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SECURITIES AND EXCHANGE COMMISSION

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **30 September 2012**
2. Commission Identification Number: **167423** 3. BIR Tax Identification No.: **000-477-103**
4. **MEGAWORLD CORPORATION**
Exact name of issuer as specified in its charter
5. **Metro Manila**
Province, Country or other jurisdiction of incorporation or organization
6. (SEC Use Only)
Industry Classification Code
7. **28th Floor, The World Centre
330 Sen. Gil J. Puyat Avenue
Makati City, Philippines 1227**
Address of issuer's principal office
8. **(632) 867-8826 to 40**
Issuer's telephone number, including area code
9. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Stock Outstanding
Common	28,737,442,985
Preferred	6,000,000,000
Total	34,737,442,985

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

Yes [] No []

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

The shares of common stock of the Company are listed on the Philippine Stock Exchange.

11. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports).

Yes [] No []

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

Yes

No

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Interim financial statements are attached as Exhibits 1 to 5 hereof and incorporated herein by reference:

Exhibit 1 - Consolidated Statements of Financial Position as of December 31, 2011 and September 30, 2012

Exhibit 2 - Consolidated Statements of Income for the periods ended September 30, 2012 and September 30, 2011

Exhibit 3 - Consolidated Statements of Changes in Equity as of September 30, 2012 and September 30, 2011

Exhibit 4 - Consolidated Statements of Cash Flows as of September 30, 2012 and September 30, 2011

Exhibit 5 - Notes to Interim Financial Information

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition

Please refer to Exhibit 6 hereof.

Item 3. Aging of Accounts Receivables

Please refer to Exhibit 7 hereof.

Item 4. Schedule of Financial Soundness Indicators

Please refer to Exhibit 8 hereof.

PART II – OTHER INFORMATION

The Company is not in possession of information which has not been previously reported in a report on SEC Form 17-C and with respect to which a report on SEC Form 17-C is required to be filed.

SIGNATURE

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

MEGAWORLD CORPORATION

Issuer



By:

FRANCISCO C. CANUTO

Treasurer (Principal Financial Officer)
and Duly Authorized Officer
November 13, 2012

MEGAWORLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In thousand pesos)

EXHIBIT 1

	Unaudited September 30, 2012	Audited December 31, 2011
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	P 25,209,893	P 30,324,479
Trade and other receivables - net	15,568,441	17,178,451
Financial assets at fair value through profit or loss	150,688	109,203
Residential and condominium units for sale	27,700,120	19,497,663
Property development costs	8,687,477	8,753,452
Prepayments and other current assets - net	<u>1,751,970</u>	<u>1,801,124</u>
Total Current Assets	<u>79,068,589</u>	<u>77,664,372</u>
NON-CURRENT ASSETS		
Trade and other receivables - net	22,602,269	20,209,042
Advances to landowners and joint ventures	3,770,788	3,888,345
Land for future development	4,309,182	4,366,523
Investment in available-for-sale securities	3,297,308	2,591,748
Investments in and advances to associates and other related parties - net	7,301,467	6,745,964
Investment property - net	16,599,662	12,372,291
Property and equipment - net	587,561	540,860
Deferred tax assets	7,221	7,334
Other non-current assets	<u>1,107,772</u>	<u>609,048</u>
Total Non-current Assets	<u>59,583,230</u>	<u>51,331,155</u>
TOTAL ASSETS	<u><u>P 138,651,819</u></u>	<u><u>P 128,995,527</u></u>

Unaudited September 30, 2012	Audited December 31, 2011
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LIABILITIES AND EQUITY

CURRENT LIABILITIES

Interest-bearing loans and borrowings	P 1,545,205	P 1,879,293
Trade and other payables	8,287,752	7,296,966
Customers' deposits	4,677,882	3,610,212
Reserve for property development	5,948,196	5,107,726
Deferred income on real estate sales	4,311,978	3,446,836
Income tax payable	11,011	36,898
Other current liabilities	1,978,815	1,778,497

Total Current Liabilities	<u>26,760,839</u>	<u>23,156,428</u>
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NON-CURRENT LIABILITIES

Interest-bearing loans and borrowings	4,292,261	5,288,591
Bonds payable	13,552,057	13,538,914
Customers' deposits	1,991,628	456,004
Reserve for property development	2,869,213	3,719,082
Deferred income on real estate sales	1,772,702	1,809,305
Deferred tax liabilities - net	5,874,472	5,112,896
Advances from other related parties	105,266	210,242
Retirement benefit obligation	346,850	285,422
Other non-current liabilities	2,588,114	2,646,538

Total Non-current Liabilities	<u>33,392,563</u>	<u>33,066,994</u>
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Total Liabilities	<u>60,153,402</u>	<u>56,223,422</u>
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EQUITY

Equity attributable to parent company's shareholders	66,856,200	60,956,151
Non-controlling interest	11,642,217	11,815,954

Total Equity	<u>78,498,417</u>	<u>72,772,105</u>
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TOTAL LIABILITIES AND EQUITY	<u>P 138,651,819</u>	<u>P 128,995,527</u>
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MEGAWORLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In thousand pesos, except earnings per share)

