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**SECURITIES AND EXCHANGE COMMISSION**

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Company Name MEGAWORLD CORP.
Industry Classification
Company Type Stock Corporation

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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
Sep 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	32,239,945,872
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

Megaworld Corporation MEG

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

For the period ended	Sep 30, 2019
Currency (indicate units, if applicable)	Php (In Thousands)

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Sep 30, 2019	Dec 31, 2018
Current Assets	184,315,732	172,762,514
Total Assets	338,234,935	322,307,277
Current Liabilities	50,689,164	44,518,725
Total Liabilities	139,452,647	133,556,082
Retained Earnings/(Deficit)	118,405,102	108,258,345
Stockholders' Equity	198,782,288	188,751,195
Stockholders' Equity - Parent	173,243,295	163,865,666
Book Value per Share	5.44	5.15

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	15,406,784	13,457,093	44,993,360	39,044,023
Gross Expense	9,543,596	7,838,527	27,583,392	22,847,997
Non-Operating Income	988,538	838,938	3,125,746	2,237,626
Non-Operating Expense	448,899	975,480	2,163,496	3,152,884
Income/(Loss) Before Tax	6,402,827	5,482,024	18,372,218	15,280,768
Income Tax Expense	1,583,977	1,159,358	4,686,978	3,438,717
Net Income/(Loss) After Tax	4,818,850	4,322,666	13,685,240	11,842,051
Net Income Attributable to Parent Equity Holder	4,489,044	4,051,700	12,796,510	11,238,143
Earnings/(Loss) Per Share (Basic)	0.14	0.12	0.4	0.35
Earnings/(Loss) Per Share (Diluted)	0.14	0.12	0.4	0.35

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	0.52	0.45
Earnings/(Loss) Per Share (Diluted)	0.52	0.45

Other Relevant Information
None

Filed on behalf by:

Name	Adrian Tadena
Designation	Legal Counsel

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **30 September 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. **30th Floor, Alliance Global Tower**
36th Street cor. 11th Avenue
Uptown Bonifacio, Taguig City 1634
Address of issuer's principal office
8. **(632) 8894-6300/6400**
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	32,239,945,872
Preferred	6,000,000,000
Total	38,239,945,872

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

Yes ☒ No ☐

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

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

11. Indicate by check mark whether the registrant:

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

Yes ☒ No ☐

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

Yes ☒

No ☐

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

Exhibit 1 - Consolidated Statements of Financial Position as of December 31, 2018 and September 30, 2019

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

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

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

Exhibit 5 - Notes to Interim Financial Information

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

Please refer to Exhibit 6 hereof.

Item 3. Aging of Accounts Receivables

Please refer to Exhibit 7 hereof.

Item 4. Schedule of Financial Soundness Indicators

Please refer to Exhibit 8 hereof.

PART II – OTHER INFORMATION

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

SIGNATURE

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

MEGAWORLD CORPORATION

Issuer

By:



FRANCISCO C. CANUTO

Treasurer (Principal Financial Officer)
and Duly Authorized Officer
November 13, 2019

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

EXHIBIT 1

	Unaudited September 30, 2019	Audited December 31, 2018
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	P 18,205,813	P 17,543,095
Trade and other receivables - net	26,299,189	25,023,427
Contract assets	16,546,356	11,131,864
Inventories	102,629,603	100,909,467
Advances to contractors and suppliers	11,495,393	8,949,748
Prepayments and other current assets	9,139,378	9,204,913
Total Current Assets	184,315,732	172,762,514
NON-CURRENT ASSETS		
Trade and other receivables - net	6,956,681	7,258,619
Contract assets	7,740,925	11,095,416
Advances to contractors and suppliers	3,240,464	2,821,521
Advances to landowners and joint ventures	7,475,066	6,910,178
Financial assets at fair value through other comprehensive income	4,400,020	4,474,948
Investments in and advances to associates and other related parties	4,758,713	4,628,640
Investment properties - net	109,208,737	103,122,073
Property and equipment - net	6,476,348	6,170,053
Deferred tax assets - net	175,305	143,663
Other non-current assets - net	3,486,944	2,919,652
Total Non-current Assets	153,919,203	149,544,763
TOTAL ASSETS	P 338,234,935	P 322,307,277

