



108142019003252

**SECURITIES AND EXCHANGE COMMISSION**

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Company Information

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Company Name MEGAWORLD CORP.

Industry Classification

Company Type Stock Corporation

**Document Information**

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# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-Q

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

1. For the quarterly period ended  
Jun 30, 2019
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 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, 2019
Currency (indicate units, if applicable)	Php (In Thousands)

#### Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Jun 30, 2019	Dec 31, 2018
Current Assets	174,458,503	172,762,514
Total Assets	331,119,405	322,307,277
Current Liabilities	50,565,260	44,518,725
Total Liabilities	136,401,593	133,556,082
Retained Earnings/(Deficit)	113,914,888	108,258,345
Stockholders' Equity	194,717,812	188,751,195
Stockholders' Equity - Parent	169,392,063	163,865,666
Book Value per Share	5.32	5.15

**Income Statement**

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	15,612,411	13,323,707	29,586,576	25,586,930
Gross Expense	9,677,072	7,820,120	18,039,796	15,009,470
Non-Operating Income	1,205,263	700,977	2,137,208	1,398,688
Non-Operating Expense	696,103	944,463	1,714,597	2,177,404
Income/(Loss) Before Tax	6,444,499	5,260,101	11,969,391	9,798,744
Income Tax Expense	1,694,391	1,228,057	3,103,001	2,279,359
Net Income/(Loss) After Tax	4,750,108	4,032,044	8,866,390	7,519,385
Net Income Attributable to Parent Equity Holder	4,471,159	3,887,147	8,307,466	7,186,443
Earnings/(Loss) Per Share (Basic)	0.14	0.12	0.26	0.22
Earnings/(Loss) Per Share (Diluted)	0.14	0.12	0.26	0.22

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	0.51	0.43
Earnings/(Loss) Per Share (Diluted)	0.51	0.43

**Other Relevant Information**

NONE

**Filed on behalf by:**

Name	Anna Michelle Llovido
Designation	Corporate Secretary

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 2019**
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. **30<sup>th</sup> Floor, Alliance Global Tower**  
**36<sup>th</sup> Street cor. 11<sup>th</sup> 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
<b>Common</b>	<b>32,239,445,872</b>
<b>Preferred</b>	<b>6,000,000,000</b>
<b>Total</b>	<b>38,239,445,872</b>

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, 2018  
and June 30, 2019

Exhibit 2 - Consolidated Statements of Income for the periods ended June 30, 2019  
and June 30, 2018

Exhibit 3 - Consolidated Statements of Changes in Equity as of June 30, 2019  
and June 30, 2018

Exhibit 4 - Consolidated Statements of Cash Flow as of June 30, 2019 and  
June 30, 2018

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:



**DR. FRANCISCO C. CANUTO**

Treasurer (Principal Financial Officer)

and Duly Authorized Officer

August 14, 2019

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

**EXHIBIT 1**

	Unaudited June 30, 2019	Audited December 31, 2018
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	P 15,594,832	P 17,543,095
Trade and other receivables - net	23,989,374	25,023,427
Contract assets	13,808,959	11,131,864
Inventories	101,005,802	100,909,467
Advances to contractors and suppliers	10,890,815	8,949,748
Prepayments and other current assets	9,168,721	9,204,913
Total Current Assets	174,458,503	172,762,514
<b>NON-CURRENT ASSETS</b>		
Trade and other receivables - net	9,046,782	7,258,619
Contract assets	10,618,077	11,095,416
Advances to contractors and suppliers	2,950,786	2,821,521
Advances to landowners and joint ventures	7,276,998	6,910,178
Financial assets at fair value through other comprehensive income	5,026,507	4,474,948
Investments in and advances to associates and other related parties	4,748,081	4,628,640
Investment properties - net	107,642,798	103,122,073
Property and equipment - net	6,113,781	6,170,053
Deferred tax assets - net	172,703	143,663
Other non-current assets - net	3,064,389	2,919,652
Total Non-current Assets	156,660,902	149,544,763
<b>TOTAL ASSETS</b>	<b>P 331,119,405</b>	<b>P 322,307,277</b>

	Unaudited June 30, 2019	Audited December 31, 2018
<b><u>LIABILITIES AND EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Interest-bearing loans and borrowings	P 12,721,618	P 12,019,703
Trade and other payables	20,932,799	15,027,120
Contract liabilities	2,139,544	2,663,105
Customers' deposits	8,859,715	9,286,220
Redeemable preferred shares	251,598	251,598
Income tax payable	86,681	207,162
Other current liabilities	5,573,305	5,063,817
Total Current Liabilities	50,565,260	44,518,725
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing loans and borrowings	32,955,214	38,620,909
Bonds payable	24,769,230	25,102,042
Contract liabilities	3,461,287	2,705,562
Customers' deposits	2,932,766	2,523,067
Redeemable preferred shares	754,793	754,793
Deferred tax liabilities - net	10,371,225	8,951,153
Advances from associates and other related parties	2,834,109	2,885,463
Retirement benefit obligation	861,492	834,324
Other non-current liabilities	6,896,217	6,660,044
Total Non-current Liabilities	85,836,333	89,037,357
Total Liabilities	136,401,593	133,556,082
<b>EQUITY</b>		
Total equity attributable to the Company's shareholders	169,392,063	163,865,666
Non-controlling interests	25,325,749	24,885,529
Total Equity	194,717,812	188,751,195
<b>TOTAL LIABILITIES AND EQUITY</b>	P 331,119,405	P 322,307,277



