

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, 2021
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) 8894-6300/6400
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	31,862,383,872
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:
Philippine Stock Exchange - Common and Preferred Shares
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	Sep 30, 2021
Currency (indicate units, if applicable)	Php (In Thousands)

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Sep 30, 2021	Dec 31, 2020
Current Assets	204,784,679	210,673,607
Total Assets	377,552,957	375,690,420
Current Liabilities	61,275,951	72,720,150
Total Liabilities	165,766,336	163,159,940
Retained Earnings/(Deficit)	139,965,866	131,464,174
Stockholders' Equity	211,786,621	212,530,480
Stockholders' Equity - Parent	184,282,177	185,464,231
Book Value per Share	5.86	5.89

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	13,488,480	8,364,924	34,047,594	30,815,411
Gross Expense	8,799,032	5,700,306	22,430,730	20,228,229
Non-Operating Income	979,721	1,259,592	2,822,755	2,603,805
Non-Operating Expense	1,594,514	981,601	3,663,854	2,304,089
Income/(Loss) Before Tax	4,074,655	2,942,609	10,775,765	10,886,898
Income Tax Expense	815,790	711,886	2,160,836	2,773,981
Net Income/(Loss) After Tax	3,258,865	2,230,723	8,614,929	8,112,917
Net Income Attributable to Parent Equity Holder	3,150,836	2,010,384	8,158,349	7,415,798
Earnings/(Loss) Per Share (Basic)	0.1	0.06	0.25	0.22
Earnings/(Loss) Per Share (Diluted)	0.1	0.06	0.25	0.22

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	0.32	0.37
Earnings/(Loss) Per Share (Diluted)	0.32	0.37

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 September 2021**
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	31,862,383,872
Preferred	6,000,000,000
Total	37,862,383,872

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, 2020 and September 30, 2021

Exhibit 2 - Consolidated Statements of Income for the periods ended September 30, 2021 and September 30, 2020

Exhibit 3 - Consolidated Statements of Changes in Equity as of September 30, 2021 and September 30, 2020

Exhibit 4 - Consolidated Statements of Cash Flow as of September 30, 2021 and September 30, 2020

Exhibit 5 - Notes to Interim Consolidated Financial Statements

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

November 10, 2021

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

EXHIBIT 1

	Unaudited September 30, 2021	Audited December 31, 2020
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	P 28,880,700	P 40,166,756
Trade and other receivables - net	32,812,815	31,576,137
Contract assets	12,612,096	13,265,243
Inventories	109,584,560	106,134,963
Advances to contractors and suppliers	12,439,685	11,659,295
Prepayments and other current assets	<u>8,454,823</u>	<u>7,871,213</u>
Total Current Assets	<u>204,784,679</u>	<u>210,673,607</u>
NON-CURRENT ASSETS		
Trade and other receivables - net	14,640,362	12,261,216
Contract assets	8,086,664	6,115,484
Advances to contractors and suppliers	2,583,489	3,871,630
Advances to landowners and joint operators	11,145,733	7,513,380
Financial assets at fair value through other comprehensive income	4,948,060	4,174,887
Investments in associates -net	2,971,366	3,443,097
Investment properties - net	117,266,852	114,982,489
Property and equipment - net	6,565,684	6,719,600
Deferred tax assets - net	359,871	339,877
Other non-current assets - net	<u>4,200,197</u>	<u>5,595,153</u>
Total Non-current Assets	<u>172,768,278</u>	<u>165,016,813</u>
TOTAL ASSETS	<u>P 377,552,957</u>	<u>P 375,690,420</u>

	Unaudited September 30, 2021	Audited December 31, 2020
<u>LIABILITIES AND EQUITY</u>		
CURRENT LIABILITIES		
Interest-bearing loans and borrowings	P 12,361,251	P 21,037,756
Trade and other payables	23,591,706	23,331,958
Contract liabilities	2,514,312	2,647,780
Customers' deposits	10,076,823	11,719,861
Redeemable preferred shares	251,598	251,598
Advances from associates and other related parties	2,651,708	2,683,950
Income tax payable	20,133	170,557
Other current liabilities	9,808,420	10,876,690
	<hr/>	<hr/>
Total Current Liabilities	61,275,951	72,720,150
NON-CURRENT LIABILITIES		
Interest-bearing loans and borrowings	35,074,622	24,540,410
Bonds payable	41,379,355	40,282,856
Contract liabilities	3,731,589	3,195,849
Customers' deposits	3,565,683	2,968,470
Redeemable preferred shares	251,598	251,598
Deferred tax liabilities - net	12,752,826	11,563,426
Retirement benefit obligation	789,885	819,756
Other non-current liabilities	6,944,827	6,817,425
	<hr/>	<hr/>
Total Non-current Liabilities	104,490,385	90,439,790
	<hr/>	<hr/>
Total Liabilities	165,766,336	163,159,940
EQUITY		
Total equity attributable to the Company's shareholders	184,282,177	185,464,231
Non-controlling interests	27,504,444	27,066,249
	<hr/>	<hr/>
Total Equity	211,786,621	212,530,480
	<hr/>	<hr/>
TOTAL LIABILITIES AND EQUITY	P 377,552,957	P 375,690,420