	Unaudited September 30, 2019	Audited December 31, 2018
<u>LIABILITIES AND EQUITY</u>		
CURRENT LIABILITIES		
Interest-bearing loans and borrowings	P 12,574,156	P 12,019,703
Trade and other payables	18,692,672	15,027,120
Contract liabilities	1,657,696	2,663,105
Customers' deposits	10,519,852	9,286,220
Redeemable preferred shares	251,598	251,598
Income tax payable	156,202	207,162
Other current liabilities	6,836,988	5,063,817
Total Current Liabilities	50,689,164	44,518,725
NON-CURRENT LIABILITIES		
Interest-bearing loans and borrowings	35,335,802	38,620,909
Bonds payable	24,943,718	25,102,042
Contract liabilities	3,369,388	2,705,562
Customers' deposits	3,268,713	2,523,067
Redeemable preferred shares	754,793	754,793
Deferred tax liabilities - net	11,019,703	8,951,153
Advances from associates and other related parties	2,747,995	2,885,463
Retirement benefit obligation	861,577	834,324
Other non-current liabilities	6,461,794	6,660,044
Total Non-current Liabilities	88,763,483	89,037,357
Total Liabilities	139,452,647	133,556,082
EQUITY		
Total equity attributable to the Company's shareholders	173,243,295	163,865,666
Non-controlling interests	25,538,993	24,885,529
Total Equity	198,782,288	188,751,195
TOTAL LIABILITIES AND EQUITY	P 338,234,935	P 322,307,277

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

EXHIBIT 2

	2019 Unaudited Jul 1 - Sep 30		2019 Unaudited Jan 1 -Sep 30		2018 Unaudited Jul 1 - Sep 30 <i>(As Restated)</i>		2018 Unaudited Jan 1 -Sep 30 <i>(As Restated)</i>	
REVENUES AND INCOME								
Real estate sales	P	10,557,440	P	30,716,595	P	9,469,449	P	27,550,718
Rental income		4,262,060		12,405,477		3,672,555		10,463,053
Hotel operations		587,284		1,871,288		315,089		1,030,252
Equity in net earnings of associates		18,703		62,837		33,436		79,304
Interest and other income - net		<u>969,835</u>		<u>3,062,909</u>		<u>805,502</u>		<u>2,158,322</u>
		<u>16,395,322</u>		<u>48,119,106</u>		<u>14,296,031</u>		<u>41,281,649</u>
COSTS AND EXPENSES								
Cost of real estate sales		5,795,045		16,879,723		4,939,448		14,658,751
Hotel operations		342,268		1,129,466		232,686		653,820
Operating expenses		3,406,283		9,574,203		2,666,393		7,535,426
Interest and other charges - net		448,899		2,163,496		975,480		3,152,884
Tax expense		<u>1,583,977</u>		<u>4,686,978</u>		<u>1,159,358</u>		<u>3,438,717</u>
		<u>11,576,472</u>		<u>34,433,866</u>		<u>9,973,365</u>		<u>29,439,598</u>
PROFIT FOR THE PERIOD								
BEFORE PREACQUISITION LOSS		4,818,850		13,685,240		4,322,666		11,842,051
PREACQUISITION INCOME OF A SUBSIDIARY		<u>-</u>		<u>-</u>	(	<u>166,477</u>)	(	<u>166,477</u>)
NET PROFIT FOR THE PERIOD	P	<u>4,818,850</u>	P	<u>13,685,240</u>	P	<u>4,156,189</u>	P	<u>11,675,574</u>
Net profit attributable to:								
Company's shareholders	P	4,489,044	P	12,796,510	P	4,051,700	P	11,238,143
Non-controlling interests		<u>329,806</u>		<u>888,730</u>		<u>104,489</u>		<u>437,431</u>
	P	<u>4,818,850</u>	P	<u>13,685,240</u>	P	<u>4,156,189</u>	P	<u>11,675,574</u>
Earnings Per Share :								
Basic	P	<u>0.141</u>	P	<u>0.402</u>	P	<u>0.127</u>	P	<u>0.353</u>
Diluted	P	<u>0.140</u>	P	<u>0.400</u>	P	<u>0.127</u>	P	<u>0.352</u>