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

**EXHIBIT 2**

	2019 Unaudited Apr 1 - Jun 30		2019 Unaudited Jan 1 -Jun 30		2018 Unaudited Apr 1 - Jun 30 <i>(As Restated)</i>		2018 Unaudited Jan 1 -Jun 30 <i>(As Restated)</i>	
REVENUES AND INCOME								
Real estate sales	P	10,684,922	P	20,159,155	P	9,555,605	P	18,081,269
Rental income		4,217,948		8,143,417		3,420,937		6,790,498
Hotel operations		709,541		1,284,004		347,165		715,163
Equity in net earnings of associates		21,086		44,134		30,238		45,868
Interest and other income - net		<u>1,184,177</u>		<u>2,093,074</u>		<u>670,739</u>		<u>1,352,820</u>
		<u>16,817,674</u>		<u>31,723,784</u>		<u>14,024,684</u>		<u>26,985,618</u>
COSTS AND EXPENSES								
Cost of real estate sales		5,977,580		11,084,678		5,119,652		9,719,303
Hotel operations		459,386		787,198		218,861		421,134
Operating expenses		3,240,106		6,167,920		2,481,607		4,869,033
Interest and other charges - net		696,103		1,714,597		944,463		2,177,404
Tax expense		<u>1,694,391</u>		<u>3,103,001</u>		<u>1,228,057</u>		<u>2,279,359</u>
		<u>12,067,566</u>		<u>22,857,394</u>		<u>9,992,640</u>		<u>19,466,233</u>
NET PROFIT FOR THE PERIOD								
	P	<u>4,750,108</u>	P	<u>8,866,390</u>	P	<u>4,032,044</u>	P	<u>7,519,385</u>
Net profit attributable to:								
Company's shareholders	P	4,471,159	P	8,307,466	P	3,887,147	P	7,186,443
Non-controlling interests		<u>278,949</u>		<u>558,924</u>		<u>144,897</u>		<u>332,942</u>
	P	<u>4,750,108</u>	P	<u>8,866,390</u>	P	<u>4,032,044</u>	P	<u>7,519,385</u>
Earnings Per Share :								
Basic	P	<u>0.140</u>	P	<u>0.261</u>	P	<u>0.122</u>	P	<u>0.226</u>
						-		
Diluted	P	<u>0.140</u>	P	<u>0.260</u>	P	<u>0.122</u>	P	<u>0.225</u>

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

	2019 Unaudited Apr 1 - Jun 30		2019 Unaudited Jan 1 - Jun 30		2018 Unaudited Apr 1 - Jun 30 (As Restated)		2018 Unaudited Jan 1 - Jun 30 (As Restated)	
<b>NET PROFIT FOR THE PERIOD</b>	<b>P</b>	<b>4,750,108</b>	<b>P</b>	<b>8,866,390</b>	<b>P</b>	<b>4,032,044</b>	<b>P</b>	<b>7,519,385</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>								
Items that will not be reclassified subsequently to consolidated profit or loss:								
Fair value gains (losses) on financial assets at fair value through other comprehensive income		<u>75,007</u>		<u>526,448</u>		<u>132,943</u>	(	<u>198,159</u> )
Items that will be reclassified subsequently to consolidated profit or loss:								
Unrealized gain (loss) on cash flow hedge	(	<u>79,962</u> )	(	<u>179,583</u> )		<u>4,909</u>		<u>177,120</u>
Exchange difference on translating foreign operations	(	<u>14,879</u> )		<u>30,478</u>		<u>13,230</u>		<u>36,866</u>
	(	<u>94,841</u> )	(	<u>149,105</u> )		<u>18,139</u>		<u>213,986</u>
<b>Total Other Comprehensive Income (Loss)</b>	(	<u>19,834</u> )		<u>377,343</u>		<u>151,082</u>		<u>15,827</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>P</b>	<b><u>4,730,274</u></b>	<b>P</b>	<b><u>9,243,733</u></b>	<b>P</b>	<b><u>4,183,126</u></b>	<b>P</b>	<b><u>7,535,212</u></b>
<b>Total comprehensive income attributable to:</b>								
Company's shareholders		<u>4,378,500</u>		<u>8,611,984</u>		<u>4,128,349</u>		<u>7,292,390</u>
Non-controlling interests		<u>351,774</u>		<u>631,749</u>		<u>54,777</u>		<u>242,822</u>
	<b>P</b>	<b><u>4,730,274</u></b>	<b>P</b>	<b><u>9,243,733</u></b>	<b>P</b>	<b><u>4,183,126</u></b>	<b>P</b>	<b><u>7,535,212</u></b>