EXHIBIT 2

	2012 Unaudited July 1 - Sep 30	2012 Unaudited Jan 1 - Sep 30	2011 Unaudited July 1 - Sep 30	2011 Unaudited Jan 1 - Sep 30
REVENUES				
Real estate sales	P 5,265,292	P 14,608,003	P 4,550,085	P 13,029,698
Interest income on real estate sales	327,026	1,001,055	352,907	925,914
Realized gross profit on prior years' sales	446,864	1,908,209	334,872	1,857,044
Rental income	1,356,823	3,614,158	1,092,362	2,722,053
Hotel operations	109,481	331,814	98,904	275,375
Equity share in net earnings of associates, interest and other income	914,526	2,390,414	778,966	4,151,049
	<u>8,420,012</u>	<u>23,853,653</u>	<u>7,208,096</u>	<u>22,961,133</u>
COSTS AND EXPENSES				
Real estate sales	3,351,527	9,286,755	2,934,772	8,237,306
Operating expenses	1,198,922	3,230,880	820,160	2,717,353
Deferred gross profit	993,317	2,936,581	1,088,228	3,004,713
Interest and other charges - net	218,771	730,712	372,584	819,195
Hotel operations	62,676	188,772	53,899	148,256
Income tax expense	587,251	1,782,999	398,628	1,327,703
	<u>6,412,464</u>	<u>18,156,699</u>	<u>5,668,271</u>	<u>16,254,526</u>
NET INCOME BEFORE PREACQUISITION INCOME OF A SUBSIDIARY	2,007,548	5,696,954	1,539,825	6,706,607
PREACQUISITION INCOME OF A SUBSIDIARY	<u>-</u>	<u>-</u>	<u>-</u>	<u>(P 6,133)</u>
NET INCOME	<u>P 2,007,548</u>	<u>P 5,696,954</u>	<u>P 1,539,825</u>	<u>P 6,700,474</u>
Attributable to:				
Parent company's shareholders	P 1,988,784	P 5,582,718	P 1,507,474	P 6,648,425
Non-controlling interest	<u>18,764</u>	<u>114,236</u>	<u>32,351</u>	<u>52,049</u>
	<u>P 2,007,548</u>	<u>P 5,696,954</u>	<u>P 1,539,825</u>	<u>P 6,700,474</u>
Earnings Per Share		<u>P 0.222</u>		<u>P 0.265</u>

MEGAWORLD CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(In thousand pesos)

	2012 Unaudited July 1 - Sep 30		2012 Unaudited Jan 1 - Sep 30		2011 Unaudited July 1 - Sep 30		2011 Unaudited Jan 1 - Sep 30	
NET INCOME FOR THE PERIOD	P	2,007,548	P	5,696,954	P	1,539,825	P	6,700,474
Other comprehensive income								
Net unrealized gain (loss) on available-for-sale financial assets		716,611		690,775	(	603,727)	(	2,712,490)
Reclassification adjustments for gains on disposed AFS financial securities included in profit or loss	(	7,018)	(	7,018)		-		-
Translation adjustment	(	23,753)	(	110,293)		29,893		8,919
Share in other comprehensive income (loss) of associates		-		-		-	(	71,177)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	P	2,693,388	P	6,270,418	P	965,991	P	3,925,726
Total comprehensive income attributable to:								
Equity holders of the parent		2,674,624		6,156,182		933,640		3,873,677
Non-controlling interest		18,764		114,236		32,351		52,049
	P	2,693,388	P	6,270,418	P	965,991	P	3,925,726

MEGAWORLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In thousand pesos)

EXHIBIT 3

	Unaudited September 30, 2012	Unaudited September 30, 2011
CAPITAL STOCK	P 25,857,150	P 25,829,204
ADDITIONAL PAID-IN CAPITAL	8,432,990	8,432,990
TREASURY SHARES	(633,722)	(1,188,887)
NET UNREALIZED GAIN ON AVAILABLE-FOR-SALE-FINANCIAL ASSETS	804,960	1,025,947
ACCUMULATED TRANSLATION ADJUSTMENT	(371,594)	(243,416)
RETAINED EARNINGS	32,766,416	26,639,420
NON-CONTROLLING INTEREST	<u>11,642,217</u>	<u>10,632,238</u>
TOTAL EQUITY	<u>P 78,498,417</u>	<u>P 71,127,496</u>

MEGAWORLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENTS
(In thousand pesos)

EXHIBIT 4

	Unaudited September 30, 2012		Unaudited September 30, 2011	
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before tax	P	7,479,953	P	8,006,802
Adjustments for:				
Depreciation and amortization		540,006		391,783
Interest expense		641,713		656,780
Interest and other income	(	1,395,267)	(	3,008,640)
Equity in net earnings of associates	(	510,660)	(	573,524)
Operating income before working capital changes		6,755,745		5,473,201
Net Changes in Operating Assets and Liabilities				
Increase in current and non-current assets	(	8,332,258)	(	4,932,272)
Increase in current and other current liabilities		4,525,639		3,774,203
Increase (decrease) in reserve for property development	(	9,399)		968,672
Cash generated from operations		2,939,727		5,283,804
Cash paid for income taxes	(	945,029)	(	100,199)
NET CASH FROM OPERATING ACTIVITIES		1,994,698		5,183,605
CASH FLOWS USED IN INVESTING ACTIVITIES		(4,072,460)		(257,938)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		(3,036,824)		2,892,394
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(5,114,586)		7,818,061
BEGINNING BALANCE OF CASH AND CASH EQUIVALENTS OF ACQUIRED SUBSIDIARIES		-		1,576,056
PREACQUISITION CHANGES IN CASH AND CASH EQUIVALENTS OF ACQUIRED SUBSIDIARIES		-		(570,516)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		30,324,479		22,031,585
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	P	25,209,893	P	30,855,186

MEGAWORLD CORPORATION AND SUBSIDIARIES
NOTES TO INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011
(UNAUDITED)
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

Megaworld Corporation (the Company or parent company) holds interests in the following subsidiaries and associates:

Subsidiaries/Associates	Explanatory Notes	Percentage of Ownership	
		September 2012	2011
Subsidiaries:			
Megaworld Land, Inc. (MLI)		100%	100%
Prestige Hotels and Resorts, Inc. (PHRI)	(a)	100%	100%
Mactan Oceanview Properties and Holdings, Inc. (MOPHI)		100%	100%
Megaworld Cayman Islands, Inc. (MCII)		100%	100%
Richmonde Hotel Group International (RHGI)		100%	100%
Eastwood Cyber One Corporation (ECOC)		100%	100%
Forbes Town Properties and Holdings, Inc. (FTPFI)		100%	100%
Megaworld Newport Property Holdings, Inc. (MNPFI)		100%	100%
Oceantown Properties, Inc. (OPI)		100%	100%
Piedmont Property Ventures, Inc. (PPVI)	(b)	100%	100%
Stonehaven Land, Inc. (SLI)	(b)	100%	100%
Streamwood Property, Inc. (SP)	(b)	100%	100%
Suntrust Properties, Inc. (SPI)	(c)	82.65%	82.45%
Empire East Land Holdings, Inc. and Subsidiaries (EELHI)	(d)	61.75%	61.13%
Megaworld Central Properties, Inc. (MCPI)	(e)	73.92%	51%
Megaworld-Daewoo Corporation (MDC)		60%	60%
Manila Bayshore Property Holdings, Inc. (MBPHI)	(f)	55%	55%
Megaworld Resort Estates, Inc. (MREI)	(g)	51%	51%
Megaworld Globus Asia, Inc. (MGAI)		50%	50%
Philippine International Properties, Inc. (PIPI)	(h)	50%	50%
Gilmore Property Marketing Associates, Inc. (GPMAI)	(i)	46.77%	46.45 %
Townsquare Development, Inc. (TDI)	(j)	31%	31%
Associates:			
Suntrust Home Developers, Inc. (SHDI)		42.48%	42.48%
Palm Tree Holdings and Development Corporation (PTHDC)		40%	40%
Megaworld Global Estates, Inc. (MGEI)	(k)	40%	40%
Alliance Global Properties Ltd. (AGPL)	(l)	39.44%	39.44%
Twin Lakes Corporation (TLC)	(m)	28%	-
Travellers International Hotel Group, Inc. (TIHGI)	(n)	10%	10%

Explanatory Notes:

- (a) Wholly owned subsidiary of MLI.
- (b) Acquired subsidiaries in 2008 but have not yet started commercial operations as of September 30, 2012.
- (c) In March 2011, the Company acquired 59% ownership in SPI. On September 30, 2012, the Company held 42.48% share in SHDI and 61.75% share in EELHI. However, since SHDI and EELHI in turn own 8% and 33% of SPI, respectively, this results to an additional indirect ownership of 23.85%. As a result, the Company owns SPI by 82.65%.
- (d) As of June 30, 2012, the Company's ownership in EELHI is at 61.13%. On August 31, 2012, the company made an additional investment to EELHI which resulted to an increase in ownership to 61.75%.
- (e) The company held 51% share in MCPI. In addition, EELHI and MREI, both subsidiaries of the company, each has indirect ownership from MCPI by 15.71% and 7.21% shares, respectively thru GPMAI, which resulted to a total of 73.92% shares from MCPI.
- (f) MBPHI was incorporated in October 2011 and had just started its commercial operations on June 2012. MBPHI is also 50% owned by TIHGI, thereby increasing the Company's ownership to 55%. TIHGI is 10% owned by the Company.
- (g) MREI was incorporated in 2007. MREI owns 60% of TDI as of September 30, 2012 resulting in the Company's indirect interest of 31% of TDI.
- (h) PIPi was incorporated in 2002 and acquired by the Company in 2006; has not yet started commercial operations as of September 30, 2012.
- (i) In November 2007, MREI acquired 100% ownership in GPMAI which resulted in the Company's indirect interest of 51% as of December 31, 2007. In 2008, MREI's ownership in GPMAI decreased to 60%; it further decreased to 28.85% in 2010. GPMAI was consolidated starting 2007 up to 2009; in 2010, it was deconsolidated and treated as an associate of the Group. As of September 30, 2012, EELHI has 51.92% ownership in GPMAI bringing the Company's indirect ownership to 46.77%. Consequently, GPMAI became a subsidiary of the Company through EELHI, its intermediate parent company.
- (j) TDI was incorporated in 2006 and is owned by MREI at 60%. In this regard, the Company has indirect interest in TDI of 31%.
- (k) MGEI was registered with the Securities and Exchange Commission on March 14, 2011 and has not yet started its commercial operations as of September 30, 2012.
- (l) In February 2009, RHGI acquired 44.34% ownership in AGPL, which resulted in the Company's indirect interest of 44.34% as of December 31, 2009. In October 2010, AGPL issued additional shares of stock which resulted in the decrease in RHGI's ownership in AGPL to 39.44%. AGPL is considered as an associate due to the Company's significant influence, but not control, on AGPL.
- (m) TLC was incorporated on March 2, 2011 and started its commercial operations on August 2011. On July 2012, the company acquired 28% ownership, consequently becomes an associate of the company.
- (n) TIHGI was incorporated in 2003 and started commercial operations in August 2009. In 2008, the Company acquired 10% ownership in TIHGI through a share swap agreement. In August 2010, the Company's investment in TIHGI was converted to 10.0 million common shares and 990.0 million preferred shares of TIHGI. Subsequently, in March 2012 and November 2010, TIHGI redeemed the 428.41 and 430.0 million preferred shares held by the Company, respectively. The conversion of common shares and the redemption of preferred shares did not change the Company's ownership in TIHGI. Although the Company's percentage ownership is only 10%, TIHGI was considered as an associate due to the Company's significant influence on TIHGI.

Except for MCII, RHGI and AGPL, all the subsidiaries and associates were incorporated in the Philippines and operate within the country. MCII and AGPL were incorporated and operate in the Cayman Islands while RHGI was incorporated and operates in the British Virgin Islands.

The Company and its subsidiaries collectively, except for MGEI, PIPI, PPVI, SLI and SP, which are not yet in commercial operations as of September 30, 2012, are presently engaged in the real estate business, hotel operations and marketing services.

EELHI and SHDI are publicly listed companies in the Philippines.