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

	2019 Unaudited Jul 1 - Sep 30		2019 Unaudited Jan 1 - Sep 30		2018 Unaudited Jul 1 - Sep 30 <i>(As Restated)</i>		2018 Unaudited Jan 1 - Sep 30 <i>(As Restated)</i>	
NET PROFIT FOR THE PERIOD	P	4,818,850	P	13,685,240	P	4,156,189	P	11,675,574
OTHER COMPREHENSIVE INCOME (LOSS)								
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	(	625,961 )	(	99,513)		243,912		45,753
Items that will be reclassified subsequently to consolidated profit or loss:								
Unrealized gain (loss) on cash flow hedge	(	97,987 )	(	277,570)		39,211		216,331
Exchange difference on translating foreign operations		7,209		37,687		7,411		44,277
	(	90,778 )	(	239,883)		46,622		260,608
Total Other Comprehensive Income (Loss)	(	716,739 )	(	339,396)		290,534		306,361
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	P	4,102,111	P	13,345,844	P	4,446,723	P	11,981,935
Total comprehensive income attributable to:								
Company's shareholders		3,865,702		12,477,686		4,324,540		11,616,930
Non-controlling interests		236,409		868,158		122,183		365,005
	P	4,102,111	P	13,345,844	P	4,446,723	P	11,981,935

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

EXHIBIT 3

	Unaudited September 30, 2019		Unaudited September 30, 2018 <i>(As Restated)</i>	
CAPITAL STOCK	P	32,430,866	P	32,430,866
ADDITIONAL PAID-IN CAPITAL		16,658,942		16,657,990
TREASURY SHARES - AT COST	(	633,271 )	(	633,722)
TRANSLATION RESERVES	(	342,751 )	(	337,829)
REVALUATION RESERVES	(	3,513,492 )	(	2,021,701)
PERPETUAL CAPITAL SECURITIES		10,237,899		10,237,899
RETAINED EARNINGS		118,405,102		104,562,167
NON-CONTROLLING INTERESTS		<u>25,538,993</u>		<u>22,122,377</u>
TOTAL EQUITY	P	<u>198,782,288</u>	P	<u>183,018,047</u>

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

EXHIBIT 4

	Unaudited September 30, 2019		Unaudited September 30, 2018 (As Restated)	
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	P	18,372,218	P	15,114,291
Adjustments for:				
Depreciation and amortization		1,920,298		1,613,200
Interest and other charges		1,154,266		2,534,868
Interest and other income	(	1,617,710 )	(	905,246)
Employee share options		12,789		19,927
Equity in net earnings of associates	(	62,837 )	(	79,304)
Operating profit before working capital changes		19,779,024		18,297,736
Net Changes in Operating Assets and Liabilities				
Increase in current and non-current assets	(	8,396,905 )	(	9,926,029)
Increase in current and non-current liabilities		7,197,473		5,939,022
Cash generated from operations		18,579,592		14,310,729
Cash paid for income taxes	(	2,129,262 )	(	1,860,514)
NET CASH FROM OPERATING ACTIVITIES		16,450,330		12,450,215
CASH FLOWS USED IN INVESTING ACTIVITIES	(	7,315,330 )	(	12,697,690)
CASH FLOWS USED IN FINANCING ACTIVITIES	(	8,472,282 )	(	3,242,959)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		662,718	(	3,490,434)
BEGINNING BALANCE OF CASH AND CASH EQUIVALENT OF ACQUIRED SUBSIDIARIES		-		187,339
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		17,543,095		16,430,137
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	P	18,205,813	P	13,127,042

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
NOTES TO INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTHS ENDED SEPTEMBER 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 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 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 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:

Subsidiaries/Associates	Explanatory Notes	Effective Percentage of Ownership	
		September 2019	December 2018
Subsidiaries:			
Prestige Hotels and Resorts, Inc. (PHRI)		100%	100%
Richmonde Hotel Group International Ltd. (RHGI)		100%	100%
Eastwood Cyber One Corporation (ECOC)		100%	100%
Megaworld Cebu Properties, Inc. (MCP)		100%	100%
Megaworld Newport Property Holdings, Inc. (MNPHI)		100%	100%
Oceantown Properties, Inc. (OPI)		100%	100%
Luxury Global Hotels and Leisure, Inc. (LGHLI)		100%	100%

Subsidiaries/Associates	Explanatory Notes	Effective Percentage of Ownership	
		September 2019	December 2018
Subsidiaries:			
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	
		September 2019	December 2018
Subsidiaries:			
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 th 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%
Associates:			
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	
		September 2019	December 2018
Associates:			
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 September 30, 2019.
- (b) As at September 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 September 30, 2019, the Company's ownership in GPMI 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 September 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 September 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 nine months ended September 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 nine months ended September 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 nine months ended September 30, 2018 are shown in the succeeding page.