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

**EXHIBIT 3**

	Unaudited June 30, 2019		Unaudited June 30, 2018 <i>(As Restated)</i>	
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 )
TRANSLATION RESERVES	(	349,960 )	(	345,239 )
REVALUATION RESERVES	(	2,865,899 )	(	2,287,131 )
PERPETUAL CAPITAL SECURITIES		10,237,899		10,315,887
RETAINED EARNINGS		113,914,888		100,504,651
NON-CONTROLLING INTERESTS		<u>25,325,749</u>		<u>22,561,129</u>
TOTAL EQUITY	P	<u>194,717,812</u>	P	<u>179,204,432</u>

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

**EXHIBIT 4**

	Unaudited June 30, 2019		Unaudited June 30, 2018 <i>(As Restated)</i>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax	P	11,969,391	P	9,798,744
Adjustments for:				
Depreciation and amortization		1,254,286		1,060,590
Interest and other charges		758,196		1,861,403
Interest and other income	(	1,379,367 )	(	567,305 )
Employee share options		11,104		13,285
Equity in net earnings of associates	(	44,134 )	(	45,868 )
Operating profit before working capital changes		12,569,476		12,120,849
Net Changes in Operating Assets and Liabilities				
Increase in current and non-current assets	(	5,711,091 )	(	5,455,208 )
Increase in current and non-current liabilities		4,660,761		2,540,030
Cash generated from operations		11,519,146		9,205,671
Cash paid for income taxes	(	1,313,946 )	(	1,233,009 )
<b>NET CASH FROM OPERATING ACTIVITIES</b>		10,205,200		7,972,662
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>	(	4,906,890 )	(	5,455,470 )
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>	(	7,246,573 )	(	3,378,434 )
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(	1,948,263 )	(	861,242 )
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		17,543,095		16,430,137
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	P	15,594,832	P	15,568,895

**MEGAWORLD CORPORATION AND SUBSIDIARIES**  
*(A Subsidiary of Alliance Global Group, Inc.)*  
**NOTES TO INTERIM FINANCIAL INFORMATION**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018**  
**(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. As a stock corporation, the Company's corporate life is 50 years.

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 28<sup>th</sup> Floor, The World Centre, Sen. Gil Puyat Avenue, Makati City to 30<sup>th</sup> Floor, Alliance Global Tower, 36<sup>th</sup> Street cor. 11<sup>th</sup> 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 food and beverage, 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 7<sup>th</sup> 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:

Subsidiaries/Associates	Explanatory Notes	Effective Percentage of Ownership	
		June 2019	December 2018
<b>Subsidiaries:</b>			
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%
Luxury Global Hotels and Leisure, Inc. (LGHLI)		100%	100%

Subsidiaries/Associates	Explanatory Notes	Effective Percentage of Ownership	
		June 2019	December 2018
<b>Subsidiaries:</b>			
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)		100%	100%
San Vicente Coast, Inc. (SVCI)	(a)	100%	100%
Hotel Lucky Chinatown, Inc. (HLCI)	(f)	100%	100%
Savoy Hotel Manila, Inc. (SHMI)	(f)	100%	100%
Megaworld Bacolod Properties, Inc. (MBPI)		91.55%	91.55%
Megaworld Central Properties, Inc. (MCPI)	(b)	76.55%	76.55%
Megaworld Capital Town, Inc. (MCTI)		76.28%	76.28%
Soho Café and Restaurant Group, Inc. (SCRGI)		75%	75%
Manila Bayshore Property Holdings, Inc. (MBPHI)	(d)	68.03%	68.03%
La Fuerza, Inc. (LFI)		66.67%	66.67%
Megaworld-Daewoo Corporation (MDC)		60%	60%
Northwin Properties, Inc. (NWPI)	(a)	60%	60%
Gilmore Property Marketing Associates, Inc. (GPMAI)	(a, c)	52.14%	52.14%
Megaworld Globus Asia, Inc. (MGAI)		50%	50%
Integrated Town Management Corporation (ITMC)		50%	50%
Maple Grove Land, Inc. (MGLI)	(a)	50%	50%
Megaworld Land, Inc. (MLI)		100%	100%
City Walk Building Administration, Inc. (CBAI)		100%	100%
Forbestown Commercial Center Administration, Inc. (FCCAI)		100%	100%
Paseo Center Building Administration, Inc. (PCBAI)		100%	100%
Uptown Commercial Center Administration, Inc. (UCCAI)		100%	100%
Iloilo Center Mall Administration, Inc. (ICMAI)		100%	100%
Newtown Commercial Center Administration, Inc. (NCCAI)		100%	100%
Valley Peaks Property Management, Inc. (VPPMI)		100%	100%
San Lorenzo Place Commercial Center Administration, Inc. (SLPCCAI)		100%	100%
Southwoods Lifestyle Mall Management, Inc. (SLMMI)		100%	100%
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%
Stateland, Inc. (STLI)	(g)	96.87%	96.87%



