

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 31 March 2019
2. Commission Identification Number: 167423 3. BIR Tax Identification No.: 000-477-103
4. MEGAWORLD CORPORATION  
Exact name of issuer as specified in its charter
5. Metro Manila  
Province, Country or other jurisdiction of incorporation or organization
6. (SEC Use Only)  
Industry Classification Code
7. 30<sup>th</sup> Floor, Alliance Global Tower  
36<sup>th</sup> Street cor. 11<sup>th</sup> Avenue  
Uptown Bonifacio, Taguig City 1634  
Address of issuer's principal office
8. (632) 894-6300/6400  
Issuer's telephone number, including area code
9. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Stock Outstanding
<b>Common</b>	<b>32,239,445,872</b>
<b>Preferred</b>	<b>6,000,000,000</b>
<b>Total</b>	<b>38,239,445,872</b>

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

Yes  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 March 31, 2019

Exhibit 2 - Consolidated Statements of Income for the periods ended March 31, 2019 and March 31, 2018

Exhibit 3 - Consolidated Statements of Changes in Equity as of March 31, 2019 and March 31, 2018

Exhibit 4 - Consolidated Statements of Cash Flow as of March 31, 2019 and March 31, 2018

Exhibit 5 - Notes to Interim Financial Information

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

Please refer to Exhibit 6 hereof.

### Item 3. Aging of Accounts Receivables

Please refer to Exhibit 7 hereof.

### Item 4. Schedule of Financial Soundness Indicators

Please refer to Exhibit 8 hereof.

## **PART II – OTHER INFORMATION**

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

### **SIGNATURE**

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

**MEGAWORLD CORPORATION**

Issuer

By:



**FRANCISCO C. CANUTO**

Treasurer (Principal Financial Officer)

and Duly Authorized Officer

May 15, 2019

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

EXHIBIT 1

	Unaudited March 31, 2019	Audited December 31, 2018
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	P 16,268,679	P 17,543,095
Trade and other receivables - net	25,027,772	25,023,427
Contract assets	10,408,436	11,131,864
Inventories	100,964,482	100,909,467
Advances to contractors and suppliers	10,926,243	8,949,748
Prepayments and other current assets	9,150,917	9,204,913
Total Current Assets	172,746,529	172,762,514
<b>NON-CURRENT ASSETS</b>		
Trade and other receivables - net	8,757,711	7,258,619
Contract assets	10,441,175	11,095,416
Advances to contractors and suppliers	2,680,653	2,821,521
Advances to landowners and joint ventures	7,125,211	6,910,178
Financial assets at fair value through other comprehensive income	5,172,667	4,474,948
Investments in and advances to associates and other related parties	4,800,664	4,628,640
Investment properties - net	105,470,123	103,122,073
Property and equipment - net	6,101,502	6,170,053
Deferred tax assets - net	191,047	143,663
Other non-current assets - net	3,105,989	2,919,652
Total Non-current Assets	153,846,742	149,544,763
<b>TOTAL ASSETS</b>	<b>P 326,593,271</b>	<b>P 322,307,277</b>

Unaudited March 31, 2019	Audited December 31, 2018
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**LIABILITIES AND EQUITY**

**CURRENT LIABILITIES**

Interest-bearing loans and borrowings	P 12,527,712	P 12,019,703
Trade and other payables	17,945,527	15,027,120
Contract liabilities	2,484,353	2,663,105
Customers' deposits	9,170,921	9,286,220
Redeemable preferred shares	251,598	251,598
Income tax payable	221,480	207,162
Other current liabilities	4,478,093	5,063,817
	<hr/>	<hr/>
Total Current Liabilities	47,079,684	44,518,725

**NON-CURRENT LIABILITIES**

Interest-bearing loans and borrowings	35,612,157	38,620,909
Bonds payable	25,120,404	25,102,042
Contract liabilities	2,822,999	2,705,562
Customers' deposits	1,955,475	2,523,067
Redeemable preferred shares	754,793	754,793
Deferred tax liabilities - net	9,492,317	8,951,153
Advances from associates and other related parties	2,723,819	2,885,463
Retirement benefit obligation	845,908	834,324
Other non-current liabilities	7,333,181	6,660,044
	<hr/>	<hr/>
Total Non-current Liabilities	86,661,053	89,037,357