	<u>Increase / (Decrease)</u>
	<i>(In thousand pesos)</i>
<i>Interim Consolidated Statement of Income</i>	
<i>Revenues and Income</i>	
Real estate sales	P 4,515,576
Interest income on real estate sales	(1,396,758)
Realized gross profit on real estate sales	(3,957,613)
Interest and other income – net	<u>364,420</u>
	(<u>474,375</u>)
<i>Costs and Expenses</i>	
Cost of real estate sales	1,979,186
Deferred gross profit	(3,377,367)
Operating expenses	342,656
Interest and other charges – net	509,172
Tax expense	<u>59,557</u>
	(<u>486,796</u>)
<i>Effect on Net Income</i>	<u>P 12,421</u>
<i>Interim Consolidated Statement of Changes in Equity</i>	
Revaluation reserves	(P 1,385,285)
Retained earnings	3,632,851
Non-controlling interests	(<u>18,587</u>)
	<u>P 2,228,979</u>
<i>Interim Consolidated Statement of Cash Flows</i>	
<i>Cash flows from operating activities</i>	
Profit before tax	P 71,978
Changes in working capital	<u>2,192,230</u>
	<u>2,264,208</u>
<i>Cash flows from investing activities</i>	(<u>2,264,208</u>)
<i>Net effect in cash flows</i>	<u>P -</u>

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 nine months ended September 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 nine months ended September 30, 2019 and 2018 and certain asset and liability information regarding segments as at September 30, 2019 and 2018.

