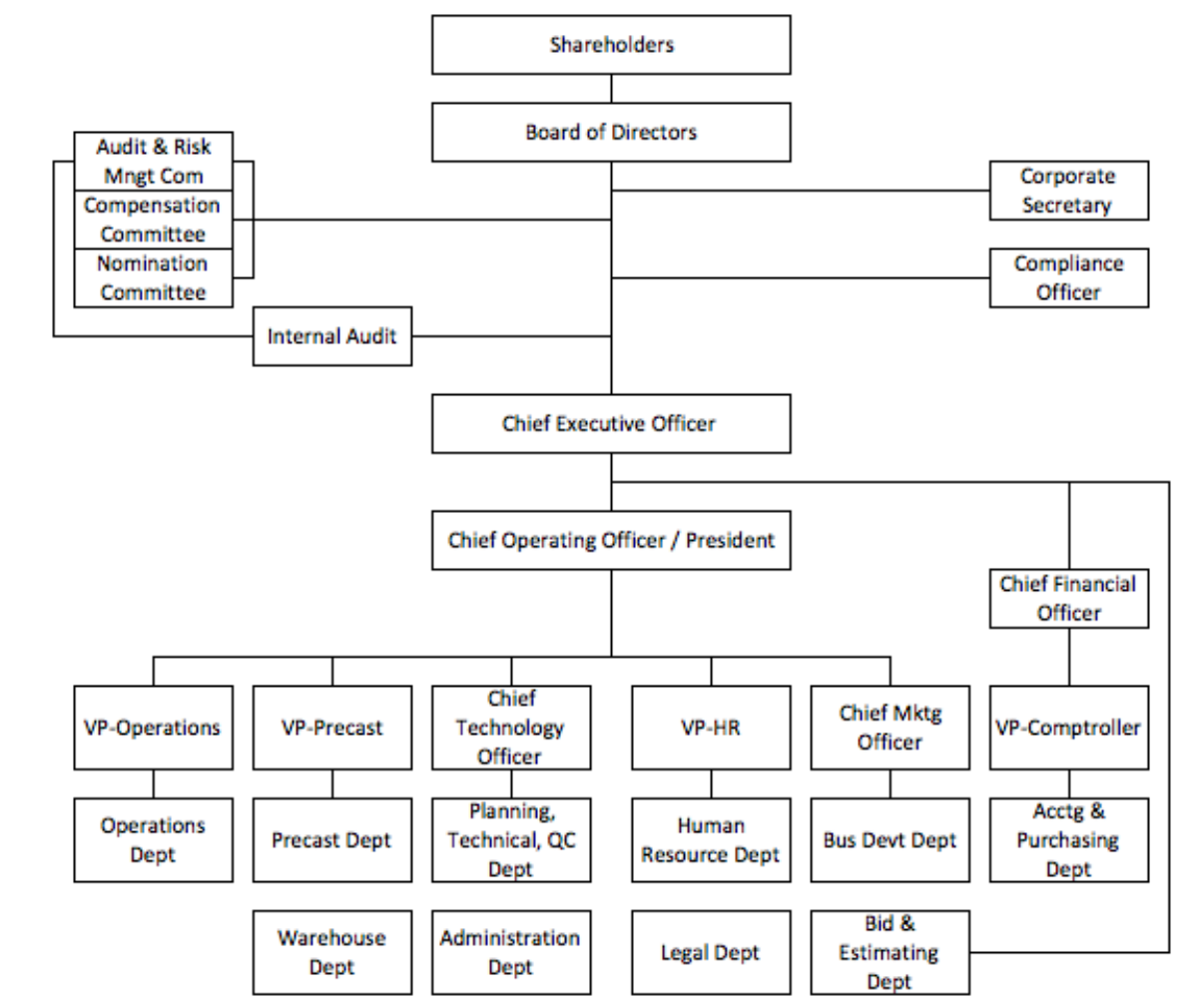
operations of the MCIA by the 4th quarter of 2014 and construction of the new passenger terminal to start early next year.

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

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

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

ORGANIZATIONAL STRUCTURE



SUBSIDIARIES & AFFILIATES

As of date, the Company holds 100% interest in Altria, 60% in GMCAC, 70% in MCEI, and 51% in MWCCI. All four (4) subsidiaries were incorporated to assist the Company in the implementation of its projects and realize its objectives.

Altria Land East, Inc.

Altria was incorporated on April 16, 2010 with SEC Registration Number CS201005977. It is authorized to deal and engage in land or real estate business, such as to hold, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent or otherwise deal in and dispose of all kinds of housing projects, commercial, industrial, urban or other kinds of property. Its principal place of business is in Taytay, Rizal.

Altria has an authorized capital stock of ₱1,600,000.00 divided into 1,600,000 common shares with a par value of ₱ 1.00 per share. At least 25% of the authorized capital stock has been subscribed and at least 25% of the total subscription has been paid. The Company owns 100% of Altria. As of the date of acquisition, Altria has no operations and its main asset is the land leased by the Company for its operations. From a general accounting perspective, the transaction is accounted for by the Company as an asset acquisition since the transaction does not constitute an acquisition of a business. As of June 30, 2014, Altria has not contributed to the Company's revenues.

GMR Megawide Cebu Airport Corporation

GMCAC was incorporated on January 13, 2014 with SEC Registration Number CS201400629. It is authorized to engage in the business of building, rehabilitating, renovating, constructing, developing, operating and maintain the Mactan Cebu International Airport, including the commercial assets thereof and all allied businesses for the operation and maintenance of said airport facility pursuant to the concession granted to GMCAC and in accordance with R.A. 7718 and other applicable laws, rules and regulation. Its principal place of business is in Quezon City, Metro Manila.

GMCAC has an authorized capital stock of ₱100,000,000.00 divided into 100,000,000 with a par value of ₱ 1.00 per share. At least 25% of the authorized capital stock has been subscribed and at least 25% of the total subscription has been paid. The Company owns 60% of GMCAC.

Megawatt Clean Energy, Inc.

MCEI was incorporated on September 4, 2014 with SEC Registration Number CS201417147. It is authorized to engaged in the development of clean or renewable energy sources for power generation, including the design, construction and installation, purchase, importation, commissioning, owning, management and operation of relevant machinery, facilities and infrastructure therefor, the processing and commercialization of by-products in its operations and generally the carrying out of contracts and transactions off every kind and character that may be necessary or conducive to the accomplishment of the purposes of MCEI. Its principal place of business is in Quezon City, Metro Manila.

MCEI has an authorized capital stock of ₱10,000,000.00 divided into 10,000,000 with a par value of ₱ 1.00 per share. At least 25% of the authorized capital stock has been subscribed and at least 25% of the total subscription has been paid. The Company owns 70% of MCEI.

Megawide World Citi Consortium, Inc.

MWCCI was incorporated on January 16, 2014 with SEC Registration Number CS201400872. It is authorized to plan, construct, equip, operate, own, manage and maintain hospitals, medical facilities, clinical laboratories and such other allied enterprises which may have similar or analogous undertakings or dedicated to services in connection with providing curative and rehabilitative care to sick, diseased or disabled persons; provided that purely professional medical and surgical services shall be performed by duly licensed physicians or surgeons who may or may not be connected with MWCCI and whose services shall be freely and individually contracted by the patients. Its principal place of business is in Quezon City, Metro Manila. MWCCI shall act as the hospital operator in the modernization of the Philippine Orthopedic Hospital.

MWCCI has an authorized capital stock of ₱2,000,000,000.00 divided into 2,000,000,000 with a par value of ₱ 1.00 per share. At least 25% of the authorized capital stock has been subscribed and at least 25% of the total subscription has been paid. Out of the authorized capital stock, 51% has been subscribed by the Company while World Citi subscribed to 49%. On September 26, 2014, World Citi

sold 39% of its shares in MWCCI to Citicore. Accordingly, the Company now owns 51% of MWCCI, Citicore owns 39% and World Citi, 10%, giving Citicore ultimate control of MWCCI through its ownership interest in the Company.

Apart from Altria, all of the Company's other subsidiaries, i.e., GMCAC, MCEI and MWCCI, were all incorporated this year and are still in post-incorporation or pre-operating stage. As such, these subsidiaries have yet to contribute to the Company's balance sheet and income statement.

Parent Company and Other Affiliates

Citicore Holdings Investment, Inc.

Citicore Holdings Investment, Inc. ("Citicore") was incorporated on December 13, 2011 and operates primarily as a holding company with ownership interests in Megawide (at 56.8%), MWCCI (at 39%), My Space Properties, Inc. (at 100%), CMCI (at 90%).

My Space Properties, Inc.

MySpace Properties, Inc. (MySpace) was incorporated on February 6, 2010, and is presently engaged in real estate development. MySpace is wholly-owned subsidiary of Citicore Holdings Investment, Inc. MySpace was the corporate vehicle used to form a joint venture with another real estate development company for the Antel Serenity Tower.

Citicore-Megawide Consortium, Inc.

CMCI was incorporated on October 15, 2012 with SEC Registration Number CS201219238. It is authorized to engage in the general construction business, including the construction, improvement and repair of, or any other work upon, buildings, roads, bridges, plants, waterworks, railroads and other. Its principal place of business is in Quezon City, Metro Manila.

CMCI has an authorized capital stock of ₱2,000,000,000.00 divided into 2,000,000,000 common shares with a par value of ₱ 1.00 per share, fully subscribed and fully paid up. The Company owns 10% of CMCI.

As of June 30, 2014, CMCI contributes ₱4,462,925 or 0.83% of the Company's net income.

Future State Myspace, Inc.

Future State Myspace, Inc. ("FSMI") was incorporated on January 27, 2012 to primary engage in purchasing, acquiring, leasing and selling properties. FSMI is 36% owned by Michael Cosiquien and Edgar Saavedra. It owns 100% of IRMO, Inc.

IRMO Inc.

IRMO Inc., was incorporated on August 13, 2008 to principally engage in the realty development business, including home building and development. Megawide is constructing The Curve for IRMO, Inc.

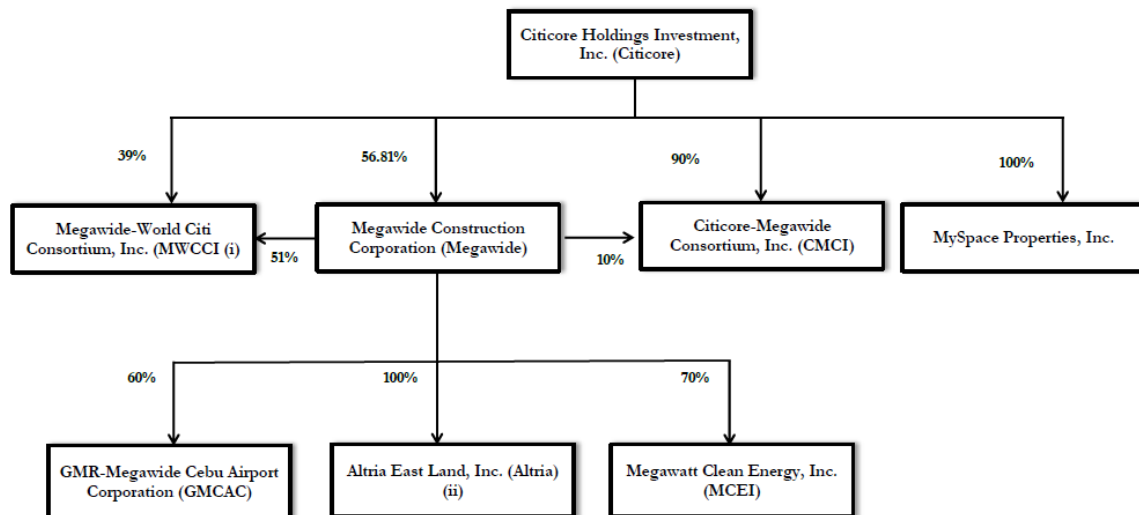
Megapolitan Realty and Development Corporation

Megapolitan Realty and Development Corporation ("Megapolitan") was incorporated on June 20, 1997 to engage in real estate development. Michael C. Cosiquien and Irving Cosiquien each own 5% of Megapolitan's outstanding capital stock and both serve as its directors. Megapolitan's controlling shareholders are the parents of Michael and Irving Cosiquien. Megawide is leasing the lot where its corporate office is located from Megapolitan.

Philwide Development and Construction Corporation

Philwide Development and Construction Corporation (“Philwide”) was incorporated in 1981 to engage in real estate development and is majority-owned by the father of Michael, Yerik and Irving Cosiquien. The Company is leasing its current principal office from Philwide.

Below is a map showing the relationship between the Company and its related entities.



(i) Megawide's acquisition of Altria is treated as an acquisition of asset and not a business acquisition. Hence, Altria is not considered a subsidiary of Megawide for accounting purposes.

(ii) Megawide owns 51% of MWCCI, but accounted for the investment as an associate since it does not have control over MWCCI's relevant activities. Citicore subsequently acquired 68% effective ownership interest over MWCCI, hence, obtained it the control over MWCCI.

COMPETITIVE STRENGTHS

The Company believes that its principal strengths are the following:

1) Value Engineering through the Use of Modern and Advanced Building Technology

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

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

- Megawide's 12-hectare fully-automated pre-cast concrete manufacturing complex is the largest and most advanced in the country and is among the top in Southeast Asia in terms of size and technology employed. The use of pre-cast concrete is environment-friendly and allows Megawide to reduce construction costs, shorten the construction period, and improve the overall quality of the work and increase project volume.

2) Business Synergies from Vertical Integrations

Megawide's unique business model puts it in a league of its own, clearly differentiating it from among its peers. It is the only construction company that has a manufacturing component through the use of state-of-the-art precast production facility and wide downstream integration such as modern concrete batching plant, advanced formworks systems and its own fleet of vertical, earth-moving and construction equipment. Moreover, to ensure sustainable business growth and mitigate economic down cycles, Megawide has expanded and diversified into infrastructure development, an upstream integration that surely adds and creates greater value to Megawide in the short, medium to long term horizon. Not only will these infrastructure development projects provide construction revenues to its downstream business units, it will likewise become the source of future stable recurring income upon completion. The synergies in these vertical integrations will result to seamless operating efficiencies, optimal use of resources and financial strength.

3) Strong Brand Name and Proven Track Record

Megawide has a well-established reputation in the construction industry for its excellent project execution and customer service. It has a proven track record of efficient operations, having successfully completed numerous low-rise to high-rise condominiums and industrial buildings.

4) Organizational Capability and Flexibility

Megawide has a lean organizational structure that is flexible, responsive and adapts to market changes. It has a diverse work force of young, dynamic, committed and highly effective personnel and experienced and well-trained professionals. It also has a disciplined and responsible management team that has effectively surpassed challenging business situations.

5) Financial Strength and Ability to Raise Financing at Competitive Costs

The Company believes it has a strong balance sheet. As a result, it has the ability to secure clean loans at competitive costs.

6) AAA and Large B Contractor's License

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

7) Young, Modern and Branded Fleet of Building Equipment

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

BUSINESS STRATEGY

Having organized the Company's businesses into two (2) main units namely: (i) Engineering, Procurement and Construction (EPC) and (ii) Infrastructure Development which is composed of Social Infrastructure, Public Infrastructure and Utility Infrastructure, the Company will pursue the following business strategies:

Maintain Current Productivity and Operational Efficiency in its On-going Projects.

The Company's goal is to maintain current productivity and operational efficiency in its on-going and future projects thru the use of existing building technologies it employs and the utilization of precast concrete facility. The timely completion of the workable balance of contracted domestic projects will encourage repeat orders, sustain construction revenue growth and retain market share.

Timely Completion and Roll-out of Infrastructure Projects in its Pipeline and Actively Pursue Suitable PPP Projects

Megawide has been awarded as project proponent to a total of four (4) of five (5) PPP Projects which it has participated in and bid for. A summary of these awarded PPP Projects are as follows:

I. Social Infrastructure

a. School Segment

Accelerate Completion of PSIP I and timely roll-out of PSIP II will free up resources to enable the Company to participate in the upcoming phase 3 and 4 scheduled to be set for bidding early next year.

b. Hospital Segment

Efficient roll-out of the construction of 700-beds specialty hospital with gross leasable area of 60,000 square meters. Upon completion, this asset is expected to provide stable recurring lease income to the Company, through its subsidiary, for the next 25 years.

II. Public Infrastructure

a. Airport Segment

GMCAC will be a pioneer in the privately operated airport space in the Philippines upon take-over of the MCIA. GMCAC intends to undertake an efficient roll-out of the construction of new passenger terminal in Q1 2015. Upon completion, this asset will provide diversified recurring income streams to the Company, through GMCAC, for the next twenty five (25) years.

Initial preparation has started to enable the Company to aggressively pursue the other six (6) airports to be tendered for bidding by the DOTC early next year. The Company believes these airports will create synergies with its MCIA project.

b. Transport Segment

The Company is currently preparing for its tender for the Intermodal Transport System in Southwest and South Terminal Station. The project is an integrated bus terminal that provides seamless transfer of passengers from provincial buses to city mode of transportation.

III. Utility Infrastructure

a. Power

The Company is currently working on a total of 100MW renewable energies at various development stages. It aims to put-up a portfolio of 200MW power generation assets in the next three (3) years that will supply electricity to On-Grid and Off-Grid.

b. Water

The Company is likewise keen on participating in the Bulacan Bulk Water Supply Project of MWSS. The project is divided into three (3) stages which will require, among others, the construction and operation and maintenance of raw water conveyance system and interconnection pipelines; water treatment plants and ancillary facilities; treated water reservoirs and pumping stations.

Leverage organizational competence and flexibility.

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

Pursue prudent and strategic investments, alliances, joint ventures and acquisitions.

In line with the Company's strategy to expand its business into infrastructure developments, Megawide plans to continue to actively seek strategic investments, alliances, joint ventures and/or acquisitions that will be consistent with the Company's overall business strategy. The Company believes that such undertakings will provide business opportunities and allow entry into new markets.

PLANS AND PROGRAMS

Megawide intends to focus its activities on its core competencies of providing value-added engineering services with its modern and advanced formworks and precast concrete systems not only for high-rise construction, but also for infrastructure projects.

Having been constantly invited and participating in bids in local markets gives Megawide an impression of what the short and medium term prospects are. Thus, Megawide will continue with its recruitment and training activities, to ensure that it will have the necessary workers with the proper skills to deploy in the projects Megawide might undertake. Moreover, Megawide will continue to leverage on its strong research and development focus, thus constantly adapt and respond to new inventions, methodologies and standards in construction to maintain Megawide's edge over its competitors.

Megawide intends to use its track record and reputation for modern building technology, in establishing its presence in infrastructure projects such as flyovers and skyways, utility and mass transport infrastructures. It aims to actively participate in the bidding of several infrastructure-related PPP projects of the Government.

Megawide also aims to expand into broader housing market segments by offering low-rise to medium-rise full precast high strength concrete building technologies patterned after European low-cost housing models. It targets to deliver 100,000 Vertical Affordable Housing units in the next [3 to 5 years].

Likewise, with Megawide's world-class precast concrete manufacturing complex in a sprawling 12-hectare property in EPZA Taytay, Rizal it will be able to:

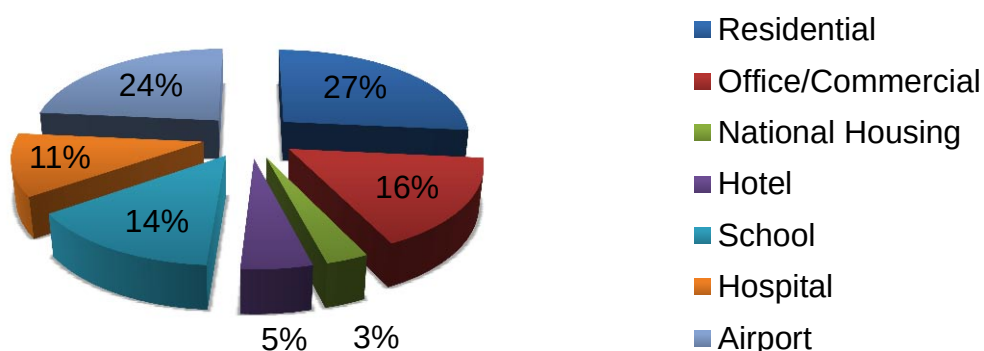
- Handle larger projects and order volumes at shorter construction time;
- Offer variety of precast concrete products from precast walls to columns, beams and hollow-core slabs for condominium buildings, girders for roads, bridges and flyovers and railway sleepers;
- Offer socialized and comfortable European-style Affordable Housing at greatly reduced construction cost and time; and
- Expand and diversify into infrastructure projects

PROJECTS

Business Development

The Company's current order book as of July 31, 2014 is at ₱23.0 billion. It consists of a balanced in terms of project mix composed of 27% residential projects, 24% airport, 16% office and commercial projects, 14% public school building and 11% hospital.

Order Book as of July 2014



Recently Completed Projects

Since 2011, the Company has completed several notable projects including:

- 1) **Citysquare Residences** – Citysquare Residences is a 28-storey residential condominium with floor area of 19,600 square meters located at the heart of the Chinatown Business district.
- 2) **Antel Spa Residences** - Antel Spa Residences is a 34-storey mixed-use high-rise condominium located at the financial capital of Metro Manila with a gross floor area of 33,360 square meters. It is complete with building amenities such as power gym and fitness center, sky garden, coffee shop, resort spa pool, garden ballroom and wide selection of commercial spaces that include organic restaurants and markets, beauty and medical establishments.
- 3) **B-Hotel** - Parcvue B-Hotel is a 10-storey Three Star Hotel with Penthouse located in Madrigal Business Center, Alabang, Muntinlupa City with a gross floor area of 11,200 square meters.
- 4) **Hampton Garden Tower K and L** - Hampton Garden Tower K and L is a low-rise residential condominium located at C. Raymundo Avenue, Maybunga, Pasig City, with total floor area of 7,500 square meters offering 191 residential units.
- 5) **SM Grass Residences Tower 1** – 41-storey high-rise residential building located at the back of SM City North Edsa with 1,956 residential units. Its total floor area is 77,151.20 square meters.
- 6) **SM Sea Residences** - The project is located near the SM Mall of Asia, and is composed of 6-storey residential condominiums (Phases 1, 2 and 3). The Sea Residences has a total of 2,703 residential units on a gross floor area of 139,850 square meters. Amenities offered include a swimming pool, playgrounds and a clubhouse.
- 7) **Belle Grande Casino** - The project is a casino consisting of two L-shaped hotel towers and four high-end condominiums on top of a 2-level casino podium located at Macapagal Avenue,

Pasay City. Total floor area is 250,000 square meters and lot area of 3.5 hectares. Once completed, it will be the largest casino in the Philippines.

- 8) **University Tower II** - University Tower II is a 31-multi-storey office and residential condominium located across University of Santo Tomas with a floor area of 25,000 square meters. The Project offers 736 units with 65 parking slots located at the Second, Third and Fourth Floors.
- 9) **University Tower Malate** - University Tower III is a 40-multi-storey commercial and residential condominium with a floor area of 29,000 square meters. The project is located near the university belt area at Pedro Gil, Malate and consists of 6 commercial units at the ground floor and 689 residential units with 86 parking slots.
- 10) **Berkeley** – Berkeley Residences is a 35-storey residential building located at Katipunan Avenue corner Escalera St., Loyola Heights, Quezon City, with floor area of 55,310 square meters.
- 11) **Hampton Gardens Condominiums Tower I and J** – Hampton Gardens is a multi-storey residential building consisting of 16 cluster buildings located at C. Raymundo Avenue, Maybunga, Pasig City. Tower I and J consists of 10,000 square meters floor area offering 320 residential units.
- 12) **Asya Office Building** – Asya Office Building is a medium-rise office and commercial building located at Macapagal Boulevard, MOA Complex with total floor area of 17,000 square meters.
- 13) **Antel Serenity Tower Hotel & Residences** – Antel Serenity Tower is a 36-storey hotel and residential condominium located in Makati Avenue, Makati City that features 144 exclusive hotel units and 184 private residences. The Serenity Tower will have a hotel standard ballroom, high-ceiling grand lobby, function rooms and business center. This has a total floor area of 33,360 square meters.
- 14) **Bench Corporate Office Building** – Bench Tower is a 23-storey office building located in Global City, Fort Bonifacio, Taguig City with a gross floor area of 35,000 square meters.
- 15) **Malate Bayview Mansion** – Malate Bayview Mansion is a commercial condominium located in the center of Malate, Manila. The project consists of a 44-storey mixed-use condominium building with floor area of 59,060 square meters.
- 16) **SM Grass Tower 3 Residences** - Tower 3 has 1,988 residential units and total floor area of 220,018 square meters.
- 17) **My Place South Triangle Phase I** – My Place Phase 1 (Residential Tower A & B) is a 27-storey residential condominium located at South Triangle, Quezon City. Its total floor area is 96,513 square meters.
- 18) **Dimensione** – 4-storey commercial building with area of 650 square meters.