Total Liabilities	<hr/>	<hr/>
	133,740,737	133,556,082

**EQUITY**

Total equity attributable to the Company's shareholders	167,746,027	163,865,666
Non-controlling interests	25,106,507	24,885,529
	<hr/>	<hr/>
Total Equity	192,852,534	188,751,195

<b>TOTAL LIABILITIES AND EQUITY</b>	<hr/>	<hr/>
	P 326,593,271	P 322,307,277

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

EXHIBIT 2

	2019 Unaudited Jan 1 -Mar 31	2018 Unaudited Jan 1 -Mar 31 <i>(As Restated)</i>
<b>REVENUES AND INCOME</b>		
Real estate sales	P 9,474,233	P 8,525,664
Rental income	3,925,469	3,369,561
Hotel operations	574,463	367,998
Equity share in net earnings of associates	23,048	15,630
Interest and other income - net	<u>908,897</u>	<u>682,081</u>
	<u>14,906,110</u>	<u>12,960,934</u>
<b>COSTS AND EXPENSES</b>		
Cost of real estate sales	5,107,098	4,599,651
Hotel operations	327,812	202,273
Operating expenses	2,927,814	2,387,426
Interest and other charges - net	1,018,494	1,232,941
Tax expense	<u>1,408,610</u>	<u>1,051,302</u>
	<u>10,789,828</u>	<u>9,473,593</u>
<b>NET PROFIT FOR THE PERIOD</b>	<u><u>P 4,116,282</u></u>	<u><u>P 3,487,341</u></u>
<b>Net profit attributable to:</b>		
Company's shareholders	P 3,836,307	P 3,299,296
Non-controlling interests	<u>279,975</u>	<u>188,045</u>
	<u><u>P 4,116,282</u></u>	<u><u>P 3,487,341</u></u>
<b>Earnings Per Share :</b>		
Basic	<u><u>P 0.121</u></u>	<u><u>P 0.104</u></u>
Diluted	<u><u>P 0.120</u></u>	<u><u>P 0.103</u></u>

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

	2019 Unaudited Jan 1 - Mar 31	2018 Unaudited Jan 1 - Mar 31 <i>(As Restated)</i>
<b>NET PROFIT FOR THE PERIOD</b>	P 4,116,282	P 3,487,341
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
<b>Items that will not be reclassified</b>		
<b>subsequently to consolidated profit or loss:</b>		
Fair value gains (losses) on financial assets at fair value through other comprehensive income	451,441	( 331,102 )
<b>Items that will be reclassified</b>		
<b>subsequently to consolidated profit or loss:</b>		
Unrealized gain (loss) on cash flow hedge	( 99,621 )	172,211
Exchange difference on translating foreign operations	45,357	23,636
	( 54,264 )	195,847
<b>Total Other Comprehensive Income (Loss)</b>	397,177	( 135,255 )
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	P 4,513,459	P 3,352,086
<b>Total comprehensive income attributable to:</b>		
Company's shareholders	4,233,484	3,164,041
Non-controlling interests	279,975	188,045
	P 4,513,459	P 3,352,086

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

**EXHIBIT 3**

	Unaudited March 31, 2019		Unaudited March 31, 2018 <i>(As Restated)</i>	
CAPITAL STOCK	P	32,430,866	P	32,430,866
ADDITIONAL PAID-IN CAPITAL		16,657,991		16,657,991
TREASURY SHARES - AT COST	(	633,722)	(	633,722)
TRANSLATION RESERVES	(	335,081)	(	358,469)
REVALUATION RESERVES	(	2,712,044)	(	2,515,103)
PERPETUAL CAPITAL SECURITIES		10,237,899		-
RETAINED EARNINGS		112,100,118		98,593,897
NON-CONTROLLING INTERESTS		25,106,507		22,775,505
TOTAL EQUITY	P	192,852,534	P	166,950,965

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

**EXHIBIT 4**

	Unaudited March 31, 2019	Unaudited March 31, 2018 <i>(As Restated)</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	P 5,524,892	P 4,538,643
Adjustments for:		
Depreciation and amortization	611,833	525,080
Interest and other charges	456,777	1,136,008
Interest and other income	( 661,357 )	( 277,425 )
Employee share options	5,689	6,642
Equity in net earnings of associates	( 23,048 )	( 15,630 )
Operating profit before working capital changes	5,914,786	5,913,318
Net Changes in Operating Assets and Liabilities		
Increase in current and non-current assets	( 2,134,325 )	( 2,216,632 )
Increase (decrease) in current and non-current liabilities	2,341,523	( 547,459 )
Cash generated from operations	6,121,984	3,149,227
Cash paid for income taxes	( 844,286 )	( 613,698 )
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>5,277,698</b>	<b>2,535,529</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>( 2,960,708 )</b>	<b>( 1,427,209 )</b>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>( 3,591,406 )</b>	<b>( 2,203,422 )</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>( 1,274,416 )</b>	<b>( 1,095,102 )</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>17,543,095</b>	<b>16,430,137</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>P 16,268,679</b>	<b>P 15,335,035</b>