September 30, 2019						
	Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
TOTAL REVENUES						
Sales to external customers	P 30,716,595,120	P12,405,476,738	P 1,871,287,833	P 1,091,522,580	P -	P 46,084,882,271
Interest Income	1,184,569,291	416,652,702	3,142,033	1,233,863	-	1,605,597,889
Intersegment sales	-	440,659,005	-	1,982,595,449	(2,423,254,454)	-
Total revenues	<u>31,901,164,411</u>	<u>13,262,788,445</u>	<u>1,874,429,866</u>	<u>3,075,351,892</u>	<u>(2,423,254,454)</u>	<u>47,690,480,160</u>
RESULTS						
Cost of sales and operating expense excluding depreciation and amortization	22,111,059,686	1,656,248,845	1,433,558,946	3,111,709,006	(2,281,779,090)	26,030,797,393
Interest expense	1,066,117,870	348,855,831	-	22,582,065	-	1,437,555,766
Depreciation and amortization	233,773,949	1,511,312,817	83,607,768	91,603,114	-	1,920,297,648
	<u>23,410,951,505</u>	<u>3,516,417,493</u>	<u>1,517,166,714</u>	<u>3,225,894,185</u>	<u>(2,281,779,090)</u>	<u>29,388,650,807</u>
Segment results	<u>P 8,490,212,906</u>	<u>P9,746,370,952</u>	<u>P 357,263,152</u>	<u>(P 150,542,293)</u>	<u>(P 141,475,364)</u>	<u>P 18,301,829,353</u>
Other income						365,788,851
Other expenses						(358,237,583)
Equity in net earnings of associates						62,836,820
Tax expense						(4,686,977,624)
Net profit						<u>P 13,685,239,817</u>
ASSETS AND LIABILITIES						
Segment assets	P 219,535,075,917	P101,755,302,821	P 4,960,002,000	P 7,225,841,139	P -	P 333,476,221,877
Investments in and advances to associates and other related parties - net	-	-	-	4,758,712,669	-	4,758,712,669
Total assets	<u>P 219,535,075,917</u>	<u>P101,755,302,821</u>	<u>P 4,960,002,000</u>	<u>P 11,984,553,808</u>	<u>P -</u>	<u>P338,234,934,546</u>
Segment liabilities	<u>P 100,537,470,677</u>	<u>P 32,381,820,981</u>	<u>P 996,294,901</u>	<u>P 5,537,059,690</u>	<u>P -</u>	<u>P139,452,646,249</u>
September 30, 2018 (As Restated)						
	Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
TOTAL REVENUES						
Sales to external customers	P 27,550,718,333	P10,463,053,489	P 1,030,252,596	P 929,278,757	P -	P 39,973,303,175
Interest income	963,162,065	256,951,817	1,785,277	978,615	-	1,222,877,774
Intersegment sales	-	369,552,832	-	1,167,812,868	(1,537,365,700)	-
Total revenues	<u>28,513,880,398</u>	<u>11,089,558,138</u>	<u>1,032,037,873</u>	<u>2,098,070,238</u>	<u>(1,537,365,700)</u>	<u>41,196,180,949</u>
RESULTS						
Cost of sales and operating expense excluding depreciation and amortization	19,126,963,444	1,326,089,076	761,677,837	1,930,389,807	(1,477,908,747)	21,667,211,417
Interest expense	948,103,425	289,106,409	-	13,141,004	-	1,250,350,838
Depreciation and amortization	205,134,022	1,254,296,547	60,901,359	92,867,593	-	1,613,199,521
	<u>20,280,200,891</u>	<u>2,869,492,032</u>	<u>822,579,196</u>	<u>2,036,398,404</u>	<u>(1,477,908,747)</u>	<u>24,530,761,776</u>
Segment results	<u>P 8,233,679,507</u>	<u>P 8,220,066,106</u>	<u>P 209,458,677</u>	<u>P 61,671,834</u>	<u>(P 59,456,953)</u>	<u>P 16,665,419,173</u>
Other income						6,164,744
Other expenses						(1,470,120,114)
Equity in net earnings of associates						79,303,674
Tax expense						(3,438,716,602)
Preacquisition income of a subsidiary						(166,476,961)
Net profit						<u>P 11,675,573,914</u>
ASSETS AND LIABILITIES						
Segment assets	P 193,400,053,286	P 93,181,738,289	P 3,748,114,824	P 7,388,952,471	P -	P 297,718,858,870
Investments in and advances to associates and other related parties - net	-	-	-	5,828,564,050	-	5,828,564,050
Total assets	<u>P 193,400,053,286</u>	<u>P93,181,738,289</u>	<u>P 3,748,114,824</u>	<u>P 13,217,516,521</u>	<u>P -</u>	<u>P 303,547,422,920</u>
Segment liabilities	<u>P 85,718,951,052</u>	<u>P30,430,961,009</u>	<u>P 462,749,800</u>	<u>P 3,916,714,209</u>	<u>P -</u>	<u>P 120,529,376,070</u>

5. EQUITY

5.1 Cash Dividends

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

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

5.2 Perpetual Capital Securities

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.

6. EARNINGS PER SHARE

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

	<u>September 30, 2019</u>	September 30, 2018 (As Restated)
Net profit attributable to Company's Shareholders	P 12,796,509,995	P 11,238,143,379
Dividends on cumulative preferred shares series "A"	(<u>448,767</u>)	(<u>448,767</u>)
Profit available to Company's common shareholders	<u>P 12,796,061,228</u>	<u>P 11,237,694,612</u>
Divided by weighted average number of outstanding common shares	<u>31,819,501,428</u>	<u>31,819,445,872</u>
Basic EPS	<u>P 0.402</u>	<u>P 0.353</u>
Divided by weighted average number of outstanding common shares and potential dilutive shares	<u>31,981,630,113</u>	<u>31,959,436,538</u>
Diluted EPS	<u>P 0.400</u>	<u>P 0.352</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>September 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>
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	P 18,205,813,315	P 18,205,813,315	P 17,543,095,320	P 17,543,095,320
Trade and other receivables – net	33,255,869,991	33,255,869,991	32,282,045,266	32,282,045,266
Advances to associates and other related parties	2,711,082,436	2,711,082,436	2,631,773,618	2,631,773,618
Guarantee and other deposits	988,333,247	988,333,247	896,576,344	896,576,344
Derivative asset	2,007,471	2,007,471	397,835,428	397,835,428
	<u>P 55,163,106,460</u>	<u>P 55,163,106,460</u>	<u>P 53,751,325,976</u>	<u>P 53,751,325,976</u>
Financial assets at FVOCI – Equity securities	<u>P 4,400,019,756</u>	<u>P 4,400,019,756</u>	<u>P 4,474,947,699</u>	<u>P 4,474,947,699</u>