On-Going Projects

The following are the Company's on-going projects as of June 30, 2014:

- 1) **SM Grass Residences Tower 2** – Tower 2 has 1,988 residential units and total floor area of 220,018 square meters.
- 2) **SM Jazz Residences** – SM Jazz Residences is composed of four 40-storey towers, on top of a 5-level shopping mall and parking basement. It is located along Jupiter Street, Bel-Air Makati. The project has a total floor area of 300,000 square meters in a lot area of 2-hectares.

- 3) **Blue Residences** – Blue Residences is a 40-storey residential condominium located at Katipunan Avenue, Quezon City with total floor area of 72,700 square meters.
- 4) **The Linear** – The Linear is an office and commercial building located at San Antonio, Makati City. Its total floor area is 7,400 square meters.
- 5) **Studio City** – Studio City is an 18-storey residential condominium located in FCC, Alabang, Muntinlupa City with total floor area of 12,334.74 square meters.
- 6) **Studio Zen** – Studio Zen is a 22-storey residential condominium located in Taft Avenue, Pasay City with total floor area of 18,992.67 square meters.
- 7) **IHUB 9 Building** – Ihub 9 is a BPO building located in Northgate Cyberzone, FCC, Alabang, Muntinlupa City. Its total floor area is 28,898.04 square meters.
- 8) **IHUB 10 Building** – Ihub 10 is also a BPO building located in Northgate Cyberzone, FCC, Alabang, Muntinlupa City. Its total floor area is 28,898.04 square meters.
- 9) **BPO Complex Cebu** – BPO Complex Cebu is located in Phase 1 Lahug, Cebu City, 14-storey commercial building for BPO with lot area of 45,428.07 square meters.
- 10) **My Place South Triangle Phase II** – My Place Phase II (Residential Tower C & D) is a 27-storey residential condominium located at South Triangle, Quezon City. Its total floor area is 96,513 square meters.
- 11) **Belle Grande Casino Phase II** – Expansion of the Belle Grande Entertainment Complex located in Macapagal Ave., Paranaque City with estimated 116,206.72 square meters.
- 12) **One World Place** – A 31-storey commercial building with floor area of 46,130.39 located in Fort Bonifacio, Taguig City.
- 13) **Dexterton** – A 15-storey commercial building with floor area of 12,769.43 square meters located in Fort Bonifacio, Taguig City.
- 14) **World Hotel & Residences** – A 38-storey hotel and condominium with total floor area of 44,011 square meters located in Makati City.
- 15) **Camarin Project** – This is a 10 five-storey medium rise buildings with land development located in Camarin, Caloocan City. This is a low-cost housing project of National Housing Authority. Its total lot area is 3,823.98 square meters.
- 16) **University Tower 4** – Located in P. Noval, Sampaloc, Manila, a 46-storey condominium with roof deck with estimated area of 43,320.21 square meters. This is another project of Prince Jun Development Corp.
- 17) **BPO- Araneta** – A 29-storey BPO building with three (3) basement parkings located in Araneta Center, Cubao, Quezon City and owned by the Araneta Group. It has a total lot area of 4,072.65 square meters.
- 18) **Shangrila Salcedo** – With a total floor area of 3,880 square meters, Shang Salcedo Place, a 68-storey residential building is located in Salcedo Village, Makati City, and has 715 residential units.
- 19) **Rockwell Business Center** – A 15-storey office building owned by Rockwell-Meralco BPO Venture, a joint venture between Rockwell Land Corp. and Manila Electric Company (MERALCO). The project is located in Meralco Compound, Ortigas Extension. This has a total leasable floor area of 30,287.91 square meters.

Recently Awarded Projects

Recently, the Company has been awarded the following projects:

- 1) **World Plaza** – A 27-storey office building owned by Real Property Innovative Solutions, Inc. located at 5th Ave., Bonifacio Global City, Taguig. This will have a total leasable floor area of 64,745.61 square meters.
- 2) **Mareic Building** – This project is located at 121 Tordecillas Streets, Salcedo Village, Makati City owned by Greenway Properties Realty Corporation. A 40-storey residential building with and additional two (2) basement areas.
- 3) **Proscenium** – A commercial type of building owned and developed by Rockwell Land Corporation. It has two (2) phases, 6-storey each with two (2) basements areas per phase and located in Estrella Cor. J.P. Rizal St., Guadalupe Viejo, Makati City.
- 4) **8990 Deca Tower EDSA** – Owned by Foghorn, Inc. located in Sierra Madre & EDSA, Brgy. Highway Hills, Mandaluyong. A residential project which has a floor area of 25,555.88 square meters.
- 5) **New Frontier Theater** – Located in Araneta Center, Quezon City, New Frontier is a two-storey commercial building.
- 6) **Tower One Plaza Magellan** – Developed by Megaworld Construction Corporation, Tower One Plaza is located in Mactan, Cebu City.
- 7) **The Rise** – Located in San Antonio Village, Makati City and developed by The Rise Development Company, Inc.

PPP Projects

PSIP I

With an estimated project value of ₱16.28 Billion, the project will involve the design, financing and construction of about 9,300 one-storey and two-storey classrooms, including furniture and fixtures, in various sites in Region I, III and IV-A. The project aims to supplement the current program of the Department of Education in reducing classroom backlog

PSIP II

With an estimated project value of ₱3.86 Billion, the project involves the design, financing, and construction of 2,440 classrooms, including furniture, fixtures, and toilets, in 4 regions (Regions I, II, III and CAR).

MPOC Project

With a project value of ₱5.69 Billion, the MPOC Project involves the construction of the largest public specialty tertiary orthopedic hospital in the Philippines with a 700-bed capacity orthopedic hospital to be located in Quezon City, Philippines. MWCCI will design, build, finance, operate and maintain the hospital for the designated 25-year concession period, and then turnover the hospital to the DOH at the end of such period. MWCCI will act as the hospital operator under the MPOC Project.

MCIA Project

With a contract value of ₱35.5 Billion, the MCIA Project, which is one of the biggest PPP projects of the DOTC, involves, among others, the construction of a world-class airport passenger terminal (along with associated infrastructure and facilities), the renovation and expansion of the existing airport terminal and the operation and maintenance of both airport passenger terminals for a period of

25 years under a build-operate-transfer arrangement. The MCIA is an international airport located on Mactan Island in Cebu Province of the Central Visayas area in the Philippines. Apart from being the second largest airport in the Philippines in terms of domestic traffic, MCIA is also a gateway airport for various tourist destinations in the Visayas Islands. The airport has witnessed significant growth in traffic and handled more than 4.74 million domestic passengers and more than 1.47 million international passengers in 2011.

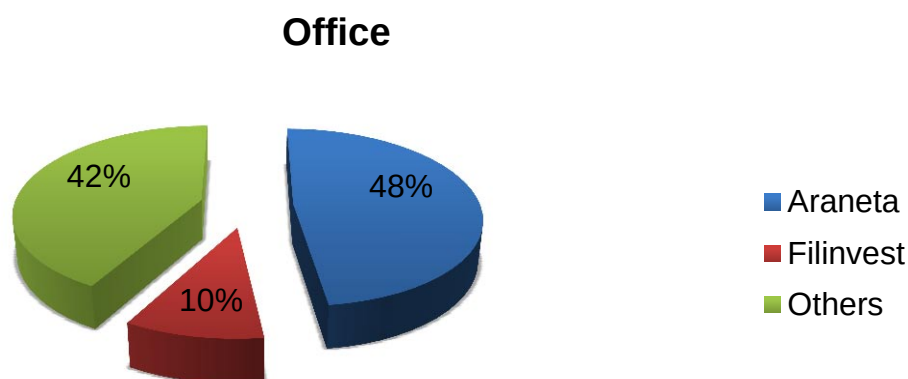
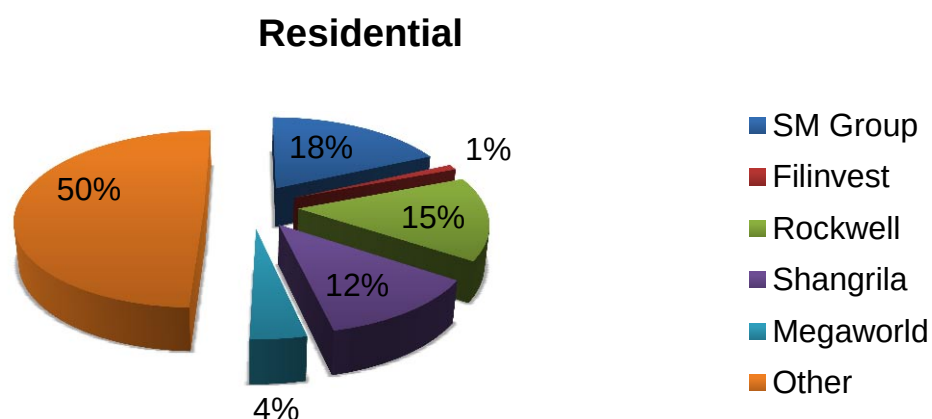
The following table lists the Company's existing projects, with respective percentage completion as of July 31, 2014:

Project	Customer	% Completion
MPlace P1	SMDC	99.30%
MPlace Tower C	SMDC	94.50%
MPlace Tower D	SMDC	85.75%
Grass T2	SMDC	99.88%
Jazz P1	SMDC	98.48%
Jazz P2	SMDC	88.77%
Jazz SD	SMDC	95.54%
Linear P1	Filinvest	98.04%
Linear P2	Filinvest	93.98%
Studio City	Filinvest	99.78%
Studio Zen	Filinvest	92.57%
One World	Daichi	77.03%
Dexterton	Dexterton	85.65%
FCC Cebu	Filinvest	93.80%
Ihub 9	Filinvest	84.09%
Ihub 10	Filinvest	80.91%
NHA	NHA	86.20%
World Hotel	H2O	33%
RBC	Rockwell	77.05%
UT4 Structural	Prince Jun	28.75%
UT4 Arch	Prince Jun	0%
UT4 MEPF	Prince Jun	0%
Shang Salcedo	Shangrila	16.47%
Hampton J	Dynamic	93.48%
B Hotel	Bellevue	28.91%
Gateway T2	Araneta	14.12%
Hampton M	Dynamic	41.03%
Hampton N	Dynamic	0%
PSIP 1 R3	CMCI	83.09%
PSIP 1 R4	CMCI	81.78%
Curve	IRMO	0%
MPOC	MWCCI	0%
PSIP 2	DepED	0%
Fern	SMDC	17.36%
27 Annapolis	Bayswater Realty	13.81%
Urban Deca	8990	0%
World Plaza	Daichi	0%
Proscenium	Rockwell	0%
Mareic	Landmark	0%
Tower 1 Magellan	Megaworld	0%
MCIA	GMCAC	0%

MAJOR CUSTOMERS

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

The following graphs illustrate the percentage contributed by the Company's major customers to its Construction Order Book as of June 30, 2014:



SM Development Corporation

SMDC is a publicly listed company and is a leading developer of vertical villages integrated with commercial retail environment. Their 21 properties are strategically situated in key areas across Metro Manila specifically the cities of Makati, Mandaluyong, Manila, Paranaque, Pasay, Pasig, Quezon City, and Taguig, as well as Tagaytay City. Some of these properties include the Jazz Residences, Sea Residences and Grass Residences.

Filinvest Land Incorporated

Filinvest Land, Inc. ("FLI") is one of the leading real estate developers in the Philippines with various residential and commercial developments in the country. FLI spun-off from Filinvest Development Corporation, the listed holding company for real estate business of the Gotianum family, which has more than 40 years of experience in real estate development.

Belle Corporation

Belle Corporation is a publicly-listed company, and is a leading developer of high-end residential and leisure properties. The Belle group owns approximately 1,280 hectares of land.

In 2013, Belle Corporation partnered with Macau-based Melco Crown Entertainment Ltd. to bring its City of Dreams brand to the Philippines renaming the former's Belle Grande and expanding that project from 242 gaming tables and 1,450 electronic gaming machines to 365 gaming tables, 1,680 slot machines and 1,680 electronic table games.

Rockwell Land

Rockwell Land Corporation is one of the premier real estate development companies in the Philippines. It was formed in 1995, after the shutdown of the thermal power plant, by the Lopez Group. Its primary task was to transform the old thermal plant property into a high-end commercial business district, truly a benchmark for innovation in the real estate industry.

Megaworld Corporation

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

Shangri-La Properties

Shang Properties, Inc is a luxury real estate developer in the Philippines. They are the Philippines property development arm of the prestigious Kuok Group and with core businesses in upscale office and retail leasing and residential development. The company has a landbank of over 500 hectares located in Batangas, Tagaytay, Cavite, and Mactan earmarked for future development. Backed by the added value and advantages provided by its affiliates worldwide— Kerry Properties, the Kuok Group, and Shangri-La International Hotels and Resorts, and their ever growing network of property, logistics and infrastructure assets, Shang Properties, Inc. continues to set the pace for premium real estate projects in the Philippines.

CUSTOMER AND PROJECT SELECTION

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

While frequently invited to project biddings, the Company carefully selects which projects to participate in, based on the following criteria, in line with its credit risk policies:

- Creditworthiness of the project owner determined through background checks with banks and financial community, business and trade associations, HLURB standing and major suppliers credit records; and
- Liquidity of the project owner determined through financial ratios and financial performances for the past three years.

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

- Size of the over-all development blueprint of a project and its implementation timetable on phases;
- Complexities and limitations of the structural design of the high-rise building project;

- Project location accessibility of heavy construction equipment and proximity to clusters of on-going project sites;
- Logistics difficulties and limitations; and
- Profitability.

Terms Granted to Customers

Bids for construction projects are typically accompanied with particular material specifications and the kind of finishes to be used for the project. Deviations from agreed material specifications are subject to variation orders. Consistent with industry practice, Megawide normally requires the following key terms of payment in its construction contracts:

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

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

HIGH TECHNOLOGY BUILDING SYSTEMS

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

Formwork Systems

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

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

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

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

Pre-Cast Concrete Systems

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

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

Reducing cost

Due to improved economies of scale, the technology enables mass production and fabrication of building frames and elements resulting in a decline of the average cost per unit. By manufacturing pre-cast panels in a controlled factory setting, less material is required because precise mixture proportions and tighter tolerances are achievable. The factory setting also allows waste materials to be readily recycled. Any spare component and materials can be recycled and re-used in another structure.

Shortening the construction period

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

Improving quality

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

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

Increasing project volume

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

Environment friendly

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

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

The Pre-Cast Concrete Systems were purchased from Elematic, a Finnish company founded in 1959, and one of the world's leading suppliers of pre-cast concrete machinery and equipment, production

lines and complete production plans. Elematic is currently at work in more than 90 countries worldwide.

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

World Class Pre-Cast Manufacturing Complex

The Company has also recently completed the construction of its world-class precast concrete manufacturing complex in a sprawling 15-hectare property in EPZA Taytay, Rizal. This facility is the country's largest precast facility, and is the second largest in Southeast Asia. The facility enables the Company to expand the production of its pre-cast products to include high strength concrete frames and elements, columns, beams, floor slabs and walls. The pre-cast facility can be used for both building construction, and infrastructure construction for beams, girders, cross beams, columns, culverts and railroad cross ties.

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

	Traditional Construction	Megawide	Advantages
Formworks	Plywood	Plastic face formworks	• No swelling and shrinking • Stable flexural rigidity • Free from rippling and warping • Quality in concrete pouring • Fast cycle, simple assembly, early stripping, less manual labor employed • Even surfaces • Zero discoloration • Fast on-site cleaning • Zero waste • Reusable
	Coco lumber	Aluminum & Steel Scaffoldings	• More stable and robust • Longer lifespan • Easy assembly lock and formwork clamp
Pre-Cast Concrete	Concrete Hollow Blocks	Pre-cast walls	• Precise, smooth and even curing, high • Quality, energy saving and ecological
	Traditional Concrete Beams, Columns, Slabs	Pre-cast beams, columns, slabs	• Savings in steel and partition wall materials, extra long spans for design flexibility, accurate dimensions and strand locations for less work-on site

Green Construction

The Megawide Corporate Tower in Quezon City obtained a gold certification from the Leadership in Energy and Environmental Design ("LEED") of the United States Green Building Council. LEED is a

third party certification program for the design, construction and operation of high performance green buildings. It is the predominant green building rating system in the U.S. and is used around the world.

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

LEED Certification

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

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

The LEED rating system offers four certification levels for new construction — Certified, Silver, Gold and Platinum — that correspond to the number of credits accrued in five green design categories: sustainable sites, water efficiency, energy and atmosphere, materials and resources and indoor environmental quality.

Fleet of Construction Equipment

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

Type	Quantity (as of June 30, 2014)
Ground Equipment	90
Vertical equipment	221
Trucks	91
Services Vehicles	126

SUPPLIERS

The Company sources its raw materials, primarily steel, cement and aggregates from external suppliers who are reliable and known in the construction industry. In selecting its suppliers, Megawide considers quality, pricing, and efficient delivery of raw materials. It also does not depend on one or a limited number of suppliers for raw materials and none of its major suppliers are its affiliates. Suppliers usually give Megawide a 60 to 90 day payment period. Below is a list of the Company's major third party independent suppliers:

Name of Supplier	Raw Material Supplied
Phases Electrical Contractor	Subcontractor of MEPF
Steel Asia Manufacturing Corp.	Steel
Megapipe Builders Inc	Subcontractor of MEPF
Tonaeki Industrial Corp.	Construction equipment
Seapac Philippines, Inc.	Subcontractor of aluminium works
Premier Ready Mix Incorporated	Concrete, cement
Eagle Cement Corporation	Cement
Lafarge Cement	Cement
Deeconcrete Inc.	Concrete, cement
Comanchesteel Corporation	Steel
United Colourtech Contractors	Subcontractor of painting works
Liebherr Export AG	Batching plant equipment
Marubeni	Deformed rebar
Meva	Formworks

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

Quality Control

The Company's General Specifications of work quality are in accordance with the American Society for Testing and Materials ("ASTM"), the American National Standards Institute ("ANSI"), or the Construction Specifications Institute ("CSI"). The general specifications can be modified based on local conditions, policies, available materials, local regulations and other special circumstances.

In addition to on-site inspections, as a standard procedure, concrete samples are tested by specialized laboratories to ensure compliance with ASTM, ANSI and CSI specifications.

PROJECT IMPLEMENTATION

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

- Creditworthiness of the project owner determined through background checks with banks and financial community, business and trade associations, HLURB standing and major suppliers credit records; and
- Liquidity of the project owners determined by financial ratios and financial performances for the past three years.

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

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

The Company negotiates the final construction price with the project owner. Upon receipt of the Notice to Proceed or the Notice of Award for a project, the Company depending on the agreement with the project owner, procures the necessary building permits and other regulatory permits, and immediately prepares for mobilization of construction equipment, manpower and materials needed for the project. The Company secures Performance Bonds and Surety Bonds required in order to obtain down payment from the project owner, and contractor's all-risk insurance. The Company also negotiates and finalizes the terms of its construction contract with the project owner. The responsibilities and warranties of Megawide under its construction contracts typically include among others, on-time project turn-over and completion as per an agreed timetable, adherence to the agreed material specifications and construction methods, and warranty on workmanship and material defects. In the normal course of business, on a per project basis, the Company sub-contracts to specialty or trade contractors such tasks as mechanical and electric works for its projects.

During construction, quality control procedures are strictly followed. The Planning and Technical Manager is responsible for quality assurance and quality control during production and construction. Under him are highly-trained inspectors and personnel. His team conducts on-site inspections to assure compliance. As standard procedure, concrete samples are tested by specialized laboratories to ensure compliance with ASTM, ANSI and CSI specifications.

To ensure that projects are on schedule, on-site project managers monitor and control the progress of projects, mindful of the completion date pursuant to the construction contract. Project managers are responsible for accomplishing project objectives, developing the project plan, managing the project team and budget. Disagreements on quantities and specifications are handled by Quantity Surveyors and Quality Control Engineers.

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

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

LEASED PROPERTIES

Megawide is leasing the 1,493 sq.m property at N. Domingo St., Barangay Valencia, Quezon City where its corporate office is located from Megapolitan. The lease agreement is valid until February 5, 2015 and Megawide pays a monthly rental of ₱196,619.40. Megawide leases an office space from Philwide with a monthly rental of ₱1,000.00.

In addition to the foregoing office spaces, Megawide also leases the following properties for its operations:

Lessor	Monthly Rental	Validity
Mail Link Coordinates	₱420,000.00 inclusive of 12% VAT	January 13, 2015
EverForbes Development Corp	₱67,578.94 inclusive of VAT and Withholding Tax	December 20, 2014
Will Decena & Associates, Inc,	₱80,000.00 net of VAT and Withholding Tax	January 2015
Maria Elma Javier Loresca	₱30,000 inclusive of Withholding Tax	February 28, 2015
Myrna Tomas	₱107,000.00 inclusive of VAT and other taxes	March 31, 2016
LVN Pictures Inc.	₱271,404.67 inclusive of 12% VAT	April 11, 2016
New Zealand Creamery, Inc.	₱200.00/ sqm inclusive of 5% withholding tax and 12% VA, or a total of ₱270,000.00	May 31, 2015
New Zealand Creamery, Inc.	₱200.00/ sqm inclusive of 5% withholding tax and 12% VA, or a total of ₱ 235,200.00	May 31, 2015
Eldan Land Use Management and Development Corp	₱80,000.00 inclusive of all taxes and fees	March 31, 2015
Natividad N. Makabuhay	₱487,200.00 exclusive of applicable taxes.	June 30, 2015
Dizon Farms Produce, Inc.	₱75.00/ sqm. VAT inclusive or a total amount of ₱ 46,125.00	March 1, 2018
Aguacate Marketing Corp.	₱150.00/sqm inclusive of VAT and all applicable taxes or a total of ₱ 217,500.00	October 31, 2018
Altria Land East, Inc.	₱ 2,439,696.00 inclusive of VAT and other taxes	January 1, 2015

All of the above leases are subject to renewal upon mutual agreement of the parties.

DEPENDENCE ON CUSTOMERS

For the past three years, SMDC has been the Company's top customer, representing approximately 46% on average of the Company's Construction Revenues. However, starting in 2012, the Company has been able to acquire new customers and expand its portfolio to include other developers as well. As of 2013, SMDC accounts for 26% of Megawide's revenues. The Company will continue to look out for new prospective customers while maintaining a good relationship and repeat order business with its existing customers.

COMPETITORS IN THE INDUSTRY

EEl Corporation ("EEl"), and DMCI Construction ("DMCI") are among Megawide's major competitors. Both have on-going residential condominium projects in Metro Manila. DMCI dominates domestic infrastructure, while EEl, a publicly listed company, concentrates on heavy industries projects.

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

PROPERTIES

Megawide owns a 1.0294-hectare property located at Taytay, Rizal which is being used as an equipment stockyard for such items as tower cranes, backhoes and other earthmoving equipment. The same was acquired by Megawide for ₱21 million. Megawide owns this property and all its construction equipment such as tower cranes and other earthmoving equipment, free of any mortgage, lien or encumbrance. There are no limitations on Megawide's ownership or usage over this property.