Alliance Global Group, Inc. (AGI), a publicly listed company in the Philippines, is the Group's ultimate parent company.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation of Consolidated Financial Statements

These interim consolidated financial statements are for the nine months ended September 30, 2012 and 2011. They have been prepared in accordance with PAS 34 *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with PFRS, and should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2011.

The preparation of interim consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

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

2.2 Impact of New Standards, Amendments and Interpretations to Existing Standards

These interim consolidated financial statements have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year ended December 31, 2011 except for the adoption of:

PFRS 13	:	Fair Value Measurement
IFRIC 15	:	Agreements for construction
PFRS 9	:	Financial Instruments: Classification

Below is a discussion of the possible impact of these accounting standards.

- (i) PFRS 13, *Fair Value Measurement* (effective from January 1, 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across PFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The Group is yet to assess the impact of this new standard.
- (ii) Philippine Interpretation IFRIC 15, *Agreements for Construction of Real Estate*. This Philippine interpretation is based on IFRIC interpretation issued by the IASB in July 2008 effective for annual periods beginning on or after January 1, 2009. The adoption of this interpretation in the Philippines, however, was deferred by the FRSC and the Philippine Securities and Exchange Commission after giving due considerations on various application issues and the implication on this interpretation of the IASB's on-going revision of the Revenue Recognition standard. This interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11, *Construction Contracts*, or PAS 18, *Revenue*, and accordingly, when revenue from the construction should be recognized. The main expected change in practice is a shift from recognizing revenue using the percentage of completion method (i.e., as a construction progresses, by reference to the stage of completion of the development) to recognizing revenue upon completion or after delivery. The Company is currently evaluating the impact of this interpretation on its financial statements in preparation for its adoption when this becomes mandatorily effective in the Philippines.
- (iii) PFRS 9, *Financial Instruments: Classification and Measurement* (effective January 1, 2015). This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that will replace PAS 39 in its entirety. This chapter deals with two measurement categories for financial assets: amortized cost and fair value. All equity instruments will be measured at fair value while debt instruments will be measured at amortized cost only if the entity is holding it to collect contractual cash flows which represent payment of principal and interest. The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in case where the fair value option is taken for financial liabilities, the part of fair value change due to an entity's own credit risk is recorded in other comprehensive

income rather than in profit or loss, unless this creates an accounting mismatch.

To date, other chapters of PFRS 9 dealing with impairment methodology and hedge accounting are still being completed.

The Group does not expect to implement and adopt PFRS 9 until its effective date or until all chapters of this new standards have been published. Nevertheless, management is currently assessing the impact of PFRS 9 on the financial statements of the Group and is committed to conduct a comprehensive study of the potential impact of this standard to assess the impact of all changes.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The Group's consolidated financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. Actual results may ultimately vary from these estimates.

3.1 Critical Judgments in Applying Accounting Policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(a) Impairment of Investment in AFS Securities

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

(b) Distinction Between Investment Property and Owner-Occupied Properties and Land for Future Development

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

(c) Operating and Finance Leases

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Revenue Recognition Using the Percentage-of-Completion Method

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

(b) Determining Net Realizable Value of Residential and Condominium Units for Sale and Property Development Costs

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

(c) Principal Assumptions for Management's Estimation of Fair Value

Investment Property is measured using the cost model. The fair value disclosed in the consolidated financial statements is determined by the Group using the discounted cash flows valuation technique since the information on current or recent prices of investment property is not available. The Group uses assumptions that are mainly based on market conditions existing at each reporting period, such as: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

(d) Useful Lives of Property and Equipment and Investment Property

The Group estimates the useful lives of property and equipment and investment property based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and investment property are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment and investment property is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment and investment property would increase recorded operating expenses and decrease non-current assets.

(e) Allowance for Impairment of Trade and Other Receivables

Allowance is made for specific and groups of accounts, where an objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Group's relationship with the customers, the customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience.

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

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

(g) Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

(b) Impairment of Non-financial Assets

Management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

(i) Post-employment Benefit

The determination of the Group's obligation and cost of post-employment benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, generally affect the recognized expense and recorded obligation in such future periods.

4. SEGMENT INFORMATION

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

The following tables present revenue and profit information regarding industry segments for the nine months ended September 30, 2012 and 2011 and certain asset and liability information regarding segments as at September 30, 2012 and December 31, 2011.

September 30, 2012

	<u>Real Estate</u>	<u>Rental</u>	<u>Hotel Operations</u>	<u>Corporate and Others</u>	<u>Elimination</u>	<u>Consolidated</u>
TOTAL REVENUES						
Sales to external customers	P 17,517,266,799	P 3,614,157,663	P 331,813,922	P 460,861,868	P -	P21,924,100,252
Intersegment sales	-	74,528,437	-	186,362,927	(260,891,364)	-
Total revenues	<u>P 17,517,266,799</u>	<u>P 3,688,686,100</u>	<u>P 331,813,922</u>	<u>P 647,224,795</u>	<u>(P 260,891,364)</u>	<u>P21,924,100,252</u>
RESULTS						
Segment results	<u>P 3,238,873,275</u>	<u>P 2,823,696,523</u>	<u>P 76,635,481</u>	<u>P 170,262,863</u>	<u>P 49,968,618</u>	<u>P 6,359,436,760</u>
Unallocated expenses						(125,008,217)
Income from operations						6,234,428,543
Interest income						1,321,920,871
Finance costs						(641,713,218)
Equity in net earnings of associates						510,659,851
Foreign currency gains (loss) – net						(42,315,526)
Dividend income						53,887,410
Fair value gains (loss)- net						<u>43,084,420</u>
Profit before tax						7,479,952,351
Tax expense						(1,782,998,647)
Net profit before non-controlling interests and pre-acquisition income						5,696,953,704
Pre-acquisition income of a subsidiary						-
Non-controlling interests' share in net profit						(114,235,873)
Net profit attributable to parent company's shareholders						<u>P 5,582,717,831</u>
ASSETS AND LIABILITIES						
Segment assets	P 96,651,143,280	P15,477,440,061	P 255,749,384	P 16,099,056,013	P -	P128,483,388,738
Investments in and advances to associates and other related parties - net	-	-	-	7,301,466,891	-	7,301,466,891
Unallocated assets	-	-	-	2,866,963,461	-	2,866,963,461
Total assets	<u>P 96,651,143,280</u>	<u>P15,477,440,061</u>	<u>P 255,749,384</u>	<u>P 26,267,486,365</u>	<u>P -</u>	<u>P138,651,819,090</u>
Segment liabilities	<u>P 48,254,853,419</u>	<u>P 1,529,195,951</u>	<u>P 97,406,721</u>	<u>P 10,271,945,921</u>	<u>P -</u>	<u>P 60,153,402,012</u>

