

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
Sep 30, 2017
2. SEC Identification Number
167423
3. BIR Tax Identification No.
000-477-103
4. Exact name of issuer as specified in its charter
MEGAWORLD CORPORATION
5. Province, country or other jurisdiction of incorporation or organization
Metro Manila
6. Industry Classification Code(SEC Use Only)
7. Address of principal office
30th Floor, Alliance Global Tower 36th Street cor. 11th Avenue Uptown Bonifacio,
Taguig City
Postal Code
1634
8. Issuer's telephone number, including area code
(632) 894-6300/6400
9. Former name or former address, and former fiscal year, if changed since last report
N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

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

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

Yes
No

If yes, state the name of such stock exchange and the classes of securities listed therein:
The shares of common stock of the Company are listed on the Philippine Stock Exchange.
12. Indicate by check mark whether the registrant:

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

Yes No

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

Yes No

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.



MEGAWORLD CORPORATION

Megaworld Corporation MEG

PSE Disclosure Form 17-2 - Quarterly Report
*References: SRC Rule 17 and
Sections 17.2 and 17.8 of the Revised Disclosure Rules*

For the period ended	Sep 30, 2017
Currency (indicate units, if applicable)	Php (In Thousands)

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Sep 30, 2017	Dec 31, 2016
Current Assets	146,386,792	140,689,818
Total Assets	296,273,851	278,742,518
Current Liabilities	54,399,330	40,889,536
Total Liabilities	141,853,129	135,124,178
Retained Earnings/(Deficit)	88,809,161	80,540,887
Stockholders' Equity	154,420,722	143,618,340
Stockholders' Equity - Parent	134,442,767	125,480,239

Book Value per Share	4.22	3.94
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Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	12,181,899	11,705,956	35,425,220	33,595,404
Gross Expense	7,546,239	7,225,503	21,916,469	21,609,561
Non-Operating Income	644,084	531,334	1,671,929	1,668,852
Non-Operating Expense	674,159	846,869	1,827,518	1,668,221
Income/(Loss) Before Tax	4,605,585	4,164,918	13,353,162	11,986,474
Income Tax Expense	956,639	917,310	3,012,566	2,713,656
Net Income/(Loss) After Tax	3,648,946	3,247,608	10,340,596	9,272,818
Net Income Attributable to Parent Equity Holder	3,537,592	3,167,349	9,981,082	8,982,078
Earnings/(Loss) Per Share (Basic)	0.11	0.1	0.31	0.28
Earnings/(Loss) Per Share (Diluted)	0.11	0.1	0.31	0.28

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	0.39	0.35
Earnings/(Loss) Per Share (Diluted)	0.39	0.35

Other Relevant Information

None

Filed on behalf by:

Name	Dominic Isberto
Designation	Vice President - Compliance Division

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 2017
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	32,239,445,872
Preferred	6,000,000,000
Total	38,239,445,872

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, 2016 and September 30, 2017

Exhibit 2 - Consolidated Statements of Income for the periods ended September 30, 2016 and September 30, 2017

Exhibit 3 - Consolidated Statements of Changes in Equity as of September 30, 2016 and September 30, 2017

Exhibit 4 - Consolidated Statements of Cash Flow as of September 30, 2016 and September 30, 2017

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 8, 2017

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

EXHIBIT 1

	Unaudited September 30, 2017	Audited December 31, 2016
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	P 11,163,408	P 16,395,663
Trade and other receivables - net	31,021,667	26,996,127
Residential, condominium units, golf and resort shares for sale - net	66,903,207	62,659,150
Property development costs	20,788,633	20,105,197
Investments in available-for-sale securities	-	66,502
Advances to contractors and suppliers	9,624,367	8,511,642
Prepayments and other current assets - net	<u>6,885,510</u>	<u>5,955,537</u>
Total Current Assets	<u>146,386,792</u>	<u>140,689,818</u>
NON-CURRENT ASSETS		
Trade and other receivables - net	37,619,261	35,674,849
Advances to landowners and joint ventures	5,029,517	4,859,000
Land for future development	22,384,123	22,079,342
Investments in available-for-sale securities	4,289,502	3,595,778
Investments in and advances to associates and other related parties	5,583,823	5,188,535
Investment properties - net	66,204,202	60,493,481
Property and equipment - net	5,207,320	3,570,187
Deferred tax assets - net	50,313	75,534
Other non-current assets - net	<u>3,518,998</u>	<u>2,515,994</u>
Total Non-current Assets	<u>149,887,059</u>	<u>138,052,700</u>
TOTAL ASSETS	<u>P 296,273,851</u>	<u>P 278,742,518</u>

Unaudited September 30, 2017	Audited December 31, 2016
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LIABILITIES AND EQUITY

CURRENT LIABILITIES

Interest-bearing loans and borrowings	P 8,424,250	P 6,005,652
Bonds payable	10,198,760	-
Trade and other payables	14,865,555	13,566,744
Customers' deposits	7,518,235	6,135,777
Reserve for property development	6,018,824	7,460,326
Deferred income on real estate sales	5,199,744	5,561,347
Income tax payable	17,398	126,291
Other current liabilities	<u>2,156,564</u>	<u>2,033,399</u>
 Total Current Liabilities	 <u>54,399,330</u>	 <u>40,889,536</u>

NON-CURRENT LIABILITIES

Interest-bearing loans and borrowings	26,514,262	32,847,121
Bonds payable	24,671,493	22,330,590
Customers' deposits	1,251,161	6,080,125
Redeemable preferred shares	1,257,988	1,257,988
Reserve for property development	9,877,205	8,846,206
Deferred income on real estate sales	5,447,582	5,119,283
Deferred tax liabilities - net	10,230,315	9,899,660
Advances from associates and other related parties	2,246,689	2,424,926
Retirement benefit obligation	994,225	965,205
Other non-current liabilities	<u>4,962,879</u>	<u>4,463,538</u>
 Total Non-current Liabilities	 <u>87,453,799</u>	 <u>94,234,642</u>