In 2011, Megawide acquired land in Ortigas Extension, Barangay San Isidro, Taytay Rizal with lot area of 21,082 square meters for ₱104 million. Megawide owns this property free of any mortgage, lien or encumbrance. There are no limitations on Megawide's ownership or usage over this property.

In 2012, another lot was purchased in Taytay, adjacent to Megawide's precast plant with lot area of 8,505 square meters for ₱50 million. A 4,022 square meters lot adjacent to the stockyard of Megawide in Taytay was purchased for ₱9 million. On the same year, Megawide bought a 178m² property located in the same municipality for a total amount of ₱1.157 million. Megawide owns these properties free of any mortgage, lien or encumbrance. There are no limitations on Megawide's ownership or usage over this property.

In 2013, Megawide has a total additional land acquisition amounting to ₱67 million in Taytay Rizal in relation to the Precast Plant expansion. The property is free of any attachments and limitations on ownership and usage.

Megawide invests on new tower cranes and earthmoving equipment to ensure maximum efficiency and minimum down time during construction. As of June 30, 2014, these include tower cranes, heavy equipment, trucks and service vehicles.

INSURANCE

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

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

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

EMPLOYEES

As of June 30, 2014, the Company's manpower complement is as follows:

Division	Regular	Project Based	Total
Operations	3	1081	1084
Head Office	169	105	274
Total	1186	172	1358

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

Megawide's manpower complement is not unionized. The relationship and cooperation between the management and staff has been good and is expected to remain so in the future. There has not been any incidence of work stoppages or labor disputes in the past. There is no existing collective bargaining agreement between Megawide and its employees. Megawide complies with the minimum wage and employment benefits standards pursuant to Philippine law. It adopts an incentive system that rewards and recognizes the employees who excel in their respective fields to foster the harmonious relationship between management and the employees.

Megawide has a retirement plan which provides a retirement benefit equal to 22.5 days pay for every year of credited service in accordance with Republic Act No. 7641 or the Retirement Pay Law. On July 19, 2010, its Board of Directors resolved to establish a non-contributory retirement fund for its officers and employees and appointed the fund's board of trustees. Subsequently, on December 11, 2012, the Board approved the establishment of the Megawide Construction Corp. Ret. Plan for the benefit of the Company's qualified employees. The Board appointed BDO Unibank – Trust and Investments Group as trustee of the Retirement Fund. Megawide is currently in the midst of partially funding the retirement fund.

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

Edgar Saavedra, the President and COO, and Michael Cosiquien, the Chairman and CEO are central figures in the operations of Megawide and are currently the key decision makers. However, Megawide is continuously hiring experts to further strengthen and professionalize its organizational and management structure. Megawide continues to bolster its management positions in order to spread out responsibilities. It also provides various training programs for its employees to maintain competitiveness and efficiency.

INTELLECTUAL PROPERTY

The Company does not believe that its operations are dependent on any patent, trademark, copyright, license, franchise, concession or royalty agreement.

RESEARCH AND DEVELOPMENT

Megawide has formed a Research & Development Team composed of the Chief Operating Officer, the Vice President for Operation, the Precast Manager and the Planning and Technical Manager, to continuously adapt and respond to new inventions, standards and quality assurance in construction. It is also constantly working with international consultants for value engineering to achieve more cost efficient building structures and maximum space utilization. Although it engages in research and development activities, the expenses incurred by Megawide in connection with these activities are not material.

GOVERNMENT APPROVAL AND PERMITS

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

The Company and its business operations are subject to various laws and regulatory agencies, including the Contractor's License Law, nationality restrictions, and environmental laws. Any changes

in the current environmental laws and regulations applicable to the Company may increase the Company's operating expenses. The Company complies with environmental laws and will keep abreast of any changes in such laws which may have an impact on its business. See Regulatory and Environmental Matters on page 120.

Megawide believes that it is in compliance with local and national tax laws and regulations and it shall continue to be so by paying all taxes, including income tax, withholding tax, real property tax and such other taxes that are assessed against it and which Megawide believes to be due.

LEGAL PROCEEDINGS

The Company and MWCCI, are involved in two (2) Supreme Court cases relative to their respective PPP Projects:

Osmeña v. DOTC Secretary, et.al. G.R.-S.P. No. 211737

On December 21, 2012, the DOTC and the MCIAA invited prospective bidders to apply for the pre-qualification and bidding for the MCIA Project. The DOTC and the MCIAA created a Prequalification, Bids and Awards Committee ("PBAC") to administer the pre-qualification process and bidding for the MCIA Project. The bidding was conducted following a dual-stage public bidding process prescribed by Republic Act No. 6957, as amended by Republic Act No. 7718, or the Build-Operate-Transfer Law ("BOT Law") and its Implementing Rules and Regulations. To be qualified to bid for the MCIA Project, an entity/consortium must fulfill Legal Qualification Requirements, Technical Qualification Requirements and Financial Qualification Requirements.

The Company and GMR formed a consortium (the "Consortium") for the purpose of submitting a pre-qualification bid with the PBAC. On December 27, 2012, the DOTC and the MCIAA issued the Instructions to Potential Bidders ("ITPB"). On April 22, 2013, the Consortium submitted its pre-qualification bid in accordance with ITPB.

On May 15, 2013, the Consortium was pre-qualified along with the following consortia: (i) Ayala-Aboitiz Consortium, (ii) Filinvest Consortium, (iii) First Philippine Holding Consortium, (iv) Metro Pacific Consortium, (v) SM Investments Consortium and (vi) San Miguel Corporation Consortium.

On May 29, 2013, the DOTC and the MCIAA issued the Instructions to Bidders ("ITB") stating that only prequalified bidders shall be allowed to submit their bid proposals.

On November 28, 2013, the Consortium submitted its bid proposal in accordance the ITB and on the same date, the PBAC opened the technical proposals of the pre-qualified consortia. Upon opening of the Technical Proposal of the First Philippine Holding Consortium, it was revealed that its technical partner, Wellington International Airport Limited, was replaced by Malaysia Airports Holdings Berhad.

On December 12, 2013, the financial proposals were opened and the Consortium emerged as the highest bidder.

In the middle of the process of the post-qualification evaluation of the Consortium, a Petition for Certiorari and Prohibition with Application for Temporary Restraining Order and/or Writ of Preliminary Injunction dated April 3, 2014 ("Petition") was filed with the Supreme Court by petitioner Senator Sergio Osmeña III. On April 6, 2014, Senator Osmeña filed a Supplemental Petition which essentially sought the nullification of the Notice of Award in favor the Consortium.

In the Petition, petitioner prayed (i) to declare the Consortium as "unqualified bidder" in view of: (1) Conflict of Interest as defined in the ITPB and ITB and (2) lack of financial and technical capability and (ii) to enjoin the DOTC and MCIAA from issuing a Notice of Award or executing a Concession Agreement.

On July 28, 2014, the Company filed its Comment on the Petition (the "Comment"). In its Comment, the Company argued that the Petition should be dismissed outright as it suffer from several fatal procedural infirmities, to wit: (i) the Petition raises several factual questions, which the Supreme Court

cannot be required to entertain particularly in a petition for certiorari and prohibition; (ii) the petition for certiorari and prohibition under Rule 65 of the Rules of Court is improper and cannot be pursued against the Company which does not exercise judicial, quasi-judicial or ministerial functions; and (iii) the petitioner has no *locus standi* to file the petition.

On the substantive grounds against the Petition, the Company maintained that (i) the Petition assails matters which require to be left to the sole determination of the Executive Department, particularly the PBAC and the DOTC, and thus beyond judicial cognizance; (ii) petitioner's prayer to enjoin the DOTC and the MCIAA from issuing a Notice of Award or executing a Concession Agreement is already moot as both already occurred; (iii) the petitioner failed to establish a violation of law; (iv) there is no conflict of interest; and (v) the Consortium is financially and technically capable of undertaking the Airport Project and developing, maintaining and operating the renovated MCIA Project.

On its Opposition to Application for a Temporary Restraining Order/Preliminary Injunction, the Company argued that: (i) the petitioner failed to show a clear, unmistakable legal right that demands protection nor for a prima facie entitlement to the relief demanded in the Petition, (ii) petitioner failed to show that the public and the State will suffer grave and irreparable injury from the continuation of the award and the execution of the Concession Agreement and/or the MCIA Project; (iii) grave and irreparable injury will result should the bidding process be enjoined and, consequently, the MCIA Project be delayed; and (iv) the petitioner failed to show that an exception from the general prohibition against the injunction of BOT projects, such as the MCIA Project, is warranted.

On August 4, 2014, GMR filed its Comment to the Petition and Supplement Petition. Its allegations support that of Megawide's Comment.

The Company has yet to receive the Comment of the DOTC, MCIAA or PBAC and the Supreme Court has yet to issue Orders on the matter. The Concession Agreement was signed on April 12, 2014 and GMCAC and MCIAA are in the process of taking over the operations of the airport in accordance with said Concession Agreement.

Daisy Joy Rojallo Cervantes, et.al., vs. H.E. Benigno Simeon Aquino III, Hon. Enrique T. Ona, Hon. Teodoro J. Herbosa, Cosette C. Canilao, Jan Irish P. Villegas, Arsenio M. Balisacan, Cesar V. Purisima, Consortium of Megawide Construction Corporation and World Citi Medical Center Supreme Court, Case No. 210805 (Certiorari and Prohibition with Application for the Issuance of a Writ of Preliminary Injunction and/or Temporary Restraining Order)

On September 18, 2012, the National Economic and Development Authority approved the MPOC Project, a Build-Operate-Transfer scheme pursuant to the PPP program of the Government. The MPOC Project involves the construction of a new hospital facility within the National Kidney and Transplant Institute Compound along East Avenue, Quezon City. It is intended to be a super-specialty tertiary orthopedic hospital, comprising of a minimum of 700-bed capacity hospital with all the required infrastructure and installation of modern diagnostics and therapeutic equipment.

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

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

On April 24, 2014, the consortium composed of Megawide and World Citi, Inc. filed its Comment/Opposition to the Petition. The consortium's arguments are as follows:

Procedurally, the Petition must be dismissed because a) Petitioners do not have standing to file the case, b) Petitioners have not yet exhausted all available administrative remedies, and c) policy decisions of the executive department are not proper subjects of judicial review;

Substantially, a) the MPOC project does not violate the constitution and our treaty obligations. It is not a privatization but merely a modernization of the POC. In any case, private investments into public health services are not prohibited by the constitution. b) Section 15, Article 2 of the Constitution is not a self-executory provision, c) the Build Operate and Transfer law can cover health facilities and hospitals.

The other respondents (officers of the Executive Department) represented by the Office of the Solicitor General, requested for additional time to file their Comment/Opposition.

All the private respondents have submitted their respective pleadings and corresponding supporting documents. The Company is currently awaiting the order from the Supreme Court confirming that the case has been submitted for resolution.

While the Company believes that both Supreme Court cases will not prosper, the Company will be compensated in the event of an adverse decision resulting in the cancellation of the projects. In its agreement with the DOTC and the DOH, the DOTC or the DOH, as the case may be, will be liable for termination payments computed in accordance with a formula set forth in the relevant agreement, taking into account the stage at which the project was terminated.

On November 3, 2014, the Company became aware of news reports that a petition was filed by Business for Progress Movement seeking to halt the rehabilitation and expansion of MCIA by GMCAC. As of date, the Company has yet to receive a copy of said Petition; however, based on the issues mentioned in the news item, it appears that said petition is a mere rehash of *Osmeña v. DOTC Secretary et. al*, G.R.-S.P. No. 211737. The Company is of the position that the petition is already moot and academic given that GMCAC has effectively taken over the operations of MCIA on November 1, 2014.

Aside from the foregoing, there are no pending legal cases against the Company and its management that will have immediate material effect on the financial position and operating results.

CORPORATE GOVERNANCE

Megawide has substantially complied with the provisions of its Manual on Corporate Governance.

Megawide commits to the principles and best practices of governance to attain its goals and objectives. To ensure good governance, a system has been established that monitors and evaluates the performance of Megawide and its Management. Megawide's Manual on Corporate Governance contains the specific principles which institutionalize good corporate governance in the organization. Megawide has not deviated from its Manual since its adoption of the Manual until present.

On March 27, 2014, the Board of Directors reorganized the committees. The Audit and Risk Management Committee became the "Audit and Compliance Committee." A separate Risk Committee was created to be headed by Professor Leonor Briones. The Nomination and Compensation Committees were merged into the "Compensation and Nomination Committee" to be headed by Ms. Elizabeth Anne Uychaco.

Continuous monitoring is being done by the Compliance Officer, Audit and Compliance Committee and Risk Committee, President and Chief Financial Officer to assure compliance.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

The following management's discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the Company's audited and unaudited financial statements, including the related notes, contained in this Preliminary Prospectus. This Preliminary Prospectus contains forward-looking statements that involve risks and uncertainties. The Company cautions investors that its business and financial performance is subject to substantive risks and uncertainties. The Company's actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including, without limitation, those set out in "Risk Factors" on page 37 of the Prospectus. In evaluating the Company's business, investors should carefully consider all of the information contained in "Risk Factors" on page 37 of the Prospectus.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE SIX (6) MONTHS ENDED JUNE 30, 2014 COMPARED TO SIX (6) MONTHS ENDED JUNE 30, 2013

Results of Operations

Revenues and Cost of Construction

The Company has reported growth of 21% or ₱887 million in construction revenues for the first six months of 2014 due to mobilization of new projects such as Shangri-la Salcedo, BPO Araneta and Fern Residences of SMD. As these projects gain momentum and the Company ramped up construction, the double digits revenue growth posted can be sustain throughout the year.

Cost of construction is ₱4.17 billion and ₱3.42 billion in 2014 and 2013, respectively. There is an increase of 22% or ₱749 million. Increase is directly related to the increase in revenue.

Operating expenses increased by 12% or ₱19 million mainly due to increase in salaries and wages. Head office has increased its manpower to provide better support to the continuously growing operation of the Company.

Meanwhile, operating profit increased to ₱703 million in the first half from ₱584 million during the same period a year ago. Operating margin was unchanged at 14% in spite of the slight increase in operating expenses.

Net profit dropped by 29%, ₱537 million compared to ₱752 million in the same period a year ago due mainly to decrease in non-core earnings in finance income as the company deployed allocated cash to its airport subsidiary. Construction of the new passenger terminal in Mactan-Cebu International Airport is set to begin early next year.

Going forward, the Company remains upbeat on the construction industry in general as private developers continue to roll out new office and commercial buildings and more large ticket PPP projects are set to be bidded out.

Review of financial condition as of June 30, 2014 as compared with financial condition as of December 31, 2013

Financial Condition

Current assets decreased by 4% or ₱654 million due to the following:

Cash and cash equivalents decreased by 66% or ₱1.50 billion due to investment made by the Company to GMCAC incorporated on January 13, 2014. GMCAC will build the new airport in Mactan Cebu and will operate it for 25 years. Megawide has accounted the joint venture as Investment in Subsidiary and prepared a consolidated financial statements for financial reporting purposes as required by PFRS 10.

Financial assets at fair value through profit or loss decreased by 20% or ₱1.16 billion. The Company terminated some of its placements and invested the proceeds in GMCAC.

Trade and other receivables decreased by 9% or ₱358 million. The Company made a good effort to collect its receivables as of the end of second quarter. The Company has implemented measures to ensure that its receivables are being monitored and collected when due.

Construction materials increased by 22% or ₱74 million. The Company was able to book several projects in 2013 and 2014. With this, the Company has increased its purchases of construction materials for these new projects.

Cost in excess of billings increased by 30% or ₱678 million due to cost incurrence of all on- going projects and the major contributors of the increase are the projects that were just started like Grass Tower 4 of SMDC, BPO Araneta of Araneta Group, Shangrila Salcedo and Annapolis of Bayswater Realty.

Other current asset increased by 82% or ₱1.61 billion as a result of consolidating the financial statements of the Company and GMCAC. Other current asset includes the input VAT on bid premium paid by GMCAC.

Non-current assets increased by 326% or ₱15.54 billion due to the following:

Concessionaire rights increased by 100% or ₱14.76 billion as a result of consolidating the financial statements of the Company and GMCAC. The ₱14.76 billion represents the initial investment of GMCAC which includes the bid premium of ₱16 billion. GMCAC will build the new Mactan Cebu Airport and will operate it for 25 years.

Property and equipment increased by 4% or ₱152 million due to the additional equipment purchased by the Company to support its growing operation.

Investment in associate increased by 296% or ₱580 million mainly due to the Company's subscription to its ownership interest in MWCCI and the share of the Company on the net income of Citicore-Megawide Consortium, Inc ("CMCI").

Deferred tax increased by 13% or ₱5.20 million due to deferred tax on provision for retirement benefits and amortization of deferred gain on sale and leaseback.

Other non-current asset increased by 22% or ₱42.5 million due to deferred input VAT on purchases of capital asset and acquisition of computer software licenses.

Current liabilities increased by 159% or ₱12.42 billion due to the following:

Interest-bearing loans and borrowings-current increased by 515% or ₱12.53 billion. The Company availed short-term loans to finance the operation and capital expenditures of the Company while GMCAC availed a bridge loan with BDO amounting to ₱11.29 billion to finance the required bid premium of the Mactan Cebu Airport. Since the Company has a controlling interest in GMCAC, the Company is required to prepare the consolidated financial statements for reporting purposes. As a result of the consolidation, the interest bearing loans and borrowings suddenly increased by ₱12.53 billion.

Trade and other payables increased by 55% or ₱1.12 billion due to increase in retention payable to subcontractors and consolidating the payables of GMCAC in the financial statements of the Company. The Company prepared the consolidated financial statements as required by PFRS 10 because the Company has a controlling interest in GMCAC.

Advances from customers increased by 5% or ₱51 million due to down payments received from new clients but net of downpayment recoupment on progress billings to customers.

Billings in excess of costs on uncompleted contracts – net decreased by 55% or ₱ 1.26 billion. The decrease is due to several projects of SMDC that already at their tail end of construction such as Jazz Residences Phase 1 and Phase, MPlace Phase 1 and Phase 2, Blue Residences, Grass Tower 2 and Filinvest projects like Linear, Studio City and Studio Zen. Since these projects are on their way to completion stage, their billings also decreased.

Other current liabilities decreased by 12% or ₱6 million due to amortization of unearned income on sale and leaseback.

Non-current liabilities decreased by ₱11 million due to the following:

Interest-bearing loans and borrowings-noncurrent decreased by ₱17 million due to amortization of deferred charges related to the issuance of the Corporate Notes issued in 2013.

Retirement benefit obligation increased by 9% or ₱10 million due to accrual of retirement obligation.

Other non-current liability decreased by 100% or ₱3 million due to reclassification of non-current portion of unearned interest income on sale and leaseback to current. Other non-current liability was reclassified to current because this will mature in 2015.

Retained Earnings increased by 20% or ₱539 million due to net income earned as of June 30, 2014.

Non-controlling interest increased by 100% or ₱1.9 billion as a result of consolidating the financial statements of the Company and GMCAC. Non-controlling interest pertains to the ownership of GMR Infrastructure Limited in GMCAC which is 40%.

Review of Pro-Forma Adjustments on Financial Condition as at December 31, 2013 and June 30, 2014.

Balance Sheet

December 31, 2013 Pro-forma Adjustments

Cash and cash equivalents decreased by ₱24 million. The Company terminated its short-term placements amounting to ₱3 billion and invested ₱2.9 billion of the proceeds to GMCAC. In addition, the Company also advanced ₱200 million to GMCAC. The cash balance of GMCAC is ₱64 million and the amount is consolidated in the pro-forma balance sheet as of the period ended December 31, 2013.

Financial assets at fair value through profit or loss decreased by ₱3 billion due to the termination of UITF. The proceeds of the terminated UITF is ₱3.02 billion

Trade and other receivables increased by ₱51 million. The increase represents the advances made by GMCAC to the Construction Joint Venture. The Construction Joint Venture will take charge of the construction of the new terminal.

Other current asset increased by ₱1.72 billion due to the input vat of the bid premium paid by GMCAC to Mactan Cebu International Airport (MCIA).

The payment of the bid premium by GMCAC to MCIA and other related project expenses had caused concessionaire rights to increase by ₱14.76 million.

Property and equipment increased by ₱2 million due to the assets of GMCAC that were included in the consolidated pro-forma balance sheet.

Interest-bearing loans and borrowings-current increased by ₱11.29 billion. GMCAC availed a loan with a local bank and the proceeds were used to pay the bid premium to MCIA.

Trade and other payables increased by ₱277 million. The amount represents the liabilities of GMCAC which were consolidated in the pro-forma balance sheet. GMCAC has a payable to GMR Limited (minority interest) amounting to ₱181 million and interest payable amounting to ₱86 million. The interest payable is the accrued interest on the bridge loan.

Retained Earnings increased by ₱8.21 million which is the net effect of the gain on the termination of UITF amounting to ₱10.8 million and net loss of GMCAC attributable to Megawide amounting to ₱2.6 million.

Balance Sheet

June 30, 2014 Pro-forma Adjustments

Cash and cash equivalents increased by ₱185 million. The increase is the net cash generated from the operation of GMCAC.

Trade and other receivables decreased by ₱0.26 million. This adjustment is the result of the liquidation of advances to employees by GMCAC.

Other current asset decreased by ₱23 million due to the offsetting of input and output vat of GMCAC. The output is for the 2 months revenue of GMCAC.

Concessionaire rights increased by ₱212 million due to the capitalization of interest on bridge loan which was used to finance the bid premium of the Mactan Cebu International Airport Project.

Property and equipment decreased by ₱0.21 million due to the depreciation of fixed assets of GMCAC.

Trade and other payables increased by ₱202 million. The increase is the net of accrual of interest expenses amounting to ₱212 million and payments of accounts payable by GMCAC amounting to ₱10.2 million.

Retained earnings increased by ₱103 million due to net income of the Company and net income of GMCAC attributable to Megawide.

Review of Pro-Forma Adjustments on Results of Operations for the year ended December 31, 2013 and the six (6) months ended June 30, 2014.

Income Statement

December 31, 2013 Pro-forma Adjustments

Other operating expenses increased by ₱3.22 million. This represents the operating expenses of GMCAC which were included in the pro-forma income statement.

Other Income (Charges)

Finance Costs increased by ₱1.52 million as a result of consolidating the forex loss on GMCAC.

Other Income increased by ₱15.86 million due to the gain on sale of UITF.

Tax expenses increased by ₱4.64 million due to the adjustment of the gain on sale of UITF reflected in the pro-forma balance.

Income Statement

December 31, 2013 Pro-forma Adjustments

Revenue increased by ₱263 million due to the revenue of GMCAC.

Direct costs increased by ₱77 million represents the direct cost incurred in the operation of GMCAC.

Other Operating Expenses increased by ₱10.4 million represents the operating expenses of GMCAC.

Other Income (Charges) decreased by ₱15 million due to the adjustment already reflected in the 2013 pro-forma balance in line with the gain on sale of UITF.

Finance Costs decreased by ₱1.4 million due to the bank charges for GMCAC.

Tax Expense decreased by ₱4.6 million in line with the decrease in other income already adjusted in 2013 pro-forma balance

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE FULL YEAR ENDED DECEMBER 31, 2013 COMPARED TO FULL YEAR ENDED DECEMBER 31, 2012

Results of Operations

Revenues and Cost of Construction

Megawide recorded gross revenues of ₱10.88 billion in 2013. There is an increase of 33% or ₱2.68 billion compared to revenue booked in 2012 amounting to ₱8.20 billion. The bulk of the increase is due to the accomplishment of the Company's PPP school infrastructure project of Department of Education in 2013.

Cost of construction is ₱9.10 billion and ₱6.81 billion in 2013 and 2012, respectively. There is an increase of 34% or ₱2.29 billion in 2013.

Operating expenses increased by 23% or ₱62 million due to the growing operation of the Company. Operating expenses is ₱338 million and ₱276 million in 2013 and 2012, respectively.

Review of financial condition as of December 31, 2013 as compared with financial condition as of December 31, 2012

As of the end of 2013, total assets stood at ₱21.50 billion, 79% higher than its value of ₱12.04 billion as of the end of 2012.