Subsidiaries/Associates	Notes	Effective Percentage of Ownership	
		June 2019	December 2018
<b>Subsidiaries:</b>			
Global-Estate Resorts, Inc. (GERI)		82.32%	82.32%
Southwoods Mall, Inc. (SMI)		91.09%	91.09%
Twin Lakes Corporation (TLC)	(e)	90.99%	90.99%
Twin Lakes Hotel, Inc. (TLHI)	(h)	90.99%	90.99%
Megaworld Global-Estate, Inc. (MGEI)		89.39%	89.39%
Elite Communities Property Services, Inc. (ECPSI)	(h)	82.32%	82.32%
Fil-Estate Properties, Inc. (FEPI)		82.32%	82.32%
Aklan Holdings, Inc. (AHI)	(a)	82.32%	82.32%
Blu Sky Airways, Inc. (BSAI)	(a)	82.32%	82.32%
Fil-Estate Subic Development Corp. (FESDC)	(a)	82.32%	82.32%
Fil-Power Construction Equipment Leasing Corp. (FPCELC)	(a)	82.32%	82.32%
Golden Sun Airways, Inc. (GSAI)	(a)	82.32%	82.32%
La Compañía De Sta. Barbara, Inc. (LCSBI)		82.32%	82.32%
MCX Corporation (MCX)	(a)	82.32%	82.32%
Pioneer L-5 Realty Corp. (PLRC)	(a)	82.32%	82.32%
Prime Airways, Inc. (PAI)	(a)	82.32%	82.32%
Sto. Domingo Place Development Corp. (SDPDC)		82.32%	82.32%
Fil-Power Concrete Blocks Corp. (FPCBC)	(a)	82.32%	82.32%
Fil-Estate Industrial Park, Inc. (FEIPI)	(a)	65.03%	65.03%
Sherwood Hills Development, Inc. (SHD)		45.28%	45.28%
Fil-Estate Golf and Development, Inc. (FEGDI)		82.32%	82.32%
Golforce, Inc. (Golforce)		82.32%	82.32%
Southwoods Ecocentrum Corp. (SWEC)		49.39%	49.39%
Philippine Aquatic Leisure Corp. (PALC)	(a)	49.39%	49.39%
Fil-Estate Urban Development Corp. (FEUDC)		82.32%	82.32%
Novo Sierra Holdings Corp. (NSHC)	(a)	82.32%	82.32%
Global Homes and Communities, Inc. (GHCI)	(a)	82.32%	82.32%
Oceanfront Properties, Inc. (OFPI)		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 <sup>th</sup> Century Nylon Shirt, Inc. (CNSI)	(a)	81.73%	81.73%
Laguna BelAir School, Inc. (LBASI)		59.67%	59.67%
Sonoma Premier Land, Inc. (SPLI)	(a)	49.04%	49.04%
Pacific Coast Mega City, Inc. (PCMCI)	(i)	32.69%	16.35%
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%
<b>Associates:</b>			
Bonifacio West Development Corporation (BWDC)		46.11%	46.11%
Suntrust Home Developers, Inc. (SHDI)		45.67%	45.67%
First Oceanic Property Management, Inc. (FOPMI)		45.67%	45.67%
Citylink Coach Services, Inc. (CCSI)		45.67%	45.67%
Palm Tree Holdings and Development Corporation (PTHDC)	(a)	40%	40%

Subsidiaries/Associates	Notes	Effective Percentage of Ownership	
		June 2019	December 2018
<b>Associates:</b>			
GERI			
Fil-Estate Network, Inc. (FENI)		16.46%	16.46%
Fil-Estate Sales, Inc. (FESI)		16.46%	16.46%
Fil-Estate Realty and Sales Associates, Inc. (FERSAI)		16.46%	16.46%
Fil-Estate Realty Corp. (FERC)		16.46%	16.46%
Nasugbu Properties, Inc. (NPI)		11.52%	11.52%
Boracay Newcoast Hotel Group, Inc. (BNHGI)	(j)	-	12.35%

Explanatory Notes:

- (a) These are entities which have not yet started commercial operations as at June 30, 2019.
- (b) As at June 30, 2019, 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.
- (c) As at June 30, 2019, 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.
- (d) In 2017, the Company and Travellers International Hotel Group, Inc. (TIHGI) equally subscribed to additional shares of MBPHI amounting to P0.2 billion each. In 2018, the Company subscribed to additional shares of MBPHI amounting to P1.7 million increasing its effective ownership to 67.43%.
- (e) In 2018, the Company acquired shares of TLC increasing its effective ownership to 90.99%.
- (f) HLGI and SHMI were incorporated in 2018 and are engaged in hotel operations.
- (g) In June 2018, the Company and SPI acquired common shares of STLI from previous stockholders equivalent to 17.40% and 79.74% ownership interest, respectively. STLI are engaged in the same line of business as the Company.
- (h) In 2018, GERI acquired shares of ECPSI, and TLHI through TLC resulting into 82.32% and 90.99% effective ownership over ECPSI and TLHI, respectively.
- (i) PCMI is considered as an associate of the Company from 2015. The Company obtained de facto control over PCMI in 2018 by aligning their key executives and Boards of Directors (BODs). The acquisition was accounted for as pooling-of-interest method of accounting; hence, neither goodwill nor gain on acquisition was recognized. In January 2019, EELHI acquired an additional share of PCMI, increasing its ownership interest to 40%.
- (j) As at June 2019, FEPI sold an aggregate of 100% ownership interest in BNHGI.