Total Liabilities	<u>141,853,129</u>	<u>135,124,178</u>
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EQUITY

Total equity attributable to the Company's shareholders	134,442,767	125,480,239
Non-controlling interests	<u>19,977,955</u>	<u>18,138,101</u>
 Total Equity	 <u>154,420,722</u>	 <u>143,618,340</u>

TOTAL LIABILITIES AND EQUITY	<u>P 296,273,851</u>	<u>P 278,742,518</u>
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MEGAWORLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In thousand pesos, except earnings per share)

EXHIBIT 2

	2017 Unaudited Jul 1 - Sep 30	2017 Unaudited Jan 1 - Sep 30	2016 Unaudited Jul 1 - Sep 30	2016 Unaudited Jan 1 - Sep 30
REVENUES AND INCOME				
Real estate sales	P 7,335,451	P 20,959,502	P 7,277,693	P 20,710,767
Interest income on real estate sales	437,151	1,389,691	439,333	1,391,066
Realized gross profit on prior years' sales	1,113,656	3,306,363	1,129,990	3,201,693
Rental income	2,993,593	8,819,657	2,570,745	7,413,367
Hotel operations	302,048	950,007	288,195	878,511
Equity in net earnings of associates	58,476	112,292	70,775	132,862
Interest and other income - net	585,608	1,559,637	460,559	1,535,990
	12,825,983	37,097,149	12,237,290	35,264,256
COSTS AND EXPENSES				
Real estate sales	4,290,460	11,991,474	4,036,728	11,661,846
Deferred gross profit	1,022,659	3,280,435	1,167,066	3,890,477
Hotel operations	166,921	559,881	176,750	512,465
Operating expenses	2,066,199	6,084,679	1,844,959	5,544,773
Interest and other charges - net	674,159	1,830,234	846,869	1,668,221
Tax expense	956,639	3,012,566	917,310	2,713,656
	9,177,037	26,759,269	8,989,682	25,991,438
PROFIT FOR THE PERIOD				
BEFORE PRE-ACQUISITION LOSS	3,648,946	10,337,880	3,247,608	9,272,818
PRE-ACQUISITION LOSS OF A SUBSIDIARY	-	2,716	-	-
NET PROFIT FOR THE PERIOD	P 3,648,946	P 10,340,596	P 3,247,608	P 9,272,818
Net profit attributable to:				
Company's shareholders	P 3,537,592	P 9,981,082	P 3,167,349	P 8,982,078
Non-controlling interests	111,354	359,514	80,259	290,740
	P 3,648,946	P 10,340,596	P 3,247,608	P 9,272,818
Earnings Per Share :				
Basic	P 0.112	P 0.314	P 0.099	P 0.282
Diluted	P 0.110	P 0.312	P 0.099	P 0.281

MEGAWORLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousand pesos)

	2017 Unaudited Jul 1 - Sep 30	2017 Unaudited Jan 1 - Sep 30	2016 Unaudited Jul 1 - Sep 30	2016 Unaudited Jan 1 - Sep 30
NET PROFIT FOR THE PERIOD	P 3,648,946	P 10,340,596	P 3,247,608	P 9,272,818
OTHER COMPREHENSIVE GAIN (LOSS)				
Items that will be reclassified				
subsequently to profit or loss:				
Net unrealized fair value gains (losses) on available-for-sale securities	380,226	681,346	66,062	(664,460)
Exchange difference on translating foreign operations	6,229	12,908	15,489	13,972
	<u>386,455</u>	<u>694,254</u>	<u>81,551</u>	<u>(650,488)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>P 4,035,401</u>	<u>P 11,034,850</u>	<u>P 3,329,159</u>	<u>P 8,622,330</u>
Total comprehensive income attributable to:				
Company's shareholders	3,924,047	10,675,336	3,248,900	8,331,590
Non-controlling interests	111,354	359,514	80,259	290,740
	<u>P 4,035,401</u>	<u>P 11,034,850</u>	<u>P 3,329,159</u>	<u>P 8,622,330</u>

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

EXHIBIT 3

	Unaudited September 30, 2017		Unaudited September 30, 2016	
CAPITAL STOCK	P	32,430,866	P	32,430,866
ADDITIONAL PAID-IN CAPITAL		16,657,990		16,657,991
TREASURY SHARES - AT COST	(633,722)	(633,722)
NET ACTUARIAL GAINS (LOSSES) ON RETIREMENT BENEFIT PLAN		3,098	(28,765)
NET UNREALIZED LOSSES ON AVAILABLE-FOR-SALE SECURITIES	(2,465,244)	(2,807,819)
SHARE IN OTHER COMPREHENSIVE INCOME OF ASSOCIATES		10,769		38,744
ACCUMULATED TRANSLATION ADJUSTMENT	(370,151)	(399,581)
RETAINED EARNINGS		88,809,161		78,175,606
NON-CONTROLLING INTERESTS		<u>19,977,955</u>		<u>17,962,396</u>
TOTAL EQUITY	P	<u>154,420,722</u>	P	<u>141,395,716</u>

