

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
Jun 30, 2018
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	Jun 30, 2018
Currency (indicate units, if applicable)	Php (In Thousands)

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Jun 30, 2018	Dec 31, 2017
Current Assets	156,749,808	155,486,632
Total Assets	319,429,023	310,532,805
Current Liabilities	51,853,494	57,018,406
Total Liabilities	142,454,210	149,228,603
Retained Earnings/(Deficit)	96,883,900	91,603,349
Stockholders' Equity	176,974,813	161,304,202
Stockholders' Equity - Parent	154,390,142	138,777,878

Book Value per Share	4.53	4.36
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Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	13,153,116	11,687,080	25,723,502	23,243,321
Gross Expense	7,468,531	6,848,731	15,095,867	14,370,230
Non-Operating Income	525,757	593,421	1,047,667	1,027,845
Non-Operating Expense	734,326	535,268	1,887,639	1,153,359
Income/(Loss) Before Tax	5,476,016	4,896,502	9,787,663	8,747,577
Income Tax Expense	1,262,705	1,130,901	2,282,179	2,055,927
Net Income/(Loss) After Tax	4,213,311	3,765,601	7,505,484	6,691,650
Net Income Attributable to Parent Equity Holder	4,097,692	3,608,902	7,251,128	6,443,490
Earnings/(Loss) Per Share (Basic)	0.12	0.11	0.22	0.2
Earnings/(Loss) Per Share (Diluted)	0.12	0.11	0.22	0.2

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	0.42	0.37
Earnings/(Loss) Per Share (Diluted)	0.42	0.37

Other Relevant Information

None

Filed on behalf by:

Name	Dominic Isberto
Designation	Vice President

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 June 2018**
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. **30th Floor, Alliance Global Tower**
36th Street cor. 11th Avenue
Uptown Bonifacio, Taguig City 1634
Address of issuer's principal office
8. **(632) 894-6300/6400**
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 ☒ [X]

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 ☒ [X]

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, 2017 and June 30, 2018

Exhibit 2 - Consolidated Statements of Income for the periods ended June 30, 2018 and June 30, 2017

Exhibit 3 - Consolidated Statements of Changes in Equity as of June 30, 2018 and June 30, 2017

Exhibit 4 - Consolidated Statements of Cash Flow as of June 30, 2018 and June 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

August 8, 2018

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

EXHIBIT 1

	Unaudited June 30, 2018	Audited December 31, 2017
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	P 15,568,895	P 16,430,137
Trade and other receivables - net	33,954,227	33,661,847
Residential, condominium units, golf and resort shares for sale - net	67,663,116	64,778,043
Property development costs	20,790,298	23,111,103
Advances to contractors and suppliers	11,826,335	10,538,276
Prepayments and other current assets - net	6,946,937	6,967,226
Total Current Assets	156,749,808	155,486,632
NON-CURRENT ASSETS		
Trade and other receivables - net	37,853,815	34,626,669
Advances to landowners and joint ventures	5,234,035	5,988,893
Land for future development	25,779,637	25,469,878
Investments in available-for-sale securities	4,239,363	4,353,411
Investments in and advances to associates and other related parties	5,742,638	5,395,003
Investment properties - net	75,442,577	71,415,689
Property and equipment - net	5,271,079	5,170,453
Deferred tax assets - net	107,168	41,581
Other non-current assets - net	3,008,903	2,584,596
Total Non-current Assets	162,679,215	155,046,173
TOTAL ASSETS	P 319,429,023	P 310,532,805

	Unaudited June 30, 2018	Audited December 31, 2017
<u>LIABILITIES AND EQUITY</u>		
CURRENT LIABILITIES		
Interest-bearing loans and borrowings	P 11,460,239	P 8,623,911
Bonds payable	-	9,976,271
Trade and other payables	19,739,658	16,165,521
Customers' deposits	7,487,290	8,086,370
Redeemable preferred shares	251,598	251,598
Reserve for property development	6,375,335	6,381,894
Deferred income on real estate sales	4,384,145	4,512,313
Income tax payable	13,502	220,594
Other current liabilities	2,141,727	2,799,934
Total Current Liabilities	51,853,494	57,018,406
NON-CURRENT LIABILITIES		
Interest-bearing loans and borrowings	28,211,861	31,912,889
Bonds payable	25,073,176	24,388,714
Customers' deposits	2,612,487	475,548
Redeemable preferred shares	1,006,390	1,006,390
Reserve for property development	9,257,948	10,101,060
Deferred income on real estate sales	4,978,321	5,548,432
Deferred tax liabilities - net	10,740,661	10,230,565
Advances from associates and other related parties	2,418,418	2,633,192
Retirement benefit obligation	1,037,930	1,041,445
Other non-current liabilities	5,263,524	4,871,962
Total Non-current Liabilities	90,600,716	92,210,197
Total Liabilities	142,454,210	149,228,603
EQUITY		
Total equity attributable to the Company's shareholders	154,390,142	138,777,878
Non-controlling interests	22,584,671	22,526,324
Total Equity	176,974,813	161,304,202
TOTAL LIABILITIES AND EQUITY	P 319,429,023	P 310,532,805