**MEGAWORLD CORPORATION AND SUBSIDIARIES**  
*(A Subsidiary of Alliance Global Group, Inc.)*  
**NOTES TO INTERIM FINANCIAL INFORMATION**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018**  
**(UNAUDITED)**  
*(Amounts in Philippine Pesos)*

**1. CORPORATE INFORMATION**

Megaworld Corporation (the Company) was incorporated in the Philippines on August 24, 1989, primarily to engage in the development of large scale, mixed-use planned communities or townships that integrate residential, commercial, leisure and entertainment components. The Company is presently engaged in property-related activities such as project design, construction and property management. The Company's real estate portfolio includes residential condominium units, subdivision lots and townhouses, condominium-hotel projects as well as office projects and retail spaces. As a stock corporation, the Company's corporate life is 50 years.

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

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

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

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

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

Subsidiaries/Associates	Explanatory Notes	Effective Percentage of Ownership	
		March 2019	December 2018
<b>Subsidiaries:</b>			
Arcovia Properties, Inc. (API)		100%	100%
Mactan Oceanview Properties and Holdings, Inc. (MOPHI)	(a)	100%	100%
Megaworld Cayman Islands, Inc. (MCII)	(a)	100%	100%
Piedmont Property Ventures, Inc. (PPVI)	(a)	100%	100%
Stonehaven Land, Inc. (SLI)	(a)	100%	100%
Streamwood Property, Inc. (SP)	(a)	100%	100%
Global One Integrated Business Services, Inc. (GOIBSI)		100%	100%
Luxury Global Malls, Inc. (LGMI)		100%	100%
Davao Park District Holdings, Inc. (DPDHI)		100%	100%
Belmont Newport Luxury Hotels, Inc. (BNLHI)		100%	100%
Global One Hotel Group, Inc. (GOHGI)		100%	100%
Landmark Seaside Properties, Inc. (LSPI)		100%	100%
San Vicente Coast, Inc. (SVCI)	(a)	100%	100%
Hotel Lucky Chinatown, Inc. (HLCI)	(f)	100%	100%
Savoy Hotel Manila, Inc. (SHMI)	(f)	100%	100%
Megaworld Bacolod Properties, Inc. (MBPI)		91.55%	91.55%
Megaworld Central Properties, Inc. (MCPI)	(b)	76.55%	76.55%
Megaworld Capital Town, Inc. (MCTI)		76.28%	76.28%
Soho Café and Restaurant Group, Inc. (SCRGI)		75%	75%
Manila Bayshore Property Holdings, Inc. (MBPHI)	(d)	68.03%	68.03%
La Fuerza, Inc. (LFI)		66.67%	66.67%
Megaworld-Daewoo Corporation (MDC)		60%	60%
Northwin Properties, Inc. (NWPI)	(a)	60%	60%
Gilmore Property Marketing Associates, Inc. (GPMAI)	(a, c)	52.14%	52.14%
Megaworld Globus Asia, Inc. (MGAI)		50%	50%
Integrated Town Management Corporation (ITMC)		50%	50%
Maple Grove Land, Inc. (MGLI)	(a)	50%	50%
Megaworld Land, Inc. (MLI)		100%	100%
City Walk Building Administration, Inc. (CBAI)		100%	100%
Forbestown Commercial Center Administration, Inc. (FCCAI)		100%	100%
Paseo Center Building Administration, Inc. (PCBAI)		100%	100%
Uptown Commercial Center Administration, Inc. (UCCAI)		100%	100%
Iloilo Center Mall Administration, Inc. (ICMAI)		100%	100%
Newtown Commercial Center Administration, Inc. (NCCAI)		100%	100%
Valley Peaks Property Management, Inc. (VPPMI)		100%	100%
San Lorenzo Place Commercial Center Administration, Inc. (SLPCCAI)		100%	100%
Southwoods Lifestyle Mall Management, Inc. (SLMMI)		100%	100%
Suntrust Properties, Inc. (SPI)		100%	100%
Suntrust Ecotown Developers, Inc. (SEDI)		100%	100%
Governor's Hills Science School, Inc. (GHSSI)		100%	100%
Sunrays Property Management, Inc. (SPMI)		100%	100%
Suntrust One Shanata, Inc. (SOSI)	(a)	100%	100%
Suntrust Two Shanata, Inc. (STSI)	(a)	100%	100%
Stateland, Inc. (STLI)	(g)	96.87%	96.87%