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

EXHIBIT 4

	Unaudited September 30, 2017	Unaudited September 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	P 13,353,162	P 11,986,474
Adjustments for:		
Depreciation and amortization	1,307,485	955,159
Interest and other charges	1,705,048	1,519,517
Interest and other income	(768,747)	(804,799)
Employee share options	23,896	34,857
Equity in net earnings of associates	(112,292)	(132,862)
Operating profit before working capital changes	15,508,552	13,558,346
Net Changes in Operating Assets and Liabilities		
Increase in current and non-current assets	(13,748,447)	(13,584,684)
Increase (decrease) in current and non-current liabilities	(1,552,013)	3,036,063
Increase (decrease) in reserve for property development	(410,503)	705,594
Cash generated from(used in) operations	(202,411)	3,715,319
Cash paid for income taxes	(1,711,174)	(1,681,995)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	(1,913,585)	2,033,324
CASH FLOWS USED IN INVESTING ACTIVITIES	(7,034,494)	(10,522,326)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	3,711,809	(864,173)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,236,270)	(9,353,175)
CASH AND CASH EQUIVALENTS OF ACQUIRED SUBSIDIARY	4,015	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	16,395,663	22,763,063
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	P 11,163,408	P 13,409,888

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
NOTES TO INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(UNAUDITED)
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

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

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

The registered office of the Company, which is also its principal place of business, is located at the 30th Floor Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City.

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

The Company holds ownership interests in the following subsidiaries and associates:

<u>Subsidiaries/Associates</u>	<u>Explanatory Notes</u>	<u>Effective Percentage of Ownership</u>	
		September 2017	December 2016
Subsidiaries:			
Prestige Hotels and Resorts, Inc. (PHRI)		100%	100%
Richmonde Hotel Group International Ltd. (RHGI)		100%	100%
Eastwood Cyber One Corporation (ECOC)		100%	100%
Megaworld Cebu Properties, Inc. (MCP)		100%	100%
Megaworld Newport Property Holdings, Inc. (MNPHI)		100%	100%
Oceantown Properties, Inc. (OPI)		100%	100%

Subsidiaries/Associates	Explanatory Notes	Effective Percentage of Ownership	
		September 2017	December 2016
Subsidiaries:			
Luxury Global Hotels and Leisure, Inc. (LGHLI)		100%	100%
Arcovia Properties, Inc. (API)		100%	100%
Mactan Oceanview Properties and Holdings, Inc. (MOPHI)	(a)	100%	100%
Megaworld Cayman Islands, Inc. (MCII)	(a)	100%	100%
Piedmont Property Ventures, Inc. (PPVI)	(a)	100%	100%
Stonehaven Land, Inc. (SLI)	(a)	100%	100%
Streamwood Property, Inc. (SP)	(a)	100%	100%
Global One Integrated Business Services, Inc. (GOIBST)		100%	100%
Luxury Global Malls, Inc. (LGMI)		100%	100%
Davao Park District Holdings, Inc. (DPDHI)		100%	100%
Belmont Newport Luxury Hotels, Inc. (BNLHI)	(b)	100%	100%
Global One Hotel Group, Inc. (GOHGI)	(b)	100%	100%
Landmark Seaside Properties, Inc. (LSPI)	(c)	100%	100%
San Vicente Coast, Inc. (SVCI)	(c)	100%	100%
Megaworld Bacolod Properties, Inc. (MBPI)	(c)	91.55%	91.55%
Megaworld Central Properties, Inc. (MCPI)	(d)	76.55%	76.55%
Megaworld Capital Town, Inc. (MCTI)	(e)	76.28%	-
Soho Café and Restaurant Group, Inc. (SCRGI)	(c)	75%	75%
La Fuerza, Inc. (LFI)		66.67%	66.67%
Megaworld-Daewoo Corporation (MDC)		60%	60%
Gilmore Property Marketing Associates, Inc. (GPMAI)	(a, f)	52.14%	52.14%
Manila Bayshore Property Holdings, Inc. (MBPHI)	(g)	50.92%	50.92%
Megaworld Globus Asia, Inc. (MGAI)		50%	50%
Integrated Town Management Corporation (ITMC, formerly Philippine International Properties, Inc.)		50%	50%
Maple Grove Land, Inc. (MGLI)	(c)	50%	50%
Megaworld Land, Inc. (MLI)		100%	100%
City Walk Building Administration, Inc. (CBAI)	(h)	100%	100%
Forbestown Commercial Center Administration, Inc. (FCCAI)	(h)	100%	100%
Paseo Center Building Administration, Inc. (PCBAI)	(h)	100%	100%
Uptown Commercial Center Administration, Inc. (UCCAI)	(h)	100%	100%
Iloilo Center Mall Administration, Inc. (ICMAI)	(h)	100%	100%
Newtown Commercial Center Administration, Inc. (NCCAI)	(h)	100%	100%
Valley Peaks Property Management, Inc. (VPPMI)	(h)	100%	100%
San Lorenzo Place Commercial Center Administration, Inc. (SLPCCAI)	(h)	100%	-