September 30, 2011

	<u>Real Estate</u>	<u>Rental</u>	<u>Hotel Operations</u>	<u>Corporate and Others</u>	<u>Elimination</u>	<u>Consolidated</u>
TOTAL REVENUES						
Sales to external customers	P 15,812,655,676	P 2,722,053,133	P 275,375,371	P 2,446,862,109	P -	P21,256,946,289
Intersegment sales	-	49,953,354	-	97,423,910	(147,377,264)	-
Total revenues	<u>P 15,812,655,676</u>	<u>P 2,772,006,487</u>	<u>P 275,375,371</u>	<u>P 2,544,286,019</u>	<u>(P 147,377,264)</u>	<u>P21,256,946,289</u>
RESULTS						
Segment results	<u>P 2,836,417,049</u>	<u>P 2,140,522,981</u>	<u>P 75,023,705</u>	<u>P 2,171,491,036</u>	<u>P 19,416,640</u>	<u>P 7,242,871,411</u>
Unallocated expenses						(142,187,943)
Income from operations						7,100,683,468
Interest income						1,136,101,912
Finance costs						(702,089,860)
Equity in net earnings of associates						505,760,184
Foreign currency gains (loss) – net						(48,562,501)
Dividend income						62,324,964
Fair value gains (loss)- net						(19,908,731)
Profit before tax						8,034,309,436
Tax expense						(1,327,702,499)
Net profit before non-controlling interest and pre-acquisition income						6,706,606,937
Pre-acquisition income of a subsidiary						(6,133,073)
Income before non-controlling interest						6,700,473,864
Non-controlling interests' share in net profit						(52,048,732)
Net profit attributable to parent company's shareholders						<u>P 6,648,425,132</u>
ASSETS AND LIABILITIES						
Segment assets	P 99,007,844,181	P 8,885,573,744	P 148,371,175	P11,468,139,535	P -	P119,509,928,635
Investments in and advances to associates and other related parties - net	-	-	-	5,914,060,705	-	5,914,060,705
Unallocated assets	-	-	-	1,986,989,194	-	1,986,989,194
Total assets	<u>P 99,007,844,181</u>	<u>P 8,885,573,744</u>	<u>P 148,371,175</u>	<u>P19,369,189,434</u>	<u>P -</u>	<u>P127,410,978,534</u>
Segment liabilities	<u>P 51,983,793,272</u>	<u>P 1,899,529,430</u>	<u>P 96,908,464</u>	<u>P 2,303,251,337</u>	<u>P -</u>	<u>P 56,283,482,503</u>

5. STOCK RIGHTS

As a result of the stock rights offering, 5,127,556,725 common shares were subscribed and issued on June 1, 2009. Of the total exercise price, 50% was paid as of May 31, 2009 and the remaining 50% shall be paid within one year from issue date. Unpaid subscriptions amounting to P2.3 million as of December 31, 2009 were fully paid by the subscriber in 2010. Relative to the issuance of pre-emptive stock rights, 4,102,045,380 stock warrants were issued and these will be exercisable beginning on the second year until five years from issue date. As of the third quarter of 2012, 27,945,984 stock warrants were exercised.

6. CASH DIVIDENDS

The details of the Company's cash dividend declarations, both for preferred and common shares, are as follows:

	<u>2012</u>
Declaration date/date of approval by BOD	June 14, 2012
Date of record	June 29, 2012
Date paid	July 25, 2012
Amounts declared and paid	<u>P 839,193,763</u>

7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profits attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period.

Earnings per share amounts were computed as follows:

	<u>September 30, 2012</u>	<u>September 30, 2011</u>
Net income	P 5,582,717,831	P 6,648,425,131
Computed dividends on cumulative preferred shares series "A"	(450,411)	(450,411)
Income available to parent company's common shareholders	<u>P 5,582,267,420</u>	<u>P 6,647,974,720</u>
Divided by weighted number of outstanding common shares	<u>25,187,405,621</u>	<u>25,100,758,872</u>
Earnings per share	<u>P 0.222</u>	<u>P 0.265</u>

8. COMMITMENTS AND CONTINGENCIES

There are commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying interim consolidated financial statements. The management of the Group is of the opinion, that losses, if any, from these items will not have any material effect on its consolidated financial statements.

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

9. SEASONAL FLUCTUATIONS

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

10. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has various financial instruments such as cash and cash equivalents, financial assets at FVTPL, available-for-sale securities, banks loans, bonds, trade receivables and payables which arise directly from the Group's business operation. The financial debts were issued to raise funds for the Group's capital expenditures.

The Group does not actively engage in the trading of financial assets for speculative purposes.

10.1 Foreign Currency Sensitivity

Most of the Group's transactions are carried out in Philippine peso, its functional currency. Exposures to currency exchange rates arise mainly from the Group's U.S. dollar-denominated cash and cash equivalents, and bonds which have been used to fund new projects.