MEGAWORLD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In thousand pesos, except earnings per share)

EXHIBIT 2

	2018 Unaudited Apr 1 - Jun 30	2018 Unaudited Jan 1 -Jun 30	2017 Unaudited Apr 1 - Jun 30	2017 Unaudited Jan 1 -Jun 30
REVENUES AND INCOME				
Real estate sales	P 7,460,791	P 14,665,094	P 6,760,811	P 13,624,051
Interest income on real estate sales	516,579	955,851	515,007	952,540
Realized gross profit on prior years' sales	1,407,644	2,596,896	1,163,686	2,192,707
Rental income	3,420,937	6,790,498	2,934,383	5,826,064
Hotel operations	347,165	715,163	313,193	647,959
Equity in net earnings of associates	30,239	45,869	40,010	53,816
Interest and other income - net	495,518	1,001,798	553,411	974,029
	<u>13,678,873</u>	<u>26,771,169</u>	<u>12,280,501</u>	<u>24,271,166</u>
COSTS AND EXPENSES				
Cost of real estate sales	4,103,766	8,212,496	3,835,423	7,701,014
Deferred gross profit	887,383	1,898,652	867,327	2,257,776
Cost of hotel operations	218,861	421,134	199,082	392,960
Operating expenses	2,258,521	4,563,585	1,946,899	4,018,480
Interest and other charges - net	734,326	1,887,639	537,984	1,156,075
Tax expense	1,262,705	2,282,179	1,130,901	2,055,927
	<u>9,465,562</u>	<u>19,265,685</u>	<u>8,517,616</u>	<u>17,582,232</u>
PROFIT FOR THE PERIOD				
BEFORE PREACQUISITION LOSS	4,213,311	7,505,484	3,762,885	6,688,934
PREACQUISITION LOSS OF A SUBSIDIARY	<u>-</u>	<u>-</u>	<u>2,716</u>	<u>2,716</u>
NET PROFIT FOR THE PERIOD	<u>P 4,213,311</u>	<u>P 7,505,484</u>	<u>P 3,765,601</u>	<u>P 6,691,650</u>
Net profit attributable to:				
Company's shareholders	P 4,097,692	P 7,251,128	P 3,608,902	P 6,443,490
Non-controlling interests	<u>115,619</u>	<u>254,356</u>	<u>156,699</u>	<u>248,160</u>
	<u>P 4,213,311</u>	<u>P 7,505,484</u>	<u>P 3,765,601</u>	<u>P 6,691,650</u>
Earnings Per Share :				
Basic	<u>P 0.129</u>	<u>P 0.228</u>	<u>P 0.113</u>	<u>P 0.202</u>
Diluted	<u>P 0.128</u>	<u>P 0.227</u>	<u>P 0.113</u>	<u>P 0.202</u>

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

	2018 Unaudited Apr 1 - Jun 30		2018 Unaudited Jan 1 - Jun 30		2017 Unaudited Apr 1 - Jun 30		2017 Unaudited Jan 1 - Jun 30	
NET PROFIT FOR THE PERIOD	P	4,213,311	P	7,505,484	P	3,765,601	P	6,691,650
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will be reclassified								
subsequently to consolidated profit or loss:								
Fair value gains (losses) on available-for-sale-securities		132,943	(	198,159)		413,260		301,120
Fair value change on cash flow hedge		4,909		177,120		-		-
Exchange difference on translating foreign operations		13,230		36,866		2,812		6,679
		<u>151,082</u>		<u>15,827</u>		<u>416,072</u>		<u>307,799</u>
TOTAL COMPREHENSIVE INCOME								
FOR THE PERIOD	P	<u>4,364,393</u>	P	<u>7,521,311</u>	P	<u>4,181,673</u>	P	<u>6,999,449</u>
Total comprehensive income attributable to:								
Company's shareholders		4,248,774		7,266,955		4,024,974		6,751,289
Non-controlling interests		115,619		254,356		156,699		248,160
	P	<u>4,364,393</u>	P	<u>7,521,311</u>	P	<u>4,181,673</u>	P	<u>6,999,449</u>