Subsidiaries/Associates	Explanatory Notes	Effective Percentage of Ownership	
		September 2017	December 2016
Subsidiaries:			
Suntrust Properties, Inc. (SPI)		100%	100%
Suntrust Ecotown Developers, Inc. (SEDI)		100%	100%
Governor's Hills Science School, Inc. (GHSSI)		100%	100%
Sunrays Property Management, Inc. (SPMI)		100%	100%
Suntrust One Shanata, Inc. (SOSI)		100%	100%
Suntrust Two Shanata, Inc. (STSI)		100%	100%
Global-Estate Resorts, Inc. (GERI)	(i)	82.32%	82.32%
Southwoods Mall, Inc. (SMI)	(a, j)	91.09%	91.09%
Megaworld Global-Estate, Inc. (MGEI)	(k)	89.39%	89.39%
Twin Lakes Corporation (TLC)	(k)	83.37%	83.37%
Fil-Estate Properties, Inc. (FEPI)	(k)	82.32%	82.32%
Aklan Holdings, Inc. (AHI)	(a, k)	82.32%	82.32%
Blu Sky Airways, Inc. (BSAI)	(a, k)	82.32%	82.32%
Fil-Estate Subic Development Corp. (FESDC)	(a, k)	82.32%	82.32%
Fil-Power Construction Equipment Leasing Corp. (FPCELC)	(a, k)	82.32%	82.32%
Golden Sun Airways, Inc. (GSAI)	(a, k)	82.32%	82.32%
La Compañía De Sta. Barbara, Inc. (LCSBI)	(k)	82.32%	82.32%
MCX Corporation (MCX)	(a, k)	82.32%	82.32%
Pioneer L-5 Realty Corp. (PLRC)	(a, k)	82.32%	82.32%
Prime Airways, Inc. (PAI)	(a, k)	82.32%	82.32%
Sto. Domingo Place Development Corp. (SDPDC)	(a, k)	82.32%	82.32%
Fil-Power Concrete Blocks Corp. (FPCBC)	(a, k)	82.32%	82.32%
Fil-Estate Industrial Park, Inc. (FEIPI)	(a, k)	65.03%	65.03%
Sherwood Hills Development, Inc. (SHD)	(k)	45.28%	45.28%
Fil-Estate Golf and Development, Inc. (FEGDI)	(k)	82.32%	82.32%
Golforce, Inc. (Golforce)	(k)	82.32%	82.32%
Southwoods Ecocentrum Corp (SWEC)	(k)	49.39%	49.39%
Philippine Aquatic Leisure Corp. (PALC)	(a, k)	49.39%	49.39%
Fil-Estate Urban Development Corp. (FEUDC)	(k)	82.32%	82.32%
Novo Sierra Holdings Corp. (NSHC)	(a, k)	82.32%	82.32%
Global Homes and Communities, Inc. (GHCI)	(a, k)	82.32%	82.32%
Oceanfront Properties, Inc. (OFPI)	(k)	41.13%	41.13%
Empire East Land Holdings, Inc. (EELHI)	(l)	81.73%	81.73%
Eastwood Property Holdings, Inc. (EPHI)	(l)	81.73%	81.73%
Valle Verde Properties, Inc. (VVPI)	(a, l)	81.73%	81.73%
Sherman Oak Holdings, Inc. (SOHI)	(a, l)	81.73%	81.73%
Empire East Communities, Inc. (EECI)	(a, l)	81.73%	81.73%
20 th Century Nylon Shirt, Inc. (CNSI)	(a, l)	81.73%	81.73%
Laguna BelAir Science School, Inc. (LBASSI)	(l)	59.67%	59.67%
Sonoma Premier Land, Inc. (SPLI)	(a, l)	49.04%	49.04%
Megaworld Resort Estates, Inc. (MREI)		51%	51%
Townsquare Development, Inc. (TDI)		30.60%	30.60%
Golden Panda-ATT Realty Corporation (GPARC)		30.60%	30.60%

Subsidiaries/Associates	Explanatory Notes	Effective Percentage of Ownership	
		September 2017	December 2016
Associates:			
Bonifacio West Development Corporation (BWDC)		46.11%	46.11%
Suntrust Home Developers, Inc. (SHDI)	(m)	45.67%	42.48%
First Oceanic Property Management, Inc. (FOPMI)		45.67%	42.48%
Citylink Coach Services, Inc. (CCSI)		45.67%	42.48%
Palm Tree Holdings and Development Corporation (PTHDC)	(a)	40%	40%
GERI			
Boracay Newcoast Hotel Group, Inc. (BNHGI)	(n)	24.70%	24.70%
Fil-Estate Network, Inc. (FENI)	(o)	16.46%	16.46%
Fil-Estate Sales, Inc. (FESI)	(o)	16.46%	16.46%
Fil-Estate Realty and Sales Associates, Inc. (FERSAI)	(o)	16.46%	16.46%
Fil-Estate Realty Corp. (FERC)	(o)	16.46%	16.46%
Nasugbu Properties, Inc. (NPI)	(o)	11.52%	11.52%
EELHI			
Pacific Coast Mega City, Inc. (PCMCI)	(p)	16.35%	16.35%

Explanatory Notes:

- (a) These were acquired/incorporated subsidiaries and associate in prior years but have not yet started commercial operations as at September 30, 2017.
- (b) Subsidiaries newly-incorporated in 2015. BNLHI is engaged in condominium-hotel operations while GOHGI provides management services to the former.
- (c) In 2016, the Company subscribed to the unissued common shares of SVCI and MGLI. Meanwhile, LSPI and SCRG I were existing entities that were separately acquired and were accounted for as business acquisitions. SVCI, MGLI and LSPI are engaged in the same line of business as the Company, while SCRG I is engaged in restaurant operations. In 2015, the Company acquired 91.55% ownership interest in MBPI, which is engaged in the same line of business as the Company.
- (d) As at September 30, 2017, the Company owns 76.55% of MCPI consisting of 51% direct ownership, 18.97% indirect ownership through EELHI and 6.58% indirect ownership through MREI.
- (e) In 2017, the Company acquired 76.28% ownership interest in MCTI, which is engaged in the same line of business as the Company.
- (f) As at September 30, 2017, the Company's ownership in GPMAI is at 52.14%, which consists of 38.72% and 13.42% indirect ownership from EELHI and MREI, respectively.
- (g) In 2017 and 2015, the Company and Travellers International Hotel Group, Inc. (TIHGI) equally subscribed to additional shares of MBPHI amounting to P150 million and P500 million each, respectively. The additional subscription on MBPHI did not affect the ownership interest of both TIHGI and the Company.
- (h) These were incorporated to engage in operation, maintenance, and administration of various malls and commercial centers. These companies became subsidiaries of the Company through MLI, their immediate parent company.
- (i) In 2016 and 2015, the Company acquired additional shares of GERI from the PSE, increasing its ownership interest to 82.32% and 82.26% respectively.
- (j) In 2015, the Company acquired 50% ownership in SMI. As at December 31, 2015, effective ownership interest over SMI totaled to 91.13%, consisting of 50% direct ownership and 41.13% indirect ownership through GERI. In 2016, both the Company and GERI subscribed to additional common shares of SMI resulting to 49.59% and 50.41% direct ownership interest, respectively.