MEGAWORLD CORPORATION AND SUBSIDIARIES
 INTERIM CONSOLIDATED STATEMENTS OF INCOME

EXHIBIT 2

(In thousand pesos, except earnings per share)

	2021 Unaudited Jul 1 - Sep 30	2021 Unaudited Jan 1 -Sep 30	2020 Unaudited Jul 1 - Sep 30	2020 Unaudited Jan 1 -Sep 30
REVENUES AND INCOME				
Real estate sales	P 9,614,576	P 23,147,784	P 4,748,497	P 19,060,483
Rental income	3,321,623	9,623,163	3,366,133	10,586,743
Hotel operations	552,281	1,276,647	250,294	1,168,185
Interest and other income - net	979,721	2,822,755	1,259,592	2,603,805
	14,468,201	36,870,349	9,624,516	33,419,216
COSTS AND EXPENSES				
Cost of real estate sales	5,190,830	12,477,589	2,719,332	10,583,489
Hotel operations	337,526	776,318	149,824	720,174
Operating expenses	3,270,676	9,176,823	2,831,150	8,924,566
Equity in net losses of associates	244,821	471,730	89,220	90,609
Interest and other charges - net	1,349,693	3,192,124	892,381	2,213,480
Tax expense	815,790	2,160,836	711,886	2,773,981
	11,209,336	28,255,420	7,393,793	25,306,299
NET PROFIT FOR THE PERIOD	P 3,258,865	P 8,614,929	P 2,230,723	P 8,112,917
Net profit attributable to:				
Company's shareholders	P 3,150,836	P 8,158,349	P 2,010,384	P 7,415,798
Non-controlling interests	108,029	456,580	220,339	697,119
	P 3,258,865	P 8,614,929	P 2,230,723	P 8,112,917
Earnings Per Share :				
Basic	P 0.101	P 0.255	P 0.063	P 0.225
Diluted	P 0.100	P 0.254	P 0.064	P 0.225

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

	2021 Unaudited Jul 1 - Sep 30		2021 Unaudited Jan 1 - Sep 30		2020 Unaudited Jul 1 - Sep 30		2020 Unaudited Jan 1 - Sep 30	
NET PROFIT FOR THE PERIOD	P	3,258,865	P	8,614,929	P	2,230,723	P	8,112,917
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified								
subsequently to consolidated profit or loss:								
Fair value gains (loss) on financial assets at fair value through other comprehensive income		<u>278,552</u>		<u>525,584</u>		<u>139,344</u>		<u>(394,966)</u>
Items that will be reclassified								
subsequently to consolidated profit or loss:								
Unrealized gain (loss) on cash flow hedge		<u>13,339</u>		<u>116,620</u>		<u>69,239</u>		<u>(123,106)</u>
Exchange difference on translating foreign operations		<u>27,693</u>		<u>43,083</u>		<u>(14,500)</u>		<u>(19,182)</u>
		<u>41,032</u>		<u>159,703</u>		<u>54,739</u>		<u>(142,288)</u>
Total Other Comprehensive Income (Loss)		<u>319,584</u>		<u>685,287</u>		<u>194,083</u>		<u>(537,254)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	P	<u>3,578,449</u>	P	<u>9,300,216</u>	P	<u>2,424,806</u>	P	<u>7,575,663</u>
Total comprehensive income attributable to:								
Company's shareholders		<u>3,467,540</u>		<u>8,849,808</u>		<u>2,200,353</u>		<u>6,974,410</u>
Non-controlling interests		<u>110,909</u>		<u>450,408</u>		<u>224,453</u>		<u>601,253</u>
	P	<u>3,578,449</u>	P	<u>9,300,216</u>	P	<u>2,424,806</u>	P	<u>7,575,663</u>

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

EXHIBIT 3

	Unaudited September 30, 2021		Unaudited September 30, 2020	
CAPITAL STOCK	P	32,430,866	P	32,430,866
ADDITIONAL PAID-IN CAPITAL		16,660,844		16,660,844
TREASURY SHARES - AT COST	(1,764,347)	(1,300,391)
TRANSLATION RESERVES	(350,165)	(402,012)
REVALUATION RESERVES	(2,660,887)	(3,540,617)
PERPETUAL CAPITAL SECURITIES		-		10,237,899
RETAINED EARNINGS		139,965,866		130,426,979
NON-CONTROLLING INTERESTS		<u>27,504,444</u>		<u>26,999,875</u>
TOTAL EQUITY	P	<u>211,786,621</u>	P	<u>211,513,443</u>