Subsidiaries/Associates	Notes	Effective Percentage of Ownership	
		March 2019	December 2018
<b>Subsidiaries:</b>			
Global-Estate Resorts, Inc. (GERI)		82.32%	82.32%
Southwoods Mall, Inc. (SMI)		91.09%	91.09%
Twin Lakes Corporation (TLC)	(e)	90.99%	90.99%
Twin Lakes Hotel, Inc. (TLHI)	(h)	90.99%	90.99%
Megaworld Global-Estate, Inc. (MGEI)		89.39%	89.39%
Elite Communities Property Services, Inc. (ECPSI)	(h)	82.32%	82.32%
Fil-Estate Properties, Inc. (FEPI)		82.32%	82.32%
Aklan Holdings, Inc. (AHI)	(a)	82.32%	82.32%
Blu Sky Airways, Inc. (BSAI)	(a)	82.32%	82.32%
Fil-Estate Subic Development Corp. (FESDC)	(a)	82.32%	82.32%
Fil-Power Construction Equipment Leasing Corp. (FPCELC)	(a)	82.32%	82.32%
Golden Sun Airways, Inc. (GSAI)	(a)	82.32%	82.32%
La Compañía De Sta. Barbara, Inc. (LCSBI)		82.32%	82.32%
MCX Corporation (MCX)	(a)	82.32%	82.32%
Pioneer L-5 Realty Corp. (PLRC)	(a)	82.32%	82.32%
Prime Airways, Inc. (PAI)	(a)	82.32%	82.32%
Sto. Domingo Place Development Corp. (SDPDC)		82.32%	82.32%
Fil-Power Concrete Blocks Corp. (FPCBC)	(a)	82.32%	82.32%
Fil-Estate Industrial Park, Inc. (FEIPI)	(a)	65.03%	65.03%
Sherwood Hills Development, Inc. (SHD)		45.28%	45.28%
Fil-Estate Golf and Development, Inc. (FEGDI)		82.32%	82.32%
Golforce, Inc. (Golforce)		82.32%	82.32%
Southwoods Ecocentrum Corp. (SWEC)		49.39%	49.39%
Philippine Aquatic Leisure Corp. (PALC)	(a)	49.39%	49.39%
Fil-Estate Urban Development Corp. (FEUDC)		82.32%	82.32%
Novo Sierra Holdings Corp. (NSHC)	(a)	82.32%	82.32%
Global Homes and Communities, Inc. (GHCI)	(a)	82.32%	82.32%
Oceanfront Properties, Inc. (OFPI)		41.13%	41.13%
Empire East Land Holdings, Inc. (EELHI)		81.73%	81.73%
Eastwood Property Holdings, Inc. (EPHI)		81.73%	81.73%
Valle Verde Properties, Inc. (VVPI)	(a)	81.73%	81.73%
Sherman Oak Holdings, Inc. (SOHI)	(a)	81.73%	81.73%
Empire East Communities, Inc. (EECI)	(a)	81.73%	81.73%
20 <sup>th</sup> Century Nylon Shirt, Inc. (CNSI)	(a)	81.73%	81.73%
Laguna BelAir School, Inc. (LBASI)		59.67%	59.67%
Sonoma Premier Land, Inc. (SPLI)	(a)	49.04%	49.04%
Pacific Coast Mega City, Inc. (PCMCI)	(i)	32.69%	16.35%
Megaworld Resort Estates, Inc. (MREI)		51%	51%
Townsquare Development, Inc. (TDI)		30.60%	30.60%
Golden Panda-ATI Realty Corporation (GPARC)		30.60%	30.60%
<b>Associates:</b>			
Bonifacio West Development Corporation (BWDC)		46.11%	46.11%
Suntrust Home Developers, Inc. (SHDI)		45.67%	45.67%
First Oceanic Property Management, Inc. (FOPMI)		45.67%	45.67%
Citylink Coach Services, Inc. (CCSI)		45.67%	45.67%
Palm Tree Holdings and Development Corporation (PTHDC)	(a)	40%	40%

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

Explanatory Notes:

- (a) These are entities which have not yet started commercial operations as at March 31, 2019.
- (b) As at March 31, 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 March 31, 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) HLCI 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 March 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 March 31, 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 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 three months ended March 31, 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 three months ended March 31, 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 three months ended March 31, 2018 are shown below.