- (k) Subsidiaries of GERI. As a result of the additional investments in GERI in 2016 and 2015, the Company's indirect ownership interest over these subsidiaries increased in proportion to the increase in effective interest over GERI.
- (l) In 2015, the Company acquired shares of EELHI from the PSE, resulting to an increase in ownership interest to 81.73%. Indirect ownership over the subsidiaries of EELHI also increased proportionately.
- (m) In 2017, TDI acquired SHDI shares from the PSE, thus the Company's ownership in SHDI increased to 45.67%, consisting of 42.48% direct and 3.19% indirect ownership.
- (n) In 2015, FEPI sold 15% ownership interest in BNHGI to a third party, decreasing the Company's ownership to 37.01%. As at December 31, 2016, the effective ownership interest over BNHGI is 24.70%.
- (o) Associates of GERI. As a result of the additional investments in GERI in 2016 and 2015, the Company's indirect ownership interest over these associates increased in proportion to the increase in effective interest over GERI.
- (p) PCMCI was incorporated in 2012. In 2015, EELHI acquired 20% ownership interest over PCMCI; consequently, the Company has indirect ownership of 16.35%.

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

The Company and its subsidiaries, except for entities which have not yet started commercial operations as at September 30, 2017, are presently engaged in the real estate business, hotel, cinema, business process outsourcing, educational, facilities provider and property management operations and marketing services.

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

2. BASIS OF PREPARATION OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The significant accounting policies that have been used in the preparation of these interim condensed consolidated financial statements are summarized below and in the succeeding pages. The policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of Preparation of Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements for the nine months ended September 30, 2017 and 2016 have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. They do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended December 31, 2016.

The preparation of interim condensed consolidated financial statements in accordance with Philippine Financial Reporting Standards (PFRS) requires management to make judgments, estimates and assumptions that affect 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 condensed consolidated financial statements are presented in Philippine peso, the functional and presentation currency of the Group, and all values represent absolute amounts except when otherwise indicated.

2.2 Adoption of New and Amended PFRS

A number of new or amended standards became applicable for the current reporting period. However, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

In preparing the interim condensed consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. The judgments, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual financial statements as at and for the year ended December 31, 2016.

The Group performed its annual impairment test of goodwill and other intangible assets with indefinite useful life at year end and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill arising from business combination and other intangible assets is based on value-in-use calculations. The Group considers the relationship between the market capitalization of the subsidiaries and its net book value, among other factors, when reviewing for indicators of impairment. The Group's management assessed that for the nine months ended September 30, 2017 and as at December 31, 2016, goodwill arising from business combination and other intangible assets with indefinite useful life are not impaired.

4. SEGMENT INFORMATION

4.1 Business Segments

The Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group is engaged in the development of residential and office units including urban centers integrating office, residential and commercial components. The Real Estate segment pertains to the development and sale of residential and office developments. The Rental segment includes leasing of office and commercial spaces. The Hotel Operations segment relates to the management of hotel business operations.

The Corporate and Others segment includes business process outsourcing, educational, facilities provider, maintenance and property management operations, 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.

4.2 Segment Assets and Liabilities

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash and cash equivalents, receivables, real estate inventories, property and equipment, and investment properties, net of allowances and provisions. Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all operating liabilities and consist principally of accounts, wages, taxes currently payable and accrued liabilities.

4.3 Intersegment Transactions

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

4.4 Analysis of Segment Information

The following tables present revenue and profit information regarding industry segments for the nine months ended September 30, 2017 and 2016 and certain asset and liability information regarding segments as at September 30, 2017 and 2016.

September 30, 2017

	<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 25,655,555,590	P 8,819,656,826	P 950,006,887	P 790,890,180	P -	P 36,216,109,483
Intersegment sales	-	249,629,318	-	964,909,592	(1,214,538,910)	-
Total revenues	<u>P 25,655,555,590</u>	<u>P 9,069,286,144</u>	<u>P 950,006,887</u>	<u>P 1,755,799,772</u>	<u>(P 1,214,538,910)</u>	<u>P 36,216,109,483</u>

RESULTS

Segment results	<u>P 7,267,254,822</u>	<u>P 6,815,771,207</u>	<u>P 191,704,907</u>	<u>P 105,893,653</u>	<u>(P 227,911,168)</u>	P 14,152,713,421
Interest and other income						768,747,187
Interest and other charges						(1,683,306,356)
Equity in net earnings of associates						112,291,899
Tax expense						(3,012,566,240)
Pre-acquisition loss of a subsidiary						2,715,950
Net profit						<u>P 10,340,595,861</u>

ASSETS AND LIABILITIES

Segment assets	P 200,788,296,556	P 80,497,961,194	P 3,080,340,537	P 6,323,429,172	P -	P 290,690,027,459
Investments in and advances to associates and other related parties	-	-	-	5,583,823,093	-	5,583,823,093
Total assets	<u>P 200,788,296,556</u>	<u>P 80,497,961,194</u>	<u>P 3,080,340,537</u>	<u>P 11,907,252,265</u>	<u>P -</u>	<u>P 296,273,850,552</u>
Segment liabilities	<u>P 109,171,822,472</u>	<u>P 28,114,062,961</u>	<u>P 408,531,204</u>	<u>P 4,158,712,570</u>	<u>P -</u>	<u>P 141,853,129,207</u>