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

EXHIBIT 3

	Unaudited June 30, 2018		Unaudited June 30, 2017	
CAPITAL STOCK	P	32,430,866	P	32,430,866
ADDITIONAL PAID-IN CAPITAL		16,657,991		16,657,991
TREASURY SHARES - AT COST	(	633,722)	(	633,722)
NET ACTUARIAL GAINS ON RETIREMENT BENEFIT PLAN		45,886		3,098
NET UNREALIZED LOSSES ON AVAILABLE-FOR-SALE SECURITIES	(	1,141,289)	(	2,845,470)
NET FAIR VALUE CHANGES ON CASH FLOW HEDGE		131,177		-
SHARE IN OTHER COMPREHENSIVE INCOME OF ASSOCIATES		44,685		10,769
ACCUMULATED TRANSLATION ADJUSTMENT	(	345,239)	(	376,382)
PERPETUAL CAPITAL SECURITIES		10,315,887		-
RETAINED EARNINGS		96,883,900		85,267,508
NON-CONTROLLING INTERESTS		<u>22,584,671</u>		<u>19,721,751</u>
TOTAL EQUITY	P	<u>176,974,813</u>	P	<u>150,236,409</u>

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

EXHIBIT 4

	Unaudited June 30, 2018		Unaudited June 30, 2017	
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	P	9,787,663	P	8,747,577
Adjustments for:				
Depreciation and amortization		1,060,591		820,704
Interest and other charges		1,861,404		1,069,388
Interest and other income	(	567,305 )	(	517,130)
Employee share options		13,285		24,985
Equity in net earnings of associates	(	45,869 )	(	53,816)
Operating profit before working capital changes		12,109,769		10,091,708
Net Changes in Operating Assets and Liabilities				
Increase in current and non-current assets	(	5,473,358 )	(	8,504,617)
Increase (decrease) in current and non-current liabilities		2,550,200	(	3,563,019)
Increase (decrease) in reserve for property development	(	849,671)		194,235
Cash generated from (used in) operations		8,336,940	(	1,781,693)
Cash paid for income taxes	(	1,233,009 )	(	1,207,930)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		7,103,931	(	2,989,623)
CASH FLOWS USED IN INVESTING ACTIVITIES	(	4,586,739 )	(	5,250,464)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	(	3,378,434)		7,737,633
NET DECREASE IN CASH AND CASH EQUIVALENTS	(	861,242 )	(	502,454)
BEGINNING BALANCE OF CASH AND CASH EQUIVALENTS OF ACQUIRED SUBSIDIARY		-		4,015
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		16,430,137		16,395,663
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	P	15,568,895	P	15,897,224

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
NOTES TO INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(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).

On June 27, 2017, the Philippine Securities and Exchange Commission (SEC) approved the change in the Company's registered office and principal place of business from 28th Floor, The World Centre, Sen. Gil Puyat Avenue, Makati City to 30th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City. The related approval from the Bureau of Internal Revenue (BIR) was obtained on July 17, 2017.

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>	
		<u>June 2018</u>	<u>December 2017</u>
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%

Subsidiaries/Associates	Explanatory Notes	Effective Percentage of Ownership	
		June 2018	December 2017
Subsidiaries:			
Oceantown Properties, Inc. (OPI)		100%	100%
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. (GOIBSI)		100%	100%
Luxury Global Malls, Inc. (LGMI)		100%	100%
Davao Park District Holdings, Inc. (DPDHI)		100%	100%
Belmont Newport Luxury Hotels, Inc. (BNLHI)		100%	100%
Global One Hotel Group, Inc. (GOHGI)		100%	100%
Landmark Seaside Properties, Inc. (LSPI)	(b)	100%	100%
San Vicente Coast, Inc. (SVCI)	(a, b)	100%	100%
Megaworld Bacolod Properties, Inc. (MBPI)		91.55%	91.55%
Megaworld Central Properties, Inc. (MCPI)	(c)	76.55%	76.55%
Megaworld Capital Town, Inc. (MCTI)	(d)	76.28%	76.28%
Soho Café and Restaurant Group, Inc. (SCRGI)	(b)	75%	75%
La Fuerza, Inc. (LFI)		66.67%	66.67%
Megaworld-Daewoo Corporation (MDC)		60%	60%
Northwin Properties, Inc. (NWPI)	(a, d)	60%	60%
Gilmore Property Marketing Associates, Inc. (GPMAI)	(a, e)	52.14%	52.14%
Manila Bayshore Property Holdings, Inc. (MBPHI)	(f)	50.92%	50.92%
Megaworld Globus Asia, Inc. (MGAI)		50%	50%
Integrated Town Management Corporation (ITMC)		50%	50%
Maple Grove Land, Inc. (MGLI)	(a, b)	50%	50%
Megaworld Land, Inc. (MLI)		100%	100%
City Walk Building Administration, Inc. (CBAI)	(g)	100%	100%
Forbestown Commercial Center Administration, Inc. (FCCAI)	(g)	100%	100%
Paseo Center Building Administration, Inc. (PCBAI)	(g)	100%	100%
Uptown Commercial Center Administration, Inc. (UCCAI)	(g)	100%	100%
Iloilo Center Mall Administration, Inc. (ICMAI)	(g)	100%	100%
Newtown Commercial Center Administration, Inc. (NCCAI)	(g)	100%	100%
Valley Peaks Property Management, Inc. (VPPMI)	(g)	100%	100%
San Lorenzo Place Commercial Center Administration, Inc. (SLPCCAI)	(g)	100%	100%
Southwoods Lifestyle Mall Management, Inc. (SLMMI)	(g)	100%	-