Except for MCII and RHGI, all the subsidiaries and associates were incorporated and have their principal place of business in the Philippines. MCII was incorporated and have 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 and associates, except for entities which have not yet started commercial operations as at June 30, 2019, are presently engaged in the real estate business, hotel, condominium-hotel operations, construction, restaurant operations, business process outsourcing, educational facilities provider and property management operations, and marketing services.

There are no significant restrictions on the Company's ability to access or use the assets and settle the liabilities of the Group.

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, 2019 and 2018 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, 2018.

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 Effect of Restatement to Comparative Financial Statements***

The Group has applied PFRS 9, *Financial Instruments*, PFRS 15, *Revenue from Contracts with Customers*, and the related Philippine Interpretations Committee (PIC) Question & Answer(Q&A) No., 2018-12 which were applied retrospectively in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. Consequently, it restated the comparative interim condensed consolidated financial statements for the six months ended June 30, 2018. The effects of the adoption of PFRS 9, PFRS 15 & PIC Q&A 2018-12 on the interim consolidated statements of income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six months ended June 30, 2018 are shown in the succeeding page.

	<b><u>Increase / (Decrease)</u></b>
	<b><i>(In thousand pesos)</i></b>
<b><i>Interim Consolidated Statement of Income</i></b>	
<i>Revenues and Income</i>	
Real estate sales	P 3,416,174
Interest income on real estate sales	( 955,851)
Realized gross profit on real estate sales	( 2,596,895)
Interest and other income – net	<u>351,022</u>
	<u>214,450</u>
<i>Costs and Expenses</i>	
Cost of real estate sales	1,506,807
Deferred gross profit	( 1,898,652)
Operating expenses	305,448
Interest and other charges – net	289,765
Tax expense	( <u>2,820</u> )
	<u>200,548</u>
<i>Effect on Net Income</i>	<b><u>P 13,902</u></b>
<b><i>Interim Consolidated Statement of Changes in Equity</i></b>	
Revaluation reserves	(P 1,367,591)
Retained earnings	3,620,752
Non-controlling interests	( <u>22,584,671</u> )
	<b><u>(P 20,331,510)</u></b>
<b><i>Interim Consolidated Statement of Cash Flows</i></b>	
<i>Cash flows from operating activities</i>	
Profit before tax	P 11,081
Changes in working capital	<u>857,651</u>
	<u>868,732</u>
<i>Cash flows from investing activities</i>	( <u>868,732</u> )
<i>Net effect in cash flows</i>	<b><u>P -</u></b>

### 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, 2018.

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, 2019 and as at December 31, 2018, 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, 2019 and 2018 and certain asset and liability information regarding segments as at June 30, 2019 and 2018.