September 30, 2016

	<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 25,303,525,564	P 7,413,366,937	P 878,511,153	P 731,190,948	P -	P 34,326,594,602
Intersegment sales	-	219,338,669	-	654,325,492	(873,664,161)	-
Total revenues	<u>P 25,303,525,564</u>	<u>P 7,632,705,606</u>	<u>P 878,511,153</u>	<u>P 1,385,516,440</u>	<u>(P 873,664,161)</u>	<u>P 34,326,594,602</u>

RESULTS

Segment results	<u>P 6,662,416,101</u>	<u>P 5,695,487,605</u>	<u>P 177,160,103</u>	<u>P 67,296,030</u>	<u>(P 57,423,559)</u>	P 12,544,936,280
Interest and other income						804,799,345
Interest and other charges						(1,496,123,455)
Equity in net earnings of associates						132,861,483
Tax expense						(2,713,656,087)
Net profit						<u>P 9,272,817,566</u>

ASSETS AND LIABILITIES

Segment assets	P 193,111,184,442	P 59,406,322,726	P 2,412,971,550	P 5,682,722,943	P -	P 260,613,201,661
Investments in and advances to associates and other related parties - net	-	-	-	5,857,645,478	-	5,857,645,478
Total assets	<u>P 193,111,184,442</u>	<u>P 59,406,322,726</u>	<u>P 2,412,971,550</u>	<u>P 11,540,368,421</u>	<u>P -</u>	<u>P 266,470,847,139</u>
Segment liabilities	<u>P 105,202,224,823</u>	<u>P 15,481,265,120</u>	<u>P 413,975,585</u>	<u>P 3,977,665,007</u>	<u>P -</u>	<u>P 125,075,130,535</u>

5. CASH DIVIDENDS

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

	<u>2017</u>
Declaration date/date of approval by BOD	June 8, 2017
Date of record	June 23, 2017
Date of payment	July 19, 2017
Amount declared and paid	<u>P1,722,155,799</u>

6. EARNINGS PER SHARE

Earnings per share (EPS) amounts were computed as follows:

	<u>September 30, 2017</u>	<u>September 30, 2016</u>
Net profit attributable to Company's shareholders	P 9,981,082,049	P 8,982,077,924
Computed dividends on cumulative preferred shares series "A"	(448,767)	(448,767)
Profit available to Company's common shareholders	<u>P 9,980,633,282</u>	<u>P 8,981,629,157</u>
Divided by weighted average number of outstanding common shares	<u>31,819,445,872</u>	<u>31,819,445,872</u>
Basic EPS	<u>P 0.314</u>	<u>P 0.282</u>
Divided by weighted average number of outstanding common shares and potential dilutive shares	<u>31,952,568,449</u>	<u>31,961,369,578</u>
Diluted EPS	<u>P 0.312</u>	<u>P 0.281</u>

7. 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.

8. SEASONAL FLUCTUATIONS

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

9. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has various financial instruments such as cash and cash equivalents, investments in AFS securities, interest-bearing loans and borrowings, bonds payable, trade receivables and payables which arise directly from the Group's business operations. The financial liabilities were issued to raise funds for the Group's capital expenditures.

Exposure to currency, interest rate, credit, liquidity and equity risk arise in the ordinary course of the Group's business activities. The main objective of the Group's risk management is to identify, monitor, and minimize those risks and to provide cost with a degree of certainty.

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

9.1 Foreign Currency Sensitivity

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

Exposures to foreign exchange rates vary during the period depending on the volume of overseas transactions and mainly affect consolidated profit or loss of the Group. There are no material exposures on foreign exchange rate that affect the Group's consolidated other comprehensive income (loss).

9.2 Interest Rate Sensitivity

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

The Group manages its interest risk by leveraging the fixed interest rate debt obligations over the floating interest rate debt obligations in its debt portfolio.

9.3 Credit Risk

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

9.4 Liquidity Risk

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

9.5 Other Price Risk Sensitivity

The Group's market price risk arises from its investments in AFS securities carried at fair value. It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

The investments in listed equity securities are considered long-term strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilized in the Group's favor.

10. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

10.1 Carrying Amounts and Fair Values by Category

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, 2017 (Unaudited)</u>		<u>December 31, 2016 (Audited)</u>	
	<u>Carrying Values</u>	<u>Fair Values</u>	<u>Carrying Values</u>	<u>Fair Values</u>
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	P 11,163,408,252	P 11,163,408,252	P 16,395,663,456	P 16,395,663,456
Trade and other receivables - net	68,640,927,911	68,640,927,911	62,670,975,654	62,670,975,654
Advances to associates and other related parties	2,576,652,763	2,576,652,763	2,507,516,083	2,507,516,083
Guarantee and other deposits	<u>1,146,282,327</u>	<u>1,146,282,327</u>	<u>983,982,727</u>	<u>983,982,727</u>
	<u>P 83,527,271,253</u>	<u>P 83,527,271,253</u>	<u>P 82,558,137,920</u>	<u>P 82,558,137,920</u>
AFS securities:				
Equity securities	P 4,289,502,190	P 4,289,502,190	P 3,595,778,288	P 3,595,778,288
Debt securities	-	-	66,501,898	66,501,898
	<u>P 4,289,502,190</u>	<u>P 4,289,502,190</u>	<u>P 3,662,280,186</u>	<u>P 3,662,280,186</u>
Financial Liabilities				
Financial liabilities at amortized cost:				
Interest-bearing				
loans and borrowings	P 34,938,512,191	P 34,938,512,191	P 38,852,773,041	P 38,852,773,041
Bonds payable	34,870,252,332	34,870,252,332	22,330,589,969	22,330,589,969
Redeemable preferred shares	1,257,987,900	1,257,987,900	1,257,987,900	1,257,987,900
Trade and other payables	14,523,122,584	14,523,122,584	13,303,336,111	13,303,336,111
Advances from associates and other related parties	<u>2,246,689,154</u>	<u>2,246,689,154</u>	<u>2,424,926,309</u>	<u>2,424,926,309</u>
	<u>P 87,836,564,161</u>	<u>P 87,836,564,161</u>	<u>P 78,169,613,330</u>	<u>P 78,169,613,330</u>

10.2 Fair Value Hierarchy

The Group uses the following hierarchy level in determining the fair values that will be disclosed for its financial instruments.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. Except for Php27.45 million AFS equity securities categorized in Level 3, all other AFS equity securities are categorized in Level 1.