Foreign currency denominated financial assets and liabilities, translated into Philippine peso at the closing rate are as follows:

	<u>September 30, 2012 (Unaudited)</u>		<u>December 31, 2011 (Audited)</u>	
	<u>U.S. Dollars</u>	<u>Pesos</u>	<u>U.S. Dollars</u>	<u>Pesos</u>
Financial assets	\$ 181,763,397	P 7,612,251,073	\$ 196,929,685	P 8,749,989,037
Financial liabilities	(204,326,859)	(8,557,208,860)	(195,759,303)	(8,599,314,640)
	<u>\$ (22,563,462)</u>	<u>P(944,957,787)</u>	<u>\$ 1,170,382</u>	<u>P 150,674,397</u>

The following table illustrates the sensitivity of the consolidated net result for the year and consolidated equity in regards to the Group's financial assets and financial liabilities and the U.S. dollar – Philippine peso exchange rate.

September 30, 2012:

<u>Increase (decrease) in exchange rate</u>	<u>Effect on consolidated profit before tax</u>	<u>Effect on consolidated equity</u>
P 1	P (22,563,462)	P (15,794,423)
(P 1)	22,563,462	15,794,423

December 31, 2011:

<u>Increase (decrease) in exchange rate</u>	<u>Effect on consolidated profit before tax</u>	<u>Effect on consolidated equity</u>
P 1	P 1,170,382	P 819,267
(P 1)	(1,170,382)	(819,267)

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

10.2 Interest Rate Sensitivity

The Group interest risk management policy is to minimize interest rate cash flow risk exposures to changes in interest rates. The Group maintains a debt portfolio unit of both fixed and floating interest rates. These long-term borrowings and all other financial assets and liabilities are subject to variable interest rates.

The following table illustrates the sensitivity of the consolidated net result for the year and consolidated equity to a reasonably possible change in interest rates of +1% and -1% in September 30, 2012 and 2011. The calculations are based on the Group's financial instruments held at each reporting date. All other variables are held constant.

	<u>September 30, 2012 (Unaudited)</u>		<u>December 31, 2011 (Audited)</u>	
	<u>+1%</u>	<u>-1%</u>	<u>+1%</u>	<u>-1%</u>
Consolidated net results for the period/year	(P 10,437,423) P	10,437,423	(P 17,638,794) P	17,638,794
Consolidated equity	(7,306,196)	7,306,196	(12,347,156)	12,347,156

10.3 Credit Risk

Generally, the Group's credit risk is attributable to trade receivables, rental receivables and other financial assets. The Group maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified

either individually or by group, and incorporate this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

10.4 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week, as well as on the basis of a rolling 30-day projection. Long-term needs for a 6-month and one-year period are identified monthly.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

As at September 30, 2012 and December 31, 2011, the Group's financial liabilities have contractual maturities which are presented below.

	September 30, 2012 (Unaudited)			
	Current		Non-current	
	Within	6 to 12	1 to 5	Later
	6 Months	Months	Years	5 Years
Interest-bearing loans and borrowings	P 943,514,872	P 601,690,476	P 4,292,260,853	-
Trade and other payables	3,025,724,414	5,262,027,502	-	-
Bonds payable	-	-	5,000,000,000	8,552,057,570
Advances from other related parties	-	-	105,266,165	-
	<u>P 3,969,239,286</u>	<u>P 5,863,717,978</u>	<u>P 9,397,527,018</u>	<u>P 8,552,057,570</u>

	December 31, 2011 (Audited)			
	Current		Non-current	
	Within	6 to 12	1 to 5	Later
	6 Months	Months	Years	5 Years
Interest-bearing loans and borrowings	P 1,166,666,892	P 712,625,754	P 5,288,591,409	-
Trade and other payables	2,590,019,174	4,706,947,320	-	-
Bonds payable	-	-	5,000,000,000	8,538,914,490
Advances from other related parties	-	-	210,242,443	-
	<u>P 3,756,686,066</u>	<u>P 5,419,573,074</u>	<u>P 10,498,833,852</u>	<u>P 8,538,914,490</u>

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

11. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

11.1 Comparison of Carrying Amounts and Fair Values

The carrying amounts and fair values of the categories of financial assets and liabilities presented in the consolidated statements of financial position are shown below.

	<u>September 30, 2012 (Unaudited)</u>		<u>December 31, 2011 (Audited)</u>	
	<u>Carrying Values</u>	<u>Fair Values</u>	<u>Carrying Values</u>	<u>Fair Values</u>
<i>Financial Assets</i>				
Loans and receivables:				
Cash and cash equivalents	P 25,209,892,571	P 25,209,892,571	P 30,324,479,180	P 30,324,479,180
Trade and other receivables - net	36,606,635,889	36,606,635,889	36,214,357,760	36,214,357,760
Advances to associates and other related parties	<u>2,341,617,301</u>	<u>2,341,617,301</u>	<u>2,560,176,436</u>	<u>2,560,176,436</u>
	<u>P 64,158,145,761</u>	<u>P 64,158,145,761</u>	<u>P 69,099,013,376</u>	<u>P 69,099,013,376</u>
Financial assets at fair value through profit or loss				
	<u>P 150,688,364</u>	<u>P 150,688,364</u>	<u>P 109,203,260</u>	<u>P 109,203,260</u>
Available-for-sale financial securities:				
Equity instruments	P 2,763,159,189	P 2,763,159,189	P 2,030,052,709	P 2,030,052,709
Debt instruments	<u>534,148,660</u>	<u>534,148,660</u>	<u>561,694,969</u>	<u>561,694,969</u>
	<u>P 3,297,307,849</u>	<u>P 3,297,307,849</u>	<u>P 2,591,747,678</u>	<u>P 2,591,747,678</u>
<i>Financial Liabilities</i>				
Financial liabilities at amortized cost:				
Interest-bearing				
loans and borrowings	P 5,837,466,201	P 5,837,466,201	P 7,167,884,055	P 7,167,884,055
Bonds payable	13,552,057,570	13,552,057,570	13,538,914,490	13,538,914,490
Trade and other payables	8,287,751,916	8,287,751,916	7,296,966,494	7,296,966,494
Advances from other related parties	<u>105,266,165</u>	<u>105,266,165</u>	<u>210,242,443</u>	<u>210,242,443</u>
	<u>P 27,782,541,852</u>	<u>P 27,782,541,852</u>	<u>P 28,214,007,482</u>	<u>P 28,214,007,482</u>

11.2 Fair Value Hierarchy

The Group's investments in financial assets at FVTPL and AFS financial assets are comprised of equity and debt instruments listed in foreign and local stocks exchange. Fair value measurements of these financial assets were determined directly by reference to published prices quoted in an active market (Level 1 of the fair value hierarchy).