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

EXHIBIT 4

	Unaudited September 30, 2021	Unaudited September 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	P 10,775,765	P 10,886,898
Adjustments for:		
Depreciation and amortization	2,518,227	2,214,276
Interest and other charges	2,410,004	1,157,987
Interest and other income	(1,015,860)	(1,938,557)
Employee share options	11,049	16,082
Equity in net losses of associates	471,730	90,609
Operating profit before working capital changes	<u>15,170,915</u>	<u>12,427,295</u>
Net Changes in Operating Assets and Liabilities		
Increase in current and non-current assets	(11,172,091)	(2,179,858)
Increase in current and non-current liabilities	769,907	4,723,081
Cash generated from operations	<u>4,768,731</u>	<u>14,970,518</u>
Cash paid for income taxes	(<u>1,450,974</u>)	(<u>1,821,069</u>)
NET CASH FROM OPERATING ACTIVITIES	3,317,757	13,149,449
CASH FLOWS USED IN INVESTING ACTIVITIES	(2,612,867)	(3,448,091)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	(<u>11,990,946</u>)	<u>9,614,433</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(11,286,056)	19,315,791
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>40,166,756</u>	<u>23,104,876</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	P <u>28,880,700</u>	P <u>42,420,667</u>

MEGAWORLD CORPORATION AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(UNAUDITED)
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

Megaworld Corporation (the Parent 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 Parent Company is presently engaged in property-related activities such as project design, construction and property management. The Parent Company's real estate portfolio includes residential condominium units, subdivision lots and townhouses, condominium-hotel projects as well as office projects and retail spaces.

Alliance Global Group, Inc. (AGI or the Ultimate Parent Company) 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.

The Parent Company and AGI's common shares are publicly-listed at the Philippine Stock Exchange (PSE).

The Parent Company's registered office address, which is also its principal place of business, is located at 30th Floor, Alliance Global Tower, 36th Street cor. 11th Avenue, Uptown Bonifacio, Taguig City. AGI's registered office address, which is also its principal 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	Explanatory Notes	<u>Effective Percentage of Ownership</u>	
		<u>September 2021</u>	<u>December 2020</u>
Subsidiaries:			
Prestige Hotels and Resorts, Inc. (PHRI)		100%	100%
Richmonde Hotel Group International Ltd. (RHGI)		100%	100%
Eastwood Cyber One Corporation (ECOC)		100%	100%
Megaworld Cebu Properties, Inc. (MCP)		100%	100%
Megaworld Newport Property Holdings, Inc. (MNPHI)		100%	100%
Oceantown Properties, Inc. (OPI)		100%	100%
Luxury Global Hotels and Leisure, Inc. (LGHLI)		100%	100%

Subsidiaries	Explanatory Notes	Effective Percentage of Ownership	
		September 2021	December 2020
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)	(a)	100%	100%
San Vicente Coast, Inc. (SVCI)	(a)	100%	100%
Hotel Lucky Chinatown, Inc. (HLCI)	(i)	100%	100%
Savoy Hotel Manila, Inc. (SHMI)	(i)	100%	100%
Savoy Hotel Mactan, Inc. (SHM)	(i)	100%	100%
Kingsford Hotel Manila, Inc. (KHMI)	(i)	100%	100%
Agile Digital Ventures, Inc. (ADVI)	(m)	100%	100%
MREIT Fund Managers, Inc. (MFMI)	(o)	100%	-
MREIT Property Managers, Inc. (MPMI)	(o)	100%	-
MREIT Inc. formerly Megaworld Holdings, Inc. (MREIT)	(o)	99.61%	-
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%
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%
Manila Bayshore Property Holdings, Inc. (MBPHI)	(d)	68.03%	68.03%
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)	(e)	100%	100%
Forbestown Commercial Center Administration, Inc. (FCCAI)	(e)	100%	100%
Paseo Center Building Administration, Inc. (PCBAI)	(e)	100%	100%
Uptown Commercial Center Administration, Inc. (UCCAI)	(e)	100%	100%
Iloilo Center Mall Administration, Inc. (ICMAI)	(e)	100%	100%
Newtown Commercial Center Administration, Inc. (NCCAI)	(e)	100%	100%
Valley Peaks Property Management, Inc. (VPPMI)	(e)	100%	100%
San Lorenzo Place Commercial Center Administration, Inc. (SLPCCAI)	(e)	100%	100%
Southwoods Lifestyle Mall Management, Inc. (SLMMI)	(e)	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%