For assets and liabilities that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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, 2017 versus September 30, 2016

Megaworld, the Philippines' biggest developer of integrated urban townships and the largest lessor of office spaces, achieved a net income of Php10.34 billion during the first nine months of this year, up 11.52% compared to Php9.27 billion during the same period last year. Net income attributable to parent company ended at Php9.98 billion by end-September and grew 11.12% from Php8.98 billion during the same period last year.

Consolidated revenues of the Megaworld Group, which includes subsidiary brands Global-Estate Resorts, Inc., Empire East Land Holdings, Inc. and Suntrust Properties, Inc., amounted to Php37.10 billion for the three quarters of the year, up 5.20% from Php35.26 billion in the same period last year.

Development. Among product portfolios, the bulk of consolidated revenues came from the sale of condominium units and residential lots, comprising 56.50% of total revenues. Real estate sales remained steady, amounting to Php20.96 and Php20.71 billion for the first nine months of the years 2017 and 2016, respectively. The Group's registered sales mostly came from the following projects: The Venice Luxury Residences, San Antonio Residence, Golfhill Gardens, One Uptown Residence, Iloilo Boutique Hotel, The Ellis, Two Central, Paseo Heights, Uptown Parksuites Towers 1 & 2, St. Moritz Private Estate – Cluster 2, Noble Place, Viceroy East Tower, One Central, The Palladium, Greenbelt Hamilton Towers 1 & 2, Eastwood Global Plaza Luxury Residence, The Florence, Three Central, Uptown Ritz Residence and One Eastwood Avenue Tower 1.

Leasing. Rental income soared 18.97% in the first three quarters of the year, reaching Php8.82 billion in 2017 from Php7.41 billion last year. The Group's expanded office space and commercial retail portfolio backed the steady growth of leasing revenues.

Hotel Operations. The Group's revenues attributable to hotel operations posted an amount of Php950.01 million during the nine months of 2017 with an increase of 8.14% from Php878.51 million for the same period last year.

Total costs and expenses amounted to Php26.76 billion, an increase by 2.95% from Php25.99 billion last year. Interest and other charges – net increased by 9.71%, amounting to Php1.83 billion this year from Php1.67 billion in 2016 due to loss on foreign exchange re-measurement of dollar bonds recognized for the year. Tax expense in 2017 amounting to

Php3.01 billion resulted to an increase of 11.02% from 2016 reported amount of Php2.71 billion due to higher taxable income.

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

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

Financial Condition

The Group maintains a prudent financial policy as it engages to a more competitive and challenging environment. The Group's Statements of Financial Position reflects stable financial growth. Total resources as at September 30, 2017 amounted to Php296.27 billion, posting an increase of 6.29% compared to Php278.74 billion as at December 31, 2016.

The Group shows steady liquid position as at September 30, 2017 by having its current assets at Php146.39 billion as against its current obligations at Php54.40 billion. Current assets posted an increase of 4.05% from December 31, 2016 balance of Php140.69 billion. Current obligations reflected an increase of 33.04% from December 31, 2016 balance of Php40.89 billion.

Cash and cash equivalents decreased by 31.91% from Php16.40 billion in 2016 to Php11.16 billion in 2017. Current and non-current trade and other receivables – net increased by 9.53%, amounting to Php68.64 billion as at September 30, 2017 compared to Php62.67 billion as at December 31, 2016. Residential, condominium units, golf and resort shares for sale – net increased by 6.77% from Php62.66 billion in 2016 to Php66.90 billion in 2017 mainly due to the additional construction costs attributable to on-going projects. Property development costs amounted to Php20.79 billion, up by 3.40% from Php20.11 billion last year. The Group's investments in available-for-sale securities – current and non-current increased by 17.13%, from Php3.66 billion in 2016 to Php4.29 billion as at September 30, 2017 due to changes in the fair market value of shares. Land for future development increased by 1.38% from Php22.08 billion in 2016 to Php22.38 billion in 2017. Investment properties – net increased by 9.44% amounting to Php66.20 billion in September 30, 2017 from Php60.49 billion in December 31, 2016 due to completion and additional construction costs of real properties for lease. Property and equipment – net amounted to Php5.21 billion, 45.86% higher from year-end 2016 balance of Php3.57 billion mainly due to the completion of corporate headquarters.

Trade and other payables amounted to Php14.87 billion and Php13.57 billion as at September 30, 2017 and December 31, 2016, respectively, reflecting a 9.57% increase. Total current and non-current customers' deposits as at September 30, 2017 amounted to Php8.77 billion compared Php12.22 billion as at December 31, 2016 with 28.21% decrease. The combined effect of current and non-current deferred income on real estate sales decreased

by 0.31% which amounted to Php10.65 billion as at September 30, 2017 compared to Php10.68 billion as at December 31, 2016.

The interest-bearing loans and borrowings current and non-current amounted to Php34.94 and Php38.85 billion for September 30, 2017 and December 31, 2016, respectively, reflecting a 10.07% decrease. Bonds payable increased by 56.15%, amounting to Php34.87 billion as at September 30, 2017 compared to Php22.33 billion as at December 31, 2016. Total other liabilities amounted to Php7.12 billion from Php6.50 billion as at September 30, 2017 and December 31, 2016, respectively, translating to a 9.58% increase.