Current assets grew by 112% or ₱8.84 billion due to the following:

Cash and cash equivalents increased by 987% or ₱2.07 billion because of the short-term placements amounting to ₱700 million with a 14 to 19 day-term that the Company procured before the year ended.

Financial assets at fair value through profit or loss increased by 191% or ₱3.82 billion because proceeds of the corporate notes issued in February 2013 and new shares issued in May 2013 were invested in short-term placements.

Construction materials increased by 402% or ₱272 million due to voluminous purchases of construction materials required by projects especially for PPP school infrastructure project of the Department of Education.

Cost in excess of billings increased by 112% or ₱1.18 billion because of cost of construction already incurred but not yet billed towards the end of the year.

Other current assets also increased by 74% or ₱829 million due to the increased in advances to suppliers for new projects including the PPP school infrastructure of Department of Education.

Trade and other receivables increased by 19% or ₱669 million due to the billings in December that were subsequently collected in early 2014 and increase in retention receivable which is 10% of progress billings that were withheld by customers.

Non-current assets grew by 15% due mainly to:

Increase in property and equipment by 15% or ₱555 million because of the expansion of batching plant in Taguig, acquisition of mobile mixers and construction equipment.

Increase in investment in associate by 35% or ₱51 million due to the additional investment in CMCI in 2013.

Increase in other non-current asset by 27% or ₱41 million due to deferred input vat on purchases of capital asset and increase in intangible asset. Intangible asset represents the cost of the computer license software of the Company.

Deferred tax assets decreased by 35% or ₱28 million because of the tax effect of the reversal of allowance for doubtful accounts.

As of the end of 2013, total liabilities registered an increase of 78%, from ₱7.27 billion as of 2012 to ₱12.96 billion at the end of 2013.

Current liabilities increased by 30% or ₱1.82 billion due to:

Interest-bearing loans and borrowings – current increased by 17% or ₱357 million due to additional short-term loans availed by the Company for working capital. Bank loans interest rate ranges from 2.75% to 3.00%. Portion of the non-current finance lease is reclassified to current portion that also contributed to the increase of this account.

Advances from customers increased by 42% or ₱294 million due to the downpayments received from Shangrila, Rockwell and BPO Araneta projects.

Billings in excess of costs on uncompleted contracts – net increased by 89% or ₱1.09 billion because of higher net revenue derived from new projects because of lesser costs that are incurred during the structural phase of the project compared with the finishing phase of the project.

Increase in trade and other payables increased by 4% or ₱77 million due to increase in retention payable. Retention payable is paid to subcontractors upon completion of work commissioned to them.

As of the end of 2013, total equity registered an increase of 79%, from ₱4.77 billion as of 2012 to ₱8.54 billion at the end of 2013.

Capital stock increased by 48% or ₱535 million due to additional issuance of shares and declaration of stock dividend in 2013

Addition paid-in-capital increased by 114% or ₱2.25 billion because of the issuance of additional shares in 2013 at a price higher than par value.

Financial Condition

Material Changes in Megawide's Audited Income Statement for the year ended December 31, 2013 compared to the Audited Income Statement for the year ended December 31, 2012 (increase/decrease of 5% or more)

33% increase in contract revenue or ₱2.68 billion

Increase in contract revenue arising from accomplishment of PPP school infrastructure project of the Department of Education.

34% increase in Contract Costs or ₱2.29 billion

Increase in contract cost is directly related to the increase in contract revenue

23% increase in Operating Expenses or ₱62 million

Increase in salaries and wages by ₱12 million because of the increase in manpower to support the growing operation of the Company.

Taxes and licenses increased by ₱13 million due to DST on short-term loans, DST on issuance of new shares of the Company and DST on stock dividend.

Professional fees increased by ₱10 million due to availment of professional services in arranging the requirements of the PPP school infrastructure project of the Department of Education and other public and private biddings that the Company has participated.

94% increase in Finance Income or ₱222 million

Increase is due to gain on sale of RTB and interest income on short-term investments.

79% increase in Finance Costs or ₱186 million

Increase is due to interest on corporate note and issuance cost of corporate note.

23% increase in Other Income or ₱9 million

Increase is due to gain on sale of fixes assets and amortization of deferred gain on sale and leaseback.

9% decrease in Income Tax or ₱13 million

Decrease is due to the tax effect of the write-off of allowance for doubtful accounts which is a deductible expense per income tax computation. The company also availed its income tax holiday based on its registered activities.

38% increase in Net Income or ₱383 million

Increase in contract revenues, operating efficiency and other income

Material Changes in Megawide's Audited Balance Sheet as of December 31, 2013 compared to the Audited Balance Sheet as of December 31, 2012 (increase/decrease of 5% or more)

Cash and cash equivalents increased by 987% or ₱2.07 billion because of the 14 to 90 days short-term placements amounting to ₱700 million that the Company procured before the year ends.

Financial assets at fair value through profit or loss increased by 191% or ₱3.82 billion because proceeds of the corporate notes issued in February 2013 and new shares issued in May 2013 were invested in short-term placements

Construction materials increased by 402% or ₱272 million due to voluminous purchases of construction materials required by projects especially for PPP school infrastructure project of the Department of Education.

Cost in excess of billings increased by 112% or ₱1.18 billion because of cost of construction already incurred but not yet billed towards the end of the year

Other current assets also increased by 74% or ₱829 million due to the increased in advances to suppliers for new projects including the PPP school infrastructure of Department of Education.

Trade and other receivables increased by 19% or ₱669 million due to the billings in December that were subsequently collected in early 2014 and increase in retention receivable which is 10% of progress billings that were withheld by customers.

Increase in property and equipment by 15% or ₱555 million because of the expansion of batching plant in Taguig, acquisition of mobile mixers and construction equipment.

Increase in investment in associate by 35% or ₱51 million due to the additional investment in CMCI in 2013

Increase in other non-current asset by 27% or ₱41 million due to deferred input VAT on purchases of capital asset and increase in intangible asset. Intangible asset represents the cost of the computer license software of the Company.

Deferred tax assets decreased by 35% or ₱23 because of the tax effect of the reversal of allowance for doubtful accounts.

Interest-bearing loans and borrowings – current increased by 17% or ₱357 million due to net availments of short-term loans by the Company for working capital. Bank loans interest rate ranges from 2.75% to 3.00%.

Advances from customers increased by 42% or ₱294 million due to the down payments received from Shangrila, Rockwell and BPO Araneta projects.

Billings in excess of costs on uncompleted contracts – net increased by 89% or ₱1.09 billion because of higher net revenue derived from new projects because of lesser costs are incurred during the structural phase of the project compared with the MEPPF and finishing phase of the project

Interest-bearing loans and borrowings – noncurrent increased by 321% or ₱3.84 billion due to the issuance of corporate notes of the Company. Interest rate ranges from 5.47% to 5.68%.

Post-employment benefits increased by 117% or ₱60 million as a result of the amendments in PAS 19 mandating the outright recognition of unrecognized actuarial loss instead of deducting it from present value of the obligation.

Other non-current liability decreased by 86% or ₱21 million as a result of the reclassification of non-current finance lease to current that are due in 2014.

Capital stock increased by 48% or ₱535 million due to additional issuance of shares and declaration of stock dividend in 2013

Addition paid-in-capital increased by 114% or ₱2.25 billion because of the issuance of additional shares in 2013 at a price higher than par value. Par value of shares is ₱1.00.

Retained earnings increased by 60% or ₱1.015 million due to the net income earned in 2013.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE FULL YEAR ENDED DECEMBER 31, 2012 COMPARED TO FULL YEAR ENDED DECEMBER 31, 2011

Results of Operations

Revenues and Cost of Construction

Megawide recorded gross revenues of ₱8.20 billion in 2012. There is an increase of 6% compared to revenues booked for the same period in 2011 amounting to ₱7.74 billion. The increase in contract revenues and its corresponding costs is mainly due to the following new projects: Studio City and Studio Zen of Filinvest Land, Inc., Jazz Phase 2 of SMDC, BPO Buildings of Cyberzone Properties Inc. and Department of Education School Buildings. Total revenue generated from these projects amounted to ₱2.42 billion at the end of 2012. Operating efficiency improved significantly in 2012 due to better control on construction expenses. As a result, net income increased to ₱1 billion from ₱750 million it earned during the same period in 2011.

Review of financial condition as of December 31, 2012 as compared with financial condition as of December 31, 2012

Financial Condition

As of the end of 2012, total assets stood at ₱ 12 billion, 45% higher than ₱ 8.29 billion as of the end of 2011 due to the following:

Current assets grew by 32% due to:

Increase in short-term investments by 158% because Megawide invested its cash in short-term money market products that significantly contributed to the decrease in cash and cash equivalents.

Increase in trade and other receivables by 41% or ₱995 million because of the increase in accounts receivables by ₱1 billion.

Cost in excess of billing also increased by ₱614 million because of unbilled cost not yet billed as of December 31, 2012 for some projects.

Other current assets increased by 58% due to increase in advances to suppliers by ₱318 million in 2012. Advance payments represent down payment to supplier and subcontractors. Input VAT increased by ₱95 million due to voluminous purchases of construction materials (local and imported) in 2012.

Non-current assets grew by 80% due to:

Increase in property and equipment 73% or ₱1.59 billion as a result of the additions of newly acquired precast plant and machineries and construction equipment to support the existing and new projects of Megawide.

Other non-current assets increased by 66% or ₱60 million due deferred input tax on purchases of capital asset.

Megawide formed CMCI with its parent company CHI and contributed ₱147 million which is equivalent to 10% ownership of the joint venture. The investment represents that total investment in subsidiary and associate.

Total liabilities registered an increase of 66% or P2.88 billion due to the following:

Increase in interest-bearing loans by 99% or as a result of additional short-term bank loans for working capital use.

Increase in accounts payable by ₱426 million which is correlated to the increase on purchases of construction materials and services in 2012.

Increase in retention payable by ₱338 million also caused the increase in payables.

Increase in billing in excess of cost by 23% or ₱230 million due to higher billings than actual work done for some projects.

Advances from customers decreased by 14% or ₱112 million due to recoupment of advances in each billing made to customers.

Material Changes in Megawide's Audited Income Statement for the year ended December 31, 2012 compared to the Audited Income Statement for the year ended December 31, 2011 (increase/decrease of 5% or more)

Revenue increased by 6% or ₱463 Million

Increase in construction revenue is due to the projects that started in 2012 namely; Ihub 9 & 10, FCC Cebu, Studio City, Studio Zen, One World, Jazz Phase 2, My Place 2, and Department of Education schools. Total revenue generated from these projects amounted to ₱2.42 billion in 2012.

Cost of construction increased by 3% or ₱169 Million

Increase of cost of construction is directly caused by increase in revenue. Cost of construction ratio is 83% and 86% in 2012 and 2011, respectively. There is an operation improvement that caused a 3% savings in cost of construction or ₱169 million.

Other operating expenses increased by 5% or ₱13 Million

Salaries and Wages posted an increase of ₱27 million due to increase in number of employees from 1,196 to 1,844 from December 31, 2011 to December 31, 2012, or an increase by 648 employees including supervisory and managerial level.

Depreciation expense increased by ₱19.7 million due to a full year depreciation of Megawide's buildings, furniture, fixtures and office equipment. There is also an increase in depreciation of transportation equipment due to new acquisition of company cars.

Utilities increased by ₱5.89 million due to increase in number of employees in the head office.

Insurance expense increased by ₱2 million because of bonds purchased for project biddings, insurance of service vehicles and insurance of office building.

Rental expense increased by ₱1 million because of rental of additional office equipment and staff house.

However, the total increase of the abovementioned accounts was negated by the decline in taxes and licenses of ₱23 million and ₱19 million for repairs and maintenance.

Finance Costs increased by 223% or ₱162 million

Increase in bank borrowings by ₱1.61 billion caused the increase in finance cost

Finance Income increased by 114% or ₱126 million

Increase in short-term placements by ₱1.20 billion caused the increase in finance income

Other Income increased by 97% or ₱19 million

Due to increase in scrap sales and amortization of deferred income in sale and leaseback transaction.

Material Changes in Megawide's Audited Balance Sheet as of December 31, 2012 compared to the Audited Balance Sheet as of December 31, 2011 (increase/decrease of 5% or more)

Cash and Cash Equivalents decreased by 85% or ₱1.23 billion

In 2011, cash & cash equivalents amounted to ₱1.40 billion mainly due to the unused proceeds received from IPO listing of Megawide in February 2011. As of the year-end quarter of 2012, cash & cash equivalents amounted to only ₱.21 billion. There is a 86% or ₱1.23 billion decreased compared with that of 2011. The decreased is due to investment of cash in retail treasury bills or RTB which is earning a 6.25% interest per annum and short-term placements with a local bank earning 4.10% to 4.20% per annum.

Short-term Investments increased by 158% or ₱1.23 billion

Investments in RTB and short-term placement caused the short-term investments to pile up to ₱2 billion as of year-end of 2012. Total interest income on these investments amounted to ₱ 235 million as year-end. Interest rate of RTB is 6.25% per annum and 4.10% to 4.20% for short-term placements

Trade and Other Receivables increased by 41% or ₱995 million

Increase in this account is due to the increase in construction receivable by 42% or ₱994 million. Increase in revenue caused the increase in construction receivable. This increase in receivable represents the billing of Megawide to CMCI for its Department of Education project that started only in the 4th quarter of 2012.

Construction Materials decreased by 60% or ₱103 million

Increase is due to higher consumption of construction materials in 2012 compared to prior year. Inventories as of year-end are those still in the premise of the warehouse. Inventories already delivered in the projects are considered consumed.

Cost in Excess of Billing increased by 138% or ₱614 million

Increase is due to unbilled project cost for some projects as of December 31, 2012.

Other Current Asset increased by 58% or ₱415 million

Advances to Suppliers increased by ₱318 million in 2012. Advance payments represent down payment to supplier and subcontractors. In 2012, Megawide paid ₱116 million as down payment for its rebar supply, ₱14 million was paid to the Bureau of Customs for advance duties and the rest to suppliers and subcontractors.

Input VAT increased by ₱95 million due to voluminous purchases of construction materials (local and imported) in 2012. This is correlated also with the increase in payable as of year-end. Prepaid insurance increased by ₱14 million because of the procurement of insurances for new projects.

Security deposit increased by ₱13 million because of the warehouses, staging areas for new projects rented by Megawide for its operation.

Investment in Subsidiary increased by 100% or ₱145 million

Megawide formed CMCI with its parent company CHI and contributed ₱145 million which is equivalent to 10% ownership of the joint venture.

Property, Plant & Equipment increased by 73% or ₱1.59 billion

The increase in property and equipment is due to additions of construction equipment, precast plant, precast and batching machineries in 2012. Total cost of precast plant is ₱387 million, while total cost for precast and batching machineries is ₱592 million.

The Company also purchased the shares of Altria for ₱305 million but accounted the purchase as purchase of asset only. Altria owns land valued at a book value at ₱303 million. This land too was recognized in the books of Megawide.

Deferred Tax Asset increased by 142% or ₱38 million

Increase is due to set-up of deferred asset for allowance of doubtful account in 2012 amounting to ₱89 million.

Interest-Bearing Loans and Borrowings increased by 97% or ₱1.61 billion

Increase in borrowings is caused by availments of loans for working capital requirements. Megawide opted to invest its cash and avail loans to support its operation because Megawide's investments yield higher return compared with interest cost of borrowed capital. The latest short-term loan interest rate provided to Megawide ranges from 3.70% to 3.80%.

Trade and Other Payables increased by 130% or ₱1.10 billion

Accounts Payable increased by ₱421 million which is correlated to the increase on purchases of construction materials and services in 2012.

Increase in retention payable by ₱338 million also caused the increase in accounts payable.

Other Payables increased by ₱302 million because of the purchase of shares of Altria.

Advances from customers decreased by 14% or ₱112 million

Decrease in this account is due to recoupment of down payment in 2012. A percentage of the down payment is deducted from the total billing every progress billing.

Billing in Excess of Cost increased by 23% or ₱230 million

Increase is due to higher billing than the actual work done for some projects as of December 31, 2012.

Other Liabilities and Other Non-Current Liabilities increased by 157% or ₱47 million

Other liabilities include unearned income from sale and leaseback and government payables such as withholding taxes and mandatory contributions.

Unearned income from sale and leaseback arises when Megawide sells its depreciated equipment and leases it back. The difference between the book value of the asset and selling price shall be recognized as unearned income and shall be amortized based on the lease term. There is of ₱30 million increase in unearned interest income in 2012 because of the leaseback transaction entered into by Megawide with BDO Leasing.

Retirement Benefit Obligation increased 13% or ₱6 million

The increase in obligation is due to accrual of retirement benefits in 2012.

Retained Earnings increased by 102% or ₱863 million

Increase is due to the net income in 2012

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

There are no explanatory comments on the seasonality of interim operations. There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements of the interim period.

There are no material amounts affecting assets, liabilities, equity, net income or cash flows that are unusual in nature; neither are there changes in estimates of amounts reported in prior interim period of the current financial year.

LIQUIDITY AND CAPITAL RESOURCES

As regards internal and external sources of liquidity by the Company, funding will be sourced from internally generated cash flows, and also from borrowings or available credit facilities from other local and international commercial banks.

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

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

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

THE PHILIPPINE CONSTRUCTION INDUSTRY

The information in this section has been derived from various government and private publications, and unless otherwise indicated, has not been prepared or independently verified by the Company or the Joint Issue Managers or the Underwriter or any of their respective affiliates or advisors. Please refer to the section "Regulatory and Environmental Matters" on page 120 of this Preliminary Prospectus.

Regulated Industry

R.A. No. 4566 as amended by PD No. 1746 requires a construction company seeking to operate in the Philippines to obtain either a regular or a special license with the PCAB. In order to enforce the licensing requirements, all architects and engineers preparing plans and specifications and all public or private agencies or entities conducting biddings and/or letting out contracts for construction work to be contracted and undertaken in the Philippines, shall include in their invitation to bidders and other bidding documents necessary stipulations to convey to every bidder, whether he is a resident of the Philippines or not, the information that it will be necessary for him to have a license before his bid is considered.

Classification and Categorization

Constructors are classified into three main contracting classifications, based on capability and specialization:

Classification	Areas of Specialization
General Engineering Construction	a.) Road, highway, pavement and bridge b.) Irrigation and flood control c.) Dam, reservoir and tunneling d.) Port, harbor and offshore engineering
General Building Construction	a.) Building and industrial plant b.) Sewerage and sewage treatment/disposal plant and system c.) Water treatment plant and system d.) Park, playground and recreational work
Specialty Construction	a.) Foundation work b.) Structural steel work c.) Concrete pre-casting and pre-stressing d.) Plumbing and sanitary work e.) Electrical work f.) Mechanical work g.) Mechanical work (ventilation-refrigeration) h.) Mechanical work (elevator-conveyor) i.) Fire protection work j.) Waterproofing work k.) Painting work

Source: Rules and Regulations Governing Licensing and Accreditation of Constructors in the Philippines

In addition, each constructor is evaluated, graded and assigned a category based on the following criteria and quantified by equivalent credit points:

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

Class	Category	Minimum Qualification Requirements					Overall CPR (2)
		Financial Capacity		Construction Experience Requirement			
		Equity' (in million P)	CPR (1)	Individual	Aggregate	Minimum CPR	
General Engineering	AAA	90.00	900.00	10	60	300.00	1,950.00
	AA	45.00	450.00	10	50	250.00	915.15
	A	9.00	90.00	7	21	105.00	265.00
	B	4.50	45.00	5	10	50.00	122.50
	C	3.00	30.00	3	3	15.00	75.50
	D	0.90	9.00	3	3	15.00	24.00
General Building	AAA	90.00	900.00	10	60	300.00	1,910.00
	AA	45.00	450.00	10	50	250.00	895.00
	A	9.00	90.00	7	21	105.00	261.00
	B	4.50	45.00	5	10	50.00	120.50
	C	3.00	30.00	3	3	15.00	66.50
	D	0.90	9.00	3	3	15.00	24.00
Specialty	AAA	90.00	900.00	10	60	300.00	1510.00
	AA	45.00	450.00	10	50	250.00	695.00
	A	9.00	90.00	7	21	105.00	211.00
	B	4.50	45.00	5	10	50.00	110.50
	C	3.00	30.00	3	3	15.00	60.50
	D	0.90	9.00	3	3	15.00	24.00
Specialty – Trade	E	0.05	0.40	none	none	none	0.45

Source: CIAP

Notes:

¹CPR – Credit Points Required

²Overall credit points inclusive of Equipment Capacity (1point/₱100,000); Experience of Firm (10 points/year of active existence and 1point/₱100,000 of 3 year average annual volume of work accomplished)

Construction Licenses Issued

Under the law, only contractors accredited by the Philippine Contractors Accreditation board ("PCAB") are allowed to enter into a construction contract with clients. For 2010 to 2011, PCAB has issued a total of 3,325 contractors' licenses. The following table shows the breakdown of contractors per type:

In terms of Size	Share to total
Large Contractors (AAA & AA)	6.4%
Medium-sized Contractors (A & B)	36.6%
Small Contractors	57.0%
In terms of Principal Classification	Share to total
General Engineering (GE) Contractors	59.9%
General Building (GB) Contractors	31.4%
Trade Contractors	3.8%
Specialty Contractors	4.9%

Source: Philippine Contractors Accreditation Board

Also, the PCAB has issued special licenses to 21 foreign contractors, 95.2% or 20 of which are large contractors and 4.8% or only one (1) is a medium-sized contractor. In terms of nationality, majority of these contractors were Japanese (10), followed by Chinese (4), and Korean (3) firms, while the remaining were Thai (1), Australian (1), Austrian (1) and Malaysian (1).

CONSTRUCTION INDUSTRY PERFORMANCE

SELECTED MACROECONOMIC INDICATORS

In 2000 Prices, Billion Pesos
(2009 - 2013)

	2009	2010	2011	2012	2013
Gross Domestic Product (GDP)	5,297.2	5,701.5	5,910.2	6,312.2	6,765.5
Gross Value (GV) in Construction*	417.7	490.7	450.3	528.6	583.6
Public	138.6	144.2	88.3	103.6	119.0
Private	279.1	346.4	362.1	425.0	464.6
Gross Value Added (GVA) in Construction	285.0	325.8	294.6	348.3	381.7
% share of Construction to GDP	7.9%	8.6%	7.6%	8.4%	8.6%
% share of GVA in Construction to GDP	5.4%	5.7%	5.0%	5.5%	5.6%
% Share of Construction to Total Employment	5.4%	5.6%	5.5%	5.9%	6.0%

Source: Construction Industry Authority of the Philippines, National Statistical Coordination Board, National Statistics Office and Department of Labor and Employment

Note: The Philippine Government classifies all construction owned by the government and government operations as public construction. All other construction activities are classified as private construction.

Construction has two broad aspects, namely, as an industry and as investment or capital formation. The construction industry's output is measured by Gross Value Added (GVA) in Construction. Since 2009, construction GVA has contributed an average of 5.4% to the country's GDP. On the other hand, investments in the sector are measured by Gross Value in Construction (GVC). Since 2009, GVC has contributed a significant portion, an average of 8.2% of the country's Gross Capital Formation. In 2013, GVC reached ₱ 55.0 billion in real terms, a 10.5% growth from 2012. The construction industry has likewise contributed to total domestic employment in the country at an average of 5.7% from 2009 to 2013.

In terms of construction per sector, private construction activities have formed a larger part of construction expenditure in the country, composing an average of 76% of all construction expenditure from 2009 to 2013 for the past five (5) years. This shows the private sector's active role in the growth of the industry. However, the public sector's contribution has steadily declined from 2010 to 2011 from ₱ 138.6 billion to ₱ 88.3 billion but has improved to ₱ 119 billion in 2013. This is expected to improve as the Philippine Government is expected to roll-out its various infrastructure programs and PPP projects in the next few years.

Private Building Construction Demand

The Philippine Government gathers statistics on the demand for private construction from approved building permits that relate to data on new construction, additions, alterations and repairs of existing residential and non-residential buildings and other structures undertaken in all cities/municipalities in the country.