Subsidiaries	Explanatory Notes	Effective Percentage of Ownership	
		September 2021	December 2020
Subsidiaries:			
Suntrust Two Shanata, Inc. (STSI)	(a)	100%	100%
Stateland, Inc. (STLI)	(j)	98.31%	96.87%
Global-Estate Resorts, Inc. (GERI)	(f)	82.32%	82.32%
Elite Communities Property Services, Inc. (ECPSI)	(k)	82.32%	82.32%
Southwoods Mall, Inc. (SMI)	(i)	91.09%	91.09%
Megaworld Global-Estate, Inc. (MGEI)	(f)	89.39%	89.39%
Twin Lakes Corporation (TLC)	(f)	90.99%	90.99%
Twin Lakes Hotel, Inc. (TLHI)	(k)	90.99%	90.99%
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%
Savoy Hotel Boracay, Inc. (SHBI)	(f)	82.32%	82.32%
Belmont Hotel Boracay, Inc. (BHBI)	(f)	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. (PCMI)	(l)	32.69%	32.69%
Megaworld Resort Estates, Inc. (MREI)	(b, c)	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%
Palm Tree Holdings and Development Corporation (PTHDC)	(a)	40%	40%

Associates	Explanatory Notes	<u>Effective Percentage of Ownership</u>	
		<u>September 2021</u>	<u>December 2020</u>
Associates:			
Suntrust Resort Holdings, Inc. formerly			
Suntrust Home Developers, Inc. (SRHI)	(g)	34%	34%
SWC Project Management Limited (SPML)	(n)	34%	34%
WC Project Management Limited (WPML)	(o)	34%	34%
First Oceanic Property Management, Inc. (FOPMI)	(h)	-	8.16%
Citylink Coach Services, Inc. (CCSI)	(h)	-	8.16%
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%

Explanatory Notes:

- (a) These are entities which have not yet started commercial operations as at September 30, 2021.
- (b) As at September 30, 2021, 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, 2021, 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 2018, the Company subscribed to additional shares of MBPHI amounting to P1.7 million increasing its effective ownership to 68.03%, which consists of 67.43% and 0.60% indirect ownership from TIHGI.
- (e) These were incorporated to engage in operation, maintenance, and administration of various malls and commercial centers. These companies became subsidiaries of the Company through MLI, their immediate parent company.
- (f) As a result of the additional investments in GERI in 2016, the Company's indirect ownership interest over these subsidiaries increased in proportion to the increase in effective interest over GERI. Effective ownership interest over MGEI and TLC increased to 89.39% and 83.37%, respectively. In 2018, the Company acquired shares of TLC increasing its effective ownership to 90.99%, which consists of 49% direct ownership and 41.99% indirect ownership from GERI. In 2019, SHBI and BHBI were incorporated to operate and manage resort hotels.
- (g) In 2019, the Company and TDI disposed certain number of shares over SHDI. In addition, the Company and a third party investor subscribed to the increase in capitalization over SHDI, the latter became the controlling shareholder. The foregoing transactions decreased the Company's effective ownership over SRHI to 34%.
- (h) In 2019 as a result of the Company's dilution of ownership interest over SRHI, the effective ownership of the Company over FOPMI and CCSI was also diluted to 8.16%. In 2021, SRHI has disposed of its ownership interest in FOPMI, thus the Company's effective ownership over FOPMI and CCSI is already nil.
- (i) HLCI, SHMI, and SHM were incorporated in 2018 and are engaged in hotel operations. KHMI was incorporated in 2020 and also engaged in hotel operations.
- (j) In 2018, SPI and the Company acquired shares of STLI resulting into 96.87% effective ownership over STLI consisting of 17.40% direct ownership and 79.47% indirect ownership through SPI.
- (k) In 2018, GERI acquired shares of ECPSI, and TLHI through TLC resulting into 100% and 90.99% effective ownership over ECPSI and TLHI, respectively.
- (l) PCMI is considered as an associate of the Company since 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 under the pooling-of-interest method of accounting; hence, no goodwill nor gain on acquisition was recognized. In January 2019, EELHI acquired additional shares of PCMI, increasing the effective ownership interest of the Company to 32.69%.
- (m) ADVI is a newly-incorporated subsidiary in 2020 engaged in e-commerce business.
- (n) SPML and WPML are newly incorporated subsidiaries of SHDI in 2020. These companies are engaged in project management and consultancy services.
- (o) MFMI, MPMI and MREIT are newly incorporated subsidiaries. MFMI is engaged in the business of providing fund management services to real estate investment trust (REIT) companies. MPMI is engaged in the business of providing services in relation to property management, lease management, marketing and project management. MREIT is engaged in the business of real estate investment trust, as provided under Republic Act No. 9856, the Real Estate Investment Trust of Act of 2009.

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 has principal place of business in the Cayman Islands while RHGI was incorporated and has principal place of business in the British Virgin Islands.

The Company and its subsidiaries, except for entities which have not yet started commercial operations as at September 30, 2021, are presently engaged in the real estate business, hotel, condominium-hotel operations, construction, restaurant operations, business process outsourcing, educational facilities provider, 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, MREIT and SRHI are publicly-listed companies in the Philippines.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these interim condensed consolidated financial statements are consistent with those applied in the audited consolidated financial statements as of and for the year ended December 31, 2020 except for the application of amendments to standards that became effective on January 1, 2021 (see Note 2.2)

2.1 Basis of Preparation of Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements for the nine months ended September 30, 2021 and 2020 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, 2020.