	<b><u>Increase / (Decrease)</u></b>
	<b><i>(In thousand pesos)</i></b>
<b><i>Interim Consolidated Statement of Income</i></b>	
<i>Revenues and Income</i>	
Real estate sales	P 1,321,361
Interest income on real estate sales	( 439,272)
Realized gross profit on real estate sales	( 1,189,252)
Interest and other income – net	<u>175,801</u>
	<u>( 131,362)</u>
<i>Costs and Expenses</i>	
Cost of real estate sales	490,921
Deferred gross profit	( 1,011,269)
Operating expenses	82,362
Interest and other charges – net	79,628
Tax expense	<u>31,828</u>
	<u>( 326,530)</u>
<i>Effect on Net Income</i>	<b><u>P 195,168</u></b>

***Interim Consolidated Statement of Changes in Equity***

Revaluation reserves	(P	1,457,711)
Retained earnings		3,831,297
Non-controlling interests		<u>37,579</u>
	<b>P</b>	<b><u><u>2,411,165</u></u></b>

***Interim Consolidated Statement of Cash Flows***

*Cash flows from operating activities*

Profit before tax	P	226,996
Changes in working capital		<u>34,138</u>
		<u>261,134</u>

*Cash flows from investing activities* ( 261,134 )

*Net effect in cash flows* **P -**

**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 three months ended March 31, 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 three months ended March 31, 2019 and 2018 and certain asset and liability information regarding segments as at March 31, 2019 and 2018.

	March 31, 2019					
	Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
<b>TOTAL REVENUES</b>						
Sales to external customers	P 9,474,232,590	P 3,925,468,711	P 574,463,413	P 204,221,876	P -	P 14,178,386,590
Interest income	368,714,646	145,785,941	1,228,414	432,063	-	516,161,064
Intersegment sales	-	117,827,086	-	596,873,591	( 714,700,677)	-
Total revenues	<u>9,842,947,236</u>	<u>4,189,081,738</u>	<u>575,691,827</u>	<u>801,527,530</u>	<u>( 714,700,677)</u>	<u>14,694,547,654</u>
<b>RESULTS</b>						
Cost of sales and operating expense excluding depreciation and amortization	6,673,486,387	522,911,009	433,866,637	781,885,413	( 697,937,122)	7,714,212,324
Interest expense	422,323,770	122,419,484	-	7,527,355	-	552,270,609
Depreciation and amortization	74,836,768	484,914,529	22,582,137	29,499,926	-	611,833,360
	<u>7,170,646,925</u>	<u>1,130,245,022</u>	<u>456,448,774</u>	<u>818,912,694</u>	<u>( 697,937,122)</u>	<u>8,878,316,293</u>
Segment results	<u>P 2,672,300,311</u>	<u>P 3,058,836,716</u>	<u>P 119,243,053</u>	<u>(P 17,385,164)</u>	<u>(P 16,763,555)</u>	<u>P 5,816,231,361</u>
Other income						188,514,452
Other expenses						( 502,901,860)
Equity in net earnings of associates						23,048,202
Tax expense						( 1,408,609,787)
Net profit						<u>P 4,116,282,368</u>
<b>ASSETS AND LIABILITIES</b>						
Segment assets	P 213,521,848,842	P 97,245,055,035	P 4,176,824,260	P 6,848,879,025	P -	P 321,792,607,162
Investments in and advances to associates and other related parties - net	-	-	-	4,800,663,553	-	4,800,663,553
Total assets	<u>P 213,521,848,842</u>	<u>P 97,245,055,035</u>	<u>P 4,176,824,260</u>	<u>P 11,649,542,578</u>	<u>P -</u>	<u>P 326,593,270,715</u>
Segment liabilities	<u>P 96,317,330,839</u>	<u>P 30,954,131,543</u>	<u>P 750,755,575</u>	<u>P 5,718,518,422</u>	<u>P -</u>	<u>P 133,740,736,379</u>