Subsidiaries/Associates	Explanatory Notes	Effective Percentage of Ownership	
		June 2018	December 2017
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)	(a)	100%	100%
Suntrust Two Shanata, Inc. (STSI)	(a)	100%	100%
Global-Estate Resorts, Inc. (GERI)	(h)	82.32%	82.32%
Southwoods Mall, Inc. (SMI)	(i)	91.09%	91.09%
Twin Lakes Corporation (TLC)	(j)	90.99%	83.37%
Megaworld Global-Estate, Inc. (MGEI)	(j)	89.39%	89.39%
Fil-Estate Properties, Inc. (FEPI)	(j)	82.32%	82.32%
Aklan Holdings, Inc. (AHI)	(a, i)	82.32%	82.32%
Blu Sky Airways, Inc. (BSAI)	(a, i)	82.32%	82.32%
Fil-Estate Subic Development Corp. (FESDC)	(a, i)	82.32%	82.32%
Fil-Power Construction Equipment Leasing Corp. (FPCELC)	(a, i)	82.32%	82.32%
Golden Sun Airways, Inc. (GSAI)	(a, i)	82.32%	82.32%
La Compañía De Sta. Barbara, Inc. (LCSBI)	(j)	82.32%	82.32%
MCX Corporation (MCX)	(a, i)	82.32%	82.32%
Pioneer L-5 Realty Corp. (PLRC)	(a, i)	82.32%	82.32%
Prime Airways, Inc. (PAI)	(a, i)	82.32%	82.32%
Sto. Domingo Place Development Corp. (SDPDC)	(a, i)	82.32%	82.32%
Fil-Power Concrete Blocks Corp. (FPCBC)	(a, i)	82.32%	82.32%
Fil-Estate Industrial Park, Inc. (FEIPI)	(a, i)	65.03%	65.03%
Sherwood Hills Development, Inc. (SHD)	(j)	45.28%	45.28%
Fil-Estate Golf and Development, Inc. (FEGDI)	(j)	82.32%	82.32%
Golforce, Inc. (Golforce)	(j)	82.32%	82.32%
Southwoods Ecocentrum Corp (SWEC)	(j)	49.39%	49.39%
Philippine Aquatic Leisure Corp. (PALC)	(a, i)	49.39%	49.39%
Fil-Estate Urban Development Corp. (FEUDC)	(j)	82.32%	82.32%
Novo Sierra Holdings Corp. (NSHC)	(a, i)	82.32%	82.32%
Global Homes and Communities, Inc. (GHCI)	(a, i)	82.32%	82.32%
Oceanfront Properties, Inc. (OFPI)	(j)	41.13%	41.13%
Empire East Land Holdings, Inc. (EELHI)		81.73%	81.73%
Eastwood Property Holdings, Inc. (EPHI)		81.73%	81.73%
Valle Verde Properties, Inc. (VVPI)	(a)	81.73%	81.73%
Sherman Oak Holdings, Inc. (SOHI)	(a)	81.73%	81.73%
Empire East Communities, Inc. (EECI)	(a)	81.73%	81.73%
20 th Century Nylon Shirt, Inc. (CNSI)	(a)	81.73%	81.73%
Laguna BelAir Science School, Inc. (LBASSI)		59.67%	59.67%
Sonoma Premier Land, Inc. (SPLI)	(a)	49.04%	49.04%
Megaworld Resort Estates, Inc. (MREI)		51%	51%
Townsquare Development, Inc. (TDI)		30.60%	30.60%
Golden Panda-ATI Realty Corporation (GPARC)		30.60%	30.60%

Subsidiaries/Associates	Explanatory Notes	Effective Percentage of Ownership	
		June 2018	December 2017
Associates:			
Bonifacio West Development Corporation (BWDC)		46.11%	46.11%
Suntrust Home Developers, Inc. (SHDI)	(k)	45.67%	45.67%
First Oceanic Property Management, Inc. (FOPMI)	(l)	45.67%	45.67%
Citylink Coach Services, Inc. (CCSI)	(l)	45.67%	45.67%
Palm Tree Holdings and Development Corporation (PTHDC)	(a)	40%	40%
GERI			
Boracay Newcoast Hotel Group, Inc. (BNHGI)	(m)	24.70%	24.70%
Fil-Estate Network, Inc. (FENI)	(n)	16.46%	16.46%
Fil-Estate Sales, Inc. (FESI)	(n)	16.46%	16.46%
Fil-Estate Realty and Sales Associates, Inc. (FERSAI)	(n)	16.46%	16.46%
Fil-Estate Realty Corp. (FERC)	(n)	16.46%	16.46%
Nasugbu Properties, Inc. (NPI)	(n)	11.52%	11.52%
EELHI			
Pacific Coast Mega City, Inc. (PCMCI)		16.35%	16.35%