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

These interim condensed consolidated financial statements are presented in Philippine peso, the functional and presentation currency of the Group, and all values represent absolute amounts except when otherwise indicated.

2.2 Adoption of New and Amended PFRS

(a) Effective 2021 that is Relevant to the Company

The Group adopted for the first time PFRS 9 (Amendments), *Financial Instruments*, PAS 39 (Amendments), *Financial Instruments*, PAS 39 (Amendments), *Financial Instruments: Recognition and Measurement*, PFRS 7 (Amendments), *Financial Instruments: Disclosures*, PFRS 4 (Amendments), *Insurance Contracts*, and PFRS 16 (Amendments), *Leases – Interest Rate Benchmark Reform – Phase 2* which are mandatorily effective for annual periods beginning on

or after January 1, 2021. The amendments provide practical expedients for changes in the basis for determining the contractual cash flows and reliefs from certain hedge accounting requirements due to alteration of interest rate benchmark as a result of interest rate benchmark reform. Moreover, it requires an entity to disclose information that enable users to understand the nature and extent of risks resulting from interest rate benchmark reform, the management of such risks, the progress of transition to alternative benchmark rates and the management of such transition. The application of these amendments had no significant impact on the Group's interim condensed consolidated financial statements.

(b) *Effective Subsequent to 2021 but not Adopted Early*

There are pronouncements effective for annual periods subsequent to 2021, which are adopted by the FRSC. Management will adopt the relevant pronouncements in the succeeding pages in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's interim condensed consolidated financial statements.

(i) PFRS 3 (Amendments), *Business Combination – Reference to the Conceptual Framework* (effective from January 1, 2022). The amendments update an outdated reference to the Conceptual Framework in PFRS 3 without significantly changing the requirements in the standard.

(ii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022). The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

(iii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective January 1, 2022). The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

(iv) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Group:

□ PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities*. The improvements clarify the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

□ Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*. The improvement merely removes potential for confusion regarding lease incentives.

(v) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective January 1, 2023). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

(vi) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale or contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

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 condensed consolidated 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, 2020.

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, 2021 and as at December 31, 2020, 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.

5. PERPETUAL CAPITAL SECURITIES

On April 11, 2018, the Group issued bonds amounting \$200.0 million. The bonds were issued with a nominal interest of 5.375% per annum and interest is payable semi-annually in arrears every April 11 and October 11. The bonds were previously listed in the SGX-ST. The financial instruments are treated as equity securities. These bonds may be voluntarily redeemed by the Parent Company on April 11, 2023 or on any distribution date thereafter.

On January 30 to February 2, 2021, a wholly owned subsidiary made thru market purchases of all the Parent Company's U.S. \$200.0 million outstanding perpetual capital securities. On April 1, 2021, the cancellation of the Parent Company's perpetual capital securities was completed in accordance with the terms and conditions of the securities.

6. EARNINGS PER SHARE

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

	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Net profit attributable to Company's Shareholders	P 8,158,348,975	P 7,415,798,483
Distribution to holders of perpetual securities	(151,963,438)	(274,759,250)
Computed dividends on cumulative preferred shares series "A"	(448,767)	(449,180)
Profit available to Company's common shareholders	<u>P 8,005,936,770</u>	<u>P 7,140,590,053</u>
Divided by weighted average number of outstanding common shares	<u>31,450,597,729</u>	<u>31,692,421,428</u>
Basic EPS	<u>P 0.255</u>	<u>P 0.225</u>
Divided by weighted average number of outstanding common shares and potential dilutive shares	<u>31,550,719,557</u>	<u>31,788,351,849</u>
Diluted EPS	<u>P 0.254</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 condensed 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 fair value through other comprehensive income (FVOCI), 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.