June 30, 2019						
	Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
<b>TOTAL REVENUES</b>						
Sales to external customers	P 20,159,154,649	P 8,143,417,556	P 1,284,004,460	P 409,002,916	P -	P 29,995,579,581
Interest income	874,735,761	280,759,441	2,286,893	826,698	-	1,158,608,793
Intersegment sales	-	308,127,403	-	1,209,598,786	( 1,517,726,189)	-
Total revenues	<u>21,033,890,410</u>	<u>8,732,304,400</u>	<u>1,286,291,353</u>	<u>1,619,428,400</u>	<u>( 1,517,726,189)</u>	<u>31,154,188,374</u>
<b>RESULTS</b>						
Cost of sales and operating expense excluding depreciation and amortization	14,629,884,838	1,107,725,856	994,461,753	1,721,460,870	( 1,433,503,919)	17,020,029,398
Interest expense	785,890,388	240,851,759	-	15,054,710	-	1,041,796,857
Depreciation and amortization	157,587,367	979,744,879	54,904,570	62,048,826	-	1,254,285,642
	<u>15,573,362,593</u>	<u>2,328,322,494</u>	<u>1,049,366,323</u>	<u>1,798,564,406</u>	<u>( 1,433,503,919)</u>	<u>19,316,111,897</u>
Segment results	<u>P 5,460,527,817</u>	<u>P 6,403,981,906</u>	<u>P 236,925,030</u>	<u>(P 179,136,006)</u>	<u>(P 84,222,270)</u>	<u>P 11,838,076,477</u>
Other income						525,462,230
Other expenses					( 438,281,189)	
Equity in net earnings of associates						44,133,621
Tax expense					( 3,103,001,489)	
Net profit						<u>P 8,866,389,650</u>
<b>ASSETS AND LIABILITIES</b>						
Segment assets	P 214,264,643,852	P100,057,317,332	P 4,498,111,278	P 7,551,250,805	P -	P 326,371,323,267
Investments in and advances to associates and other related parties - net	-	-	-	4,748,081,562	-	4,748,081,562
Total assets	<u>P214,264,643,852</u>	<u>P100,057,317,332</u>	<u>P 4,498,111,278</u>	<u>P 12,299,332,367</u>	<u>P -</u>	<u>P 331,119,404,829</u>
Segment liabilities	<u>P 96,250,090,262</u>	<u>P 30,940,326,984</u>	<u>P 963,657,852</u>	<u>P 8,247,517,728</u>	<u>P -</u>	<u>P 136,401,592,826</u>
June 30, 2018 (As Restated)						
	Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
<b>TOTAL REVENUES</b>						
Sales to external customers	P 18,081,268,816	P 6,790,498,316	P 715,162,457	P 427,475,456	P -	P 26,014,405,045
Interest income	752,680,714	164,663,250	1,247,005	591,435	-	919,182,404
Intersegment sales	-	256,774,422	-	684,748,393	( 941,522,815)	-
Total revenues	<u>18,833,949,530</u>	<u>7,211,935,988</u>	<u>716,409,462</u>	<u>1,112,815,284</u>	<u>( 941,522,815)</u>	<u>26,933,587,449</u>
<b>RESULTS</b>						
Cost of sales and operating expense excluding depreciation and amortization	12,748,375,230	869,705,013	518,954,157	944,237,208	( 890,749,182)	14,190,522,426
Interest expense	642,715,186	213,246,930	-	8,760,670	-	864,722,786
Depreciation and amortization	145,363,243	813,114,834	40,012,461	62,100,226	-	1,060,590,764
	<u>13,536,453,659</u>	<u>1,896,066,777</u>	<u>558,966,618</u>	<u>1,015,098,104</u>	<u>( 890,749,182)</u>	<u>16,115,835,976</u>
Segment results	<u>P 5,297,495,871</u>	<u>P 5,315,869,211</u>	<u>P 157,442,844</u>	<u>P 97,717,180</u>	<u>(P 50,773,633)</u>	<u>P 10,817,751,473</u>
Other income						6,162,441
Other expenses					( 1,071,038,132)	
Equity in net earnings of associates						45,868,429
Tax expense					( 2,279,358,972)	
Net profit						<u>P 7,519,385,239</u>
<b>ASSETS AND LIABILITIES</b>						
Segment assets	P 186,137,185,971	P 90,678,436,587	P 3,160,635,840	P 7,898,361,444	P -	P 287,874,619,842
Investments in and advances to associates and other related parties - net	-	-	-	5,742,637,932	-	5,742,637,932
Total assets	<u>P 186,137,185,971</u>	<u>P90,678,436,587</u>	<u>P 3,160,635,840</u>	<u>P 13,640,999,376</u>	<u>P -</u>	<u>P293,617,257,774</u>
Segment liabilities	<u>P 78,891,975,343</u>	<u>P29,202,907,262</u>	<u>P 388,278,722</u>	<u>P 5,929,665,096</u>	<u>P -</u>	<u>P 114,412,826,423</u>



## 5. CASH DIVIDENDS

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

	<u>2019</u>
Declaration date/date of approval by BOD	June 21, 2019
Date of record	July 05, 2019
Date of payment	July 31, 2019
Amount declared and for payment	<u><u>2,379,182,809</u></u>

## 6. EARNINGS PER SHARE

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

	<u>June 30, 2019</u>	June 30, 2018 (As Restated)
Net profit attributable to Company's shareholders	<b>P 8,307,465,663</b>	P 7,186,443,519
Computed dividends on cumulative preferred shares series "A"	( <u>297,534</u> )	( <u>297,534</u> )
Profit available to Company's common shareholders	<u><b>P 8,307,168,129</b></u>	<u>P 7,186,145,985</u>
Divided by weighted average number of outstanding common shares	<u><b>31,819,445,872</b></u>	<u>31,819,445,872</u>
Basic EPS	<u><b>P 0.261</b></u>	<u>P 0.226</u>
Divided by weighted average number of outstanding common shares and potential dilutive shares	<u><b>31,981,249,094</b></u>	<u>31,960,640,425</u>
Diluted EPS	<u><b>P 0.260</b></u>	<u>P 0.225</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, financial assets at FVOIC, 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, 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 nine-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 financial assets at FVOCI 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, 2019 (Unaudited)</u>		<u>December 31, 2018 (Audited)</u>	
	<u>Carrying Values</u>	<u>Fair Values</u>	<u>Carrying Values</u>	<u>Fair Values</u>
<b>Financial Assets</b>				
Loans and receivables:				
Cash and cash equivalents	P 15,594,831,724	P 15,594,831,724	P 17,543,095,320	P 17,543,095,320
Trade and other receivables – net	33,036,155,797	33,036,155,797	32,282,045,266	32,282,045,266
Advances to associates and other related parties	2,719,154,528	2,719,154,528	2,631,773,618	2,631,773,618
Guarantee and other deposits	953,469,182	953,469,182	896,576,344	896,576,344
Derivative asset	73,453,418	73,453,418	397,835,428	397,835,428
	<u>P 53,277,064,649</u>	<u>P 53,277,064,649</u>	<u>P 53,751,325,976</u>	<u>P 53,751,325,976</u>
Financial assets at FVOCI – Equity securities	<u>P 5,026,506,706</u>	<u>P 5,026,506,706</u>	<u>P 4,474,947,699</u>	<u>P 4,474,947,699</u>
<b>Financial Liabilities</b>				
Financial liabilities at amortized cost:				
Interest-bearing				
loans and borrowings	P 45,676,831,485	P 43,252,608,190	P 50,640,611,750	P 49,272,564,221
Bonds payable	24,769,230,251	23,092,159,177	25,102,042,365	23,366,702,221
Redeemable preferred shares	1,006,390,320	1,006,390,320	1,006,390,320	1,006,390,320
Trade and other payables	22,189,940,550	22,189,940,550	13,681,236,131	13,681,236,131
Advances from associates and other related parties	2,834,109,582	2,834,109,582	2,885,463,118	2,885,463,118
	<u>P 96,476,502,188</u>	<u>P 92,375,207,819</u>	<u>P 93,315,743,684</u>	<u>P 90,212,356,011</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.