From 2009 to 2013, residential building permits accounted for 72% to 75% of total approved building permit applications. Building permits are defined as written authorizations granted by the Local Building Official ("LBO") to an applicant allowing them to proceed with the construction of a specific project after plans, specifications and other pertinent documents have been found to be in conformity with the National Building Code (PD 1096).

Approved Building Permits For All Types of Construction

in number of applicants

Segment	2009	2010	2011	2012	2013
Non-Residential Building	13,280	13,327	14,881	16,477	12,864
Residential Building	84,626	86,185	81,537	79,516	78,094
Additions, alterations, repairs	14,196	13,808	18,483	16,111	16,783

Total	112,102	113,230	112,881	112,104	107,741
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Source: National Statistics Office

In terms of value, residential building construction, composed of single type, duplex, apartment and residential condominiums, accounted for a larger portion of the total value of private building construction, at an average of 51% from 2009 to 2013. This is followed by non-residential building construction, which includes commercial, industrial, agricultural and institutional buildings, which contributed an average of 40%. Permits for additions, alterations and repairs contributed an average of 9%.

Total Value of Construction

In ₱ Billions

Segment	2009	2010	2011	2012	2013
Non-Residential Building	51.3	82.7	90.0	99.9	104.0
Residential Building	80.1	102.9	100.2	120.4	125.4
Additions, alterations, repairs	12.1	14.6	22.8	21.1	20.4
Total	143.5	200.3	213.0	241.4	249.8

Source: National Statistics Office

In terms of area, the bulk of the value of construction originated from Luzon, with the National Capital Region, CALABARZON and Central Luzon regions accounting for more than half of the value of private building construction.

Prospects

Outlook for the construction industry remains positive as the Philippine government continues to implement its policy of accelerating the infrastructure development of the country.

Philippine Government's Infrastructure Programs

The Philippines, in comparison to its ASEAN neighbors, has been ranking low in terms of infrastructure quality. According to a 2008 study by the World Economic Forum, the Philippine road quality has a score of 2.8 (1 – underdeveloped, 7 – extensive and efficient by international standards) below the ASEAN average of 4.2.

The Philippine Government's continued policy of pursuing infrastructure programs will help fuel construction, as infrastructure projects necessitate the heavy involvement of construction. The Comprehensive and Integrated Infrastructure Program (CIIP) contains a list of infrastructure projects to meet the goals and objectives set forth in the Government's Medium Term Philippine Development Program. CIIP has segregated its funds for various infrastructure projects in transportation, power and electrification, water resources, communications and digital infrastructure, and social infrastructure, among others.

The National Economic Development Authority ("NEDA") has recently stressed the importance of Public-Private Partnerships (PPP) as a mechanism that can address the financial needs of infrastructure and services of national and local governments. Philippine President Benigno S. Aquino III identified PPPs as a strategy to finance government projects like infrastructure and basic services through the assistance of the private sector.

Megawide considers this as a big opportunity as it also expands its business from being the emerging leader in high-rise construction into venturing into infrastructure projects such as affordable housing, classroom building, elevated expressways, construction of roads and bridges, and heavy industries related to energy and power plants

1) Housing

The Housing and Urban Development Coordinating Council (“HUDCC”) estimates that total housing backlog is expected to grow from is 3.76 million houses in 2011 to 5.80 million in 2016.

The demand has been driven and is expected to continue to be driven by the following external factors:

- a) Improving affordability levels in large part to the availability of housing loans from Home Development Mutual Fund (“HDMF”) and local banking institutions;
- b) Improved accessibility for low middle-income to low income earners as real estate developers are coming up with several dedicated brands to fulfill the demand of the under-served low income market
- c) Growing Overseas Filipino Workers (“OFW”) remittances. Most analysts say that almost a third of the remittances are invested in real estate properties and house improvements. OFW remittances in 2011 reached high levels of US\$20.11 billion. Forecasts state a 5% to 7% growth in 2012.
- d) Growing number of Business Process Outsourcing (“BPO”) professionals. BPO professionals present the new breed of highly paid individuals, an important marking for housing units. The BPO Association of the Philippines expects employment in the industry could reach up to 1.3 million employees in 2016 given ample support from the government.

2) *Public-private partnership programs*

To address growing infrastructure requirements, the Philippine Government has tapped the PPP program to entice the private sector to be an active partner in the continuous development of infrastructure requirements. As of the moment, there are at least eleven (11) that already passed the National Economic Development Authority Board approval and are either awarded or in live bidding stage. Selected PPP projects that are in either live bidding stage or awarded are as follows:

Project	Implementing Agency	Contractual agreement	Cost (Billions ₱)
Daang-hari SLEX link road	DPWH	Build-Transfer-and-Operate (BTO)	2.01
PPP for School Infrastructure phase 1	Dep Ed	Build-Lease-and-Transfer (BLT)	16.28
PPP for School Infrastructure Phase 2	Dep Ed	BTO	3.86
NAIA Expressway Project	DPWH	Build-Operate-and-Transfer (BOT)	15.52
Modernization of the Philippine Orthopedic Center	DOTC	BOT	5.69
Automatic Fare Collection Center	DOTC	No data available	1.72
Mactan-Cebu International Airport Passenger Terminal Building	DOTC	BTO	17.52
Light Rail Transit Line 1 Cavite Extension Project	DOTC	BTO	65.00
Cavite Laguna Expressway	DPWH	BTO	35.40
Total			145.48

Source: Public-Private Partnership Center of the Philippines

The listed projects below under the PPP framework are currently subject under due diligence by various parties for bidding:

Project	Implementing Agency	Contractual agreement	Cost (Billions P)
Integrated Transport System (ITS)-Southwest Terminal Project	DOTC	BTO	2.50
Bulacan Bulk Water Supply Project	Metropolitan Waterworks and Sewerage System (MWSS)	BOT	24.40
Integrated Transport System (ITS)-South Terminal Project	DOTC	BTO	4.50
Laguna Lakeshore Expressway Dike Project	DPWH	BTO – Expressway Dike Build-Transfer - Reclamation	122.80
Total			154.20

Source: Public-Private Partnership Center of the Philippines

3) Other Infrastructure requirements

The Philippine government intends to address this by improving the roads, highways, ports, power plants, among others, to complement the continuation of strong economic growth that the Philippines has experienced for the past few years. Improved infrastructure is also expected to boost tourism in the country as more local sites are accessible to local and foreign tourists.

MARKET INFORMATION

The shares of the Company are traded on the PSE under the symbol "MWIDE". The shares were listed on the PSE on February 18, 2011. The following table sets out, for the periods indicated, the high and low closing prices for the Company's shares as reported on the PSE:

2012	High	High (adjusted)	Low	Low (adjusted)
First Quarter	14.96	n/a	8.60	n/a
Second Quarter	18.10	n/a	13.90	n/a
Third Quarter	17.48	n/a	15.80	n/a
Fourth Quarter	18.52	n/a	13.54	n/a
2013				
First Quarter	13.91	13.58	13.87	n/a
Second Quarter	24.20	16.50	17.20	13.23
Third Quarter	21.10	16.50	12.40	12.40
Fourth Quarter	14.70	14.70	10.10	10.10
2014				
First Quarter	14.00	14.00	11.46	11.46
Second Quarter	13.80	13.98	11.76	11.76
Third Quarter	13.26	13.26	12.50	12.50

On September 30, 2014, the closing price of the Company's common shares on the PSE was ₱ 12.68 per share.

MANAGEMENT AND CERTAIN SHAREHOLDERS

DIRECTORS AND SENIOR MANAGEMENT

The Company's management team is headed by Chairman and Chief Executive Officer, Michael C. Cosiquien and Chief Operating Officer and President, Edgar B. Saavedra, each of whom is a licensed civil engineer who has been practicing for more than 15 years. The Company is governed by a board of seven (7) directors composed of Michael C. Cosiquien and Edgar B. Saavedra, Yerik C. Cosiquien, Elizabeth Anne Uychaco, Florentino Tuazon Jr., Leonilo Coronel, and Leonor Briones, the latter two being the independent directors.

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

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

Section 38 of the SRC requires that at least two (2) members of the Board of Directors be independent directors. The Amended Articles and Incorporation and By-Laws of Megawide provide that the seven (7) directors shall include such number of independent directors as may be required by law.

The table below sets forth each member of Megawide's Board as of July 31, 2014.

Name	Age	Citizenship	Position
Michael C. Cosiquien	40	Filipino	Director and Chairman of the Board since July 28, 2004 Chief Executive Officer Since July 19, 2010
Edgar B. Saavedra	39	Filipino	Director and President since July 28, 2004 Chief Operating Officer since July 19, 2010
Yerik C. Cosiquien	35	Filipino	Director since July 28, 2004
Elizabeth Anne C. Uychaco	58	Filipino	Director since March 16, 2011
Florentino A. Tuason, Jr.	64	Filipino	Director since April 8, 2011 Corporate Secretary since June 3, 2011
Leonilo G. Coronel	67	Filipino	Independent Director since July 19, 2010
Leonor M. Briones	73	Filipino	Independent Director since July 19, 2010

The business experience of each of the Company's directors and officers covering the past five years are described below.

Board of Directors

The following is a brief description of the business experience of each of the Directors:

Michael C. Cosiquien, 40, Filipino, is the Chairman and Chief Executive Officer of Megawide. He is also a director of Altria East Land Inc. (Altria), MySpace Properties, Inc., Citicore, Megapolitan Realty and Development Corporation (Megapolitan) and Megapolitan Marketing Inc. He is a licensed civil engineer, having passed the Government Licensure Board Examination for Civil Engineering in 1995. He graduated at the De La Salle University with a degree in Bachelor of Science major in Civil Engineering in 1995. His professional engineering experience spans fifteen (15) years. He has been a member and Chairman of the Megawide Board since July 28, 2004 and the Chief Executive Officer since July 19, 2010.

Edgar B. Saavedra, 39, Filipino, is the President and Chief Operating Officer of Megawide. He is also a director of Altria, MySpace Properties, Inc. and Citicore. He is a licensed engineer, having passed the Government Licensure Board Examination for Civil Engineering in 1996. He obtained his Bachelor of Science degree in Civil Engineering from the De La Salle University in 1996. He attended special studies on foundation works sponsored by Philippine Institute for Civil Engineers. He also obtained training in German formwork system and basic occupational safety and health. Engr. Saavedra specializes in European building technologies and advanced formwork systems. He has been a member and President of the Megawide Board since July 28, 2004 and the Chief Operating Officer since July 19, 2010.

Yerik C. Cosiquien, 35, Filipino, is a director of Megawide. Mr. Cosiquien is also the General Manager of Cosmo Fortune Corporation. He was the Corporate Secretary from July 28, 2004 to May 20, 2011 and Key Accounts Manager of Kraft Food Philippines, Incorporated. He obtained his Bachelor of Science degree in Psychology Economics from the University of British Columbia. He has been a member of the Megawide Board since July 28, 2004.

Elizabeth Anne C. Uychaco, 58, Filipino, is a director of Megawide. She is the Chairman of the Compensation and Nomination Committee. Ms. Uychaco is the Senior Vice President, Corporate Services of SM Investments Corporation and Vice Chairperson of Belle Corporation. She graduated from St. Scholastica's College with a degree in Bachelor of Arts. She obtained a Master's Degree in Business Economics from the University of Asia and Pacific and a Master's Degree in Business Administration from the Ateneo Business School. She has been a member of the Megawide Board since March 16, 2011.

Florentino A. Tuason, Jr., 64, Filipino, is a director and the Corporate Secretary of Megawide. He is a senior partner of the law firm Quasha Ancheta Peña & Nolasco. He is a retired Commissioner in the Commission on Elections, a former Executive Judge in the Regional Trial Court of Makati City and former First Senior Vice President (FSVP) of the Development Bank of the Philippines (DBP). He was a director of DBP Management Corporation, Capitol Development Bank, Telecommunications Industries and Services, Inc. and Phoenix Iron Steel Corporation. He graduated at the University of the Philippines with a degree in Bachelor of Arts major in Political Science. He obtained his Bachelor of Laws from the University of the Philippines. He has been a member of the Megawide Board since April 8, 2011 and the Corporate Secretary since June 3, 2011.

Leonilo G. Coronel, 67, Filipino, is an independent director of Megawide. He heads the Audit and Compliance Committee of Megawide. He is also the Managing Director of BAP Credit Bureau Inc., director of Software Ventures Int'l., Executive Director of RBB Micro Finance Foundation and independent director of DBP-Aiwa Securities SMBC Phils. Inc. He was a director at the Philippine Dealing System, Philippine Depository & Trust Corporation and Philippine Clearing House Corporation, Trustee/Treasurer and member of the Capital Market Development Council Institute, Project Director of Small & Medium Ents. Credit Program of the Philippine Business for Social Progress and Consultant of Land Bank of the Philippines. He obtained his Bachelor of Arts degree in Economics from the Ateneo de Manila University. He has been an independent director of Megawide since July 19, 2010.

Leonor M. Briones, 73, Filipino, is an independent director of Megawide. She is the Chairman of the Risk Committee of Megawide. Mrs. Briones is also the President of Social Watch Philippines, Inc. She was the Treasurer of the Philippines, Vice President for Finance and Administration of the University of the Philippines System and Secretary to the Commission on Audit. She obtained her Bachelor in Business Administration, major in Accounting from Siliman University. She obtained a Masters in Public Administration, major in Local Government and Fiscal Administration from the University of the Philippines Diliman, Post Graduate Diploma in Development Administration, major in Public Enterprises and Certificate in Policy for Public Enterprise from the Harvard Institute for International Development, Harvard University, Massachusetts, USA. She has been an independent director of Megawide since July 19, 2010.

Key Officers

Michael C. Cosiquien, *please refer to the section above.*

Edgar B. Saavedra, *please refer to the section above.*

Oliver Y. Tan, 37, Filipino, is the Chief Investment and Strategy Officer, Chief Finance Officer and a Corporate Information Officer of Megawide. Mr. Tan holds various CFO position across the business groups, affiliates and subsidiaries: CFO for Citicore, Citicore-Megawide Consortium Incorporated (CMCI), Megawide-World Citi Consortium, Inc. (MWCCI), GMR-Megawide Cebu Airport Corporation (GMCAC) and Megawatt Clean Energy Incorporated (MCEI). He is also a member of Megawide's Executive Committee. Likewise, Mr. Tan is Director/Treasurer of CHII, CMCI, MWCCI, GMCAC and MCEI; Director/Corporate Secretary of Future State, Myspace Incorporated and IRMO Incorporated (affiliate companies of Megawide). He is a member of the Financial Executives Institute of the Philippines (FINEX). Prior to joining Megawide, Mr. Tan worked as financial analyst for Golden Astra Capital Incorporated, a private investment fund located in Makati with portfolios in equities, commodities, options, currencies and other derivative financial instruments. He finished his Bachelor of Science in Business Administration major in Financial Management at Philippine School of Business Administration (PSBA) after transferring from University of Santo Tomas (UST) where he took up his Bachelor of Science in Electrical Engineering.

Louie Ferrer, 38, Filipino, is the VP for Marketing and a Corporate Information Officer of Megawide. Mr. Ferrer served as the Associate Marketing Manager at JCB International Co., Ltd, Country Marketing Manager at TNT Intl, and Accounts Director at Creative Juice Manila. Mr. Ferrer has also been the Managing Director of MagicWorx Licensing Inc. since 2004. He obtained his degree in Industrial Design from the De La Salle University in 1996. He has been the VP for Marketing for Megawide since November 22, 2010 and Corporate Information Officer since February 16, 2011.

Irving Cosiquien, 42, Filipino, is the Treasurer of Megawide, He sits as a Director for Citicore Holdings Investment, Inc., and MySpace Properties, Inc. He is also the General Manager of Megapolitan Marketing Incorporated and the former Operations Manager for Jimmian Hardware. He graduated in 1994 from De La Salle University with a Bachelor of Science in Industrial Engineering and Management. He has been the Treasurer for Megawide since July 19, 2010.

Grace Q. Bay, 44, Filipino, is the Assistant Corporate Secretary, Compliance Officer and a Corporate Information Officer of Megawide. She is a partner of the law firm Quasha Ancheta Peña & Nolasco. She is the Corporate Secretary of various corporations, which include, St. Luke's Medical Center (Global City), Inc., SLMC Bonifacio Global City MAB Corp., Pilipinas TotalGas, Inc., PTGI Laguna Gas, Inc., Colombo Merchants Philippines, Inc., Brillante Realty, Inc. and Chatham House Condominium Corporation. She is the Assistant Corporate Secretary of QBE Insurance (Phils.), Inc. She graduated at the University of the Philippines with a degree in Bachelor of Arts major in Political Science. She obtained her Bachelor of Laws from the University of the Philippines. She has been a Corporate Information Officer of Megawide since February 16, 2011, Assistant Corporate Secretary since June 3, 2011 and Compliance Officer since June 30, 2011.

Joyce M. Briones, 33, Filipino, is a Corporate Information Officer of Megawide. She is the Corporate Secretary of American Association of the Philippines, Inc. and the Assistant Corporate Secretary of St. Luke's College of Medicine William H. Quasha Memorial, Inc. She graduated at the University of the Philippines with a degree in Bachelor of Arts major in Political Science. She obtained her law degree from the Ateneo de Manila University. She has been a Corporate Information Officer of Megawide since February 16, 2011.

Senior Management

Engr. Masashi Watanabe, C.E., 65, Japanese, Assistant Vice President for Precast of Megawide. His vast knowledge and experience in pre-cast concrete production spans more than three decades. His prior positions include, among others, being a Clerk in the Pre-cast Concrete Production Factory Division of Shimizu Corporation, Ltd. in Japan from 1971 to 1976; Site Clerk for the Mass Housing Production Division in the Shin-Matsudo Sun Light Pastoral Condominium Project from 1976 to 1980; Site Manager for Jakarta Hilton International Hotel and the Barren Gulf of Bank project from 1983 to 1986; Section Chief of Kurosawa Construction; Project Manager for the Taichung City West Treatment Center, Mitsubishi Electronic Taichung Building and Japan Community Society Building in Taiwan; Project Director for the Ajinomoto Kunol Foods Building, Mitsubishi Motors Tsudayama Studio, Yokohama Fureai Hospital, Kobayashi's Transportation Cot. Quake Absorbing Structure

Warehouse, Memorial of Yokohama Port Renewal work and Yokohama Stadium Renewal; Section Manager for the Twin Towers Condominium Project in Hiroshima; and Project Section Manager for the Japan Embassy Project in Moscow. Engr. Watanabe is a licensed First Class Construction Management Engineer in Tokyo, Japan. He is also Second Class Architect and is qualified in Weld Engineering, Dangerous Article Handler and a First Class Small Craft. Moreover, He finished Special Engineering at Kogakuin University. He has been the Precast Manager of Megawide since June 30, 2010.

Tarc Forehlich, 37, German, is the Chief Technical Officer for Megawide. He previously worked for Alfred Kunz GmbH, Construction Company in Munich as an Engineer. He also worked as a Project Engineer for both JV EEI Concrete Construction Walter Bau and Walter Bau Dywidag. He then became the Regional Director for Meva Formworks System before becoming the CTO of Megawide. He holds a Geodesy and Environmental Engineering Degree from AGH Tech University in Cracow. He obtained his Masters of Project Management from FH Augsburg Germany.

Claudia J. Soriano, 46, Filipino, is the Vice-President – Human Resources of Megawide. Prior to joining Megawide, she was Director for Employment at Cebu Air, Inc. She was also previously Assistant Resource Manager at Robinsons Land Corporation and Assistant Personnel Manager at Manila Galleria Suites. She graduated Cum Laude from Far Eastern University with a Bachelor of Science degree in Industrial Psychology, and attained her Master's in Industrial Relations from the University of the Philippines in 2000.

Renato H. Uy, Filipino, is the Vice-President – Comptroller of Megawide. Prior to joining Megawide, he was the Executive Vice-President of Goldland Group of Companies, a real estate development company. He was also a Senior Auditor at SGV & Company from 1986-1990. He graduated with a Bachelor of Science Degree in Accounting from the University of Sto. Tomas in 1985.

Ronald D. Paulo, 49, Filipino, is Vice-President – Operations for Megawide. He previously worked with Robinsons Land China, a subsidiary of Robinsons Land Corporation, as Corporate Project Director. He began his career as a full-time site engineer, joining Cityland Development Corporation in 1990 as a Property and Facilities Supervisor. He holds a Bachelor's Degree in Civil Engineering and a Masters Degree in Business Administration.

SIGNIFICANT EMPLOYEE

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

FAMILY RELATIONSHIPS

Chairman Michael C. Cosiquein, director Yerik C. Cosiquein and treasurer, Irving C. Cosiquien, are siblings.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

The Company is not aware of the occurrence during the past five (5) years of any of the following events that are material to an evaluation of the ability or integrity of any director or executive officer:

- 1) Any bankruptcy petition filed by or against any director, or any business of a director, nominee for election as director, or executive officer who was a director, general partner or executive officer of said business either at the time of the bankruptcy or within two years prior to that time;
- 2) Any director, nominee for election as director, or executive officer being convicted by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

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

COMPENSATION OF DIRECTORS AND OFFICERS

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

Name and Position	<i>Fiscal Year</i>	Annual Salary	<i>Bonus</i>	<i>Other Compensation</i>
Michael C. Cosiquien <i>Chairman and CEO</i> Edgar B. Saavedra <i>President and COO</i> Ronald Paulo <i>VP-Operations</i> Tarc Froehlich <i>Chief Technical Officer</i> Masashi Watanabe <i>Precast Manager</i>				
CEO & Most Highly Compensated Executive Officers	Estimated 2014	62.1	4.6	-
	Actual 2013	61.3	4.5	-
	Actual 2012	30.6	2.3	-
Aggregate compensation paid to all other officers and directors as a group unnamed	Estimated 2014	42.78	3.5	-
	Actual 2013	19.21	2.0	-
	Actual 2012	20.0	2.0	-

Compensation of Directors

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

On November 4, 2011, the Board of Directors, upon recommendation of the Compensation Committee, approved the giving of ₱ 20,000.00 director's per diem per Board meeting and a ₱30,000.00 monthly allowance in the form of reimburseable expenses for each regular director. Each independent director will be given ₱ 25,000.00 director's per diem per Board meeting and a ₱30,000.00 monthly allowance in the form of reimburseable expenses. The Corporate Secretary (who is also a regular director) will be given a ₱ 20,000.00 director's per diem per Board meeting and a ₱30,000.00 monthly allowance in the form of reimburseable expenses. Reimburseable expenses cover receipts for food, beverage, gasoline and travel expenses. The total amount of per diem given to the directors in 2013 is ₱47,058.80.

Standard Arrangements and Other Arrangements

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

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

There are no existing employment contracts with executive officers. Furthermore, there are no special retirement plans for executives. There is also no existing arrangement for compensation to be received by any executive officer from Megawide in the event of change in control of Megawide. However, aside from its employees, Megawide also entered into employment contracts with its foreign experts for a term of three (3) years for its Assistant Vice-President for Operation and one (1) year for its Assistant Vice President for Precast. Basic terms of these contracts include benefits accorded to the employee (e.g., housing, insurance, vacation leaves, company vehicle, work permits), Megawide's ownership of any invention developed during their employment, liquidated damages in the event of contract pre-termination, and a non-compete clause prohibiting the employee, for a period of two (2) years after the termination of the contract, from engaging, directly or indirectly, for himself or on behalf of or in conjunction with any person, corporation, partnership or other business entity that is connected with the business of Megawide.

The Assistant Vice President for Operations is tasked with directing and coordinating all activities of Megawide and ensuring the most feasible methods for achieving the most economical approach in quality services. His contract was valid from July 30, 2010 to July 30, 2013. The Assistant Vice President for Precast, on the other hand, shall oversee all plant activities and manufacturing operations, including the procurement of raw materials, mobilization of the facilities and personnel, as well as the repair and maintenance of the equipment and machineries. His contract was valid from June 30, 2010 to June 30, 2011 and was renewed for another three (3) years from July 1, 2011 to July 1, 2014.