	September 30, 2021 (Unaudited)		December 31, 2020 (Audited)	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets				
Financial assets at amortized cost:				
Cash and cash equivalents	P 28,880,699,527	P 28,880,699,527	P 40,166,755,908	P 40,166,755,908
Trade and other receivables	47,453,176,302	47,807,781,338	43,837,353,550	44,051,691,412
Guarantee deposits	<u>1,007,833,468</u>	<u>1,007,833,468</u>	<u>1,186,605,535</u>	<u>1,186,605,535</u>
	<u>P 77,341,709,297</u>	<u>P 77,696,314,333</u>	<u>P 85,190,714,993</u>	<u>P 85,405,052,855</u>
Financial assets at fair value through other comprehensive income – Equity securities				
	<u>P 4,948,059,949</u>	<u>P 4,948,059,949</u>	<u>P 4,174,886,430</u>	<u>P 4,174,886,430</u>
Financial Liabilities				
Financial liabilities at amortized cost:				
Interest-bearing loans and borrowings	P 47,435,873,112	P 48,545,044,557	P 45,578,166,417	P 48,094,617,843
Bonds payable	41,379,355,424	46,192,298,597	40,282,855,986	43,032,299,663
Redeemable preferred shares	503,195,160	503,195,160	503,195,160	503,195,160
Trade and other payables	23,098,273,583	23,098,273,583	22,701,125,783	22,701,125,783
Advances from subsidiaries, associate and other related parties	2,651,707,676	2,651,707,676	2,683,950,114	2,683,950,114
Lease liabilities	570,822,064	570,822,064	587,616,971	587,616,971
Subscription payable	1,114,665,008	1,114,665,008	1,114,665,008	1,114,665,008
Other liabilities	<u>4,680,327,191</u>	<u>4,680,327,191</u>	<u>5,333,560,001</u>	<u>5,333,560,001</u>
	<u>P 121,434,219,218</u>	<u>P 127,356,333,836</u>	<u>P 118,785,135,440</u>	<u>P 124,051,030,543</u>
Financial liabilities at fair value through profit or loss – Derivative liabilities				
	<u>P 219,690,110</u>	<u>P 219,690,110</u>	<u>P 758,026,441</u>	<u>P 758,026,441</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 Php2.24 billion and Php27.45 million financial assets at FVOCI categorized in Level 2 and Level 3, respectively, 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. OTHER MATTERS

11.1 Property-for-Share Swap

On April 7, 2021, the BOD of the Company approved the Property-for-Share Swap transaction with MREIT. Under the Deed of Exchange, the Company shall transfer, assign and convey absolutely in favor of MREIT all of its rights, title and interest to certain investment properties with carrying amount of Php9.20 billion in full payment of its additional subscription of 1,282,120,381 common shares with a par value of P1 per share.

The SEC certified approval of the valuation of the Property-for-Share Swap on June 2021; hence the issuance of additional common shares to the company was consummated. Accordingly, the company's direct ownership interest increased to 99.61% of the total issued and outstanding capital stock of MREIT.

11.2 MREIT Listing Application

On June 16, 2021, MREIT filed its application for a real estate investment trust (REIT) offering to the SEC in accordance with Republic Act No. 9856, otherwise known as the *Real Estate Investment Trust Act of 2009*. This includes the listing of its 2,532,121,381 existing common shares, which includes the Secondary Offer Shares of 844,300,000 common shares with an Overallotment Option of up to 105,537,500 common shares to be offered and sold by the Company to the public, under the Main Board of the PSE. The PSE approved the listing application of MREIT on August 9, 2021.

Also on June 16, 2021, MREIT filed a Registration Statement covering the registration of 2,532,121,381 existing common shares, in accordance with the requirements of the SEC's Securities Regulation Code. The Registration Statement was rendered effective on September 13, 2021.

On October 1, 2021, MREIT was listed as REIT under the Main Board of PSE and the Secondary Offer Shares of 844,300,000 common shares held by the Company were sold to the public at a price of P16.10 per share.

11.3 Continuing Impact of COVID-19

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020. The measures taken by the government to contain the virus have affected economic conditions and the Group's business operations. This resulted in a wide-ranging business suspension – disrupting the supply chains, affecting production and sales across a range of industries, and weakening the stock market. Work stoppage on construction sites and slowdown on the supply chain lead to delays on the targeted completion and turnover of projects. The imposition of community quarantine also requires the temporary adjustment of mall operating hours and has led to reduced foot traffic. Likewise, travel restrictions have resulted into a reduction in hotel occupancies. The pandemic still ensues as of September 30, 2021 and thereafter.

In the latter part of June 2021, the Government placed National Capital Region (NCR) and neighboring provinces of Rizal and Bulacan under general community quarantine (GCQ) with some restrictions, and the provinces of Laguna and Cavite under GCQ with heightened restrictions from July 1, 2021 until July 15, 2021. NCR's GCQ classification was then extended from July 16, 2021 to July 30, 2021. NCR is placed under GCQ with heightened restrictions from July 30, 2021 to August 5, 2021. On August 6, 2021 to August 20, 2021 NCR is placed under ECQ while MECQ from August 21, 2021 to September 7, 2021. From September 8, 2021 to September 30, 2021 NCR is placed under GCQ but with localized (granular) lockdown system. After which, new quarantine classifications were imposed and NCR is placed under Alert level 4 starting October 1, 2021 to October 15, 2021. On October 16, 2021 to November 4, 2021 classification was lowered to Alert level 3 and Alert level 2 from November 5, 2021 to November 21, 2021.

The Group will continue to conduct its business while placing paramount consideration on the health and welfare of its employees, customers, and other stakeholders. The Group has implemented measures to mitigate the transmission of COVID-19, such as by adjusting operating hours, making hand sanitizers available within its properties, increasing the frequency of disinfection of facilities, limiting face-to-face meetings, requiring temperature checks for employees and customers, and implementing health protocols for employees. The Group also activated business continuity plans, both at the corporate and business operations levels, and conducted scenario planning and analysis to prepare for various eventualities.