Explanatory Notes:

- (a) These are entities which have not yet started commercial operations as at June 30, 2018.
- (b) SVCI and MGLI were incorporated in 2016 and are engaged in the same line of business as the Company. Meanwhile, LSPI and SCRG I were existing entities that were separately acquired in 2016 and were accounted for as business acquisitions. LSPI is engaged in the same line of business as the Company, while SCRG I is engaged in restaurant operations.
- (c) As at June 30, 2018, 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.
- (d) New subsidiaries in 2017. MCTI and NWPI are existing entities that are separately acquired in 2017 and are accounted for as business acquisitions. Both are engaged in the same line of business as the Company.
- (e) As at June 30, 2018, 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.
- (f) In 2017 and 2015, the Company and Travellers International Hotel Group, Inc. (TIHGI) equally subscribed to additional shares of MBPHI amounting to P0.2 billion and P0.5 billion each, respectively. The additional subscriptions on MBPHI did not affect the ownership interest of both TIHGI and the Company.
- (g) 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. SLPCCAI and SLMMI were consolidated in 2017 and 2018, respectively.
- (h) In 2016, the Company acquired additional shares of GERI from the PSE, increasing its ownership interest to 82.32%.
- (i) SMI is a subsidiary of GERI acquired in 2014 which is engaged in real estate business. 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.

- (j) Subsidiaries of GERI. As a result of the additional investments in GERI in 2016, the Company's indirect ownership interest over these subsidiaries increased in proportion to the increase in effective interest over GERI. Effective ownership interest over MGEI and TLC increased to 89.39% and 83.37%, respectively. In 2018, the company subscribed to additional common shares of TLC resulting to 49% direct ownership interest thus, effective ownership interest over TLC increased to 90.99%.
- (k) In 2017, TDI acquired shares of SHDI resulting into 45.67% effective ownership over SHDI consisting of 42.48% direct ownership and 3.19% indirect ownership through TDI.
- (l) Subsidiaries of SHDI. As a result of the additional investment in SHDI in 2017, the Company's indirect interest over these associates increased in proportion to the increase in effective interest over SHDI.
- (m) In 2017 and 2016, FEPI sold 15% ownership interest each year in BNHGI to a third party, decreasing the Company's ownership to 12.35% and 24.70%, respectively.
- (n) Associates of GERI. As a result of the additional investments in GERI in 2016, the Company's indirect ownership interest over these associates increased in proportion to the increase in effective interest over GERI.

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 June 30, 2018, 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 six months ended June 30, 2018 and 2017 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, 2017.

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, 2017.

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 six months ended June 30, 2018 and as at December 31, 2017, 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 six months ended June 30, 2018 and 2017 and certain asset and liability information regarding segments as at June 30, 2018 and 2017.

	June 30, 2018					
	Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
TOTAL REVENUES						
Sales to external customers	P 18,217,841,738	P 6,790,498,316	P 715,162,457	P 434,493,336	P -	P 26,157,995,847
Interest income	394,640,613	164,663,250	1,247,005	591,435	-	561,142,303
Intersegment sales	-	256,774,422	-	684,748,393	(941,522,815)	-
Total revenues	<u>18,612,482,351</u>	<u>7,211,935,988</u>	<u>716,409,462</u>	<u>1,119,833,164</u>	<u>(941,522,815)</u>	<u>26,719,138,150</u>
RESULTS						
Cost of sales and operating expense excluding depreciation and amortization	12,712,319,293	869,705,013	518,954,157	944,237,208	(890,749,182)	14,154,466,489
Interest expense	475,402,721	213,246,930	-	8,760,670	-	697,410,321
Depreciation and amortization	145,363,243	813,114,834	40,012,461	62,100,226	-	1,060,590,764
	<u>13,333,085,257</u>	<u>1,896,066,777</u>	<u>558,966,618</u>	<u>1,015,098,104</u>	<u>(890,749,182)</u>	<u>15,912,467,574</u>
Segment results	<u>P 5,279,397,094</u>	<u>P 5,315,869,211</u>	<u>P 157,442,844</u>	<u>P 104,735,060</u>	<u>(P 50,773,633)</u>	<u>P 10,806,670,576</u>
Unallocated other income						6,162,441
Unallocated other expenses						(1,071,038,132)
Equity in net earnings of associates						45,868,429
Tax expense						(2,282,179,249)
Net profit						<u>P 7,505,484,065</u>
ASSETS AND LIABILITIES						
Segment assets	P 211,948,950,836	P 90,678,436,587	P 3,160,635,840	P 7,898,361,444	P -	P 313,686,384,707
Investments in and advances to associates and other related parties - net	-	-	-	5,742,637,932	-	5,742,637,932
Total assets	<u>P 211,948,950,836</u>	<u>P 90,678,436,587</u>	<u>P 3,160,635,840</u>	<u>P 13,640,999,376</u>	<u>P -</u>	<u>P 319,429,022,639</u>
Segment liabilities	<u>P 106,933,358,850</u>	<u>P 29,202,907,262</u>	<u>P 388,278,722</u>	<u>P 5,929,665,096</u>	<u>P -</u>	<u>P 142,454,209,930</u>