Warrants and Options

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

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL SHAREHOLDERS

Top 20 Shareholders

There are approximately 24 holders of common equity as of September 12, 2014. The following are the top 20 stockholders of the Company:

	Title of Class	Name	Citizenship	Number of Shares	Percentage to total
1	Common	Citicore Holdings Investment, Inc.	Filipino	936,933,735	56.804%
2	Common	PCD Nominee Corporation	Filipino	342,916,211	20.790%
3	Common	Sybase Equity Investments Corporation	Filipino	253,500,000	15.369%
4	Common	PCD Nominee Corporation	Non-Filipino	81,239,493	4.925%
5	Common	Suyen Corporation	Filipino	29,770,000	1.805%
6	Common	Ellie Chan	Filipino	2,431,765	0.147%
7	Common	Geoffred Deetan	Filipino	1,215,883	0.074%
8	Common	Dennis Bryan Ty	Filipino	1,215,883	0.074%
9	Common	John I. Bautista Jr.	Filipino	109,850	0.007%
10	Common	Regina Capital Dev. Corp. 000351	Filipino	50,700	0.003%
11	Common	Grace Q. Bay	Filipino	10,478	Nil
12	Common	Pacifico Silla &/or Catherin M. Silla &/or Alexander M. Silla	Filipino	6,500	Nil
13	Common	Pacifico Silla &/or Marie Paz Silla	Filipino	6,500	Nil
14	Common	Joyce M. Briones	Filipino	5,408	Nil
15	Common	Bernardo P. Torres	Filipino	5,200	Nil
16	Common	Frederick E. Ferraris &/or Ester E. Ferraris	Filipino	3,900	Nil
17	Common	Gaudencio C. Cabingan	Filipino	3,250	Nil
18	Common	Agnes H. Cabingan	Filipino	500	Nil
19	Common	Julius Victor Emmanuel D. Sanvictores	Filipino	260	Nil
20	Common	Guillermo F. Gili, Jr.	Filipino	169	Nil

As of June 30, 2014, 4.93% of the Company's outstanding capital stock is owned by foreign nationals.

Security Ownership of Directors and Management

As of June 30, 2014, the following table sets forth security ownership of the Company's Directors and Officers:

Title of Class	Name of Beneficial Owner	Number of shares	Nature of ownership	Citizenship	%
Common	Edgar B. Saavedra Director, President and COO	0 2	(D) (I)	Filipino	Nil
Common	Michael C. Cosiquien Director, Chairman and CEO	0 2	(D) (I)	Filipino	Nil
Common	Yerik C. Cosiquien Director	0 6,184,167	(D) (I)	Filipino	0.37%
Common	Elizabeth Anne C. Uychaco Director	40,560	(D) (I)	Filipino	Nil
Common	Florentino A. Tuason, Jr. Director and Corporate Secretary	169	(D) (I)	Filipino	Nil
Common	Leonilo G. Coronel		(D)	Filipino	Nil

Title of Class	Name of Beneficial Owner	Number of shares	Nature of ownership	Citizenship	%
	Independent Director	3	(I)		
Common	Leonor M. Briones Independent Director	3	(D) (I)	Filipino	Nil
Common	Louie Ferrer VP for Marketing Corporate Information Officer		(D) (I)	Filipino	Nil
Common	Oliver Y. Tan Chief Financial Officer Chief Investment and Strategy Officer Corporate Information Officer	16,900	(D) (I)	Filipino	Nil
Common	Irving C. Cosiquien Treasurer	6,184,165	(D) (I)	Filipino	0.37%
Common	Masashi Watanabe Asst. Vice President for Precast	5,070	(D) (I)	Japanese	Nil
Common	Grace Q. Bay Assistant Corporate Secretary, Compliance Officer and Corporate Information Officer	10,478	(D) (I)	Filipino	Nil
Common	Joyce M. Briones Corporate Information Officer	5,408 1,170	(D) (I)	Filipino	Nil
TOTAL		12,448,097			0.75%

There is no director or key officer of Megawide owns at least 10% of Megawide's issued and outstanding shares of common stock.

Security Ownership of Record and Beneficial Owners:

	Title of Class	Name, Address of Record Owner & Relationship with the Company	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	Number of Shares	Percentage to total
1	Common	Citicore Holdings Investment, Inc. 20 N. Domingo St., Brgy. Valencia, Quezon City	Direct owner	Filipino	936,933,735	56.804%
2	Common	PCD Nominee Corporation 37F Tower 1, The Enterprise Center, 6766 Ayala Ave. cor. Paseo de Roxas, Makati City	Various investors	Filipino	342,916,211	20.790%
3	Common	Sybase Equity Investments Corporation 17/F L.V. Locsin Bldg., Ayala Ave. cor. Makati Ave., Makati City	Direct owner	Filipino	253,500,000	15.369%

Voting Trust Holders of 5% or More

There is no voting trust arrangement executed among the holders of 5% or more of the issued and outstanding shares of common stock of Megawide.

Change in Control

There are no arrangements entered into by Megawide or any of its stockholders which may result in a change of control of Megawide. For information on Changes in Control, see the section "*Description of Shares*" on page 29 of this Preliminary Prospectus.

RELATED PARTY TRANSACTIONS

Related Party Category	June 30, 2014		June 30, 2013		December 31, 2013	
	Amount of Transaction	Outstanding Balance	Amount of Transaction		Outstanding Balance	
Ultimate Parent Company:						
Advances	(P 600,240,626)	(P 614,469,172)	P -		(P 14,228,547)	
Shareholders:						
Revenue from services	1,095,279,025	1,277,292,282	1,899,141,822		74,184,326	
Associate:						
Revenue from services	1,102,142,857	696,023,369	1,342,527,992		1,341,014,869	
Advances to an associate	57,468,655	57,468,655	-		-	
Advances from an associate	(5,241,500)	-	-		(5,241,500)	
Related Parties Under Common Ownership:						
Cash deposits	(753,895,845)	281,693,281	937,555,758		1,035,589,127	
Notes Payable	-	(900,000,000)	-		(900,000,00)	
Obligation under finance lease	(101,300,752)	(146,423,879)	(29,939,000)		(247,724,631)	
Bank loans	(11,295,682,882)	(12,405,682,882)	(550,000,000)		(1,112,500,000)	
Revenue from services	44,642,857	44,107,143	-		-	
Interest expense	139,216,443	(104,655,345)	33,722,723		(17,612,612)	
Rent expense	(1,154,832)	-	(1,174,043)		-	
Advances to a joint venture	51,000,000	51,000,000	-		-	
Advances from related party	5,040,446	(3,386,245)	-		(8,471,254)	
Advances from minority shareholder	(184,079,384)	(184,079,384)	-		-	
Advances to Officers and Employees	1,714,995	10,146,637	-		8,195,642	
Key Management Personnel:						
Compensation	35,152,636	-	28,066,772		-	

REGULATORY & ENVIRONMENTAL MATTERS

Contractor's License Law

R.A. No. 4566, as amended by PD No. 1746, requires a construction company seeking to operate in the Philippines to obtain either a regular or a special license from the PCAB. A regular license is issued to a domestic construction firm (a Filipino sole-proprietorship or a partnership/corporation with at least 60% Filipino equity) and is renewed annually, on or before June 30 of each year. On the other hand, a special license is issued to a joint venture, a consortium, a foreign constructor, or a project owner who authorizes the licensee to engage only in the construction of a single, specific project/undertaking and is cancelled by PCAB upon completion of the single specific undertaking/project authorized by the license.

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

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

Classification and Categorization

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

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

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

General Engineering and General Building constructors shall be categorized in a scale of six, namely: AAA, AA, A, B, C, and D.

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

Referral to Arbitration

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

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

Liability of Engineers, Architects and Contractors

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

ENVIRONMENTAL LAWS

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an Environmental Compliance Certificate (“ECC”) prior to commencement. The DENR through its regional offices or through the Environmental Management Bureau (“EMB”), determines whether a project is environmentally critical or located in an environmentally critical area. As a requisite for the issuance of an ECC, an environmentally critical project is required to submit an Environmental Impact Statement (“EIS”) to the EMB while a project in an environmentally critical area are generally required to submit an Initial Environmental Examination (“IEE”) to the proper DENR regional office. In case of an environmentally critical project within an environmentally critical area, an EIS is required. The construction of major roads and bridges are considered environmentally critical projects for which EISs and ECCs are mandated.

The EIS refers to both the document and the study of a project’s environmental impact, including a discussion of the direct and indirect consequences to human welfare and ecological as well as environmental integrity. The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas.

While the EIS or an IEE may vary from project to project, as a minimum, it contains all relevant information regarding the projects’ environmental effects. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The issuance of an ECC is a Government certification, that the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the EIS System and that the proponent is committed to implement its approved Environmental Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund (“EGF”) when the ECC is issued to projects determined by the DENR to pose a significant public risk to life, health, property and the environment. The EGF is intended to answer for damages caused by such a project as well as any rehabilitation and restoration measures.

Project proponents that prepare an EIS are mandated to include a commitment to establish an Environmental Monitoring Fund (“EMF”) when an ECC is eventually issued. The EMF shall be used to support the activities of a multi-partite monitoring team which will be organized to monitor compliance with the ECC and applicable laws, rules and regulations.

All development projects, installations and activities that discharge liquid waste into and pose a threat to the environment of the Laguna de Bay Region are also required to obtain a discharge permit from the Laguna Lake Development Authority.

Although the obligation to obtain the ECC is normally with the project owner, there are instances when the project owner requests the Company assist in securing the ECC. The Company incurs expenses for the purposes of complying with environmental laws that consist primarily of payments for Government regulatory fees. Such fees are standard in the industry and are minimal.

Other Environmental Laws

Other regulatory environmental laws and regulations applicable to Megawide’s business includes the following:

- (a) The Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990, which regulates, restricts or prohibits the (i) importation, manufacture, processing, handling, storage, transportation, sale, distribution, use and disposal of chemical substance and mixtures that present unreasonable risk or injury to health or the environment, and (ii) entry into the Philippines or the keeping in storage of hazardous wastes which include by products, process residue, contaminated plant or equipment or other substances from manufacturing operations. The said law is implemented by the DENR.
- (b) The Ecological Solid Waste Management Act of 2000, which provides for the proper management of solid waste which includes discarded commercial waste and non-hazardous institutional and industrial waste. The said law prohibits, among others, the transporting and dumping of collected solid wastes in areas other than prescribed centers and facilities. The National Solid Waste Management Commission, together with other government agencies and the different local government units, are responsible for the implementation and enforcement of the said law.

NATIONALITY RESTRICTION

The Company owns land, hence, Philippine laws limit foreign shareholdings in the Company to a maximum of 40% of its issued and outstanding capital stock. Any subsequent transfer of the Company’s Shares by Filipinos to non-Filipinos will also be subject to the limitation that any such transfers will not cause foreign shareholdings in the Company to exceed 40% of the Company’s issued and outstanding capital stock. In the event that foreign ownership of the Company’s issued and outstanding capital stock will exceed 40%, the Company has the right to reject a transfer request by persons to persons other than Philippine Nationals.

Further, in order to maintain its PCAB license, the Company, pursuant to the Implementing Rules and Regulations of P.D. No. 1746, must maintain its Filipino shareholding to at least 60% of the issued and outstanding capital stock. However, should the Company decide to engage in the construction of locally funded government projects, foreign equity should be limited to 25% in accordance with Executive Order No. 98 promulgating the Ninth Regular Foreign Investment Negative List.

Partnerships with the Government

The Build-Operate-Transfer Law (“BOT Law”) governs the conduct of bidding in infrastructure projects. The BOT Law allows private sector participation in large infrastructure projects, such as

power plants, highways, ports, airports, canals, dams, hydropower projects, water supply, irrigation, telecommunications, railroads and railways, transport systems, land reclamation, housing, government buildings, tourism projects, markets, slaughter houses, warehouses, solid waste management, information technology networks and database infrastructure, education and health facilities, sewerage, drainage, dredging and other projects as may be authorized by the appropriate government agency. It recognizes various kinds of contractual arrangements, including build-operate-and-transfer, build-and-transfer, build-own-and-operate, build-lease-and-transfer, build-transfer-and-operate, contract-add-and-operate, develop-operate-and-transfer, rehabilitate-operate-and-transfer and rehabilitate-own-and-operate.

The BOT Law provides that these projects must be awarded through the conduct of a public bidding. Such public bidding must be done by publishing a notice inviting prospective project investors once a week for three consecutive weeks in at least two newspapers of general circulation and one local newspaper in the place where the project is to be constructed. The public bidding must be conducted under a two-envelope/two-stage system: the first envelope to contain the technical proposal and the second envelope to contain the financial proposal.

Depending on the type of arrangement, as in the case of a build-operate-and-transfer arrangement, for instance, the contract shall be awarded to the bidder who has satisfied the minimum financial, technical, organizational and legal standards required, and has submitted the lowest bid and most favorable terms for the project, and shall be granted the franchise to operate and maintain the facility. In the case of a build-and-transfer, or a build-lease-and-transfer, the law provides that a Filipino contractor who submits an equally advantageous bid with exactly the same price and technical specifications as those of a foreign contractor shall be given preference.

Before the submission of actual bids, the bidder must first submit proof that it is legally, technically and financially qualified to undertake the project. The legal requirements include proof showing compliance with the nationality requirements, if the project will involve a public utility. If the bidder is an unincorporated consortium, the identity of each of the members must be disclosed and must also undergo the pre-qualification process. Moreover, the members shall submit an undertaking binding themselves to be solidarily liable for the obligations under the contract. If the consortium is a duly registered corporation with the SEC, the corporation must be the one to execute such undertaking. Lastly, the prospective bidder must indicate the contractor it seeks to engage once the contract is awarded to it. The contractor must be duly licensed and accredited by the PCAB, if a Filipino, or its equivalent in a foreign country, if a foreigner.

Aside from the legal requirements, the prospective bidder must also show that it has the technical expertise and has ample experience in similar or related infrastructure projects. For this purpose, the consortium must submit a business plan, which shall include the identity of its members, the equity interest/contribution of each member of the consortium, their prospective contractor(s), capacity of the consortium to undertake the project, and the description and respective roles of each member and the contractor.

Lastly, it must also demonstrate that it has the financial capability to undertake the project. In this regard, it must show proof that it has the minimum amount of equity to the project measured in terms of the net worth of the company or the net worth of the lead member (in case of a consortium). It must also show that it can set aside a deposit equivalent to the minimum equity required. Moreover, a letter testimonial from a domestic universal/commercial bank or an international bank with a subsidiary/branch in the Philippines or any international bank recognized by the Bangko Sentral ng Pilipinas ("BSP") certifying that the bidder is an account holder, is in good financial standing and is able to obtain credit accommodations from such banks to finance the project.

Law on Public Utilities

The operation of an airport terminal is within the definition of a public utility as the use thereof is held out generally to the public. Thus, it is subject to the requirements of the Philippine Constitution which provides that franchises, privileges and other authority to operate a public utility shall be given to corporations, associations or firms at least 60 percent of capital of which is owned by Filipino citizens.

Operation of an Airport

The operation of the Mactan-Cebu International Airport is under the supervision of the Mactan-Cebu International Airport Authority ("MCIAA"). MCIAA was created pursuant to Republic Act No. 6958 in order to control, manage and supervise the Mactan International Airport and the Lahug Airport. MCIAA has the following functions, powers and duties, among others: (i) to control, supervise, construct, maintain, operate and provide such facilities or services as shall be necessary for the efficient functioning of the airports; (ii) promulgate rules and regulations governing the planning, development, maintenance, operation and improvement of the airports, and to control and supervise the construction of any structure or the rendition of any service within the airports; (iii) levy and collect dues, charges, fees or assessments for the use of airport premises, works, appliances, facilities or concessions, or for any service provided by the MCIAA; and (iv) provide services, whether on its own or otherwise, within the airports and the approaches thereof as may be necessary or in connection with the maintenance and operation of the airports and their facilities.

Aside from MCIAA, the Civil Aviation Authority of the Philippines ("CAAP") is also responsible for the planning, development, construction, operation, maintenance or the expansion of airports in the Philippines. Among others, the CAAP Board has the power to determine and fix landing fees, parking space fees, royalties on sales or deliveries, direct or indirect, to any aircraft for its use of aviation gasoline, oil and lubricants, spare parts, accessories and supplies, tools, other royalties, fees or rentals for the use of any of the property under its management and control.

The rules and regulations of these agencies will have an impact on the operations of the Mactan-Cebu International Airport.

Operation of a Hospital

Philippine law defines a "hospital" as a place devoted primarily to the maintenance and operation of facilities for the diagnosis, treatment and care of individuals suffering from illness, disease, injury or deformity, or in need of obstetrical or other medical and nursing care. It is also an institution, building or place where there are installed beds or cribs or bassinets for twenty-four hour use or longer by patients in the treatment of diseases, injuries, deformities or abnormal physical and mental states, maternity cases, and sanitorial or sanitarial care, infirmities, nurseries, dispensaries, and such other means by which they may be designated.

The primary government agency that regulates hospitals is the Department of Health ("DOH") through the Bureau of Health Facilities and Services ("BHFS") and Center for Health Development ("CHD").

Under present regulations of the DOH, hospitals are classified according to (a) ownership (government or private), (b) scope of services (General or Specialty) and (c) functional capacity into (i) General (Levels 1, 2, and 3) (ii) Specialty Hospitals and (iii) Trauma Capable Hospitals (Trauma Capable or Trauma Receiving). Each of the specific type of hospital classification entails variations in licensing requirements, as well as inspection and assessment criteria, from the DOH.

While there are no specific nationality restrictions on the ownership and operations of hospitals in the Philippines, nationality thresholds may be triggered in relation to hospitals: (a) owning lands and (b) engaging in retail trade (pharmacies independent of hospital operations). Under Philippine law, only a maximum of 40% foreign equity is allowed for corporations that own land. For corporations engaging in retail trade, a minimum paid-up capital of the equivalent of US Dollars 2,500,000.00 is required before foreign participation may be allowed.

In addition to the requirement to obtain permits and licenses which are applicable to all business operations in the Philippines (*i.e.*, local business permits, Securities and Exchange Commission registration and reportorial requirements (for corporations and partnerships), Department of Trade and Industry registration and reportorial (for sole proprietorship), Bureau of Internal Revenue registration, Social Security System, Home Development Mutual Fund and Philippine Health Insurance Corporation ("PhilHealth") registrations and reportorial requirements as an employer), specific permits, licenses and regulations are applicable to hospital ownership and operations.

- (a) Certificate of Need (“CON”) – a certificate issued by the CHD for a proposed construction of a new general hospital, which ensures that the facility will be needed at the time of its completion. A CON is required prior to the issuance of a DOH-Permit to Construct (“DOH-PTC”) for construction of a general hospital.
- (b) DOH-PTC – a permit issued by the DOH through the BHFS to an applicant that will establish and operate a hospital or other health facility prior to actual construction of the facility. A DOH-PTC is also required for hospitals and other health facilities with substantial alteration, expansion, renovation, or increase in number of beds. It is a prerequisite for the issuance of a License to Operate (“LTO”).
- (c) LTO – a formal authority issued by the DOH to an individual, agency, partnership or corporation to operate a hospital or other health facility. A single LTO is issued to cover the operation of the hospital, as well as its ancillary and other facilities including, but not limited to, the clinical laboratory, HIV testing, drinking water analysis and drug testing, blood bank, blood collection unit and blood station; dialysis clinic; ambulatory surgical clinic; pharmacy; and medical x-ray facility. Special permits or authorities are required for hospital-based medical facilities intended to cater to overseas workers and seafarers, hospital-based drug abuse treatment and rehabilitation centers, facilities using radioactive materials that are currently regulated by the Philippine Nuclear Research Institute (“PNRI”) and medical facilities that perform kidney transplants. An LTO is valid for one year, and must be renewed on an annual basis.

Under R.A. No. 4226, a licensee is a person or persons granted a license *to operate* and maintain a hospital according to an approved minimum standard. Under DOH Administrative Order No. 2012-0012, an LTO is defined as a formal authority issued by the DOH to an individual, agency, partnership or corporation *to operate* a hospital or other health facility.

- (d) Accreditation as a Hospital Engaged in Kidney Transplantation – a separate authorization issued by the DOH for hospitals that are engaged in kidney transplantation. It is valid for three years after issuance, and may be renewed thereafter. A self-assessment report is required to be submitted to the Philippine Network for Organ Donation and Transplantation on the succeeding year from the date of the issuance of the certificate.
- (e) Certificate of Accreditation – a separate Certificate of Accreditation is issued by the DOH for medical facilities that cater to overseas Filipino workers and seafarers.
- (f) PhilHealth Accreditation - all DOH-licensed hospitals are deemed automatically accredited by PhilHealth as Centers of Safety. Hospitals are required to submit a Mandatory Monthly Hospital Report to the PhilHealth, indicating, among others information with regard to patients admitted to the hospital.
- (g) PNRI Licenses – the PNRI is the primary government agency tasked to issue license in relation to radioactive materials in the Philippines. Among the licenses issued by the PNRI for hospitals or hospital related activities are (i) the license for medical use of radiopharmaceuticals in medical institutions and (ii) the license for medical use of sealed sources.
- (h) Philippine Drug Enforcement Agency (“PDEA”) Licenses – hospitals are required to secure license to handle dangerous drugs, dangerous drug preparations and precursors, essential chemicals or controlled chemicals or mixtures.

In certain instances, hospitals are held solidarily liable for medical malpractice. In these instances, the Philippine Supreme Court has used three approaches to justify a finding that hospitals are solidarily liable with its physicians: (a) the “control test” in labor law, (b) the doctrine of apparent authority, and (c) the doctrine of corporate negligence or responsibility.

- (c) The “Control Test”

In a string of Philippine Supreme Court rulings, the nature of the “control test” *vis-à-vis* the liability of hospitals in medical malpractice was explained. The “control test” essentially determines whether an employment relationship exists between a physician and a hospital based on the exercise of control over the physician as to details. Specifically, the employer (or the hospital) must have the right to control both the means and the details of the process by which the employee (or the physician) is to accomplish his task for it to become liable for the acts of consulting or visiting doctors under Article 2180 of the Civil Code. Under this provision, a person may be held directly and primarily accountable for the negligence of his employee who acts within the scope of his assigned tasks. Once negligence on the part of the employee is proved, liability on the part of the employer attaches by operation of law, unless the latter can prove that he observed the due diligence of a good father of the family in the selection and supervision of his employee.

(d) The Doctrine of Apparent Authority

In general, a hospital is not liable for the negligence of an independent contractor-physician. There is, however, an exception to this principle. The hospital may be liable if the physician is the “ostensible” agent of the hospital. This exception is also known as the “doctrine of apparent authority,” which consists of two factors: (i) the hospital’s manifestations, representations and actions (whether general or implied) which would lead a reasonable person to conclude that the individual who was alleged to be negligent was an employee or agent of the hospital and (ii) patient’s reliance on the hospital’s conduct, sometimes characterized as an inquiry on whether the plaintiff acted in reliance upon the conduct of the hospital or its agent, consistent with ordinary care and prudence.

(e) Corporate Negligence or Responsibility

The third means by which hospitals could be made liable for medical malpractice is the doctrine of corporate negligence or corporate responsibility. In *Professional Services, Inc. v. Agana* (G.R. 126297, 31 January 2007), the Supreme Court, in holding Professional Services, Inc. liable, noted the emerging view that providing quality medical service is “no longer the sole responsibility of the physician” since the hospitals themselves promise quality health services to the public. Thus, they have the obligation to exercise reasonable care to protect from harm and negligence all patients admitted to their facilities. When a hospital breaches its duty to exercise reasonable care in providing medical services, it incurs liability.

LABOR AND EMPLOYMENT

The Department of Labor and Employment (“DOLE”) is the Philippine government agency mandated to formulate policies, implement programs and services, and serve as the policy-coordinating arm of the Executive Branch in the field of labor and employment. The DOLE has exclusive authority in the administration and enforcement of labor and employment laws such as the Labor Code of the Philippines and the Occupational Safety and Health Standards (“OSHS”), as amended, and such other laws as specifically assigned to it or to the Secretary of the DOLE.