Management currently believes that it has adequate liquidity and the appropriate business plans to continue to operate the business while mitigating the risks associated with COVID-19. While the ultimate impact of the pandemic is highly uncertain and subject to change, the improvement in vaccination rates particularly in the NCR and the lowering of alert levels is expected to provide a boost to consumer confidence and positively impact the Group's operations. The Group continuously monitors the impact of COVID-19 to its business segments and stakeholders and is prepared to take actions to ensure the sustainability of its businesses.

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, 2021 versus September 30, 2020

Megaworld, the country's largest developer of integrated urban townships, saw its net income increased by 6.19% to Php8.61 billion in the third quarter of 2021 from Php8.11 billion during the same period last year.

Net income attributable to parent company stood at Php8.16 billion, increased by 10.01% from Php7.42 billion last year.

Megaworld's consolidated revenues increased by 10.33% from Php33.42 billion in the third quarter of 2020 to Php36.87 billion during the same period this year.

Development. Among product portfolios, the bulk of consolidated revenues came from the sale of condominium units and commercial lot, comprising 62.78% of total revenues. Real estate sales led the recovery as it increased by 21.44%, amounting to Php23.15 billion and Php19.06 billion for the third quarters of the years 2021 and 2020, respectively. The Group's registered sales mostly came from the following projects: San Antonio Residence, Uptown Parksuites Tower 1&2, Park McKinley West, Gentry Manor, Grand Westside Hotel, The Palladium, The Ellis, The Albany-Yorkshire & Kingsley, Iloilo Boutique Hotel, Manhattan Plaza Tower 1, Bayshore Residential Resort 2 Phase 2, Eastwood Le Grand Tower 2, St. Moritz Private Estate 2, Maple Grove Commercial District, Eastwood Global Plaza Luxury Residence, Savoy Hotel Mactan Newtown, Lafayette Park Square, and Manhattan Heights Tower B.

Leasing. The Group's rental businesses, comprising of office and lifestyle mall leasing, registered a 9.10% decline, reaching Php9.62 billion in the third quarter of 2021 from the previous year's Php10.59 billion. This contributed 26.10% 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 Php1.28 billion during the third quarter of 2021 with an increase of 9.28% from Php1.17 billion for the same period last year.

Total costs and expenses amounted to Php28.26 billion in the third quarter of 2021, an increase by 11.65% from Php25.31 billion in the same period last year. Interest and other charges – net increased by 44.21%, amounting to Php3.19 billion this third quarter 2021 from Php2.21 billion in the same period last year. Tax expense in the third quarter of 2021 amounting to Php2.16 billion resulted to a decrease of 22.10% from the same period last year's reported amount of Php2.77 billion due to lower income tax rate following the implementation of CREATE law.

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, 2021 amounted to Php377.55 billion, posting an increase of 0.50% compared to Php375.69 billion as at December 31, 2020.

The Group shows steady liquid position as at September 30, 2021 by having its current assets at Php204.78 billion as against its current obligations at Php61.28 billion. Current assets posted a decrease of 2.80% from December 31, 2020 balance of Php210.67 billion. Current obligations reflected a decrease of 15.74% from December 31, 2020 balance of Php72.72 billion.

Cash and cash equivalents decreased by 28.10% from Php40.17 billion as at December 31, 2020 to Php28.88 billion as at September 30, 2021. Current and non-current trade and other receivables – net increased by 8.25%, amounting to Php47.45 billion as at September 30, 2021 compared to Php43.84 billion as at December 31, 2020. Contract assets increased by 6.80%, amounting to Php20.70 billion as at September 30, 2021 compared to Php19.38 billion as at December 31, 2020. Inventories increased by 3.25% from Php106.13 billion as at December 31, 2020 to Php109.58 billion as at September 30, 2021. 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 1.99% amounting to Php117.27 billion in September 30, 2021 from Php114.98 billion in December 31, 2020. 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 Php23.59 billion and Php23.33 billion as at September 30, 2021 and December 31, 2020, respectively, reflecting an increase of 1.11%. Contract liabilities increased by 6.88%, amounting to Php6.25 billion as at September 30, 2021 compared to Php5.84 billion as at December 31, 2020. Total current and non-current customers' deposits as at September 30, 2021 amounted to Php13.64 billion compared Php14.69 billion as at December 31, 2020 with 7.12% decrease.

The interest-bearing loans and borrowings current and non-current amounted to Php47.44 billion and Php45.58 billion for September 30, 2021 and December 31, 2020, respectively, reflecting an increase of 4.08%. Bonds payable increased by 2.72%, amounting to Php41.38 billion as at September 30, 2021 compared to Php40.28 billion as at December 31, 2020. Total

other liabilities amounted to Php16.75 billion from Php17.69 billion as at September 30, 2021 and December 31, 2020, respectively, translating to a decrease of 5.32%.