Financial Liabilities

Financial liabilities at amortized cost:

Interest-bearing				
loans and borrowings	P 47,909,958,142	P 45,151,491,636	P 50,640,611,750	P 49,272,564,221
Bonds payable	24,943,717,874	23,418,143,331	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	18,640,742,260	18,640,742,260	13,681,236,131	13,681,236,131
Advances from associates and other related parties	<u>2,747,994,475</u>	<u>2,747,994,475</u>	<u>2,885,463,118</u>	<u>2,885,463,118</u>

P 95,248,803,071 P 90,964,762,022 P 93,315,743,684 P 90,212,356,011

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 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. EVENTS AFTER THE END OF THE REPORTING PERIOD

The Company acquired 115,000,000 shares in SHDI last October 09, 2019 and sold 783,000,000 shares in SHDI last October 25, 2019, reducing its stake to 12.79%.

In October 28, 2019, the Company subscribed to 2,177,165,008 shares of SHDI out of a Php20 billion increase in capital stock at Php1.00 per share, thus retaining a 34% equity in SHDI after the increase in capital stock.

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

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

Review of September 30, 2019 versus September 30, 2018

Megaworld, the country's pioneer and largest developer of townships, grew its net income by 17.21% to Php13.69 billion in the first nine months of 2019 from Php11.68 billion during the same period last year. Excluding a non-recurring gain of Php188.51 million in the first nine months of 2019, the group saw a 15.60% increase in earnings compared to the same period last year. Net income attributable to parent company ended at Php12.80 billion during the third quarter of the year, growing 13.87% from Php11.24 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 16.56% amounting to Php48.12 billion during the first nine months of 2019 from Php41.28 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 63.83% of total revenues. Real estate sales improved to Php30.72 billion during the first nine months of 2019 from Php27.55 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: Uptown Parksuites Tower 1&2, Bayshore Residential Resort 1&2, Salcedo Sky Suites, Gentry Manor, Uptown Ritz Residence, Kingsford Hotel Bayshore, The Florence, Grand Westside Hotel, One Manchester Place, One Eastwood Avenue Tower 2, The Venice Luxury Residences, Manhattan Plaza Tower 1, Greenbelt Hamilton 2, Maple Grove Commercial District, St. Moritz Private Estate, Eight Newtown Boulevard and San Antonio Residence.

Leasing. The group's leasing revenues, comprising of office and lifestyle mall leasing, soared 18.56% in the third quarter of the year, reaching Php12.41 billion in 2019 from the previous year's Php10.46 billion. This contributed 25.78% of the total consolidated revenues for the first nine months of the year.

Hotel Operations. The Group's revenues attributable to hotel operations posted an amount of Php1.87 billion during the first nine months of 2019 with an increase of 81.63% from Php1.03 billion for the same period last year.

Total costs and expenses amounted to Php34.43 billion, an increase by 16.96% from Php29.44 billion last year. Interest and other charges – net decreased by 31.38%, amounting to Php2.16 billion this year from Php3.15 billion in 2018. Tax expense in 2019 amounting to

Php4.69 billion resulted to an increase of 36.30% from 2018 reported amount of Php3.44 billion due to higher taxable income.

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

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

Financial Condition

The Group maintains a prudent financial policy as it engages to a more competitive and challenging environment. The Group's Statements of Financial Position reflects stable financial growth. Total resources as at September 30, 2019 amounted to Php338.23 billion, posting an increase of 4.94% compared to Php322.31 billion as at December 31, 2018.

The Group shows steady liquid position as at September 30, 2019 by having its current assets at Php184.32 billion as against its current obligations at Php50.69 billion. Current assets posted an increase of 6.69% from December 31, 2018 balance of Php172.76 billion. Current obligations reflected an increase of 13.86% from December 31, 2018 balance of Php44.52 billion.