	March 31, 2018 (As Restated)					
	Real Estate	Rental	Hotel Operations	Corporate and Others	Elimination	Consolidated
<b>TOTAL REVENUES</b>						
Sales to external customers	P 8,525,663,795	P 3,369,561,365	P 367,997,961	P 229,397,725	P -	P 12,492,620,846
Interest income	364,397,908	87,280,942	748,619	256,404	-	452,683,873
Intersegment sales	-	127,163,403	-	335,817,157	( 462,980,560)	-
Total revenues	<u>8,890,061,703</u>	<u>3,584,005,710</u>	<u>368,746,580</u>	<u>565,471,286</u>	<u>( 462,980,560)</u>	<u>12,945,304,719</u>
<b>RESULTS</b>						
Cost of sales and operating expense excluding depreciation and amortization	5,918,082,867	449,475,562	265,855,472	528,582,392	( 426,090,178)	6,735,906,115
Interest expense	345,273,078	141,963,957	-	4,380,335	-	491,617,370
Depreciation and amortization	74,348,417	399,619,151	19,563,577	31,549,365	-	525,080,510
	<u>6,337,704,362</u>	<u>991,058,670</u>	<u>285,419,049</u>	<u>564,512,092</u>	<u>( 426,090,178)</u>	<u>7,752,603,995</u>
Segment results	<u>P 2,552,357,341</u>	<u>P 2,592,947,040</u>	<u>P 83,327,531</u>	<u>P 959,194</u>	<u>(P 36,890,382)</u>	<u>P 5,192,700,724</u>
Other expenses						( 669,686,626)
Equity in net earnings of associates						15,629,549
Tax expense						( 1,051,302,277)
Net profit						<u>P 3,487,341,370</u>
<b>ASSETS AND LIABILITIES</b>						
Segment assets	P 182,583,581,947	P 87,285,220,004	P 3,185,173,888	P 7,679,511,677	P -	P 280,733,487,516
Investments in and advances to associates and other related parties - net	-	-	-	5,515,626,622	-	5,515,626,622
Total assets	<u>P 182,583,581,947</u>	<u>P 87,285,220,004</u>	<u>P 3,185,173,888</u>	<u>P 13,195,138,299</u>	<u>P -</u>	<u>P 286,249,114,138</u>
Segment liabilities	<u>P 82,290,821,129</u>	<u>P 32,533,515,881</u>	<u>P 536,273,987</u>	<u>P 3,937,537,852</u>	<u>P -</u>	<u>P 119,298,148,849</u>

## 5. EARNINGS PER SHARE

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

	<b><u>March 31, 2019</u></b>	March 31, 2018 (As Restated)
Net profit attributable to Company's shareholders	<b>P 3,836,307,059</b>	P 3,299,296,252
Computed dividends on cumulative preferred shares series "A"	<b>( 147,945)</b>	( 147,945)
Profit available to Company's common shareholders	<b><u>P 3,836,159,114</u></b>	<u>P 3,299,148,307</u>
Divided by weighted average number of outstanding common shares	<b><u>31,819,445,872</u></b>	<u>31,819,445,872</u>
Basic EPS	<b><u>P 0.121</u></b>	<u>P 0.104</u>
Divided by weighted average number of outstanding common shares and potential dilutive shares	<b><u>31,982,179,831</u></b>	<u>31,964,493,959</u>
Diluted EPS	<b><u>P 0.120</u></b>	<u>P 0.103</u>