Total Equity (including non-controlling interests) increased by 7.52% from Php143.62 billion as at December 31, 2016 to Php154.42 billion as at September 30, 2017 due to the Group's continuous profitability.

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

	September 30, 2017	December 31, 2016
Current Ratio *1	2.69:1.00	3.44:1.00
Quick Ratio *2	0.21:1.00	0.40:1.00
Debt to Equity Ratio *3	0.45:1.00	0.43:1.00

	September 30, 2017	September 30, 2016
Return on Assets *4	3.60%	3.58%
Return on Equity *5	7.68%	7.48%

*1 – Current Assets / Current Liabilities

*2 – Cash and Cash Equivalents / Current Liabilities

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

*4 – Net Profit / Average Total Assets

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

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

Material Changes in the Year 2017 Financial Statements (Increase/decrease of 5% or more versus December 31, 2016)

Statement of Financial Position

31.91% decrease in cash and cash equivalents

Due to capital expenditures and operating activities for business expansion

9.53% increase in trade and other receivables – net
Primarily due to additional sales for the period

6.77% increase in residential, condominium units, golf and resort shares for sale
Due to additional construction costs attributable to on-going projects

17.13% increase in investments in AFS securities – current and non-current
Due to changes in the fair market value of shares

13.07% increase in advances to contractors and suppliers
Represents advance payments to contractors and suppliers

22.82% increase in prepayments and other assets – current and non-current
Due to increase in prepaid expenses and recognition of goodwill from a new subsidiary

7.62% increase in investments in and advances to associates and other related parties
Mainly due to acquisition of additional shares of an associate

9.44% increase in investment properties – net
Due to additional project costs of malls, commercial centers and office buildings

45.86% increase in property and equipment – net
Mainly due to the completion of corporate headquarters

33.39% decrease in deferred tax assets
Due to lower deferred tax assets on taxable temporary differences

10.07% decrease in interest-bearing loans and borrowings – current and non-current
Due to payments of loans

56.15% increase in bonds payable – current and non-current
Due to issuance of bonds

9.57% increase in trade and other payables
Due to higher payables to suppliers and contractors

28.21% decrease in customers' deposits – current and non-current
Due to recognition of sales and decision to pursue recurring revenues from a project previously intended for sale

86.22% decrease in income tax payable
Due to payment of prior year income tax due

9.58% increase in other liabilities – current and non-current
Mainly contributed by additional security deposits and advance rent from new tenants

7.35% decrease in advances from associates and other related parties
Due to decrease in advances arising from related party transactions

(Increase/decrease of 5% or more versus September 30, 2016)

Statements of Income

18.97% increase in rental income

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

8.14% increase in hotel operations

Due to increase in hotel occupancy rates

15.48% decrease in equity in net earnings of associates

Mainly due to decrease in net income of associates

15.68% decrease in deferred gross profit

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

9.25% increase in cost of hotel operations

Represents direct costs attributable to hotel operations

9.74% increase in operating expenses

Due to increase in other administrative and corporate overhead expenses

9.71% increase in interest and other charges – net

Primarily due to loss on foreign exchange re-measurement of dollar bonds recognized for the current period

11.02% increase in tax expense

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

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

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

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

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

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

The unaudited interim condensed consolidated financial statements do not include all the information and disclosure required in the financial statements and should be read in conjunction with the Group's consolidated annual financial statements as at and for the year ended December 31, 2016.

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, 2016.

There were no known material events subsequent to the end of the interim period that have not been reflected in the Group's Financial Statements as at the third quarter of 2017.

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 as at the third quarter of 2017.

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.

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

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

MEGAWORLD CORPORATION AND SUBSIDIARIES

Aging of Accounts Receivables

September 30, 2017

(In thousand pesos)

EXHIBIT 7

	TOTAL	CURRENT/ NOT YET DUE	1-3 Months	4-6 Months	7 Months - 1 Year	Above 1 Year	Past due accounts & items in Litigation
Type of Receivables:							
a. Trade and other receivables	<u>68,640,928</u>	<u>66,222,965</u>	<u>1,463,463</u>	<u>531,388</u>	<u>294,182</u>	<u>128,930</u>	<u>-</u>

MEGAWORLD CORPORATION AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
SEPTEMBER 30, 2017 AND DECEMBER 31, 2016

EXHIBIT 8

	SEPTEMBER 30, 2017	DECEMBER 31, 2016
Current ratio	2.69 :1.00	3.44 :1.00
Quick ratio	0.21 :1.00	0.40 :1.00
Debt-to-equity ratio	0.45 :1.00	0.43 :1.00
Interest-bearing debt to total capitalization ratio	0.34 :1.00	0.33 :1.00
Asset-to-equity ratio	1.92 :1.00	1.94 :1.00
		SEPTEMBER 30, 2016
Interest rate coverage ratio	509.45%	624.27%
Net profit margin	27.87%	26.30%
Return on assets	3.60%	3.58%
Return on equity	7.68%	7.48%

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

Current ratio – computed as current assets divided by current liabilities

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

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

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

Interest-bearing debt to total capitalization ratio – computed as interest-bearing debt divided by interest-bearing debt+stockholders' equity attributable to the company's shareholders.

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

INTEREST RATE COVERAGE RATIOS measure the business' ability to meet its interest payments. It is computed as Earnings before income tax and interest expense (EBIT) divided by interest payments.

PROFITABILITY RATIOS

Net profit margin – computed as net profit divided by total revenues

Return on assets – net profit divided by average total assets

Return on equity – net profit attributable to the company's shareholders divided by average stockholders' equity attributable to the company's shareholders.