		June 30, 2017					
		Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
TOTAL REVENUES							
Sales to external customers	P	16,769,297,361	P 5,826,064,443	P 647,959,056	P 456,899,129	P -	P 23,700,219,989
Interest income		341,887,989	157,219,667	911,075	1,933,521	-	501,952,252
Intersegment sales		-	155,474,066	-	627,397,149	(782,871,215)	-
Total revenues		<u>17,111,185,350</u>	<u>6,138,758,176</u>	<u>648,870,131</u>	<u>1,086,229,799</u>	<u>(782,871,215)</u>	<u>24,202,172,241</u>
RESULTS							
Cost of sales and operating expense excluding depreciation and amortization		11,964,275,191	855,604,673	488,241,378	960,427,488	(622,756,727)	13,645,792,003
Interest expense		503,791,752	245,322,655	-	7,921,038	-	757,035,445
Depreciation and amortization		<u>112,428,604</u>	<u>634,798,620</u>	<u>30,828,421</u>	<u>42,648,587</u>	<u>-</u>	<u>820,704,232</u>
		<u>12,580,495,547</u>	<u>1,735,725,948</u>	<u>519,069,799</u>	<u>1,010,997,113</u>	<u>(622,756,727)</u>	<u>15,223,531,680</u>
Segment results	P	<u>4,530,689,803</u>	<u>P 4,403,032,228</u>	<u>P 129,800,332</u>	<u>P 75,232,686</u>	<u>(P 160,114,488)</u>	<u>P 8,978,640,561</u>
Unallocated other income							15,177,590
Unallocated other expenses						(	302,773,421)
Equity in net earnings of associates							53,815,744
Tax expense						(	2,055,926,930)
Pre-acquisition loss of a subsidiary							<u>2,715,950</u>
Net profit							<u>P 6,691,649,494</u>
ASSETS AND LIABILITIES							
Segment assets	P	199,707,996,289	P 78,716,960,526	P 3,060,623,619	P 6,563,130,749	P -	P 288,048,711,183
Investments in and advances to associates and other related parties - net		-	-	-	5,535,329,741	-	5,535,329,741
Total assets		<u>P 199,707,996,289</u>	<u>P 78,716,960,526</u>	<u>P 3,060,623,619</u>	<u>P 12,098,460,490</u>	<u>P -</u>	<u>P 293,584,040,924</u>
Segment liabilities	P	<u>109,097,701,628</u>	<u>P 28,431,276,270</u>	<u>P 350,721,224</u>	<u>P 5,467,932,812</u>	<u>P -</u>	<u>P 143,347,631,934</u>

5. CASH DIVIDENDS

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

	2018
Declaration date/date of approval by BOD	June 8, 2018
Date of record	June 26, 2018
Date of payment	July 20, 2018
Amount declared and for payment	<u><u>P1,982,208,812</u></u>

6. EARNINGS PER SHARE

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

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Net profit attributable to Company's shareholders	P 7,251,127,840	P 6,443,490,093
Computed dividends on cumulative preferred shares series "A"	(297,534)	(297,534)
Profit available to Company's common shareholders	<u>P 7,250,830,306</u>	<u>P 6,443,192,559</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 0.228</u>	<u>P 0.202</u>
Divided by weighted average number of outstanding common shares and potential dilutive shares	<u>31,960,640,425</u>	<u>31,953,426,047</u>
Diluted EPS	<u>P 0.227</u>	<u>P 0.202</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 loans and bonds payable which have been used to fund new projects and 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>June 30, 2018 (Unaudited)</u>		<u>December 31, 2017 (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 15,568,894,910	P 15,568,894,910	P 16,430,136,465	P 16,430,136,465
Trade and other receivables – net	71,808,041,808	71,808,041,808	68,288,515,597	68,288,515,597
Advances to associates and other related parties	2,833,530,726	2,833,530,726	2,531,401,492	2,531,401,492
Guarantee and other deposits	879,913,582	879,913,582	857,523,551	857,523,551
Derivative asset	<u>423,049,576</u>	<u>423,049,576</u>	<u>-</u>	<u>-</u>
	<u>P 91,513,430,602</u>	<u>P 91,513,430,602</u>	<u>P 88,107,577,105</u>	<u>P 88,107,577,105</u>
AFS securities –				
Equity securities	<u>P 4,239,363,226</u>	<u>P 4,239,363,226</u>	<u>P 4,353,411,024</u>	<u>P 4,353,411,024</u>
Financial Liabilities				
Financial liabilities at amortized cost:				
Interest-bearing				
loans and borrowings	P 39,672,100,109	P 38,581,779,880	P 40,536,800,278	P 39,225,893,600
Bonds payable	25,073,176,173	24,523,576,193	34,364,985,052	31,146,543,930
Redeemable preferred shares	1,257,987,900	1,257,987,900	1,257,987,900	1,257,987,900
Trade and other payables	19,248,472,614	19,248,472,614	15,658,762,188	15,658,762,188
Advances from associates and other related parties	2,418,417,802	2,418,417,802	5,334,044,141	5,334,044,141
Derivative liability	<u>-</u>	<u>-</u>	<u>109,913,612</u>	<u>109,913,612</u>
	<u>P 87,670,154,598</u>	<u>P 86,030,234,389</u>	<u>P 97,262,493,171</u>	<u>P 92,733,145,371</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 Php27.44 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.