- a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- b) 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,
- c) 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 Php30.63 million financial assets at FVOCI categorized in Level 3, all other financial assets at FVOCI 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.

## **11. EVENT AFTER THE END OF THE REPORTING PERIOD**

In August 9, 2019, the Company's Board of Directors has approved the subscription to 1,820,350,874 unissued common shares by certain holders of the US\$200 million 5.375% Senior Perpetual Securities issued on April 4, 2018, with a par value of Php1.00 at a subscription price of Php5.70 per share, effective upon approval of the listing of the subscription shares in the Philippine Stock Exchange.

**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, 2019 versus June 30, 2018**

Megaworld, the country's pioneer and largest developer of townships, grew its net income by 17.91% to Php8.87 billion in the first half of 2019 from Php7.52 billion during the same period last year. Excluding a non-recurring gain of Php188.51 million in the first six months of 2019, the group saw a 15.41% increase in earnings compared to the same period last year. Net income attributable to parent company ended at Php8.31 billion during the second quarter of the year, growing 15.60% from Php7.19 billion during the same period last year. The group's double-digit growth in earnings was fueled by collective growth from each of its core businesses: real estate sales, leasing from offices and lifestyle malls, and hotel operations.

Likewise, the consolidated revenues of the group went up 17.56% from Php31.72 billion during the first half of 2019 from Php26.99 billion during the same period last year.

**Development.** Among product portfolios, the bulk of consolidated revenues came from the sale of condominium units, condotels, and residential and commercial lots, comprising 63.55% of total revenues. Real estate sales improved to Php20.16 billion during the first six months of 2019 from Php18.08 billion during the same period in 2018, a growth of 11.49% year on year. The Group's registered sales mostly came from the following projects: Bayshore Residential Resort 1 & 2, Uptown Parksuites Tower 1 & 2, One Uptown Residence, Salcedo Skysuites, Kingsford Hotel, One Eastwood Avenue Tower 1 & 2, Uptown Ritz Residence, St. Moritz Private Estate Cluster 1, The Florence, One Manchester Place, The Venice Luxury Residences, Eastwood Global Plaza Luxury Residences, Manhattan Plaza Tower 1 and Greenbelt Hamilton Tower 2.

**Leasing.** The group's leasing revenues, comprising of office and lifestyle mall leasing, soared 19.92% in the second quarter of the year, reaching Php8.14 billion in 2019 from the previous year's Php6.79 billion. This contributed 25.67% of the total consolidated revenues for the first six months of the year.

**Hotel Operations.** The Group's revenues attributable to hotel operations posted an amount of Php1.28 billion during the first half of 2019 with an increase of 79.54% from Php715.16 million for the same period last year.

Total costs and expenses amounted to Php22.86 billion, an increase by 17.42% from Php19.47 billion last year. Interest and other charges – net decreased by 21.26%, amounting to Php1.71 billion this year from Php2.18 billion in 2018. Tax expense in 2019 amounting to Php3.10 billion resulted to an increase of 36.13% from 2018 reported amount of Php2.28 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, 2019 amounted to Php331.12 billion, posting an increase of 2.73% compared to Php322.31 billion as at December 31, 2018.

The Group shows steady liquid position as at June 30, 2019 by having its current assets at Php174.46 billion as against its current obligations at Php50.57 billion. Current assets posted a slight increase of 0.98% from December 31, 2018 balance of Php172.76 billion. Current obligations reflected an increase of 13.58% from December 31, 2018 balance of Php44.52 billion.

Cash and cash equivalents decreased by 11.11% from Php17.54 billion in 2018 to Php15.59 billion in 2019. Current and non-current trade and other receivables – net increased by 2.34%, amounting to Php33.04 billion as at June 30, 2019 compared to Php32.28 billion as at December 31, 2018. Contract assets increased by 9.90%, amounting to Php24.43 billion as at June 30, 2019 compared to Php22.23 billion as at December 31, 2018. Inventories slightly increased by 0.10% from Php100.91 billion in 2018 to Php101.01 billion in 2019. This includes raw land for residential development and property development cost reclassified due to adoption PFRS 15 and PIC Q&As 2018-11, 2018-15 and 2018-12. Investment properties – net increased by 4.38% amounting to Php107.64 billion in June 30, 2019 from Php103.12 billion in December 31, 2018. This includes raw land and property development cost for office and commercial development reclassified due to adoption of PIC Q&As 2018-11, 2018-15 and 2018-12.