Social Security System, PhilHealth and the Pag-IBIG Fund

An employer, or any person who uses the services of another person in business, trade, industry or any undertaking is required under the Social Security Act of 1997 to ensure coverage of employees following procedures set out by the law and the Social Security System (“SSS”). Under the said law, an employer must deduct from its employees their monthly contributions based on a given schedule, pay its share of contribution and remit these to the SSS within a period set by law and/or SSS regulations.

Employers are likewise required to ensure enrollment of its employees in a National Health Program administered by the Philippine Health Insurance Corporation (“PhilHealth”), a government corporation attached to the DOH tasked with ensuring sustainable, affordable and progressive social health insurance pursuant to the provisions of the National Health Insurance Act of 1995. Under the Home Development Mutual Fund Law of 2009, all employees who are covered by the Social Security Act of 1997 must also be registered with and covered by the Home Development Mutual Fund, more commonly referred to as the Pag-IBIG Fund.

Workers' health and safety

The Rules for OSHS issued by the Bureau of Working Conditions of the DOLE establishes the threshold limit values ("TLV") for toxic and carcinogenic substances which may be present in the atmosphere of the work environment. The TLV refer to airborne concentration of substances and represent the conditions under which it is believed that nearly all workers may be repeatedly exposed daily without adverse effect. The TLV refers to the time weighted concentrations for an eight-hour workday and a total of 48-work hours per week.

The employees' exposure to the substances identified in the OSHS must be limited to the ceiling value given for the relevant substance in the OSHS or must not exceed the 8-hour time weighted average limit given for that substance in the OSHS, as the case may be.

To protect the employees, an employer is required to furnish its workers with protective equipment for the eyes, face, hands, and feet as well as protective shields and barriers, whenever necessary, by reason of the hazardous nature of the process or environment, chemical or radiological or other mechanical irritants or hazards capable of causing injury or impairment in the function of any part of the body through absorption, inhalation or physical contact. The employer is responsible for ensuring the adequacy and proper maintenance of personal protective equipment used in its workplace.

To ensure compliance with the OSHS, every establishment or place of employment will be inspected at least once a year. Special inspection visits may be authorized by the Regional Labor Office to investigate accidents, occupational illnesses or dangerous occurrences, especially those resulting in permanent total disability or death, to conduct surveys of working conditions for the purpose of evaluating and assessing environmental contaminants and physical conditions, or to conduct investigations, inspections or follow-up inspections upon request of an employer, worker or a labor union of the establishment.

Any violation of the provisions of the OSHS will be subject to the applicable penalties provided in the Labor Code. The Labor Code imposes a fine of not less than ₱1,000.00 nor more than ₱10,000.00 or imprisonment of not less than three months nor more than three years, or both such fine and imprisonment, at the discretion of the court. If the offense is committed by a corporation, the penalty will be imposed upon the guilty officers of such corporation.

Depending on the size of the workforce and the nature of the work place as either hazardous or non-hazardous, an employer is obliged to provide certain free medical and dental attendance and facilities. For large-scale industries where the number of workers is from 200 to 600, the employer is required to provide the services of a part-time occupational health physician and a part-time dentist, each of whom is required to stay in the premises of the workplace at least four hours a day, six times a week, and each working in alternate periods with the other. It is also required to provide the services of a full-time occupational health nurse and a full-time first aider. The employer must further maintain an emergency clinic, unless there is a hospital or dental clinic which can be reached in 25 minutes of travel, and it has facilities readily available for transporting its workers to the hospital or clinic in case of emergency

Under the OSHS, every place of employment is required to have a health and safety committee. Further, the employer has the duty to write administrative policies on safety in conformity with OSHS. It must report to the DOLE copies of the policies adopted and the health and safety organization established to carry out the program on safety and health within one month after the organization or reorganization of the health and safety committee.

Moreover, Republic Act No. 7877 makes it the duty of every employer to create a committee on decorum and investigation of sexual harassment cases. Such committee must be composed of at least one representative each from management, the union, the employees from the supervisory rank, and the rank-and-file employees. In addition, it is likewise the duty of the employer to promulgate rules and regulations prescribing the procedure for the investigation of sexual harassment cases and the administrative sanctions therefor, which rules must be formulated in consultation with and later jointly approved by the employees.

MATERIAL CONTRACTS

The Company's principal contracts generally consist of construction contracts for its projects, operating and finance lease commitment, contract for the lease of its office space, motor pool and equipment yard; surety arrangement and guarantees and joint venture agreement. The Company also has existing loan agreements. Other than these, the Company is not a party to any contract of any material importance and outside the usual course of business, and the Directors do not know of any such contract involving the Company.

CONSTRUCTION CONTRACTS

Majority of the Company's contracts are general construction works and may be classified into several scopes namely: site development, earthworks, structural and civil works, masonry works, architectural finishes, electrical works, plumbing and sanitary works, fire protection works and mechanical works.

These construction contracts generally contain a warranty from the Company that it shall be responsible for, and shall indemnify and hold the customer free and harmless from and against all losses, expenses, judgments, court costs, attorney's fees, demands, payments, suits, action, recoveries, decrees, execution and claims of every nature and description brought and/or recovered against the Company or the customer, for whatever reason, in connection with the work covered by the said contracts. Payment of liquidated damages, computed at 1/10 of 1% of the total contract price, up to a maximum of 10% of the total contract amount, per calendar day of delay, is stipulated in said contracts.

As for the manner of payment, the customer generally pays the downpayment upon submission of certain documents (e.g. bonds) while the balance is paid through monthly progress payments upon submission of Megawide's monthly progress billing. These monthly payments are subject to ten percent (10%) retention to be released upon lapse of a certain amount of time after the completion and/or turn-over of the project.

Upon complete turn-over of the projects, the Company, under the foregoing construction contracts, is required to post bonds to guarantee any defects, except those from ordinary wear and tear or not attributable to the Company, that may occur within one (1) year from acceptance.

PPP CONTRACTS

The Company on its own and through its subsidiaries, executed the following agreements relative to its PPP Projects:

(i) Agreements executed by the Department of Education and CMCI for the PSIP I Projects

- (a) Build Lease Transfer Agreement (for Package B) dated October 8, 2012 with a contract price of 5,229,899,136 for the construction of school buildings in Region III;
- (b) Build Lease Transfer Agreement (for Package C) dated October 8, 2012 with a contract price of 7,229,899,136 for the construction of school buildings in Region IV-A; and

The PSIP involves the construction, maintenance, and lease of school buildings under a Build-Lease Transfer ("BLT") framework. Under the BLT, Citicore-Megawide Consortium will build over 7000 classrooms then lease the same to the DepEd for ten (10) years before transferring the school buildings to the DepEd.

(ii) Agreement executed by the Department of Education and Megawide for the PSIP II Projects

October 17, 2013, the Company executed a Build Transfer Agreement with the DepEd for the construction of school buildings in Regions I, II, III, and CAR with contract price of ₱2,255,923,096.49

(iii) Build Operate Transfer Agreement executed by MWCCI and the DOH

On March 6, 2014, the Company's 51%-owned subsidiary, MWCCI, executed a Build Operate Transfer Agreement with the DOH relative to the MPOC Project for a total contract price of approximately ₱5.69 Billion. The BOT Agreement covers the design, construction, operation and maintenance of the hospital for the designated 25-year concession period, and then turnover the hospital to the DOH at the end of such period.

(iii) Concession Agreement executed by GMCAC and the DOTC and the MCIAA

On April 22, 2014, GMCAC executed the concession agreement for the renovation of the Mactan Cebu International Airport and the construction of a new and world-class airport passenger terminal (along with associated infrastructure and facilities), the renovation and expansion of the existing airport terminal and the operation and maintenance of both airport passenger terminals for a period of 25 years under a build-operate-transfer arrangement.

The Concession Period is for 25 years.

OPERATING AND FINANCE LEASE

In the conduct of its ordinary course of business, Megawide enters into finance lease agreements with financing companies for its vehicles and equipment for terms of 36 – 60 months. As of date hereof, the Company's leased property under such arrangement has a total cost of ₱713,260,181.34, total rental is ₱ 632,435,906.80 and total monthly rental of ₱17,523,569.83.

LEASED PROPERTIES

Megawide is leasing the 1,493 sqm property at N. Domingo St., Barangay Valencia, Quezon City where its corporate office is located from Megapolitan Realty and Development Corporation (Megapolitan). The lease agreement is valid until February 5, 2015 and Megawide pays a monthly rental of ₱196,619.40. Megawide leases an office space from Philwide with a monthly rental of ₱1,000.00. It also leases an office space from Philwide. Megawide pays a rental of ₱1,000.

In addition to the foregoing office spaces, Megawide also leases properties needed for its operations such as the lease agreement with:

Date	Lessor	Duration	Location	Area	Monthly Rental
January 13, 2014	Mail Link Coordinates	January 13, 2015	Mexico Industrial Complex, Brgy. Panipuan, Mexico Pampanga	4,800 sqm	₱420,000.00 inclusive of 12% VAT
December 21, 2013	EverForbes Development Corp	December 20, 2014	#25 Sgt. Borromeo St. Corner Sgt. Tuazon St. South Triangle Quezon City	488.10 sqm	₱67,578.94 inclusive of VAT and Withholding Tax
June 23, 2014	Will Decena & Associates, Inc,	January 2015	11 Scout Rallos, Barangay Laging Handa, Quezon City	690 sqm	₱80,000.00 net of VAT and Withholding Tax
March 1, 2014	Maria Elma Jaview Loresca	February 28, 2015	#115 Dr. Sixto Antonio Ave. Brgy Maybunga Pasig City,	1,225.61 square feet	₱30,000
April 1, 2014	Myrna Tomas	March 31, 2016	87 Mindanao Avenue, Barangay Pagasa/B.Bantay, Quezon City	809 sqm	₱107,000.00 inclusive of VAT and other taxes
April 11, 2014	LVN Pictures Inc.	April 11, 2016	Barangay Kaunlaran, Cubao Quezon City	2,019.38 sqm	₱271,404.67 Inclusive of 12% VAT
June 1, 2014	New Zealand	May 31, 2015	Yakal Street cor	1,350 sqm	₱200.00/ sqm

	Creamery, Inc.		Talisay Street, Makati City		inclusive of 5% withholding tax and 12% VA, or a total of ₱270,000.00
June 1, 2014	New Zealand Creamery, Inc.	May 31, 2015	Yakal Street cor Talisay Street, Makati City	1,176 sqm	₱200.00/ sqm inclusive of 5% withholding tax and 12% VA, or a total of ₱235,200.00
April 1, 2014	Eldan Land Use Management & Development Corp	March 31, 2015	Mariano St. Cor. A.Luna City of Makati	399 sqm	₱80,000.00 inclusive of all taxes and fees.
July 1, 2014	Natividad N. Makabuhay	June 30, 2015	Barangay San Juan, Taytay Rizal	6,090 sqm	₱487,200.00 exclusive of applicable taxes
March 1, 2014	Dizon Farms Produce, Inc.	March 1, 2018	Ligid Tipas Taguig City	615 sqm	₱75.00/ sqm. VAT inclusive or a total amount of ₱46,125.00
March 1, 2014	Aguacare Marketing Corp.	October 31, 2018	Tipas St. Taguig City	1,450 sqm	₱150.00/sqm inclusive of VAT and all applicable taxes or a total of ₱217,500.00
January 1, 2014	Altria East Land, Inc.	January 1, 2015	Coastal Road, Bangiad, Brgy. San Juan, Taytay Rizal	121,984.8 sqm	₱2,439,696.00 inclusive of VAT and other taxes

LOAN AGREEMENTS

The Company has existing credit lines granted per bank (amounts in ₱ millions) as of date:

Bank	Credit Line	Outstanding Loan	Available Credit Line
BDO Unibank, Inc	1,500.00	1,210.00	290.00
Bank of Philippine Islands	1,000.00	600	400.00
Metrobank	1,500.00	910	590.00
Philippine National Bank	2,000.00	500	1,500.00
Security Bank	500.00		500.00
DBP	2,000.00	300	1,700.00
HSBC(USD millions)	15.00		15.00

Additionally, the Company has the following loan agreements:

₱3 Billion – BDO Private Bank

On July 11, 2011, the Company entered into a ₱3 Billion Notes Facility Agreement with BDO Private Bank, Inc. – Wealth Advisory and Trust Group to fund the Company's capital expenditure requirements. The note earns interest at the rate per annum which is equal to the interest rate based on the relevant Philippine Dealing System Treasury Fixing ("PDST-F") benchmark rate referenced to the bid yield for treasury securities of maturity similar to the one month notes plus a margin from 125 to 150 basis points.

As of date, the outstanding amount on the Notes Facility is ₱1,000,000,000.

The final maturity dates of the notes issued pursuant to this Agreement are in 2016.

₱ 6.5 Billion Notes Facility Agreement

On December 7, 2012, the Company, as Sponsor, entered into a ₱6.5 B Notes Facility Agreement with Citicore-Megawide Consortium, Inc. as Issuer, Citicore Holdings Investment, Inc. as Sponsor, and several banking institutions. The ₱6.5 Billion Notes Facility Agreement is for the purpose of financing the debt portion of the total project cost of PSIP Contract Package B for Region III and Contract Package C for Region IV-A.

In consideration of the commitments made by the noteholders to CMCI in accordance with such agreement, and to ensure the payment by CMCI of all its obligations under such agreement and other loan documents, and for other good and valuable consideration, CMCI assigned to the security trustee appointed under the agreement for the benefit of the noteholders all CMCI's rights, title and interests into its project accounts, project receivables and project documents (subject to governmental approval, including the Build Lease Transfer Agreements with the government), among others.

As of date, the outstanding amount on the Notes Facility is ₱6,012,500,000.

The final maturity date of the notes issued under this Agreement is in 2023.

₱ 4.0 Billion Notes Facility Agreement

On February 19, 2013, the Company, as Issuer, entered into a ₱4 Billion Notes Facility Agreement with several banking institutions. The ₱4 Billion Notes Facility Agreement is for the purpose of funding the Company's working capital requirements and for general corporate purposes.

As of date, the outstanding amount on the notes facility is ₱4,000,000,000.

The final maturity dates of notes issued under this Agreement are in 2018, 2020 and 2023, respectively.

₱ 11.3 Billion Omnibus Loan and Security Agreement

On April 8, 2014, the Company, as Sponsor, Assignor and Pledgor, entered into a ₱11.3 Billion Omnibus Loan and Security Agreement with GMR Megawide Cebu Airport Corporation as Borrower, GMR Infrastructure Limited as Sponsor, Assignor and Pledgor, GMR Infrastructure (Singapore) Pte. Limited as Assignor and Pledgor and BDO Unibank, Inc. as Lender. The ₱11.3 Billion Omnibus Loan and Security Agreement is for the purpose of partially financing the payment of the bid premium of the MCIA Project.

In consideration of the commitments made by the lender to GMCAC in accordance with such agreement, and to ensure the payment by GMCAC of all its obligations under such agreement and other loan documents, and for other good and valuable consideration, GMCAC assigned to the security trustee appointed under the agreement for the benefit of the lender all its rights, title and interests into its project accounts, project receivables and project documents, among others.

As of date, the outstanding loan amount is ₱11,293,182,882.34.

The final maturity date of the notes issued under this Agreement is in 2015.

₱ 2.9 Billion Omnibus Loan and Security Agreement

On October 2, 2014, the Company, as Guarantor, entered into a ₱2.9 Billion Omnibus Loan and Security Agreement with Megawide World Citi Consortium, Inc. as Borrower, Land Bank of the Philippines and Development Bank of the Philippines as Lenders. The ₱2.9 Billion Omnibus Loan and Security Agreement is to finance the construction cost of the new Philippine Orthopedic Center.

In consideration of the commitments made by the noteholders to MWCCI in accordance with such agreement, and to ensure the payment by MWCCI of all its obligations under such agreement and other loan documents, and for other good and valuable consideration, MWCCI assigned to the security trustee appointed under the agreement for the benefit of the noteholders all its rights, title and interests into certain of its project debt accounts, project receivables, project documents, among others.

As of date, there is no outstanding loan amount.

SHAREHOLDERS AGREEMENTS

Agreement with PhilCarbon Inc. in relation to Megawatt Clean Energy, Inc.

On June 27, 2014, the Company entered into a Shareholders' Agreement with PhilCarbon Inc. ("PhilCarbon"), a renewable energy developer, to establish a company that will engage in the development of energy projects for Megawide. Pursuant to said Shareholders' Agreement, Megawatt Clean Energy, Inc. ("MCEI") was incorporated on September 4, 2014.

Under the Shareholders' Agreement, the Company shall own 70% of MCEI and provide 100% of the funds needed to capitalize and operate MCEI. PhilCarbon shall own 30% of MCEI. MCEI's Board shall be comprised of five (5) directors designated by the Company and two (2) directors designated by PhilCarbon. MCEI will initially develop energy projects to be selected by the MCEI Board from the current portfolio of stage zero projects of PhilCarbon.

Agreement with GMR in relation to GMCAC

On April 8, 2014, the Company entered into a Shareholders' Agreement with GMR setting forth the terms and conditions governing their participation in the share capital of GMCAC, and their rights and obligations as shareholders in relation to GMCAC. Under said Shareholders' Agreement the parties defined the business of GMCAC, the required manpower support from each shareholder, the composition of the board, formation of committees and the management team for the orderly management of the MCIA Project, conduct of board and shareholder meetings as well as restrictions on the transfer rights of the stockholders and issuance of additional shares.

Agreement with World Citi in relation to MWCCI

On September 22, 2014, the Company entered into a Shareholders' Agreement with World Citi setting forth the terms and conditions governing their participation in the share capital of MWCCI, and their rights and obligations as shareholders in relation to MWCCI. Under said Shareholders' Agreement the parties defined the shareholding structure, right of first refusal, composition of the board, residency training program for MPOC, and hospital operations and management.

INTEREST OF EXPERTS AND COUNSEL

LEGAL MATERS

The validity of the Offer Shares and other matters concerning the Offer and the tax matters were passed upon for the Company by Cayetano Sebastian Ata Dado and Cruz, the independent legal and tax counsel of the Company. The independent counsel has no shareholdings or any interest, direct or indirect, in the Company, or any right, whether legally enforceable or not to nominate persons or to subscribe to the securities of the Company in accordance with the standards on independence required in the Code of Professional Responsibility and as prescribed by the Supreme Court of the Philippines.

INDEPENDENT AUDITORS

The financial statements of Megawide Construction Corporation as of December 31, 2013 and 2012, and for the years ended December 31, 2013, 2012 and 2011 appearing in this Preliminary Prospectus have been audited by Punongbayan & Araullo, independent auditors, as set forth in their report thereon appearing elsewhere herein.

The aggregate fees billed by Punongbayan & Araullo for each of the years ended December 31, 2011, 2012 and 2013 for professional services rendered by Punongbayan & Araullo to the Company, excluding fees directly related to the Offer (amounts in ₱):

Nature	For the years ended		
	December 31, 2013	December 31, 2012	December 31, 2011
Audit of Financial Statements	1,050,000	1,050,000	995,000

The fees presented above include out-of-pocket expenses incidental to the Independent Auditors services.

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

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

The Company's Corporate Governance Manual provides that the audit committee shall consist of three (3) members of the Board of Directors, who shall preferably have accounting and finance backgrounds, one of whom is an independent director, including the chairman of the committee, and another with audit experience. The audit committee, with respect to an external audit:

- Perform oversight function over the corporation's external auditor. It shall ensure that the external auditor acts independently from the internal auditor, and that the external auditor is given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions.
- Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.
- Review the report submitted by the external auditor.
- Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's annual report.

PHILIPPINE STOCK MARKET

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by the Company or the Joint Issue Managers or any of their respective affiliates or advisors in connection with sale of the Offer Shares.

BRIEF HISTORY

The Philippines initially had two stock exchanges, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1963. Each exchange was self-regulating, governed by its respective Board of Governors elected annually by its members.

Several steps initiated by the Government have resulted in the unification of the two bourses into the PSE. The PSE was incorporated in 1992 by officers of both the Makati and the Manila Stock Exchanges. In March 1994, the licenses of the two exchanges were revoked. While the PSE maintains two trading floors, one in Makati City and the other in Pasig City, these floors are linked by an automated trading system, which integrates all bids, and ask quotations from the bourses.

In June 1998, the Philippine SEC granted the “Self-Regulatory Organization” status to the PSE, allowing it to impose rules as well as implement penalties on erring trading participants and listed companies. On August 8, 2001, the PSE completed its demutualization, converting from a non-stock member- governed institution into a stock corporation in compliance with the requirements of the Philippine Securities Regulation Code. The PSE has an authorized capital stock of 97.8 million shares, of which, of which 30.7 million shares are subscribed and fully paid up. Each of the 184 member-brokers was granted 50,000 common shares of the new PSE at a par value of P1.00 per share. In addition, a trading right evidenced by a “Trading Participant Certificate” was immediately conferred on each member broker allowing the use of the PSE’s trading facilities. As a result of the demutualization, the composition of the PSE Board of Governors was changed, requiring the inclusion of seven brokers and eight non-brokers, one of whom is the President.

On December 15, 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippine securities industry.

Classified into financial, industrial, holding firms, property, services, and mining and oil sectors, companies are listed either on the PSE’s Main Board or the Small, Medium and Emerging Board. Previously, the PSE allowed listing on the First Board, Second Board or the Small, Medium and Enterprises Board. As a result of the issuance by the PSE of Memorandum No. CN-No. 2013-0023 dated June 6, 2013, revisions to the PSE Listing Rules were made. Among such changes are the removal of the Second Board listing and the requirement that lock-up rules be embodied in the articles of the incorporation of the issuer. Each index represents the numerical average of the prices of component shares. The PSE has an index, referred to as the PHISIX, which as at the date thereof reflects the price movements of selected shares listed on the PSE, based on traded prices of shares from the various sectors. The PSE shifted from full market capitalization to free float market capitalization effective April 3, 2006, simultaneous with the migration to the free float index and the renaming of the PHISIX to PSEi. The PSEi is composed of shares of 30 selected companies listed on the PSE.

With the increasing calls for good corporate governance, the PSE has adopted an online daily disclosure system to improve the transparency of listed companies and to protect the investing public.

The table below sets out movements in the composite index as of the last business day of each calendar year from 1995 to 2013, and the most recent month end in 2014, and shows the number of listed companies, market capitalization, and value of shares traded for the same period:

SELECTED STOCK EXCHANGE DATA

The table below sets forth movements in the composite index from 1995 to 2013 and as of May 31, 2014, and shows the number of listed companies, market capitalization, and value of shares traded for the same period:

Year	Composite Index at Closing	Number of Listed Companies	Aggregate Market Capitalization
1995	2,594.2	205	1,545.7
1996	3,170.6	216	2,121.1
1997	1,869.2	221	1,251.3
1998	1,968.8	222	1,373.7
1999	2,142.9	225	1,936.5
2000	1,494.5	229	2,576.5
2001	1,168.1	231	2,141.4
2002	1,018.4	234	2,083.2
2003	1,442.4	236	2,973.8
2004	1,822.8	235	4,766.3
2005	2,096.0	237	5,948.4
2006	2,982.5	239	7,173.2
2007	3,621.6	244	7,977.6
2008	1,872.9	246	4,069.2
2009	3,052.7	248	6,029.1
2010	4,201.1	253	8,866.1
2011	4,372.0	253	8,697.0
2012	5,812.7	268	10,850.0
2013	5,889.8	257	11,931.3
As of July 31, 2014	6,864.8	297	

Notes: in ₱ Billions

Source: Philippine Stock Exchange, Inc.

TRADING

The PSE is a double auction market. Buyers and sellers are each represented by stockbrokers. To trade, bid or ask prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one broker at the same price are crossed at the PSE at the indicated price. Transactions are generally invoiced through a confirmation slip sent to customers on the trade date (or the following trading day). Payment of purchases of listed securities must be made by the buyer on or before the third trading day (the settlement date) after the trade.