EXHIBIT 6

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 June 30, 2018 versus June 30, 2017

Megaworld, the Philippines' biggest developer of integrated urban townships, achieved a net income of Php7.51 billion during the first half of 2018, 12.16% higher than the Php6.69 billion posted in the same period in 2017. Net income attributable to parent company's shareholders also recorded a 12.53% growth to Php7.25 billion in the first half of this year from Php6.44 billion during the first six months of 2017.

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 Php26.77 billion for the first six months of the year, up 10.30% from Php24.27 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 and commercial lots, comprising 54.78% of total revenues. Real estate sales saw a 7.64% growth year on year during the period, amounting to Php14.67 and Php13.62 billion for the first six months of the years 2018 and 2017, respectively. The Group's registered sales mostly came from the following projects: The Venice Luxury Residences, San Antonio Residence, The Ellis, Uptown Parksuites Towers 1 & 2, St. Moritz Private Estate – Cluster 2, Noble Place, The Florence, Three Central, Uptown Ritz Residence, One Eastwood Avenue Tower 1, Salcedo Sky Suites, Eighty One Newport Boulevard, Saint Honore, One Pacific Residence and The Albany Luxury Residences.

Leasing. The Group's rental business, which includes offices, malls and commercial centers, remained the fastest growing during the first half of 2018. Rental income soared 16.55% in the first half of the year, reaching Php6.79 billion in 2018 from Php5.83 billion last year.

Hotel Operations. The Group's revenues attributable to hotel operations posted an amount of Php715.16 million during the first half of 2018 with an increase of 10.37% from Php647.96 million for the same period last year.

Total costs and expenses amounted to Php19.27 billion, an increase by 9.57% from Php17.58 billion last year. Interest and other charges – net increased by 63.28%, amounting to Php1.89 billion this year from Php1.16 billion in 2017 primarily due to loss on foreign exchange re-measurement of dollar bonds recognized for the year. Tax expense in 2018

amounting to Php2.28 billion resulted to an increase of 11.00% from 2017 reported amount of Php2.06 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 June 30, 2018 amounted to Php319.43 billion, posting an increase of 2.86% compared to Php310.53 billion as at December 31, 2017.

The Group shows steady liquid position as at June 30, 2018 by having its current assets at Php156.75 billion as against its current obligations at Php51.85 billion. Current assets posted an increase of 0.81% from December 31, 2017 balance of Php155.49 billion. Current obligations reflected a decrease of 9.06% from December 31, 2017 balance of Php57.02 billion.

Cash and cash equivalents decreased by 5.24% from Php16.43 billion in 2017 to Php15.57 billion in 2018. Current and non-current trade and other receivables – net increased by 5.15%, amounting to Php71.81 billion as at June 30, 2018 compared to Php68.29 billion as at December 31, 2017. Residential, condominium units, golf and resort shares for sale – net increased by 4.45% from Php64.78 billion in 2017 to Php67.66 billion in 2018 mainly due to the additional construction costs attributable to on-going projects. Property development costs amounted to Php20.79 billion, decreased by 10.04% from Php23.11 billion last year. The Group's investments in available-for-sale securities decreased by 2.62%, from Php4.35 billion in 2017 to Php4.24 billion as at June 30, 2018 due to changes in the fair market value of shares. Land for future development slightly increased by 1.22% from Php25.47 billion in 2017 to Php25.78 billion in 2018. Investment properties – net increased by 5.64% amounting to Php75.44 billion as at June 30, 2018 from Php71.42 billion as at December 31, 2017 due to completion and additional construction costs of real properties for lease.

Trade and other payables amounted to Php19.74 billion and Php16.17 billion as at June 30, 2018 and December 31, 2017, respectively, reflecting a 22.11% increase. Total current and non-current customers' deposits as at June 30, 2018 amounted to Php10.10 billion compared to Php8.56 billion as at December 31, 2017 with 17.96% increase. The combined effect of current and non-current deferred income on real estate sales decreased by 6.94% which amounted to Php9.36 billion as at June 30, 2018 compared to Php10.06 billion as at December 31, 2017.