## 6. 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.

## 7. SEASONAL FLUCTUATIONS

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

## 8. 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.

### *8.1 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).

### *8.2 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.

### ***8.3 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.

### ***8.4 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.

### ***8.5 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.

## 9. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

### 9.1 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.

	March 31, 2019 (Unaudited)		December 31, 2018 (Audited)	
	Carrying Values	Fair Values	Carrying Values	Fair Values
<b>Financial Assets</b>				
Loans and receivables:				
Cash and cash equivalents	P 16,268,679,137	P 16,268,679,137	P 17,543,095,320	P 17,543,095,320
Trade and other receivables – net	33,785,482,836	33,785,482,836	32,282,045,266	32,282,045,266
Advances to associates and other related parties	2,792,821,939	2,792,821,939	2,631,773,618	2,631,773,618
Derivative asset	290,279,840	290,279,840	397,835,428	397,835,428
Guarantee and other deposits	928,740,116	928,740,116	896,576,344	896,576,344
	<u>P 54,066,003,868</u>	<u>P 54,066,003,868</u>	<u>P 53,751,325,976</u>	<u>P 53,751,325,976</u>
Financial assets at FVOCI – Equity securities	<u>P 5,172,666,742</u>	<u>P 5,172,666,742</u>	<u>P 4,474,947,699</u>	<u>P 4,474,947,699</u>
<b>Financial Liabilities</b>				
Financial liabilities at amortized cost:				
Interest-bearing				
loans and borrowings	P 48,139,869,242	P 46,298,908,326	P 50,640,611,750	P 49,272,564,221
Bonds payable	25,120,403,610	23,751,684,178	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	18,180,060,046	18,180,060,046	13,681,236,131	13,681,236,131
Advances from associates and other related parties	2,723,819,118	2,723,819,118	2,885,463,118	2,885,463,118
	<u>P 95,170,542,336</u>	<u>P 91,960,861,988</u>	<u>P 93,315,743,684</u>	<u>P 90,212,356,011</u>

### 9.2 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.

### 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 March 31, 2019 versus March 31, 2018

Property giant Megaworld, the country's pioneer and largest developer of townships, saw its net income grow by 18.03% to Php4.12 billion in the first quarter of 2019 from Php3.49 billion during the same period last year. Excluding a non-recurring gain of Php188.51 million in the first three months of 2019, the group saw a 12.63% growth in net income compared to the same period last year. Net income attributable to parent company ended at Php3.84 billion during the first quarter of the year, growing 16.28% from Php3.30 billion during the same period last year. The group's double-digit growth in earnings was backed by strong outputs from each of its core businesses: residential sales, leasing from offices and lifestyle malls and hotel operations.

Megaworld's consolidated revenue was up 15.01% from Php12.96 billion in the first quarter of 2018 to Php14.91 billion during the same period this year.

**Development.** Among product portfolios, the bulk of consolidated revenues came from the sale of condominium units and residential lots, comprising 63.56% of total revenues. Real estate sales remained steady with a 11.13% increase, amounting to Php9.47 billion and Php8.53 billion for the first quarter of the years 2019 and 2018, respectively. The Group's registered sales mostly came from the following projects: The Venice Luxury Residences, The Florence, Salcedo Skysuites, San Antonio Residence, One Eastwood Avenue Tower 1 & 2, Noble Place, One Uptown Residence, Manhattan Plaza Tower 1, St. Moritz Private Estate Cluster 1, One Manchester Place, Greenbelt Hamilton Tower 2, Uptown Parksuites Tower 1 & 2, Savoy Hotel Mactan Newtown, Eastwood Global Plaza Luxury Residence and Lafayette Park Square.

**Leasing.** The group's rental businesses, comprising of office and lifestyle mall leasing, soared 16.50% in the first quarter of the year, reaching Php3.93 billion in 2019 from the previous year's Php3.37 billion. This contributed 26.33% of the total consolidated revenues for the first three months of the year.

**Hotel Operations.** The Group's revenues attributable to hotel operations posted an amount of Php574.46 million during the first quarter of 2019 with an increase of 56.11% from Php368.00 million for the same period last year.

Total costs and expenses amounted to Php10.79 billion, an increase by 13.89% from Php9.47 billion last year. Interest and other charges – net decreased by 17.39%, amounting to Php1.02 billion this year from Php1.23 billion in 2018. Tax expense in 2019 amounting to

Php1.41 billion resulted to an increase of 33.99% from 2018 reported amount of Php1.05 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 March 31, 2019 amounted to Php326.59 billion, posting an increase of 1.33% compared to Php322.31 billion as at December 31, 2018.

The Group shows steady liquid position as at March 31, 2019 by having its current assets at Php172.75 billion as against its current obligations at Php47.08 billion. Current assets posted a slight decrease of 0.01% from December 31, 2018 balance of Php172.76 billion. Current obligations reflected an increase of 5.75% from December 31, 2018 balance of Php44.52 billion.

Cash and cash equivalents decreased by 7.26% from Php17.54 billion in 2018 to Php16.27 billion in 2019. Current and non-current trade and other receivables – net increased by 4.66%, amounting to Php33.79 billion as at March 31, 2019 compared to Php32.28 billion as at December 31, 2018. Contract assets decreased by 6.20%, amounting to Php20.85 billion as at March 31, 2019 compared to Php22.23 billion as at December 31, 2018. Inventories slightly increased by 0.05% from Php100.91 billion in 2018 to Php100.96 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 2.28% amounting to Php105.47 billion in March 31, 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 Php17.95 billion and Php15.03 billion as at March 31, 2019 and December 31, 2018, respectively, reflecting a 19.42% increase. Contract liabilities decreased by 1.14%, amounting to Php5.31 billion as at March 31, 2019 compared to Php5.37 billion as at December 31, 2018. Total current and non-current customers' deposits as at March 31, 2019 amounted to Php11.13 billion compared Php11.81 billion as at December 31, 2018 with 5.78% decrease.