Management's Discussion and Analysis of Results of Operations and Financial Condition

Results of Operations

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

Review of September 30, 2012 versus September 30, 2011

The Group posted an increase in its earnings as of the third quarter of 2012 by 19.84% year on year excluding the 2011 non-recurring gain on sale of investment. The consolidated net income as of the third quarter of 2012 amounted to Php 5.70 billion while for the same period of 2011, consolidated net income amounted to Php 4.75 billion net of the Php 1.95 billion non-recurring gain from sale of investment. Consolidated total revenues is composed of real estate sales, rental income, hotel income, and other revenues.

Development. Among product portfolios, the bulk of generated consolidated revenues derived from the sale of condominium units and residential lots amounting to Php 14.61 billion in 2012 compared to Php 13.03 billion in 2011, an increase of 12.11%. The Group's registered sales mostly came from the following projects: Eastwood Le Grand, 8 Forbes Town Road, Morgan Suites, The Venice Luxury Residences, Newport City, 81 Newport Boulevard, Manhattan Heights, One Uptown Residences, 8 Newtown Residences and Two Central.

Leasing. Rental income contributed 15.15% to the consolidated revenue and amounted to Php 3.61 billion compared to Php 2.72 billion reflected last year third quarter, a 32.77% increase. Contributing to the growth are the escalation and completion of additional leasing properties and increase in demand for office space.

Hotel Operations. The Group's hotel operations posted an amount of Php 332 million in third quarter 2012, an increase of 20.50%, from Php 275 million in third quarter 2011. The increase is primarily due to the rise in the number of hotel rooms and hotel occupancy rates.

In general, the increase in cost and expenses by 11.70% from Php 16.25 billion in third quarter 2011 to Php 18.16 billion in third quarter 2012 was due mainly to the increase in recognized real estate sales, as well as aggressive marketing activities and increase in other administrative and corporate overhead expenses. Income tax expense in third quarter 2012 amounting to Php 1.78 billion resulted to a 34.29% increase from third quarter 2011 reported amount of Php 1.33 billion due to higher taxable income.

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

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

Financial Condition

The Group maintains a prudent financial policy as it engages to a more competitive and challenging environment. The Group's Statement of Financial Position reflects stable financial growth. Total resources amounted to Php 138.65 billion posted an increase of 7.49% compared to Php129 billion as of December 31, 2011.

The Group shows liquid position as of September 30, 2012 by having its current assets amounted to Php79.07 billion as against its current obligations of Php 26.76 billion. Current assets posted an increase of 1.81% from December 31, 2011 balance of P77.66 billion. The Group's current obligations as of September 30, 2012 stood at Php26.76 billion as compared to Php23.16 billion as of December 31, 2011, which reflected an increase of 15.57% year on year

Cash and cash equivalents decreased by 16.87% from Php 30.32 billion in 2011 to Php 25.21 billion in 2012 mainly due to capital expenditure and operating activities for business expansion. An increase of 2.09% from its current and non-current trade and other receivables – Php 38.17 billion as of September 30, 2012 compared to Php 37.39 billion as of December 31, 2011, was due to higher sales for the period. An increase by 42.07% from Php 19.50 billion in 2011 to Php 27.70 billion in 2012 in residential and condominium units for sale pertains to additional construction cost attributable to on-going projects. Property development costs decreased by .75% from 2011 amounting to Php 8.75 billion to Php 8.69 billion in 2012. The group's investments in available-for-sale securities increased by 27.22%, from Php2.59 billion in 2011 to Php3.30 billion in 2012 due to market value changes of its various investment in securities.

Trade and other payables amounted to Php 8.29 billion and Php7.30 billion as of September 30, 2012 and December 2011, respectively. The rise of 13.58% was due to an increase in amounts payable to the Company's suppliers and contractors in relation to its real estate developments. Total customers' deposits as of September 30, 2012 amounted to P6.67 billion compared to Php4.07 billion as of December 31, 2011 with a 64.02% increase due to aggressive marketing and pre-sales of various projects. The combined effect of current and non-current deferred income on real estate sales increased by 15.76% which amounted to Php 6.08 billion as of September 30, 2012 compared to Php5.26 billion as of December 31, 2011 due to increase in unearned revenue.

The Interest-bearing loans and borrowings current and non-current amounted to Php 5.84 billion resulted a 18.56% decrease from previous year-end's Php7.17 billion mainly due to principal payments. Total other liabilities amounted to P4.57 billion from P4.43 billion as of September 30, 2012 and December 31, 2011, respectively.

Total Equity (including non-controlling interest) increased by 7.87% from Php72.77 billion as of December 31, 2011 to Php78.50 billion as of September 30, 2012.