The interest-bearing loans and borrowings current and non-current amounted to Php39.67 and Php40.54 billion for June 30, 2018 and December 31, 2017, respectively, reflecting a 2.13% decrease. Bonds payable decreased by 27.04% from Php34.36 billion in 2017 to Php25.07 billion in 2018. Total other liabilities amounted to Php7.41 billion from Php7.67 billion as at June 30, 2018 and December 31, 2017, respectively, a slight decrease of 3.48%.

Total Equity (including non-controlling interests) increased by 9.71% from Php161.30 billion as at December 31, 2017 to Php176.97 billion as at June 30, 2018 primarily due to issuance of perpetual capital securities and the Group's continuous profitability.

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

	June 30, 2018	December 31, 2017
Current Ratio *1	3.02:1.00	2.73:1.00
Quick Ratio *2	0.30:1.00	0.29:1.00
Debt to Equity Ratio *3	0.37:1.00	0.46:1.00

	June 30, 2018	June 30, 2017
Return on Assets *4	2.38%	2.34%
Return on Equity *5	4.95%	5.03%

**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 2018 Financial Statements ***(Increase/decrease of 5% or more versus December 31, 2017)***

Statement of Financial Position

5.24% decrease in cash and cash equivalents

Due to capital expenditures and operating activities for business expansion

5.15% increase in trade and other receivables - net

Primarily due to additional sales for the period

10.04% decrease in property development costs

Represents costs attributable to the development of various projects

12.22% increase in advances to contractors and suppliers
Represents advance payments to contractors and suppliers

12.60% decrease in advances to landowners and joint ventures
Mainly due to a subsidiary's reclassification of account to land for future development

6.44% increase in investments in and advances to associates and other related parties
Mainly due to additional advances to other related parties

5.64% increase in investment properties - net
Due to additional project costs of malls, commercial centers and office buildings

157.73% increase in deferred tax assets
Due to higher deferred tax assets on taxable temporary differences

27.04% decrease in bonds payable
Due to maturity of bonds

22.11% increase in trade and other payables
Primarily due to payable arising from declaration of dividends

17.96% increase in customers' deposits – current and non-current
Pertains to amounts received from customers for sale of residential lots and condominium units not yet qualified for sales recognition

5.15% decrease in reserve for property development
Represents estimated cost to complete the development of various projects

6.94% decrease in deferred income on real estate sales
Represents gross profit on unearned revenues

93.88% decrease in income tax payable
Due to payment of prior year income tax due

8.16% decrease in advances from associates and other related parties
Due to decrease in advances arising from related party transactions

9.71% increase in equity
Primarily due to issuance of perpetual capital securities and the Group's continuous profitability

(Increase/decrease of 5% or more versus June 30, 2017)

Statements of Income

7.64% increase in real estate sales
Due to higher sales recognized for the period

18.43% increase in realized gross profit on prior year's sale
Represents portion of gross profit from real estate sales made in prior years realized for the current period

16.55% 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

10.37% increase in hotel operations
Due to increase in hotel occupancy rates

14.77% decrease in equity in net earnings of associates
Mainly due to decrease in net income of associates

6.64% increase in cost of real estate sales
Due to increase in real estate sales

15.91% decrease in deferred gross profit
Pertains to the portion of gross profit from current real estate sales to be realized in future periods

7.17% increase in cost of hotel operations
Represents direct costs attributable to hotel operations

13.56% increase in operating expenses
Mainly contributed by direct operating cost attributable to investment properties

63.28% increase in interest and other charges – net
Primarily due to loss on foreign exchange re-measurement of dollar bonds recognized for the current period

11.00% 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, 2017.

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, 2017.

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 second quarter of 2018.

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 second quarter of 2018.

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

June 30, 2018

(In thousand pesos)

EXHIBIT 7

Type of Receivables:	TOTAL	CURRENT/ NOT YET DUE	1-3 Months	4-6 Months	7 Months - 1 Year	Above 1 Year	Past due accounts & items in Litigation
a. Trade and other receivables	<u>71,808,042</u>	<u>69,266,337</u>	<u>1,506,584</u>	<u>531,565</u>	<u>334,928</u>	<u>168,628</u>	<u>-</u>

MEGAWORLD CORPORATION AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
JUNE 30, 2018 AND DECEMBER 31, 2017

EXHIBIT 8

	JUNE 30, 2018	DECEMBER 31, 2017
Current ratio	3.02 :1.00	2.73 :1.00
Quick ratio	0.30 :1.00	0.29 :1.00
Debt-to-equity ratio	0.37 :1.00	0.46 :1.00
Interest-bearing debt to total capitalization ratio	0.30 :1.00	0.35 :1.00
Asset-to-equity ratio	1.80 :1.00	1.93 :1.00
		JUNE 30, 2017
Interest rate coverage ratio	548.44%	521.12%
Net profit margin	28.04%	27.57%
Return on assets	2.38%	2.34%
Return on equity	4.95%	5.03%

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.