Wholesale trading on the PSE starts at 9:30 a.m. and ends at 3:30 p.m., with trading recess from 12:00 nn to 1:30 p.m. There is also a provision for ten-minute extensions during which transactions may be conducted, provided that they are executed at the last traded price and are only for the purpose of completing unfinished orders. The PSE may effect changes to the hours and schedule of a trading day, as the circumstance warrants. Trading days are Monday to Friday, except legal and special holidays, days when the BSP is closed for various reasons, and such other days as may otherwise be declared by the SEC or the PSE, through its President or other duly authorized representative, to be a non-trading day.

Minimum trading lots range from five (5) to 1,000,000 shares depending on the price range and nature of the security traded. Odd-sized lots are traded by brokers on a board specifically designed for odd lot trading.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, when the price of a listed security moves up by 50.00% or down by 50.00% in one day (based on the previous closing price or last posted bid price, whichever is higher), the price

of that security is automatically frozen by the PSE, unless there is an official statement from the company or a government agency justifying such price fluctuation, in which case the affected security can still be traded but only at the frozen price. If the issuer fails to submit such explanation, a trading halt is imposed by the PSE on the listed security the following day. Resumption of trading shall be allowed only when the disclosure of the company is disseminated, subject again to the trading ban.

NON-RESIDENT TRANSACTIONS

When the purchase/sale of Philippine shares of stock involves a non-resident, whether the transaction is effected in the domestic or foreign market, it shall be the responsibility of the securities dealer/broker to register the transaction with the BSP. The local securities dealer/broker shall file with the BSP, within three business days from the transaction date, an application in the prescribed registration form. After compliance with other required undertakings, the BSP shall issue a Certificate of Registration. Under BSP rules, all registered foreign investments in Philippine securities including profits and dividends, net of taxes and charges, may be repatriated.

SCRIPLESS TRADING

In 1995, the PDTC (formerly the Philippine Central Depository, Inc.), was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. On December 16, 1996, the PDTC was granted a provisional license by the Philippine SEC to act as a central securities depository.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders' meetings, dividend declarations and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the current settlement banks.

In order to benefit from the book-entry system, securities must be immobilized into the PDTC system through a process called lodgment. Lodgment is the process by which shareholders transfer legal title (but not beneficial title) over their shares of stock in favor of the PCD Nominee Corporation ("PCD Nominee"), a corporation wholly-owned by the PDTC, whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged in the PDTC. "Immobilization" is the process by which the warrant or share certificates of lodging holders are canceled by the transfer agent and the corresponding transfer of beneficial ownership of the immobilized shares in the account of the PCD Nominee through the PDTC participant will be recorded in the issuing corporation's registry. This trust arrangement between the participants and PDTC through the PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the Philippine SEC. No consideration is paid for the transfer of legal title to the PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished via book-entry settlement.

Under the current PDTC system, only participants (e.g. brokers and custodians) will be recognized by the PDTC as the beneficial owners of the lodged equity securities. Thus, each beneficial owner of shares, through his participant, will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. All lodgments, trades and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant's aggregate holdings, in the PDTC system, and with respect to each beneficial owner's holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers and/or participant custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must course the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP, and into the PDTC system. Once it is determined on the settlement date (T+3) that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account of the participant-buyer, the PSE trades are

automatically settled in the SCCP Central Clearing and Central Settlement system, in accordance with the SCCP and PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities.

If a shareholder wishes to withdraw his stockholdings from the PDTC system, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged.

The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the upliftment of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under the PCD Nominee. The expenses for upliftment are for the account of the uplifting shareholder.

The difference between the depository and the registry would be on the recording of ownership of the shares in the issuing corporations' books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are canceled and a confirmation advice is issued in the name of PCD Nominee to confirm new balances of the shares lodged with the PDTC. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of the PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the PCD Nominee's name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company's transfer agents' books or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing from the broker its current "de facto" custodianship role.

The option if whether a listed security should be "housed" in the depository or registry is at the issuer's discretion. The migration from the depository to the registry model aims to eliminate the legal and operational risk brought about by a depository infrastructure. Likewise, the migration is expected to strengthen measures to protect public investors/shareholders and decrease transaction costs resulting from additional layers in the settlement process. At present, the depository model is the most widely used and recognized system, being utilized by nearly all jurisdictions around the world.

In light of the CCCS, custodians holding Philippine listed equity securities now have the following options:

- a) Stay with the depository for all its securities, whereby the PDTC acts as their implied "Custodian". For shares under the PDTC, custodians are direct PDTC account holders with the shares still recorded in the PCD Nominee's name as far as the corporation/transfer agent is concerned. For shares under the registry, the custodian appears to be a "client" under "PCD", such that shares are recognized or recorded with PCD as the master/controlling account; or
- b) Be a system participant of the SCCP wherein the CCCS would offer to the custodians the interface to both the depository and registry systems. In this option, for shares under the PDTC, custodians will still have the option to maintain their own accounts in the PDTC or have an omnibus account together with the broker accounts in the PDTC as shares are accounted for or segregated per accountholder in the CCCS. This simplifies the custodian's interface into a single connectivity for both the depository and the registry systems. For shares under the registry system, the custodian will have its own master account, having control over its own account. In the registry scenario, the custodian is already recognized as the beneficial holder of the securities on behalf of its clients. The custodian effectively is given a direct relationship with the issuing company wherein it receives the annual reports, dividends, the other communications and information directly. Prospectively, when the custodian is accredited as an indirect clearing member of the SCCP, straight-through processing of trades or settlement can already be done directly with the custodian or with its client.

AMENDED RULE ON LODGEMENT

On June 24, 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that, beginning July 1, 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the SEC, without any jumbo or mother certificate in compliance with the requirements of Section 43 of the Securities Regulation Code. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in Article III Part A of the Revised Listing Rules.

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

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

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

For new companies to be listed at the PSE as of July 1, 2009 the usual procedure will be observed but the Transfer Agent on the companies shall no longer issue a certificate to PCD Nominee Corp but shall issue a Registry Confirmation Advice, which shall be the basis for the PDTC to credit the holdings of the Depository Participants on listing date.

On the other hand, for existing listed companies, the PDTC shall wait for the advice of the Transfer Agents that it is ready to accept surrender of PCNC jumbo certificates and upon such advice the PDTC shall surrender all PCNC jumbo certificates to the Transfer Agents for cancellation. The Transfer Agents shall issue a Registry Confirmation Advice to PCNC evidencing the total number of shares registered in the name of PCNC in the Issuer's registry as of confirmation date.

SETTLEMENT

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

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

SCCP settles PSE trades on a 3-day rolling settlement environment, which means that settlement of trades takes place three (3) Business Days after transaction date (T+3). The deadline for settlement of trades is 12:00 noon of T+3. Securities sold should be in scripless form and lodged under the PDTCs book entry system. Each Trading Participant maintains a Cash Settlement Account with one

of the four existing Settlement Banks of SCCP which are BDO Unibank, Inc., Rizal Commercial Banking Corporation, Metropolitan Bank & Trust Company and Deutsche Bank AG (Manila Branch). Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker level.

SCCP implemented the CCCS last May 29, 2006. CCCS employs multilateral netting whereby the system automatically offsets “buy” and “sell” transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each Clearing Member. All cash debits and credits are also netted into a single net cash position for each Clearing Member. Notation of the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the Central Counterparty to each PSE-Eligible trade cleared through it.

ISSUANCE OF CERTIFICATED SHARES

On or after the listing or re-issuance of the shares on the PSE, any beneficial owner of the shares may apply to the PDTC through his broker or custodian-participant for a withdrawal from the book-entry system and return to the conventional paper-based settlement. If a stockholder wishes to withdraw his stockholdings from the PDTC System, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the stockholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the upliftment of shares lodged under the name of PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under PCD Nominee. The expenses for upliftment are for the account of the uplifting shareholder.

Upon the issuance of certificated shares in the name of the person applying for upliftment, such shares shall be deemed to be withdrawn from the PDTC book-entry settlement system. Such shares cannot be traded on the PSE without lodging them once again in the depository, in accordance with existing PSE and PDTC rules that were approved by the SEC. Pending completion of the upliftment process, the beneficial interest in the shares covered by the application for upliftment is frozen and no trading and book-entry settlement will be permitted until certificated shares shall have been issued by the relevant company's transfer agent.

PHILIPPINE FOREIGN INVESTMENT, FOREIGN OWNERSHIP AND EXCHANGE CONTROLS

REGISTRATION OF FOREIGN INVESTMENTS AND EXCHANGE CONTROLS

Under current BSP regulations, a foreign investment in listed Philippine securities (such as common shares) must be registered with the BSP if the foreign exchange needed to service the repatriation of capital and the remittance of dividends, profits and earnings which accrue thereon will be sourced from the banking system. If the foreign exchange required for servicing such capital repatriation or dividends, profits, and earnings remittance will be sourced outside the banking system, registration with the BSP is not required. The application for registration must be filed by a stockbroker/dealer or an underwriter directly with the BSP or with a custodian bank designated by the investor. A custodian bank may be any commercial bank or offshore banking unit in the Philippines appointed by the investor to register the investment, hold shares for the investor, and represent the investor in all necessary actions in connection with his investments in the Philippines. Applications for registration must be accompanied by: (i) a purchase invoice, or subscription agreement and/or proof of listing in the PSE; and (ii) a credit advice or bank certification showing the amount of foreign currency inwardly remitted and converted to Pesos through a commercial bank; and (iii) in certain instances, transfer instructions from the stockholder and/or dealer, as the case may be. Upon submission of the required documents, a Bangko Sentral Registration Document ("BSRD") will be issued by the BSP or the investor's custodian bank.

Proceeds of divestments, or dividends of registered investments are repatriable or remittable immediately in full through the Philippine commercial banking system, net of applicable tax, without need of BSP approval. Remittance is allowed upon presentation of the BSRD, at the exchange rate applicable on the date of actual remittance. Pending repatriation or reinvestment, divestment proceeds, as well as dividends of registered investments, may be lodged temporarily in interest-bearing deposit accounts. Interest earned thereon, net of taxes, is also remittable in full. Remittance of divestment proceeds or dividends of registered investments may be reinvested in the Philippines if the investments are registered with the BSP or the investor's custodian bank.

The foregoing is subject to the power of the BSP, with the approval of the President of the Philippines, to restrict the availability of foreign exchange during an exchange crisis, when an exchange crisis is imminent or in times of national emergency.

The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor.

RESTRICTION ON FOREIGN OWNERSHIP

The Philippine Constitution and related statutes set forth restrictions on foreign ownership of companies engaged in certain activities, among them ownership of private land. The Constitution, in relation to Commonwealth Act No. 141, states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens.

Since the Company owns land, the Company must comply with the foregoing restrictions on foreign ownership.

Further, in order to maintain its PCAB license, the Company, pursuant to the Implementing Rules and Regulations of P.D. No. 1746, must maintain a minimum Filipino shareholding of at least 60%. However, should the Company decide to engage in the construction of government projects, foreign equity should be limited to 25% in accordance with Executive Order No. 858 promulgating the Eighth Regular Foreign Investment Negative List.

PHILIPPINE TAXATION

The following is a general description of certain Philippine tax aspects of the investment in the Company. This discussion is based upon laws, regulations, rulings, income tax conventions (treaties), administrative practices and judicial decisions in effect at the date of this Preliminary Prospectus. Subsequent legislative, judicial or administrative changes or interpretations may be retroactive and could affect the tax consequences to the prospective investor.

The tax treatment of a prospective investor may vary depending on such investor's particular situation and certain investors may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to an investor. This general description does not purport to be a comprehensive description of the Philippine tax aspects of the investments in shares and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing the shares under applicable tax laws of other applicable jurisdictions and the specific tax consequence in light of particular situations of acquiring, owning, holding and disposing the shares in such other jurisdictions. This summary does not purport to address all tax aspects that may be important to a holder of the Preferred Shares.

EACH PROSPECTIVE HOLDER SHOULD CONSULT WITH HIS OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF PURCHASING, OWNING AND DISPOSING OF THE OFFER SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY LOCAL AND NATIONAL TAX LAWS.

CORPORATE INCOME TAX

A domestic corporation is subject to a tax of 30% of its taxable income from all sources within and outside the Philippines except, among others, (i) gross interest income from currency bank deposits and yield from deposit substitutes, trust funds and similar arrangements as well as royalties from sources within the Philippines which are generally taxed at the lower final withholding tax rate of 20% of the gross amount of such income; and (ii) interest income from a depository bank under the expanded foreign currency deposit system which is subject to a final tax rate of 7.5% of such income.

A minimum corporate income tax of 2% of the gross income as of the end of the taxable year is imposed on a domestic corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the minimum corporate income tax is greater than the ordinary income tax for the taxable year.

Nevertheless, any excess of the minimum corporate income tax over the ordinary corporate income tax shall be carried forward and credited against the latter for the three immediately succeeding taxable years. Further, subject to certain conditions, the minimum corporate income tax may be suspended with respect to a corporation which suffers losses on account of a prolonged labor dispute, *force majeure* or legitimate business reverses.

TAX ON DIVIDENDS

Cash and property dividends received from a domestic corporation by individual shareholders who are either citizens or residents of the Philippines are subject to income tax at the rate of 10%. Cash and property dividends received by domestic corporations or resident foreign corporations from a domestic corporation are not subject to tax.

Cash and property dividends received from a domestic corporation by non-resident alien individuals engaged in trade or business in the Philippines are subject to a 20% tax on the gross amount thereof, while cash and property dividends received by non-resident alien individuals not engaged in trade or business in the Philippines are subject to tax at 25% of the gross amount, subject, however, to the applicable preferential tax rates under tax treaties executed between the Philippines and the country of residence or domicile of such non-resident foreign individuals. A non-resident alien who comes to the Philippines and stays in the country for an aggregate period of more than 180 days during any calendar year will be deemed a non-resident alien engaged in trade or business in the Philippines.

Cash and property dividends received from a domestic corporation by a non-resident foreign corporation not engaged in trade or business in the Philippines are generally subject to tax at the rate of 30%. Subject to applicable preferential tax rates under treaties in force between the Philippines and the country of domicile of such non-resident foreign corporation, cash and property dividends received are subject to final withholding tax at the rate of 15.0%; provided that the country in which the non-resident foreign corporation is domiciled (i) imposes no taxes on foreign-sourced dividends or (ii) allows a credit against the tax due from the non-resident foreign corporation taxes deemed to have been paid in the Philippines equivalent to the difference between the regular income tax of 30% on corporations and the 15.0% tax on dividends.

The following table lists some of the countries with which the Philippines has tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

	Dividends (%)	Stock transaction tax on sale or disposition effected through the PSE (%)	Capital Gains tax due on disposition of Shares outside the PSE (%)
Canada	25 ⁽¹⁾	Exempt ⁽⁸⁾	Exempt ⁽⁸⁾
France	25 ⁽²⁾	Exempt ⁽⁸⁾	Exempt ⁽⁸⁾
Germany	15 ⁽³⁾	0.5	5/10 ⁽⁹⁾
Japan	25 ⁽⁴⁾	Exempt ⁽⁸⁾	Exempt ⁽⁸⁾
Singapore	25 ⁽⁵⁾	Exempt ⁽⁸⁾	Exempt ⁽⁸⁾
United Kingdom	25 ⁽⁶⁾	Exempt ⁽¹⁰⁾	Exempt ⁽¹⁰⁾
United States	25 ⁽⁷⁾	Exempt ⁽⁸⁾	Exempt ⁽⁸⁾

Notes:

- (1) 15% if recipient company controls at least 10% of the voting power of the company paying the dividends.
- (2) 15% if the recipient company holds directly at least 15% of the voting shares of the company paying the dividends.
- (3) 10% if the recipient company owns directly at least 25% of the capital of the company paying the dividends.
- (4) 10% if the recipient company holds directly at least 25% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the period of 6 months immediately preceding the date of payment of the dividends.
- (5) 15% if during the part of the paying company's taxable year which precedes the date of payment of dividends and during the whole of its prior taxable year at least 15% of the outstanding shares of the voting stock of the paying company was owned by the recipient company.
- (6) 15% if the recipient company is a company which controls directly or indirectly at least 10% of the voting power of the company paying the dividends.
- (7) 20% if during the part of the paying corporation's taxable year which precedes the date of payment of dividends and during the whole of its prior taxable year at least 10% of the outstanding shares of the voting stock of the paying corporation was owned by the recipient corporation.
- (8) Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist principally of real property situated in the Philippines, in which case the sale is subject to Philippine taxes.

(9) *Under the RP-Germany Tax Treaty, capital gains from the alienation of shares of a Philippine corporation may be taxed in the Philippines irrespective of the nature of the assets of the Philippine corporation. Tax rates are 5% on the net capital gains realized during the taxable year not in excess of P =100,000 and 10% on the net capital gains realized during the taxable year in excess of ₱100,000.*

(10) *Under the RP-UK Tax Treaty, capital gains on the sale of the stock of Philippine corporations are subject to tax only in the country where the seller is a resident, irrespective of the nature of the assets of the Philippine corporation.*

Stock dividends distributed pro-rata to any holder of shares of stock are not subject to Philippine income tax. A stock dividend constitutes income if it gives the shareholder an interest different from that which his former stock holdings represented. A stock dividend does not constitute income if the new shares confer no different rights or interest than did the old.

Philippine tax authorities have prescribed certain procedures for availment of tax treaty relief. Subject to the approval by the BIR of the Company's application for tax treaty relief, the Company shall withhold taxes at a reduced rate on dividends to be paid to a non-resident holder, if such non-resident holder provides the Company with proof of residence and if applicable, individual or corporate status. Proof of residence for an individual consists of certification from his embassy, consulate, or other equivalent certifications issued by the proper government authority, or any other official document proving residence. If the regular tax rate is withheld by the Company instead of the reduced rates applicable under a tax treaty, the nonresident holder of the shares may file a claim for refund from the BIR. However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information, and may also involve the filing of a judicial appeal, it may be impractical to pursue such a refund.

SALE, EXCHANGE OR DISPOSITION OF SHARES

Capital Gains Tax, if sale was made outside the PSE

Net capital gains realized by a resident or non-resident other than a dealer in securities during each taxable year from the sale, exchange or disposition of shares of stock outside the facilities of the PSE, are subject to tax as follows: 5% on gains not exceeding ₱100,000.00 and 10% on gains over ₱100,000.00. If an applicable tax treaty exempts such gains from tax or provides preferential rates, an application for tax treaty relief must be filed with (and approved) by the Philippine tax authorities in order to obtain an exemption or to apply a preferential rate under a tax treaty.

The capital gains tax described above shall apply (unless an applicable treaty exempts such gains from tax or provides for preferential rates) to the secondary sale of the common shares by the holder thereof to another party made outside the facilities of the PSE.

Stock Transaction Tax

A sale or other disposition of shares of stock through the facilities of the PSE by a resident or a non-resident holder, other than a dealer in securities, is subject to a stock transaction tax at the rate of 0.5% of the gross selling price or gross value in money of the shares of stock sold or otherwise disposed, unless an applicable treaty exempts such sale from said tax. This tax is required to be collected by and paid to the Philippine Government by the selling stockbroker on behalf of his client. The stock transaction tax is classified as a percentage tax in lieu of a capital gains tax. Under certain tax treaties, the exemptions from capital gains tax discussed herein may not be applicable to the stock transaction tax.

Value Added Tax

Value Added Tax of 12% may generally be imposed on the gross income earned by dealers in securities on the sale of shares and on the commission earned by the PSE-registered broker, which is generally passed on to the client.

DOCUMENTARY STAMP TAX

The original issue of shares of stock is subject to documentary stamp tax of ₱1.00 for each ₱200.00 par value, or a fraction thereof, of the par value of the shares of stock issued. The secondary transfer of shares of stock is subject to a documentary stamp tax of ₱0.75 on each ₱200.00 par value, or a fractional part thereof, of the par value of share of stock transferred.

The sale, barter, or exchange of shares of stock listed and traded through the local stock exchange is exempt from the DST.

In addition, the borrowing and lending of securities executed under the Securities Borrowing and Lending Program of a registered exchange, or in accordance with regulations prescribed by the appropriate regulatory authority, are likewise exempt from documentary stamp tax. However, the securities borrowing and lending agreement should be duly covered by a master securities borrowing and lending agreement acceptable to the appropriate regulatory authority, and should be duly registered and approved by the BIR.

ESTATE AND GIFT TAXES

Shares issued by a corporation organized under Philippine laws are deemed to have a Philippine *situs*, and any transfer thereof by way of donation or succession, even if made by a non-resident decedent or donor outside the Philippines, is subject to Philippine estate or donor's tax.

The transfer of shares of stock upon the death of an individual holder to his heirs by way of succession, whether such holder was a citizen of the Philippines or an alien, regardless of residence, is subject to Philippine taxes at progressive rates ranging from 5% to 20%, if the net estate is over ₱200,000.00. On the other hand, individual and corporate holders, whether or not citizens or residents of the Philippines, who transfer shares of stock by way of gift or donation are liable to pay Philippine donors' tax on such transfer of shares ranging from 2% to 15% of the net gifts during the calendar year exceeding ₱100,000.00. The rate of tax with respect to net gifts made to a stranger (i.e., one who is not a brother, sister, spouse, ancestor, lineal descendant or relative by consanguinity within the fourth degree of relationship) is a flat rate of 30%.

Estate and donor's taxes, however, shall not be collected in respect of intangible personal property, such as shares of stock: (a) if the decedent at the time of his death or the donor at the time of the donation was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character, in respect of intangible personal property of citizens of the Philippines not residing in that foreign country, or (b) if the laws of the foreign country of which the decedent or donor was a citizen and resident at the time of his death or donation allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

TAXATION OUTSIDE THE PHILIPPINES

Shares of stock in a domestic corporation are considered under Philippine law as situated in the Philippines and the gain derived from their sale is entirely from Philippine sources; hence such gain is subject to Philippine income tax and the transfer of such shares by gift (donation) or succession is subject to the donor's or estate taxes stated above. The tax treatment of a non-resident holder of shares of stock in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of domicile or business activities and such holder's particular situation. This Preliminary Prospectus does not discuss the tax considerations on non-resident holders of shares of stock under laws other than those of the Philippines.

Transaction Parties

The Issuer

Name	Address
Megawide Construction Corporation	20 N. Domingo St., 1112 Valencia, Quezon City

The Joint Issue Managers and Joint Bookrunners

Name	Address
BPI Capital Corporation	8th Floor, BPI Building, 6768 Ayala Avenue, Makati City, 1226 Metro Manila, Philippines
Standard Chartered Bank	8th Floor, 6788 Ayala Avenue Makati City 1226 Metro Manila, Philippines

The Underwriters

Name	Address
BDO Capital & Investment Corporation	20th Floor South Tower, BDO Corporate Center, Makati Avenue, Makati City
BPI Capital Corporation	8th Floor, BPI Building, 6768 Ayala Avenue, Makati City, 1226 Metro Manila, Philippines
First Metro Investment Corporation	45th Floor GT Tower International, 6813 Ayala Avenue corner H.V. dela Costa St., Makati City
Standard Chartered Bank	8th Floor, 6788 Ayala Avenue Makati City 1226 Metro Manila, Philippines

Legal Counsels to the Issuer

Name	Address
Martinez Vergara Gonzalez & Serrano	Suite 2401, The Orient Square F. Ortigas, Jr. Road, Ortigas Center 1600 Pasig City Metro Manila, Philippines

Legal Counsel to the Underwriters

Name	Address
SyCip Salazar Hernandez & Gatmaitan	SyCip Law Center 105 Paseo de Roxas Makati City 1226 Metro Manila, Philippines

Registrar

Name	Address
BDO Unibank, Inc. - Trust & Investments Group	15th Floor South Tower, BDO Corporate Center 7899 Makati Avenue, Makati City

Receiving and Paying Agent

Name	Address
BDO Unibank, Inc. - Trust & Investments Group	15th Floor South Tower, BDO Corporate Center 7899 Makati Avenue, Makati City