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

	Sept 2012	Dec 2011
Current Ratio *1	2.95:1	3.35:1
Quick Ratio *2	0.94:1	1.31:1
Debt to Equity Ratio *3	0.25:1	0.28:1
	Sept 2012	Sept 2011
Return on Assets *4	4.26%	5.97%
Return on Equity *5	8.35%	10.99%

*1 – *Current Assets / Current Liabilities*

*2 – *Cash and Cash Equivalents / Current Liabilities*

*3 – *Interest Bearing Loans and Borrowings and Bonds payable / Equity*

*4 – *Net Income / Average Total Assets*

*5 – *Net Income / Equity (Computed using figures attributable only to parent company shareholders)*

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

Material Changes in the Year 2012 Financial Statements (Increase/decrease of 5% or more versus December 31, 2011)

Statement of Financial Position

16.87% decrease in Cash and cash equivalents

Mainly due to capital expenditure and operating activities for business expansion

37.99% increase in Financial assets at fair value through profit or loss

Brought by changes in market value of financial assets

42.07% increase in Residential and condominium units for sale

Primarily due to additional cost attributable to on-going projects

27.22% increase in Investment in available-for-sale securities

Due to changes in market value of investments

8.23% increase in Investment in and advances to associates and other related parties

Due to additional investments in associates

34.17% increase in Investment property – net

Due to additional construction cost of real property for lease

18.56% decrease in Interest-bearing loans and borrowing – current and non-current

Due to payments of principal amount of borrowings

13.58% increase in Trade and other payables
Due to increase in amounts payable to the Company's suppliers and contractors in relation to its real estate developments

64.02% increase in Customer's deposit – current and non-current
Due to aggressive marketing and pre-selling of various projects

15.76% increase in Deferred income on real estate sales - current and non-current
Represents increase in unearned revenue

70.16% decrease in Income tax payable
Due to payment of 2011 Income tax made during second quarter of 2012

14.90% increase in Deferred tax liabilities
Due to net effect of income tax deferred

49.93% decrease in Advances from other related parties
Due to payment of advances to other related parties

21.52% increase in Retirement benefit obligation
Due to increase in accrual for retirement plan of employees

(Increase/decrease of 5% or more versus September 30, 2011)

Income Statements

12.11% increase in Real estate sales
Principally due to higher sales bookings, sales of new projects and additional sales on existing projects

8.12% increase in Interest income on real estate sales
Due to realization of interest income from prior years' sales

32.77% increase in Rental income
Due to escalation, completion of additional leasing property and increase in demand for office space

20.50% increase in Hotel operations
Due to increase in the number of hotel rooms and hotel occupancy rates

42.41% decrease in Equity share in net earnings of associates, interest and other income-net
Mainly due to non-recurring gain on sale of investment in 2011

12.74% increase in Cost real estate sales
Due to increase in real estate sales

27.33% increase in Hotel operations expenses
Due to increase in hotel bookings

18.90% increase in Operating expenses

Due to aggressive marketing activities and increase in other administrative and corporate overhead expenses

10.80% decrease in Interest and other charges

Due to payment of principal amount of borrowings

34.29% increase in Income tax expense

Due to higher taxable income and tax effects of deductible temporary differences

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

There are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in increasing or decreasing the Group's liquidity in any material way. The Group does not anticipate having any cash flow or liquidity problems. The Group is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

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

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

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

The unaudited interim condensed consolidated financial statements do not include all the information and disclosed required in the financial statements and should be read in conjunction with the Group's consolidated annual financial statements as of and for the year ended December 31, 2011.

The accounting policies and methods of computation adopted in preparation of the Group's unaudited interim consolidated financial statements are the same with the most recent annual financial statements for the year ended December 31, 2011.

There were no material events subsequent to third quarter that have not been reflected in the Group's Financial Statements for the 3rd quarter of 2012.

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

There was no contingent liability reflected in the most recent annual financial statements, the same in the current year consolidated financial statements for the 3rd quarter of 2012. There are commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying interim consolidated financial statements. The management of the Group is of the opinion that losses, if any, from these items will not have any material effect on its interim consolidated financial statements.

MEGAWORLD CORPORATION AND SUBSIDIARIES

Aging of Accounts Receivables

September 30, 2012

(In thousand pesos)

EXHIBIT 7

Aging of Accounts Receivable

Type of Receivables:	TOTAL	CURRENT/ NOT YET DUE	1 Month	2-3 Months	4-6 Months	7 Months to 1 Year	1-2 Years	3-5 Years	5 Years- Above	Past due accounts & items in Litigation
a. Trade Receivables	38,170,710	27,832,090	4,746,184	3,755,280	1,837,156	-	-	-	-	-
b. Other receivable	-	-	-	-	-	-	-	-	-	-
NET RECEIVABLES	<u>38,170,710</u>	<u>27,832,090</u>	<u>4,746,184</u>	<u>3,755,280</u>	<u>1,837,156</u>					

MEGAWORLD CORPORATION AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
SEPTEMBER 30, 2012 AND DECEMBER 31, 2011

	SEPTEMBER 30, 2012	DECEMBER 31, 2011
Current ratio	2.95 :1.00	3.35 :1.00
Quick ratio	0.94 :1.00	1.31 :1.00
Debt-to-equity ratio	0.25 :1.00	0.28 :1.00
Interest-bearing debt to total capitalization ratio	0.22 :1.00	0.25 :1.00
Asset-to-equity ratio	1.77 :1.00	1.77 :1.00
		SEPTEMBER 30, 2011
Interest rate coverage ratio	761%	548%
Net profit margin	23.88%	29.18%
Return on assets	4.26%	5.97%
Return on equity/investment	7.26%	9.42%
Return on equity/investment of owners	8.35%	10.99%

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

Current ratio – computed as current assets divided by current liabilities

Quick ratio – computed as cash and cash equivalents divided by current liabilities

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

Debt to equity ratio – computed as interest bearing loans and borrowings and bonds payable divided by stockholders' equity

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

ASSET-TO-EQUITY RATIOS measure financial leverage and long-term solvency. It shows how much of the assets are owned by the company. It is computed as total assets divided by stockholders' equity.

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

PROFITABILITY RATIOS

Net margin – computed as net profit divided by revenues

Return on assets – net profit divided by average total assets

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

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