Total Equity (including non-controlling interests) decreased by 0.35% from Php212.53 billion as at December 31, 2020 to Php211.79 billion as at September 30, 2021.

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

	September 30, 2021	December 31, 2020
Current Ratio *1	3.34:1.00	2.90:1.00
Debt to Equity Ratio *2	0.42:1.00	0.40:1.00
Net Debt to Equity Ratio *3	0.28:1.00	0.22:1.00
	September 30, 2021	September 30, 2020
Return on Assets *4	2.29%	2.24%
Return on Equity *5	4.41%	4.09%

*1 – *Current Assets / Current Liabilities*

*2 – *Total Debt / Equity (Total debt includes interest bearing loans and borrowings and bonds payable)*

*3 – *Net Debt / Equity (Net debt is total debt less cash and cash equivalents)*

*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 2021 Financial Statements (Increase/decrease of 5% or more versus December 31, 2020)

Statements of Financial Position

28.10% decrease in cash and cash equivalents

Mainly due to market purchases by a subsidiary of all outstanding perpetual capital securities of the parent company and capital expenditures for business expansion

8.25% increase in current and noncurrent trade and other receivables – net

Pertains mainly to receivables from sales and rental during the period

6.80% increase in contract asset

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

6.02% decrease in prepayments and other assets

This includes last year's deposit for cancellation of perpetual securities

48.35% increase in advances to landowners and joint ventures
Due to additional advances made to landowners and co-venturer

18.52% increase in financial assets at fair value through other comprehensive income
Due to new investment and changes in the fair value of shares

13.70% decrease in investments in associates
Due to incurred net losses of associates

5.88% increase in deferred tax assets
Due to higher deferred tax assets on taxable temporary differences

6.88% increase in contract liabilities - net
Represents excess of collection over the progress of work

7.12% decrease in customers' deposits
Pertains to amounts received from customers for sale of residential lots and condominium units not yet qualified for sales recognition

88.20% decrease in income tax payable
Due to lower tax rate following the implementation of CREATE law

10.29% increase in deferred tax liabilities – net
Pertains to tax effects of taxable and deductible temporary differences

5.32% decrease in other current and noncurrent liabilities – net
Mainly due to decrease in commission payable

(Increase/decrease of 5% or more versus September 30, 2020)

Statements of Income

21.44% increase in sales
Higher sales bookings resulting from improved construction activities

9.10% decrease in rental income
Mainly due to lower revenue from mall rentals because of the limited mall operations resulting from quarantine restrictions

9.28% increase in hotel operations
Due to opening of new hotel and improved occupancy of existing in-city hotels as they continue to accept bookings for quarantine services

420.62% increase in equity share in net losses of associates
Mainly due to incurred losses of associates

17.90% increase in cost of sales

Higher sales bookings resulting from higher percentage of project completion and improved construction activities

7.80% increase in cost of hotel operations

Represents direct costs attributable to hotel operations

44.21% increase in interest and other charges-net

Mainly due to foreign currency loss during the period

22.10% decrease in income tax expense

Due to lower tax rate following the implementation of CREATE law

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 third quarter of 2021.

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 consolidated financial statements as at third quarter of 2021.

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.

MEGAWORLD CORPORATION AND SUBSIDIARIES
Aging of Accounts Receivables
September 30, 2021
(In thousand pesos)

EXHIBIT 7

	TOTAL	CURRENT/ NOT YET DUE	1-3 Months	4-6 Months	7 Months - 1 Year	Above 1 Year	Past due accounts & items in Litigation
Type of Receivables: Trade and other receivables	<u>47,453,177</u>	<u>44,480,490</u>	<u>1,152,818</u>	<u>585,224</u>	<u>711,129</u>	<u>523,516</u>	<u>-</u>

MEGAWORLD CORPORATION AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

September 30, 2021 and December 31, 2020

EXHIBIT 8

Ratio	Formula	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Current ratio	Current assets / Current liabilities	3.34	2.90
Acid test ratio	Quick assets / Current liabilities (Quick assets include current assets less inventories)	1.55	1.44
Debt-to-equity ratio	Total debt / Total stockholders' equity (Total debt includes interest bearing loans and borrowings and bonds payable)	0.42	0.40
Asset-to-equity ratio	Total assets / Total stockholders' equity	1.78	1.77
		<u>September 30, 2021</u>	<u>September 30, 2020</u>
Solvency ratio	EBITDA / Total debt (Total debt includes interest bearing loans and borrowings and bonds payable)	0.17	0.16
Interest rate coverage ratio	EBIT / Total Interest (Total interest includes interest expense and capitalized interest)	3.92	3.89
Return on equity	Net profit attributable to Company's shareholders / Average total equity attributable to the Company's shareholders	0.04	0.04
Return on assets	Net profit/ Average total assets	0.02	0.02
Net profit margin	Net profit / Total revenues	0.23	0.24