The interest-bearing loans and borrowings current and non-current amounted to Php48.14 billion and Php50.64 billion for March 31, 2019 and December 31, 2018, respectively, reflecting a 4.94% decrease. Bonds payable slightly increased by 0.07%, amounting to

Php25.12 billion as at March 31, 2019 compared to Php25.10 billion as at December 31, 2018. Total other liabilities amounted to Php11.81 billion from Php11.72 billion as at March 31, 2019 and December 31, 2018, respectively, translating to a slight decrease of 0.75%.

Total Equity (including non-controlling interests) amounted to Php192.85 billion as at March 31, 2019 from Php188.75 billion as at December 31, 2018, an increase by 2.17% due to the Group's continuous profitability.

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

	March 31, 2019	December 31, 2018
Current Ratio *1	3.67:1.00	3.88:1.00
Quick Ratio *2	0.35:1.00	0.39:1.00
Debt to Equity Ratio *3	0.38:1.00	0.40:1.00

	March 31, 2019	March 31, 2018
Return on Assets *4	1.27%	1.22%
Return on Equity *5	2.31%	2.31%

\*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**

7.26% decrease in cash and cash equivalents

Mainly due to capital expenditure and operating activities for business expansion

6.20% decrease in contract assets

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

15.59% increase in advances to contractors and suppliers

Represents advance payments to contractors and suppliers

15.59% increase in financial asset at fair value through other comprehensive income

Due to changes in the fair value of shares

32.98% increase in deferred tax assets - net  
Due to higher deferred tax assets on taxable temporary differences

19.42% increase in trade and other payables  
Due to higher payables to suppliers and contractors

5.78% decrease in customers' deposits – current and non-current  
Due to reclassification of account resulting from recognition of sales from customers deposits

6.91% increase in income tax payable  
Mainly due to higher taxable income

6.05% increase in deferred tax liabilities – net  
Pertains to tax effects of taxable and deductible temporary differences

5.60% decrease in advances from associates and other related parties  
Due to payment of advances from other related parties

*(Increase/decrease of 5% or more versus March 31, 2018)*

### **Statements of Income**

11.13% increase in real estate sales  
Due to higher sales recognized for the period and contribution of a new subsidiary

16.50% 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

56.11% increase in hotel operations  
Due to increase in hotel occupancy rates and contribution of new hotels

47.47% increase in equity share in net earnings of associates  
Mainly due to increase in net income of associates

33.25% increase in interest and other income – net  
Mainly due to gain on sale of an investment in associates

11.03% increase in cost of real estate sales  
Due to increase in real estate sales

62.06% increase in cost of hotel operations  
Represents direct costs attributable to hotel operations

22.63% increase in operating expenses  
Due to increase in other administrative and corporate overhead expenses

17.39% decrease in interest and other charges-net

Primarily due to higher loss on foreign exchange re-measurement of dollar bonds recognized last year.

33.99% 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 first 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 first 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

EXHIBIT 7

Aging of Accounts Receivables

March 31, 2019

(In thousand pesos)

	TOTAL	CURRENT/ NOT YET DUE	1-3 Months	4-6 Months	7 Months - 1 Year	Above 1 Year	Past due accounts & items in Litigation
Type of Receivables:							
a. Trade and other receivables	<u>33,785,483</u>	<u>31,773,787</u>	<u>1,064,175</u>	<u>464,148</u>	<u>381,165</u>	<u>102,208</u>	<u>-</u>

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

**EXHIBIT 8**

	MARCH 31, 2019	DECEMBER 31, 2018
Current ratio	3.67 :1.00	3.88 :1.00
Quick ratio	0.35 :1.00	0.39 :1.00
Debt-to-equity ratio	0.38 :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	1.69 :1.00	1.71 :1.00
		MARCH 31, 2018
		<i>(As restated)</i>
Interest rate coverage ratio	545.15%	474.93%
Net profit margin	27.61%	26.91%
Return on assets	1.27%	1.22%
Return on equity	2.31%	2.31%

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.