Trade and other payables amounted to Php20.93 billion and Php15.03 billion as at June 30, 2019 and December 31, 2018, respectively, reflecting a 39.30% increase. Contract liabilities increased by 4.32%, amounting to Php5.60 billion as at June 30, 2019 compared to Php5.37 billion as at December 31, 2018. Total current and non-current customers' deposits as at June 30, 2019 amounted to Php11.79 billion compared Php11.81 billion as at December 31, 2018 with 0.14% slight decrease.

The interest-bearing loans and borrowings current and non-current amounted to Php45.68 billion and Php50.64 billion for June 30, 2019 and December 31, 2018, respectively, reflecting a 9.80% decrease. Bonds payable decreased by 1.33%, amounting to Php24.77 billion as at June 30, 2019 compared to Php25.10 billion as at December 31, 2018. Total other liabilities amounted to Php12.47 billion from Php11.72 billion as at June 30, 2019 and December 31, 2018, respectively, translating to an increase of 6.36%.



Total Equity (including non-controlling interests) increased by 3.16% to Php194.72 billion as at June 30, 2019 from Php188.75 billion as at December 31, 2018 due to the Group's continuous profitability.

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

	June 30, 2019	December 31, 2018
Current Ratio *1	3.45:1.00	3.88:1.00
Quick Ratio *2	0.31:1.00	0.39:1.00
Debt to Equity Ratio *3	0.36:1.00	0.40:1.00

	June 30, 2019	June 30, 2018
Return on Assets *4	2.71%	2.60%
Return on Equity *5	4.99%	4.83%

\*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 2019 Financial Statements** **(Increase/decrease of 5% or more versus December 31, 2018)**

#### **Statements of Financial Position**

11.11% decrease in cash and cash equivalents

Mainly due to capital expenditure and operating activities for business expansion

9.90% increase in contract assets

Represents excess of progress of work over the right to an amount of consideration

17.59% increase in advances to contractors and suppliers

Represents advance payments to contractors and suppliers

5.31% increase in advances to landowners and joint ventures

Primarily due additional advances made to joint venture partner

12.33% increase in financial asset at fair value through other comprehensive income

Due to changes in the fair value of shares

20.21% increase in deferred tax assets - net

Due to higher deferred tax assets on taxable temporary differences

9.80% decrease in interest-bearing loans and borrowings

Due to principal payments

39.30% increase in trade and other payables

Primarily due to payable arising from declaration of dividends and higher payables to suppliers and contractors

58.16% decrease in income tax payable

Due to payment of prior year income tax due

15.86% increase in deferred tax liabilities – net

Pertains to tax effects of taxable and deductible temporary differences

6.36% increase in other liabilities

Mainly contributed by additional security deposits and advance rent from new tenants

***(Increase/decrease of 5% or more versus June 30, 2018)***

### **Statements of Income**

11.49% increase in real estate sales

Due to higher sales recognized for the period

19.92% 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

79.54% increase in hotel operations

Due to increase in hotel occupancy rates and contribution of new hotels

54.72% increase in interest and other income – net

Primarily due to gain on foreign exchange re-measurement of dollar bonds and gain on sale of an investment in associates recognized for the current period

14.05% increase in cost of real estate sales

Due to increase in real estate sales

86.92% increase in cost of hotel operations

Represents direct costs attributable to hotel operations

26.68% increase in operating expenses

Due to increase in other administrative and corporate overhead expenses

21.26% decrease in interest and other charges – net

Due to loss on foreign exchange re-measurement of dollar bonds recognized last year

36.13% 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.

There were no known material events subsequent to the end of the period that have not been reflected in the Group's Financial Statements as at the second quarter of 2019.

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 statement, the same in the current year consolidated financial statements as at the second quarter of 2019. There are no commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying consolidated financial statements.

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

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

## MEGAWORLD CORPORATION AND SUBSIDIARIES

## Aging of Accounts Receivables

June 30, 2019

(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>33,036,156</u>	<u>30,907,388</u>	<u>1,204,495</u>	<u>366,724</u>	<u>386,866</u>	<u>170,683</u>	<u>-</u>

**MEGAWORLD CORPORATION AND SUBSIDIARIES**  
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
**JUNE 30, 2019 AND DECEMBER 31, 2018**

**EXHIBIT 8**

	JUNE 30, 2019	DECEMBER 31, 2018
Current ratio	3.45 :1.00	3.88 :1.00
Quick ratio	0.31 :1.00	0.39 :1.00
Debt-to-equity ratio	0.36 :1.00	0.40 :1.00
Interest-bearing debt to total capitalization ratio	0.29 :1.00	0.32 :1.00
Asset-to-equity ratio	1.70 :1.00	1.71 :1.00
		JUNE 30, 2018
		<i>(As restated)</i>
Interest rate coverage ratio	589.62%	545.33%
Net profit margin	27.95%	27.86%
Return on assets	2.71%	2.60%
Return on equity	4.99%	4.83%

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.