Cash and cash equivalents increased by 3.78% from Php17.54 billion in 2018 to Php18.21 billion in 2019. Current and non-current trade and other receivables – net increased by 3.02%, amounting to Php33.26 billion as at September 30, 2019 compared to Php32.28 billion as at December 31, 2018. Contract assets increased by 9.27%, amounting to Php24.29 billion as at September 30, 2019 compared to Php22.23 billion as at December 31, 2018. Inventories increased by 1.70% from Php100.91 billion in 2018 to Php102.63 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 5.90% amounting to Php109.21 billion in September 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 Php18.69 billion and Php15.03 billion as at September 30, 2019 and December 31, 2018, respectively, reflecting a 24.39% increase. Contract liabilities decreased by 6.36%, amounting to Php5.03 billion as at September 30, 2019 compared to Php5.37 billion as at December 31, 2018. Total current and non-current customers' deposits as at September 30, 2019 amounted to Php13.79 billion compared Php11.81 billion as at December 31, 2018 with 16.76% increase.

The interest-bearing loans and borrowings current and non-current amounted to Php47.91 billion and Php50.64 billion for September 30, 2019 and December 31, 2018, respectively, reflecting a 5.39% decrease. Bonds payable slightly decreased by 0.63%, amounting to

Php24.94 billion as at September 30, 2019 compared to Php25.10 billion as at December 31, 2018. Total other liabilities amounted to Php13.30 billion from Php11.72 billion as at September 30, 2019 and December 31, 2018, respectively, translating to an increase of 13.43%.

Total Equity (including non-controlling interests) increased by 5.31% to Php198.78 billion as at September 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:

	September 30, 2019	December 31, 2018
Current Ratio *1	3.64:1.00	3.88:1.00
Quick Ratio *2	0.36:1.00	0.39:1.00
Debt to Equity Ratio *3	0.37:1.00	0.40:1.00

	September 30, 2019	September 30, 2018
Return on Assets *4	4.14%	3.97%
Return on Equity *5	7.59%	7.44%

**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

9.27% increase in contract assets

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

25.18% increase in advances to contractors and suppliers

Represents advance payments to contractors and suppliers

8.17% increase in advances to landowners and joint ventures

Due to additional advances made to landowners and co-venturer

5.90% increase in investment properties - net

Mainly includes completed properties for lease and 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

22.02% increase in deferred tax assets - net

Due to higher deferred tax assets on taxable temporary differences

5.39% decrease in interest-bearing loans and borrowings

Due to principal payments

24.39% increase in trade and other payables

Due to higher payables to suppliers and contractors

6.36% decrease in contract liabilities

Represents excess of collection over the progress of work

16.76% increase in customer deposit

Pertains to amounts received from customers for sale of residential lots and condominium units not yet qualified for sales recognition

24.60% decrease in income tax payable

Due to payment of prior year income tax due

23.11% increase in deferred tax liabilities – net

Pertains to tax effects of taxable and deductible temporary differences

13.43% increase in other liabilities

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

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

Statements of Income

11.49% increase in real estate sales

Due to higher sales recognized for the period

18.56% 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

81.63% increase in hotel operations

Due to increase in hotel occupancy rates and contribution of new hotels opened in the second half of last year

20.76% decrease in equity share in net earnings of associates

Represents the company's share in the net earnings of its associates

41.91% increase in interest and other income – net

Primarily due to higher interest and other income recognized for the current period

15.15% increase in cost of real estate sales

Due to increase in real estate sales

72.75% increase in cost of hotel operations

Represents direct costs attributable to hotel operations

27.06% increase in operating expenses

Due to increase in other administrative and corporate overhead expenses

31.38% decrease in interest and other charges – net

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

36.30% 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 third 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 third 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

September 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>33,255,870</u>	<u>31,253,600</u>	<u>938,291</u>	<u>433,479</u>	<u>457,290</u>	<u>173,210</u>	<u>-</u>

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

EXHIBIT 8

	SEPTEMBER 30, 2019	DECEMBER 31, 2018
Current ratio	3.64 :1.00	3.88 :1.00
Quick ratio	0.36 :1.00	0.39 :1.00
Debt-to-equity ratio	0.37 :1.00	0.40 :1.00
Interest-bearing debt to total capitalization ratio	0.30 :1.00	0.32 :1.00
Asset-to-equity ratio	1.70 :1.00	1.71 :1.00
		SEPTEMBER 30, 2018
		<i>(As restated)</i>
Interest rate coverage ratio	614.70%	568.79%
Net profit margin	28.44%	28.28%
Return on assets	4.14%	3.97%
Return on equity	7.59%	7.44%

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.